

Implications of change management on organizational behavior



“ Change is hard because people overestimate the value of what they have and underestimate the value of what they may gain by giving that up.”

(James et al 1994)

Change Management is the process, tools and techniques to manage the people-side of change to achieve the required business outcome (Prosci 2009). This report outlines a massive ‘ Change Management’ exercise rolled out at Infosys Technologies Ltd (ITL), India. ITL is a NASDAQ listed fortune 500, Indian IT company with 63 offices across the globe with an employee base of 1, 22, 468 (Infosys 2010).

Pre-recession scenario in Indian IT companies witnessed employee promotions in every 2-3 years. As a result, a person works on technology for 4-5 years and then moves up to management. This has resulted in clients’ complaining about the lack of technically strong people. To urgency to meet the client expectations triggered the launch of iRACE (Infosys Role and Career Enhancement) change management exercise in October 2009 amidst peak recession climate (Huczynski et al 2010 pp. 563). iRACE, implemented by global HR services firm Mercer Consulting, was a career transformation exercise with 24 career streams to ensure the growth will no longer be defined by movement up due to frequent promotions. This review sights the analysis of the nature of iRACE transformation using ‘ Scale Of Change’ and ‘ Change Leadership Style’ plot (Stace and Dunphy, 2001), change agents approach, communication strategy and implications of iRACE change and compares it with theory. Also suggestions that could have led to effective change management at Infosys with minimum resistance and impact on the employees have been proposed.

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Change characteristics – Scale, Leadership style & Context Analysis:

With approx. 1, 00, 000 employees getting affected by the iRACE change rollout the analysis of the scale, leadership style & context of the change becomes very significant. Stance and Dunphy (2001) defined that the change of scale using four characteristics: fine Tuning, incremental adjustment, modular transformation and corporate transformation. Stance and Dunphy (2001) also defined the categories of change leadership style: collaborative, consultative, directive and coercive. Plotting ' Scale Of Change' against ' Change Leadership Style' and ' Dunphy – Stace contingency approach' to change implementation helps to analyze the scale of change, leadership style and evaluate the approach of iRACE change whether it fits in the right context or not . (Huczynski et al 2010 pp. 574).

Fig1 : Scale of change and leadership style

Scale of change

Style of change leadership

Fine Tuning

Incremental Adjustment

Modular

Transformation

Corporate Transformation

Collaborative

Type 1

Type 2

Consultative

Participative

evolution

Charismatic

transformation

Directive

Type 3

Type 4

iRACE

Change was a necessity for survival.

Had to rely on external support for doing the change.

Coercive

Forced

evolution

Dictatorial transformation

Source: Adopted from (Huczynski et al 2010 pp. 574).

This matrix analysis categorizes iRACE into a Corporate Change with Coercive leadership style and fits iRACE into a Dictatorial corporate transformation context.

Role and approach of Change Agents in fostering the change:

Effective management of change is necessary to sustain the competition. Balogun and Hope Hailey (2004) report a failure rate of around 70% of all change programmes initiated. The facts thus suggest that there is no well-defined framework across domains that outlines the management and implementation of change. What is available is a wide range of confusing theories and approaches (Burnes, 2004). Guimaraes and Armstrong (1998) support this by saying that mostly superficial analyses have been published in this basic area. With the lack of a fundamental framework of change, the role of change agents becomes exceedingly crucial.

A change agent is defined as a manager who seeks “ to reconfigure an organization’s roles, responsibilities, structures, outputs, processes, systems,

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technology or other resources in the light of improving organizational effectiveness” (Buchanan and Badham 1999). Buchanan and Boddy (1992) list competencies of effective change agents: clarity of specifying goals, team building activities, communication skills, negotiation skills and “ influencing skills” to gain commitment to goals. Gronn (2002) and Bennett et al (2003) sight that distribution of change agency means that more people need to have the skills required.

Also contrary to Gronn (2002) and Bennett et al (2003) sighting, iRACE change agency was not distributed as major part of the change was formulated by Mercer Consulting (external change agent) and a committee of only 65 top level managers (internal change agents)

Fig2 : iRACE Change Management and Communication (Phases and Timelines)

Source: Self-understanding of knowledge of iRACE gained at Infosys (2009)

Kanter (1989) speaks of ‘ superhuman’ change agents, with wide-ranging expertise, as a ‘ business athlete’. Although the change agents seemed to be effective in Phase I but contrary to Kanter (1989) argument, change agents in Phase II couldn’t perform effective organizational diagnosis and Phase III & IV were ineffective because of the lack of expertise the change agents took much longer time than expected in dealing with the design complexities. This resulted in excessive delay in (Phase V) and thus delayed communication led to mismatch with the stakeholders’ expectations of the change resulting in resentment of the stakeholders (Kubler - Ross, 1969).

