

Human Resource Managers Impliment Effective Organizational Change Through Leadership & Process Management

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ABSTRACT

Organizational restructuring has been the reaction to business trends and economic fluctuations and is a continuing, sound practice. The perception of doing business has changed and so have the awareness, expectations, and values of employees. It is evident that if organizations and managers of the future are to survive, they must continually adapt their methods of operating to new situations and a diverse workforce.

Without visionary leaders, organizational change may not work. Old theories of authoritative leadership have proven to be ineffective in today's environment. Successful change must focus on tasks, bottom-up feedback, employee participation at all levels and skilled leadership. All of this is possible by transforming the organization with an organic structure comprised of innovative, democratic leaders. The U.S. has experienced many economic changes and this paper wants to focus on manufacturing that these authors believe will be on the up-swing as the trend of "Made in America," is beginning to take hold.

Keywords: Leadership; Organizational Restructuring; Process Management

BACKGROUND OF A HYPOTHETICAL SETTING

In the mid-2000s, John Russel was appointed as the new CEO of a major retail chain. John's new mission was to expand the discount merchandising chain into a supermarket offering food items. The organizational mission was to combine a food supermarket within a general merchandise store and promote the one-stop shop concept. His challenge was to revamp the current firm's hierarchical organization and transform it into an organic structure. He knew that the traditional hierarchical, organization was ill-suited to respond to the new concept. John's solution was to change fundamentally how the organization operated for the past twenty-five years. He took on the challenge and began by revamping the top management team.

John gathered his top 15 executives at a retreat in the Bahamas, where they painstakingly reviewed the organization's mission, purpose and culture. He provided a mission statement and hired a new vice-president for human resources. The new HRM specialized in human relations and change management. In response to the new organizational mission, the HRM established companywide programs to push change down through the organization. The changes included a new organizational structure, performance appraisals, pay-for-performance compensation plans, training workshops to develop managers into change agents, and established an assessment system to monitor progress of the change effort.

Two years after John Russel embarked the new change program, no changes in organizational behavior had occurred. The organizational culture remained the same and the executives employed to oversee the food operation were in constant conflict with the general merchandise executives previously employed. At store level, the employees in the food operation separated themselves from the general merchandise employee, while

the food operation employees wanted to join the National Retail Clerks Union. John found himself in an unexpected environment of conflict. What went wrong?

CAUSES FOR CHANGE

Change is not a new phenomenon and change programs do not happen accidentally. Change is initiated with purpose and requires leadership, whereby leaders deal proactively with changing forces. New technology, increasing costs and significant foreign competition make change a key factor in the survival of an organizational system. Since the mid-1980s, firms have restructured their companies based on theories of economics, *not* on models of an effective work force and human relations. Organizations are continually changing, but these changes cannot be defined in simple terms. There are two types of change in organizations which are, random or haphazard. These are either forced on the organization by the external environment or deliberate attempts to modify the organization (Brown, 2011). This phenomenon occurs because change can take place across a broad spectrum. The impetus for change is usually a heightened sense of dissatisfaction. It is evident that change can induce an erratic pattern of employee behavior. Future managers need to develop a keen sense of the effects of change, if change is to have a positive impact on the organization. Influential leadership can help organizations in achieving their goals.

Traditional organizational management teams operated from line and staff vacuum positions. Employees were isolated from organizational decision making and exchange of ideas. The idea that management can only take place in a downward motion has proved to be a misconception. Organizations that are preparing for change should consider a more proactive approach, implemented by the human resource professionals, and a focus upon leadership development.

In today's business scenario, many relationships among supervisors and employees are cohesive. Supervisors and managers are more apt to persuade employee and less prone to tell them what to do, therefore, employing the leadership concept. As Bernard Bass [1990], puts it "Managers engage in a transaction with employees by showing consideration for them, making and fulfilling, promises, and showing recognition." Bass calls this, "transactional leadership." "Transactional leadership" depends on how adept the leader is at rewarding the employee in a meaningful way. Another term used by Bass is "Transformation Leadership." This occurs when leaders broaden and heighten their employees' interests in the organization. In return, the human resource manager increases awareness of the organization's mission and purpose, which become employee goals as well [Bass, 1990]. The implications here are that employees need to share in the implementation of organizational plans. Leaders influence employees and inspire accomplishments that lead to efficiency, and human resource managers re-enforce it. Therefore, leaders will have to sharpen their "people" skills in order to prepare for the high-involvement workplace.

