Chapter 1

Organizations and their changing environments
What are the forces acting upon me?
What are the pressures I should take into consideration as I decide what to change and how I should change it?

What should we change?
Should the changes be strategic and companywide or relatively limited?

How should we change it?
How should we actually implement the change?
Learning objectives

- Describe the general characteristics of organizations;
- Identify triggers for change in a range of organizations;
- Discuss the concept of organizations as systems operating in multidimensional environments and the implications for understanding the causes of organizational change;
- Analyze the level of turbulence in organizational environments.
1. At the simplest level we can think of organizations as the physical spaces that we work in and interact with.

2. (Tony Waston, 2002) noted that a common factor is the idea that organizations have goals which act as a glue holding together the various systems used to produce things.

3. Organization can be seen as people interacting in some kind of structured or organized way to achieve some defined purpose or goal. However, the interactions of people, as members of an organization, need some kind of managing to give shape and direction to their activates.
A view of organizations

• **The meaning of organization**
  "A typical working definition of an organization might say it is:
  (1) a social entity that
  (2) has a purpose,
  (3) has a boundary, so that some participants are considered inside while others are considered outside, and
  (4) patterns the activities of participants into a recognizable structure” (Dafi,..1989).

• Although organizations are **real** in their consequences, both for their participants and for their environments, they are **essentially abstractions**.

• Organizational boundary: All influences which may act to disturb organizational life but which are not considered directly as a part of it.
A view of organizations

- **A view of organization as a system** of interacting subsystems and components set within wider systems and environments that provide inputs to the system and receive its outputs.
- The figure identifies the main elements of most organizations and their functioning. These are grouped into two main subsystems - the formal and informal.
  - **Formal**
    The element of subsystem include the organization's strategy, whether this is devised by a single person, as might happen in a small owner manager company, or by a board of directors and top management group. Other components include the organization's goals and the means of achieving them through the production of goods or services.
  - **Informal**
    Informal includes (Patterns of communication, power and influence, values and norms) in his systems model or organizational behavior. (Stacy, 2003) Coined the phrase “shadow system” to describe these less predictable and more intangible aspects of organizational life.
A view of organizations

Figure 1.1 The organization as a system
A view of organizations

• The view of organizations existing as system of interrelated elements operating in multi-dimensional environments has a number of supporters:
  • Checkland:
    Developed the soft-systems model, an approach designed specifically for analyzing and designing change in ‘human activity systems’, most frequently, organizational systems.
  • Nadler:
    Proposed a system model applied to organizational behavior.
  • Stacey:
    Use systems concepts in their discussion of organizations and change
A view of organizations

- **A view of organization as an open system**
  - Open systems:
    - Organizations that are affected by, and that affect, their environment.
  - Nevertheless, the concept of organisations as systems has been criticised

- **A view of organization as complexity**
  Yet another view stresses the complexity of organisations and the impossibility of establishing a single, ‘correct’ representation and understanding of an organisation.
The Historical Context for Change

• Agricultural Age (prevailed in Europe -1700)
  – was influenced mainly by local markets for both produce and labor punctuated by uncontrollable factors such as bad weather.
  – cycle of activates required to maintain life was predictable even if for most people life was little more than at subsistence level

  Industrial Age (late of 1700)
  was characterized by series of inventions and innovations that reduced the number of people needed to work the land and through the factory system lead to mass production
  – demand and supply were predictable that enable companies to structure their organization. Burn & Stalker described as mechanistic lines as systems of strict hierarchical structures and lines of control
  – This situation prevailed into the late of 20s –still exists in some organization
  – Demand came largely from domestic markets and organization strived to meet consumer demand and most disturbing environmental influence on organization of this time was the demand for product which outstripped supply (Ford)

• Neo-Industrial Age (also called ‘Post-Industrial Age’, ‘Services Age’ or ‘Information Age’)
  – the emphasis has moved towards adding value to goods and services in contrast with the task oriented, product/services-oriented and system-oriented times of the past
  - enormous pace and scale of change; global competition; emphasis on the nurturing of human creativity, energy and foresight
## The Historical Context for Change

### 1.2 The historical context for change

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#### Key organisational responses

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<th>Production</th>
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<td>Supplying volume</td>
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<td>Work study</td>
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<th>People</th>
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<td>Compliance work study</td>
<td>Manpower planning</td>
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<td>Problems caused by growth and functionalisms</td>
<td>Quality (systems)</td>
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<tr>
<td>Problem solving</td>
<td>Task/project-focused teams</td>
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<td>Cross-functional teams</td>
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<td>Information management</td>
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<td>Proliferation of messy problems</td>
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Bron: Organisational Change - Barbara Senior  
www.studentonly.nl  
Voor de beste uittreksels!
The Move to ‘Value-oriented Time’

• Entering the information age requires organisations to embrace value oriented time
• This involves a constant emphasis on:
  ▪ Relationship marketing
  ▪ New product development
  ▪ Achieving differentiation through innovations of products, of supply methods, and of marketing methods
  ▪ ‘Lean’ production
  ▪ Responsiveness to customer demand
  ▪ Product variety
  ▪ High quality
  ▪ Networking
  ▪ Ideas, intelligence, brainpower, ingenuity, creativity’
  ▪ Complex problem solving
  ▪ Autonomous units
  ▪ Project focused teams; Cross-functional teams
The **WINDS OF CHANGE** are blowing at typhoon strength. (...All that is solid melts into air).

