CHAPTER 7

Managing Change and Innovation

learning outcomes

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Imagine lying as a patient in a hospital bed and being visited by a 5-foot robot. You might attribute such a “vision” to too many drugs or too little sleep. But in Methodist Hospital in Houston, that 5-foot robot isn’t a vision. It’s real. The robot, which looks like “an oversize carpet cleaner with a computer monitor stuck on top,” visits patients, being guided remotely by a patient’s doctor from a command center on another floor. With this type of technology, especially in a critical care unit, a medical team can do its rounds and “read” vital signs and “see” how patients are doing without disturbing or distressing them.

Robots roaming hospital hallways aren’t the only technological advancements transforming how medical centers and health care systems work. Radio-frequency ID tags keep track of doctors, nurses, and pieces of equipment in real time, leading to faster emergency response times. “Smart beds automatically transfer patients’ breathing and heart rates to their charts,” quickly alerting nurses to potential or developing problems. And one of the biggest technological changes is in medical records information keeping. Rather than having massive numbers of paper-based files, health care organizations are moving toward completely digital medical records. But the rate of change has been slow. Currently, only 1.5 percent of private hospitals have a comprehensive electronic medical records system in all clinical units. Only 7.6 percent have a basic system in at least one unit. Yet, it’s a major change with significant promise. “Putting patient records into digital form . . . can provide a wealth of information about which treatments work and which don’t, and speed diagnosis and medical care.”

The investment that hospitals and other health care organizations are making in technology has basically two goals: (1) to improve medical care and reduce error rates, and (2) to minimize patient stress, which encourages healing. “Ironically, one of the most anticipated developments is that technology will allow hospitals to keep people out of them.” The vice president of the innovation and technology group at Kaiser Permanente’s Sidney R. Garfield Health Care Innovation Center says, “By 2015, the home will be the hub of health care.” And such changes are already taking place. In many rural areas of the United States where specialized medical care is scarce, telemedicine is in place to cover the gaps. For instance, 31 hospitals in remote locations in Michigan use robots, similar to the one described earlier, for diagnosis and follow-up. Robots are even found in operating rooms—the “assembly line” of a health care system—just as they are in other organization’s assembly lines, and for the same reasons: quality control and cost control.

In an industry where you’d expect up-to-date technology, the changes in the way health care organizations do their work haven’t been occurring as rapidly as you might think. However, technological changes will continue to transform the industry and the organizations and the people who make it work.
Change is a constant for organizations and thus for managers. Large companies, small businesses, entrepreneurial start-ups, universities, hospitals, and even the military are changing the way they do things. Although change has always been a part of the manager’s job, it’s become even more so in recent years. And because change can’t be eliminated, managers must learn how to manage it successfully. In this chapter, we’re going to look at organizational change efforts, the ways that managers can deal with the stress that exists in organizations, and how managers can stimulate innovation in their organizations.

What Is Change and How Do Managers Deal with It?

If it weren’t for change, a manager’s job would be relatively easy. Planning would be easier because tomorrow would be no different from today. The issue of organizational design would be solved because the environment would be free from uncertainty and there would be no need to adapt. Similarly, decision making would be dramatically simplified because the outcome of each alternative could be predicted with near pinpoint accuracy. It would also simplify the manager’s job if competitors never introduced new products or services, if customers didn’t make new demands, if government regulations were never modified, if technology never advanced, or if employees’ needs always remained the same. But that’s not the way it is.

Change is an organizational reality. Most managers, at one point or another, will have to change some things in their workplace. We classify these changes as organizational change, which is any alteration of an organization’s people, structure or technology. (See Exhibit 7-1.) Let’s look more closely at each of these three areas.

Changing structure includes any alteration in authority relationships, coordination mechanisms, degree of centralization, job design, or similar organization structure variables. For instance, in previous chapters, we’ve mentioned that work process engineering, restructuring, and empowering result in decentralization, wider spans of control, reduced work specialization, and work teams. These structural components give employees the authority and means to implement process improvements. For instance, the creation of work teams that cut across departmental lines allows those people who understand a problem best to solve that problem. In addition, cross-functional work teams encourage cooperative problem solving rather than “us versus them” situations. All of these may involve some type of structural change.

Changing technology encompasses modifications in the way work is done or the methods and equipment used. One organizational area, in particular, where managers deal with changing technology is continuous improvement initiatives, which are directed at developing flexible processes to support better-quality operations. Employees committed
to continuous improvements are constantly looking for things to fix. Thus, work processes must be adaptable to continual change and fine-tuning. Such adaptability requires an extensive commitment to educating and training workers. Employees need skills training in problem solving, decision making, negotiation, statistical analysis, and team-building, and they must be able to analyze and act on data. For example, Herman Miller, Inc., used both technology and employee training to achieve its market-leading position in the office furniture industry.2

Changes in people refer to changes in employee attitudes, expectations, perceptions, or behaviors. The human dimension of change requires a workforce that’s committed to quality and continuous improvement. Again, proper employee education and training are needed, as is a performance evaluation and reward system that supports and encourages those improvements. For example, successful programs put quality goals into bonus plans for executives and incentives for employees.

Why Do Organizations Need to Change?

In Chapter 2 we pointed out that both external and internal forces constrain managers. These same forces also bring about the need for change. Let’s briefly review these factors.

WHAT EXTERNAL FORCES CREATE A NEED TO CHANGE? The external forces that create the need for organizational change come from various sources. In recent years, the marketplace has affected firms such as AT&T and Lowe’s because of new competition. AT&T, for example, faces competition from local cable companies and from free Internet services such as Skype. Lowe’s, too, must now contend with a host of aggressive competitors such as Home Depot and Menard’s. Government laws and regulations are also an impetus for change. For example, when the Americans with Disabilities Act was signed into law, thousands of businesses were required to widen doorways, reconfigure restrooms, and add ramps. Even today, organizations continue to deal with the requirements of improving accessibility for the disabled.

