

Module: Change and Stability Management

Handout One (2022)

Lecturer

Dr. LEUNG, Wing Chung Joe

Dr. LEUNG, Wing Chung Joe PhD(Warwick)

- Dr. Leung's work begins with examining the company as an "Agile Learning Organization", in which case its survival relies on management team's response to the external opportunity/threats, that is their ability to align the company's strategy and organization to those externalities. With the Corporate Governance Framework of Dr. Leung, his clients are able to overcome the growth challenges and embark on the journey of transformation change. Dr. Leung works his clients on four main areas: Corporate Direction, Corporate Leadership, Governance System and Corporate Change.
- Dr. Leung has been the pioneer of the concept of Corporate Governance Framework since 2003. He was also one of the integral members of the project, "**Guidelines on Corporate Governance in Hong Kong**", a study initiated by Hong Kong Institute of Directors and funded by Hong Kong Government: Under his coaching and consultancy practice, two of his clients won "The Directors of the Year Awards: ESG and Corporate Governance" in 2019 and 2020 organized by the Hong Kong Institute of Directors. In the past 18 years, more than 9,500 directors, executives and managers attended Dr. Leung's workshops that helped to broaden their strategic horizon and led them to the path of business growth and success.
- Mobile: (852) 9103 3586 e-mail: drjoeleung@gmail.com

Class Programme

SESSION	TOPIC (provisional and subject to change)
One	1.1 Module Introduction and Overview 1.2 What is Change? 1.3 Organisational Stability
Two	2.1 The Nature of Change: Planned or Emergent? 2.2 OD and Key Change Management Models 2.3 Case/Group Discussion
Three	3.1 External and Internal Forces Affecting the Organisational Change 3.2 Impact of External/Internal Triggers and Drivers of Change 3.3 Case/Group Discussion
Four	4.1 Discussion Case for Change Management 4.2 Change Management and Leadership 4.3 Resistance to Change
Five	Individual presentations – Assignment Task 1
Six	6.1 Leading Change 6.2 Managing Change 6.3 Case/Group Discussion
Seven	7.1 Innovative and Agile Organization 7.2 Digital Transformation in Organization 7.3 Review and Discussion

1.1 Module Overview

Aims

- To enable students to develop a comprehensive and critical understanding of relevant change management theories and practical strategies for managing change by focusing on organisational behaviour, operations, and the management challenges created by the external business environment, especially in view of the rapid digitalisation.
- To consider whether organisational change is a beneficial and exceptional event by assessing whether stability is either attainable or desirable in the modern business environment.

Learning Outcomes

Upon the successful completion of this module, the student should be able to demonstrate the ability to:

- critically analyse theoretical perspectives and approaches to change management and demonstrate their practical application in a variety of organisational environments;
- critically evaluate whether change is beneficial or a hindrance to organisations today by examining key internal and external drivers such as culture, leadership, power, digitalisation, economic and political pressures and the forces of competition.

Task: Organisational Change Case Study

This assignment will be made up of two parts; an individual presentation of the research proposal and initial findings (equivalent to 2000 words) and a 3000 written report addressing the question and application of change management theories to illuminate the case study analysis.

Change is inevitable in any organisation. Organisations must be adaptable to changing environments if they wish to survive and thrive. The current challenges represented by the turbulent business environment mean that a degree of adaptation is inevitable.

Individual Presentation: 15-20 mins (2000 word in PowerPoint)

- Give a brief introduction and background to the organisation and the reason(s) for change
- Critically appraise the key change management models – planned and emergent change

Written Report (3000 words)

- Outline how the models can be utilised when considering incremental (small scale) or a large-scale change programme
- Consider how you would identify and deal with resistance factors to the change
- Clarify how you would know when the change programme has been completed and how you might assess its effectiveness

Task:

Acting as a nominated change agent, advise the default case study or an organisation of your choice which is undergoing or has undertaken a large or incremental change programme using a suitable change management framework. Be mindful of all aspects of change and identify and explore key theme in your report.

