Managing Organizational Change:

A guide for Human Resource Professionals in the era of change

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Abstract

Organizational Change is inevitable, constant and necessary and is at the forefront of the minds of many Human Resource Management Professionals today. Organizational change may be a result of market shifts in the economy, technology advancements, diversity or changes in employee skill-sets.

Many employees resist organizational changes because they feel less in control, the timing is poor, communication is unclear or simply because they don't trust upper management decisions. Therefore, it is crucial for Human Resource Professionals to get involved in the change process and to implement strategies that help smooth the transformation.

However, for Human Resource Professionals, managing change transformations has been more difficult than it has ever been before. With higher global competition, a faster-moving business environment and limited knowledge of effective change management processes, Human Resource Professionals often find change just as difficult as employees.

This thesis will explore the ever-present concept of organizational change and will look at why employees are resistant to the changes facing them. It will then begin to explore the driving need for change and how Human Resource Professionals can avoid the most common mistakes in the process. The thesis will incorporate the wisdom and experience of Human Resource Managers from Fortune 500 companies going through changes and will explore what practices work well. It will round out by exploring the most recent challenges Human Resource Professionals are facing today. Essentially, this thesis serves as a reference for Human Resource Professionals to become better prepared to handle their employees through change. With the insight provided,

Human Resource Professionals can ultimately operate strategically in nature and keep their businesses performing optimally.

Personal Statement

My name is Valerie Repischak, and I am a senior majoring in Human Resource Management with a minor in Psychology. Post graduation, I will be working as an Organizational Development Analyst Associate for Lockheed Martin at the Aeronautics Headquarters in the Fort Worth, TX area. I decided to conduct my research on Organizational Change, because I felt this topic would provide a lot of insight into topics I'll be faced with in my future career. I wanted to research specifically how to conduct myself as a Human Resource Professional during organizational transformations. With generational differences existing amongst today's HR Professionals, I realize there are many different perspectives and approaches to handling change. However, with my research, I plan to discover how these perspectives have evolved and how my experiences have shaped my personal view of organizational change. Understanding all of these perspectives collectively will allow me to become well ad versed in implementing change processes and responding to employees concerns. Ultimately, I plan to use this research to enhance my knowledge and broaden my definition of organizational change. Conducting research for my thesis will provide me with a wide range of insight that I plan to share with my peers, SPEA faculty and future employers.

My Experience As an Undergraduate Student in SPEA

I would like to begin this thesis by sharing my personal experiences at Indiana University as a Human Resource Management Major in the School of Public and Environmental Affairs. My exposure to different types of changes occurring over the past four years not only shaped my career direction but also led me to my research topic of organizational change in the workplace. With the experiences I've discussed below, I was able to establish the foundation for my thesis and expand into different directions of interest.

A key student organization I served was the Human Resource Association at Indiana University (HRA-IU). I served as the Director of Marketing during the 2014-2015 academic year and as President during the 2015-2016 academic year. This organization was established as a SHRM chapter in 2007 when Professor Dan Grundman first registered it. It became an IU recognized chapter in 2010 when Professor Cheryl Hughes became the faculty advisor, and Executive Board members Rebecca Thomas and Kelly Burton helped to make this happen. Essentially, this organization serves as a close-counterpart to the Human Resource Management Major, and membership has grown substantially since its establishment. According to beInvolved's membership records, an Indiana University affiliated database, the Human Resource Association has grown from twelve members in 2010 to sixty-eight members in 2016 (beInvolved.org)[1]. This growth showed a similar pattern with student registration numbers in the Human Resource Management Major at IU. According to the SPEA Records Office, the major initially had 23 students majoring in Human Resources in 2014, 110 students in 2015 and now 172 students in 2016.

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[1] "The Human Resource Association at Indiana University." *The Human Resource Association at Indiana University*. N.p., n.d. Web. 22 Apr. 2016.

With the increased membership during my time serving the Human Resource Association, members of the organization were able to participate in various different professional events. An important event was the SHRM East Student Case Competition in Atlanta, GA, where I served as the team captain. Our team of six highly competent students was tasked with a case involving several employee conduct issues and a poorly designed HR strategy at a non-profit recreational business. Our team utilized our coach, Professor Chris Schrader, before the competition began in March and worked collaboratively as team members to complete a formal executive summary and power point presentation. Our team devised a solution to restructure the fictitious non-profit organization into a flat-structure model and created short-term methods to resolve employee relations issues. This was the first year our team participated in the SHRM East Student Case Competition, and we placed sixth out of 40 participating teams. Our team received excellent feedback from SHRM divisional director Martha Ramirez, who mentioned we should be very proud of our case team. We had the highest placement for a first-time competing team that she has ever seen. She also mentioned the competition for this case competition was very tight; only 15 points separated the first and last teams.