Corporate America is constantly in search of finding better ways to become effective and efficient. There is a need for organizations to be concerned about management skills and efficiency of their employees to maintain profitable operations. America is beyond the old industrial model of being highly structured and single task focused. In this "Age of information," corporations need to transform into multitasking, quick-thinking and integrative operational structures. The flow of management will change direction from the traditional top-down, hierarchal style to a linear, open-door policy of management, where each employee has the potential to make change [Kiechel, 1994]. Management officials need to introduce flexible, organic characteristics in their management style in order to improve relationships with employees and be successful in modifying their organizations for efficiency (Sirkin, Keenan, Jackson, 2005). Maynard and Mehrrens [1993], labeled top-down management "Line Thinking." This traditional style of management once served us well. Managers and professionals provided knowledge in a downward motion through the hierarchy. These managers were the sole decision makers. According to Maynard and Mehrrens [1993], the future company will be a "Community Organization," organic in structure. It will be democratic, participatory in nature, employees will have a shared vision, and all will focus on the customer and community. This communal structure will enable the organization to go beyond their community to focus on co-creation, equality, and flexibility [Maynard and Mehrrens, 1993].

It is apparent that changes from traditional management methods to a “Community Organization” can restore corporate America's leading edge. Effective leadership will play a significant role in the high involvement workplace and management will change direction. In addition, Sirkin, Keenan, and Jackson (2005), break down the factors that must be focused on while contemplating change: Duration, what time frame is needed for the change? Integrity, can the change management team complete and implement the change? Commitment, all levels need to be involved by getting commitment from the top level and from those operational employees affected by the changes. Effort, if these changes are to be successful, HR managers need to carefully contemplate the increased effort of affected employees to determine how far above normal workload these employees will be taxed. Furthermore, HR managers must find the level of willingness the affected employees will need to ensure change can be successful.

Bottom-Up Feedback

In-depth knowledge of operational tasks usually resides with employees that are closest to the work. This operational knowledge of the employees should be utilized when planning for an organizational change. Managers can be relieved of attempting to guess what vital activities are needed to gain a better understanding of the scope of change. Managers cannot be aware of all things at all times, and sometimes are less knowledgeable about some details of their subordinates' jobs. While, most Human Resource departments require all positions maintain written job descriptions, consequently, as operations increase in complexity, size, and technology; it becomes more difficult for managers to identify what is going on at every moment. Daily job processes, unexpected events and employee nuances make it difficult for managers to keep on top of every issue their employees face. This implies that top-down management tends to be inadequate, and can cause an organization to become inflexible. A bottom-up strategy, one that leans toward an organic structure, will support organizations in becoming increasingly flexible and adaptable to change.

The objective is not employee control, but to erase existing sharp lines between managers and employees. The objective is a less dominant hierarchical approach and more for development of an organizational culture with high priority placed on problem solving/recognition, and utilizing the competencies of individuals regardless of their hierarchical position [Lupton, 1991]. Effective leaders can lead in such a way as to make employees feel strong rather than weak. Today, most effective leaders empower employees, have vision, know what has to be done, and are committed to organizational success, because leaders motivate others through relationships (Anderson, Bolt, 2011).

