ORGANIZATIONAL CULTURE AND CHANGE
A Small Business Implements Change

An organization’s culture, much like the culture of your life, contains important elements that impact how people think, feel, and even what they do. Some of these elements are visible, like how you dress, while others are invisible, like your values and beliefs.

Culture drives an organization and its employees, sometimes without them even knowing it, and that can be a good or bad thing. In fact, some cultures can even be labeled “toxic,” as a Forbes Magazine article outlined.\(^1\) Therefore, creating and maintaining a healthy organization culture is a critical part of a manager’s job as part of their planning role. Healthy cultures can create high performance by clearly communicating healthy organizational behaviors and norms and helping employees feel a stronger sense of organizational connection, involvement, and support. The combination of these elements creates a strong sense of employee engagement and motivation,\(^2\) which can lead to higher performance.

With the increasing pressure of global competition, the changes in technology that make communication, production, and customer service much more fluid, combined with the increasing demand from customers for better products at lower prices, many organizations find they need to modify the way they do business. Often these modifications are significant enough to require the organization to change its culture to keep up with the demands.

Even small, local organizations are finding that changing their business model to be more competitive causes a large culture change to occur. For example, a family-owned nursery business had for years set up annual Christmas tree sales at their locations so people could come look at and purchase their holiday trees. Recently, due to competition from companies like Amazon, who ship Christmas trees directly to people’s homes, the organization began to offer free delivery and set up their own Amazon account to ship trees across the country. This means the people who normally just helped people pick out a tree and put it on top of their car are now in charge of choosing a tree that fits the needs of somebody they don’t know, packaging the tree carefully to do well during transportation, and conducting an entire sale without ever seeing the customer. This is just a small example of a change in how an organization does business, but think about how this cash-and-carry business has now entered a national market that requires employees with different skills than before, thus creating a culture shift.

Robert’s story is a common one. Many people do not like change, and a manager’s job is to...
know that change is coming, plan for it, and help employees adapt as well as they can in order to reduce stress, turnover, and reduced performance. If you are a manager who does not like change, you might want to use the tips at the end of the chapter to get yourself ready. The only thing you can count on in organizations anymore is change, so this chapter on the importance of organization culture and managing change is one you will want to always have handy.

Organizational Culture and Its Characteristics

Learning Objective 4.1: Define organizational culture and its characteristics.

Organizational culture is the pattern of basic assumptions, that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.3

This definition is pretty complex, but we discussed earlier how culture is the underlying foundation of an organization, so it is hard to get all the things that comprise that into a short definition. Perhaps you can just think about looking inside the building where an organization is headquartered, and taking in how it is set up, how the employees interact, the banners you might see on the walls, and even what time people come in and leave every
day. These are all part of the culture, or internal environment, in which people in organizations learn to be a part of that organization.

Another way to think of culture is as a set of shared meanings that people in organizations have with respect to how to adapt to the internal environment and cope with change. You experience the same thing with your roommates in how you adapt to each other’s schedules in your dorms or apartments, such as shower and eating times, or how you handle cleanliness (or lack thereof), or how you act with your classmates in the classroom. Do you raise your hands, do you sit in rows, or do you all sit in the same seat every day? These shared behaviors are rules that you have developed as a part of your team of roommates or as part of the class group. They are informal rules that you might have talked about or that might just be understood or implicit between group members. They are known as norms.

Norms are defined as informal and interpersonal rules that team members are expected to follow.4 These standards may be explicit and formally stated by the leader or members of the team. But norms may also be implicit. They are not written down, and communication of the norms to team members depends on the ability of the manager (or team members) to effectively convey the expected behaviors. Norms have a strong influence on behavior, and they are often difficult to change (hence one of the challenges of organizational change). If you research organizational norms, you might be surprised to find that the most research about them occurs in ethics journals. That is how strong the power of norms is in an organization.

Levels of Organizational Culture

The strength of norms is evident in how much they influence the organization in forming its culture. Organizational culture norms have three distinct dimensions: (1) content, or what is deemed important (e.g., teamwork, accountability, innovation), (2) consensus, or how widely norms are shared across people in the organization, and (3) the intensity of feelings about the importance of the norm (e.g., are people willing to sanction others for violating cultural norms?).5 In addition to these dimensions, culture operates at different levels, as shown in Figure 4.1 and described here:

1. **Artifacts and creations**—for example, the architecture of the buildings; the office decorations, including artwork; and the way that people dress. It all reflects the organization’s culture. This can also include organization charts and new-employee orientation materials.

2. **Espoused beliefs and values**—the reasons people give for their behavior. Values can be stated (i.e., espoused), or they may be enacted values that people carry out unconsciously. For example, a person may state they believe in treating customers with respect—an espoused value. Treating customers with respect is an example of an enacted value.

3. **Assumptions**—underlying values that are often unconscious because people don’t question them. To really understand an organization’s culture, a person must go beyond what they can see and hear (artifacts and creations) and gain a deeper awareness of values first and then assumptions. What we can observe is an expression of values that are typically rooted in fundamental assumptions.6
As shown in Figure 4.1, the levels of culture are related, and they reinforce one another.

**CRITICAL THINKING QUESTIONS**

Provide an example of an artifact found in an organization. Trace it to the underlying values and assumptions it represents.

Due to the importance of culture to organizations, it is no surprise that many studies have been done to see how different cultures appear in different industries. Below, some interesting results are described.

### Seven Characteristics of Culture

A research study compared the organizational cultures of 15 organizations in four industries in the service sector (public accounting, consulting, the U.S. Postal Service, and transportation of household goods). Cultural values differed across these sectors and were related to the levels of industry technology and growth. Examples of findings regarding the seven characteristics of culture investigated in this research are given below.7

1. **Innovation and risk-taking.** Most cultures in the service industries studied were average on this dimension, with transportation showing the highest score. Why do you suppose transportation would be the most innovative out of the four industries? Perhaps the competitive nature and significant cost of transportation added to the price of finished goods?

2. **Attention to detail.** Consulting and accounting firms were highest on this dimension. This makes sense, since both of these industries are very focused on outcomes and dollar and cents.

3. **Outcome orientation.** All companies studied in the service industry were high on this dimension. Services are all about outcomes, since no product is being delivered. What are some services you have used recently that help you relate?

4. **People orientation.** All companies studied in the four industries were average on this dimension. This is an interesting outcome. The companies were only average and none was better than the others. This might be a cultural characteristic where you, as a manager, can make a huge difference.

5. **Team orientation.** All companies studied were average, but consulting firms were slightly higher on working in teams as part of their culture. If you go on to get an MBA, there is a good chance you will end up doing some internal or external consulting, or work for a consulting firm. These opportunities always involve a consulting team, so this result is to be expected.

6. **Aggressiveness (easygoingness reversed).** All industries were average; however, consulting firms were less easygoing than other companies. This might surprise you, but consulting is a competitive industry (there are a lot of consulting firms) because the stakes are very high, in terms of both what consultants charge and the outcomes that are expected.
7. **Stability.** Most industries were average on stability; however, the U.S. Postal Service was higher than other organizations on the need for stability as part of the organization's culture. This should not surprise you, since the postal service has been around for a long time and has reacted slowly, and not very well, to competitive entrants to the industry.

**CRITICAL THINKING QUESTIONS**

Do you agree with the findings of this study? Why or why not? Will there be changes to the characteristics of these industries based on the ongoing revolutions in organizations? What do you forecast, as a manager, they will be?

**How Managers Shape Organizational Culture**

Another important framework for understanding organizational culture and the roles managers play in shaping it is the **competing values framework (CVF)** summarized in Figure 4.2. This is a big name for a small but important distinction—people all have their own set of values, and sometimes their values compete with other peoples' values, and/or compete with the values of the company.

Values are set in terms of the degree of flexibility and the degree of external focus they have. This is why the CVF has been narrowed down to four key quadrants. The **open systems** quadrant deals with external forces and keeping the organization nimble during change. **Internal processes** focus on performance management and coordination to maximize control. The **rational goal-setting** quadrant fosters a productive work environment through planning and goal-setting. Finally, the **human relations** quadrant focuses on internal, flexible processes such as team-building communication.

Breaking it down even further, the manager's roles in these four areas are described as follows:

The top right quadrant, or open systems, includes the **innovator** and the **broker** manager. The innovator is creative, inventing new ideas and acting as an effective agent of change. The broker is politically savvy, collecting resources and legitimizing the unit by building its credibility and maintaining relationships with external contacts and collaborators.

