

CONTINUAL CHANGE - HOW DO WE DEAL WITH THE IMPACTS?

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What will New Zealand face in the next year and the next millennium? This is a difficult question to answer with any degree of certainty. What we can do is examine past trends to see what we have already gone through. Upon brief examination of the events of the past few decades there is really only one consistency, and that is change. Over the past few years we have undergone tremendous change, both as a nation, and as part of the world economy. Heraclitus's adage that nothing is permanent except change should ring true in everyone's ears.

Some of these changes include increasing globalisation, changing organisational structures, increased competition, growing environmental concerns, and rapid technological change (May 1998). Business and Industry today is faced with ever increasing pressures. Gilbert et al (1995) noted that this has meant continuing pressure on organisations and managers "to predict, manage and simply cope with rapid change".

This quote says much about what people perceive as their options when confronted with change. They can be seen as corresponding to three of the most common standpoints regarding change. The first is that we should predict change in order to "keep up with the game". The second is to manage the change to best fit the organisation. There is no doubt that an organisation that can manipulate and use change to their advantage is an organisation a step in the right direction. The third option is to simply cope with change. Organisations do the best they can but realise that they cannot have control over everything, so

they must do the best they can with the hand they're dealt.

At this time I'd like to point out to you the six recommendations that Gilbert et al suggest as being what the organisation needs to succeed in times of rapid change. These have been reordered to facilitate discussion and classification:

- (1) Organisations will need to demonstrate their concern for equity and equality among all their employees.
- (2) Organisations will need to develop the work lives and careers of their employees by providing opportunities for development and continual learning.
- (3) Organisations will need to develop and implement policies that demonstrate their social and environmental responsibility.
- (4) Organisations will have to be more flexible in both their structure and work practices.
- (5) Our more open economy, and hence our organisations will need to be responsive to the demands of international markets.
- (6) Managers will be expected to be creative entrepreneurs in the widest sense of the word.

These six recommendations are similar to those recommended by a number of management texts and consultants. I group these into two categories, which I will address separately. The first category I call resource management. Here are the recommendations one, two and three, regarding your employees and the environment. Given that so many organisations claim that people are their most important resource, it makes sense that the way

we manage them will impact on the success of our business in one way or another. The environment is another important resource that we must demonstrate respect for, if not to be socially responsible, then to avoid the legal penalties that exist for showing carelessness and disregard.

The second category concerns our view with regard to the change at hand. This category encompasses recommendations four through six. Upon a closer examination we can see that these options reflect the common viewpoints with regard to change discussed earlier, and one more vital viewpoint that is often overlooked. Recall that three of the most common responses are to predict the change, manage the change, and simply cope with the change.

Recommendations four and five reflect this nicely. These recommendations are reactive measures that sit well with the traditional view of change. Recommendation six concerns entrepreneurship:

- Managers will be expected to be creative entrepreneurs in the widest sense of the word.

This is reflective of another viewpoint that is not so common - it is also possible for organisations to be the practitioners of change. I would like to point out that there exists an implicit acceptance of the fact that change is something we must deal with, something causing discomfort, and something that was caused by others (not us). If you disagree, consider why it is that we have terms in our vocabulary such as "change management". Even the title of this paper implies a reactionary process - "Continual Change - How do we deal with the Impacts?" This often causes

us to forgo the option of innovation, the option of creating the change, making it benefit our organisation, and making other organisations adapt and keep up with us.

Judging by the latest National Business Review Management Consultants are among the best paid of all, (The Con in Consulting, NBR September 1998). I don't believe it is a coincidence that these are the people implementing the change. Change is not something consultants fear, they love it. *To achieve the first recommendation for organisations to survive in times of rapid change, all organisations must recognise, foster, and reward innovation.* There are ever increasing pressures on today's organisations to keep up with change, and one sure way of making certain this happens is to be leading that change.

### ***What stops organisations innovating to meet changing market demands?***

The question I wish to address at this point is what is stopping more companies from innovating to meet the needs of a changing market. One of the explanations I believe is part of the cause is a psychological concept known as locus of control, and a form of learned helplessness. This is usually applied to individuals, but can be equally well applied to organisations. It requires a brief explanation, but bear with me, because it's very interesting.

