

Organizational Change and Innovation

CHAPTER 10



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Chapter Outline

Introduction

The Nature of Organizational
Change

Models of Planned Change

Comprehensive Model of Planned
Change

Organizational Development

After reading this chapter, you will be able to:

- Define organizational change and explain the dimensions and types of change.
- Interpret three models of change, particularly the steps involved in the comprehensive model of change.
- Determine the major causes of resistance to change and recommend how managers can deal with change resistance.
- Explain organization development (OD) and summarize the major OD interventions.
- Assess an organization's change program.

Organizational Change at the Washington Post Company

It's hard to imagine a major corporation that's changed and innovated more in recent years than the Washington Post Company. The company's history dates back to 1877 when the newspaper for which the company is named, *The Washington Post*, was first published. As the flagship newspaper in the nation's capital, *The Washington Post* has literally been a part of American history. Indeed, the prize-winning reporting of two of its reporters, Robert Woodward and Carl Bernstein, during the 1970's Watergate crisis arguably led directly to the resignation of President Richard M. Nixon.

But on October 1, 2013, a watershed event happened in the company's history. The company completed the sale of its most well-known asset, *The Washington Post* newspaper, for \$250 million to Jeff Bezos, the founder of Internet giant Amazon.com. Today the Washington Post Company does not include *The Washington Post*. Although *The Washington Post* did not contribute as much profits as other divisions at the Washington Post Company, the sale of the newspaper was an example of quantum change because in many people's minds, the company is synonymous with the newspaper. After the sale of the newspaper, the Washington Post Company changed its name to Graham Holdings Company.

In recent years external forces such as the Internet and other new media have been dramatically impacting the circulation of traditional newspapers, even top journalistic newspapers like *The Washington Post*. As more people accessed news online, the newspaper's daily circulation fell below 500,000. The sale of the newspaper in 2013 was the culminating event of various transformations that had been occurring at the company for about three decades. For example, in 1984 the company acquired the Stanley Kaplan test preparation company (SAT and other test preparation courses), and by 2013 a very expanded "Kaplan Education" unit (including a vast higher education unit) comprised about 55 percent of the company's revenues. The company,



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Rapid industry change has caused significant reorganization at the Washington Post.

over the years, had also acquired a wide array of television and cable TV operations (including, for example, station WPLG, the large ABC affiliate in Miami, Florida), and by 2012 television broadcasting and cable TV represented about 30 percent of the company's revenues. By the time it sold its flagship newspaper in 2013, the newspaper publishing business comprised only about 14 percent of the firm's overall revenue.

Finally, as part of its ever-changing nature, the company in 2012 purchased a company called Celtic Healthcare. Celtic offers hospice care and home health-care when a Medicare patient is sent home from the hospital. The Washington Post Company hopes that Celtic will play an increasing role in the company's revenues and profitability in the future. By recognizing potential new areas of profitability, the Graham Holdings Company demonstrates that it is carefully monitoring the external environment and changing accordingly. However, due to the major influence of the newspaper, the Graham Holdings Company will likely have to overcome many areas of resistance in its transition to a diversified firm—from both employees and consumers.¹

Introduction

The Washington Post Company is in many ways an almost perfect paradigm of organizational change and development. As seen in that situation, change is influenced by a number of forces, both inside and outside of companies, and companies' ability to deal with and shape these forces determines their ultimate success. Jean B. Keffeler, an organizational change consultant, says that American companies can be either agents or victims of these changes: "We will either choose change or chase it?"² Its purchase of Kaplan, its sale of its newspaper publishing business, its purchase of Celtic Healthcare, and its name change all represent the Washington Post Company's attempts to respond to change. Choosing change will not guarantee success, but ignoring it will almost surely guarantee failure.

This chapter deals with the process of organizational change. We will discuss briefly some of the major forces influencing organizational change and delve into the steps and techniques managers may use to deal with the process of planned change. We will conclude with a brief overview of some of the people-oriented approaches to planned change that have collectively been labeled organizational development.

The Nature of Organizational Change

There is one certainty in organizations: they must undergo change to survive. **Organizational change** can be defined as any modification in the behaviors or ideas of an organization or its units. A successful company such as Apple Inc. did not become one of the most valuable global brands by trying to maintain the status quo. Rather, it constantly monitors the environment to understand changes so it can adapt.

One important aspect of organizational change is that such modifications do not just happen: Something causes them to occur. To understand change and how best to manage it, we must be aware of some of the major forces causing change.

organizational change: Any modification in the behaviors or ideas of an organization or its units.

Forces Causing Organizational Change

Earlier in the text, we explored the various internal and external environmental forces that may affect an organization. You will remember that external forces include technological, economic, sociocultural, political-legal, and international influences, as well as customers, suppliers, competitors, substitutes, and potential new entrants to the industry. The internal forces include the owners, managers, employees, and board of directors. How managers respond to these forces may determine the success or failure of their entire business enterprise. A few examples of the pervasive impact of these forces will demonstrate the importance of responding to change.

External Forces

Examples of the influence of technology on business organizations abound. For instance, the U.S. Postal Service lost \$5 billion for fiscal year 2013, which actually was a big improvement from fiscal year 2012, when it lost almost \$16 billion. It was not too many years ago when the Postal Service broke even each year or even made a small profit. However, as Americans increasingly turn to electronic forms of communication, first-class mail volume in particular continues to decrease by billions of pieces of mail per



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The U.S. Postal Service struggles to find a business model to address massive losses as more and more customers shop and pay bills online.

year. Indeed, it has only been the growth of online shopping and some delivery deals the Postal Service has made with Amazon.com and others that have helped lessen the flow of red ink.³

Internal Forces

The major internal forces for change are owners, top management, and employees, primarily through internal feedback mechanisms. These forces, although powerful in their own right, often respond to what is happening in the external environment. Often the combination of external forces, in concert with internal forces, generates tremendous impetus for change.

Sometimes a top manager notices something in the internal operation of the business or in the external environment, and exerts tremendous forces for change. Management professor Noel Tichy says, “All corporate revolutions are started from the top. It’s crucial to form from the beginning a small, tight group of people 100 percent dedicated to implementing the plan.”⁴ Home Depot faced major challenges under former CEO Robert Nardelli. Even during the housing boom, Home Depot sales increased at half the rate of major competitor Lowe’s. After Frank Blake took over the leadership position, Home Depot implemented many internal changes, some of them revolutionary. It began marketing more toward women (Home Depot was traditionally considered a man’s retailer), remodeled stores to appeal to this target market, stressed strong customer service, and invested in new technologies to create an enhanced customer and employee experience. In the third quarter of 2013, Home Depot not only had strong earnings, but analysts are also rating Home Depot as a slightly stronger buy than rival Lowe’s.⁵



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Strikes can be a way for labor to let management know that they are unhappy with current working conditions or plans for hiring and layoffs.

Sometimes the collective actions of workers, as in a strike, can start the machinery for change rolling. When the United Steelworkers Union went on strike at Globe Metallurgical, one of the largest producers of silicon metal, managers and a skeleton crew of replacement workers ran the plant, from working on the maintenance crew—as did then president Arden Sims—to running a furnace. Without the structure imposed by union rules and because of the labor shortage, Sims and his team had to be innovative in finding a more efficient way to run the plant. Within a few weeks of the strike, production had actually increased 20 percent. Self-managed work teams developed; the first-line supervisor position became unnecessary; the company began making a profit; and within a year, the plant was operating with just 120 workers, about a third of the prestrike total. All of these changes grew out of the necessity caused by the union walkout.⁶

performance gap: The difference between an organization’s desired and actual performance levels.

Sometimes internal feedback mechanisms, as monitored by different organizational members, can signal that the organization needs to change in response to one or more environmental forces. Attitude surveys, performance data, employee performance evaluations, and grievances may indicate that there is a gap in performance, requiring that behaviors or activities need to be changed to close it. A **performance gap** is the difference between an organization’s desired and actual performance levels. One of the best approaches to change is to set demanding standards of performance for all operations, measure performance against those standards, and hold managers accountable to them. PepsiCo, for example, has traditionally set a 20 percent profit standard for the company, with managers being held accountable for this standard. Although this may seem obvious, organizations often have both poor measures of actual performance and a weak understanding of what demanding standards should be or look like.

Dimensions of Organizational Change

Organizations change in a number of different ways, along several different dimensions that often relate to one another. When examining any organization that is experiencing a performance gap, these dimensions—extent of planning, degree of change, degree of learning, target of change, and amount of organization being emphasized—can help provide useful guidelines along which to diagnose causes and then to structure a change program.

Degree of Planning

Organizational change varies along a continuum with regard to the extent to which it is planned. At one end is **reactive change**, which occurs when organizational members react spontaneously to external and internal forces but do little to modify these forces or their behaviors. At the other end, **planned change** involves the deliberate structuring of operations and behaviors, often in anticipation of environmental forces. Most organizations fall somewhere in the middle. Businesses are too complex to have totally planned change, but at least some planning for change occurs in all organizations or the ensuing chaos would quickly destroy them.

