Chapter 3
Why Organizations Change

Why Change?

- Change is a risky activity – many organizational changes fail or do not realize their intended outcomes. This raises the question: why is change so prevalent?
- Pressure to change comes from:
  - External, environmental pressures
  - Internal, organizational pressures

Why Change?
Images of Managing Change
External Pressures
- Fashion
- Mandated
- Geopolitical
- Market decline
- Hyper-competition
- Reputation & credibility
Role of the Environment
Internal Pressures
- Growth
- Integration & collaboration
- Identity
- New broom
- Power & political
Images of Managing Change

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Navigator
Strategic change is in response to internal and external pressures. Multiple pressures facing managers will need to be taken into account.

Coach
Pressures for change are constant and result in the need to develop and shape the organization’s capabilities to better enhance organizational outcomes.

Nurturer
Pressures for change are large and small and the manager’s role is to enhance the adaptive capacity of the organization.

Environmental Pressures

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Pressures | Examples | Description
--- | --- | ---
Mandated pressures | Chevron Texaco | Neo-institutionalism: coercive isomorphism. An organization changes through formally or informally mandated requirements.
Geopolitical pressures | 3M | Macroeconomic changes (or crises) place pressure on organizations to change the way they operate.

Environmental Pressures

<table>
<thead>
<tr>
<th>Pressure</th>
<th>Examples</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Market decline pressures</td>
<td>AOL Time Warner</td>
<td>When current markets begin to decline there is pressure to find newer, more viable markets.</td>
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<tr>
<td>Hyper-competition pressures</td>
<td>Gateway</td>
<td>The highly intensified rate of business – including shortened product life cycles and rapid responses by competitors – produces pressure for change at the organizational level.</td>
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<tr>
<td>Reputation and credibility pressures</td>
<td>Walt Disney Company</td>
<td>In light of recent corporate governance scandals, the pressure to maintain a good reputation and high level of credibility has increased.</td>
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Debate: Role of the Environment

- **Organizational learning vs. threat-rigidity**
  - whether external pressures facilitate or inhibit the process of change.

- **Environment as an objective entity vs. environment as a cognitive construction**
  - The former treats the environment as an objective entity to which managers must respond. The latter emphasizes the centrality of managers’ interpretations of environmental conditions as the key determinant of behavior.

- **Forces for change vs. forces for stability:**
  - External forces can vary; they either promote change or promote stability.

- **Bridging (adapting) vs buffering (shielding):**
  - These represent either strategies that can maintain effectiveness by adapting parts of the organization to changes happening in the outside environment (bridging) or focusing on efficiency by avoiding change through shielding parts of it from the effects of the environment (buffering).
### Internal Pressures

#### Why Change?

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<td>Growth pressures</td>
<td>Microsoft</td>
<td>Existing systems and processes in an organization may no longer be applicable when the size of the organization increases.</td>
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<tr>
<td>Integration and collaboration pressures</td>
<td>EDS</td>
<td>Integration and creating economies of scale can lead to pressure for change in organizations.</td>
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<tr>
<td>Identity pressures</td>
<td>Forte Hotel</td>
<td>A common organizational identity and the unified commitment of staff in different areas/departments of an organization can be difficult to manage and may encourage change.</td>
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<td>New broom pressures</td>
<td>Bank of America</td>
<td>Change at the senior management level – particularly of CEO - can often be a catalyst for significant changes in an organization.</td>
</tr>
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<td>Power and political pressures</td>
<td>Morgan Stanley</td>
<td>Power relationships and politicking can change internal processes and decision making.</td>
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