

9.6: Summary

Key Terms

Abundance-based change

Leaders assume that employees will change if they can be inspired to aim for greater degrees of excellence in their work.

Appreciative conversations

Intense, positively framed discussions that help people develop common ground as they work together to co-create a positive vision of an ideal future for their organization.

Appreciative inquiry model

A model specifically designed as an abundance-based, bottom-up, positive approach.

Boundary Conditions

Define the degree of discretion that is available to employees for self-directed action.

Bureaucratic model

Max Weber's model stating that organizations will find efficiencies when they divide the duties of labor, allow people to specialize, and create structure for coordinating their differentiated efforts within a hierarchy of responsibility.

Centralization

The concentration of control of an activity or organization under a single authority.

Change agents

People in the organization who view themselves as agents with discretion to act.

Change management

The process of designing and implementing change.

Command-and-control

The way in which people report to one another or connect to coordinate their efforts in accomplishing the work of the organization.

Complex Adaptive Systems (CAS)

A model that views organizations as constantly developing and adapting to their environment, much like a living organism.

Conventional mindset

Leaders assume that most people are inclined to resist change and therefore need to be managed in a way that encourages them to accept change.

Culture change

Involves reshaping and re-imagining the core identity of the organization.

Deficit-based change

Leaders assume that employees will change if they know they will otherwise face negative consequences.

Differentiation

The process of organizing employees into groups that focus on specific functions in the organization.

Disturbances

Can cause tension amongst employees, but can also be positive and a catalyst for change.

Emergent or bottom-up approach

Organizations exist as socially constructed systems in which people are constantly making sense of and enacting an organizational reality as they interact with others in a system.

Entrepreneurship

The process of designing, launching, and running a new business.

Flat organization

A horizontal organizational structure in which many individuals across the whole system are empowered to make organizational decisions.

Formal organization

A fixed set of rules of organizational procedures and structures.

Formalization

The process of making a status formal for the practice of formal acceptance.

Geographic structures

Occur when organizations are set up to deliver a range of products within a geographic area or region.

Group-level change

Centers on the relationships between people and focuses on helping people to work more effectively together.

Horizontal organizational structure

Flat organizational structure in which many individuals across the whole system are empowered to make organizational decisions.

Incremental change

Small refinements in current organizational practices or routines that do not challenge, but rather build on or improve, existing aspects and practices within the organization.

Individual-level change

Focuses on how to help employees to improve some active aspect of their performance or the knowledge they need to continue to contribute to the organization in an effective manner.

Informal organization

The connecting social structure in organizations that denotes the evolving network of interactions among its employees, unrelated to the firm's formal authority structure.

Intentionality

The degree to which the change is intentionally designed or purposefully implemented.

Kotter's change model

An overall framework for designing a long-term change process.

Level of organization

The breadth of the systems that need to be changed within an organization.

Lewin's change model

Explains a very basic process that accompanies most organizational changes.

Managed change

How leaders in an organization intentionally shape shifts that occur in the organization when market conditions shift, supply sources change, or adaptations are introduced in the processes for accomplishing work over time.

Matrix structure

An organizational structure that groups people by function and by product team simultaneously.

Mechanistic bureaucratic structure

Describes organizations characterized by (1) centralized authority, (2) formalized procedures and practices, and (3) specialized functions. They are usually resistant to change.

OD consultant

Someone who has expertise in change management processes.

Organic bureaucratic structure

Used in organizations that face unstable and dynamic environments and need to quickly adapt to change.

Organizational change

The movement that organizations take as they move from one state to a future state.

Organizational design

The process by which managers define organizational structure and culture so that the organization can achieve its goals.

Organizational development (OD)

Techniques and methods that managers can use to increase the adaptability of their organization.

Organization-level change

A change that affects an entire organizational system or several of its units.

Organizational structure

The system of task and reporting relationships that control and motivate colleagues to achieve organizational goals.

Participatory management

Includes employees in deliberations about key business decisions.

Planned change

An intentional activity or set of intentional activities that are designed to create movement toward a specific goal or end.

Positive or appreciative mindset

Leaders assume that people are inclined to embrace change when they are respected as individuals with intrinsic worth, agency, and capability

Product structures

Occurs when businesses organize their employees according to product lines or lines of business.

