CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1. Understand the types and causes of organizational changes
2. List the steps in an organizational change management process
3. Explain the emerging role of HRM in a changing environment
4. Understand the types and symptoms of employee resistance
5. Enumerate the strategies to tackle resistance to change
6. Discuss the essentials for the success of organizational changes

Nihilent is a popular India-based change management company. The primary goal of the company is to work closely with clients for translating business strategies into definitive business results by facilitating a culture of learning, innovation, collaboration, and performance. For this, the company has patented change-management frameworks, called MC3 and Lamat, for affecting changes in the clients’ business organizations. Lamat is basically a user-friendly technology component of MC3. The MC3 framework consists of four main constituents, namely, motivation, capability, capacity and calibration. Nihilent uses its MC3 methodology for strategy execution using a balanced scorecard and dashboards, capability assessment and development, knowledge mapping and gap determination, performance management, process mapping, innovation management and customer experience management.

The client list of Nihilent includes Barclays, MTN, and South African Airways in South Africa. In India, it is a consultant to the State Bank of India (SBI) and IndusInd Bank with its patented change management process. It also offers its services for Demag Cranes and Components and Tain Constructions. As a unique effort, it offers several awards in collaboration with the Computer Society of India (CSI). These awards are given to recognize and replicate the successful initiatives of states and organizations in achieving good governance using information communications technology (ICT).

The growing popularity of change-management consultants like Nihilent clearly shows the significance attached to the concept of organizational change management and we shall discuss this in detail in this chapter.
Introduction
Organizational change simply means any departure from the status quo in the organization. Change management is a process whereby changes required in an organization are executed in a planned and controlled way. Though change is an inevitable element of any modern business environment, its implementation is a challenge to both the management and the employees. Changes in an organization are often caused by two forces—the top management of the organization and the environment of the organization. Developments in the internal or external environment of the organization may necessitate changes in the organization. A number of factors in the external business scenario necessitate organizational change. These include, among others, globalization, technology development, and government regulations. Typically, a change in an organization can cause the organizational systems to perform better and deliver an increased level of output.

With intensifying competition, rapid changes in products and processes, increasing importance of employees’ skills, quality and productivity and growing technological prowess, organizations are forced to be more adaptable, swift and customer-focused in order to be successful in business. Sometimes, even without any external change/reason, changes are deliberately effected for improving certain aspects of the organization to achieve better performance efficiency. In any case, the change has to be implemented in the organization carefully for it to be successful. The organization has to fully internalize and institutionalize the change process to achieve the required measure of success.

Types of Organizational Change
Organizations effect changes for survival, growth and prestige. In this regard, the organization remains in continuous contact with the external environment to get inputs which indicate the existing or impending changes in the environment. When the organization receives definite clues about environmental changes, it begins to put in place necessary measures to effect changes in itself. Regarding organizational changes, it has an option to choose between two types of changes. These two types are (i) developmental change and (ii) transformational change. We shall now see these two types of organizational change in detail.

Developmental Change
This is an incremental change in which necessary improvements are made in the existing organization. The term developmental change may be defined as the improvement of a skill, method or condition that for some reason does not measure up to current expectations. In this kind of change, the fundamental characteristics of the organization are preserved and only a few aspects of the organization are improved to suit well with the changes occurring in the environment. For instance, improvements in the production techniques, work process, and performance standards of employees are a few types of developmental changes. Generally, organizations carry out incremental changes at the time of mergers, acquisitions, and introduction of new product or technology. By and large, these kinds of changes cause minimum stress to the employees and, therefore, face little resistance from them.

Transformational Change
In this kind of organizational change, there would be a fundamental change in the organization. The change would be complete in all aspects and impact every sphere of
activities of the organization. In fact, the transformation in this kind of change is so deep and exhaustive that the result of an organizational change could even be the emergence of almost a new organization. Organizations adopt transformational changes when the developmental changes are grossly inadequate or they are simply overwhelmed by the force and implications of external environmental changes. Transformational changes may result in an organization acquiring a new identity, a new mission or a complete organizational restructuring. Changes resulting in the closure of a division of an organization or in a drastic corporate reorganization are a few examples of transformational change. This type of change is often forced by development in the external environment like the advent of new technologies, drastic changes in market conditions like demand and supply, and unexpected competition.

Causes of Organizational Changes

The changing environment has an impact on HRM policies and practices. The HR managers must be prepared to deal with the effects of such changes on the organization. However, prior to planning, implementing and managing changes, it is essential for the HR managers to trace the causes of the changes.

Advent of Globalization

Due to globalization, today, countries have become more interdependent economically. This is because foreign direct investment is interlocking economies, and increasing free trade is resulting in a worldwide breakdown of investment and trade barriers. Globalization has also opened up the markets in a large measure. Governments’ ability to control the flow of capital, information and technology across borders has declined vastly. There has also been the deregulation of financial and other markets, and the integration of markets for goods, services and capital. These developments have paved the way for the dominance of the market system.