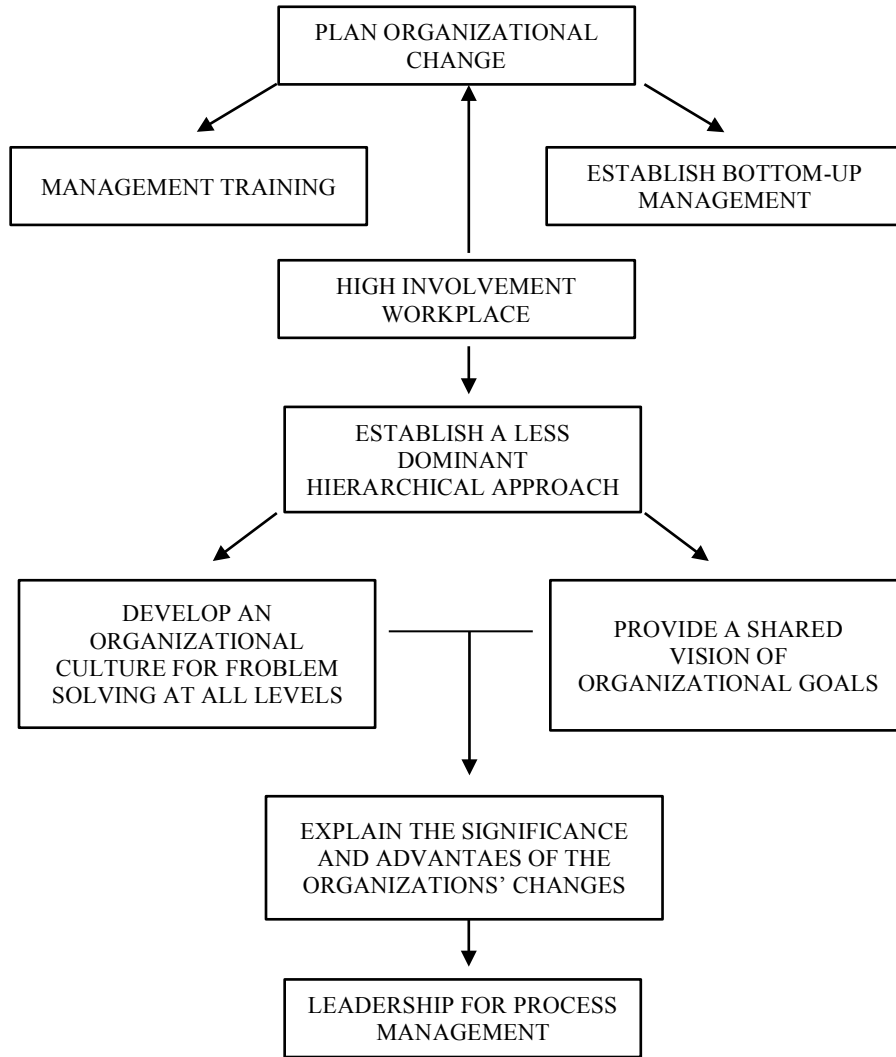
Changes can be positive at all levels if they can be viewed by all as being long-term efforts, and not quick fixes. The objective should be to propose changes as expandable stages that can be built upon, using employees in one stage to fertile the involvement of co-workers in upcoming stages. In addition, “change” objectives should clearly define and communicate the purpose and direction of the change program and present specific new expectations or operational functions to replace those no longer appropriate. Additionally, the strategy should provide training and examples of how the new change program can attain success. Detailed communication of the significance and advantages of the changes for lower-level employees should be focused upon. Skepticism from lower-level employees can be utilized to get them on board as an opportunity to clarify and strengthen the program's implementation (Prosci, 2007). Once employee buy-in is achieved, changes in work responsibilities and processes can be accomplished positively through effective leadership.

A View at Process Management and How Leadership Fits In

The impetus to gain a competitive edge has pressed organizations to search for solutions to empower employees, engage new leadership styles, and restructure company charts. Hierarchical organizations are giving way to "HIGH-INVOLVEMENT" workplaces, which are operations with self-managing teams. In a high-involvement workplace, employees provide input and direction to their work responsibilities and the ability to make changes and suggestions about work processes to suit customers' needs. This approach to management can eliminate redundant supervisory structures, resulting in organization that occurs around processes, rather than functions, making way for self-management to occur. This is defined as “PROCESS MANAGEMENT.” These post hierarchical organizational methods have proved to deliver better productivity