These managers will show strength in open-systems thinking and adapting to external expectations. Open-systems thinking means being able to look at the entire system when making decisions or evaluations. The adaptation of external expectations means the manager in this quadrant is able to deal with change effectively, similar to what Robert in the opening story is doing.

The lower right quadrant, the rational goal-setting model, emphasizes the establishment and achievement of external goals, and includes two roles: the **producer** and the **director**. The producer motivates the group to finish tasks and produce work, while the director is devoted to goal-, objective-, and expectation-setting. Managers who succeed in this type of work often find themselves working for an organization that places a premium on efficiency and measurable outcomes.

The lower left quadrant is the internal process model. The roles in this quadrant focus on structure and stability. The two management roles here include the **coordinator**, who maintains structure, does the scheduling, coordinating, and problem-solving, and sees that rules and standards are met; and the **monitor**, who collects and distributes information, checks on performance, and provides a sense of continuity and stability. As you can probably see, this quadrant contrasts with the rational goal-setting quadrant, since the process model is the degree to which the organization is oriented toward its own internal environment and processes, versus the external environment and relationships with outside entities, such as regulators, suppliers, competitors, partners, and customers, which the rational model addresses.
Finally, the upper left quadrant is referred to in the framework as the human relations model, placing primary emphasis on human interaction and process. Managerial roles include the facilitator, who encourages the expression of opinions, seeks consensus, and negotiates compromise, and the mentor, who is aware of individual needs, listens actively, is fair, supports legitimate requests, and attempts to facilitate the development of individuals.13 You will note that this quadrant is on the internal side of the model. Organizations with an internal and human relations focus emphasize flexibility, encourage broad participation by employees, emphasize teamwork and empowerment, and make human resource development a priority.14

The CVF model has been widely tested and studied for more than 25 years and has been named one of the 40 most important frameworks in the history of business.15

The manager’s roles are influenced by the organization’s needs for flexibility and external focus. Managers strive to create strong organizational cultures, and these are described next.

**Strong Organizational Cultures**

**Learning Objective 4.2:** Explain what a strong culture is and give examples.

Strong cultures are based on two characteristics: high levels of agreement among employees about what they value, and high intensity toward these values. If both are high, a strong culture exists. Some organizations are characterized by high levels of intensity but low agreement. In
this case, employees and/or groups are at war with one another over what is important for the organization to value. For example, salespeople focus on customer-driven product features, while accountants focus on cost containment. Thus, while both groups intensely value what they do, they disagree on priorities.

Strong organizational cultures are critical to bottom-line performance in large organizations. Employee agreement on cultural values is also related to lower turnover among newly hired employees. A study of firms in a variety of industries found that strong cultures affect organizational learning in response to internal and external change. In this research, firm performance was assessed by using yearly return on invested capital (ROI) and yearly operating cash flow. Strong-culture firms excelled at incremental change but encountered difficulties in more volatile economic environments. In other words, in relatively stable economic environments, strong-culture firms have more reliable performance.

The Perfect Culture

You have probably heard of Zappos, the online seller of shoes and clothing. By 2010, the CEO, Tony Hsieh (pronounced “Shay”), had developed a strong culture where employees very much agreed upon and were passionate about customer service. The original Zappos experience indicated that building a culture that resulted in a great place to work, exceptional customer service, and impressive organizational performance required specific drivers. The five drivers Zappos used to shape its culture were committed leaders, core values, customer-focused strategies, human resource practices, and management practices aligned with core values. At Zappos, employees were encouraged to express their uniqueness in executing the mission of “delivering happiness.” Zappos defined its culture in terms of these 10 core values:

1. Deliver wow through service.
2. Embrace and drive change.
3. Create fun and a little weirdness.
4. Be adventurous, creative, and open-minded.
5. Pursue growth and learning.
6. Build open and honest relationships with communication.
7. Build a positive team and family spirit.
8. Do more with less.
9. Be passionate and determined.

To Hsieh, the Zappos culture is about more than money: “It’s not me saying to our employees, this is where our culture is. It’s more about giving employees the permission and encouraging them to just be themselves.” This sounds like a great culture in which to be a manager and a member of the gang.

CRITICAL THINKING QUESTIONS

Would you enjoy working at a company like Zappos? How do its core values match up with your core values as a professional?
**FACT OR FICTION?**

**Zappos Part II: Do We Need Managers?**

Let’s fast-forward from Zappos, 2010, to Zappos, 2015. Over that time span, Hsieh decided it was time to experiment with the Zappos culture. He instituted a little-heard-of, old-fashioned management system known as a Holacracy. In March 2012, Hsieh announced part of his culture change via an email to 1,443 employees. It was a lengthy email, which he encouraged employees to take 30 minutes to read, and in it he announced Zappos change from a management hierarchy to a system with no more human managers.

Hsieh went on to write:

Zappos is moving from “Green” to “Teal,” the next stage of its collective corporate evolution, and managers are no longer valued by the company. To make the transition easier, former managers will be permitted to keep their salaries, though not their responsibilities, through the end of 2015, if they choose to find new roles with the company, or they are welcome to leave.

Talk about culture change! Not only were the employees angry at what was arguably a 180-degree change in the company culture and the value placed on employees, but the email and subsequent announcements were ambiguous and gave no explanation as to why these changes were being implemented. Most of all, the employees wondered what in the world “Teal” meant in the corporate evolution cycle.

At the time he made the announcement, Hsieh and many of his employees lived or hung out in a trailer park called Airstream Park, where the CEO himself had a two-story Airstream trailer and several shipping containers as his home compound. It was a 24/7 party atmosphere, and it wasn’t uncommon for Hsieh to call 10 p.m. corporate meetings. While this all seems like a great atmosphere, the “aggressively casual” nature of Hsieh and his announcement quickly took its toll on the employees. On the first deadline, over 200 employees left the company, and many others took advantage of the anonymity of the Internet to voice their concerns, most of them relating to their fear of now partaking in Core Value 6—open and honest communication. The year 2015 was particularly hard for the Zappos culture, as 30% of employees left. Much of the attrition was blamed on confusion. For example, employees had no one to turn to when they needed questions answered. A 2016 follow-up said, “Zappos isn’t at risk of closing shop.”

But the final departures represented another blow to Holacracy, and to Mr. Hsieh’s vision of a harmonious, self-organizing company. Zappos declined to comment.

When employees leave, company culture goes with them. Assumptions, which are taken for granted and invisible, have no home other than within the employees. Values are also part of the invisible culture. Finally, artifacts often disappear, too, as they can be as simple as an organizational chart, which Zappos no longer had.

Zappos provides us with an excellent example of the importance of organizational culture, and the shock that a change in culture creates among employees and the repercussions that might follow.

**Discussion Questions**

1. Why did Tony Hsieh decide that Zappos needed to remove human managers? What were the forces driving the decision to change?

2. Why were the employees angry? How did the change to Holacracy affect perceptions of the organizational culture?

3. Do you agree or disagree that organizations need managers? Explain your position.

**Sources**


**Subcultures**

In addition to understanding the strong overall culture in an organization, it is important to recognize that organizations have **subcultures**. For example, the marketing department of an organization may have a risk-taking orientation, whereas the accounting department may not because they value stability. You can see how this strong culture of stability in one department might regularly be at odds with the strong culture of risk-taking in the other. Organizations can increase flexibility without losing their strong overall culture...
by encouraging subcultures. In this way, organizations reap the benefits of a strong culture while remaining responsive to change. For example, Procter & Gamble has a strong culture of data-driven attention to detail, but they foster a subculture of innovation and trial-and-error experimentation in their research and development.

One challenge you will have as a manager is to be able to work between these subcultures. If you are managing the marketing department for a toy company where employees regularly throw stress balls at each other and passersby, and you have to head over to accounting to submit your budget, they will probably not appreciate you lobbing stress balls at them. They might, however, be grateful if you bring over samples from your latest toy conference to distribute among the employees to use themselves or to take home to their kids. This establishes a collegial environment and propels the friendly subculture you have developed in marketing by sharing it with other departments.

With all of the different subcultures, how can managers increase consensus on what the overall organization culture is? The next sections discuss how employees learn organizational culture. First, the process of socialization is discussed, followed by ways that employees learn culture through stories, rituals, symbols, and language.

Socialization

Learning Objective 4.3: Discuss how employees learn organizational culture through socialization.

Organizational socialization is defined as the process an organization utilizes to ensure that new members acquire necessary attitudes, behaviors, knowledge, and skills to become productive organizational members. When a new hire joins a company, the first six months on the job is characterized as a series of reality “shocks” as they are exposed to the unwritten rules defining the organizational culture. For example, the job may be considered an eight-hour workday, but the new hire notices that everyone works at least 10 hours a day. The process of socialization follows the following steps: anticipatory socialization, entry and assimilation, and metamorphosis. This process is diagrammed in Figure 4.3, and these steps are discussed in the following sections.