Experts differ about how much change can be planned, and examples can be found at many points on the continuum. For example, JetBlue Airways has increasingly been working to use social media more effectively to respond to customer complaints. It started a dedicated corporate social media support team in 2010, and today that team has about 30 members. These social media experts respond to passenger complaints via both Twitter and Facebook messages (JetBlue has nearly 2 million Twitter followers). The airline also regularly posts relevant information on its blog. JetBlue is committed to being on the cutting edge of using new social media to help and respond to its passengers.⁷ Table 10.1 describes the dimensions of organizational change involved in JetBlue's decision.

Some research suggests that many managers are fooling themselves in their belief that they can truly plan major organization transformations. However, it is still important that managers take steps to set up conditions that permit and even encourage necessary change to occur.⁸

Managers can take specific steps to facilitate change, and these steps can be learned; however, there are no guarantees that any specific action will always result in successful change. In any event, planned change increases the odds of success for a manager and is, thus, the focus of this chapter.

Degree of Planned Change

Planned change also differs along another continuum, that of degree of change. Changes may range from incremental to quantum.⁹ **Incremental change**, relatively small change,

reactive change: A situation in which organizational members react spontaneously to external and internal forces but do little to modify these forces or their behaviors.

planned change: The deliberate structuring of operations and behaviors, often in anticipation of environmental forces.

incremental change: A relatively small change in processes and behaviors within just one or a few systems or levels of the organization.

TABLE 10.1 Dimensions of Organizational Change for JetBlue Social Media Decision

Dimensions	Examples
Degree of Planning	Decisions regarding company use of social media
Degree of Planned Change	How extensively to use social media
Degree of Organizational Members' Involvement in Learning How to Change	How many employees are directly/indirectly involved
Target of Change	Customers/passengers
Amount of Organization Being Emphasized	Controls related to employee use of social media on-duty/off-duty, etc.

quantum change: A large-scale planned change in how the firm operates.

involves fine-tuning processes and behaviors within just one or a few systems or levels of the organization. It occurs within the context of the organization's current structure, strategy, and culture. For example, Procter & Gamble announced that it was grouping its Global Business Units into four industry sectors to become more efficient and productive.¹⁰ Because no major organizational restructuring occurred, this resulted in only incremental change. **Quantum change**, or large-scale planned change, involves significantly altering how the firm operates, usually by altering multiple organization levels and several of the dimensions of structure, culture, reward systems, strategy, and work design.¹¹

Degree of Organizational Members' Involvement in Learning How to Change

A third dimension deals with the degree to which organizational members are actively involved in learning how to plan and implement change while engaging in solving an existing problem. Author Peter Senge describes the "learning organization," discussed earlier in chapter 2, as being engaged in continuous experimentation and feedback in an ongoing examination of the way it goes about addressing and solving problems.¹² In contrast, some organizations focus on solving immediate problems without examining the appropriateness of current learning behaviors. Using the company examples already cited, Globe Metallurgical probably comes closest to a learning organization because of its strong learn-as-you-go orientation.

Target of Change

Organizational change programs—systematic planned change efforts—can also vary with respect to the hierarchical level or functional area at which the change is targeted. Some changes are designed to influence top managers or the relationship between manager and employee. For instance, Adobe eliminated its annual performance review and instead chose more easygoing "check-in" conversations and feedback. In other words, the firm encourages managers and employees to provide ongoing feedback to one another. This change was implemented to improve relationships between managers and employees as well as help employees gain a better understanding of their strengths and weaknesses.¹³ Other change programs might involve basic skills learning, such as customer service techniques, for lower-level employees only. Others could involve restructuring a marketing or R&D division without any planned change in other areas. Changes planned for one level or area, though, often have an impact on other parts of the organization, as we will discuss shortly.

Amount of Organization Being Emphasized

Finally, organizational change can differ with regard to the extent of "organization" being emphasized or how regulated and structured its activities may be. Some organizations are

overly organized and bureaucratized and need "loosening up," while others suffer from poor coordination and may be underorganized. Fairly young and rapidly growing organizations often suffer from underorganization and may need to emphasize structure, rules, and stronger norms to lend stability to the chaos. Many organizations, for example, are struggling with to what extent employee off-duty use of social media should be controlled, particularly with respect to any off-duty references the employee may make with respect to the organization.

Types of Organizational Change

There are also several major types of planned change that vary according to the area of emphasis for the change: changes in strategy, organizational structure



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Change in the organization can often require additional training for employees.

MANAGEMENT INSIGHTS

Changing Strategy at the Federal Bureau of Investigation (FBI)

The events at the World Trade Center in New York City and the Pentagon on September 11, 2001 had a profound effect on American society. In terms of impact from an organizational change perspective, though, they perhaps had their greatest impact on one singular organization—the U.S. Federal Bureau of Investigation, better known as the FBI. Prior to 9/11, the FBI's emphasis had been on domestic law enforcement, or reactively fighting crime. After 9/11, however, came the congressional and presidential mandate for the agency to change its focus and become more of a “national security” agency dealing with the proactive prevention of future terrorism in the United States. In short, the FBI was to become, in many respects, a domestic intelligence agency.

As former FBI Assistant Director Stephen Tidwell put it in an interview, FBI responsibilities changed from domestic to global. He stated, “We used to be all about law enforcement; now we're about national security and law enforcement. We used to be case-driven; now we're threat driven.” Part of the reason for the mandated shift was because there was evidence that both the FBI and the Central Intelligence Agency (CIA) had missed potential chances to disrupt the 9/11 terrorist attacks. The lack of cooperation between the FBI and the CIA was one cited reason for the missed opportunities, as was the internal structure of the FBI itself—for instance, its lack of focus on counterterrorism and the lack of communications/cooperation between and among its almost five dozen field offices spread throughout the country.

There is, however, considerable evidence that during the past ten to fifteen years the FBI has been successful in changing its strategy, structure, and culture and has become an effective national security/counterterrorism agency. This happened despite considerable resistance to change on the part of many FBI agents and other officials—especially since the shift



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The FBI navigates organizational change to maintain effective national security and counterterrorism efforts.

in priorities represented something of an admission of past mistakes (including the failure to work cooperatively with the CIA). A good deal of the credit for the FBI's successful change in this regard has been given to Robert Mueller, Esq., the FBI's Director from September 4, 2001 to September 4, 2013. Mueller, an attorney and a former Marine, gently got agency agents and others to accept their new roles and priorities. He made a point of visiting *each* of the many branches of the FBI to explain the change in agency strategy and the new, more cooperative approaches that needed to be taken. Mueller was a trusted voice from the top of the organization willing to openly communicate throughout the widespread agency.

Today, the relatively autonomous relationships between FBI headquarters and the dozens of agency field offices have been rebalanced to allow for a much greater sharing of intelligence information. The FBI is doing everything it can to make sure that another 9/11 never happens in the United States again!¹⁴

or design, technology, and human processes and culture. Note that these categories are not mutually exclusive.

Changing Strategy

Changing a company's strategy involves changing its fundamental approach to doing business—the markets it will target, the kinds of products it will sell, how they will be sold, its overall strategic orientation (cost, differentiation, etc.), the level of global activity, and its various partnerships and other joint-business arrangements. Changing strategy involves an attempt to align a company's resources with the various environmental forces recently discussed. Many examples abound in which companies have made major strategic changes. The Washington Post Company, as discussed earlier, no longer publishes *The Washington Post* and has adopted a completely new corporate strategy, including changing its name.

Changing Structure and Design

When a company alters its structure, it may change its departmentalization, hierarchical reporting relationships, line-staff relationships, and overall design. One frequent reason for restructuring in today's environment is to meet customer needs more effectively. Sallie Mae, the largest student loan provider in the United States, broke up into two businesses. One business services government-backed student loans, whereas the more profitable business focuses on private student loans. Splitting up into two businesses helps Sallie Mae focus on two distinct target markets.¹⁵ The quality revolution in America, increased competition, and cost consciousness will likely result in continued downsizing and streamlining of larger business, resulting in even more structural changes.¹⁶

Changing Technology

Many companies are introducing technological changes in their manufacturing or service operations to keep pace with massive environmental changes and competitive challenges. Computers, for example, have radically changed the very nature of business, even in very small operations, by speeding up routine activities and providing fast access to huge amounts of information. Robotics is another area that is helping many large manufacturers improve efficiency. Companies in Asia, in particular, are increasingly turning to robots to play a major role in the manufacturing process.¹⁷

Sometimes new technology is the focus of the business—the product itself—and not just a way to improve making a good or speed up a service. The Xerox Corporation, for example, restructured its business model to move far beyond making copier machines to become essentially a business automation corporation. Its CEO, for example, is quick to note that the highway toll booth E-Z Pass process was all developed by Xerox.¹⁸

Changing People Processes and Culture

Changing people processes involves changing the processes of communicating, motivating, leading, and interacting in groups. It may entail changing how problems are solved, how people learn new processes and skills, and even the very nature of how they perceive themselves, the organization, and their jobs. Major organizational change may involve altering the organization's entire culture.