Importance of Communication- An underestimated picture

An effective communication smoothens the delivery of the change. Bovee and Thill (2000, p. 4) believe that effective communication only takes place when participants “ achieve a shared understanding, stimulate others to take actions and encourage people to think in new ways”. Opposite to Bovee and Thill’s (2000) saying iRACE change communication lacked shared understanding at the managerial level.

Gibb (1961) argues the importance of ‘ Communication Climate’. Contrary to Gibb (1961) argument the climate was not favorable for iRace change with global recession cloud, layoffs and other stringent policy amendments (e. g. 9. 15 work hour policy, ISTAFF policy) and communications taking place simultaneously. The communication process also lacked effective communication strategy. The communication was merely based on tactical analysis. Even though communication involved just tactical analysis, It failed to cater to all the areas of tactical analysis i. e. it lacked right channels for communication flow, timeliness and efficient monitoring. Communication was made highly complex. The delay in design phase worsened the communication by percolating the delay in delivery phase and as a result of shranked timelines, communication process lacked two-way communication, dialogue and feedback, review exercise for the communication delivered and last but not the least the employee discomfort went unheard during the entire communication phase (Huczynski et al 2010 pp. 226-27).

Fall out of the Change – Impact on Organizational Behavior :

Role Restructuring & Demotions: Over 4, 500 people got demoted because of the iRACE implementation. This created a furor.

Loss of Loyalty of Employees: The employees criticized iRACE and the HR leadership through use of social media to express their resentment and the fading out loyalty.

Unprecedented Attrition- A key failure indicator: In the initial half of 2010-

Infosys lost 4000 employees in the month of February 2010 alone accounting for 3% of its total strength (Dexter 2010).

Over 10, 000 that have quit since October 2009, 4, 000 left in February 10 alone.

About 1, 000 e-separations were filed on the intranet on a single day:

December 31st (Current IT Market 2010).

Fig3 : Attrition Rate at Infosys Pre and Post iRACE change implementation

Source: (Infosys Reports & Filings 2010)

Pre iRACE Implementation- Q3-09 to Q2-10 relate to Peak recession scenario & iRACE design phase.

iRACE Implementation- Q4-10 – iRACE Implementation phase

Post iRACE Implementation- Q1-11 to Q2-11- iRACE fall out phase.

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Refurbishing process- The Resolution :

' Unitarist frame of reference ' views organization as fundamentally harmonious, co-operative structures, consisting of committed, loyal, worker-management teams that promote harmony of purpose (Huczynski et al 2010 pp. 662-63). Ackroyd et al (1999) and Johnston (2000) identified the key features of unitarist frame of reference which use communication failures between management and employees to explain the workplace conflict. To overcome the communication failure's continuous impacts, management must re-structure the communication process so that the objective of the change is communicated to the employees clearly. Firstly, using Gronn (2002) and Bennett et al (2003) theory of ' distribution of change agency' management must involve more skilled persons in the communication thus distribute the change agency. Secondly, iRACE change agents should restructure the communication process by using a ' Strategic Planning- Iceberg' which outlines the strategic approach to communicating change based on four levels of planning outlined below (Clampitt et all N. D.).

Fig3 : Strategic Planning “ Iceberg”

Source: (Clampitt et all N. D.)

The Ice Berg strategic planning will benefit iRACE change agents in focusing on all four strategic approaches contextual analysis (anticipate possible resistance points), audience analysis (isolate key groups of employees that may be directly or indirectly impacted by the change) and strategic design (development of a sustainable strategy based on the outcomes of contextual and audience analysis) unlike the previous approach which focused on

Tactics (how to s?) only. As the market is stabilizing after the recession,
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substantial rewards (salary hikes, exceptional performance promotions, role progressions if not role change) can be given to the employees which will be beneficial for the employees and the organization as a whole.

Conclusion:

The ' Scale Of Change' against ' Change Leadership Style' and ' Dunphy - Stace contingency approach' helped in accessing the characteristics of the change. The analysis also uses Gronn (2002) and Bennett et al (2003) change agency distribution' theory to analyze the importance of distribution of the change agency viz a viz emphasizes on competencies of effective change agents. These strategies, if used, strategically, would have led to the involvement of more competent people into the change process as change agents'. Diversification of change agency if ignored like in case of ITL leads to inefficient change strategy. The ' unitarist frame of reference' helped to identify the causes of conflict in ITL. This analysis further highlights the (Clampitt et al N. D.) ' Ice Berg strategic planning' approach to understand the significance of strategic communication of the change and ' communication climate' Gibb (1961) and its benefits in communicating the objective of the change. Value of the strategic communication in fostering the change, if undermined, wreaks serious threats to the organizational behavior. The solutions suggested may involve extra manpower, extra effort and time in restructuring the communication process and communicating the essence of change. Given solution may also incur cost to give wage hikes initially but are competent enough to solve the problem and lead to a smoothed and sustainable organization change viz a viz improvement in organization behavior.

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