There is no gainsaying that the increasing globalization of economies would have a deeper effect on the HRM. Organizations guided by market compulsion should now strive to achieve improved quality and productivity, greater flexibility, continuous innovation, and faster responses to exploit the emerging opportunities as their goals. Consequently, changes arising out of globalization become real and inevitable for the business organizations.

Impact of Technology

Technology is one of the most important factors affecting an organization and its members. It is actually a process by which inputs from an organization's environment are transformed into outputs. It includes, among others, tools, equipment, machinery, work procedures, and staff skills and knowledge. It can help organizations create more flexible, dynamic organizational structures that facilitate change and adaptation to changes in the organizations’ environment. All kinds of organizations, irrespective of their nature and size, make use of technology to produce and market their products. The continuous progress in technology and work process brings pressure on the organizations to adapt themselves to the emerging trends so as to remain competitive.

Whenever a new technology is introduced, it necessitates an upgrading of the employees’ skills and a change of work habits. There were days when workers managed to perform their jobs with the same skills and tools for several decades. Today, there is a continuous need to upgrade the existing employees’ skills to make them fit for the new technology. This requires
HRM policies which are conducive to change at all levels of the organization. HR managers should develop strong organizational commitment, high flexibility and high levels of intrinsic motivation among its employees to manage changes and innovations. This can be done by training the existing employees adequately and by filling positions with multi-skilled entrants.

**Impact of Workforce Diversity**

Workforce diversity in an organization may be caused by the age, ethnicity, gender, physical abilities/qualities, race, educational background, geographic location, income, marital status, experience, and religious beliefs of employees. Diversity management generally deals with the management of differences and similarities of individuals, the management of differences and similarities within an organization, and the inclusion and not assimilation of differences in a dominant culture. Some of the diversity-related problems faced by the organizations are lack of social interaction between diverse groups, a rising number of complaints of deliberate exclusion of members from non-mainstream groups, communication difficulties among diversified employees, employee frustration resulting from cultural differences, and complaints of pay and promotion discrimination.

The future success of any organization depends on its ability to manage a diverse pool of talents that can bring innovative ideas and different perspectives to their work. The challenge and problems faced due to workplace diversity can be turned into a strategic asset if an organization is able to capitalize on the right mixture of diverse talents. This may require the development of a dynamic environment by the organization. In this regard, organizations can establish exclusive departments or sections to attend to the diversity-related issues of the employees. Similarly, they can adopt flexible company norms to fulfil the diversity needs of the organization. Besides, these organizations can undertake appropriate measures to integrate diversity management with their other strategic human resource management objectives and policies. With the advantages of workforce diversity and a dynamic environment, an organization can respond to business opportunities more rapidly and creatively, particularly at the global level. An effective HRM should develop an environment that supports diversity broadly. Understandably, if workforce diversity is not balanced or managed properly, the organization may face a real risk of losing talents to competitors. The HR managers should develop or adopt the best HR practices that will ensure effective management of workplace diversity in order to attain organizational goals.

**Impact of Knowledge Management**

Knowledge management is the process of managing and leveraging the stores of knowledge in an organization systematically and actively. The introduction of technology and globalization has contributed to the changing nature of jobs and tasks. Today, core jobs have shifted from manual to mental work. Organizations tend to invest more in intellectual capital than ever before. Thus, knowledge management is emerging as a key resource and the organizations, with a sizable number of knowledge workers placing increased efforts in their human resources practices and training in order to enhance and transfer information and knowledge. Thus, knowledge management has become an important area for HR practitioners. In order to improve organizational effectiveness, the HR managers should develop strategies and an appropriate environment to transfer knowledge from those who have it to those who need it.

The future success of any organization relies on its ability to adapt itself quickly to the changing environment. An effective HR management comes in handy for the administration
to tackle the HR-related issues arising out of the changing environment. In fact, even the challenge and problems faced of changes can be turned into a strategic organizational asset if the HR management is able to capitalize on the situation through ingenious polices and practices.

**Steps in an Organizational Change Management Process**

Change is inevitable for any organization and thus the management undertakes changes at various points of time in the life of an organization. The reasons for change may differ from one organization to another and from one period to another. For instance, some organizations may carry out changes to achieve growth while some others may change just to survive in the business field. Obviously, organizations continually make efforts to plan and implement changes to tackle environmental challenges. However, all organizations may not succeed in their attempt to bring about the desired changes. Even among successful organizations, the degree of success may differ from one organization to another and from one situation to another. This is because some organizations are good at managing changes while others may not be so good and just struggle and fail miserably.

As far as the change process is concerned, organizations may adopt different approaches to effect changes. For instance, some organizations may prefer a planned, structured and explicit change process while others may opt for a natural, unstructured and implicit change process. Thus, organizations may adopt different strategies for carrying out changes. Though managements can have their own plans about how change should be conducted in their organization, the change process mentioned in Figure 30.1 can be adopted by any organization with necessary modifications. The steps in this change process are: (i) defining the environmental problems due to which changes are required in the organization; (ii) determining the goals of the change process; (iii) deciding the strategies and actions for introducing changes; (iv) implementation of the change plans; and (v) evaluation and feedback.