Scope of change

The degree to which the required change will disrupt current patterns and routines.

Span of control

The scope of the work that any one person in the organization will be accountable for.

Specialization

The degree to which people are organized into subunits according to their expertise—for example, human resources, finance, marketing, or manufacturing.

Strategic change

A change, either incremental or transformational, that helps align an organization's operations with its strategic mission and objectives.

Structural change

Changes in the overall formal relationships, or the architecture of relationships, within an organization.

Technological change

Implementation of new technologies often forces organizations to change.

Top-down change

Relies on mechanistic assumptions about the nature of an organization.

Transformational change

Significant shifts in an organizational system that may cause significant disruption to some underlying aspect of the organization, its processes, or its structures.

Unplanned change

An unintentional activity that is usually the result of informal organizing.

Vertical organizational structure

Organizational structures found in large mechanistic organizations; also called “tall” structures due to the presence of many levels of management.

Summary of Learning Outcomes

9.2 Organizational Structures of Design

1. What are mechanistic versus organic organizational structures?

The organizational structure is designed from both the mechanistic and the organic points of view, and the structure depends upon the extent to which it is rigid or flexible. Flexible structures are also viewed as more humanistic than mechanistic structures. The mechanistic organizational structure is similar to Max Weber's bureaucratic organization. Organic structures are more flexible in order to cope with rapidly changing environments. These structures are more effective if the environment is dynamic, requiring frequent changes within the organization in order to adjust to change. It is also considered to be a better form of organization when employees seek autonomy, openness, change, support for creativity and innovation, and opportunities to try new approaches.

All organizations need structure to accomplish their work, and they need the ability to change in order to sustain and renew themselves over time.

9.3 Organizational Change

2. What are the fundamental dimensions of change?

It is often said that the only constant is change. Managers need to have the ability to understand the dimensions of change, know what drives change, and know how to implement changes to meet and exceed organizational goals. The three types of change are structural, technological, and cultural changes. Managers need to understand change as organizations evolve and grow over time.

One of the key responsibilities of management is to design organizational structures that will allow an organization to accomplish its primary objectives. The structure should always match the need for coordination. Often, managers cannot tell what form the organization should take until they experience the informal organization that determines how work is actually accomplished. Only then can they understand how to draw on the concepts of bureaucracy to appropriately design a structure that will maximize the likelihood of organizational success.

9.4 Managing Change

3. How do managers deal with change?

As an organization grows and matures, change becomes necessary for its sustained viability. Thus, another key responsibility for most leaders is the task of designing and managing change. We have reviewed several questions that should be considered when designing a change process, and we have explored several approaches that may be used to guide the development of organizational change.

The field of knowledge about how to change and develop organizations is vast and can be somewhat confusing to the novice learner. The material presented in this chapter provides an overview of key ideas, but there is so much more to learn. Should you wish to become an influential leader of change, it is important to learn more about this very important field of research and practice.

? Chapter Review Questions

1. What is an organizational structure?
2. What are different types of organizational structures?
3. What is organizational design?
4. What concepts should guide decisions about how to design structures?
5. What is organizational change?
6. What are the fundamental dimensions of change?
7. Define organizational development (OD) and change management.
8. What questions may be used to guide OD and change management?
9. What are the common models of OD and change management?

Management Skills Application Exercises

1. Refer to Exhibit 9.2, Exhibit 9.3, and Exhibit 9.5 for this exercise. Pick a business that you are familiar with and draw their existing organizational chart. You may be able to infer much of the information from their website or through a short interview with someone in their organization. After completing this task, construct an alternative organizational chart and comment on why it may be more effective than the current organizational structure and what risks that new structure may have.
2. You have been assigned the task of working with a company that had a traditional, functional organizational structure with sales, marketing, product development, finance and accounting, and operations teams each reporting to a VP, who then reported to the CEO. The company wants to move to a matrix organization that will retain the efficiencies of the functional organization but also groups employees by product teams. You have been asked to comment on how to manage this change and how to communicate and respond to employee concerns. Specifically, you need to address the following questions: What are the desired impacts or benefits of this project on the organization? What are the emotions that your employees may have about this organizational change? How could the employees' emotions impact the organization or its operations? How can the organization manage these emotions, or in what ways do you think they should manage these emotions to get the desired outcome?