Some people changes may involve only incremental changes or small improvements in a process. For example, many organizations undergo leadership training, which might teach managers how to communicate more openly with employees, use praise and other rewards to motivate performance, resolve interpersonal conflicts and deal with disruptive employees, and encourage more employee participation. Other programs might concentrate on team processes by teaching both managers and employees how to work together effectively to solve problems. Still other programs might strive to enhance union-management relations or to learn how to deal with an organization's existing power structure, which makes up what is often called the informal organization. We will take a closer look at some of these approaches later in this chapter.

Major organizational change could entail dealing with all the people processes as well as changes in such human resource systems as rewards and compensation, training and development, selection, and performance appraisal. For major change to succeed, fundamental alterations must occur in three areas: (1) coordination or teamwork, including coordination between departments and between labor and management; (2) commitment to a high level of effort, cooperation, and planned actions; and (3) competencies, meaning improved conceptual, analytical, and interpersonal skills in both labor and management. Most planned change programs target only one, or at best, two of these areas, while all three are essential for major change to occur.¹⁹

There are numerous examples of major change programs that have focused on changing the way people function. The U.S. Secret Service, which protects the President of the United States and other top officials, has, for example, traditionally had a somewhat laid-back approach to employee conduct while they are overseas. Recent scandals, how-

ever, involving among other things Secret Service agents hiring prostitutes while in South America, have changed the agency’s culture. New rules bar agents from bringing foreign nationals back to their hotel rooms or drinking alcohol within 10 hours of their shift.²⁰

Models of Planned Change

Managers who want to plan organizational change may find it helpful to have a model of how the change process works. In this section, we will briefly review two basic models of change, discuss some implications of each, and then delve more deeply into a comprehensive model that could encompass most change programs. Table 10.2 describes the models of planned change.

Lewin’s Model of Change

One of the earliest and most fundamental models of change was provided by behavioral scientist Kurt Lewin. Lewin viewed the change process as a modification of the forces that keep a system’s behaviors stable. He depicted the level of any behavior or attitude existing at a given time as a function of “driving forces,” which are pushing for change in behavior, and “restraining forces,” those striving to maintain the status quo. When these forces are about equal, Lewin said a state of quasi-stationary equilibrium exists. He devised a technique called “force field analysis” that depicts the driving and restraining forces—the real conditions of people, organization, or environment—in a situation that keeps it stable.

Lewin’s model of major change grew out of this force field concept. He describes change as consisting of the following three phases (see Figure 10.1):

1. **Unfreezing** involves disrupting the forces maintaining the existing state (state A) or level of behavior. This might be done by introducing new information to show discrepancies between state A and one desired by the organization—that is, a performance gap. The performance gap for the American car manufacturers got so big that the “Big Three” finally were unfrozen.
2. **Moving** entails a transition period (state B) during which the behaviors of the organization or department are shifted to a new level (desired state C). It involves developing new behaviors, values, and attitudes
3. **Refreezing** stabilizes the organization at a new state of behavioral equilibrium (state C). This is accomplished through the use of supporting mechanisms that reinforce the new organizational state, such as culture, norms, policies, and structures.²¹ Making total quality management teams a part of standard operating procedures would exemplify refreezing.

unfreezing: Involves disrupting the forces maintaining the existing state or level of behavior.

moving: A transition period during which the behaviors of the organization or department are shifted to a new level.

refreezing: Stabilizes the organization at a new state of behavioral equilibrium.

Thus, Lewin viewed change as the adjustment of driving and restraining forces in order to facilitate movement to a new equilibrium state which is then reinforced and stabilized. This model, therefore, suggests that managers should find ways to unfreeze the existing equilibrium before any change will occur.

TABLE 10.2 Models of Planned Change

Model	Description
Lewin’s Model of Change	Unfreezing, moving, refreezing
Congruence Model of Change	Interaction of inputs/processes causing change
Comprehensive Model of Planned Change	Step-by-step plan for change

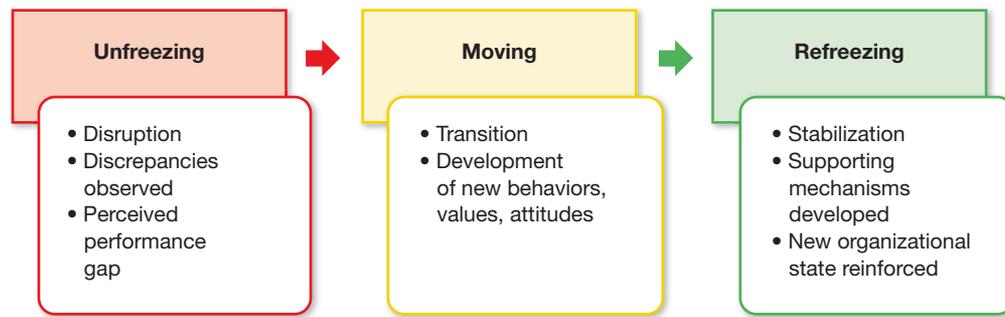


FIGURE 10.1 Lewin's Model for Implementing Change

Congruence Model of Change

congruence model of change: An outgrowth of the systems approach to organizational theory, emphasizes the interrelationships between the various parts of an organization and how change in one part will cause reactive changes in other parts.

The **congruence model of change**, an outgrowth of the systems approach to organizational theory, emphasizes the interrelationships between the various parts of an organization and how change in one part will cause reactive changes in other parts. In the congruence model, inputs may include raw materials, environmental factors, history, customer feedback, and the organization's strategy. Processes consist of technology, human resource activities, culture, structure, and measurement systems. Outputs are all those things that reflect the firm's effectiveness: its finished products, group commitment and cohesiveness, and such individual outcomes as job satisfaction, personal performance, and attendance.²²

The key aspect of the congruence model is that system elements, both inputs and processes, interact with one another such that changes in one part of the system can cause radical changes in another part of the system. For example, a change in the nature of raw materials or other inputs into the system may necessitate a change in the organizational and job structures, as well as in human resource processes, and may ultimately influence the outputs in terms of product quality or job satisfaction. Likewise, a change in technology may result in a change in culture, structure, and any or all of the other transformation processes.

There are several important implications of the systems approach to diagnosing and implementing change. Managers need to recognize that changes in one area may cause unintended changes in another, as the overall system seeks to regain equilibrium. Also, because systems tend to seek equilibrium, managers can expect that some changes may be resisted or even nullified by a lack of change in the rest of the system. For example,

taking managers offsite for training in participative management may not result in actual change back on the job if the structure, the informal organization, and human resource systems and culture remain unchanged. A major implication is that, for significant change to occur, managers may have to intentionally change all or a number of the transformational processes simultaneously and in support of one another so that the new configurations work in harmony to exact improved outputs.

A number of the organizations we have discussed thus far have attacked the change process while recognizing the interrelationship of change variables. Home Depot, for example, realized that targeting women more effectively would not only require the company to release female-oriented advertising, but also to redesign stores to be more appealing to this demographic and improve customer service.



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Technological improvements may result in organizational change.

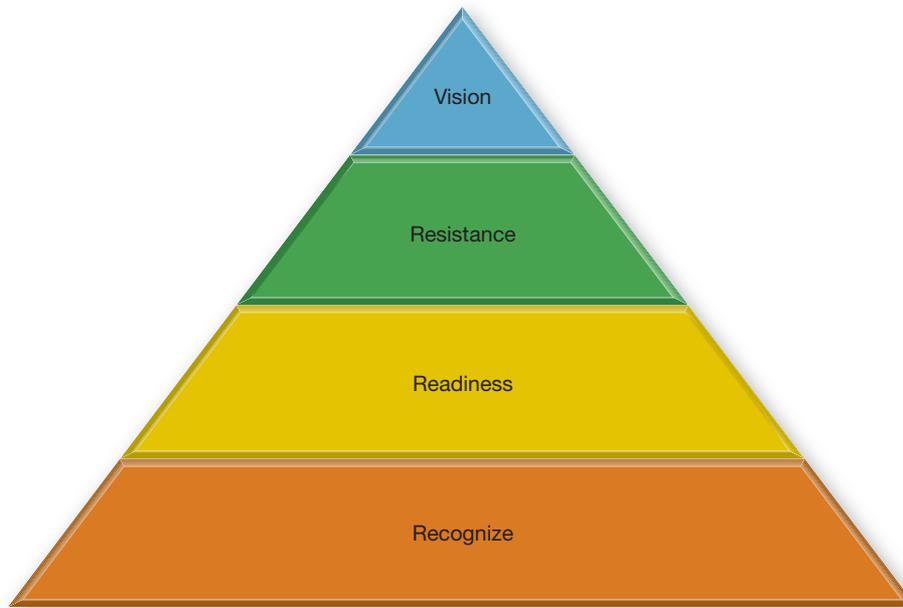


FIGURE 10.2 Comprehensive Model of Planned Change

Comprehensive Model of Planned Change

The **comprehensive model of planned change**, a step-by-step plan for implementing major change, encompasses all of the facets of change discussed thus far and more.²³ It includes a set of activities managers must engage in to manage the change process effectively: recognizing the need for change, motivating change, creating a vision, developing political support, managing the transition, and sustaining momentum for the change (Figure 10.2).

comprehensive model of planned change: A step-by-step plan for implementing major change.