**Defining the Environmental Problems**

The first step in a change management process is assessing the need for change in the organization. The organization must first recognize that there exists a problem in the environment which has implications for its existing or future position. For this, it must scan the internal and external environments constantly to detect challenges and opportunities due to which changes in the organization are required. Then, the organization should identify the sources of that problem. The source of the problem may be explicit or implicit. When there is a sudden decline in sales performance, rise in cost or increase in labour turnover, the problem is explicit. In contrast, sometimes the problem may not manifest itself for a long time and remain dormant in the organization. Once the problem is defined, the source is identified and the implications are understood, the organization should move to the next step of determining the goals of the change initiatives.

**Determining the Goals of the Change Process**

The second step in the change management process is the determination of goals for the change management process. The organization must decide how it should be after the change
has been introduced successfully. The goals must be precise, unambiguous and overarching. At this stage, the organization must also identify the obstacles to the achievement of the goals and develop necessary strategies for tackling those obstacles. It should also assess the likely response of the employees to the change management strategy of the organization. In case it anticipates resistance to change within the organization, it should forecast the nature, extent and source of resistance clearly. The resistance may come from a few individuals, groups and even from the entire workforce. The prevailing organizational culture plays a crucial role in determining the attitude of the employees. For instance, the existing culture may facilitate or hinder change efforts of the organization. As part of the change management process, the organization may have to either strengthen or modify the existing culture, depending upon its role in the change process.8

**Deciding the Strategies and Actions for Introducing Changes**

At this stage, the organization must decide the strategies for the introduction of changes. Now, the organization should decide the scale and shape of change and the appropriate strategies for its implementation. The strategy may involve choosing between gradual
(developmental) change and radical (transformational) change. Similarly, the change strategy may involve a selection between participative approach and non-participative approach. The participative approach involves consultation and collaboration with employees, while the non-participative approach involves coercive action and practices to get the changes implemented in the organization. The focus of the strategy should also be on tackling the employee resistance to change at various levels of the organization. The strategies may include, among others, an improved communication and better employee involvement. An effective communication can facilitate better information sharing with the employees about the need for change in the organization. Similarly, the organization may also devise plans for involving the employees actively in the discussions and decision making process relating to change management.

**Implementation of Change Plans**

This is the most crucial phase in the change management process. At this stage, the change plans of the organization are put into actual practice. Generally, the timing of implementation is important for the success of the change plans. Similarly, the high level of clarity in the method, measurement, and control of change also facilitates the process of implementation. Besides, factors like focused persistence and consensus can contribute to the success of the implementation process. At the implementation stage, the organization must be ready for predicted and/or unpredicted resistances to the change process. It must be ready with strategies and counter-strategies to tackle the resistance that might arise in the course of implementation. As far as implementation is concerned, the organization may adopt either top-down or bottom-up change implementation process. In case of top-down process, the organization imposes the change from the top and acts quickly to achieve the desired result. In contrast, the bottom-up process is a consultative process of change implementation, and employees at different levels are actively involved in the planning and implementation process. In fact, it is a consensus-oriented process and co-opts resistance to change efforts.

**Evaluation and Feedback**

Since change is a continuous process, it is essential to evaluate the efficiency of the change management process. Thus, there must be a mechanism available in the organization to gather information about the extent of success of the change management process. The organization can use performance indicators like change in sales, profitability, market size, labour turnover, and goal accomplishments to measure the efficacy of the change management process. It may also gather feedback from managers, employees and other stakeholders about the various aspects of the change management process. Based on the evaluation and feedback, the organization must revise the change strategies and process.

**Emerging Role of Human Resource Management in a Changing Environment**

In an ever-changing environment, the future focus of human resource management would be on addressing the broader range of functional aspects of the business like total quality management, downsizing, mergers and acquisitions, employee involvement and participation, High Performance Work System (HPWS), and workplace relations. Each of these aspects has been explained below briefly.
Total Quality Management (TQM)

With increasing competition, organizations are forced to supply high-quality goods and provide high-quality services to stay afloat in the market. Total quality management (TQM) facilitates incremental changes in the production and service processes. TQM involves a companywide effort to improve continuously the way people, machines and systems accomplish work. It requires employee involvement and top management support in order to make the organization more efficient by changing the processes.

TQM insists on standardizing methods and processes of production, employee training in quality, feedback mechanism and promoting cooperation with suppliers and customers to enhance quality. It sets guidelines for HR managers in their operations. HR managers should strive to create a climate that enables innovation and challenges in the work. TQM also facilitates open communication and participative decision-making process among employees, management and customers.

Downsizing

An organization may resort to laying off employees for a variety of reasons. This process of churning of employees is called downsizing. In most organizations, downsizing presents many challenges and a few opportunities for HR managers. They have to systematically identify the employees who are to be discharged and then smoothly carry out the process. After completing the process, the HR managers should make every effort to enhance the morale of the continuing employees, who may foresee an uncertain future in the organization. Certainly, downsizing can have an adverse psychological impact on these employees and may affect their performance due to anxiety, low satisfaction and commitment.