Another significant event involved touring the Eli Lilly campus with a group of twenty-five HRA members in the spring of 2015. Eli Lilly and Company is an American global pharmaceutical company, headquartered in Indianapolis, IN. Following the visit, managers from the HR department at Lilly were willing to provide insight on what types of competencies and skills they were looking for in applicants pursing HR. I was asked to join an executive discussion with these managers and SPEA faculty and share my perspectives as a student. This experience provided a lot of insight for me about how the field of Human Resources is rapidly changing and how organizational change is a key component for success in Fortune 500 companies.

A final event I would like to discuss is the SCHIRA Spring Conference in April. Previous Board Director of Finance, Morgan Geer, and I lead a discussion with HRA members and members of the South Central Indiana Human Resource Association (SCHIRA) at the conference. This is the first year that members from our student SHRM chapter were asked to present at a SCHIRA Conference. We will be informing the conference attendees about how our coursework has prepared us and what motivates our generation in the workplace. By sharing these experiences at the Conference, our organization hopes to provide insight about ways to utilize the strengths of our generation and situations where we are most productive.

I highlight these three experiences within the Human Resource Association, because each of them allowed me to explore organizational changes in unique ways. Serving on the case competition team allowed me to use my knowledge from previous coursework to implement organizational changes in the form of a revised corporate structure model. I learned to assess a company's current state and devise a solution using my knowledge of change principles. Participating in a discussion with Eli Lilly HR Business Partners and my professors introduced me to the important changes in the field of HR, considering the issues that are currently facing the economy. Finally, my participation in the SCHIRA Spring Conference has opened my eyes to generational gaps in the workforce and how organizations will need to adapt to these changes.

I would like to thank my peers, professors, and additional HR Business partners I've come in contact with for being apart of my experiences and helping me to explore my interests in the area of organizational change. Each experience has brought me one step closer to becoming a more successful HR Manager and overall leader through change processes. With all of these

experiences to support my credibility, I chose to begin my research by exploring organizational change on a deeper level, being sure to analyze forces for change and why employees resist.

I. The Concept of Organizational Change

Organizational Change is defined as a process when a company or organization goes through a transformation. It occurs when business strategies or major sections of an organization are changed (BusinessDictionary.com)[2]. This definition provides a broad overview of the complex factors involved with change processes in the workplace today. Today's organizational change is rapid and regular. According to an American Management Association/Human Resource Institute survey of approximately 1400 executives, "Eighty-two percent of respondents said that the pace of change had increased over the previous 5 years. And sixty-nine had reported experiencing severe shifts within the past year" (SocietyforHumanResourceManagement.com)[3]. These numbers emphasize how integrative change management processes have become in the workplace and why there is a growing need for change managers in Human Resources.

With these increasing numbers, HR practitioners are being called upon to manage a whole new realm of expertise. Change management has moved to the core of the HR profession, as a 2007 study by SHRM indicates. In fact, according to John Austin, author of *Leading Effective Change*, "Between 2008 and 2012, change management and cultural transformation has consistently appeared among the top five HR topics assessed in the creating people advantage report" (SocietyforHumanResourceManagement.com)[3]. Specifically, Human Resource Professionals

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[2] "More Articles." *BusinessDictionary.com*. N.p., n.d. Web. 10 Mar. 2016.
[3] Austin, John. "Leading Effective Change: A Primer for the HR Professional." *Effective Practice Guidelines Series Leading Effective Change: A Primer for the HR ProfessionalLeading Effective Change: A Primer for the HR Professional* (2015): n. pag. *Society for Human Resource Management*. SHRM Foundation, 2015. Web. 20 Feb. 2016.

play a key role in the implementation phase of change processes and a smaller role after the implementation. At the organizational level, HR Professionals are driving large-scale change initiatives and at the individual level, more so guiding employees emotionally through the changes (SocietyforHumanResourceManagement.com)[3]. However, HR Professionals tend to see conflict arise between management and employees when there is dissonance in the goals they are trying to achieve.