Recognizing the Need for Change

The change process begins with someone recognizing a need for change after scanning the organization's environment. We have already discussed some of the forces that may prompt a need for change, as well as some of the feedback mechanisms that may suggest needed directions for change. Recognition of the need for change may occur at the top management level or in peripheral parts of an organization, but experts disagree on where the change is most likely to start. Once the need for change is recognized, the manager must motivate change by preparing people for the changes they will face and overcoming their natural resistance to change.

Creating Readiness for Change

Preparing people for change is similar to Lewin's unfreezing step. It entails primarily bringing dissatisfaction with the current state to the surface. For instance, because of the weakening global economy, customers have been less likely to pay premium prices for intellectual technology initiatives. This puts India-based Infosys at a disadvantage as a core strategy was to sustain high profit margins. The CEO of Infosys acknowledged that changing its strategies will be rough and even painful for the company, but that it is necessary for survival.²⁴ Shareholder dissatisfaction with company performance in part led the Washington Post Company to sell its newspaper business. The company's recent purchase of a firm in the highly profitable healthcare industry also represents a part of the "unfreezing" in regards to the company's identity.

Preparing people for change requires direct and forceful feedback about the negatives of the present situation, as compared to the desired future state, and sensitizing people to

the forces of change that exist in their environment. Managers can make themselves more sensitive to pressures for change by surrounding themselves with “devil’s advocates,” using networks of people and organizations with different perspectives and views, visiting other organizations in order to be exposed to new ideas, and using external standards of performance, such as a competitor’s progress or benchmarks.²⁵

Overcoming Resistance to Change

When change occurs, there will almost always be resistance, and understanding why resistance occurs can give managers some insight into how to deal with it.

Sources of Resistance to Change

Some of the most common reasons for resisting change include uncertainty and insecurity, reaction against the way change is presented, threats to vested interests, cynicism and lack of trust, perceptual differences, and lack of understanding.

People need a certain amount of stability and security in their lives, and change can present unknowns that produce anxiety. Employees may worry about their ability to meet new job demands or even fear losing their jobs. Given the recent era of company downsizing, it is logical and understandable that most employees view change negatively. They may believe they will be unable to learn new required skills, or they may simply have personalities that cause them to dislike ambiguity. Change often results in altered work practices and work group relationships. Workers may resist restructuring attempts and continue to conduct business as they did before if the fabric of their social relationships is threatened.

Resistance to change may grow out of a reaction against being controlled or loss of autonomy. If a change seems arbitrarily imposed or unreasonable, if management uses little tact in implementing or announcing it, or if it is poorly timed, negative reactions may result. If a company had encouraged participation and empowerment but stopped because of a tough economy or bad business cycle, that kind of change is likely to be severely resented.

Some changes may result in employees losing their positions of power; labor union situations provide an excellent example of concern over such loss. A top executive of the Inland Steel Company described the painstakingly slow progress in trying to implement a total quality management (TQM) program at his company as the United Steelworkers scrutinized every move management tried to make to improve operations.

Employees who have been treated unkindly or at best indifferently by management over the years are likely to face any change with skepticism. At Inland Steel, workers were cynical because they were accustomed to hearing management pay “lip service” to employee empowerment without seeing any meaningful change. Years of traditional hierarchical management may cause workers anywhere to be very skeptical when management proposes moving into more progressive organizational practices, such as TQM and empowerment. At Inland Steel, employees were eventually empowered to find ways to improve yields. Internal reforms, along with a weak dollar and a long-term value orientation, helped Inland Steel bounce back to profitability. Inland Steel Company caught the attention of Ispat International N.V., which later acquired the company.²⁶

Sometimes people resist change because they perceive the situation differently from those trying to institute the change. They may perceive that no change is warranted or that a different type of change would be more effective based either on a different diagnosis of a problem or a different opinion about what should be done. Employees and supervisors in one large manufacturing plant told their corporate engineers that the new design for a production line would not work. The company spent nearly \$300,000 changing the line anyway and, sure enough, the new line did not work. Managers should recognize that workers’ perceptions of a situation may be more accurate than their own because of their proximity to it. In some cases, resistance to a bad change can ultimately save the company much in time and money.



Whereas empowerment of employees to make more decisions can be a positive in many organizations, a dramatic change in leadership and employee responsibilities can be met with resistance.

One situation where there might be particular resistance to change is when an organization attempts to introduce a new **innovation**, or a new product, method, process, or approach. In order for any innovation to successfully occur in an organization, significant organizational change needs to occur. For instance, the successful Apple innovations of today, such as iTunes, the iPad, and the iPod, were not developed without significant organizational change. Although Apple started off in the 1970s as an innovative company with revolutionary new products, it stagnated in the late 1990s. When co-founder Steve Jobs returned as CEO, he recognized that major organizational changes were needed to return Apple to its status as an innovative company. He simplified product matrixes, placed renewed emphasis on product development, and created a top-down culture of accountability. As part of this change, employees were made to feel as if they were part of something greater than themselves. These changes helped Apple branch out into the consumer electronics market and develop revolutionary innovations that would change the music, computer, and mobile phone industries (among others). In 2007 the firm changed its name from Apple Computer to Apple Inc. to signify its move into consumer electronics.²⁷

innovation: The act of introducing a new product, method, process, or approach.

Finally, resistance may stem from a lack of understanding of the change, including its need, nature, or implications for individuals. When the change process is not clearly presented, people tend to fill in the information gaps with rumors and speculation, often assuming the worst in terms of personal impact. On the other hand, as Inland Steel and Apple demonstrate, informing employees of reasons for the change, providing them with more responsibilities, creating a shared vision, and developing a strong corporate culture are a few of the ways managers can overcome resistance to change.

Reducing Resistance to Change

Research has identified a number of different strategies that managers may apply to deal with resistance to change, including education and communication, participation and involvement, facilitation and support, negotiation and agreement, manipulation, co-optation, and coercion (Table 10.3). Managers *try* to match a strategy to the demands of a situation to overcome resistance or to manage it with minimal disruption. Factors worth considering are the amount and type of change being attempted; the power of the resisters; the nature, cause, and form of the resistance; and the short- and long-term effects of the strategy.

TABLE 10.3 Methods for Dealing with Resistance to Change

Method	Description
Education and communication	Inform employees about the need for change and communicate the potential positive outcomes
Employee participation	Get employees involved in change decisions to increase understanding and increase commitment
Managerial support	Provide stress counseling, special training, and simply good listening to reduce fear of change
Negotiation	Making concessions in an area not related to the change, or distributing perks that help make the change easier
Manipulation	Selectively distributing information to control the perception of a change
Co-optation	Having resistant individuals join the change team—specifically to reduce their power to resist, rather than to truly participate
Coercion	Threaten punishment for resistance to change

One of the primary tactics used to help people deal with the anxiety of change is education and communication. Consultant Jean Keffeler says that “the amount of communication required to allay organizational anxiety in times of unusual change, even if the change is perceived as positive, is enormous. People have an insatiable need to hear what’s going on and what it means to them.”²⁸ Communication is key.