In this regard, the HR managers should keep multiple communication channels open with the remaining members of the organization to rebuild their trust and commitment instead of withholding information. Most of the challenges of downsizing are people-related issues that require unconventional HR interventions. Employees should be briefed about the need for downsizing, its cost, criteria and duration, and the future plans of the organization for the downsized employees. Today, the role of HR in downsizing has become extensive, covering both the strategic and implementation aspects.

Mergers and Acquisitions

Mergers and acquisitions have turned out to be the main form of growth for organizations seeking competitive advantage in an increasingly difficult and global business economy. When two companies come together to become one (mergers) or one company takes over another (acquisitions) to enhance their strength, the new entity may often face people-centered issues like organizational cultural conflict. Of late, organizations have begun to evaluate seriously the cultural compatibility of the companies that are to be merged. This is because people issues are causing the ultimate failure of mergers and acquisitions. In fact, many HR executives perceive people issues as having significant impact after merger deals are successfully clinched.

Today, HR managers need to play an important role in the execution of mergers and acquisitions. They have to set right the difference in the two companies’ HR practices in training, compensation, performance evaluation, career planning, industrial relations and other HR systems. Thus, HRM can play a value-adding role to the whole merger process.
Employee Involvement and Participation

Employee involvement refers to those practices that are designed to increase employee information about an organization, leading to better employee awareness and commitment. Employee participation is about employees performing an active role in the decision-making process in areas like product development and customer service. HR professionals should ensure the desired level of employee involvement and participation in the organization in order to increase the commitment of the employees to the change process and to the overall success of the organization. Of course, this also enables the organization to improve performance and productivity. HR practices like training, performance management, compensation and work design can contribute effectively to employee involvement. HRM can also ensure employee involvement through work councils, attitude surveys, quality circles, suggestion schemes, task participation and financial committees. Box 30.1 outlines the change initiative of ICICI Bank.

High Performance Work System (HPWS)

HR managers play a pivotal role in assisting organizations increase and maintain an advantage over their competitors by becoming a high performance work system. In fact, the HPWS is a set of HR policies and practices that makes the best use of the competencies, loyalty and skills of the employees of the organization. The purpose of an HPWS is to ensure the best possible fit between the social system (people and their behaviour) and the technical

Box 30.1 Five S: A Management Initiative to Keep the Workplace in Order

Planned changes are at a nascent stage in many Indian organizations. Before liberalization, most of the organizations in India were adopting just spontaneous change initiatives to surmount challenges in the external environment. They would begin their change initiatives only when the external environment turned so frantic that it remained no longer possible for them to operate in that environment. However, the liberalization of the Indian economy in 1991 and the subsequent advent of multinational companies on the national scene drastically changed the attitude of the Indian organizations towards change and change management. The Indian organizations have now learnt to be proactive, positive and vigorous in planning and implementing changes and also in tackling employee resistance. They have begun to appreciate changes, mobilize continuous support for change efforts and build change capability. In this regard, the change initiative of ICICI is worth mentioning.

ICICI is adopting a workplace transformation exercise called Five S. This is indeed a management initiative to keep the workplace in order. Five S is one of the basic tenets of lean manufacturing and aims at work-environment enhancing. The five S's are: seiri (sorting out), seiton (systematic arrangement), seiso (spic-n-span), seiketsu (standardize) and shitsuke (self-discipline). The major principle of Five S is to create ownership for every object or thing in the organization so that nothing is neglected. As part of Five S, ICICI expected the employees to do activities like emptying out filing cabinets and drawers and retaining only what was absolutely necessary. Although the employees hesitated initially, they were left with no choice as their superiors were implementing the scheme sincerely. Once Five S was implemented, the bank saved nearly 10 per cent of its storage space at the Central Mumbai back office itself. Further, there was also a direct pay-off as ICICI Bank saved more than Rs 600,000 annually payable to third-party warehousing companies as rent for keeping files and records since these could now be stored in the office premises itself. Since Five S is an entirely people-driven initiative, ICICI Bank rightly recognized the role of people and awarded certificates signed by the chairman for the individuals and groups that accomplished the mission well.

*Adapted from www.rediff.com/money/2004/nov/23spec.htm.*
The need for an HPWS has become important due to several reasons. These are: (i) intensified national and international competition; (ii) a growing demand from the consumers for high-quality and custom-made products; (iii) demand from skilled employees for flexible work schedule and e-commuting as part of a modern work environment; and (iv) the desperation of the management to make the optimum use of the employees’ creativity and skills. As a matter of fact, HR managers must fulfil the following requirements to create an HPWS in their organizations:

- Increasing the number of applicants for each job
- Selecting the best candidates through a rigorous process
- Giving need-based and effective training
- Determining an effective compensation package
- Ensuring employees’ health and safety
- Better employee performance evaluation

**Emphasis on Workplace Relations**

Many organizations are providing increased importance to employer–employee relations at the workplace. In fact, there is a greater need than before for cooperative and participative forms of IR. Several changes in recent years have been responsible for more attention being paid to industrial relations within organizations. These are as follows:

- Since productivity and quality have become major considerations in achieving competitiveness in the market, the performance and cooperation of the workforce have become critical factors.
- Successful introduction and management of technology is possible only through the cooperation of people working for the organization. Obviously, the way people are managed and trained affects the ultimate success of change initiatives.
- The emergence of workforces with higher levels of education and skills has necessitated an unconventional HR approach. For instance, the skill development of an employee is an issue on which the interests of the employer and the employees can converge as the development of the employee is now of greater mutual advantage to both the employer and the employee.