Anticipatory Socialization

Anticipatory socialization is the process an individual goes through as they attempt to find an organization to join. Organizational anticipatory socialization has two basic processes: recruiting and selection. For example, as a student nears graduation, they visit the placement center at the university to learn about job opportunities and meet recruiters. The student then determines which jobs are the best fit with their college major, their skills, and the type of organization they want to work for. For example, the student may want to work for a large organization instead of a small one. During the organizational anticipatory socialization stage, both the applicant and the organization are looking for evidence of a good fit. The recruitment process may involve psychological testing and interviews to determine how well a person will fit with the culture. Sample culture-fit interview questions are shown in Table 4.1.

CRITICAL THINKING QUESTIONS

Take a minute to think about what organizational culture components are important to you. Are the answers to the questions that follow important, or are there other things that would make you feel like a part of the team you are ready to join? Make a list, like in Table 4.2, and keep it with you on your interviews. Culture fit is a two-way street.
It is also important for you, as a potential employee, to make sure you are comfortable with the culture, or vibe, you get from the organization. Is the building a pleasant place to be? Do the employees look up and smile at you when you are moving from interview to interview? Do you see the latest technology on everybody’s desk? Do you feel respected by those interviewing you?

**Organizational Entry and Assimilation**

The preentry step occurs from the time someone is offered the job to when they actually start working. There are three important issues that arise during the preentry stage. First, the types of messages a new employee receives from the organization prior to starting work could include realistic job previews in which the members of the organization attempt to clarify what the job will be like. These might be different from what was discussed in the hiring process (and may be either positive or negative surprises). Second, new employees are typically concerned about how they are seen by existing organizational members and engage in **impression management**, the process (either conscious or unconscious) where an individual deliberately attempts to influence the perceptions and opinions of others. For example, the new hire might mention the rankings of their university to enhance perceptions of their qualifications for the job. Third, current organizational members form perceptions of the new hire and consider how well they will fit in. These perceptions may result in unrealistic expectations, so it’s important to seek feedback in a new job to correct misconceptions.

A longitudinal study of 273 new software engineers in an Indian company found that when both new employees and their managers were proactive, they adjusted well to the culture, performed better, and mastered their tasks better. They were also less likely to be thinking of quitting. The results suggest that newcomers who proactively seek information from their coworkers are at an advantage, because they are viewed as more committed to learning about the organization and fitting in. This in turn motivates their managers and peers to share more information with them. The takeaway for a new employee is clear—be proactive in learning the organization’s culture during the first weeks of employment.

Next, the entry phase occurs, which happens when the new member starts work and begins to **assimilate** within the organizational culture. Often referred to as **onboarding**, it is the process of welcoming and orienting new members to facilitate their adjustment to the organization, its culture, and its practices. It refers to the process of facilitating new members’ adjustment to the organization...
and its culture. During the entry period, new employees begin to understand the organization’s culture and work expectations. This may include a formal orientation program to help the new employee learn the rules and expectations of the organization—the explicit information that dictates and governs employee behavior within the organization. For example, an orientation program may include a session on the ethical codes of the organization.

Organizations obviously have high expectations of you, since they are paying you for your knowledge, skills, and abilities. Employees, however, also have expectations of the organization, and the individual’s expectations of what they will contribute and what the organization will provide in return are known as a psychological contract. It is really more your individual psychological contract, because everybody has different expectations. The psychological contract refers to the unwritten set of expectations of the employment relationship as distinct from the formal, codified employment contract. Taken together, the psychological contract and the employment contract define the employer–employee relationship. For example, a coworker might be very interested in or expect high-quality day care, while you might be more interested in the potential to earn bonuses quarterly. Employers lay out many of their expectations in writing, but employees rarely get to do the same, and that is why it is something you have psychologically developed. It is an important part of your onboarding process, though, as it influences the degree to which you view the organization’s processes (such as an orientation training program) as valuable.

A longitudinal study of 144 recruits from a European army found that when new employees had a psychological contract that involved a higher sense of personal obligation at entry, they perceived the orientation training as more useful. They also developed better relationships with their supervisors and peers, which in turn facilitated their adjustment to their work. In addition to orientation and new-hire training, the organization may assign a formal mentor or “buddy” during this phase to help the new employee learn the norms of the organization. The informal expectations about how new employees should behave within the organization are “unwritten rules” that govern how new employees should act. For example, employees may be expected to eat lunch at their desk while working, but this is not specifically written down anywhere.

Metamorphosis

The final stage of organizational entry and assimilation is the metamorphosis stage. During this stage, a person transforms from a new employee to an established contributor who is valued and trusted by other members of the organization. Metamorphosis completes the socialization process—the new employee is comfortable with the organization, their boss, and their work group. They have internalized the organizational culture and understand their job, as well as the rules, procedures, and norms. Expectations are clear regarding what good performance means in the organization. Successful metamorphosis positively affects job performance, job satisfaction, and commitment to the organization. Also, there is a lower chance that the person will look for another job or quit. Most often, this transition occurs over a long time period. However, the process may start over again (preentry to assimilation to metamorphosis) if a person gets a promotion to a new role in the organization or a transfer to a different department, which might have a different subculture.

CRITICAL THINKING QUESTIONS

How can you make your socialization process smoother when you enter a new organization? What can you do now to prepare for the preentry and entry phases?
How Employees Learn Culture

Learning Objective 4.4: Discuss four ways employees learn organizational culture.

Stories

Storytelling is now recognized as an important way to understand how employees make sense of what happens at work. Storytelling is the sharing of knowledge and experiences through narrative and anecdotes to communicate lessons, complex ideas, concepts, and causal connections. It is also important because it is the only type of communication that every culture in the world shares, and in our diverse workforces where both verbal and nonverbal communication norms differ, the globally shared power of storytelling is just as important as in geographic cultures.

People try to understand complex events in the order they have occurred and mentally integrate their many components. Stories are important because they aid comprehension and suggest a causal order for events. They convey shared meanings and values representing the organizational culture and guide behavior. For example, stories told by charitable organizations are typically designed to evoke a series of emotions. First, the potential donor feels negative emotions when they hear a story told about animals in need of rescue. Next, a story is told about animals being helped by the generosity of others, evoking a positive emotion and desire to help.

An example of an organizational story that is told at FedEx follows.

FedEx—the overnight delivery service started by Fred Smith back in 1971 in Memphis, TN—was trying to make a name for itself by guaranteeing that any package could be delivered just about anywhere overnight.

One of the company's drivers was out late one snowy night to check a drop-off box. When he got to the box the lock was frozen and the key broke off. After failing to reach the packages inside, the driver drove to a nearby auto garage where he borrowed a torch and used it to cut the legs off the box. The driver then put the box into his truck and delivered it to the airport where a maintenance team drilled it open, removed the packages, and put them on the plane to their destination.

No corporate slogan could be more powerful than this simple FedEx story. This is an excellent representation of how stories serve a persuasive communication function for organizations by representing personal, interpersonal, and corporate perspectives. The story depicts a determined employee going the extra mile and showing creativity to ensure that packages are delivered on time. As organizations continue to become more global and employees change jobs more often, the culture will require myriad interpersonal and social exchanges to survive, and previous research has positioned storytelling as a successful means of accomplishing these exchanges. A research study found that participatory storytelling in organizational learning helped stimulate empathy among organizational members, allowing them to imagine their own position and the positions of their diverse counterparts.

CRITICAL THINKING QUESTIONS

What have you learned about the organizational culture of FedEx from this story? What did you learn about employee commitment to the organization's goals?
Rituals

Rituals are defined as “a form of social action in which a group’s values and identity are publicly demonstrated or enacted in a stylized manner, within the context of a specific occasion or event.” They are a graduation ceremony at a university. Rituals reinforce the cultural values of the organization by providing a tangible way for employees to see the values espoused. An interview study of restaurant workers found that a small pizza restaurant had a ritual linked with family values, and their emphasis on relationships was created at work but extended to interactions outside work. Restaurant staff and managers engaged in social activities such as going to a regular “movie night” as a group. When employees were probed as to why this was important, the consistent response was “friendship.”