In the long run, getting employee participation in change decisions and increased involvement in all aspects of the change may be the single best method to overcome resistance. Participation increases understanding of the change process, enhances feelings of control and autonomy, and provides for employee input that can make the change work better. It reduces uncertainty and often allows for the maintenance of social relationships during the change. Once the change is finally complete, a sense of ownership discourages resistance and increases commitment to making the change successful. At the Xerox Corporation, for example, some employees have resisted the company’s movement away from its nuts-and-bolts operations into things like E-Z Pass and business services in general. To change people’s minds in this regard, CEO Ursula Burns says she has had to become the company’s “chief storyteller,” getting employees to “align and feel engaged” and get “passionate” about what they do.²⁹

When anxiety and fear cause resistance, management can offer support in the form of stress counseling, special training, and simply good listening. Unfortunately, most organizations do a bad job with respect to stress counseling and listening. Managers should acknowledge the legitimacy of the anxiety and discomfort, whereas many managers intensify anxiety by acting startled that employees would not readily accept a change. Accepting employees’ discomfort and helping them deal with it can help management gain commitment to the change. Training in change management, coping mechanisms, stress management, and career self-management will facilitate the change process.³⁰

Sometimes management can negotiate an exchange of something in return for acceptance of a change. Making concessions in an area not related to the change, or distributing perks that help make the change easier, can help overcome resistance. Because of strong union resistance, changes at Inland Steel were negotiated at almost every phase of change and over nearly all issues related to job design, work team design, the compensation system, and even transition team make-up. Although changes took longer under these conditions, management recognized the real power of the union to undermine any change

attempt of which it disapproved, as well as the union's power to help change occur. Negotiation and participation slowly overcame some of the resistance.³¹

Manipulation and co-optation are sometimes used when other tactics will not work or have been tried unsuccessfully. Manipulation occurs when information and decisions are selectively distributed to control the perception of a change. Co-optation involves having resistant individuals join the change team—specifically to reduce their power to resist, rather than to truly participate. If employees recognize the manipulation or co-optation, however, even greater resistance can occur and ultimately make the change even more difficult. In universities, it is a common practice for deans to appoint faculty “troublemakers” to advisory committees in areas where they might resist a dean’s proposed change. This co-opting makes the resisters part of the change process and minimizes their impact, but keeps them from complaining about not being involved or about their loss of autonomy. There is sometimes a fine line between participation in the change process and co-optation. A real danger occurs with this tactic if it is obvious or superficial. Imagine the reaction if John or Robert Kennedy had tried in 1963 to co-opt the resistance of Martin Luther King, Jr., by offering him a government job during the civil rights movement.

Coercion is sometimes used when managers will not or cannot take the time to implement less authoritarian tactics. The obvious danger with the use of real or implied threats or punishment is the antagonism and further resistance that are generated—sometimes very subtly—and the damage that it can do to the relationship between the change agent and those resisting the change. Many progressive managers reject the use of coercion, as well as manipulation and co-optation, on moral and ethical, as well as practical, grounds. These techniques are not consistent with the more open, ethical, and positive climates their companies are trying to create.

Creating a Vision

Managers can facilitate change by clearly defining and communicating their vision of where their firms are headed. Applying Lewin’s model, this means knowing what the desired future state C will look like. That mental picture can be fairly general—perhaps being a lean, flexible organization—or it can be quite specific—such as one multinational company’s vision of having sales forces of a certain size placed on each of five major continents by the year 2020.

The Washington Post Company, for example, has recently created a vision of being a more diversified corporation than it has been in the past. Transformational leaders, as discussed elsewhere in the text, inspire with their visions of the future. John F. Kennedy said in 1961 that we would reach the moon in that decade, inspiring a space program and a nation. Martin Luther King, Jr.’s, “dream” of equality in his lifetime inspired an entire race.

A research study that surveyed several hundred change agents (those who initiate or foster change) found that the single most positive facilitator of a change program is “creating a shared vision with employees of what the organization will look like when the program is completed.”³² The ability to visualize and communicate the desired future state is therefore crucial to planned change. Helpful mechanisms include a clear mission statement, a specific statement of desired performance and human outcomes, a clear explanation of processes that will facilitate the outcomes (for example, rewards being based on performance), and midpoint goals to keep motivation high and to provide feedback.³³



Employees can be motivated by tying rewards to performance and educating about the mission of the organization.

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Developing Political Support

We can picture organizations as political systems composed of different groups competing for power. Managers of different functional areas compete for resources and influence, so each develops his or her own sources of power. Workers compete with management over who will determine the structure of jobs and overtime and other work issues. For change to be successful, leaders of change must identify key stakeholders and then develop support within the key political groups.³⁴ They can use various sources of power and change strategies to generate support from these players. Once the key leaders are brought on board, they can in turn generate energy in support of a change. Raymond Smith, former CEO of Bell Atlantic (now Verizon), used the term “shadow of the leader” to depict the role of leaders who were to cast their shadows over the organization by modeling desired behaviors. JetBlue has made its ability to respond to customers with complaints on a “real time” basis via social media a part of its whole corporate “DNA,” with support directly from the top of the organization all the way down.

Leaders can also use symbols and language to facilitate change. Researchers are now exploring the importance of the use of metaphors to diagnose organizational functioning.³⁵ For example, picturing a top executive group as “a basketball team that sometimes plays together, but often has one player hog the ball,” can help the group understand a problem it may be having with one strong member dominating the group and its subsequent effects on other group members. Using symbolic team names can also help people focus on change.

Managing the Transition

transition state: The period during which the organization learns the behaviors needed to reach the desired future state.

While the organization moves from the current state to its desired future state, it will go through a period of change, or “moving” in Lewin’s terminology. This **transition state** is the period during which the organization learns the behaviors needed to reach the desired future state. This can be a period of extreme disruption and must be effectively managed, or chaos can occur and the desired future state never met. During the transition, the organization needs to develop and use feedback mechanisms to ensure that changes really are happening as planned. These can include surveys, sensing groups, and consultant interviews, as well as existing informal communication channels. Three major activities are required during the transition: activity planning, commitment planning, and management structures.³⁶

Activity Planning

Activity planning refers to designing the road map and noting specific events and activities that must be timed and integrated to produce the change. Change expert David Nadler says that, at this stage, change leaders should use “multiple and consistent leverage points.” Growing out of systems theory and the congruence model, his idea is that a number of different processes (leverage points) must be changed so that they support one another and the overall desired state.³⁷ If greater customer service is the goal, then the organizational structure might be changed to empowered teams. Team members could be sent to visit key customers personally to assess their needs, and reward systems could be changed to encourage new ideas for customer service and to reduce defects that cause customer dissatisfaction. Such activities must be sequenced and integrated to form a consistent system. Using Lewin’s terminology, this would mean reducing many of the “restraining forces” and increasing the “driving forces” all at once or in the proper sequence. There must be a “fit” or “alignment” of these key processes.

Commitment Planning

Commitment planning starts with identifying key political powers in the organization. It also entails planning specific ways to get them involved in the transition activities in order to gain their support. Singapore-based nonprofit International Rubber Study Group consists of more than 30 governments, producer groups, and consumers of rubber. A new goal for the group is to create a plan of sustainability standards for the rubber in-

dustry. However, creating and implementing these standards requires commitment from purchasers of rubber—particularly top officials at tire companies, which are some of the largest rubber consumers. The nonprofit has hosted summits that include representatives from companies such as Bridgestone Corp., Michelin, and Semperit A.G. Bridgestone has committed to having tires made from 100 percent sustainable raw materials by 2050.³⁸

Management Structures

Management structures (such as individual appointees, teams, or ad hoc committees) must be used to help run things during the transition, plan the direction of the changes, and keep ongoing operations running smoothly as the change occurs. Management structures for handling the transition can include the chief executive officer or other top manager, a project manager to coordinate the transition, representatives of major constituencies involved in the change, natural leaders who have the confidence and trust of large numbers of affected employees, a cross-section of people representing different functions and levels, and/or a cabinet, representing people with whom the chief executive consults and in whom the CEO confides.³⁹

Our example companies have used different structures. Sometimes these structures are temporary, created to meet special needs. Xerox's board reserves the right to create ad hoc committees when considered necessary.⁴⁰ After Bob McDonald retired from Procter & Gamble as CEO, he worked closely with P&G's leadership team and with CEO A.G. Lafley to ensure a smooth leadership transition.⁴¹ It was important for the company to gain the confidence of consumers and reassure them that P&G leadership was pursuing the best courses of action for the firm.

Sustaining the Momentum of the Change

Once a change has begun, initial excitement can dissipate rapidly in the face of everyday problems. However, managers can help sustain the momentum for change by providing resources, developing new competencies and skills, reinforcing new behaviors, and building a support system for those initiating the change. Extra resources may be needed for training, consultation, data collection and feedback, special meetings (even off-site retreats), and to provide a financial buffer if performance drops during the transition period. Managers usually underestimate both the time and extra resources needed to execute a major change. Changes often require new skills of organizational members: problem-solving skills for group members, interpersonal skills for line workers suddenly asked to talk to customers, and software skills for employees using new technology. The new skills employees are required to learn and new resources go hand in hand.

The entire organization must reinforce not only the learning of new behaviors, but also those persons initiating the new learning. When top managers are the agents of change, the reinforcement and support must come from the network of persons who understand and support the change. An internal consulting group or external consultant can reinforce the executives and provide a sounding board for their decisions. New organizational structures may have to be devised for support. Top management must reinforce lower-level managers and workers by linking formal rewards to the desired behaviors. One major auto company for instance, in trying to improve quality, linked 40 to 60 percent of its managers' bonuses to product quality. Recognition, encouragement, and praise are informal rewards that can be tied quickly to desired behaviors. Even the good intrinsic feeling associated with achievement of goals can help maintain momentum when early successes are built into the change program.⁴² Campbell Soup Corporation's top executives, for example, have been historically well known for throwing impromptu parties (or so-called "wingdings"!) to celebrate company performance improvements.

