Organizational inertia and change portfolio: An analysis of the organizational environment in developing countries

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The purpose of this research is to develop a framework to cope with organizational inertia in the context of the developing countries. In contemporary organizational theory, inertia is considered as a major contaminating factor which could have adverse impacts upon the effectiveness of organizational change. Since organizational inertia is considered as a major barrier to a dynamic portfolio for change, this paper aims to examine and enhance our understanding about a group of inertia forces that could possibly resist the change process. The findings of this research contributed to the existing work by suggesting a range of challenges in the organizational context of the developing countries. Moreover, this paper addresses the context-dependent barriers to organizational change and therefore provides new empirical and theoretical frameworks that could be used by the stakeholders to revise their policies and restructure their organizations according to the demands of business environment.

Key words: Organizational inertia, change, change portfolio, developing countries.

INTRODUCTION

The main problem in the study of organizational change is the dynamic environmental context in which organization exists. Therefore, the organizational dynamism and uncertainty remain the major concern for organizational theorists for over the past three decades (Gersoff et al., 1991). Most of the researchers who were involved in environmental studies, suggested a detailed analysis of organizational environment before making any type of organizational plan (Duncan, 1972; Harrington and Kendall, 2006; George et al., 2007; Miller, 2009). The contemporary organizational environment is increasingly dynamic and challenging as observed by organizational researchers like Walters (2003). Therefore, organizations have limited options to stay with inertia before deciding for the environmental changes (Miles and Cameron, 1982; Miller and Friesen, 1984). Otherwise the environment is assumed to have the power to select from the group of competitors those organizations which best serve its needs (Hannan et al., 1989). To break the grip of inertia; continuous changes are essential. There are some researchers who are not in the favour of continuous change process, because of its feasibility and environmental characteristics. They argued that internal and external stakeholders, organizational size, age as well as complexity compel the organization to resist the change (Hannan and Freeman, 1984) and continue on routineness (Levitt and March, 1988), which is a repetitive activity in organizational framework. This phenomenon is known as inertia in organization theory.

Organizational inertia resists the change process and reduces the probability to change the organization (Colombo and Delmastro, 2002). The inertia has two types: Primary and momentum. Momentum is a complex form of inertia in which organization implements different changes, but the same cycle of changes are being implemented again and again (Amburgey et al., 1993). In the context of the developing countries, breaking the grip of inertia as already suggested by the modern organizational theorist is necessary to achieve the targets of successful change. Whereas, the success of change in pre-identified areas depends upon different factors as:

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Identifications of resisting/ inertia forces, evaluating their intensity, analyzing their individual and collective effects and methodologies to cope with resisting forces etc.

LITERATURE REVIEW

Environmental conditions and managerial decisions appear to establish the basic pattern of activities in organization (Boeker, 1989). With the continuance of these activities, shared understanding of that basic pattern is established (Meyer and Rowan, 1977). This type of shared understanding in organization creates routineness and homogeneity of the activities. According to Hannan and Freeman (1984) routineness and homogeneity are the major causes of organizational inertia.

CONCEPT OF ORGANIZATIONAL INERTIA

Some of the earlier researchers like Hedberg (1981) consider inertia as stagnation in the organization. Whereas, some other researchers like Tushman and Romanelli (1985) consider it as a resisting force for change. In the contemporary scenario of the developing countries where the business organizations of the developed economies have almost captured the markets of the developing countries, it is essential for the organizations of the developing countries to change their basic structures according to the demands of their external environment as portrayed by the contingency theory (Burns and Stalker, 1961). But the major problem for organizations in this situation is their inability to change their core features as rapidly as the environment is changing. According to Hannan and Freeman (1984), the core features of organizations include its stated goals, forms of authority, technology and market strategy. All these features of organization force it to maintain the status quo and continue with the current strategy (Nelson and Sidney, 1982). This strong association of the organization with current strategy has been described as organizational inertia (Kelly and Amburgey, 1991; Gabor et al., 2000). Gerry (1987) used the term ‘strategic drift’ for this concept. According to him, this phenomenon refers to the situation in which environment changes rapidly but the organization’s strategy fail to keep in-line with it.

Organizational inertia is considered to be a contaminating factor for organizational change (Hannan and Freeman, 1984). It does not stop the change process, but makes it relatively slower. Due to the slower process of change, organization cannot exploit the emerging short-term opportunities on one hand and on the other it cannot prepare itself for an effective response to the environmental changes. In the earlier literature on inertia, there are various schools of thought having distinctive points of view. Some of these researchers are in the favour of Inertia as cited by Miller and Chen (1994) like Hannan and Freeman (1984), Nelson and Winter (1982); Amburgey and Miner (1992). But in this research effort, especially keeping in view the context of the developing countries, organizational inertia is considered as a potential threat for organizational development.

