Strategic Management of Change

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Chapter 1. Organizational change

Objectives of the chapter

- Understanding the nature of organizational change;

- Realizing that all organizations need change to survive;

- Understanding the difficulty of organizational change.

Nature of the organizational change

The focus of organizational change is not:

- Personal change (which pertains to fields such as psychology, leadership, human resource management, etc.).

- The creation of new organizations (which relates to entrepreneurship, innovation, etc.).The essence of organizational change lies in the emphasis on what transpires both within and outside the organization and how they interact. To comprehend this, it is necessary to understand the nature of an organization:

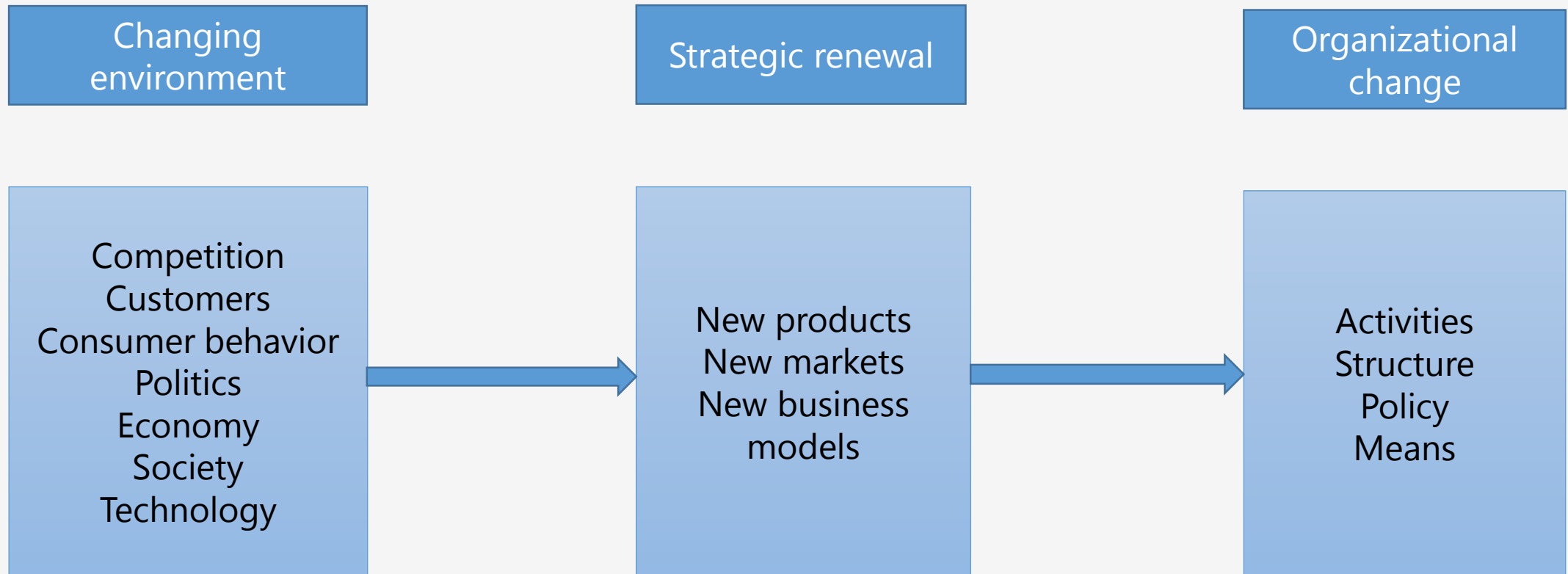An organization is a social entity established to achieve collective objectives.

The organization carries out activities beyond routine procedures that enhance effectiveness.

Nature of the organizational change

- Organizational change signifies the continuous alteration of organizational behavior patterns.

- The purpose of organizational change is to keep pace with the changes occurring in the external environment of the organization. Therefore, it is incumbent upon the organization to update its strategies to avoid the emergence of strategic drift.

- The emergence of strategic drift poses threats to the organization's survival and growth opportunities. Hence, for the organization to remain viable, it must undergo change.

Nature of the organizational change

Organizations change to survive

Changing environment	Strategic renewal	Organizational change

| Competition
Customers
Consumer behavior
Politics
Economy
Society
Technology | → | New products
New markets
New business models | → | Activities
Structure
Policy
Means |

Nature of the organizational change

Example: Automobile sector

Young individuals are driving automobiles less frequently.