Technology also creates the need for organizational change. Our chapter opening case perfectly illustrates how changing technology can impact organizations. The Internet has changed the way we get information, how products are sold, and how we get our work done. Technological advancements have created significant economies of scale for many organizations. For instance, technology allows Scottrade to offer its clients the opportunity to make online trades without a broker. The assembly line in many industries has also undergone dramatic change as employers replace human labor with technologically advanced mechanical robots. Also, the fluctuation in labor markets forces managers to initiate changes. For example, the shortage of registered nurses in the United States has led many hospital administrators to redesign nursing jobs and to alter their rewards and benefits packages for nurses, as well as join forces with local universities to address the nursing shortage.

As the news headlines remind us, economic changes affect almost all organizations. For instance, prior to the mortgage market meltdown, low interest rates led to significant growth in the housing market. This growth meant more jobs, more employees hired, and significant increases in sales in other businesses that supported the building industry. However, as the economy soured, it had the opposite effect on the housing industry and other industries as credit markets dried up and businesses found it difficult to get the capital they needed to operate. And although it’s been almost a decade since 9/11, the airline industry is still dealing with the organizational changes forced on them by increased security measures and other environmental factors such as high fuel costs.
WHAT INTERNAL FORCES CREATE A NEED TO CHANGE? Internal forces can also create the need for organizational change. These internal forces tend to originate primarily from the internal operations of the organization or from the impact of external changes. (It's also important to recognize that these changes are a normal part of the organizational life cycle.)

When managers redefine or modify an organization’s strategy, that action often introduces a host of changes. For example, when Nokia brings in new equipment, that’s an internal force for change. Because of this action, employees may face job redesign, undergo training to operate the new equipment, or be required to establish new interaction patterns within their work groups. Another internal force for change is that the composition of an organization’s workforce changes in terms of age, education, gender, nationality, and so forth. A stable organization in which managers have been in their positions for years might need to restructure jobs in order to retain more ambitious employees by affording them some upward mobility. The compensation and benefits systems might also need to be reworked to reflect the needs of a diverse workforce and market forces in which certain skills are in short supply. Employee attitudes, such as increased job dissatisfaction, may lead to increased absenteeism, resignations, and even strikes. Such events will, in turn, often lead to changes in organizational policies and practices.

Who Initiates Organizational Change?

Organizational changes need a catalyst. People who act as catalysts and assume the responsibility for managing the change process are called change agents.

Any manager can be a change agent. When we talk about organizational change, we assume that it’s initiated and carried out by a manager within the organization. However, the change agent could be a nonmanager—for example, an internal staff specialist or an outside consultant whose expertise is in change implementation. For major systemwide changes, an organization will often hire outside consultants to provide advice and assistance. Because these consultants come from the outside, they offer an objective perspective that insiders usually lack. However, the problem is that outside consultants may not understand the organization’s history, culture, operating procedures, and personnel. They’re also prone to initiating more drastic changes than insiders—which can be either a benefit or a disadvantage—because they don’t have to live with the repercussions after the change is implemented. In contrast, internal managers who act as change agents may be more thoughtful (and possibly more cautious) because they must live with the consequences of their actions (see “Developing Your Change Management Skill”).

Developing Your Change Management Skill

About the Skill

Managers play an important role in organizational change. That is, they often serve as a catalyst for the change—a change agent. However, managers may find that change is resisted by employees. After all, change represents ambiguity and uncertainty, or it threatens the status quo. How can this resistance to change be effectively managed? Here are some suggestions.

Steps in Practicing the Skill

1. Assess the climate for change. One major factor in why some changes succeed while others fail is the readiness for change. Assessing the climate for change involves asking several questions. The more affirmative answers you get, the more likely it is that change efforts will succeed. Here are some guiding questions:

a. Is the sponsor of the change high enough in the organization to have power to effectively deal with resistance?

b. Is senior management supportive of the change and committed to it?

c. Do senior managers convey the need for change, and is this feeling shared by others in the organization?

d. Do managers have a clear vision of how the future will look after the change?
e. Are objective measures in place to evaluate the change effort and have reward systems been explicitly designed to reinforce them?

f. Is the specific change effort consistent with other changes going on in the organization?

g. Are managers willing to sacrifice their personal self-interests for the good of the organization as a whole?

h. Do managers pride themselves on closely monitoring changes and actions by competitors?

i. Are managers and employees rewarded for taking risks, being innovative, and looking for new and better solutions?

j. Is the organizational structure flexible?

k. Does communication flow both down and up in the organization?

l. Has the organization successfully implemented changes in the past?

m. Are employees satisfied with and do they trust management?

n. Is a high degree of interaction and cooperation typical between organizational work units?

o. Are decisions made quickly and do they take into account a wide variety of suggestions?

2 Choose an appropriate approach for managing the resistance to change. In this chapter, six strategies are suggested for dealing with resistance to change—education and communication, participation, facilitation and support, negotiation, manipulation and co-optation, and coercion. Review Exhibit 7–3 (p. 200) for the advantages and disadvantages and when it is best to use them.

3 During the time the change is being implemented and after the change is completed, communicate with employees regarding what support you may be able to provide. Your employees need to know that you are there to support them during change efforts. Be prepared to offer the assistance that may be necessary to help them enact the change.

Practicing the Skill

Read through the following scenario. Write down some notes about how you would handle the situation described. Be sure to refer to the three suggestions for managing resistance to change.

You’re the nursing supervisor at a community hospital employing both emergency room and floor nurses. Each of these teams of nurses tends to work almost exclusively with others doing the same job. In your professional reading, you’ve come across the concept of cross-training nursing teams and giving them more varied responsibilities, which in turn has been shown to improve patient care while lowering costs. You call the two team leaders, Sue and Scott, into your office to discuss your plan to have the nursing teams move to this approach. To your surprise, they’re both opposed to the idea. Sue says she and the other emergency room nurses feel they’re needed in the ER, where they fill the most vital role in the hospital. They work special hours when needed, do whatever tasks are required, and often work in difficult and stressful circumstances. They think the floor nurses have relatively easy jobs for the pay they receive. Scott, leader of the floor nurses team, tells you that his group believes the ER nurses lack the special training and extra experience that the floor nurses bring to the hospital. The floor nurses claim they have the heaviest responsibilities and do the most exacting work. Because they have ongoing contact with the patients and their families, they believe they shouldn’t be pulled away from vital floor duties to help ER nurses complete their tasks. Now . . . what would you do?