A Conflict of Interest: Managers vs. Employees

For managers, making changes is motivational and allows them to leave their mark on their organization. By recognizing existing problems and making changes to processes and organizational structure, managers feel like they've contributed to the company's success. Even as a change begins to set in with employees, managers are constantly making even more changes to maintain their feeling of self-efficacy in the company. This ultimately contradicts with the fact that organizations (the people in them) need stability to survive. They need to know where they sit in the organization, what is expected of them and how the company is performing (Forbes)[4].

With managers being driven by making changes and employees needing stability to thrive in their careers, there can be problems in carrying out change initiatives. These two opposing factors often lead to a conflict of interest, and employees begin to resist changes. Considering there are many factors involved in this reality, I decided to look more closely at the forces for change and why employees fail to cooperate with them.

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[4] Ready, Kevin. "A Hidden Risk of Big Organizational Change." *Forbes*. Forbes Magazine, 24 July 2013. Web. 05 May 2016.

Forces of Change

In today's day in age there are various forces for change including: competitive forces, economic forces, political forces, global forces, demographic forces, social forces and ethical forces (Jones 275-277)[5]. Each of Jones' forces below puts pressure on managers to respond to with change.

1. *Competitive Forces* – Organizations are constantly striving to be the top competitor in their respective markets. They feel pressured to surpass competitors in their ability to produce, new, innovative products. In today's day in age, the adoption of the latest technology, as it becomes available, is a vital practice for managers. The emphasis being placed on strategic planning in the United States and internationally shows there are significant benefits to gain through strategy formulation. By establishing a set of goals amongst each functional business area, corporations are placing themselves in a position to compete. They are asking themselves questions like: What actions are competitors likely to take and what is the best way to respond to this (Porter)[6]

2. *Economic, Political, and Global Forces* – Organizations feel compelled to change how and where they do business. There is also pressure on businesses to decide whether or not they want to expand into foreign markets and adapt to different types of cultures. The focus of

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[5] Operational theory, design, and change / Gareth R. Jones – 7th Ed.p.cm.
[6] Porter, Michael E. Competitive strategy: techniques for analyzing industries and competitors: with a new introduction/ Michael E. Porter. p. cm. Originally published: New York: Free Press, c1980.

economic activity is shifting to emerging markets. Nearly half of global GDP growth between 2010 and 2025 will come from 440 cities in emerging markets (Dobbs, Manyika, Woetzel)[7].

3. ***Demographic and Social Forces***- Organizations must cope with the growing pressures of a diverse workforce. Diversity factors range widely in today's society, with differences in ethnicity, sexual orientation, intellectual ability, and experiences. Managers have had to abandon stereotypes and learn to treat all employees equally when it comes to recruitment and promotions. A more diverse workforce [managers say] will increase organizational effectiveness. In addition, moral will be lifted, thus bringing greater access to new segments of the marketplace and enhancing productivity (quoted by Thomas and Ely, 1996:79)[8]

4. ***Ethical Forces***- Organizations are being challenged to protect general interests of its members and customers. Managers are being forced to add resources for employees to report unethical behaviors and are making it easier than ever to do so. Organizations need to comply with ethical standards, because otherwise they risk losing valuable employees and customers. Also, federal laws are imposing heavy penalties on corporations convicted of criminal wrongdoing if they cannot prove they took the necessary measures to prevent illegal employee conduct (hrhero.com)[9]

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[7] Dobbs, Richard, James Manyika, and Jonathan Woetzel. N.p.: PublicAffairs, 2015. *Google Scholar*. 12 May 2015. Web. 23 Feb. 2016.

[8] Brief, Arthur P. *Diversity at Work*. New York: Cambridge UP, 2008.

[9] "Ethics in the Workplace." *Counterpoints* 430.A Decolonizing Encounter: Ward Churchill and Antonia Darder in Dialogue (2012): 1-10. *Hrhero.com*. Web.

Why Employees Resist Change

With all of these forces in play comes employee resistance. Resistance to change can lower an organization's effectiveness and can hurt a company's chance to survive in the market. Resistance can occur at the organizational level, the functional level, the group level and the individual level (Jones)[5]. I incorporated the ideas of some Human Resource Practitioners I interviewed into my research, as well to gain multiple perspectives on resistance in the workplace.