In personality psychology there are two concepts that are applied to individuals that can often help explain their apparent success or failure in most aspects of life. This is known as locus of control. To understand the concept, consider your answers to the following questions (from Burger 1993): When

you get a low grade on a test, is it because the instructor asked stupid questions or because you didn't prepare adequately? If you're in good health, is it because you take good care of yourself or because you're lucky? Are lonely people without friends because they don't try to meet people or because they don't have many opportunities?

Answers to questions such as this can provide insight into the nature of your locus of control. If you tend to credit events beyond your control with causing your current situation, (i.e. silly questions, luck, and lack of opportunities for the three questions above) you are demonstrating an external locus of control. This indicates a view that what happens to you is largely beyond your control.

Conversely, if you credit the cause of your situation as largely the result of your own actions, you are exhibiting an internal locus of control. Your answers to the three questions above will be that you studied inadequately, you take care of yourself, and because they (people with few friends) are the way they are because they do not try to meet people. This indicates a belief that what happens to you is largely determined by you.

Where an individual falls with regard to locus of control has been measured by a number of scales (e.g. Rotter 1966). Measuring where a person falls on such a scale can tell researchers much about an individual, including how they'll do in school, whether they'll vote in the next election, and how soon they'll recover from their next illness (Burger 1993). Research indicates that in most instances an

internal locus of control works better for the individual than an external locus of control (Burger 1993). For example, it is found that people with an external locus of control are less likely to take measures to avoid natural disasters (Deaux, Dane and Wrightsman 1993). Furthermore, people with psychological disorders generally have an external locus of control, students with an internal locus of control generally perform better than students with an external locus of control, and internals generally healthier than people with an external locus of control (Burger 1993)

An extreme form of the external locus of control was discovered in classical conditioning experiments with dogs in the 1960's. The ethical issues of the following experiment aside, these experiments provided valuable insights into the nature of locus of control. The dogs were placed in cages and given electric shocks which they could not avoid to see how they reacted. Following these experiments dogs were placed in new cages where there was a part of the cage that the dog could go to avoid the shock.

Surprised researchers found that the dogs that had been in the previous experiment with unavoidable shocks failed to find the part of the cage that would allow them to escape the shocks, they simply lay down and whined. Dogs who had not been exposed to the inescapable shocks, however, quickly moved to the side of the cage allowing them to avoid the shock.

The dogs from the first experiment had learned that there was nothing they could do, they had learned to be helpless. Learned helplessness is a phenomenon that is also found in

humans when they believe they have no power to influence the events that occur in their lives. It occurs when we fail to see a contingency between our efforts and outcomes that occur. This has important implications for ensuring achievement is recognised in organisations. Some of these are discussed later.

### ***Do organisations suffer from the same problems individuals do?***

#### ***The Organisational Locus of Control***

Just as the locus of control can inhibit the effective psychological functioning of the individual, in the same way it can inhibit the effective psychological functioning of the organisation. After all, an organisation is in the most basic sense a collection of individuals. If the culture of the organisation or industry demonstrates the characteristics of an external locus of control, this could be inhibiting the innovation and entrepreneurialism that is so vital to success in an economic and political climate where the only certainties are uncertainty and change.

#### ***Organisational Learned Helplessness***

The concept of an organisation with learned helplessness is viable for the same reason as the concept of organisational locus of control. At the most basic level, an organisation is a collection of individuals. The organisation that has learned helplessness is the organisation with an extreme external locus of control, and one which believes that the only action possible is a reaction. This is what prevents innovation, and entrepreneurship in organisations.

### ***How to determine the state of your organisation***

To get an estimate of the locus of control of your organisation, common sense dictates that the estimate must start with the staff. By building a scale (e.g. using Rotter's and adapting it for the organisation, or investing in the design of a specific scale for the task) and assessing the views of staff on that scale, you will get a valuable estimate of organisational locus of control. Valuable because innovation is unlikely to occur in an environment where people have learned not to innovate. To get a general gauge of the locus of control in your organisation you could also commission a specialised organisational climate survey.