**Need for Organizational Restructuring**

A successful change initiative in an organization typically facilitates strategic organizational systems to be well aligned according to the changing environmental conditions. However, well-organized and systematic planning is highly essential in implementing changes in the organization successfully. Sometimes the change process may require, among others, a complete or partial organizational restructuring. Organizational restructuring involves adapting an organization to the demands of the changing external environment. The following are the circumstances when organization restructuring emerges as the best possible option:

- The advent of new technology or innovation requiring changes in workflow and manufacturing processes
• Organizations being considerably over- or under-staffed
• The requirement of latest skills and knowledge to meet the present or expected operational requirements
• The performance appraisal mechanism not being objective and the accountability for results not being clearly defined
• The existing communication systems being faulty, inconsistent and erratic
• Abysmally low or stagnant workforce productivity
• Dangerously high labour attrition
• Low employee morale

Depending upon the prevailing industrial scenario that necessitates changes in the structure and functioning of an organization, the HR managers have to decide on the kind of restructuring required to make the organization flatter and leaner. In any form of restructuring, work is often redefined and, thus, workers are disturbed. This may result in resistance to the restructuring programmes. Here, an effective HRM must foresee the quantum and cost of change and should devise appropriate plans to implement them with less resistance. Generally, a successful restructuring programme will lead to improved productivity and morale, reduced personnel turnover and improved organizational effectiveness and flexibility.

Resistance to Change

Resistance is an inevitable and natural employee reaction to changes initiated by an organization. It has been defined as “employee behaviour that seeks to challenge, disrupt, or invert prevailing assumptions, discourses, and power relations.” If the management has several compelling reasons for introducing changes in the organization, the employees may have equally forceful reasons to resist them. The foremost reason for employee resistance to change is the fear of losing the status quo in the organization. The change may have varying degrees of effect on the employees, resulting in different responses from each one of them. The intensity of resistance to change is normally influenced by the past action and credibility of the management, the existing industrial relations, the strength of the unions, and the employees’ perception of the motive of change.

At the individual level, an employee may express anger, sadness or bitterness as a reaction to change. This reaction may manifest itself in different forms both within and outside the organization. Some of the common forms of expression of resistance are absenteeism, reduced productivity and performance, and loss of interest and concentration in the job. At the group level, employees and their unions may resist changes by resorting to industrial actions like strike, picketing or gherao. Typically, employees decide their response to changes on the basis of their assessment of the end result of the change process and its implications for them.

Types of Resistance

Once the employees become aware of the changes, they count their gains and losses and then decide their response to the changes. Depending upon the outcome of their assessment, they may decide to either adjust themselves to the change or resist it. However, the resistance to the change need not be obstructive or destructive all the time: sometimes, the resistance could be positive and productive. Based on the final outcome, the resistance may be classified
into (i) positive employee resistance and (ii) negative employee resistance as mentioned in Figure 30.2. We shall now discuss these resistances briefly.

**Positive Employee Resistance** Although most of the employees’ resistances are branded as obstructions to change management, some of the resistance produces positive results for the organization. In case of positive resistance, the employees feel the need for change but want the change to be implemented as a collective and productive effort in a mutually beneficial manner. When employee resistance provokes fruitful discussions, well-grounded debate and constructive criticism of the goals and process of change, which ultimately leads to improvements in change goal and process, such resistance may be called positive resistance. The main concerns of the positive resistors are the fear of failure of the change process and its consequences for them, the attitude and ability of change leaders, and independent decision making by the management in the change process.

**Negative Employee Resistance** Most of the employee resistances are generally categorized as negative resistance. Employees and their unions generally express their negative resistances through strike actions, picketing, and gherao, to mention a few. In case of negative resistance, employees or their unions attempt to block the change efforts through all possible means. The employees identify the flaws in the changes and use them effectively to sabotage the change initiative. The primary objective of negative resistance is ensuring the complete failure of change efforts. The main concerns of negative resistors are loss of job, authority and freedom or increased difficulty, responsibility and accountability in job.
It is, however, the task of the managers to make the difference between positive resistance and negative resistance. They should keep an open mind while introducing changes. They should never think that all resistances are harmful and must be crushed. Similarly, they should avoid thinking that all those questioning the changes are wreckers and have attitude problems. Thus, the managers must have a balanced approach in handling employee resistance towards a change initiative.

Further, employee resistance may also be classified into (i) active resistance and (ii) passive resistance, based on the employees' behavioural response to the change efforts of the organization.

**Active Employee Resistance** In the case of active resistance, employees express their responses to the change efforts of the organization either negatively or positively. They make known to the organization explicitly, through words and deeds, their responses to the organizational change initiative. Direct participation by employees in strikes, picketing and other disruptive actions is the manifestation of active employee resistance to the organizational change process. Active resistance might enable the management to determine its strategic response as part of the change management process. In this type, the employees force the management to understand that the employees have concerns about the goals and/or process of change initiatives and require either improvements in or complete abandonment of the change efforts.