How Does Organizational Change Happen?

We often use two metaphors to clarify the change process. The “calm waters” metaphor envisions the organization as a large ship crossing a calm sea. The ship’s captain and crew know exactly where they’re going because they’ve made the trip many times before. Change surfaces as the occasional storm, a brief distraction in an otherwise calm and predictable trip. In the “white-water rapids” metaphor, the organization is seen as a small raft navigating a raging river with uninterupted white-water rapids. Aboard the raft are half a dozen people who have never worked together.

change agents
People who act as change catalysts and assume the responsibility for managing the change process.

“calm waters” metaphor of change
A description of organizational change that likens that change to a large ship making a predictable trip across a calm sea and experiencing an occasional storm.

“white-water rapids” metaphor of change
A description of organizational change that likens that change to a small raft navigating a raging river.
before, who are totally unfamiliar with the river, who are unsure of their eventual destination, and who, as if things weren’t bad enough, are traveling at night. In the white-water rapids metaphor, change is a natural state and managing change is a continual process.

These two metaphors present distinctly different approaches to understanding and responding to change. Let’s take a closer look at each one.

WHAT IS THE “CALM WATERS” METAPHOR? Until recently, the “calm waters” metaphor dominated the thinking of practicing managers and academics. The prevailing model for handling change in such circumstances is best illustrated in Kurt Lewin’s three-step description of the change process. (See Exhibit 7-2.)

According to Lewin, successful change requires unfreezing the status quo, changing to a new state, and freezing the new change to make it permanent. The status quo can be considered an equilibrium state. Unfreezing is necessary to move from this equilibrium. It can be achieved in one of three ways:

- The driving forces, which direct behavior away from the status quo, can be increased.
- The restraining forces, which hinder movement from the existing equilibrium, can be decreased.
- The two approaches can be combined.

Once the situation has been unfrozen, the change itself can be implemented. However, the mere introduction of change doesn’t ensure that it will take hold. The new situation, therefore, needs to be frozen so that it can be sustained over time. Unless this last step is done, it’s likely that the change will be short-lived and employees will revert to the previous equilibrium state. The objective of freezing the entire equilibrium state, then, is to stabilize the new situation by balancing the driving and restraining forces.

Note how Lewin’s three-step process treats change as a break in the organization’s equilibrium state. The status quo has been disturbed, and change is necessary to establish a new equilibrium state. This view might have been appropriate to the relatively calm environment that most organizations faced in the 1950s, 1960s, and early 1970s, but the calm waters metaphor is increasingly obsolete as a description of the kinds of “seas” that current managers have to navigate. (See the “From the Past to the Present” box for more information on Lewin and his organizational research.)

WHAT IS THE “WHITE-WATER RAPIDS” METAPHOR? Susan Whiting is chairman of Nielsen Media Research, the company best known for its television ratings, which are frequently used to determine how much advertisers pay for TV commercials. The media research business isn’t what it used to be, however, as the Internet, video on demand, cell phones, iPods, digital video recorders, and other changing technologies have made data
From the Past to the Present

“There is nothing so practical as a good theory.”
“If you want truly to understand something, try to change it.”

These two quotes by Kurt Lewin provide unique insights into who he was and how he approached studying management. Lewin, who’s often called the father of modern social psychology (a discipline that uses scientific methods to “understand and explain how the thought, feeling, and behavior of individuals are influenced by the actual, imagined, or implied presence of other human beings”), made his name in management circles through his studies of group dynamics. His approach was based on the belief that “group behavior is an intricate set of symbolic interactions and forces that not only affect group structure but also modify individual behavior.”

One of his research studies that looked at modifying family food habits during World War II provided new and important insights into introducing change. He found that “changes were more easily induced through group decision making than through lectures and individual appeals.” So what did this mean? His findings suggested that changes would be more readily accepted when people felt they had an opportunity to be involved in the change rather than when they were simply asked or told to change. That’s an important lesson for any manager, even today, to learn and apply.

Finally, another of Lewin’s major contributions was the idea of force field analysis, a framework for looking at the factors (forces) that influenced a situation. Those forces could either be driving movement toward a goal or blocking movement toward a goal. When you view this idea in terms of managing change, you can see how this process also could contribute to understanding the dynamics of what makes change work and how managers can overcome resistance to change; that is, increase the driving forces, decrease the blocking forces, or both.

collection much more challenging. Whiting says, “If you look at a typical week I have, it’s a combination of trying to lead a company in change in an industry in change.”10 That’s a pretty accurate description of what change is like in our second change metaphor—white-water rapids. It’s also consistent with a world that’s increasingly dominated by information, ideas, and knowledge.11

To get a feeling of what managing change might be like in a white-water rapids environment, consider attending a college that had the following rules: Courses vary in length. When you sign up, you don’t know how long a course will run. It might go for 2 weeks or 30 weeks. Furthermore, the instructor can end a course at any time with no prior warning. If that isn’t challenging enough, the length of the class changes each time it meets: Sometimes the class lasts 20 minutes; other times it runs for 3 hours. And the time of the next class meeting is set by the instructor during this class. There’s one more thing. All exams are unannounced, so you have to be ready for a test at any time. To succeed in this type of environment, you’d have to respond quickly to changing conditions. Students who were overly structured or uncomfortable with change wouldn’t succeed.

DOES EVERY MANAGER FACE A WORLD OF CONSTANT AND CHAOTIC CHANGE? No, not every manager faces such a world. However, the number who don’t is dwindling. The stability and predictability of the calm waters metaphor don’t exist. Disruptions in the status quo are not occasional and temporary, and they are not followed by a return to calm waters. Many managers never get out of the rapids. Like Susan Whiting, described previously, they face constant forces in the environment (external and internal) that bring about the need for organizational change.