At the Organizational-level

Forces within the organization can make it difficult to change in response to the external environment's changing conditions. Differences in organizational functions can also lead to resistance, as different divisions typically have their own perspectives of change. They see the issue differently, because it's primarily from their own viewpoint.

The structure of the organization can also create resistance to change when it's tailored to fit a mechanistic, or hierarchical structure. These types of structures require centralized decision making and clearly defined rules and procedures. Often times in these structures, employees are expected to act in accordance with company policy and become less inept to develop a capacity to change.

The organizational culture previously installed amongst the employees can also reduce the capacity for employees to change. Overtime, employees take on the values that support the company and acting against these would be difficult for them to do.

At the Group Level

Considering that most organizations require team-based work, there are often times specific social groups that emerge. These groups tend to establish both appropriate and inappropriate norms for their own individual groups. When a change occurs, it disrupts the way the group operates, and many of the members aren't willing to accept new norms.

At the Individual Level

At the lowest level, the individual, there are many reasons why employees resist change. One reason would be a loss of control. According to "Ten Reasons People Resist Change," "Our sense of self-determination is often the first things to go when faced with a potential change coming from someone else" (Harvard Business Review)[10]. With a loss of self-determination come many other reasons why employees resist change. Research shows that advances in technology and globalization have played a key role in forcing companies to change. However, only about 54 percent of change initiatives succeed. Author Rosabeth Kanter suggests that change initiatives fail to succeed, because of employees resisting change (Harvard Business Review)[10]. She acknowledges that resistance to change can step from the following factors:

- Loss of control

- Excess uncertainty

- The element of surprise

- Diverging from normal routine

- Loss of face

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[10] Kanter, Rosabeth Moss. "Ten Reasons People Resist Change." *Harvard Business Review*. Harvard Business Review, 25 Sept. 2012. Web. 1 Mar. 2016.
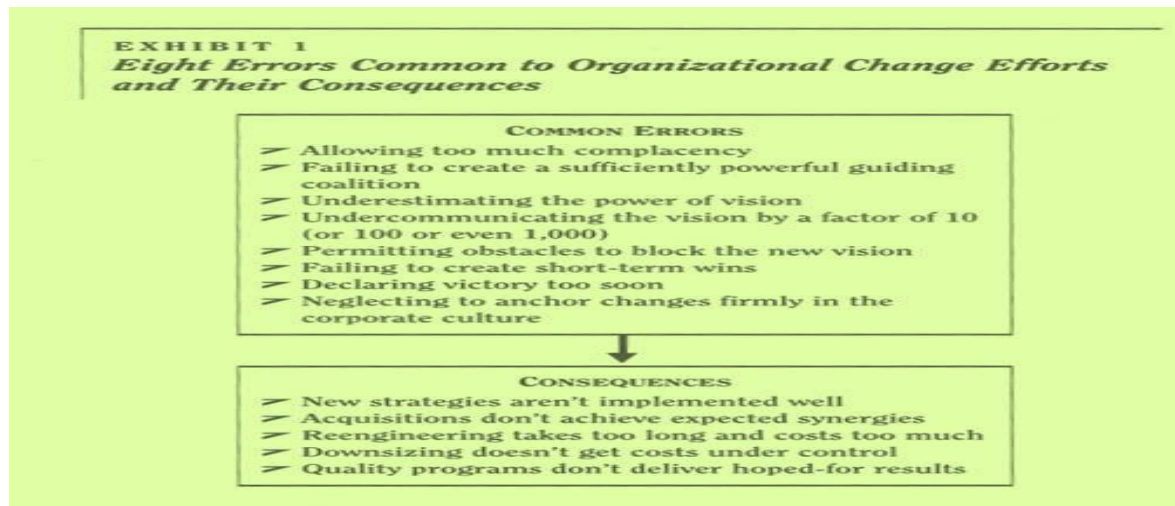
- Concerns about competence

- Increased Workload

- Disruption in different departments

- Overall Threatening

Each of these resistance factors supports the idea that success rates of change initiatives remain so low. Whenever employees are forced to adjust to changes, pain is ever present. However, many of these resistant attitudes are avoidable, if Human Resource Professionals can avoid making the most common types of errors.

Overcoming Common Mistakes with Change Initiatives

Resistance to change is essentially inevitable during organizational transformations. As a recap, employees are affected by change efforts at the organizational level, the group level, and the individual level (Jones)[5]. In order to overcome change barriers at all levels; Human Resource Professionals should be cognoscente of the most common reasons why organizations fail during changes. By understanding these reasons, Human Resource Professionals can guide employees better through changes.