**Passive Employee Resistance** In this type of resistance, employees do not express their resistance through actions but somehow inform the management that they are not in favour of the change. Outwardly, they neither support nor oppose the change initiatives of the organization. The reason for passive resistance could be the employees’ indecisiveness, fear of reprisal by management, or bitter experiences in the past in similar situations. Besides, the employees may resort to passive resistance when they have no alternative proposals to solve the problems requiring changes. Similarly, they may prefer passive resistance when they are afraid of the consequences of failure of resistance or doubtful about the real motives of the resistance leaders in opposing the changes. Talking badly about the changes with the co-workers, speaking ill of the organization, careless performance of the job, and adopting paradoxical standards towards the change process are a few forms of passive employee resistance.

**Symptoms of Resistance**

There are various ways through which employees can demonstrate their resistance to the change initiatives of the management. Their efforts to defeat change initiatives may differ at individual, group and organizational levels. At the individual level, the resistance is normally subdued and passive, while at the organizational and group levels, it is vociferous. Similarly, at the individual level, the resistance is more spontaneous and less planned, whereas the resistance at the group and organizational levels is more planned and organized. We shall now see the important symptoms of employee resistance to change in an organization.

**Resistance from Employees in General**

- Sudden increase in employee absenteeism
- High labour turnover, including loss of high-value employees
HUMAN RESOURCE MANAGEMENT

- Non-participative and indifferent behaviour
- Lack of initiatives from employees
- Procrastination
- Irate and uncooperative reaction to change initiatives
- Insensitivity
- Unprofessional conduct
- Groupism
- Dereliction of duties and responsibilities

Resistance from Managers in Particular

- Indulging in partisan politics
- Sabotaging change process and initiatives\(^ {17} \)
- Information blocking and filtering regarding change initiatives
- Inadequate discussion and negative remarks about changes with employees
- Assigning inadequate resources, time and efforts for change initiatives

Strategies to Tackle Resistance to Change

In handling employee resistance to change, prevention is always better than cure. The management must have effective strategies and good practices to foresee and forestall resistance to the change efforts of the organization. In this regard, a few strategies for ensuring a hassle-free introduction of changes in the organization have been developed on the basis of the following guidelines:\(^ {18} \)

- The management must have good and valid reasons for introducing changes in the organization.
- It must ensure the total and active involvement of employees in the change process.
- It must assess continuously the preparedness of the organization for change efforts.
- There must be a constant review of the HR policies and practices to make certain that they support the changes and do not obstruct them.
- The persons in charge of planning and managing the changes must have high integrity and respect among the employees. The organization can have transition management teams to plan, foresee, troubleshoot, harmonize and focus on change efforts.
- The leadership in charge of change must ensure that its words and deeds are consistent and trustworthy at all times.
- There must be adequate training and guidance for the employees to help them acquire new values, skills and behaviour to deal with the post-change situation successfully.
- Whenever and wherever necessary, external expertise must be sought to reinforce the direction in which the organization intends to proceed.
Box 30.2 Maitree’s Karma Yatra: A Relationship Management Initiative at i-Vantage India

Resistance is a typical employee response to a change process in any organization. This is because the employees primarily distrust the management’s intention of bringing in changes and are also unsure of the eventual outcome of the change process. When either the industrial relations are strained in an organization or the management adopts an ad hoc approach towards the change initiation, the resistance could be intense and the situation may slip out of control. When the management does not have long-term plans for change management and fails to gain the confidence of the employees, even good and well-intentioned change efforts are bound to face stiff resistance and might fail eventually. Certainly, an organization requires continuous and methodical planning to develop and maintain a climate that begets employee cooperation for change initiatives and ensures their complete and continuous success. The employee relationship management (ERM) initiative of i-Vantage India is a case in point. i-Vantage India, a leading IT-enabled solution provider, has taken up a novel ERM initiative called Maitree’s Karma Yatra. The goal of Karma Yatra is to develop a strong and enduring relationship between the management and the employees and ensure the employees’ cooperation for organizational change initiatives. The rationale behind the launch of this unique relationship management practice is to get closer to the employees at all levels of the organization, understand their needs distinctly and develop appropriate programmes which would ensure their utmost cooperation and total participation in the process of corporate goal accomplishment and change management. This Karma Yatra programme relies on effective organizational communication to build employee confidence, trust and loyalty. This programme has three stages and the whole process spans a period of three years. The three-stage process, which covers Karma Yatri (employee), Karma Nivas (employee’s home) and Karma Bhoomi (workplace), aims at providing all-inclusive employee growth and instilling a sense of fulfilment among the employees. Adapted from http://www.expressitpeople.com/20030505/management2.shtml

- Developing and establishing symbols of change like new logos, slogans and newsletters to connect the employees with the changes and seek their cooperation
- Acknowledging the struggles and sacrifices of people connected with the change process by rewarding them appropriately. There must also be a disincentive for negative resistance.

Box 30.2 gives us a glimpse of a change management initiative in an Indian company.