Meetings are often ritualistic. Former CEO John Sculley described meetings at Pepsi where executives never removed their jackets no matter how stressful the meeting was. The way the attendees entered the meeting followed the same pattern each time. Executives entered in reverse order based on their rank in the company. Market analysts entered first, followed by junior managers, senior managers, the vice president, and lastly the president. When everyone was assembled and waiting, the VP went to get the chairman. Another example is the Grammy Awards, which is a ritual that reinforces cultural values of the National Academy of Recording Arts and Sciences through performances, emotionally charged awards, legitimizing artists, and creating links among the members. Many organizations hold similar ceremonies and corporate dinners where top employees are rewarded for their contributions.

Symbols

Symbols represent the sharing of knowledge through access and exposure to images, diagrams, or objects, which illustrate a culture value or an idea. Examples include a map of a city, the alien emoji, or a corporate logo. Symbols are important to organizations—they are not accidental, but planned to communicate what the organizational culture represents. Organizations make use of symbols in a variety of ways. Material symbols include office size and whether or not the office has a window. The C-suite offices may be located on the top floor of the building to reinforce the idea that these individuals have attained the highest level in the organization. Symbols include how a leader is expected to dress at work. For example, while it may not be written down as a policy, new managers may be expected to wear navy-blue or gray suits. Another example of the power of symbols comes from the CEO of a hospital who wanted to reinforce the value of transparency in the organization. He had an open-door policy where literally anyone in the organization could come in and talk to him about their concerns. He created a symbol by having the doors of his office removed from their hinges and then hung up inside the lobby of the hospital so that everyone in the organization would see them and be reminded of his message every single day they walked in and out of the building. This symbol of his transparency was more effective than sending out an email to communicate his open-door policy.

Language

Employees may communicate using culture-specific language, jargon, or acronyms that can be confusing to a new employee. These terms and usage may be unique to the organization and represent the organizational culture and how it is transmitted to newcomers. The language used to refer to employees reflects underlying values. For example, some organizations have stopped using the term employees in favor of team members. Another example is the manner...
Forces Driving Organizational Change

Learning Objective 4.5: Discuss the reasons for organizational culture change as well as its implications for an organization and its employees.

There are numerous forces for change in organizations (as depicted in Table 4.2)—for example, increased workforce diversity due to workers of different genders, of different races or ethnicities, or from different generations. Changes in the workforce as well as cultural differences will continue to be a force for organizational change.

The economy represents a significant source for change. For example, economic recessions result in major changes, such as downsizing and restructuring. Technology changes are rapid, and organizations must keep up with these advances. Technology advances have resulted in major changes in how people communicate inside and outside organizations. Globalization represents a significant source of change for organizations with the rise of the multinational corporation. Increased globalization of markets has also given rise to competition from abroad in addition to the competition between firms within a given country. As consumers, we enjoy a broader array of product options, lower prices, and increased attention to customer service. However, intense competition may lead to industry shakeouts, and we have seen some giants falter, such as AOL, which didn’t see the decline in dial-up Internet until it was too late. New competitors like Google were already using new technology to take advantage of faster Internet speed.

Slogans are another example of how language communicates cultural values. For example, a computer consulting company had the slogan “fun and profit,” which communicated that results were equally important to having a positive work environment in which employees enjoyed their work.

The use of organizational language reinforces who is in the culture and who is outside it. Think about the extensive language developed by J. K. Rowling in the Harry Potter books that only the wizards and witches know. For example, a “muggle” is a person totally without magical powers—muggles live in ignorance of the world of wizards and witches. And “quidditch” is the wizarding national sport played on broomsticks by seven players. Those who know the language are in and those who don’t are lost in translation.

Organizational culture influences employee behaviors, as the previous examples demonstrate. Organizational culture creates organizational climates under which nearly all employees operate. For a number of reasons, though, such as Robert’s story at the beginning of the chapter, these cultures and climates change, which puts managers in charge of one of the hardest situations they will ever face: organizational culture change.

Provide an example of storytelling, a ritual, a symbol, or language that you encountered when you learned an organizational culture based on your experience (this can be from an experience in a fraternity/sorority, on a sports team, or at work). Explain how this helped you understand what the expected behaviors were in the organization.

Critical Thinking Questions

Forces Driving Organizational Change
The forces for change have resulted in a new model for organizations, according to a report from Deloitte Consulting, shown in Figure 4.4. Organizations are moving from hierarchies to teams that mobilize quickly to respond to challenges. Rigid job descriptions are being replaced by assignments and expertise. Managers serve as mentors to others, and careers are more flexible. Reward systems will be based on outputs rather than hierarchical level or years of experience. Finally, organizational cultures will evolve to focus on the degree to which employees embrace shared values.

These changes are powerful forces that affect organizations, and leaders must help employees cope with them. The next section will offer more detail on the types of organizational change that occur, and what their impact is on employees.

### Types of Organizational Change

**Learning Objective 4.6:** Outline the types of organizational change and how they can positively or negatively impact employees.

The forces for organizational change, from Table 4.2, create different types of change, and the best change, for all those involved, is to be proactive and plan rather than being forced to be reactive by neglecting to read the environment one operates in.
Planned organizational change can have a number of targets, including structure, technology, processes, teams, and people. The idea of being proactive when it comes to change is not new and dates to the classic management book *Overcoming Organizational Defenses*. Yet most organizations still are in reactive mode (i.e., “putting out fires”) when it comes to change. Change may also be incremental (e.g., adding blue dots to a detergent) or radical (e.g., a major restructuring). Incremental change is evolutionary, and radical change is revolutionary. Revolutionary and evolutionary change are different in terms of the size and rate of upheaval. Revolutionary change occurs quickly and affects virtually all parts of the organization at the same time, whereas evolutionary change occurs slowly and gradually and may involve only one area of the organization at a time. Putting these concepts together (reactive/proactive and incremental/radical) results in a useful framework for classifying the types of organizational change (see Figure 4.5). As shown in the figure, the most intense form of change is proactive and radical. The types of organizational change and the effect they have on the subsequent organizational subsystems are discussed next.

### Organizational Subsystems Involved in Planned Change

Organizational change can seem like an overwhelming undertaking—and it is! It is helpful if you can think of change in terms of various dimensions involved, like the four organizational subsystems:

1. **Formal organization.** This provides the coordination and control necessary for organized activity, such as formal organizational charts and reward systems.
2. **Social factors.** These factors include individual differences, team interactions, and the organizational culture.
3. **Technology.** This is how raw materials and inputs transform into outputs, such as workflow design and job design.
4. **Physical setting.** These are the characteristics of the physical space and how it is arranged.

### Critical Thinking Questions

Provide an example of a change for each of the four types of subsystems. Of the four examples you came up with, which one do you believe will be at the most risk of failure due to employee resistance? Explain your choice.

### Why Organizational Change Efforts Fail

A *Harvard Business Review* article titled “The Hard Side of Change Management” points out that 66% of all change management efforts fail to meet their business objectives. Why? Figure 4.6 explains the major reasons why organizational change efforts fail. The number-one reason,
mentioned 76% of the time in a survey of executives, is staff resistance to change. Almost as important is the lack of effective communication about the change. Other key factors are training, turnover during the change, and costs that exceed the budget. Overcoming resistance to change is critical, and we will discuss this next.

 Resistance to Change

When faced with an organizational change, employee reactions vary from resistance to change to compliance with change to commitment to change. Resistance means employees fight the change and try to undermine it. With compliance, they simply go along with the change but secretly hope it will come to an end soon. Commitment to change is the most desirable reaction, in which employees support change and help the organization implement it.

Since resistance is the most difficult reaction for the leader to deal with, this section will focus on understanding and overcoming resistance to change. Research on resistance to change dates back to a classic study of participative decision-making. Employees were transferred to new jobs in which they encountered significant changes to their work. Interviews revealed that employees resisted changes in their work methods due to resentment, frustration, and a loss of hope of regaining their formal levels of proficiency. A second experiment was then conducted in which employees were transferred to new jobs, but they were allowed to participate in the changes through chosen representatives. This group recovered rapidly from the changes and reached a higher level of productivity compared to the group that was not allowed to participate in the change. This study showed that employee participation positively impacts resistance to change. A recent review of 70 years of research on resistance to change concluded that the findings of this classic study have held up over time and in subsequent research studies.

There are a number of additional reasons why people resist change, including both personal reasons and organizational reasons. Personal reasons include habit, security, economic concerns, and fear of the unknown. Organizational reasons for resistance are structural inertia (the structure is too rigid to support the change), group inertia, threats to expertise, and threats to established power relationships.