Kotter's Eight Mistakes

EXHIBIT 1
Eight Errors Common to Organizational Change Efforts and Their Consequences

COMMON ERRORS
- Allowing too much complacency
- Failing to create a sufficiently powerful guiding coalition
- Underestimating the power of vision
- Undercommunicating the vision by a factor of 10 (or 100 or even 1,000)
- Permitting obstacles to block the new vision
- Failing to create short-term wins
- Declaring victory too soon
- Neglecting to anchor changes firmly in the corporate culture

CONSEQUENCES
- New strategies aren't implemented well
- Acquisitions don't achieve expected synergies
- Reengineering takes too long and costs too much
- Downsizing doesn't get costs under control
- Quality programs don't deliver hoped-for results

[11]

Error #1: Allowing Too Much Complacency

A big mistake that managers make is trying to implement a change too quickly without establishing a sense of urgency amongst employees. They look past the level of discomfort and uncertainty employees have with making changes and try to force their change on the organization. By reducing the complacency of employees, people begin to become defensive or possibly fall back to what's comfortable to them. It's important for HR managers to create a sense of urgency; otherwise, employees won't put forth the effort towards the change initiative. This relates to the basic concept of passion. If employees aren't passionate about what goals they are trying to achieve as an organization, they won't feel pressure to succumb to the companies' needs (Kotter 5)[12].

Alisha Corwin, a Contract Specialist at NSCW Crane in Bloomington, IN, shared her experiences, which related to this error. She mentioned the importance of communication and keeping employees on all levels informed of the changes taking place in an organization. For example, during Crane's last structural reorganization, her branch was split into three different branches.

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[11] *Image002.jpg*. N.d. Shkaminski, n.p.
[12] Kotter, J. P. *Leading Change*. Boston: Harvard Business School Press, 1996.

Many times, changes aren't "super transparent," as she would say. It's important for organizations to relay the message of the vision from the top-down in order to keep all employees focused on the organizational goals.

Error #2: Failing to Create a Sufficiently Powerful Guiding Coalition

A guiding coalition between all levels of management is essential to carry out change initiatives. Strong line leadership, rather than just a small subgroup, is needed to support and carry out the change missions. If committee members and key line managers don't have the same level of interest on the changes being carried out, it's more likely for the organization to lose sight of its overall mission. Line managers are key communicators to employees at lower levels of the organization, and they should be agents in the change process (Kotter 6)[12]

Angie Lewis, Chief of Staff at Crane Naval Base also comments on her recommendations to get line managers more involved. She shared with me that performance is enhanced through leadership development on all levels of the organization, specially the first line of management. First-line managers coach and develop entry-level employees and help spread the mission of the organization. They must have strong emotional intelligence and be capable of building relationships with employees.

Error #3: Underestimating the Power of Vision

This error relates to the two other errors mentioned above. In many companies, especially larger ones, the employees lose sight of the overall mission they are trying to support. They become occupied with their day-to-day agendas and lose sight of why they should or should not be taking the steps they do. Human Resource Managers can help by continuing to relay the vision to the

organization in every way they can. Therefore, employees' energy can be spent on more important issues, rather than smaller, insignificant conflicts over bad decision-making (Kotter 8-9)[12].

Error #4: Under-communicating the vision by a factor of 10 (or 100 or Even 1,000)

When communication is nonexistent in an organization, employees' opinions can get lost or are never captured. The most important part about communication is that it can be in the form of both words and actions. Human Resource Managers need to be sure to communicate the vision, as well as ensure managers behave in ways to reflect the overall vision (Kotter 9-10)[12].

Amy K. Reynolds, Chief at NASA Integration Office, also shared with me how important communication is and how she incorporated it at NASA. When implementing changes, generational factors must also be considered. Some employees prefer communicating changes verbally, in writing or electronically. It's important to recognize these differences to keep all employees onboard with the changes.

Error #5: Permitting Obstacles to Block the New Vision

Often times, there are obstacles that get in the way of carrying out a companies' intended vision, such as a failing organizational structure. HR Professionals need to make necessary changes to obstacles to best ensure their employees are contributing to productivity and customer service (Kotter 10-11)[12].

