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AGRIBUSINESS MANAGEMENT

MANAGING CHANGE

A manager's activities are diverse. Much of his time is occupied with routine day-to-day operations. On occasion, however, crises do arise. When they do, a manager's time and talents are diverted from routine items to matters more directly concerned with the crisis. To weather these crisis situations successfully, a manager's abilities are likely to be taxed heavily. At no time, however, are a manager's talents and abilities more heavily taxed than when the business is confronted with a major change. Coping with routine activities is child's play compared to the managerial demands evolving from and associated with a major change.

What is change? Change is like tomorrow -- at least as ill-prepared for, equally illusive, and no less inevitable. Some industries (e.g., electronic circuitry) thrive on change, while others (e.g., carriage) die because of it. The agribusiness industry falls into neither of these categories.

Major changes in an agricultural business may take many forms. Such changes may appear as a business expansion or contraction. They may be horizontal or vertical in nature. In composition, they may concern the purchase of supplies, the handling of a product, or the method of marketing and distribution. Major change may evolve as a result of managerial premeditation or it may arise from external factors completely beyond the control of management. Regardless of its origin, nature, or composition, major change

represents the single greatest challenge to a manager. You may be able to manage your business, but are you equally able to manage a major change?

Why So Important?

Why does a "change" represent such great challenge to agribusiness managers? In my opinion, there are several answers to this question.

First, change normally involves a large sum of money. When referring to change, I am not speaking of slight adjustments in the nature and scope of business activities. Instead, I am speaking of an adjustment which represents a major diversion from the status quo. For example, let's consider a hypothetical farm supply operation which is contemplating the closure of its fertilizer division. Because of intense competition, fertilizer margins have dropped below an acceptable level. Fertilizer sales have represented 25 percent of the supply firm's total annual volume. The closure of this division, therefore, represents a major change -- one which involves a relatively large sum of money both on the cost and the revenue side. In view of its monetary importance, this change represents a sizeable challenge to management.

Second, change is likely to affect a business over a long period of time. Returning to the example noted above, we find this to be true. Because the resources necessary to equip and operate a fertilizer supply division are so large, it is not an enterprise which can be operated on an intermittent basis. Once the

decision to close the division has been made, reopening of the enterprise at a later date becomes difficult. Change, therefore, often requires that managers make decisions which are irreversible. This irreversibility forces managers to make fixed commitments. Fixed commitments, in turn, reduce the long-run flexibility of the firm and infringe on future earning potential.

Third, change forces management into a confrontation with the future. Before a manager can respond to a major business change, he must consider the longevity of those factors contributing to the change. Before deciding to close the fertilizer division, the manager of our hypothetical farm supply firm is forced to estimate how far into the future the intense industry competition is likely to continue. Because the future is composed of a formidable combination of uncertainties and unmeasurables, it represents an inevitable force with which managers are poorly equipped to deal.

Change, therefore, does represent a great challenge to managers. Nevertheless, it must be acknowledged and dealt with. As if it were a normal part of a business operation, change too must be managed. To manage an agricultural business without managing change is an impossibility. The remainder of this paper is devoted to a description of change, forms of resistance to it, and methods by which change is most easily introduced and assimilated into a business. It is my hope that as your understanding of change improves, so will your ability to manage it.

Dimensions of Change

Major changes, such as the one described in our example above, involve two basic dimensions: the physical and the human.

The *physical dimension* of the decision to close the fertilizer division would include adjustments in inventories, use of assets, financial arrangements, accounting practices, etc. For the most part, the physical dimension of change is concerned with tangibles. To deal with the physical dimension, the manager is confronted with a choice of alternative systems, procedures, processes, and technologies. His dilemma, therefore, is one of selecting a “methodology” which is best suited to assimilate a specific physical adjustment into the business operation. In our example, this methodology might be the adoption of an adjusted depreciation scheme such that the overhead once carried by the fertilizer division would henceforth be carried by the remainder of the business. As such, the physical dimension of change represents a purely technical problem for management and shall not be discussed further in this paper.

Instead, this discussion is devoted only to the *human dimension* of change. Phrased in another way, this discussion is in response to the typical manager’s lament that, “. . . it would be easy to adjust our business to a major change if it were not for people.” The human dimension of the change noted in our example would concern the disposition of fertilizer division employees, the reaction of customers to the closure and the loss of morale by the management team due to the implied failure of the fertilizer division. As such, the human dimension of change presents a much greater challenge to managers than does the physical dimension.