Resistance to change also has a negative impact on employee health. It has been related to insomnia and lower employee well-being. Using a longitudinal research design, a study of 709 participants in 30 work units revealed that resistance to change predicted emotional exhaustion a year later. Organizations should offer coaching and training to cope with organizational change for employees who are highly change resistant.
Organizational development keeps companies moving the right way at the right pace. What does organizational development entail? Here are some common functions that fall under OD:

- Evaluating an organization’s values and priorities
- Assessing potential new employees
- Assisting with the implementation of new policies and procedures
- Improving organizational practices when problems arise

What Is Human Resources Organizational Development?

OD’s primary function is to help people work efficiently within an organizational framework. The consulting firm Decision Wise contends that, above all, operational development is a method of “applying behavioral science to help organizations improve individuals and systems.” While there are some distinctions between HR and OD (e.g., one can earn a bachelor’s degree in HR but not in OD), there is some overlap. Some jobs merge the functions of HR and OD. For instance, organizations are beginning to require HR departments to actively strategize for business success. In those types of strategic HR departments, experience with OD would be beneficial for job-seekers.

What Is the Primary Function of Organizational Development?

Organizational development entails “continuous diagnosis, action planning, implementation, and evaluation” with the ultimate objective of helping organizations solve problems and effectively create change. The OD professional must carefully observe and assess an organization’s climate and culture to develop and present a strategy that includes elements such as:

- Diagnosis of potential problems
- Planning and implementation
- Intervention
- Assessment

The Organizational Development Network highlights the need for OD professionals to focus “on developing organization capability through alignment of strategy, structure, management processes, people, and rewards and metrics.” Does a career in OD appeal to your interests and goals? Explore these job descriptions.

**Organizational development specialist.** This role consists of assessing and strategizing. OD specialists look for opportunities to help employees work independently and as teams more effectively. They strive to help employees grow professionally and in turn make the organization more successful.

**Organizational development practitioner.** Also referred to as an organizational development consultant, this role focuses primarily on the practice of OD. Practitioners work closely with organizations to plan and implement large-scale changes and improvements.

**Organizational development manager.** The OD manager is, first and foremost, a liaison. As an adviser to the organization’s leader, the OD manager implements the organization’s goals across departments and divisions, planning, developing, and serving as the admin for HR programs. This role is dedicated to creating and implementing initiatives that achieve business goals and objectives. If you Google this title, you will find an ample number of positions available, particularly in the human resources discipline, like you would find in the Society of Human Resource Managers (SHRM).

**Organizational development consultant.** OD consultants do not typically work long-term at one organization. They are generally brought in when an organization is experiencing difficulties meeting business goals and objectives. They help these companies by applying OD theories and practices to develop improvement strategies.

**Director of organizational development.** The director of organizational development works diligently to help all employees thrive. They plan, create, and facilitate policies, processes, and procedures to develop an inclusive environment where employees can be successful. The role requires the following skills and functions: assessing employees’ needs to develop programming, implementing the programming, and measuring the success of the programming.

How to Start a Career in Organizational Development

There is no one-size-fits-all path to a career in OD. With time, hard work, and careful planning, you can become an organizational development professional. While colleges generally do not offer OD degrees, positions in the field do typically require a candidate to hold a degree in a related field. Here is a high-level map of the steps you can take to set out on the OD career path:

(Continued)
Strong management is necessary to effectively implement organizational change. A study of 40 health care clinics undergoing a three-year period of significant organizational change found that resistance to change had increasingly negative relationships over time with two important consequences: employees’ organizational commitment and perceptions of organizational effectiveness. These relationships became stronger over time, suggesting that resistance to change festers. However, this study also found that supportive leadership was increasingly impactful in reducing change resistance over time. The most effective tactics for overcoming resistance and gaining support are communication and building relationships that support the change. The next section discusses the models for leading change that have been shown to produce the best results.

**Discussion Questions**

1. Explain why research and data are an important aspect of OD. What types of data should an OD practitioner collect?
2. Of the types of positions in OD, what one do you find most interesting and why?
3. Do some Internet research to locate an internship experience in OD. How could you leverage such an internship to gain skills in OD?


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**Overcoming Resistance To Change**

**Learning Objective 4.7:** Discuss a manager’s role in proactively overcoming resistance to change.

*Change is a messy, collaborative, inspiring, difficult, and ongoing process—like everything meaningful that leads to human progress.*

—Beth Comstock, *Imagine It Forward: Courage, Creativity, and the Power of Change*

We read in the last section that every manager’s hope is that their employees will simply commit to the change. Truth be told, though, most people, probably even including you, at the very least approach change with some nervousness, and at the very most approach change with a hearty “Heck no!” The quote at the beginning of this section, however, comes from Beth Comstock, an agent of change who understands that the only thing that is constant is change—in yourself, in your career, and in your organization—and although it is hard and messy, pretty much anything worth doing is.

In her book *Imagine It Forward*, Comstock offers many proactive tips for managers, who understand that positive organizational change starts with positive change initiatives in
themselves and that their attitude carries through to their employees and organization. Some of those great tips for successful, proactive change-makers appear in Table 4.3.

You might notice that Comstock has several recurring themes in her tips for change success: being proactive, being positive, and not being afraid to make mistakes. Managers sometimes believe they do not have the power to be a leader, but you already are leading your team, and you can take those skills to help make organizational change more successful for all of those involved.

Organizations typically approach change in different ways, but for your purposes as a manager, let’s take a look at a three-step model that make logical sense when it comes to change and is supported by research as well. It will also help you understand the steps where employees might need your biggest assistance in overcoming their concerns.

To determine your organization’s readiness for organizational change, complete Self-Assessment 4.1.

**Lewin’s Three-Step Model**

The three-step model is the starting point for understanding the fundamental process of leading change. As shown in Figure 4.7, there are three steps in the change process: unfreezing, changing, and refreezing. First, unfreezing challenges the status quo by shaking up assumptions (see Comstock’s suggestions above); next, changing represents movement toward a new desired state. Finally, refreezing the changes by reinforcing and restructuring to make the changes permanent is the third phase.

Think about an ice pack that you use when you have a sports injury. When you take it out of the freezer, it is hard and can’t be changed much. As you use it, it becomes soft and malleable (this is the changing phase). After 20 minutes, you put it back in the freezer, and it becomes solid again. Change is like this: When people and systems are in the frozen stage, you can’t change them. You have to literally “heat things up” to soften the attitudes and assumptions about change so that the system is malleable, like a defrosted ice pack. Once you have the changes you want in place, you can reinforce the new behaviors with rewards or change the structure to support the change (refreezing).

Employees will tend toward the status quo or equilibrium, so there needs to be constant attention to refreezing the new system and behaviors after a change is implemented. For

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**TABLE 4.3**

**Tips for Successful, Proactive Change-Makers**

<table>
<thead>
<tr>
<th>Tip</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>The pace of change is never going to be SLOWER than it is today.</td>
<td>Think about that—both frightening and empowering at the same time!</td>
</tr>
<tr>
<td>Who are you waiting for to tell you it’s okay?</td>
<td>Grab your own permission. You are probably empowered to do it, so don’t wait!</td>
</tr>
<tr>
<td>Invite outsiders in.</td>
<td>Asking others to see the “forest for the trees” helps when you are embedded in the day-to-day and might not be able to see the big picture.</td>
</tr>
<tr>
<td>Look at what isn’t happening and imagine what could.</td>
<td>What is your best vision of how this should work?</td>
</tr>
<tr>
<td>To be a change-maker, think mindshare before market share.</td>
<td>Talk it out with stakeholders.</td>
</tr>
<tr>
<td>Most of us are adverse to conflict.</td>
<td>But conflict is the primary engine of creativity and innovation. Learn to do it well, from beginning to end!</td>
</tr>
<tr>
<td>In change, people have to find their own path.</td>
<td>You can’t mandate how that happens. But you can create the right conditions, with open and authentic communication.</td>
</tr>
</tbody>
</table>

example, an organization that wants to implement teams must first challenge old assumptions regarding working alone and getting rewarded for individual effort. A new organizational chart can be presented to employees, showing teams the new way work will be organized. Some employees may resist the team concept and even leave the organization as the change is implemented. There may be storms and team conflict (things are heating up). Once there are successful teams in place, then the new approach can be refrozen by offering team rewards and reinforcing the new organizational chart.

A study of a planned organizational change in a hospital system found that authentic leadership influenced the processes of unfreezing, change, and refreezing. An interview study of 15 top executives who had been involved in significant organizational change found that it is necessary to balance the use of power with the autonomy of employees during change. One executive commented, “Leading change involves building social relationships to mobilize resources to create the power I need to make changes.” Change leaders should concentrate their resources on a few positively or negatively influential individuals and take advantage of communication networks to persuade and inform others to help with their change adoption. By partnering with opinion leaders in the organization, leaders can facilitate each player’s proper role in the change effort.