HOW DO ORGANIZATIONS IMPLEMENT PLANNED CHANGES? We know that most changes employees experience in an organization don’t happen by chance. Often managers make a concerted effort to alter some aspect of the organization. Whatever happens—in terms of structure or technology—ultimately affects organizational members. Efforts to assist organizational members with a planned change are referred to as organization development (OD).
Members of the Florida State University football team participate in team-building exercises before the beginning of their season. To foster teamwork, the players participate in several different games before competing in a paint ball competition. While strength and conditioning exercises are important aspects of players’ physical training, team-building exercises are important for increasing players’ trust and openness toward one another and for developing skills that contribute to positive interpersonal relationships.
Whereas team-building focuses on helping a work group become more cohesive, **intergroup development** attempts to achieve the same results among different work groups. That is, intergroup development attempts to change attitudes, stereotypes, and perceptions that one group may have toward another group. In doing so, better coordination among the various groups can be achieved.

**How Do Managers Manage Resistance to Change?**

Managers should be motivated to initiate change because they’re concerned with improving their organization’s effectiveness. But change isn’t easy in any organization. It can be disruptive and scary. Organizations, and people within them, can build up inertia that causes them to resist any change, even if the change might be beneficial. In this section, we review why people in organizations resist change and what can be done to lessen that resistance.

**Why Do People Resist Organizational Change?**

It’s often said that most people hate any change that doesn’t jingle in their pockets. This resistance to change is well documented. Why do people resist organizational change? The main reasons include uncertainty, habit, concern over personal loss, and the belief that the change is not in the organization’s best interest.

Change replaces the known with uncertainty. No matter how much you may dislike attending college (or certain classes), at least you know what’s expected of you. When you leave college for the world of full-time employment, you’ll trade the known for the unknown. Employees in organizations are faced with similar uncertainty. For example, when quality control methods based on statistical models are introduced into manufacturing plants, many quality control inspectors have to learn the new methods. Some may fear that they’ll be unable to do so and may develop a negative attitude toward the change or behave poorly if required to use them.

Another cause of resistance is that we do things out of habit. Every day when you go to school or work you probably go the same way, if you’re like most people. We’re creatures of habit. Life is complex enough—we don’t want to have to consider the full range of options for the hundreds of decisions we make every day. To cope with this complexity, we rely on habits or programmed responses. But when confronted with change, our tendency to respond in our accustomed ways becomes a source of resistance.

The third cause of resistance is the fear of losing something already possessed. Change threatens the investment you’ve already made in the status quo. The more that people have invested in the current system, the more they resist change. Why? They fear losing status, money, authority, friendships, personal convenience, or other economic benefits that they value. This helps explain why older workers tend to resist change more than younger workers since they generally have more invested in the current system and more to lose by changing.

A final cause of resistance is a person’s belief that the change is incompatible with the goals and interests of the organization. For instance, an employee who believes that a
proposed new job procedure will reduce product quality can be expected to resist the change. This type of resistance can actually be beneficial to the organization if expressed in a positive way.

**What Are Some Techniques for Reducing Resistance to Organizational Change?**

When managers see resistance to change as dysfunctional, what can they do? Several strategies have been suggested in dealing with resistance to change. These approaches include education and communication, participation, facilitation and support, negotiation, manipulation and co-optation, and coercion. These tactics are summarized here and described in Exhibit 7-3. Managers should view these techniques as tools and use the most appropriate one depending on the type and source of the resistance.

*Education and communication* can help reduce resistance to change by helping employees see the logic of the change effort. This technique, of course, assumes that much of the resistance lies in misinformation or poor communication.

*Participation* involves bringing those individuals directly affected by the proposed change into the decision-making process. Their participation allows these individuals to express their feelings, increase the quality of the process, and increase employee commitment to the final decision.

*Facilitation and support* involve helping employees deal with the fear and anxiety associated with the change effort. This help may include employee counseling, therapy, new skills training, or a short paid leave of absence.

*Negotiation* involves exchanging something of value for an agreement to lessen the resistance to the change effort. This resistance technique may be quite useful when the resistance comes from a powerful source.

*Manipulation and co-optation* refers to covert attempts to influence others about the change. It may involve twisting or distorting facts to make the change appear more attractive.

Finally, *coercion* can be used to deal with resistance to change. Coercion involves the use of direct threats or force against the resisters.

**EXHIBIT 7-3  Techniques for Reducing Resistance to Change**

<table>
<thead>
<tr>
<th>TECHNIQUE</th>
<th>WHEN USED</th>
<th>ADVANTAGE</th>
<th>DISADVANTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and communication</td>
<td>When resistance is due to misinformation</td>
<td>Clear up misunderstandings</td>
<td>May not work when mutual trust and credibility are lacking</td>
</tr>
<tr>
<td>Participation</td>
<td>When resisters have the expertise to make a contribution</td>
<td>Increase involvement and acceptance</td>
<td>Time-consuming; has potential for a poor solution</td>
</tr>
<tr>
<td>Facilitation and support</td>
<td>When resisters are fearful and anxiety ridden</td>
<td>Can facilitate needed adjustments</td>
<td>Expensive; no guarantee of success</td>
</tr>
<tr>
<td>Negotiation</td>
<td>When resistance comes from a powerful group</td>
<td>Can “buy” commitment</td>
<td>Potentially high cost; opens doors for others to apply pressure too</td>
</tr>
<tr>
<td>Manipulation and co-optation</td>
<td>When a powerful group’s endorsement is needed</td>
<td>Inexpensive, easy way to gain support</td>
<td>Can backfire, causing change agent to lose credibility</td>
</tr>
<tr>
<td>Coercion</td>
<td>When a powerful group’s endorsement is needed</td>
<td>Inexpensive, easy way to gain support</td>
<td>May be illegal; may undermine change agent’s credibility</td>
</tr>
</tbody>
</table>
What Reaction Do Employees Have to Organizational Change?

For many employees, change creates stress. A dynamic and uncertain environment characterized by restructurings, downsizings, empowerment, and personal-life matters has caused large numbers of employees to feel overworked and “stressed out.” In this section, we’ll review specifically what is meant by the term stress, what the symptoms of stress are, what causes stress, and what managers can do to reduce anxiety.

What Is Stress?

Stress is the adverse reaction people have to excessive pressure placed on them from extraordinary demands, constraints, or opportunities. Stress isn’t always bad. Although it’s often discussed in a negative context, stress can be positive, especially when it offers a potential gain. For instance, functional stress allows an athlete, stage performer, or employee to perform at his or her highest level at crucial times.