Error #6: Failing to Create Short-Term Wins

Employees need to experience short-term wins within six to eighteen months of the changes to continue supporting the change. In successful organizations, managers find ways to improve performance through establishing yearly planning systems, establishing achievable objectives, and

rewarding people through promotions. It is also important to incorporate an element of pressure to perform well in the short term, because this eliminates urgency levels from dropping off (Kotter 12-13)[12].

Error #7: Declaring Victory Too Soon

Celebrating short-term wins is fine to do, however this can sometimes confuse employees into thinking the job is completed. Changes take a long time, in fact about three to ten years, to sink deeply into a culture of an entire company. If victory is declared too soon, the changes will be short lived and won't continue to sink into the culture (Kotter 14-15)[12].

Error #8 Neglecting to Anchor Changes Firmly in the Corporate Culture

It is important to keep the changes imbedded into new behaviors, social norms and shared values. Managers must make a conscious effort to demonstrate how performance has been enhanced with specific behaviors and attitudes. Managers must also ensure the next generation of management personifies the new approach to the business. If a promotion criterion is not revisited, previous transformations can fail.

Kotter's 8 Step Change Management Model:

Implementing &
sustaining for
change

8. **Make it stick**

7. **Build on the change**

Engaging &
enabling the
organisation

6. **Create quick wins**

5. **Empower action**

4. **Communicate the vision**

Creating the
climate for
change

3. **Create a vision for change**

2. **Form a powerful coalition**

1. **Create urgency**

[13]

II. Contemporary Topics HR Professionals Are Facing:

A. Immigrant Labor and Employee Layoffs (Disney World)

Background:

In January 2015, up to 300 Disney employees, specifically in the IT industry, lost their jobs.

These employees were then instructed that they had 90 days to train their replacements,

foreigners on H1B visas, the most common visa for high-skilled workers. If they did not agree to

train their successors, they were denied bonuses or severance packages. (money.cnn.com)[14]

According to the article, "Disney sued for replacing American workers with foreigners, "The

lawsuits filed in a Tampa federal court Monday, charge Disney and two global consulting

companies, HCL and Cognizant, for colluding to break the law" (money.cnn.com)[14]. HCL and

Cognizant are outsourcing companies that have been known to submit a high volume of H-1B

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[13] N.d. Frontline Management Experts. *Wordpress.com*. Web. 20 Mar. 2016.
[14] O'Brien, Sara Ashley. "Disney Sued for Replacing American Workers with Foreigners." *CNNMoney*. Cable News Network, 26 Jan. 2016. Web. 08 Mar. 2016.

petitions yearly (NYTimes.com).[15] There is a lot of skepticism that Disney is colluding to replace

U.S. workers with immigrants who are not as skilled to save money. Many employees believe

that Disney is not complying with a key employee right according to the Department of Labor.

As the United States Department of Labor Employment Law Guide states, "An H-1B dependent

employer or willful violator must offer the job to any U.S. worker who applies and is equally or

better qualified for the job than the H-1B alien worker" (dol.gov).[16] The U.S. Department of

Justice has the authority to conduct an investigation of hiring procedures by employers, however

Disney continues to deny the accusations being made. According to Disney corporation, "These

lawsuits are based on an unsustainable legal theory and are a wholesale misrepresentation of the

facts," said Disney (DIS) in a statement" (NYTimes.com)[15].

Two specific employees working in IT at Disney World, Leo Perrero and Dena Moore were

affected by the actions of Disney and have decided to speak out about it. It's important to note

that several other companies are doing the same illegal practices, but Disney was the corporation

to get caught. Employees are typically required to sign a severance agreement, preventing them

from suing or speaking to the public about the firm (cnnmoney.com)[14]. Unfortunately, for

Disney, the failure to include this clause backfired, and they are now being heavily investigated.

Original Purpose of H-1B Visas

It's important to note that H-1B Visas were designed to enhance U.S Businesses and equip them

with the necessary knowledge and skills to advance technologies and business productivity.

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[15] Preston, Julia. "Lawsuits Claim Disney Colluded to Replace U.S. Workers With Immigrants." *The New York Times*. The New York Times, 25 Jan. 2016. Web. 08 Mar. 2016.
[16] "Employment Law Guide." *U.S. Department of Labor*. N.p., n.d. Web. 20 Mar. 2016

Foreign workers with specialized knowledge in roles such as: scientists, engineers or computer programmers would be hired to perform the work of U.S. employees in a more effective way.