Practical Steps for Applying the Three-Step Model

Unfreeze

- Assess the organization and determine what needs to change.
  - Why is this change necessary?
- Get buy-in from senior management and win the support of integral stakeholders.
  - Who are the key players who need to support the change?
- Develop a compelling message about the change, emphasizing why it is necessary and providing evidence.
  - What are the benefits of the change?
- Be open to feedback from employees so that you can manage their worries or skepticism.
  - Listen objectively to learn about employees’ concerns.

It is interesting to note that unfreezing in some institutions follows a rather voluntary approach, while in others, people are more forcibly pushed into unfreezing. Voluntary change is usually the reaction of a company that is paying attention to its internal and external environments, while the forced change is usually the result of a sudden, episodic event. Regardless, unfreezing creates an opportunity for managers to investigate and engage in some conceptual thinking about the main driving forces of change, and how to best go about them.

Change

- As you plan and implement change, communicate clearly and often.
  - Keep describing the benefits of the change.
  - Be precise and clear about how the change will affect employees.
• Create a culture of transparency by honestly answering questions and dealing with concerns immediately.
  ○ This will help dispel rumors.
• Empower employees to be part of the change and involve them in the process.
  ○ Task managers with providing day-to-day instruction.
  ○ Get buy-in from organizational stakeholders, such as employee organizations.
  ○ Focus on short-term goals to boost morale and enthusiasm.

Most often, successful change initiatives use change theory or a planned approach to implement organizational shifts. That is why you will find communication and paying attention to processes to be critical in achieving successful organizational change.

**Refreeze**

• Connect the change to organizational culture.
  ○ What supports the change?
  ○ What might stall, hinder, or undermine the change?
• Look for ways to sustain the change and implement them.
  ○ Get leadership’s commitment to continue supporting the change.
  ○ Implement a system of positive reinforcement, such as rewards.
• Ensure that the team has the support and training needed to keep up the change in the long term.
• Celebrate the success of the change.

Lewin’s three-step model is pretty amazing. It dates back to the 1950s, but it is still relevant today. A review of research evidence on organizational change over the past several decades concluded that “rather than being outdated or redundant, Lewin’s approach is still relevant to the modern world.” It is also a cross-cultural tool; one research study explored Eastern versus Western assumptions concerning organizational change based on speculation about culturally based differences in Eastern and Western learning styles. It also revealed that the primary model of change involved in most OD theory and practice is the three-stage change processes of unfreezing, change, and refreezing formulated by Kurt Lewin.

Lewin’s approach is based on field theory and the analysis of forces for and against organizational change, all of which are explained below.

**Force-Field Analysis**

To implement organizational change using the three-step model, a *force-field analysis* of the forces for and against an organizational change should be conducted. The steps in force-field analysis follow:

1. Define the problem (current state) and the target situation (target state).
2. List forces working for and against the desired changes.
3. Rate the strength of each force.
4. Draw a diagram (the length of the line denotes strength of the force).
5. Indicate how important each force is.
6. List how to strengthen each important supporting force.
7. List how to weaken each important resisting force.
8. Identify resources needed to support forces for change and reduce forces against change.
9. Make an action plan: timing, milestones, and responsibilities.
An example of a force-field analysis for a company that is upgrading a factory with new equipment is shown in Figure 4.8. The analysis shown in the figures suggests that change may fail because the forces against the change are greater than the forces for change. The forces for change will have to increase. For example, the company could provide a marketing analysis presentation to employees to help them understand that the change is needed due to customers wanting new products that the upgraded factory can produce. Alternately, the forces against the change could be reduced by communicating to the staff that they will not lose overtime due to the change.

The Change Curve

Lewin’s basic model has been extended in a variety of ways over the years. An interesting approach is known as the change curve, which is based on the stages of death and dying by Elizabeth Kübler-Ross, now also related to any type of grief. When faced with a loss, people go through a range of emotions, beginning with shock and denial, then anger, and ending with acceptance and commitment. Based on this theory, a curve for understanding employee resistance to organizational change was developed, and is shown in Figure 4.9. People prefer to maintain the status quo, in which their work is predictable. Change is disruption and has a negative impact. People become angry and fearful and must overcome these strong emotions to move into exploration of what the change means and acceptance of the new ways of doing things. Finally, during the rebuilding phase, they commit to the change.
The stages are described as follows:

- **Stage 1.** People's initial reaction when a change is introduced may be shock or denial as they process the disruption to the existing condition.

- **Stage 2.** After the initial shock, people tend to react negatively toward change. Some may actively protest the changes while others may feel angry or scared.
  - As a result of the negative reactions, the organization will go through a disturbance which could quickly turn into chaos.
  - Stage 2 can be stressful and unpleasant. If people resist the change and remain in this stage, the change will be unsuccessful, especially for those resisting.
  - For everyone, it is much healthier to move to Stage 3, where pessimism and resistance give way to some optimism and acceptance.
  - It's easy just to think that people resist change due to lack of vision. However, change might affect some of them negatively in a very real way that you might not have foreseen. For example, people who've developed expertise in (or have earned a position of respect from) the old way of doing things can see their positions severely undermined by change.

The steps that have been reviewed so far are based on a research stream that has raised doubts regarding the manageability of culture. A number of theorists have contended that organizational culture is deeply embedded in the subconscious and cannot be susceptible to conscious manipulation by management. However, a more positive outlook on the ability to manage change leads to the rest of the steps:

- **Stage 3.** People stop focusing on what they have lost. They start to let go and accept the changes. They begin testing and exploring what the changes mean, learning the reality of what's good and not so good and how they must adapt.

- **Stage 4.** People not only accept the changes but also start to embrace them; they rebuild their ways of working.
  - Only when people get to this stage can the organization really start to reap the benefits of change.

While a structured and long-term program of incremental change may prove more efficient in guiding the culture of an organization to realize a more positive response, with knowledge of the change curve, managers can plan how to minimize the negative impact of the change and help people adapt more quickly to it. Your aim is to make the curve shallower and narrower. Managers can use their knowledge of the change curve to give individuals the information and help they need, depending on where they are on the curve. This will help you accelerate change and increase its likelihood of success.

Now it is easy to see why culture and culture change are included in the planning part of a manager's job. One quick piece of advice about planning—while it seems like a lot of effort to put forth when you could just dive in, planning saves you and your employees a lot of time and stress in the long run. In fact, planning in life often does the same thing. By planning what you are going to do, communicating this with the others involved, taking feedback on the plan, adjusting as necessary, and then moving forward, you will find that life as a manager is a much easier than it could be otherwise.

Now that you've acquired some knowledge of how culture is established and shared, what forces cause cultural changes in an organization, and at what points in the change employees might experience resistance—and now that you know that as a manager, your approach and
attitude might well be the keys to making the transition easier and more successful for all those involved—let’s give you some tried-and-true hacks on how to make you the agent leading the change.

**Nine Tips for Managing Organizational Change**

People can be resistant to or nervous about change, but the bottom line is this: Organizations simply must change in order to remain competitive in a dynamic marketplace. Successful implementation of new strategies requires a new mindset. By reframing the conversations we have about change, the behaviors we model when trying to make change, and the processes we use to implement it, we make change seamlessly and successfully.

1. **Develop and stick to a process**
   
   Figure out where you are, then figure out where you want to go, and make a clear-cut plan of action to get there. The organizations that are most successful in changing are intentional and diligent about process. When you communicate about the change, make sure you are persuasively describing its efficacy and value. Maintaining positive, persuasive communication, encouraging active participation, and providing clear information can all help prepare stakeholders for making major organizational change.

2. **Start at the top**

   If you don’t have total buy-in from the executives, the uncertainty and lack of commitment will creep down the hierarchy to operational-level employees. If employees sense that leadership doesn’t accept the change, they won’t accept it either. In order for change to be successful, high-level leadership must be:

   - Agents of change
   - Fully committed to adopting and implementing the change
   - Transparent about how they will participate in the change

   According to one Booz and Co. survey, 36% of all respondents admitted that their innovation strategy is not well aligned to their company’s overall strategy, and 47 percent said their company’s culture does not support their innovation strategy. Not surprisingly, companies saddled with both poor alignment and poor cultural support perform at a much lower level than well-aligned companies. In fact, companies with both highly aligned cultures and highly aligned innovation strategies have 30% higher enterprise value growth and 17% higher profit growth than companies with low degrees of alignment.

   In order to avoid this kind of discord from the top, it must be clear to execs exactly why the organization needs to change, and how they will make that change doable.