However, stress is more often associated with constraints and demands. A constraint prevents you from doing what you desire; demands refer to the loss of something desired. When you take a test at school or have your annual performance review at work, you feel stress because you confront opportunity, constraints, and demands. A good performance review may lead to a promotion, greater responsibilities, and a higher salary. But a poor review may keep you from getting a promotion. An extremely poor review might lead to your being fired.

One other thing to understand about stress is that just because the conditions are right for stress to surface doesn’t always mean it will. Two conditions are necessary for potential stress to become actual stress. First, there must be uncertainty over the outcome, and second, the outcome must be important.

What Are the Symptoms of Stress?

We see stress in a number of ways. For instance, an employee who is experiencing high stress may become depressed, accident prone, or argumentative; may have difficulty making routine decisions; may be easily distracted, and so on. As Exhibit 7-4 shows, stress
symptoms can be grouped under three general categories: physical, psychological, and behavioral. All of these can significantly affect an employee’s work.

Too much stress can also have tragic consequences. In Japan, there’s a stress phenomenon called karoshi (pronounced kah-roe-she), which is translated literally as “death from overwork.” During the late 1980s, “several high-ranking Japanese executives still in their prime years suddenly died without any previous sign of illness.”23 As public concern increased, even the Japanese Ministry of Labour got involved, and it now publishes statistics on the number of karoshi deaths. As Japanese multinational companies expand operations to China, Korea, and Taiwan, it’s feared that the karoshi culture may follow.

What Causes Stress?

Stress can be caused by personal factors and by job-related factors called stressors. Clearly, change of any kind—personal or job-related—has the potential to cause stress as it can involve demands, constraints, or opportunities. Organizations have no shortage of factors that can cause stress. Pressures to avoid errors or complete tasks in a limited time period, changes in the way reports are filed, a demanding supervisor, and unpleasant coworkers are a few examples. Let’s look at five categories of organizational stressors: task, role, and interpersonal demands; organization structure; and organizational leadership.

**Task demands** are factors related to an employee’s job. They include the design of a person’s job (autonomy, task variety, degree of automation), working conditions, and the physical work layout. Work quotas can put pressure on employees when their “outcomes” are perceived as excessive.24 The more interdependence between an employee’s tasks and the tasks of others, the more potential stress there is. **Autonomy**, on the other hand, tends to lessen stress. Jobs in which temperatures, noise, or other working conditions are dangerous or undesirable can increase anxiety. So, too, can working in an overcrowded room or in a visible location where interruptions are constant.

**Role demands** relate to pressures placed on an employee as a function of the particular role he or she plays in the organization. **Role conflicts** create expectations that may be hard to reconcile or satisfy. **Role overload** is experienced when the employee is expected to do more than time permits. **Role ambiguity** is created when role expectations are not clearly understood and the employee is not sure what he or she is to do.

**Interpersonal demands** are pressures created by other employees. Lack of social support from colleagues and poor interpersonal relationships can cause considerable stress, especially among employees with a high social need.

**Organization structure** can increase stress. Excessive rules and an employee’s lack of opportunity to participate in decisions that affect him or her are examples of structural variables that might be potential sources of stress.

**Organizational leadership** represents the supervisory style of the organization’s managers. Some managers create a culture characterized by tension, fear, and anxiety. They establish unrealistic pressures to perform in the short run, impose excessively tight controls, and routinely fire employees who don’t measure up. This style of leadership flows down through the organization and affects all employees.

Personal factors that can create stress include family issues, personal economic problems, and inherent personality characteristics. Because employees bring their personal problems to work with them, a full understanding of employee stress requires a manager to be understanding of these personal factors.25 Evidence also indicates that employees’ personalities have an effect on how susceptible they are to stress. The most commonly used labels for these personality traits are Type A and Type B.

**Type A personality** is characterized by chronic feelings of a sense of time urgency, an excessive competitive drive, and difficulty accepting and enjoying leisure time.
The opposite of Type A is **Type B personality**. Type Bs never suffer from time urgency or impatience. Until quite recently, it was believed that Type As were more likely to experience stress on and off the job. A closer analysis of the evidence, however, has produced new conclusions. Studies show that only the hostility and anger associated with Type A behavior are actually associated with the negative effects of stress. And Type Bs are just as susceptible to the same anxiety-producing elements. For managers, what is important is to recognize that Type A employees are more likely to show symptoms of stress, even if organizational and personal stressors are low.

**How Can Stress Be Reduced?**

As mentioned earlier, not all stress is dysfunctional. Since stress can never be totally eliminated from a person’s life, managers want to reduce the stress that leads to dysfunctional work behavior. How? Through controlling certain organizational factors to reduce job-related stress, and to a more limited extent, offering help for personal stress.

Things that managers can do in terms of job-related factors begin with employee selection. Managers need to make sure that an employee’s abilities match the job requirements. When employees are in over their heads, their stress levels typically will be high. A realistic job preview during the selection process can minimize stress by reducing ambiguity over job expectations. Improved organizational communications will keep ambiguity-induced stress to a minimum. Similarly, a performance planning program such as MBO will clarify job responsibilities, provide clear performance goals, and reduce ambiguity through feedback. Job redesign is also a way to reduce stress. If stress can be traced to boredom or to work overload, jobs should be redesigned to increase challenge or to reduce the workload. Redesigns that increase opportunities for employees to participate in decisions and to gain social support also have been found to lessen stress.27 For instance, at U.K. pharmaceutical maker GlaxoSmithKline, a team-resilience program in which employees can shift assignments depending on people’s workload and deadlines has helped reduce work-related stress by 60 percent.28

No matter what you do to eliminate organizational stressors, some employees will still be “stressed out.” And stress from an employee’s personal life raises two problems. First, it’s difficult for the manager to control directly. Second, there are ethical considerations. Specifically, does the manager have the right to intrude—even in the most subtle ways—in an employee’s personal life? If a manager believes it’s ethical and the employee is receptive, there are a few approaches the manager can consider.