Students should:

- Give a brief introduction and background to the organisation and the reason(s) for change
- Critically appraise the key change management models – planned and emergent change
- Outline how the models can be utilised when considering incremental (small scale) or a large-scale change programme
- Consider how you would identify and deal with resistance factors to the change
- Clarify how you would know when the change programme has been completed and how you might assess its effectiveness

1.2 Assignment: Presentation and Report

- Select an industry sector and organisation which has undergone a change initiative as a result of external and/or internal challenges. Consider what changes were made, and critically review and evaluate their effectiveness in maintaining the overall stability of operations, and the extent to which additional measures may be required as events develop.

Assignment 1: Presentation of key Change Management Models (2000 words, 25% of total marks)

- Using Power Point or any other means of presentation, each student will present to the module tutor and fellow MBA students how key change management models have been and will be utilised to undertake an analysis of their chosen case study. All facts, figures and supporting evidence should stand-up to scrutiny.
- The presentation should ensure good use of language with logically and clearly structured conclusions. Effective use of primary data and appropriate management theory. Correct citation of literature sources using Harvard method. Bibliography reflected within assignment text.
- This activity gives an opportunity for each student to present ideas and methods, *If no presentation is given, no marks will be awarded here.* (10 minutes max. for presentation).

Assignment 2: Report - Analysis/Evaluation/Critique (3000 words, 75% of total marks)

- The specific objectives of the module should be met with clear aims and objectives that are fully addressed throughout the assignment. The discursive content of the assignment should be supported by pertinent facts and figures. There should be a critical focus on analysis and evaluation based on effective critique of business practice using theoretical concepts and ideas on change management.
- Build on the work undertaken for the presentation. Link theory with practice and present evidence to support conclusions reached. The conclusion should be informative and cogently structured. Recommendations should be relevant in relation to the information and analysis produced in the main body of the assignment.
- The assignment content should be evaluative, analytical, have a strong business case, strategic focus and customer orientation so as to re-enforce the business case for change.
- Your analysis and evaluation should make reference to theoretical models, ideas and concepts, focusing on organisational development, the socio-psychology of resistance to change and sustaining organisational effectiveness.
- Utilise a variety of data sources, which might include primary data, to inform the reader and support your analysis, conclusions and recommendations.

Question and Answer



1.3 What is Change?

- Critical issue facing COVID-19 pandemic, economies conflict, organizations, disruptive technology and stakeholders expectation.
- A significant area of environment analysis and change theory.
- An area of ongoing debate in relation to research, theory, practice, and business development.

Question: *what is the biggest business challenge that has occurred during your life time?*

Question: *to what extent has/did strategic change play a part or role in the example you identified?*

Characterizing change

- Ubiquitous, permeates all aspects of life:
 - Settings: workplace, home, and social activities/events
 - Relations: individual, group, intergroup, and wider collective relations
 - Experiences: the processes by which we make and give sense to the changes that we experience
- Organizational change:
 - Planned or emergent, proactive or reactive
 - Triggered by internal and/or external drivers
 - Just so!

Defining change

- Movement over time from a current position (P^1) to a future position (P^2), defined as:

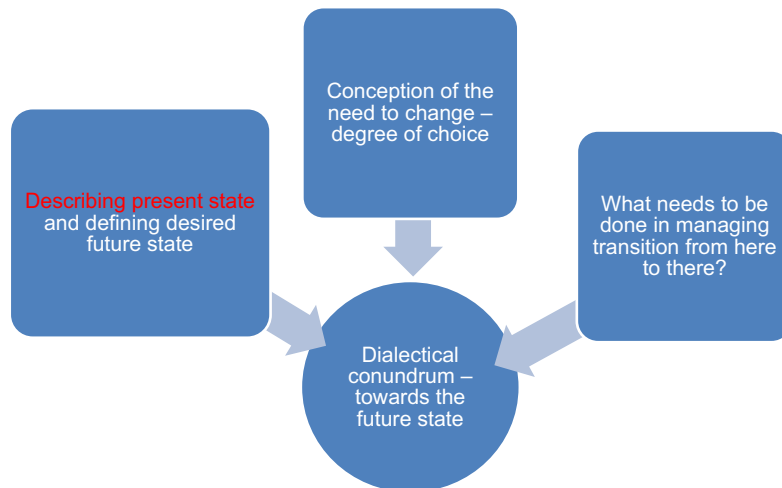
Organizational change is the movement over time from an ongoing present to an emerging and uncertain future that is sometimes planned and managed with the intention of securing anticipated objectives and sometimes unplanned for and unforeseen.