3. **Consider how the change will affect all stakeholders’ needs and perceptions of all stakeholders in the change process**

   Carefully consider and plan for how the change will affect all stakeholders and assess their needs and perceptions. A great way to do this is through focus groups, or casual conversations with the stakeholders (employees, customers, managers, and leadership), or even a well-prepared survey.

   Once you have the information, explore how you can help each level better deal with the change ahead, and how you can ensure they are part of the process to help with ownership of the change.
4. Pay attention to the individual change process
In times of transition, stakeholders go through an individual change process. First, they must let go of the old ways of doing things. People often experience a sense of loss during change. Next, they go through a period of exploring the future, existing between the old way and the new way. This time can be confusing and frustrating for employees because everything is in flux. Finally, employees begin to accept the change, adopting it as part of their new normal.

When executives are personally impacted by a change, they can experience this same transition. While leaders may be uncomfortable talking about their personal experience in navigating change, it can be a powerful model for employees.

If you drink Coke products, a great example of this type of loss can be found in The Real Story of New Coke. On April 23, 1985, the company dropped a surprise change on their customers in the form of “new Coke.” You need to read it to believe it, but it will confirm both the idea of grief over organizational change and how the individual change process is truly different for each individual.

5. Focus on managers
Managers play a pivotal role in keeping employees engaged and productive. Because of this, they are essential in helping effect change. Unfortunately, managers are often neglected when it comes to preparing them for change. Equip them with the tools they need to truly understand the change, why it’s necessary, and how it will drive organizational success so that they can help their employees do the same.

6. Effectively handle resistance
Resistance to change is a normal part of the change process. Establish a culture of transparency around struggle and resistance by creating forums for discussing challenges and providing workable solutions. Be curious about employees’ feedback, even if they are hesitant and resistant. This will help you honor their feelings and create better strategies for implementing change.

7. Celebrate early wins
Celebrate every success and communicate it organization-wide. Tell the stories of each early success to help empower others to imagine that change is possible. These stories reinforce that everyone has an active role to play in change, no matter how small.

8. Sustain the dialogue
Keep talking about the organizational change. Often, a failed change is the result of poor communication or lack of acceptance from employees. By sustaining a long-term conversation about the change, employees feel heard and there is a forum for discussing and addressing challenges. Ongoing conversations can happen through manager meetings or company-wide town halls.

9. Be clear on the metrics for success
How will you measure success? Giving employees a clear, concrete metric will help motivate them to achieve success. When everyone can visualize exactly how success will look, they can work together to achieve it. Clearly define targets and check in regularly to assess progress.

The importance of these nine steps became abundantly clear at a recent change seminar conducted by one of the authors. Each employee in the room cited major concerns over one or more of these steps, and when each person’s concerns were anonymously shared, it created not only a sense of camaraderie among the stakeholders that they were not alone, but also an increasing sense of concern about what lay ahead with major change initiatives on the horizon.
You will also notice the nine tips above cover almost everything we have discussed in the chapter as well as the critical role you, as the manager and leader, play in making this all happen. In fact, these things also refer to you being in charge of how the executives manage the change, and how your employees will emotionally react. Each “how” includes a helpful and practical “what” to do so that, once again, you have the tools you need to foster successful organizational change.

Managerial Implications

Any organization you work for, or any business you start, will undergo change, either by choice or by force. The key takeaway points from this chapter are:

- Organizational culture is the foundation upon which organizations are built.
- Organizational culture is made of spoken and unspoken stories, artifacts, values, and assumptions. Strong organization cultures are those in which employees agree on values and have intense feelings about them.
- Most employees learn an organization’s culture through socialization processes. Culture is communicated to employees through rituals, stories, symbols, and language.
- Part of a manager’s planning involves working with the culture that is in place while scanning the external environment for changes that might create a need for internal changes in the organization.
- The most successful organizational culture changes are those that are planned, proactive, and incremental.
- Managers must be able to embrace change themselves so they are able to model it for their employees. Resistance to change is the number-one reason that change efforts fail. Therefore, overcoming resistance to change is a major part of a manager’s job. The change curve is a useful way to analyze resistance and overcome it.
- Guiding employees through organizational change can be a multi-step process that involves the manager doing as much planning as possible to help employees understand why the change is occurring, how it will occur, and then implementing processes to help the team get through it as positively and successfully as possible.

In our opening story, Robert shared the struggles his company was going through as they were thrust into forced change. In the past they had been able to see the outside environment change and translate that into a smooth, well-planned change internally. Now, thanks to technology and, arguably, physical space changes that technology brings by creating virtual business space, Robert’s company had been forced into a major change in how they serviced their customers and had not had the time to plan it out the way they wanted or understand the repercussions it would have on their employees. As an aside, Robert also shared that the executive team was fine with all the changes—a classic example of how an executive team might fail to consider the rest of the organization’s stakeholders, and how important managers are to making sure the people doing the real work on the ground feel they have a part in open communication, can actively participate in the change, and have the support of their managers.

Planning is a critical part of life and work. Great managers, whether in organizations, volunteer groups, or little league, plan, listen, and understand that members of each will experience different emotions when change is beginning, freezing, or unfreezing. Think about a recent situation where something changed and it caused an emotional response from you. That is why managers who work on their self-awareness and responses are the best leaders for others when change occurs. They will recognize that each employee might react differently but will be ready for the challenges those changes bring.
KEY TERMS

anticipatory socialization 105
artifacts and creations 99
assimilate 106
assumptions 99
change curve 119
changing 116
commitment to change 113
competing values framework 101
compliance with change 113
enacted values 99
entry 106
espoused beliefs and values 99
force-field analysis 118
human relations 101
impression management 106
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organizational socialization 105
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TOOLKIT

Activity 4.1
Comparing Organizational Cultures in the Gaming Industry

Tencent and Activision Blizzard Entertainment are both successful companies in the gaming industry. Tencent, headquartered in Shenzhen, China (Arena of Valor), is number one in gaming revenues, and Activision Blizzard, headquartered in Irvine, California (World of Warcraft), is ranked fifth. Use the template to compare and contrast their organizational cultures. The information can be searched on the Internet using Google or some other search engine. Try to find the most recent and specific information you can. For example, for organizational culture, don’t just state “campus atmosphere.” Describe what the offices look like and what is in them.

<table>
<thead>
<tr>
<th></th>
<th>Tencent</th>
<th>Activision Blizzard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size (number of employees)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational vision and mission</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee development and activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational culture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office design (artifacts)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Values of employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assumptions about work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How was the company started, and what was the date of founding?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management philosophy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact: Employee satisfaction and turnover (read reviews from employees from glassdoor.com/Indeed.com)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact: Organization performance (provide an update on gaming revenues and profitability)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Discussion Questions

1. Discuss the similarities and differences between Tencent and Blizzard. Which organization has a stronger culture? Or are they the same?
2. How are Tencent and Blizzard different in their size and mission statements?
3. Describe reactions from employees in terms of job satisfaction. Which company would you rather work for and why?
Activity 4.2
Understanding Organizational Culture

As a manager who runs a company or leads a team, you will understand the importance of an organization’s culture. But culture is challenging because it often creates obstacles to allowing employees to do their best work. Perhaps an organization’s current culture is preventing employees from being as productive and purposeful as they can be. Maybe people seem disengaged and apathetic. Individuals and teams don’t collaborate. Employees fail to generate new ideas—and any potential innovation is getting stuck before it can be launched.

Before you can decide how to improve or change your culture, you need to determine its current state on four levels: yourself, the individuals on your team, the team, and the organization. For this activity, conduct a one-on-one interview with an employed person you know who intensely explores how they experience culture. (If you don’t think employees will speak candidly to someone inside the company, assure them of complete anonymity for themselves and their organization.)

Here are 13 probing questions to ask:

Self-Assessment for Individuals
Assess how the company’s values and purpose intersect with each employee’s professional goals and mission.

1. What part of your role makes you feel inspired and productive? Which of your daily activities leave you feeling useful and contribute to your job satisfaction, even if you aren’t rewarded or praised?
2. Think about your daily behaviors and activities. Which habits do you need to adopt in order to align with the company’s goals? Which habits do you need to adapt or eliminate?

Teamwork Assessment
Explore how company culture influences and affects teamwork.

3. Does company culture positively influence how your team works together to achieve goals and fulfill duties? How about the opposite? Does culture ever impede your ability to work together effectively?
4. Think about the company’s values and how they affect teamwork. Do any values ever have unintended effects on teamwork?