To help deal with these issues, many companies offer employee assistance and wellness programs.29 These employer-sponsored programs are designed to assist employees in areas where they might be having difficulties such as financial planning, legal matters, health, fitness, or stress.30

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**Right or Wrong?**

One in five companies offers some form of stress management program.26 Although such programs are available, many employees may choose not to participate. They may be reluctant to ask for help, especially if a major source of that stress is job insecurity. After all, there’s still a stigma associated with stress. Employees don’t want to be perceived as being unable to handle the demands of their job. Although they may need stress management now more than ever, few employees want to admit that they’re stressed. What can be done about this paradox? Do organizations even **have** an ethical responsibility to help employees deal with stress?
Contemporary employee assistance programs (EAPs) are extensions of programs that began in U.S. companies in the 1940s. Companies such as DuPont, Standard Oil, and Kodak recognized that a number of their employees were experiencing problems with alcohol. Formal programs were implemented on the company’s site to educate these workers about the dangers of alcohol and to help them overcome their addiction. The rationale for these programs, which still holds today, is getting a productive employee back on the job as quickly as possible. An organization also can benefit in terms of a return on investment. It’s estimated that U.S. companies spend almost $1 billion each year on EAP programs. Studies suggest that most of these companies save up to $5 to $16 for every EAP dollar spent. That’s a significant return on investment!

In addition to EAP, many organizations are implementing wellness programs. A wellness program is designed to keep employees healthy. These programs vary and may focus on such things as smoking cessation, weight control, stress management, physical fitness, nutrition education, high-blood-pressure control, violence protection, work team problem intervention, and so on. Wellness programs are designed to help cut employer health costs and to lower absenteeism and turnover by preventing health-related problems.

How Can Managers Encourage Innovation in an Organization?

“The way you will thrive in this environment is by innovating—in innovating in technologies, innovating in strategies, innovating in business models.” That’s the message IBM’s CEO Sam Palmisano delivered to an audience of executives at an innovation-themed leadership conference. And how true it is! Success in business today demands innovation. Such is the rallying cry of today’s managers! In the dynamic, chaotic world of global competition, organizations must create new products and services and adopt state-of-the-art technology if they’re going to compete successfully.

What companies come to mind when you think of successful innovators? Maybe Sony Corporation, with its MiniDisks, PlayStations, AIBO robot pets, Cyber-shot digital cameras, and MiniDV Handycam camcorders. Maybe Toyota with its continual advancements in product and manufacturing process designs. What’s the secret to the success of these innovator champions? What can other managers do to make their organizations more innovative? In the following pages, we’ll try to answer those questions as we discuss the factors behind innovation.

How Are Creativity and Innovation Related?

Creativity refers to the ability to combine ideas in a unique way or to make unusual associations between ideas. A creative organization develops unique ways of working or novel solutions to problems. For instance, at Mattel, company officials introduced “Project Platypus,” a special group that brings people from all disciplines—engineering, marketing, design, and sales—and tries to get them to “think outside the box” in order to “understand the sociology and psychology behind children’s play patterns.” To help make this kind of thinking happen, team members embarked on such activities as imagination exercises, group crying, and stuffed-bunny throwing. What does throwing stuffed bunnies have to do with creativity? It’s part of a juggling lesson where team members tried to learn to juggle two balls and a stuffed bunny. Most people can easily learn to juggle two balls but can’t let go of that third object. Creativity, like juggling, is learning to let go—that is, to “throw the bunny.” But creativity by itself isn’t enough. The outcomes of the creative process need to be turned into useful products or work methods, which is defined as innovation. Thus, the innovative organization is characterized by its ability to channel creativity into useful outcomes. When managers talk about changing an organization to make it more creative, they usually mean they want to stimulate and nurture innovation.
What’s Involved in Innovation?

Some people believe that creativity is inborn; others believe that with training, anyone can be creative. The latter group views creativity as a fourfold process consisting of perception, incubation, inspiration, and innovation.40

**Perception** involves the way you see things. Being creative means seeing things from a unique perspective. One person may see solutions to a problem that others cannot or will not see at all. The movement from perception to reality, however, doesn’t occur instantaneously. Instead, ideas go through a process of **incubation**. Sometimes employees need to sit on their ideas, which doesn’t mean sitting and doing nothing. Rather, during this incubation period, employees should collect massive amounts of data that are stored, retrieved, studied, reshaped, and finally molded into something new. During this period, it’s common for years to pass. Think for a moment about a time you struggled for an answer on a test. Although you tried hard to jog your memory, nothing worked. Then suddenly, like a flash of light, the answer popped into your head. You found it! **Inspiration** in the creative process is similar. Inspiration is the moment when all your efforts successfully come together.

Although inspiration leads to euphoria, the creative work isn’t complete. It requires an innovative effort. **Innovation** involves taking that inspiration and turning it into a useful product, service, or way of doing things. Thomas Edison is often credited with saying that “Creativity is 1 percent inspiration and 99 percent perspiration.” That 99 percent, or the innovation, involves testing, evaluating, and retesting what the inspiration found. It’s usually at this stage that an individual involves others more in what he or she has been working on. Such involvement is critical because even the greatest invention may be delayed, or lost, if an individual cannot effectively deal with others in communicating and achieving what the creative idea is supposed to do.

How Can a Manager Foster Innovation?

The systems model (inputs → transformation process → outputs) can help us understand how organizations become more innovative.41 If an organization wants innovative products and work methods (outputs), it has to take its inputs and transform them into those outputs. Those inputs include creative people and groups within the organization. But as we said earlier, having creative people isn’t enough. The transformation process requires having the right environment to turn those inputs into innovative products or work methods. This “right” environment—that is, an environment that stimulates innovation—includes three variables: the organization’s structure, culture, and human resource practices. (See Exhibit 7-5.)

**HOW DO STRUCTURAL VARIABLES AFFECT INNOVATION?** Research into the effect of structural variables on innovation shows five things.45 First, an organic-type structure positively influences innovation. Because this structure is low in formalization, centralization, and work specialization, it facilitates the flexibility and sharing of ideas that are critical to innovation. Second, the availability of plentiful resources provides a key building block for innovation. With an abundance of resources, managers can afford to purchase innovations, can afford the cost of instituting innovations, and can absorb failures. Third, frequent communication between organizational units helps break down barriers to innovation.43 Cross-functional teams, task forces, and other such organizational designs facilitate interaction across departmental lines and are widely used in innovative organizations. Fourth, innovative organizations try to minimize extreme time pressures on creative activities

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**employee assistance programs (EAPs)**
Programs offered by organizations to help employees overcome personal and health-related problems.