Source: Patrick Dawson and Constantine Andriopoulos (2017), **Managing Change, Creativity and Innovation**, SAGE Publications Inc.

Strategic change can be defined as 'descriptive of magnitude in alteration in, for example, the culture, the strategy, and structure of the firm, recognising the second order effects, or multiple consequences of any such change.

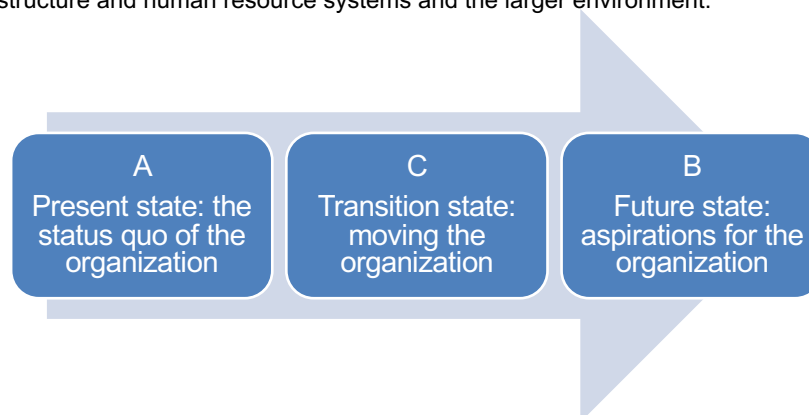
Source: Pettigrew A. (1987), **Context and Action in the Transformation of the Firm**, Journal of Management Studies, 24 (6) p. 668.

The Change Management Process



Movement from current state to desired future state

Strategic change is the movement of a company away from its present state toward some desired future state to increase its competitive advantage. It is an approach to bringing about congruence among the organization's strategy structure and human resource systems and the larger environment.



Managing from present to desired state:

- How to communicate and lead change?
- How to make sense of resistance and motivate people?
- How to control and minimize the disruptive aspects of change during implementation?
- How to shape the political dynamics of change so that power centres develop that support the change rather than block it?
- How to reach desired state over time?

- Change is a complex process that it is not possible to fully control or predict.
- Uncertainty of change stimulates demand for simple recipes that provide assurances that there are techniques for successful change.
- Organizational change often characterized as a movement from a present to a future (desired) state that generally unfolds in unexpected ways (whether planned for or not).

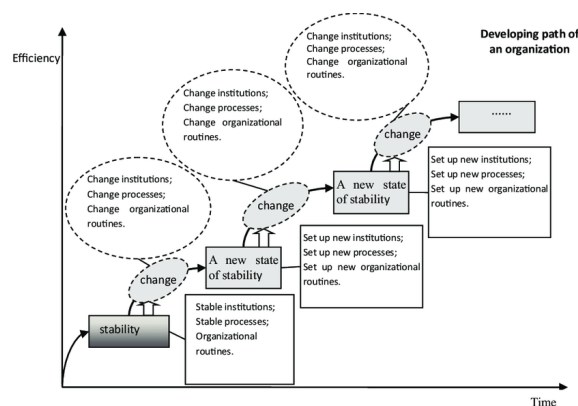


Question and Answer



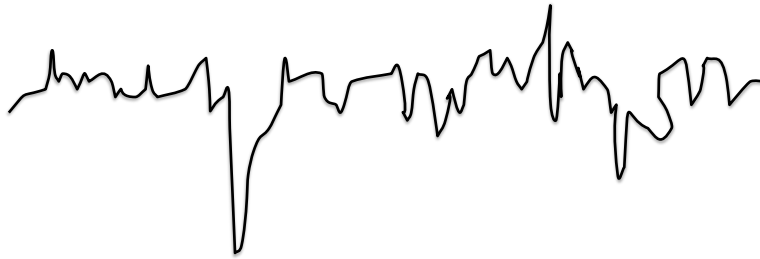
1.4 Organizational Stability and Types of Change

Organizational stability is the state of a company's financial, human resources, and production that has reached a threshold of steady growth in terms of bottom line, employee assessment, and development. During challenging economic times, it has been difficult for company to reach organisational stability due to several factors which can ultimately hurt the bottom line of the company.