### ***Combating the invisible threat***

To combat the effects of an external organisational locus of control and organisational learned helplessness, one must start with the staff of the organisation at the micro level, or the organisations of an industry at the macro level. This will come through effective management of our human resources. This is addressed in detail in the section on resource management.

### ***Others will always beat us at innovation in some area to achieve competitive advantage***

There are always going to be instances where we must react to the change, where we need to change our business practices to cope with or take advantage of the economic and or political environment. These situations require us to fulfil recommendations four and five:

- Organisations will have to be more flexible in both their structure and work practices.
- Our more open economy, and hence our organisations will need to be responsive to the demands of international markets.

### ***Management by Objectives***

In these cases the strategy recommended is the strategic management style of Management by Objectives. This is a management system characterised by the synthesis of three component processes: Goal Setting, Participative Decision Making, and Objective Feedback (Rodgers and Hunter 1991). Each of the individual processes has positive effects on productivity on its own, and their combined use has been found to produce remarkable results.

Kopelman (1986, cited Rodgers and Hunter 1991) reviewed the literature on objective feedback and found that its use was always associated with positive outcomes. There are significant gains in productivity whenever the use of objective feedback is evaluated. Goal setting is consistently found to be correlated with increased productivity. The same is found for participatory decision making, although some research has found that this effect is most pronounced when used with goal setting.

The successful implementation of Management by Objectives has been found to increase productivity by up to 56%. The following description of Management by Objectives (MBO) will make clear the reason that such a management policy is well suited to times of rapid change, and the

requirements for successful implementation will be discussed.

### ***Part One: Goal Setting***

Consider the following explanation of the role of goal setting in MBO from Rodgers and Hunter (1991):

Goal setting is the fundamental process in an MBO program. Organisational objectives cannot be assumed to be "known, obvious and given" (Greenwood, 1981). Rather, setting objectives is a risk taking process. Objectives must be continually reviewed and revised (Drucker, 1976). As the centrepiece of day to day communications, goal setting increases productivity because it directs the attention and action of all organisation members (Barnard, 1938; Scleh, 1959) and mobilises overall effort (Locke, 1968; Locke and Latham, 1990).

### ***Part Two: Participative Decision Making***

Participation in decision making promotes understanding throughout the organisation. Furthermore, useful information that is only available to subordinates is sent to the management, the ultimate decision makers.

This also increases awareness of alternative options that can be taken, and the likely outcome of the various decision options. Such a process alerts subordinates to the aims and objectives of the management, and those at the highest level of the organisation are aware of the concerns and practical hurdles of implementation at the level of subordinate staff.

### ***Part Three: Objective Feedback***

Objective feedback is given by management at the end of each period of evaluation to promote progress toward objectives that have been established through participatory involvement and two way discussion (Rodgers and Hunter 1991). This ensures there is recognition of achievement of objectives. This helps prevent the syndrome of organisational learned helplessness, where staff fail to see any contingency between their efforts and outcome.

### ***Why MBO Works in Times of Continual Change***

Together these three component processes provide an invaluable strategy for dealing with the impacts of continual change. The recognition of the goal setting framework as one in which the objectives set are constantly reviewed and revised will ensure that goals do not become unachievable due to environmental change. That is, the review process will keep them Specific, Measurable, Achievable, Realistic and Timely (SMART). Objective feedback will allow accurate analysis of performance with regard to these goals, and help identify performance gaps that must be addressed. Participative decision making will allow the best use of all minds in the organisation, increasing the pool of decision options.

### ***Criteria for Successful Implementation of MBO***

#### ***The commitment of top level management***

Rodgers and Hunter (1991) noted management commitment has two distinct dimensions, emotional commitment and participation. Studies of MBO where there is high commitment (high emotional support and strong participation) achieve more pronounced effects than studies with low commitment (emotional apathy and weak participation), and cases of moderate commitment (high emotional commitment and weak participation, or emotional apathy and strong participation, the latter being rarer than the former).

#### ***The nature of the MBO program developed***

A second reason that MBO sometimes fails to fulfil its potential is that as a result of the varying commitment levels of management, the nature of the program developed does not constitute MBO as defined by the research. For effective implementation of this management policy, ensure that all requirements discussed above are met. This will ensure we are ready to deal with the impacts of continual change, as we will have fulfilled the requirements of success in an environment of rapid change discussed earlier, these being:

- Organisations will have to be more flexible in both their structure and work practices.
- Our more open economy, and hence our organisations will need

to be responsive to the demands of international markets.