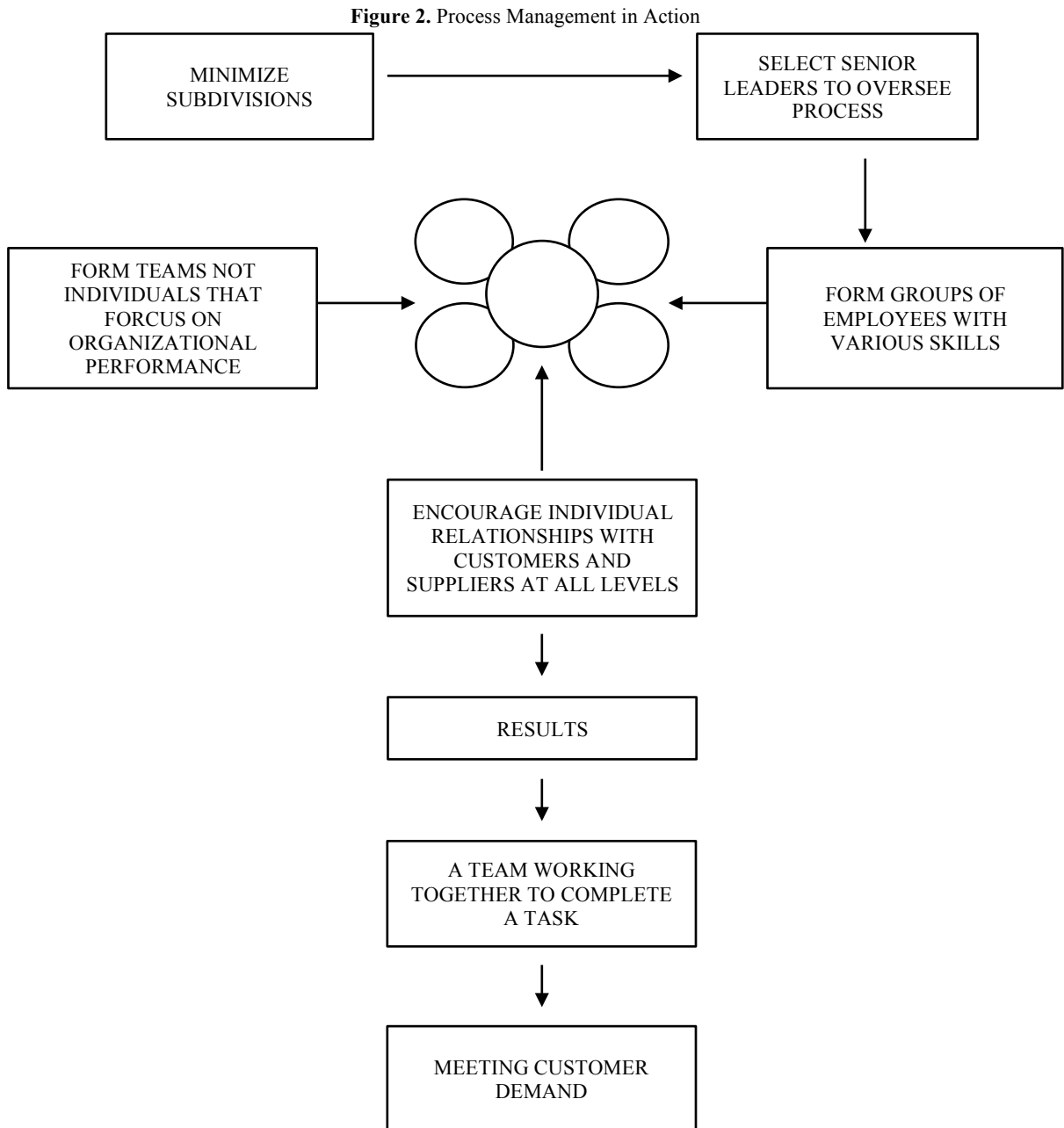
gains, better product quality and high job satisfaction. Figure 1 is an illustration of the path leaders can take to incorporate process management.

Figure 1. The Path to Leadership for Process Management



Process management is unique in three ways from function management. In the first place it uses external objective. For example: Old line manufacturing departments (systems control) are evaluated on unit costs, which can lead to larger production runs and unsold products. Dooreward & Benschop (2003) conducted a study on organizational change and highlighted: The change of focus from system control to process is sensitive to functioning positive during organizational change. From a process point of view, the integration of manufacturing and shipping can be jointly evaluated by how often the unit turns over its inventory. The results produce a process wide evaluation which indicates how all are working as a unit to keep costs down. The second unique element of process management is that groups are formed with employees having various skills to complete an individual product. An example of this is the production of a promotional brochure: A group would be formed consisting of a photographer, graphic artist, copy writer, prepress preparation, press operator, finishing individual and shipping clerk, who all work together to complete the task, rather than production that takes place in a series of steps. The third element deals with information flow and is important because information flows straight to where it is required, when it is needed, unfiltered by a hierarchy. This is advantageous because problems are dealt with directly, rather than

having a supervisor to speak to another manager. The following steps can be taken to implement process management and a horizontal structure: Organize around processes not tasks; minimize subdivisions of processes by flattening the organizational structure, have senior leaders in charge of processes process performance; interface performance objectives with evaluation of all activities leading to customer satisfaction; form teams, not individuals that focus on organizational performance; combine managers and employee activities, allowing the team to take on the responsibilities of hiring, evaluating, and scheduling; encourage individual relationships with customers and suppliers at all levels; establish a reward system for skill development and team performance [Jacob, 1992]. Figure 2 is an illustration of process management in action.



Process management is a 53 year-old concept being revived since the mid 1980's. This concept has been successfully implemented by Martin Marietta's Electronics, Information and Missiles Groups. They were able to optimize quality, scheduling, and cost performance within the first year. After three years, customer audit deficiencies were virtually eliminated, primarily through emphasis of job ownership and management support [Ossin and Mandi, 1992]. The concept has also been successfully implemented by Kodak and the Xerox Corporations [Ossin and Mandi, 1992].