Model draws from evolutionary biology

- Organizations often experience long periods of incremental adaptation that is followed by brief periods of revolutionary upheaval.

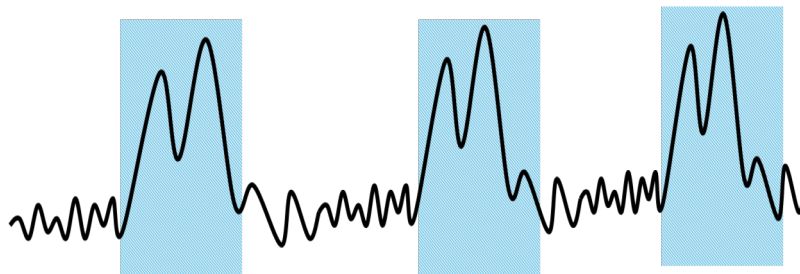


- Convergent periods punctuated by strategic reorientations (or re-creations).
- The punctuated equilibrium model promotes a particular relationship between incremental and radical change.
- <https://www.youtube.com/watch?v=qSjiFxlHknk>

Two Types of Change

Incremental change associated with those periods when the industry is in equilibrium and the focus for change is 'doing things better'.

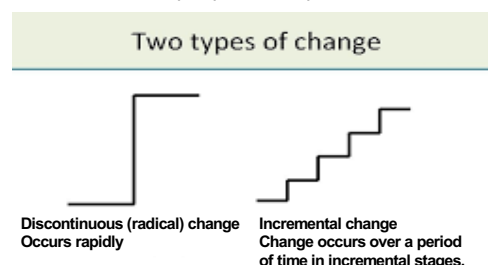
Discontinuous change which occurs during periods of disequilibrium. It involves a break with the past rather than an extrapolation of past patterns of change.



Incremental Change, Discontinuous Change and Punctuated Equilibrium

- **Incremental change** refers to a small adjustment made toward a targeted result. In the business world, the fact of making an incremental change does not have a significant impact on the existing structures or alter current methods. simultaneously and constantly in business organizations around the world. Incremental change is the process of continuous improvement—what the Japanese refer to as "kaizen." Discontinuous change is the kind of large-scale transformation that turns organizations inside out and upside down.
- If managing incremental change can be compared to encouraging a group of joggers to gradually pick up the pace, then leading discontinuous change is like getting those same joggers to leap off a cliff and build their parachutes on the way down.
- Incremental change fits the Newtonian framework of a linear, progressive, and predictable world. There is an unmistakable logic behind incremental change that makes it easy to communicate and relatively easy for people to adopt. Best of all, it uses current practices as a baseline for the systematic improvement of a product, service, or system. And people like the fact that they can base their future success on their past performance.

- **Discontinuous change**, or **discontinuous technological change**, refers to external **changes** that require internal adaptation along a path that is nonlinear relative to a firm's traditional innovation trajectory.
- But much of the change organizations are facing today is not incremental. It is discontinuous or radical. It is restructuring, reengineering, transformation. It is these actions—and others—that challenge our most deeply held beliefs about the past. Discontinuous change confronts the entire organization with the possibility that the very roles, actions, and attitudes that were most responsible for past success will be insufficient, and perhaps even detrimental, in the future. And that concept is difficult to communicate and much harder for people to adopt.

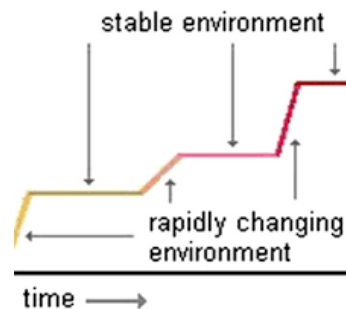


The Punctuated Equilibrium Model

The Punctuated Equilibrium Model (PEM) is a social theory for understanding change in complex social systems, including in organisations (Burnes, 2004). PEM is an important model of organisational change in which change is relatively stable but experiences short bursts of fundamental change. The concept explains the strengths and drawbacks of the model and uses illustrative case studies to highlight the usefulness of the PEM for explaining change.

Punctuated Equilibrium Model Definition: The punctuated equilibrium model of change "see organisations as evolving through relatively long periods of stability (equilibrium periods) in their basic patterns of activity that are punctuated by relatively short bursts of fundamental change (revolutionary periods)" (Burnes, 2004).