ORGANIZATIONAL CHANGE: TYPES AND DIMENSIONS

To break the inertia, new concept has emerged that is called organizational change (Romanelli and Tushman, 1994). Although the concept of change has been studied and documented in the classical literature, but the study of change in the business organization is fairly recent and has been the focal point of several contemporary studies in organizational analysis (Chapman, 2002; Hughes, 2007). Change is considered to be a multifaceted phenomenon in contemporary organizational theory (Kanter et al., 1992). The major problem in studying this concept is the lack of adequate definitions available in the literature. However, different researchers have attempted to define organizational change from their individual perspectives. Clarke (1994) and Meyer (1982) for example, focus on the need for organizational change with the varying environmental forces. Clarke (1994) emphasizes upon the need for organizational change to deal with environmental pressures and to achieve the targets of continuous survival and growth. Meyer, on the other hand, argues that change is required to cope with unexpected shifts in the organizational environment. According to him, these unexpected shifts may include worker’s strikes and management crises etc. Behaviour of the change process and its procedures were studied by Child and Smith (1987) with a focus on transformational change in the case of the Cadbury Limited. The major variables of their analysis were: Objectives of the firm, context of the firm, collaboration amongst the organizations and organizational inertia. In addition to this, other significant contributions have been made (Fomburn and Ginsberg, 1990; Greenwood and Hinning, 1996; Van and Huber, 1990).

Fomburn and Ginsberg (1990) analyzed the organizational strategy that mediates the relationship between industry structure and organizational performance. In this study, they concentrated on integration of business and corporate level strategies to break the inertia and to increase the shareholders value. The study of Greenwood and Hinning (1996) advocates the development of a framework to understand the change in the context of neo-institutional theory. In this study they analyzed the effect of political, regulatory and technological complexities on organization. According to them, these factors have

1 Morgan (1986) quotes from Heraclitus 500 B.C. who presented the idea of flux and change in the universe. He states that “You cannot step twice into the same river, for other waters are continually flowing on.”
the potential to induce a radical organizational change. The research of Van and Huber (1990) analyzes the process of organizational change. They discussed various processes of change associated with its emergence, growth, development and the termination phases.

Whereas, most of the researches mentioned above discussed the process of change and the factors associated with it. Kanter et al. (1992) attempted to provide a basic definition of organizational change. According to them, organizational change is “the Shift in behaviour of the whole organization, to one degree or another”. Van and Poole (1995) have similar opinion on the fundamental definition of organizational change. They describe organizational change as “change, one type of event, is an empirical observation of difference in form, quality or state over time in an organizational entity”. In contemporary management literature, researchers have identified several kinds of change which need to be handled in particular ways. There are three types of organizational change (Bass and Steidmeier, 1999); that is, incremental change (Ackerman, 1986), transitional change (Jick, 1993) and transformational change (Kotter, 1995). Incremental or developmental change improves what the business is currently doing, rather than creating something new. Transitional change replaces what already exists with something completely new. The organization must dismantle and emotionally let go the old ways of operating while the new state is being put into place (Dunphy and Stace, 1993). Transformational change introduces new and radically different forms of organization’s mission, culture and leadership (Ackerman, 1986). It includes both radical and incremental changes (Child and Smith, 1987). Transformation of the organization is a continuous process. It focuses on continuous improvement by restructuring, strategic goal setting, good leadership and continuous improvement in the human side of the organization.

RESEARCH METHODOLOGY

The methodology adopted for this research paper is purely qualitative, with its purpose being the analysis of the notion of organizational inertia in the context of the developing countries. The environmental variables have been examined conceptually to discuss the group of inertia forces and to identify the potential areas where the implementation of change is comparatively less challenging. The outcomes of this research are purely basic and applicable to most of the business organizations of the region.

Environment Analysis of the Organization

The first activity in this framework is the analysis of the organizational environment that helps the stakeholders to take strategic decisions about inertia and change. Environmental analysis includes two types of analyses: internal and external. In external analysis, the primary task is to identify the strategic position of the organization in the competitive landscape. Figure 1 presents the network model to identify this strategic position of the organization. For identification of strategic position of the organization, it is necessary to recognize the relative positions of the other organizations including competitors, suppliers, partners, customers etc as mentioned in the Figure 1. There is no central point or organization as adopted by most of the earlier researchers due to the network model of the organizational environment.

After analyzing the external environment, it is necessary to understand the internal formation of the organization, because, contemporary organization is not simple a venture of people for some common interests, it has some more complex dimensions. Therefore, the reason behind analyzing the internal environment is to trace the ever-changing and dynamic nature of organizational elements and processes. With every new shift in the organizational environment, new forms of the organization have emerged. In our network model we propose that the internal environment of organization consists of four dimensions including social structure, physical structure, culture and technology.