Forms of Resistance

People resist change in many subtle, and not so subtle ways. Probably the most typical reaction to change sounds something like, “It is a good idea but . . .” Most changes involving new technology or methods of

conducting business interfere with the current status of some employees of the firm. The change may threaten some with the loss of their status or the elimination of their job entirely. If nothing else, change will often reduce the utility of, or need for, the skills held by some employees. Human resistance to change generally appears in four forms: a) loss of status, b) fear of the unknown, c) aversion to failure, and d) nostalgia.

Loss of Status: The resistance to change is often found in its most advanced form among those persons whose cooperation is most vital to the adoption of change. Nearly every story of human resistance to change has its major villains in the upper levels of management. An individual whose status is largely dependent upon possessing a specified skill which would no longer be needed, or is about to be performed by a mechanical wizard, is usually less than enthusiastic about assisting in his own demise. As a result, when a manager initiates a change, he must quickly come to grips with the problems associated with those individuals who will be eliminated or confronted with a diminished status.

Fear of the Unknown: Nearly all of us have a fear of the unknown. When an impending change carries with it the supposition that something new will mean either the loss of control, the loss of status, or both, our anxieties are immediately aroused. Most of us try to combat this anxiety of fear with seemingly logical statements about why the change won't work. Deep down, of course, we are terrified by the prospect that it will work.

Aversion to Failure: President John F. Kennedy once noted that success has a million fathers, but failure is an orphan. Put yet another way, nobody likes to play on a

losing team. When the perceived probability of failure is higher than that of success, it is only natural that people will avoid any real commitment. A major business change, regardless of how badly it may be needed, does represent a sizeable risk to many people. The more major is the change, the bigger the objective, and the longer the odds -- or at least many will be predisposed to think this to be the case. This does not mean that the objective of the change is not valued, but that fewer people will devote energy to a change with a low probability of success. Most G. M. employees would someday like to be president of the General Motors Corporation.

However, very few of these employees are willing to exert much effort toward this goal because of the near-prohibitive odds against their actual attainment of this position. Many employees of an agribusiness firm may be favorably disposed towards the goals of a change, but be rationally unwilling to participate in the change given what they perceive to be extremely long odds for its success.

Unfortunately, in the business world, those sponsoring a change are inclined to be overly optimistic, while the recipients of the change are overly pessimistic. The problem of introducing change, therefore, is not a problem of the value of the goal, but rather, of the perceived probability of attainment.

Along similar lines, another reason for human resistance to change is the vulnerability of one's position relative to success or failure of the change. Some businesses have a long history of conducting "hanging ceremonies" for those individuals materially involved in a change which failed to bring about the expected results.

Nostalgia: Every business is likely to employ some individuals with an extremely long sense of history. They are always quick to point out, "A similar change was attempted twenty years ago and it did not work." This form of resistance is more nostalgic than it is rational. It represents a failure on their part to recognize that external conditions now affecting the firm may differ from those of twenty years ago. This particular form of resistance often appears in those areas of the firm where little is to be gained from the proposed change and much to be lost.

The four forms of resistance described above all differ somewhat in their likely origin and potential implications. It is hoped that a better understanding of the forms of resistance will improve a manager's ability to deal with them.

Introduction of Change

There exists no single way to best introduce change into an agricultural business. As has been indicated, the introduction of the physical dimension of change is a matter of technology or methodology. The human dimension is more complex and rests mostly on the conventional wisdom that firm personnel must be sold on change before they will be receptive to it.

One of the standard approaches used to convince personnel (and management) that change is good and to be desired is called "**demonstration.**" This approach is designed to show the "doubting Thomases" that change is to be valued for its logic and efficiency. Office equipment salesmen rely heavily on this approach in their attempts to demonstrate the attributes of their products. Unfortunately, when it comes to a business change, attitudes are rarely formed by logic and even less often changed by it. Most of our stronger attitudes against change evolve

from personal experience. Most forms of human resistance are emotional either in their origins or in their current existence and no amount of logic or efficiency are likely to alter them. Demonstration, therefore, is generally an unsuccessful approach.