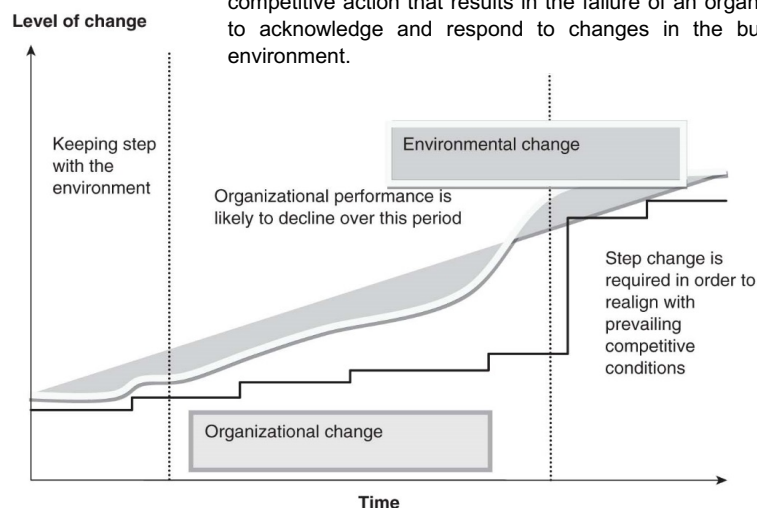
A view of industry evolution asserting that long periods of equilibrium punctuated by periods of rapid change when industry structure is revolutionized by innovation.



Source: Bernard Burnes, (2004), **Kurt Lewin and the Planned Approach to Change: A Re-Appraisal**. Journal of Management Studies, 41: 977-1002.

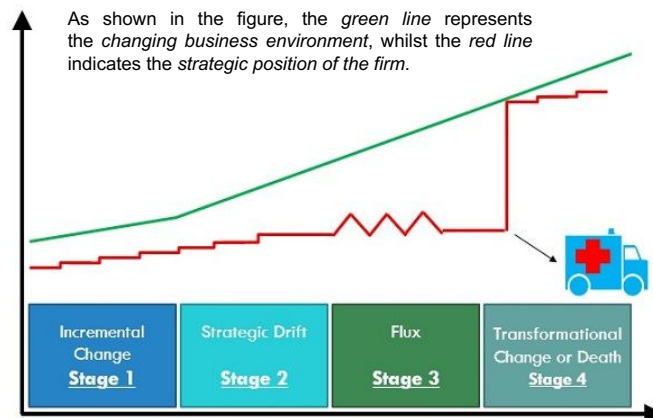
1.5 Strategic Drift

Strategic drift can be defined as a gradual deterioration of competitive action that results in the failure of an organization to acknowledge and respond to changes in the business environment.



Source: Gerry John and et al. (2011), **Exploring Strategy**, Pearson Education Limited.

Strategic Drift connotes the slight shift from the predetermined course of action or direction to another one, often unwanted, specifically in the long run. It is obvious, that in some situations shift is important, but too many shifts over the time may result in the company to lose its focus and it might turn out as highly reactive, which is going to adversely affect its success. It is the step by step decline of the competitive action, leading to the failure of the firm to identify and react to the change in the business environment.



Incremental Change: It takes place prior to any remarkable change in the technology, demand, preference and economy. Firm adapt to such change, in order to stay aligned with the dynamic business environment.

Strategic Drift: When the business environment experiences change in an increasing rate, but the business organization continues its operations, as per the previous stage, i.e. it only makes incremental changes. However, such incremental change is not enough to match with the actual change in the business environment.

Therefore, its effect on the firm is insidious, which can be visible in the drop in the financial performance, as well as the causes of such decline are not fully ascertained by the top management. At this stage, the strategic actions turn out as less effective.

Flux: Now, at this stage, the company's management cannot fail to consider the gap amidst the product demanded by the customers and products offered by the firm. And, the firm clearly understands that they have to implement the change, but it is not easy for the management to concur on what they need to change and how they are going to do it. Hence, here the change required should be transformational, rather than incremental.

Transformational Change or Death: At this stage, the firm has two alternatives:

The firm can formulate and implement a change management strategy, so as to make the desired change in the firm, which may result in success or failure of the firm.