Question: Did you make a significant effort to reduce car driving last year?
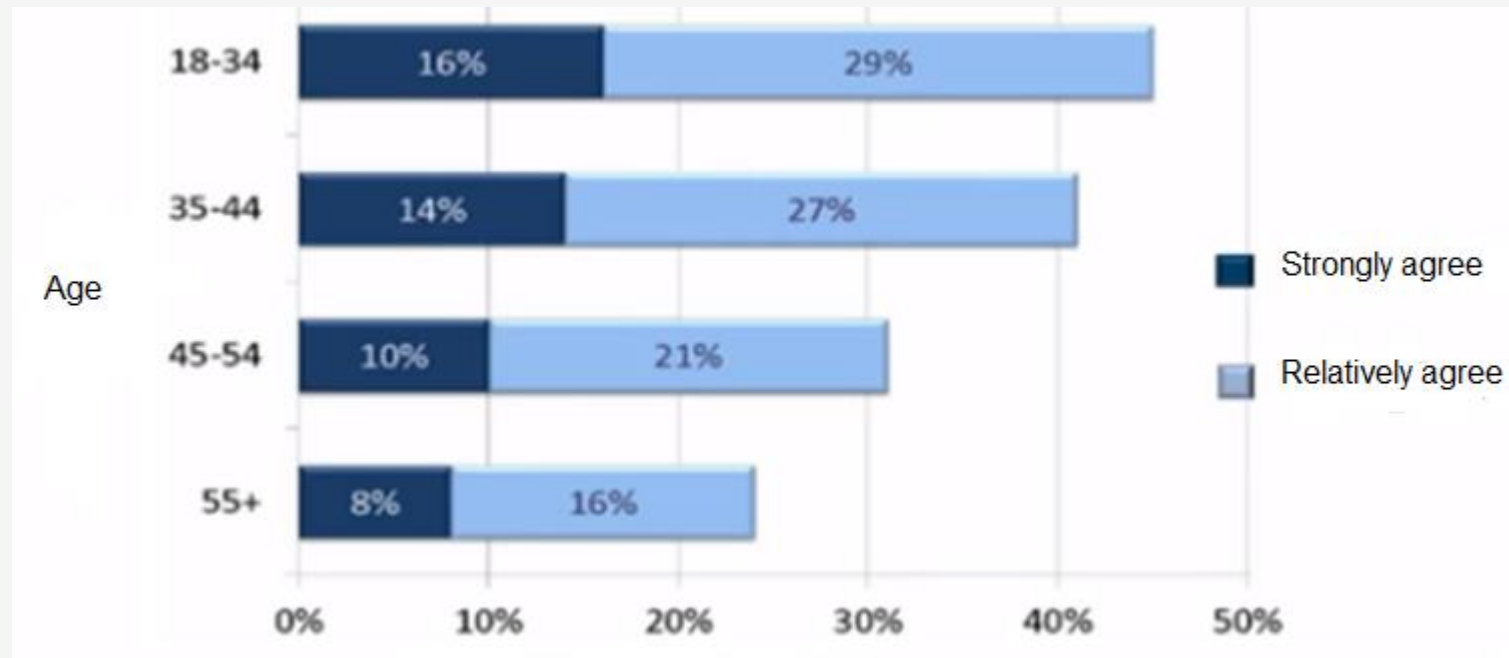
Source graphic: Daviz, Dutzig, Baxandall (2012)

Nature of the organizational change

Organizational change is widespread:

One can observe numerous headlines in newspapers and journals, particularly those specialized in the business sector, that revolve around the concept of organizational change. These headlines include:

- Mergers or acquisitions, signifying the need for organizations to adapt their strategies and/or organizational structure to survive.

- Financial losses, prompting organizations to consider strategic and organizational restructuring to ensure their survival.

- Workforce layoffs, resulting in new management patterns.

- Introduction of new products, leading to organizational changes aligned with strategic innovation.