Organizational Assessment
Explore an employee’s perceptions of company culture:

5. What actions are needed to improve the current culture?
6. Describe the current culture. What aspects of the culture have room for improvement?
7. What is distinctive about the company’s mission and values?
8. What formal and informal practices do managers use to establish their authority?
9. How does the organization support and reinforce success?
10. What happens when someone fails? How does leadership address it immediately? How is failure addressed in the long term?
11. Does leadership uphold the company’s values in their actions and decisions?
12. What motivates leaders to be successful?
13. What should the organization prioritize as its first step in improving company culture?

Once you’ve gathered all the perspectives, analyze responses to extract the most important insights about the organizational culture. Pay particular attention to what employees care about most, what motivates them, and what they perceive the organization’s strengths and weaknesses to be. Also pay close attention to what matters most to you as you listen to their responses.

These insights will form the foundation for developing both immediate and long-term action steps for taking an organizational culture from where it is today to where it needs to be—collaborative, supportive, participative, and productive.

Case Study 4.1
How It All Went Wrong at JCPenney

The American economy is thriving. People are eager to drop disposable income on the latest fashions, home furnishings and decor, toys, and electronics—but not at JCPenney. The retailer is deeply in debt (to the tune of $4 billion), and stock prices have plummeted below $2, leaving the company’s future uncertain.

Mark Cohen, the director of retail studies at Columbia Business School, calls the company a “leaky ship.” Former CEOs had muddled brand identity and fled, leaving JCPenney in a continued downward spiral.

The leak sprung in the late 1990s. Sales and profits began plummeting below $2, leaving the company’s future uncertain. CEOs had muddled brand identity and fled, leaving JCPenney in a continued downward spiral.


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keep shoppers when the recession hit. As the economy rebounded, it seemed that JCPenney’s once-loyal shoppers were gone for good.

Ron Johnson Takes the Helm of a Sinking Ship

Ron Johnson, former director of Apple’s retail division, took the helm in 2011. Johnson, who had once achieved success at Apple, was no match for the dismal scenario at JCPenney. His attempts to overhaul strategy were poorly researched and badly executed. Less than 18 months after he was hired, Johnson was fired.

Johnson’s Faulty Assumptions

What could possibly go wrong with a CEO, experienced at high-end technological retail success, being brought in to run a value-priced, coupon-driven department store? Let’s start with Johnson’s strength at making bad assumptions. In late 2011, he promised to make JCPenney “America’s favorite store,” but he started by ignoring the long-standing culture where sales were driven by what the customers said they needed. In an attempt to target wealthier shoppers, Johnson dropped reliable brands and replaced them with brands that didn’t appeal to the low- and middle-income shoppers who formed Penney’s base. He ended coupons and clearance sales, a mainstay of the Penney’s experience. These moves were out of touch with Penney’s core shoppers, and alienated them. According to Cohen, Johnson ditched his old audience and “assumed a new one would appear instantly from out of the blue.”

In moving from a company that prided itself on telling customers what they needed, Johnson had crossed over into a culture where sales were driven by what the customers said they needed. In 2012, the company hemorrhaged more than $4 billion in sales, a quarter of its sales from 2011. The numbers made it clear Johnson had to go.

Mediocre and Stuck

Desperate to stop the losses, Penney went back to Ullman, the former CEO, in 2013. He immediately reinstated coupons and old-standby brands, which stabilized sales and paused stock declines. Still, it was difficult for JCPenney to right the ship.

While rival retailers launched digital strategies and overhauled their shopping experiences, due to its financial struggles, Penney couldn’t compete. In an effort to once again plug the hole in the sinking ship, in 2015 JCPenney brought in Marvin Ellison from Home Depot. Although clothing sales had always been Penney’s bread and butter, the board of directors thought hiring Ellison would help them enter the appliance market to bolster sales. It didn’t work, and stock continued to drop. Despite this, Ellison, partnering with Ullman as board chair, led JCPenney to $2.81 billion in revenue in 2015, narrowing the net loss to $68 million in the company’s second-quarter earnings.

Soon, however, Ellison abandoned JCPenney to run the show at Lowe’s. Ellison left the fashion unit directionless, desperately needing brands to satisfy moms and millennials. Penney’s, which had dramatically shifted its target from older shoppers to younger ones, is now moving back toward middle-aged shoppers.

Does JCPenney Have a Future?

To remain solvent, JCPenney needs the tide to turn—and fast. The company must escape its massive debt and recoup a large chunk of its sales volume at a profit. A company spokesperson points to same-store sales growth in 2017 as proof that Penney’s is still in the game. The company once bought as much merchandise as it needed to fill stores, but now it is forced to limit itself to proven sales trends. Still, in 2018, CFO Jeffrey Davis believed that JCPenney “can and will be a clear winner in the retail environment.”

Perhaps the final word on JCPenney will be left to current CEO Jill Soltau, who took over in January 2019. Note how many concepts in her announcement tie in to what you have learned so far in management:

I am pleased with the strides we’ve made in setting key objectives, building our senior leadership team, executing significant changes in our assortment, such as eliminating major appliances, and mobilizing the entire organization around our priorities. We have made good progress on each of our immediate action steps highlighted last quarter, including our continued efforts to reduce and enhance our inventory position, which resulted in a 16% reduction in our inventory and a meaningful improvement in our free cash flow this quarter. As our inventory rationalization effort continues, we are testing a number of strategies around optimal inventory levels and assortment choice counts with a goal of delivering an improved experience for our customers and maximizing our return on investment.

Discussion Questions

1. As a client at JCPenney, how would you feel throughout the change process as outlined in this article?
2. If you had been working as a department manager at JCPenney for 20 years, what would your responses, intellectually and emotionally, have been to this cycle of changes as you personally processed them?
3. What parts of JCPenney’s culture do you think were impacted most by the actions in this article?
4. As a department manager, what would your reaction have been to each of the changes as they came about?
5. What would an effective manager do to help their employees through these changes?


Self-Assessment 4.1
Organizational Readiness for Implementing Change (ORIC)
Part I. Taking the Assessment
Instructions: Circle the response that best describes your organization’s readiness for implementing change. This is not a test, and there are no right or wrong answers. You do not have to share your results with others unless you wish to do so.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. People who work here feel confident that the organization can get people invested in implementing this change.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. People who work here are committed to implementing this change.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. People who work here feel confident that they can keep track of progress in implementing this change.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. People who work here will do whatever it takes to implement this change.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. People who work here feel confident that the organization can support people as they adjust to this change.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6. People who work here want to implement this change.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7. People who work here feel confident that they can keep the momentum going in implementing this change.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8. People who work here feel confident that they can handle the challenges that might arise in implementing this change.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>9. People who work here are determined to implement this change.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>10. People who work here feel confident that they can coordinate tasks so that implementation goes smoothly.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>11. People who work here are motivated to implement this change.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>12. People who work here feel confident that they can manage the politics of implementing this change.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
Part II: Scoring and Interpretation

In Part I, you rated yourself on 12 questions. Add the numbers you circled in each of the columns to derive your score for Change Commitment and Change Efficacy (defined below). During class, we will discuss each aspect of commitment to organizational change.

<table>
<thead>
<tr>
<th>Change Commitment</th>
<th>Change Efficacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. _________</td>
<td>1. _________</td>
</tr>
<tr>
<td>4. _________</td>
<td>3. _________</td>
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<td>6. _________</td>
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<td>10. _________</td>
<td>12. _________</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>÷ 5</strong></td>
<td><strong>÷ 7</strong></td>
</tr>
</tbody>
</table>

**Overall Commitment to Change:** Change Commitment **+** Change Efficacy **=**

Change commitment (CC) reflects organizational members’ shared resolve to implement a change. A hypothesized determinant of change commitment is change valence. Organization members may value an organizational change for any number of reasons; why they value it may be less important than how much they value it. The second facet of readiness, change efficacy, reflects organization members’ shared belief in their collective capability to implement a change. Determinants of change efficacy include task knowledge, resource availability, and situational factors.

Change efficacy (CE) is expected to be high when organizational members know what to do and how to do it, when they perceive they have the resources they need to implement the change, and when they perceive situational factors such as timing to be favorable.

**Discussion Questions**

1. Which of the two dimensions are higher? In other words, are people in your organization more committed to change or are they more confident in their ability to implement change? Which do you think is more important and why?

2. Compare your results to three others. Explain any differences you see between your commitment to change and theirs.

3. Copy or take a photo of this assessment and send it to three people you know who are currently employed in different organizations. Explain any differences you see between their commitment to change by following up and asking them about their commitment to and efficacy for implementing change.


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