Transforming an organization's culture is usually not likely without the hiring of some new management. New members on a management team will not have any ties to how and with whom business processes were previously conducted. Through proper orientation of new company objectives, an understanding of the kind of image the corporate culture must project, coupled with senior management support, a new culture can begin to take shape. New managers may be the vital link in communicating the new company objectives and following through at all operating levels. Organizations must be continually adapting to change. The single most important challenge for future managers will be to achieve change constructively. Change can be disruptive but is essential in a progressive organization. For change to take place successfully, those affected must be psychologically willing to make the effort. Organizations can prepare for the 21st Century if managers adapt a leadership approach that embraces the process of empowering employees, making them feel more accountable and part of the overall growth and success of the company. Goals and objectives that are held by the organization are understood and communicated to all employees who play a vital role in the achievement of these goals. Therefore, employees become an integral part of the organizational system, subject to the forces that affect the organization (Gardner, 1990).

What Should John the New CEO Have Considered?

At one time, a rule of thumb was used to determine whether or not a manager was capable of leading. You had what it takes to be a leader or you didn't. If you were lucky enough to have what it takes, you kept that secret to yourself. You whipped your employees into shape, you enforced the chain of command, you were on the line and the buck stopped with you.

Since 2000, industrial decline and organizational downsizing began to take place. Tremendous change has occurred in the American economy in the last ten years. Foreign competition has broken stable markets. New technologies employed by innovative entrepreneurs caught some corporate giants off guard. The role of middle management is slowly being carved out of the corporate structure.

There were not too many corporate leaders who saw this coming, but the handful that did, they declared themselves advocates of: "employee empowerment, quality management, and excellence." However, in reality, not all of these corporate chiefs self-abandoned their traditional belief in what it takes to be a leader. According to James O'Toole (1994), professor and leadership expert, "Ninety-five percent of American managers today say the right thing. Five percent actually do it." All organizations must come to grips with the reality that corporate leadership in the future will be very different and full of many challenges. Future leaders must learn to change the nature of authority and how it's employed. If not, then technology will. Information technology and its affects are just beginning to be felt [Huey, 1994]. Current executives and students alike need to be trained as leaders for the future which is upon us. In the past, leadership theories have focused on management processes that are designed to maintain and steadily improve performance. Today, a new leadership theory has surfaced [House, 1977, Burns, 1978, Bass, 1985, Bennis and Nanus, 1985, Tichy and Devanna, 1986, Kuhnert and Lewis, 1987, Conger and Kanungo, 1988, Saskin, 1938, Bass, 1990]. Research has proven that new theories of leadership invoke inspirational, visionary, and symbolic behavior [House, 1991].

CONCLUSION

Change is inevitable. Current American marketplaces seem to have lost their borders. Fast-occurring environmental shifts are affecting organizations and people as well. If organizations strategically plan for change, positive results can be obtained. Organizations need to focus upon transformative managerial leadership in order to survive. The more a company's structure becomes horizontal in nature; the better it can react with flexibility towards its environments. Process management may not be the cure for all organizations, but implementation should be given some serious consideration, even if only in part. If process management is to be considered as an approach to regaining effectiveness, then leadership skills could be a vital link for success. It is imperative to have leaders that encourage and reward employee motivation and goal accomplishment.

According to Shamir, House, and Arthur [1993], employees are more likely to look up to leaders and to accept their definitions of the organization's identity and mission [Shamir, House, and Arthur, 1993] if they believe that are integral part of this mission.

Leaders can attain employee confidence during change by sharing a mutual interest with those around them and providing employees with the confidence needed to carry out tasks. If organizations implement the process management concept, employees are more likely to gain the confidence to accept and adjust for changes (Kotter, 2014). Current research has indicated that combining both the transactional and transformational leadership concepts can be beneficial. Both these concepts can be employed in differing amounts and intensities depending upon circumstances [Egan, R., Sarros, J., Santora, S., 1995].

MORAL OF THE STORY

When John Russel took on the challenge of combining the food market with the general merchandise operation he began by revamping the top management. John employed the new FIRM to establish companywide programs to push change down through the organization. Unfortunately, John's approach was ill-suited for transforming the organizational culture of the new business. His strategy lacked management development and the need for transformative leadership, an integral component of dealing with organizational change and restructure successfully. If John had focused upon making sure his leaders had high levels of communication and visibility with their employees, fostering motivation and enhanced productivity, he may have been able to effectively reorganize the retail operation of his firm.

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