Managerial Decision Exercises

1. Place yourself in the position of a CEO who is contemplating a reorganization of your company and has received conflicting opinions from two of your trusted reports. Presently you are a wholesaler with 45 regional warehouses who acquires products from manufacturers and distributes them to retailers and service establishments. You have over 100,000 SKUs (stock keeping unit) ranging from ACE bandages to Ziploc bags. You have 825 field-based sales representatives who represent all the products within a geographic area.

One of the ideas that has been brought up by the vice president of marketing is to specialize the sales force into three groups, fashion retail, general retail, and services. Basically, individual sales representatives would be able to specialize with greater expertise and product knowledge to better serve customers. The vice president of sales fears that many of her salespeople will leave due to the expanded geography that this change would require.

What process would you take to address the concerns of your managers? How would you implement the plan? What customer considerations would you need to address?

2. You have recently accepted the position of director for a full-service retirement home that has three components. The first component is for retired individuals and married couples who can still manage on their own but appreciate the amenities such as medical care and having other residents that they interact with through planned activities. The second is for residents who are still relatively healthy but do need assistance for specific tasks such as mobility and the like. The third section is for individuals with chronic health issues and palliative care patients.

You have learned during the interview process that the facility has performance and morale issues and that the previous director had a rigid structure, did not allow workers from different roles to interact, and wanted all decisions to be directed to her. This has led to dramatic staff turnover and a larger number of empty units compared to other facilities.

As the incoming new director, you will need to address the staff, and your new assistant asks whether you would like to address the staff in one large room or in smaller meeting rooms with employees from the different functional units. She also asks how to handle the workers who are from different shifts. Make your communication decisions and write up an opening statement to make to the employees before you open the meeting to questions.

Critical Thinking Case

Danny Meyer Leads His Company through the Challenges of Eliminating Tips

What happens when your CEO wants to remove the tip structure from your restaurant? Do you complain about the new prices as a customer? Do you worry about your paychecks as a server?

Danny Meyer, CEO of Union Square Hospitality (home to some of the most successful New York restaurants), discovered these answers when he began eliminating the tip structure in most of his restaurants. He had seen firsthand the largest negative impact of a tipping culture: employees stuck in front-line positions with no chance to advance to management without taking significant pay cuts.

Meyer began by first involving the affected employees in town hall talks. These town halls happened months before any publicity was released. Meyer then hosted town halls with customers to explain the importance of fair wages for all his employees at the restaurant, not just the few who served the food. The transition period for each restaurant to eliminate tips was usually three to six months.

As a result of eliminating the tip structure in most of his restaurants, Meyer has been able to increase the pay structure for cooks at those locations, which enables him to fill more cook positions and address a common industry shortage. Meyer has also been able to hire employees with a purpose to deliver exceptional hospitality. Meyer encourages his employees to take care of each other first and to then take care of the customer, which creates a virtuous cycle of hospitality.

Meyer constantly uses feedback from his employees even after the tip structure was eliminated. He wants to ensure that each employee feels their voice is heard and understood. Employees continue to have access to town hall meetings and internal feedback channels to offer honest feedback.

Critical Thinking Questions

1. What type of change is this: transformational or incremental? Why?
2. What level(s) of change is Meyer aiming for in this case?
3. What models are consistent with Meyer's process for designing and implementing change?

Resources:

Dunn, E. (2018). "The Limitations of American Restaurants' No-Tipping Experience," The New Yorker, <https://www.newyorker.com/culture/annals-of-gastronomy/the-limitations-of-american-restaurants-no-tipping-experiment>.

Feldman, L. (2018). "Danny Meyer On Eliminating Tipping: It Takes a Year to Get The Math Right," Forbes, <https://www.forbes.com/sites/lorenfeldman/2018/01/14/danny-meyer-on-eliminating-tipping-it-takes-a-year-to-get-the-math-right/?sh=f5ab837431f9>.

Matousek, M. (2017). "Danny Meyer Banned Tipping at his Restaurants- But Employees Say it has Led to Lower Pay and High Turnover," Business Insider. <https://www.businessinsider.com/danny-meyers-no-tip-policy-struggles-2017-10#:~:text=In%202015%2C%20Union%20Square%20Hospitality,to%20current%20and%20former%20employees>.

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