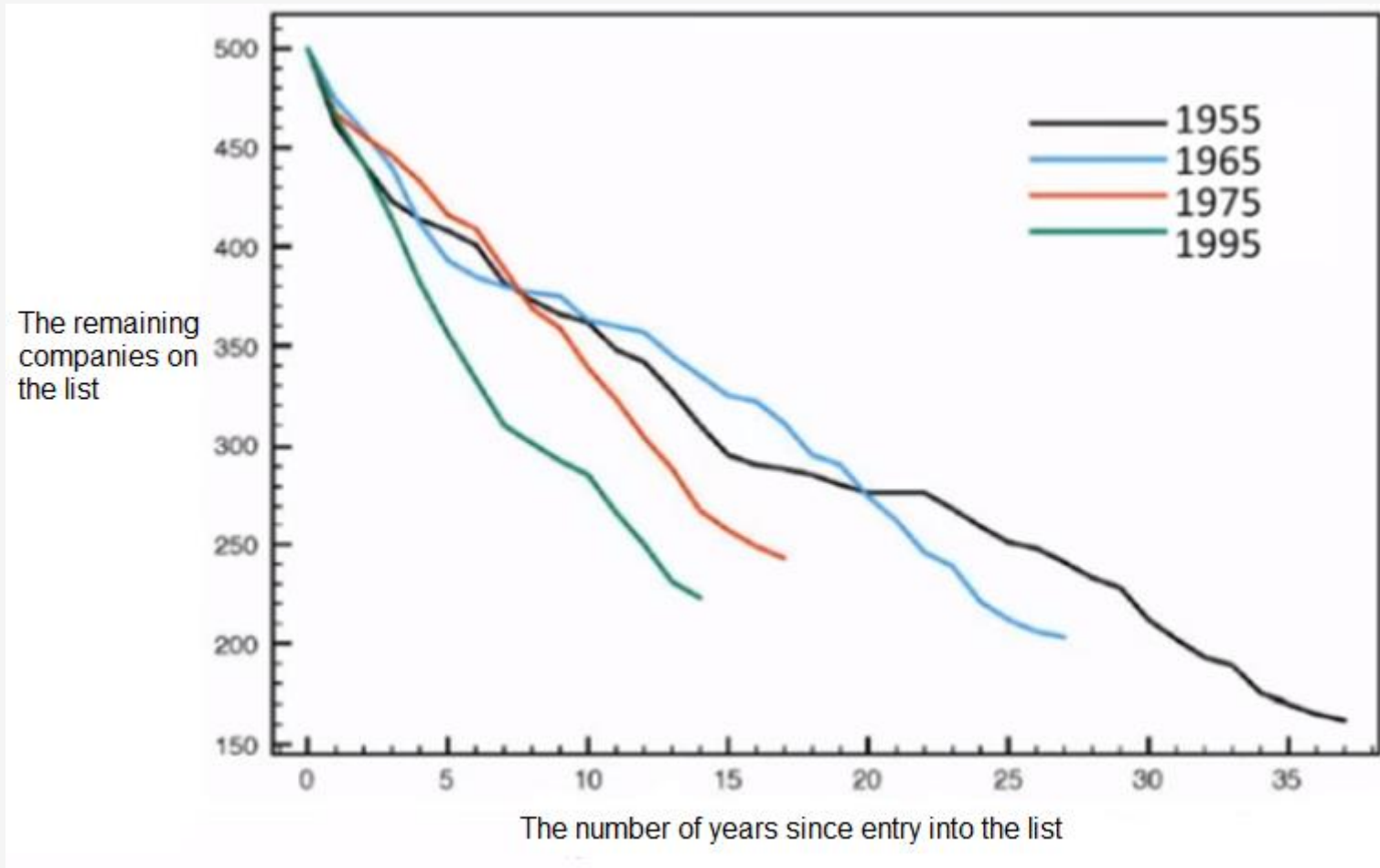# Nature of the organizational change

The organizational change is difficult:

- John Kotter (2006) highlights this difficulty in his book "Leading Change," where he notes that only 30% of change programs are successful.

- A study conducted by the consulting firm McKinsey in 2008, involving 3,199 executives, found that only one out of every three change initiatives achieves its intended goals.

- Adding to the complexity, the average expected lifespan of businesses, encompassing small, medium-sized enterprises, and large corporations, is approximately 13 years (E. de Rooij, 1996).

- Even among the largest corporations, the average tenure in the list of the world's top 500 companies is around 40 years (Stangler & Ablesman, 2012).

These statistics emphasize the formidable challenges and pressures faced by organizations in an ever-evolving business landscape.

Nature of the organizational change

Survival rates of the Global Fortunes 500

Source graphic: Stangler & Arbesman (2006)

Summary

- Turbulent environments compel companies to change in order to survive.

- Approximately 70% of organizational change projects end in failure.

- Even the largest and most successful companies typically remain on the list of the world's top 500 companies for an average duration of around 40 years.