It is crucial that organizational managers and decision makers are aware of more about the environmental winds which are blowing to disturb organizational change.
Environmental triggers of change

• **Environment:**
  All factors, including institutions, groups, individuals, events and so on, that are outside the organization being analyzed, but that have a potential impact on that organization.
An analytical framework PEST

- The use of the mnemonics PETS, or PEST, or STEP draws attention to the multiple facets of the external environment

- The impact of PEST

  The different environmental factors are grouped into categories under the mnemonics PEST, Political, Economical, Social-cultural and Technological factors which influence organizations.
External Environments

**Political factors**
- Government legislation
- Government ideology
- International law
- Universal rights
- Wars
- Local regulations
- Taxation
- Trades union activities

**Economic factors**
- Competitors
- Suppliers
- Currency exchange rates
- Employment rates
- Wage rates
- Government economic policies
- Other countries’ economic policies
- Lending policies of financial institutions
- Changes from public to private ownership

**Socio-cultural factors**
- Demographic trends (customers and employees)
- Lifestyle changes
- Skills availability
- Attitudes to work and employment
- Attitudes to minority groups
- Gender issues
- Willingness and ability to move
- Concern for the environment
- Business ethics

**Technological factors**
- Information technology/the Internet
- New production processes
- Computerization of processes
- Changes in transport technology

**PEST factors and organizational change**
An analytical framework PEST

**Triggers for change from the political environment**
- a change in political ideology bring requirements for new behaviors in organizations because of the changed constraints and opportunities within which they must operate. In addition, not only do changes in the political environment influence organizations directly, they also interact with changes in the economic environment (the new lion example p.20)
- changes coming from one sector of the environment are compounded by their interaction with influencing factors from other sectors of the environment

**Triggers for change from the economic environment**
- because organizations operate in the main to make money or, in the case of the public sector, organizations operate within budgets, some of their more serious concerns are with triggers for change in the economic environment
- concern for competitors, exchange rates, corporation tax, wage rates
An analytical framework PEST

Triggers for change from the socio-cultural environment

- All factors listed as socio-cultural influence the way organizations are set up, run and managed as well as their capacity to attract people to work within them.
- Changes in family structure where men as well as, or instead of, women may wish to stay at home to look after the children.

Triggers for change from the technological environment

- Changes in the technological environments, which were ignored as triggers for change, caused devastation to a once proud industry. (Cat example p.17)
- Increasing power of Internet-based communications.
An analytical framework PEST

Internal triggers for change •
An organisation becoming unionised or de-unionised •
A new chief executive or other senior management •
A revision of the administrative structures •
The redesign of a group of job •
The redesign of a factory or office layout •
An analytical framework PEST

- The purchase of new IT equipment •
- A new marketing strategy •
- A cut in overtime working •
- Staff redundancies •
- Strengthening of specific departments •
Organizational responses to change

-Three kind of environments:
  Temporal environment This influences organizations in 2 ways:
  1. A general way • Through the cycles of industry-based innovation which move organizations through major series of developments
  2. A more specific way • Through the life-cycle of the organization itself. This includes its particular history built up from its founder days through periods of expansion and decline, all of which is instrumental in helping to explain an organization's idiosyncrasies of strategy and structure, culture, politics and leadership style.
Organizational responses to change

External environment
PEST-factors

Internal environment
Organizational changes which are the first-line responses to changes in the external and temporal environment
Environmental turbulence (five levels)

1. Predictable
A repetitive environment characterized by stability of markets; where the challenges repeat themselves; change is slower than the organization's ability to respond; the future is expected to be the same as the past

2. Forecastable by extrapolation
Complexity increases but managers can still extrapolate from the past and forecast the future with confidence

3. Predictable threats and opportunities
Complexity increases further when the organization’s ability to respond becomes more problematic; however, the future can still be predicted with some degree of confidence

4. Partially predictable opportunities
Turbulence increases with the addition of global and socio-political changes. The future is only partly predictable.

5. Unpredictable surprises
Turbulences increases further with unexpected events and situations occurring more quickly that the organization can respond
Level 1 ....... Level 5 → increase in complexity and uncertainty

<table>
<thead>
<tr>
<th>Environmental Turbulence</th>
<th>Change Situation</th>
<th>Certainty level</th>
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<tbody>
<tr>
<td>Level 1</td>
<td>Closed Change</td>
<td>High</td>
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<tr>
<td>Level 2</td>
<td>Contained change</td>
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<tr>
<td>Level 3</td>
<td>Open-end change</td>
<td>Low</td>
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<tr>
<td>Level 4</td>
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<td>Level 5</td>
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