Organizational Development

One general approach to planned change that has gained prominence over the last 30 years or so focuses primarily on people processes as the target of change. This approach—called

BUSINESS DILEMMA

You're the Manager . . . What Would You Do?

THE COMPANY: Preston County Transportation

YOUR POSITION: Transportation Director

THE PLACE: Portland, Oregon

Preston County Transportation was a highly centralized organization with authority concentrated at upper levels. Low-level employees had to go through their superiors and fill out reams of paperwork to accomplish anything. Even simple repairs took days or even weeks, and, as a result, morale was very low. Maintenance on the county's buses was substandard, in part due to employee apathy because mechanics were not held accountable for the condition of the buses. Poor maintenance led to low-quality service with high levels of pollution, poor internal seating and conditions, and breakdowns.

The county brought in a retired military general, Jim Barnes, as the new transportation director to assess the problems and provide a detailed recommendation of how to change the situation. After weeks of study and interviews, Barnes suggested decentralizing the department and delegating responsibility to the lowest levels of the organization. He recommended creating maintenance teams and giving team members responsibility for the maintenance of all buses under their control. Barnes also suggested moving maintenance teams to several locations throughout the county to provide greater accessibility to major routes and bus traffic. The key to Barnes's plan is creating a feeling of personal interest and pride in each team's success.

The county decided to accept and implement Barnes's plan. The results were outstanding. Teams developed very strong identities and began to compete with each other for safety and duration awards, indicating length of time between major service problems. The plan made maintenance and lower-level employees feel important and necessary for the success of the organization.

With morale, involvement, and performance improving, Barnes next set out to address the problem of the mounds of paperwork required to accomplish anything in the department. Bus repairs had been slowed



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Preston County Transportation works to improve employee morale with significant reorganization.

because upper-level authorities had to approve all major work. This system was changed by giving employees greater opportunity to make repair decisions and greater access to parts (inventories were dramatically expanded). New computer software programs were used to list available parts at each repair facility and vans were utilized to shuttle parts to needed locations. After the reorganization, parts could be shipped to most locations within one hour.

Finally, Barnes ordered that all county transportation facilities be painted and completely cleaned and refurnished, and that new uniforms be provided for employees. This was intended to enhance employees' pride in working for the county bus system.

QUESTIONS

1. As new transportation director, evaluate your plans to change this organization.
2. What are the inherent benefits and risks with decentralization?
3. What do you see as your long-term priorities in managing this new system? How do you maintain morale and productivity?

organizational development

(OD): A system-wide application of behavioral science knowledge to the planned development and reinforcement of organizational strategies, structures, and processes for improving an organization's effectiveness.

organization development—is grounded largely in psychology and other behavioral sciences, although more recently it has evolved into a broader approach encompassing such areas as organizational theory, strategy development, and social and technical change.

The Nature of Organizational Development

Organizational development (OD) can be formally defined as “a system-wide application of behavioral science knowledge to the planned development and reinforcement of organizational strategies, structures, and processes for improving an organization's effectiveness.”⁴³ This definition reflects several important features of organizational develop-

ment. First, OD deals with whole systems (company, department, work group) as opposed to a single individual or a single function within a system. Second, OD uses behavioral science knowledge, as in the areas of leadership, motivation, team functioning, rewards, conflict resolution, and change. This distinguishes it from such things as computer-systems or operations-research types of change approaches. Third, OD involves planned change, but not in the more rigid sense of organizational planning. Rather, it involves more of an adaptive, flexible, ongoing process of diagnosing and solving people-related problems. Fourth, it involves the creation and reinforcement of change with all the implications we have discussed thus far. Fifth, it can encompass strategy, structure, and process changes—although, traditionally, OD has focused on the people processes almost exclusively. Finally, OD focuses on improving organizational effectiveness, in terms of both productivity and quality of work life. An important aspect of the practice of OD is that effectiveness implies that organizations learn to solve their own problems and ultimately deal successfully with issues without the help of an outside consultant who specializes in OD.

Organizational development is often carried out with the aid of a consultant, either from outside the company or from within, who is separate from the team or group being assisted. An OD practitioner, often called a change agent, facilitates the change process by structuring learning experiences, diagnosing problems, helping to generate and implement solutions, and encouraging certain types of interaction processes. The actions of these agents of change are generally referred to as interventions because they attempt to hinder the erosion of the organization's effectiveness by modifying the ways its members function. Although OD practitioners usually have specialized training in the behavioral sciences, many have supplemented that expertise with training in other areas to give them the broader perspectives that are useful in facilitating change in today's complex organizations.

The focus of OD is often the hidden or more subtle features of an organization. Although an OD intervention might change more visible features, such as structure, formal authority relationships, policies, and technology, OD tacitly recognizes the impact of the more hidden, informal organization and deals with many of these features to promote organizational effectiveness.

Most OD interventions use an **action research** approach to change, which encompasses and further defines the steps of the Lewin change model (see Figure 10.3) and involves an ongoing process of joint (consultant with clients) problem discovery, diagnosis, action planning, action implementation, and evaluation. The evaluation uncovers further problems on which to focus, using the action steps again. As problems are successfully addressed, the organization, over time, learns the skills necessary to properly conduct the action research process without an OD practitioner's assistance, and the client-consultant relationship is eventually terminated. This model provides the basic format through which a number of varied OD interventions are implemented.

action research: Encompasses and further defines the steps of the Lewin change model and involves an ongoing process of joint (consultant with clients) problem discovery, diagnosis, action planning, action implementation, and evaluation.

OD Interventions

The following overview of OD interventions, although not exhaustive, reflects the varied nature of the OD approach to change, as well as the different levels at which change might be targeted. Many OD interventions use some combination of these different approaches, with the number and variety of techniques, tools, and facilitative experiences being limited only by the art, skill, and imagination of the many practitioners. Table 10.4 describes the different types of organizational development interventions.

Survey Feedback

Survey feedback involves gathering data through questionnaires and personal interviews. The data are tabulated, organized, and returned to the surveyed group by the change agent in anonymous summarized form and used as a vehicle to stimulate discussion about problem areas that the group should address. The content or focus of the survey is usually the behavioral processes that make up this section of your management textbook (leadership,

survey feedback: Involves gathering data through questionnaires and personal interviews.

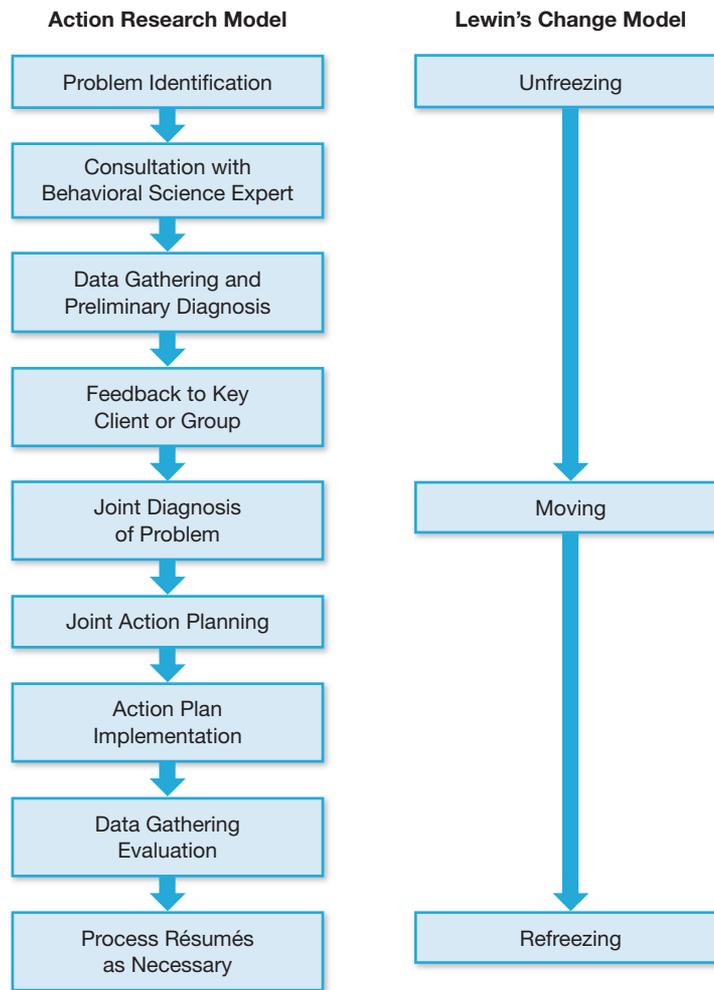


FIGURE 10.3 Comparison of Action Research Model to Lewin's Change Model

TABLE 10.4 OD Interventions

Type of Intervention	Example
Survey feedback	Use questionnaires to get information
Process Consultation	Consultant focuses directly on client and goals
Team Building	Helping two or more groups work together
Role Negotiation	Negotiating role behaviors/expectations
Life and Career Planning	Structured counseling for employees
Third Party Peacemaking	Outside party conflict resolution
Techno-Structural Redesign	Restructuring reporting and other relationships
Job Redesign	Changing the nature of tasks
Grid OD	Six phase overall organizational intervention

motivation, and so on) although other problems that surface may also be addressed. Data may consist of facts, perceptions, attitudes, and opinions, but tend to be most helpful when they are specific, accurate, limited, relevant, important, and inspiring. How the data are used is as important as the nature of the data itself. Data must be fed back to the client group in such a way as to be accepted as valid, cue the group into important areas, stimulate movement or change, promise a reward if behavior is successfully changed, and generate present and future learning.⁴⁴