The firm can also continue with their old strategy, whose result will be dying a slow death.

Damage to Employee Morale: Because of the psychological fallout, from the continuous shifting and change of long term effect on the firm, usually tends to develop a regressive state of mind, which makes the staff members indifferent to a constant state of alert.

Change for change sake: Due to continuous shift, change is not anymore perceived as a strategic move, but it is considered as a change for change sake.

Sceptical: Managers and executive become sceptical, because of the lack of certainty, due to which the motivation to stand up and the fight for survival diminishes with time.

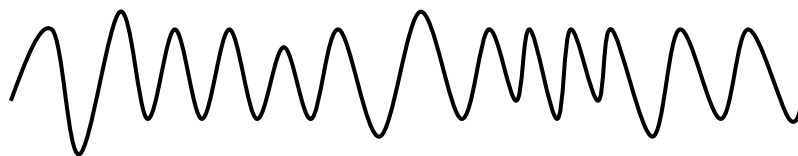
How to prevent Strategic Drift?

There are certain ways, which the organization can implement to prevent strategic drift, these are:

- Develop a culture in the organization which is not just openly tolerant of both positive as well as negative feedback, but also gladly receives it.
- Ensure that the firm accepts change as and when required, as well as it is not reluctant to question the change when it seems irrelevant.
- Develop a flexible environment in the organization, in a way that all the levels of the management take part in the decision making process.
- Identify new challenges and prioritize them as per their significance.
- Formulate comprehensive and clearly defined strategies for business.
- Consequently, loss of momentum, increase in unnecessary cost, diversion of focus, the decline in performance, preservation of status quo, and decline in competitive advantage, innovation and market adaptability may take place due to strategic drift.

Continuous change, but sometimes failed

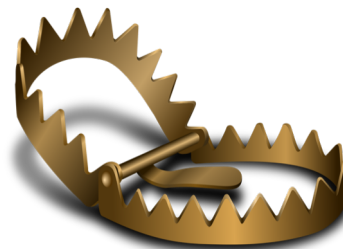
- The continuous change model presents change as evolving and incremental – driven by alertness and inability to remain at a standstill – they are frequent and continuous, long term ability to change structures and processes
- To what extent does this reflect the current environment?



Question and Answer



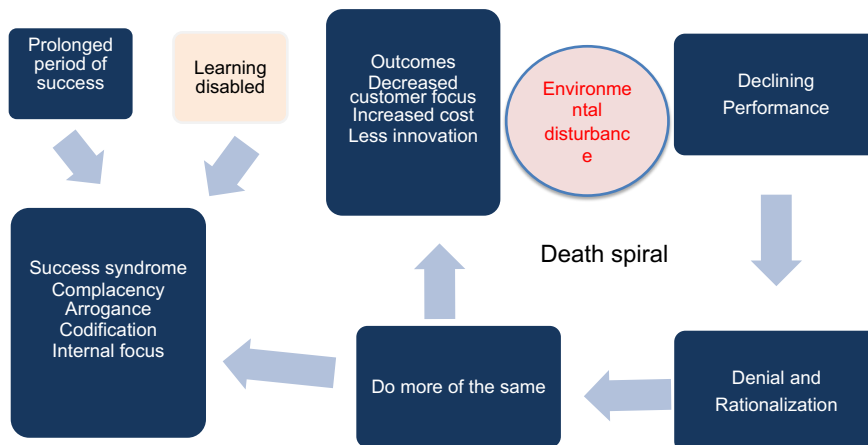
1.6 Trap of Success



- Path dependence – managers become locked into behaviours that produced the original success and are rarely questioned
- Growth leads to complexity
- Attention shifts away from the environment
- Customers and suppliers receive less attention
- Complacency and internal focus
- <https://www.youtube.com/watch?v=xziKI90C06g> short, concise, good illustration of trap

Death Spiral

Source : David A. Nadler, Robert B. Shaw and A. Elise Walton (1995), **Discontinuous Change: Leading Organisational Transformation**, Wiley.



Question and Answer



Conclusion

- Change is represented as movement from a current position to a future desired state.
- The punctuated equilibrium model views incremental change being punctuated by more radical adjustments.
- Internal and inclusive change can be achieved via continuous improvement
- The organizational approach to change varies according to a range of factors and rates of success