A second approach is used when a firm reaches the point where time and patience have been exhausted. In a desperate attempt to introduce the change, the "**bulldozer approach**" is followed. The bulldozer approach is not an altogether unsuccessful process. It often works once, but herein lies the problem. Most agribusiness firms experience not one, but a series of major changes during their active life. At least one of these changes is likely to fail. When this occurs, after the change had been bulldozed through, goodwill and employer resilience quickly dissipate. The best prediction of how people will react to a proposed change, therefore, is based on how the last change was handled.

A third approach to the introduction of change is called the "**composite alignment.**" It involves an alignment of numerous psychological armaments, each directed at a specific form of human resistance. Fear of the unknown, for example, can be countered by benign exposure with the feared object. A frank disclosure of what the proposed change will entail will produce this confrontation with the feared object. Lost status is compensated for with alternate forms of status. An accountant who fears the loss of his status resulting from his replacement with a computer may be able to rationalize a recapture of this loss when he is told that he, alone, will be responsible for operating this magical marvelous monster.

Participation is also a part of the composite approach. It appeals to our democratic

values and, therefore, is a concept quickly adopted by those proposing change. When properly done, participation can provide a sense of commitment to others. Hence, if the change is logical and useful, participation will give the participants a perception of the probability of success through an understanding of their own and others' contribution to the process.

The greatest amount of motivation is produced when individuals see a reasonable chance of arriving at a reasonable goal. This is true even if the ultimate success of the change is less than certain. Too often, however, the goals of the change are not stated in understandable or motivating ways. When this occurs, the message that convinced the manager of the need for a change is not (when communicated to employees) tailored to the needs and desires of those to be most affected by the change. If the change is to be introduced with complete endorsement, the overall goals of the firm must be transformed into goals appealing to individuals within a firm. In our example, the closure of the fertilizer division was the change. The firm's overall goal was to increase profits (and/or reduce losses). Increased firm profits would have little appeal to the firm's employees until this goal was transformed into higher employee salaries. If the proposed change is to be introduced to the employees with the expressed goal of increasing their salaries, resistance to the change would likely be reduced.

To insist that all firm personnel endorse a major change is a degree of perfection that is impractical and impossible. To insist, however, that those who manage change take the time and effort to understand the forms of resistance, combat them, and offer assurance of endorsement is a degree of perfection highly desired.

Assimilation of Change

A manager's responsibility does not end with the introduction of change, but must continue through the assimilation process. While people may express some fear of impending new events, their resistance may not fully divulge itself until the event is close upon them. It could be said that the amount of resistance to a proposed change is approximately in direct proportion to the proximity of the event.

There is probably little that can be done about this phenomenon other than to anticipate it. Such anticipation will give the manager time to prepare for the last emotional outburst from his opponents. The trauma of this final episode can be lessened by admitting, just prior to the change, that some operational problems resulting from the change are to be expected. You should also establish a network for feedback communications. Then when problems do arise, disgruntled employees find it easy to call the problem to the attention of management. Management, in turn, takes remedial action and lets the sender know that his message was well received (and appreciated).

Establishing a fixed date for the final assimilation of a major change into a business is a risky practice. As soon as employees realize that the target date will be missed, they begin immediately to look for someone who is surely to blame for this catastrophe. A target date, if one is used, should have several ingredients. First, it should be reasonable, i.e., a date such that the average person can reach it. Second, the target date should include several intermediate goals so as to provide an indicator that progress is being made towards final assimilation. Finally, it should establish not only intermediate goals, but

also ranges of acceptance around these goals. This will not only avoid the climate of failure, but will aid the manager in maintaining control over the assimilation process.

A Final Note

Some people become addicted to change. Hardly before a firm has had time to adjust to the last change, these mavericks are already clamoring for another one. To accept their desires would mean that the firm would operate indefinitely in turmoil and instability. The only solution to this phenomenon is a manager who has the wisdom and stamina to say “no.”

Summary

Change represents the greatest single challenge to the talents and abilities of agribusiness managers. ‘Ibis paper attempts to improve an administrator’s understanding of change and, thereby, his ability to manage it. Change was shown to have two dimensions: the physical and the human. Human resistance to change appears in four forms: aversion to failure, loss of status, fear of the unknown, and nostalgia. The demonstration and bulldozer approaches to the introduction of change were shown to be less desirable than the composite alignment approach which combats each form of resistance simultaneously. The assimilation of change requires that managers anticipate last-minute problems and prepare an appropriate defense.



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