An example of survey feedback occurred in a 15-year-old engineering company whose president felt that some top managers and key employees resisted attempts to make necessary changes, seemed to lack a sense of urgency about performance, and in general did not function well as a team. A consultant conducted personal interviews with the top managers and discovered that the president's authoritarian and often sarcastic leadership style was a root cause of many of the symptoms the president had perceived. These data were presented during an off-site retreat exercise in which the president was allowed to listen to and to seek clarification of the summarized data but not to defend reported actions. The employees' perceptions were accepted as valid, verified during the exercise, and treated as important. The group, with the consultant's help, designed a program to help the president improve in key interpersonal areas. This example, as well as a number of the other techniques discussed below, should emphasize the importance of the behavioral science training of the change agent. The potential damage, for individuals and the overall organization, is severe if these activities are not planned, structured, and implemented with skill and understanding. Untrained amateurs have no business engaging in this type of endeavor.

Process Consultation

During **process consultation**, a consultant focuses on the dynamic task-related processes—how a client or group sets goals, gathers information, solves problems, and allocates work—and assists the client organization in diagnosing how to enhance these kinds of processes. Again, such areas as communication, conflict resolution, leadership, and decision making may be examined and targeted for improvement. A key difference between process consultation and survey feedback is that the consultant is involved in more direct behavioral observation in the former, while asking others about their perceptions, attitudes, and feelings in the latter.⁴⁵ Feedback, diagnosis, action planning, implementation, and evaluation are still a part of both interventions.

Team Building

Team building involves using structured group experiences to help ongoing work teams function more effectively through better decision making, goal setting, and intragroup communications. It may also deal with group leadership patterns, roles members perform in the group, and group norms and values. Team building may be part of process consultation or grow out of a diagnosis conducted through the survey-feedback process. FMI is an outside consultant firm that often provides team building services for projects in the construction industry.⁴⁶

Intergroup team building is designed to facilitate functioning between two or more groups by helping the groups understand and deal with areas of conflict; debilitating interaction patterns; perceptual discrepancies; norm, goal, and value differences; and lack of coordination. The Transportation Security Administration (TSA), which provides security screening in United States airports, has put special emphasis on employee team building in recent years.



Surveys help managers understand employees' attitudes and can identify problems which need to be addressed.

process consultation: A consultant focuses on the dynamic task-related processes—how a client or group sets goals, gathers information, solves problems, and allocates work—and assists the client organization in diagnosing how to enhance these kinds of processes.

team building: Involves using structured group experiences to help ongoing work teams function more effectively through better decision making, goal setting, and intragroup communications.

intergroup team building: Designed to facilitate functioning between two or more groups by helping the groups understand and deal with areas of conflict; debilitating interaction patterns; perceptual discrepancies; norm, goal, and value differences; and lack of coordination.

role negotiation: Entails structuring interactions between interdependent persons or groups to clarify and negotiate role behaviors and expectations.

life and career planning: Involves the use of structured counseling and group discussions, often accompanied by skill and interest testing, to assist employees in planning career paths and integrating life and career goals.

third-party peacemaking: Involves a consultant who facilitates conflict resolution between two individuals.

techno-structural redesign: A large-scale intervention that involves redesigning the organizational structure to better address environmental contingencies and better utilize information and process technologies.

job redesign: Focuses on changing the nature of how tasks are performed and often entails job rotation, job enrichment, and/or job enlargement.

Role Negotiation

Role negotiation entails structuring interactions between interdependent persons or groups to clarify and negotiate role behaviors and expectations. Role negotiation helps groups and individuals know what their responsibilities are, what actions they should take at different times in dealing with certain issues, and, in general, how they are to work together. This intervention can be a primary focus in itself or part of a broader team building or intergroup team building program.

Life and Career Planning

Life and career planning involves the use of structured counseling and group discussions, often accompanied by skill and interest testing, to assist employees in planning career paths and integrating life and career goals. These activities can be planned and combined with an overall education and employee development program.

Third-Party Peacemaking

Third-party peacemaking involves a consultant who facilitates conflict resolution between two individuals. It may entail structuring meetings, facilitating discussions, interpreting communications, pacing interactions, and suggesting compromises or integrative solutions.⁴⁷

Techno-Structural Redesign

Techno-structural redesign is a large-scale intervention that involves redesigning the organizational structure—reporting relations, division of labor, departmentalization, functions, and the like—to better address environmental contingencies and better utilize information and process technologies. A self-designing organization intervention involves employees in the ongoing process of self-examination and redesign to meet rapid environmental changes.

Job Redesign

Job redesign, you will remember from elsewhere in the text, focuses on changing the nature of how tasks are performed and often entails job rotation, job enrichment, and/or job enlargement. Job redesign attempts to enhance not only productivity, but also job involvement and organizational commitment.



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Job rotation involves giving employees different responsibilities within the organization.

Grid OD

Grid OD is a six-phase overall organizational intervention that comprehensively and systematically attempts to enhance personal management style, team functioning, intergroup problem solving, overall organizational functioning, and the ability of the organization to continually improve how it solves its own problems, resolves conflicts, and makes decisions.

Using OD Interventions Successfully

The success of OD interventions depends on matching the correct intervention to the organizational need, the skill of the OD practitioner at implementing the program, and the readiness of the client organization to accept the intervention. Because OD emphasizes joint diagnosis and action planning, acceptance of the process and the ultimate change strategies is often very high.

It should be apparent from the information presented in this chapter that organizational change is both a complex and pervasive phenomenon. Understanding the process of planned change and developing skills in various change techniques and processes will likely be a key competency for successful managers of today's intricate business organizations.

grid OD: A six-phase overall organizational intervention that comprehensively and systematically attempts to enhance personal management style, team functioning, intergroup problem solving, overall organizational functioning, and the ability of the organization to continually improve how it solves its own problems, resolves conflicts, and makes decisions.

Summary and Review

- *Define organizational change and explain the dimensions and types of change.* Organizational change refers to modifying the behaviors or ideas of an organization or its units. Organizational changes are often a result of reactions to internal or external environmental forces. Organizational change varies in how extensively it is planned (reactive to planned change), how extreme the change is (incremental to quantum change), how much members are involved in learning how to conduct future change, where the change is targeted (level and/or functional area), and in whether the organization needs to be loosened up or more highly organized. Different types of change reflect an overall focus on different features of organizational functioning. Strategy changes focus on the nature of how the organization will conduct its business and meet its market demands. Organizational structure and design changes deal with how work will be organized, delegated, and managed. Technology changes focus on changing machinery or equipment that enhances either the products of the company or its means of producing the good or service. Human process changes focus on the interpersonal processes and overall cultural components that influence or make up the way people interact in the organization.
- *Interpret three models of change, particularly the steps involved in the comprehensive model of change.* Kurt Lewin's model of change views change as a process of "unfreezing" the forces that keep an organization functioning at a certain level (state A), "moving" or changing to new behaviors (state B), and then "refreezing" the behavior into

a new equilibrium or behavioral level (state C). The congruence model characterizes change as an interrelated set of transformational processes and structures that turn organizational and environmental inputs into organization, group, and individual outputs.

The comprehensive model of planned change involves a sequence of management activities that are important for quantum change. Managers first must recognize a need for change by scanning the internal and external environments. Then they must motivate the change by preparing people for change (unfreezing) and overcoming the resistance to change that inevitably arises. Managers must also create and communicate a vision of the future that inspires commitment to the change process and the desired future state, and develop political support for change with powerful constituencies. The transition must also be successfully managed through activity planning, commitment planning, and use of management structures to control the process. Finally, momentum for the change must be maintained by providing resources for the change, developing new competencies and skills, reinforcing new behaviors, and building support for the change agents.