**wellness programs**
Programs offered by organizations to help employees prevent health problems.

**creativity**
The ability to combine ideas in a unique way or to make unusual associations between ideas.

**innovation**
The process of taking a creative idea and turning it into a useful product, service, or method of operation.
despite the demands of white-water rapids environments. Although time pressures may spur people to work harder and may make them feel more creative, studies show that it actually causes them to be less creative. Finally, studies have shown that an employee’s creative performance was enhanced when an organization’s structure explicitly supported creativity. Beneficial kinds of support included things like encouragement, open communication, readiness to listen, and useful feedback.

**HOW DOES AN ORGANIZATION’S CULTURE AFFECT INNOVATION?** Innovative organizations tend to have similar cultures. They encourage experimentation; reward both successes and failures; and celebrate mistakes. An innovative organization is likely to have the following characteristics.

- **Accept ambiguity.** Too much emphasis on objectivity and specificity constrains creativity.
- **Tolerate the impractical.** Individuals who offer impractical, even foolish, answers to what-if questions are not stifled. What at first seems impractical might lead to innovative solutions.
- **Keep external controls minimal.** Rules, regulations, policies, and similar organizational controls are kept to a minimum.
- **Tolerate risk.** Employees are encouraged to experiment without fear of consequences should they fail. Mistakes are treated as learning opportunities.
- **Tolerate conflict.** Diversity of opinions is encouraged. Harmony and agreement between individuals or units are not assumed to be evidence of high performance.
- **Focus on ends rather than means.** Goals are made clear, and individuals are encouraged to consider alternative routes toward meeting the goals. Focusing on ends suggests that there might be several right answers to any given problem.
Use an open-system focus. Managers closely monitor the environment and respond to changes as they occur. For example, at Starbucks, product development depends on “inspiration field trips to view customers and trends.” Michelle Gass, now the company’s executive vice president of marketing, “took her team to Paris, Düsseldorf, and London to visit local Starbucks and other restaurants to get a better sense of local cultures, behaviors, and fashions.” She says, “You come back just full of different ideas and different ways to think about things than you would had you read about it in a magazine or e-mail.”

Provide positive feedback. Managers provide positive feedback, encouragement, and support so employees feel that their creative ideas receive attention. For instance, at Research In Motion, Mike Lazaridis, president and co-CEO says, “I think we have a culture of innovation here, and [engineers] have absolute access to me. I live a life that tries to promote innovation.”

WHAT HUMAN RESOURCE VARIABLES AFFECT INNOVATION? In this category, we find that innovative organizations actively promote the training and development of their members so their knowledge remains current; offer their employees high job security to reduce the fear of getting fired for making mistakes; and encourage individuals to become idea champions, actively and enthusiastically supporting new ideas, building support, overcoming resistance, and ensuring that innovations are implemented. Research finds that idea champions have common personality characteristics: extremely high self-confidence, persistence, energy, and a tendency toward risk taking. They also display characteristics associated with dynamic leadership. They inspire and energize others with their vision of the potential of an innovation and through their strong personal conviction in their mission. They’re also good at gaining the commitment of others to support their mission. In addition, idea champions have jobs that provide considerable decision-making discretion. This autonomy helps them introduce and implement innovations in organizations.

Innovation is paramount at Facebook, and the company’s culture stimulates the process of taking a creative idea and turning it into useful products and services. Like other innovative organizations, Facebook encourages experimentation and tolerance of conflict and risk and keeps rules and regulations to a minimum. The company insists that employees act like pioneers, asking questions no one has asked before and identifying new opportunities. At Facebook, part of the innovative process involves cutting loose and having fun, such as the employee shown here taking a brief break from work to play.
PART THREE | ORGANIZING

Review and Applications

Chapter Summary

1. Define organizational change and compare and contrast views on the change process. Organizational change is any alteration of an organization’s people, structure, or technology. The “calm waters” metaphor of change suggests that change is an occasional disruption in the normal flow of events and can be planned and managed as it happens using Lewin’s three-step change process (unfreezing, changing, and freezing). The “white-water rapids” view of change suggests that change is ongoing, and managing it is a continual process.

2. Explain how to manage resistance to change. People resist change because of uncertainty, habit, concern about personal loss, and the belief that a change is not in the organization’s best interests. Techniques for managing resistance to change include education and communication (educating employees about and communicating to them the need for the change), participation (allowing employees to participate in the change process), facilitation and support (giving employees the support they need to implement the change), negotiation (exchanging something of value to reduce resistance), manipulation and co-optation (using negative actions to influence), selecting people who are open to and accept change, and coercion (using direct threats or force).

3. Describe what managers need to know about employee stress. Stress is the adverse reaction people have to excessive pressure placed on them from extraordinary demands, constraints, or opportunities.

The symptoms of stress can be physical, psychological, or behavioral. Stress can be caused by personal factors and by job-related factors. To help employees deal with stress, managers can address job-related factors by making sure an employee’s abilities match the job requirements, improve organizational communications, use a performance planning program, or redesign jobs. Addressing personal stress factors is trickier, but managers could offer employee counseling, time management programs, and wellness programs.

4. Discuss techniques for stimulating innovation. Creativity is the ability to combine ideas in a unique way or to make unusual associations between ideas. Innovation is turning the outcomes of the creative process into useful products or work methods. An innovative environment encompasses structural, cultural, and human resource variables.

Important structural variables include an organic-type structure, abundant resources, frequent communication between organizational units, minimal time pressure, and support. Important cultural variables include accept ambiguity, tolerate the impractical, keep external controls minimal, tolerate risk, tolerate conflict, focus on ends not means, use an open-system focus, and provide positive feedback. Important human resource variables include high commitment to training and development, high job security, and encouraging individuals to be idea champions.