Essentials for the Success of Organizational Changes from an HRM Perspective

The ever-changing environment is compelling the HR professionals to become proactive change agents of an organization. Accordingly, the functions and responsibilities of the human resource manager are changing in tune with the changes in the competitive-market environment. There is also a felt need among the management that the human resource managers must play a more strategic role for the success of an organization in a changing environment. Obviously, the changing environment has brought about a dramatic transformation in the perceptions, attitude and behaviour of the HR professionals. The changed beliefs and attitude of the HR managers in a fast-changing situation have been explained below briefly.
Perfecting the Link between HRM and Organizational Strategies

The HR managers must strive to connect the HRM issues to the overall strategy of the organization. They must ensure that the HRM policies in respect of various functions (like recruitment, selection, training, compensation, performance appraisal, etc.) are not only internally consistent but also consistent with the business strategies, besides reflecting the core values of the organization.\(^{19}\)

Building a Strong and Vibrant Culture

The HR managers must build strong cultures as a way of accomplishing organizational goals. A strong culture should aim at uniting employees through a shared set of organizationally endorsed values, like quality, service, and innovation, which assume the identification of employee and employer interests.\(^{20}\)

Treating People as Assets and not as Expenses

The HR managers should change their conventional attitude that people are variable cost and expendable factors. Rather, they should view the people as resource and human capital which can be developed to contribute to competitive advantage. Increasingly, it is accepted that competitive advantage is gained through well-educated and trained, motivated and committed employees at all levels.\(^{21}\)

Promoting Commonality of Interests

The HR managers should not think that the interests of the employees and those of the management are divergent and at conflict with each other. Instead, they must seek to identify and promote a commonality of interests. For example, training can benefit the employees and the employers both. It improves the employees’ job security and earning capacity. At the same time, it also increases their contribution to the organizational performance and goal accomplishment to the advantage of the employers. Similarly, performance-linked pay systems can increase the earnings of the employees without any significant rise in labour cost through higher performance levels.\(^{22}\)

Developing Two-way Communication

The HR managers must replace top-down communication, which restricts and controls information flow, with two-way communication that ensures free flow of information and knowledge. This change usually facilitates the creation of trust and commitment among the employees and makes knowledge more productive.\(^{23}\)

Changing environment compels the HR managers to be ever prepared to deal with the effects of changes on the organization. In managing such changes, the strategic planning and approach to HR has been found to be effective in several ways. It enables the planning and measurement of environmental uncertainty, and the fine-tuning of the organization to external developments. It also ensures the development of high-quality workforce based on the kind and skill levels of people available. Besides, it aims at cost-effective utilization of labour in order to meet the challenges of intensely competitive markets. Finally, the strategic HR in a changing environment ensures that the skills of employees are fit for making goods and services suitable to the global market standards.
Summary

1. Organizational change means any departure from the status quo in the organization. Change management is a process whereby changes required in an organization are executed in a planned and controlled way.

2. Organizational changes can be classified into (i) developmental change and (ii) transformational change. Developmental change is an incremental change in which necessary improvements are made in the existing organization. Transformational change is a fundamental change in the organization. The change is complete in all aspects of the organization.

3. The causes of organizational changes are the advent of globalization, the impact of technology, the impact of workforce diversity and the impact of knowledge management.

4. The steps in an organizational change management process are: (i) defining the environmental problems due to which changes are required in the organization; (ii) determining the goals of the change process; (iii) deciding the strategies and actions for introducing changes; (iv) implementation of the change plans; and (v) evaluation and feedback.

5. The role of HRM in a changing environment focuses on total quality management, downsizing, mergers and acquisitions, employee involvement and participation, High Performance Work System (HPWS), and workplace relations.

6. Employee resistance is defined as employee behaviour that seeks to challenge, disrupt, or invert prevailing assumptions, discourses, and power relations.

7. Employee resistance to changes may be classified into (i) positive employee resistance and (ii) negative employee resistance, (iii) active resistance, and (iv) passive resistance.

8. The essentials for the success of organizational changes from an HRM perspective are perfecting the link between HRM and organizational strategies, building a strong and vibrant culture, treating people as assets and not as expenses, promoting commonality of interests and developing two-way communication.

Review Questions

Essay-type questions

1. Evaluate critically the causes of organizational changes with examples.

2. Describe the steps in an organizational change management process.


4. Enumerate the various types of employee resistance with suitable examples.

5. Describe the different symptoms which indicate the presence of resistance to changes undertaken in an organization.

6. Enunciate the strategies required to tackle resistance to changes.

7. State the essentials for the success of organizational changes from an HRM perspective.

8. “Change is inevitable but an indispensable element of business.” Discuss.

Skill-development Exercise

Objective – The objective of this exercise is to show you how to plan and implement changes in a systematic way in an organization and how to tackle employee resistance to those change initiatives.

Procedure Note – The class is divided into groups. Each group has (1) an HR manager, (2) an external consultant, (3) two union leaders (4) two HR team members, and (5) two observers. The last role is important for
the analysis and feedback aspects of the role-playing session.