Matrices of the Organization Dimensions

After identifying the organizational strategic position in external environment and categorizing the internal dimensions, the major task could be the development of possible sub-dimensions of the major dimensions of organizational environment. For example, for any organization “X” one of its important components of internal environment is its technology. If we operationalize the technological dimensions into A, B, C, D and develop all its possible matrices example, (A,B), (A,C), (A,D) (B,A), (B,C), (B,D), (C,A), (C,B), (D,A), (D,B), (D,C) and so on, then we will be in a better position to analyze the strength and weaknesses of technological factor. The formation of matrices of the organizational sub-dimensions is relatively difficult and complicated task. Analyst has to develop more than one type of matrices within and among the sub-dimensions of organization as depicted in Figure 2.

After the formation of matrices, it is necessary to define each condition in a matrix with an appropriate methodology. The questions that may be kept into consideration include: What this matrix actually means, how this matrix is strategically beneficial for the organization and what is the relationship of this matrix with the other inter and intra-matrice combinations.

After developing and defining the organizational matrices, a change agent would be in a better position to understand the matching problem of different dimensions. The matching problem will tell us about the different dimensions in internal as well as external environment which are not compatible with each other. This incompatibility of the dimensions would define the major sources of inertia forces in the future activities. Through the analysis
Figure 1. Strategic position of the organization.

Figure 2. Matrices of organizational environments. Based on Hatch (1997) organization theory. New York: Oxford University Press.
of these matrices, it would become relatively easier for the organizational researchers as well as managers or change agents to identify the areas where the decisions of change could be implemented. The areas selected for change will be the change portfolio.

**Change portfolio**

After analyzing the organizational environment and detailed assessment of the matrices, it is relatively easier to decide the change portfolio. Practically, change portfolio is the identification of those areas or dimensions within the organization which are selected for the implementation of change processes.

**Inertia portfolio**

With the identification of change portfolio, other important portfolios also emerge. Inertia portfolio is one of them. Inertia portfolio consists of those forces which resist the change process initially individually and then collectively. Practically it is not viable for any organization to deal with or break all inertia forces at the same time, but organization has to choose which inertia forces it needs to overcome for a successful implementation of change process. The most important type of inertia as a contaminating variable for change portfolio, which needs immediate attention of the managers is structural inertia.

**Organizational inertia and change portfolio**

The development of change portfolio is a difficult task, but its implementation phase is much more challenging. After the formation of a change portfolio, the major task is to implement it by overcoming the inertia forces. In simple terms, the most important task for a manager is to control the factors that could make the implementation of change process slower. In order to identify the inertia forces attached with organizational structure, understanding of the structural dimensions is necessary. To discover the effects of inertia forces the performance of the organization must be measured at three stages that is, the pre-change stage, the implementation stage and the post-change stage.

Pre-change stage is important because most of the planning and related decision making is performed at this stage. The key decisions that could be made at stage one are (1) The decisions about the strategic position of the organization by analyzing its environments and considering culture, technology, social and physical structure as important internal factors, (2) formation of matrices of both internal and external dimensions, (3) matching the inter and intra-matrices (4) finding out the matching problems, (5) decision about the change portfolio etc.

Stage two is the implementation phase in organization. This is considered as the “stage of trouble", because most of the mismatched problems between change portfolio and structural dimensions actually appear at this stage. When the implementation process starts, the inertia forces start reacting immediately. At this time most of the change efforts fail due to the mismanagement of the inertia forces. This is the stage where leadership abilities are required. Here the rational manager decides about the ways to break the grip of inertia and make change process successful. At this stage, any delay in dealing with inertia may result in a change in the shape and intensity of inertia forces just like a virus that becomes much stronger with time. So, a setback in the management of inertia forces could result in the higher intensity of these forces in several other dimensions.

Third stage is the final stage, where a new form of organization emerges after the completion of change process. The time span required for this transformation depends upon different factors example, organization knowledge, leadership abilities, organizational responses to different environmental variables, human resource commitment and other organizational resources.

**Conclusion**

This research attempted to analyze the organizational environment of the developing countries for conceptualizing its various internal as well as external dimensions that could create organizational inertia. It also investigates the effect of these inertia forces on change portfolio. The change portfolio and organizational inertia are two complicated processes to understand and implement. To initiate the change process and to break the grip of inertia forces, change agent will have to: Revise the organizational vision, make a comprehensive plan by studying all aspects of change and develop step-by-step protocols for all the three stages as discussed previously and construct a detailed plan to deal with the inertia forces, motivate the workforce to adopt the change by reducing their resistance, develop different teams to deal with different aspects of the change process and create an environment of coordination and trust amongst different teams, perform continuous evaluation of the change process and make contingency plans to deal with any contaminating matrix appearing during the implementation phase.

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