- *Determine the major causes of resistance to change and recommend how managers can deal with change resistance.* Resistance to change may occur because of uncertainty and insecurity, reaction to the way change is presented, threatened vested interests and real loss, cynicism and lack of trust, perceptual differences, and a simple

lack of understanding. One situation where there might be particular resistance to change is when an organization attempts to introduce a new innovation, or a new product, method, process, or approach. Specific tactics for addressing resistance include education and communication, participation and involvement, facilitation and support, negotiation and agreement, manipulation, co-optation, and, when all else fails, explicit and implicit coercion.

- *Explain organizational development (OD) and summarize the major OD interventions.*

Organizational development is a system-wide application of behavioral science knowledge to the planned development and reinforcement of organizational strategies, structures, and processes for improving an organization's effectiveness. OD

often involves the use of change consultants or practitioners who help the organization implement an action research approach to change by jointly discovering and diagnosing problems, developing and implementing action plans, and evaluating results and repeating the process. Specific OD interventions that typically use the action research approach include survey feedback, process consultation, team and intergroup development, role negotiation, life and career planning, third-party peacemaking, techno-structural redesign, job design, and grid OD.

- *Assess an organization's change program.* Based on what you've learned in this chapter, you should be able to assess the change program implemented in the "Business Dilemma" box and project future actions for the department.

Key Terms and Concepts

action research 307	life and career planning 310	refreezing 297
comprehensive model of planned change 299	moving 297	role negotiation 310
congruence model of change 298	organizational change 291	survey feedback 307
grid OD 311	organizational development (OD) 306	team building 309
incremental change 293	performance gap 292	techno-structural redesign 310
innovation 301	planned change 293	third-party peacemaking 310
intergroup team building 309	process consultation 309	transition state 304
job redesign 310	quantum change 294	unfreezing 297
	reactive change 293	

Ready Recall

1. What external forces necessitate changes in the way companies do business? What internal forces can cause a change in the way a company does business? Supply examples of how these forces prompt change.
2. Explain the five dimensions of change along which organizations can be analyzed to determine causes and solutions to problems.
3. Name and briefly explain four different types of organizational change.
4. Compare and contrast Lewin's model of change with the congruence model of change. Compare and contrast these changes to the models of change discussed in the text—in particular, the comprehensive model of planned change. (This would be a good project to do with one or two fellow classmates.)
5. What are the major steps in the comprehensive model of planned change?
6. What are the major sources of resistance to change in organizations? List seven major strategies for overcoming resistance to change.
7. What is organizational development (OD)?
8. List and explain at least seven major types of OD interventions.

Expand Your Experience

1. Think about the external and internal forces that have affected your college or university in the recent past, are affecting it now, and will affect it in the not-too-distant future. What changes have you seen and what ones do you think will be necessary in the future in the areas of strategy, structure and design, technology, and people processes or culture to deal with these forces of change?
2. Find and interview the owner of a fairly small business (10 to 20 employees) in your community that has been in existence for at least ten years. Discuss the major changes he or she has made in the business and

analyze how the changes came about and how they were implemented and sustained.

3. Many employees in business have been asked to undergo radical changes in how they do their jobs. Find an employee who has faced a major change (it could be a friend, relative, classmate, etc.) and discuss his or

her resistance to the change, including why he or she felt resistance. How was it overcome? How did the company try to overcome resistance? Think of a similar change you've been asked to make and analyze your own sources of resistance to change.

Strengthen Your Skills

Change from a Management Standpoint

Instructions: The following scenario is designed to help you think about some of the various challenges one faces when managing a change process. Imagine yourself as the manager in the scenario. After reading the scenario, answer the questions below. Keep the concepts of organizational change and innovation in mind as you answer the questions.

Scenario:

Comestibles Natural, a New Mexican restaurant, makes the best salsa and hot sauce in the state. The condiments are so popular that the restaurant began bottling 8 ounce and 16 ounce jars under the brand name Comestibles Salsa with the tag line “Natural” to sell directly from the location. This simple act created larger demand for the products. Increasingly more customers pour into the restaurant every day to purchase jars of salsa and hot sauce. While this may seem like a good thing, overall it is negatively contributing to the entire operation of the restaurant. Too much congestion in the lobby is creating too much noise pollution for the diners, and people are constantly bumping into each other in the lobby. Just last week a Fire Marshall came in for a meal, and, after seeing the conditions, warned the manager of safety violations. Additionally, the restaurant cannot keep up with the demand. In fact, the

chefs are becoming disgruntled because they constantly have to make salsa on top of the regular orders. The manager has received increasingly more complaints from dining customers regarding the decreasing quality of food. Some say that their orders are served cold while others claim that their sides of beans and rice are smaller than usual. Not surprisingly, most of the complaints refer to the lack of free salsa refills on the tables. The manager knows something needs to change, but he is unsure how to go about it. He is also unsure how the employees will react to change since they are accustomed to their routines.

Questions:

1. Why is change needed? What organizational issues does this change seek to address?
2. Who will be affected by this change?
3. Where in the organization would you expect to experience the most resistance to this change?
4. What types of resistance do you anticipate? What will the resistance look like?
5. What can you do to proactively manage those who are resistant?
6. What specific behaviors do you need from the employees to address the resistance?
7. What type of personal support or assistance will you need to implement the change?

Case 10: Organizational Change at Starbucks

It was January 2008, and the famous Starbucks Corporation and its chain of coffee houses were not doing so well. McDonald's had decided to aggressively enter into the gourmet coffee business, selling lattes and other drinks in its thousands of restaurants. A more traditional competitor, Dunkin' Donuts, was also aggressively expanding its locations and operations. Moreover, the national economy, at least in the United States, was struggling, with consumers cutting back on discretionary spending (on things like Starbucks coffee!) in light of declining home values and rising fuel prices. The impact of all of this on Starbucks' stock price had been negative—over the past few years it had declined about 50 percent, and by general accounts Starbucks CEO Jim Donald was feeling pretty deflated.

Then, on January 7, 2008, came the startling news. CEO Jim Donald was being fired and replaced by Howard Schultz, one of Starbucks' founders and former CEO



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Starbucks experiences significant organizational change.

from 1987 to 2000. Schultz said he intended to be CEO again for the long-term, and after he announced his “transformation agenda,” Starbucks’ stock immediately rose about 9 percent. At the top of Schultz’s priorities was an end to what he called the commoditization of its brand. Starbucks, in Schultz’s opinion, had stopped innovating. This “watering down” of the Starbucks’ experience had in his view paved the way for McDonald’s and others to start competing directly with the coffee house chain. Personally owning close to 32 million shares of Starbucks’ stock, Schultz had been directly affected by the stock’s sharp price decline—and had every incentive to reverse the trend and turn things around.

To help implement his organizational change in 2008, Howard Schultz had a secret weapon—a forty-year-old woman named Michelle Gass. A Starbucks veteran for more than a decade who had played a major role in Starbucks’ highly successful Frappuccino initiative, Gass was immediately named the company’s new chief strategist and assigned to work directly with Schultz on the company’s turnaround. Schultz and Gass took action quickly. They started by immediately shutting down 900 less profitable stores worldwide, and this and other actions helped cut annual costs by about \$600 million. They also tightened control over coffee quality, and closed every single Starbucks café for three hours in order to better train/re-train baristas with respect to effective customer service.

During the past six years, Schultz and Gass, thirsty for new revenue streams, also took two bold initiatives. First, they turned to their research and development operations for bringing to market a brand of Starbucks instant coffee. Their marketing research quickly told them, however,

that calling their product Starbucks instant coffee would probably be a big mistake and denigrate the overall company brand. They decided to reframe the concept and call their instant coffee “ready brew” instead! Moreover, they decided to create market tests across their chain asking customers whether they could tell the difference between fresh brewed Starbucks coffee and the company’s ready brewed brand named Via. Today, Via is a significant success, bringing millions of dollars of new revenue into the company annually.

The second related initiative Schultz and Gass undertook was to dust off a coffee brand the company had acquired back in 2003 called Seattle’s Best. Although a simpler, more down-market brand than Starbucks Coffee, Gass in particular saw the potential to sell Seattle’s Best far more broadly. She quickly expanded selling the brand from about 3,000 distribution points to over 50,000, including places like Burger King, Subway, and numerous convenience stores throughout the United States. Today, Seattle’s Best, formerly a very languishing part of the Starbucks’ operation, is on its way to generating about \$1 billion in new corporate revenue per year. Schultz and Gass have led a very positive transformation at Starbucks over the past six plus years. And Howard Schultz’s net worth has been helped a little too—Starbucks’ stock price is up over 400 percent since he re-took the helm as CEO in 2008.⁴⁸

1. Describe the organizational changes Starbucks had to undertake to return to its former success.
2. Why do you think Via has been a success?
3. How did Gass transform Seattle’s Best into a billion-dollar brand?

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