Situation

Good Life Insurance Company is one of the leading private sector life insurance companies in the country with its business interests concentrated mostly in southern India. It markets several life insurance products with attractive schemes. The company has ambitious plans to emerge as number one among the private sector insurance companies even though it stands at the fifth position now. It offers attractive compensation packages for its employees and has 6,200 skilled employees.

Since its inception in 1991, the company has been maintaining a tall organizational structure to ensure close supervision of the employees' performance. But the company has been perennially receiving complaints from the customers about delay in settlement of insurance claims. Pertinently, a SWOT analysis of the company conducted recently by an external agency revealed a few weaknesses in the functioning of the company. Lack of faster communication and decision making emerged as key issues. The report of the external consultants also revealed poor team spirit among the members and high bureaucracy in the decision-making system of the organization. The report strongly recommended the introduction of a flat organizational structure to overcome all the above mentioned weaknesses. The management agreed with the recommendation of the external consultants and decided to move to a flat structure, which incidentally requires abolition of a few positions at managerial as well as non-managerial levels. It instructed the HR department to introduce the changes in a planned manner to bring a flat structure and permitted the HR manager to involve the external change expert in the process.

Steps in the exercise

There are four steps in the exercise:

Step 1: The HR manager meets the union representatives (or select workers in a non-unionized firm) to ascertain their views on the proposed changes to the existing organizational structure and get clues about the likely employee resistance to the proposal.

Step 2: He discusses the change management process with the external expert and develops strategies for introducing changes and for tackling resistance.

Step 3: He convenes a meeting attended by the two HR team members to finalize the modalities for introducing the changes in a phased manner and the contingency plans for surmounting anticipated and unanticipated employee resistances. The proposal for change will be sent to the top management for approval.

Step 4: The observers analyse the performance of the members in the role-playing session and give their feedback.

Case Study

Fast Track Motors is a well-known car manufacturer in the country with state-of-the-art facility for producing branded cars. It has a strength of 12,500, including nearly 5,000 technical staff. Due to its excellent compensation package, it was able to attract and retain a good workforce till recently.

However, the recent introduction of low-cost budget cars by a rival firm and the onset of worldwide economic slowdown jeopardized the position of the company in the market. These developments forced the company to call for war-time efforts from its managers to control cost and respond strategically to retain the market share of the company. In this regard, it convened a meeting of all managers to discuss the recent developments. As regards economic slowdown, the managers recommended cost cuts, price cuts and production cuts as effective strategies to survive in the present market scenario. They wanted the company to adopt downsizing of the workforce in the form of layoffs to reduce costs and improve operational efficiencies. They wanted it to focus primarily on the highly paid but easily replaceable jobs. As regards the competitor's move to introduce low-cost cars, the managers suggested medium-term efforts like strengthening of research and development (R&D) to conceive, develop and commercialize new versions of the existing brands with new features and new prices through cost, product and process rationalization. The top management swiftly accepted both the recommendations of the managers and issued instructions to the HR department to immediately lay off at least 10% of the workforce.

Within a week, the HR department evolved guidelines for choosing employees for layoffs. Based on the guidelines,
the HR department identified 800 employees across departments and properly informed them about the decision regarding their lay-offs with immediate effect.

The lay-off decision caught the employees off the guard and they expressed shock, anger and disbelief at the decision of the organization. However, the retrenched employees quickly came together and put up a united fight against the management. The other employees also protested the decision to lay off such a large number of employees. They blamed the company for hiring and sacking employees en masse. They faulted the management for not foreseeing the future properly while recruiting these employees in large numbers and for discharging them at will. They also questioned the rationale of abandoning so many employees at a time when the industry was down with economic slowdown. Ultimately, these employees too joined the agitations against the organization which snowballed into a major issue.

Finally, the company was forced by the employees, unions, sympathizing political parties and government to withdraw its lay-off orders. Clearly, the management lost its public face and moral authority. A furious top management turned the heat on the managers, especially the HR manager, for not guiding it properly. The line managers simply washed their hands off the problem and blamed the HR manager for not planning the change initiative properly. However, the HR manager insisted that the lay-off decision was collective and consensus-based and the HR department alone could not be blamed for the fiasco. An unconvinced management sought explanation from the HR manager for not keeping the company fit for change initiatives and blamed the HR department for not assessing the preparedness of the company for change initiatives continuously.

Questions for discussion

1. How do you assess the entire situation in Fast Track Motors relating to the lay-offs?
2. Do you agree with the role and actions of the HR manager in the whole episode?
3. Who should really be blamed for this ill-advised plan of the organization that ended in humiliation for the management?
4. If you were the HR manager, how different would your approach be in solving the problems of the company?

Notes


22. S. R. de Silva, *Human Resource Management, Industrial Relations and Achieving Management Objectives* (Bangkok: ILO, ACT/EMP Publications, 2007); available at [webinfo@ilo.org](mailto:webinfo@ilo.org)

23. S. R. de Silva, *Human Resource Management, Industrial Relations and Achieving Management Objectives* (Bangkok: ILO, ACT/EMP Publications, 2007); available at [webinfo@ilo.org](mailto:webinfo@ilo.org)