Understanding the Chapter

1. Why is managing change an integral part of every manager’s job?
2. Describe Lewin’s three-step change process. How is it different from the change process needed in the white-water rapids metaphor of change?
3. How are opportunities, constraints, and demands related to stress? Give an example of each.
4. Organizations typically have limits to how much change they can absorb. As a manager, what signs would you look for that might suggest your organization has exceeded its capacity to change?
5. Why is organization development planned change? Explain how planned change is important for organizations in today’s dynamic environment.
6. How do creativity and innovation differ? Give an example of each.
7. Research information on how to be a more creative person. Write down suggestions in a bulleted list format and be prepared to present your information in class.
8. How does an innovative culture make an organization more effective? Do you think an innovative culture could ever make an organization less effective? Why or why not?
9. When you find yourself experiencing dysfunctional stress, write down what’s causing the stress, what stress symptoms you’re exhibiting, and how you’re dealing with the stress. Keep this information in a journal and evaluate how well your stress reducers are working and how you could handle stress better. Your goal is to get to a point where you recognize that you’re stressed and can take positive actions to deal with the stress.
Understanding Yourself

Am I Burned Out?

Burnout is when you’ve reached an overwhelming level of chronic and long-term stress. It can lead to exhaustion and diminished interest in activities, both work and personal. This instrument was designed to provide insights into whether you’re suffering from burnout.

**INSTRUMENT**  
Respond to each of the 21 items using the following scale:

1 = Never  
2 = Once in a while  
3 = Rarely  
4 = Sometimes  
5 = Often  
6 = Usually  
7 = Always

How often do you have any of the following experiences?

1. Being tired
2. Feeling depressed
3. Having a good day
4. Being physically exhausted
5. Being emotionally exhausted
6. Being happy
7. Being "wiped out"
8. “Can’t take it anymore”
9. Being unhappy
10. Feeling run-down
11. Feeling trapped
12. Feeling worthless
13. Being weary
14. Being troubled
15. Feeling disillusioned and resentful
16. Being weak and susceptible to illness
17. Feeling hopeless
18. Feeling rejected
19. Feeling optimistic
20. Feeling energetic
21. Feeling anxious

**SCORING KEY**  
To calculate your burnout score, add up your score for items 3, 6, 19, and 20. Then subtract that total from 32. To this number, add your direct scores for the remaining 17 items. Finally, divide this combined number by 21.

**ANALYSIS AND INTERPRETATION**  
Your burnout score will be somewhere between 1 and 7. The higher your number, the closer you are to burnout. The authors claim that scores below 3 indicate few signs of burnout. Scores between 3 and 4 suggest the need to examine your work life and reevaluate priorities with the intent of making changes. If your score is higher than 4, you are experiencing a number of signs associated with burnout. You need to take some action to address your problems. Scores above 5 indicate an acute state, requiring immediate professional attention.

FYIA (For Your Immediate Action)

Performance Pros

To: Tina Sanchez, HR Director
From: Aaron Scott, President
Subject: Employee Stress Management Program

Well, Tina, we’ve made it through the initial phases of our restructuring efforts. The changes haven’t been easy on any of us. But we’ve still got a long way to go, and that’s where I need your assistance. To help minimize the pressures on our software developers and sales staff, I think we need to develop an employee stress management program that we could implement immediately. Our finances are such that we don’t have a lot of excess funds available to spend on fitness equipment, so you’re going to have to work within that constraint. Could you put together a brief (no more than one page) outline of what you think this program should include? Also, note the benefits you think each of your suggestions would provide. I’d like some time to review your suggestions over the weekend, so please get me your report as soon as possible.

This fictionalized company and message were created for educational purposes only. It is not meant to reflect positively or negatively on management practices by any company that may share this name.
CASE APPLICATION

TREASURE FROM TRASH

Eighteen thousand expired cans of sardines. A complete McDonald’s McHappy Land play set. Fifty garden gnomes. That’s just a sampling of some of the weird stuff that 1-800-GOT-JUNK? customers have asked the uniformed people in the freshly scrubbed blue trucks to haul away. Based in Vancouver, British Columbia, Brian Scudamore, company founder and CEO says, “With a vision of creating the ‘FedEx’ of junk removal, I dropped out of university with just one year left to become a full-time JUNKMAN! Yes, my father, a liver transplant surgeon, was not impressed to say the least.” By the end of 2008, however, the company had over 340 franchises in the United States, Canada, and Australia, and system-wide revenues of over $125 million.

Scudamore’s company has been described as a “curious hybrid” that blends the old and new economies. Although its product—hauling trash—has been done for hundreds of years, it relies heavily on sophisticated information technology and has the kind of organizational culture that most people associate with high-tech start-ups.

Information systems and technology have been important to the company’s growth. Scudamore says, “It has allowed us to expand all over North America. Our system has made the process easier.” The company’s call center does all the booking and dispatching for franchise partners. They also use the proprietary intranet to access schedules, customer information, real-time reports, and so forth. Needless to say, the company’s franchise partners tend to be pretty tech-savvy.

In addition, the company’s culture is a unique blend of fun and seriousness. There’s a quote posted in the head office that says “It’s all about people.” And those four simple words sum up Scudamore’s philosophy: Find the right people and treat them right. Since 2004, the company has been ranked by BC Business magazine as one of the best companies to work for in British Columbia. Grizzly, Scudamore’s dog, comes to the office every day and helps employees relieve stress by playing catch anytime, anywhere. Each morning at exactly 10:55, all employees at headquarters meet for a five-minute huddle, where they share good news, announcements, metrics, and problems they’re encountering. Visitors to the office are also expected to join in. The open-concept floor plan encourages communication among all levels of staff—from top to bottom, and embodies the importance of the team environment.

Discussion Questions

1. Do you think 1-800-GOT-JUNK? faces more of a calm waters or white-water rapids environment? Explain.
2. What external and internal forces might create the need for the company to change? Be specific in describing these.
3. Using Exhibit 7-5, how could Brian Scudamore stimulate and nurture innovation at headquarters and with company franchisees?
4. What could other organizations learn about managing change, stress, and innovation from 1-800-GOT-JUNK?