### ***Managing Resources to create and deal with change***

The effects of effective resource management as far as this paper are concerned are twofold. Firstly they enable us to fulfil recommendations one to three concerning how to deal with the impacts of continual change:

- (1) Organisations will need to demonstrate their concern for equity and equality among all their employees.
- (2) Organisations will need to develop the work lives and careers of their employees by providing opportunities for development and continual learning.
- (3) Organisations will need to develop and implement policies that demonstrate their social and environmental responsibility.

Secondly, effective management of an organisation's Human resources enables us to combat the effects of an external organisational locus of control and organisational learned helplessness. Recall that for this to happen one must start with the staff of the organisation. From the discussion so far it should be clear that effective management of organisational resources has a large part to play in the success of organisations in times of continual and rapid change. This was recognised by the United States Secretary of Labour, Alexis M. Herman, in a letter to the Society of Industrial and Organisational Psychology this year. Here is an extract from that letter:

"My vision for the future of the American workplace and the mission of the U.S. Department of Labor, as we enter a new century and an increasingly global economy, is to keep our workers the most competitive and productive in the world. To do that, we must equip workers with the skills to find, hold and keep jobs, with rising incomes, throughout their working lives [and] guarantee every worker a safe, healthful and fair workplace, free of discrimination"

Just as the importance of the role of resource management is being recognised by the United States, so must it be recognised by New Zealand if we are to compete with a country focused on being the most competitive and productive in the world.

### ***How do we manage our resources to ensure we meet these objectives?***

A how to guide to managing resources effectively is next to impossible to create. Because of inter organisation differences what works for one organisation is not necessarily going to work for another. There are however a number of general points that all organisations can bear in mind. This will help ensure effective resource management. Note that they are all performance focused.

- Ensure a clear understanding of resource management, and how it should be integrated with, and support, business planning and strategy.
- Develop a framework of analysis within which resource management issues can be identified and prioritised.

- Have a clear understanding of the roles and responsibilities in the area of resource management
- Established objectives for the management of resources.
- Assess and measure performance and identify courses of action where necessary to close performance gaps.

These recommendations are of particular importance to Human Resource Management, which has a critical role to play in helping organisations navigate in times of continual change. To do this HRM will have to increase its real and perceived value (May 1996). May lists a number of steps and activities that will ensure the Human Resource Department of an organisation is up to the challenge.

Two of these recommendations are particularly relevant in helping to deal with the impacts of continual change. These are maintaining an acute future orientation and maximising flexibility and creativity.

A future orientation will provide information on how changing environmental, organisational, and workforce factors will impact business, and anticipate Human Resource needs. This will allow HR specialists to work with business planners to deal with the impacts of change, using MBO.

Flexibility and creativity will be a requirement as the traditional role of the Human Resource Manager may be inadequate to meet the changing demands of the future. With these points in mind, an organisation will be in a strong position to fulfil the resource related requirements of successful performance in times of continual change.

## **Summary**

This paper presented the following six requirements for successfully managing the impacts of continual change:

- (1) Organisations will need to demonstrate their concern for equity and equality among all their employees.
- (2) Organisations will need to develop the work lives and careers of their employees by providing opportunities for development and continual learning.
- (3) Organisations will need to develop and implement policies that demonstrate their social and environmental responsibility.
- (4) Organisations will have to be more flexible in both their structure and work practices.
- (5) Our more open economy, and hence our organisations will need to be responsive to the demands of international markets.
- (6) Managers will be expected to be creative entrepreneurs in the widest sense of the word.

These were classified according to whether they relate to resource management, or our response to change. Our response to change was further divided into reactive and proactive responses. Where possible we should take advantage of the benefits that a proactive response offers. When we are forced to react, a continuing management style of MBO will ensure we are prepared to meet the demands of a changing climate.

Recommendations were provided for ensuring we effectively manage our resources, and the importance of effective management of Human Resources was emphasised. Is

continually being recognised that if we also increase.  
succeed in this area, productivity will

### **References**

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