Preparing to file for an H1B Visa

Based on my research, I found preparing to file for an H-1B visa is not an easy and quick process; in fact it can take several weeks. Employers must be sure to follow a specific process to ensure the employee is eligible to work. SHRM Author Roy Maurer writes in his article *Act now for FY 2017 Visa Filing Season,*

> "There is a lot of information and document collection that occurs between immigration legal counsel and the petitioning employer, such as collection of wage information and resolution of any wage issues, fulfilling posting and notification requirements, finalizing terms of employment, and assessing job descriptions and requirements" (quoted by Shannon Napier Barnes).

It is evident this process takes a significant amount of time for employers to complete. First the employer must file an LCA with the DOL. The LCA determines whether or not the prospective worker should be compensated based on the occupation, the type of work performed and the geographical area of the employee (Maurer)[17]. The employer must then file the LCA and then draft a Form I-129 petition for the H1B visa. This form asks both the employer and the employee about detailed information. The employer must then submit a letter explaining why the prospective worker is qualified for the position and should be placed in a specialty occupation (Maurer)[17]

Reasons employers hire H-1B Visa Employees

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[17] Maurer, Roy. "Act Now for FY 2017 H-1B Visa Filing Season." *SHRM.org*. The Society For Human Resource Management, 20 Jan. 2016. Web. 2016.

With this extensive process in mind, why wouldn't employers choose to hire employees in-house instead? The reasons for this can be explained largely by the cost of labor rising. Employers are seeking out ways to find strong talent internationally to save money. However, there are other important alternative reasons why employers hire H-1B visas including: indenture, docile workers, youth, tradition and comfort, ethnocentric hiring practice and even appearance.

1. Indenture – Employers lose the legal right to remain in the country when they are fired This is less of a burden to employers when they do not have to provide unemployment checks as compensation for firing (cis.org)[18].

2. Docile workers – Because the pay of workers is more in the United States than in foreign countries, foreign workers are more willing to accept a lesser salary, therefore making them easier to manage. There are fewer negotiations to be made over compensation, as employees are satisfied with the income they receive (cis.org).

3. Age – U.S. employers, specifically in the IT industry, tend to hire younger foreign workers and use outsourcing in foreign countries to do so. This occurs more often in the IT industry than other industries and allows U.S. employers to pay smaller salaries for high-level work due to having a younger workforce (cis.org).

4. Tradition and Comfort – Workers tend to hire the types of employees they are comfortable with in performing specific tasks (cis.org).

5. Ethnocentric Hiring Practices – Specific work fields typically recruit from specific ethnic groups. Employers tend to either favor their homeland or they use staffing firms in these countries to assist in hiring a specific ethnic group (cis.org).

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[18] "Motivation For Hiring Alien Workers?" *Center for Immigration Studies*. Center for Immigration Studies, n.d. Web. 02 May 2016.

Immigration as a key issue in Election 2016:

The coming election in November 2017 will have a strong impact on HR Professionals in the future. Depending on the chosen candidate for President, immigration laws will be reformed and HR Professionals will have to comply with these changes.

B. Fair Labor Standards Act New Regulations

Background of Act

The Fair Labor Standards Act covers an important section of FLSA overtime. Those employees that do not qualify as "exempt" are subject to receive overtime pay for hours worked over 40 per work week at a rate not less than one and one half times the regular pay rate. There is no restriction on how many hours employees can work in a 7-day period. According to the Department of Labor, the FLSA is not required to cover work on weekends, holidays, or regular days of rest, unless overtime is worked on such days (dol.gov)[19]

Classifications of Exempt vs. Nonexempt Employees:

According to the Society of Human Resource Management Government Affairs Department, employees must meet certain tests regarding their job duties, be paid on a salary basis, and be paid more than the average salary level that is periodically set through regulation by the Department of Labor to be considered an "exempt" employee (SHRM.org)[20].

According to the U.S. Department of Labor, Exemption Employees may include:

- Executive, administrative, and professional employees (including teachers and academic administrative personnel in elementary and secondary schools), outside sales employees, and employees in certain computer-related occupations (as defined in DOL regulations);

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[19] "Wage and Hour Division (WHD)." *Compliance Assistance*. United States Department of Labor, n.d. Web. 27 Mar. 2016.

[20] *Fair Labor Standards Act: New Regulations*. Columbus, OH: OSBA CLE Institute, 2004. Society of Human Resource Management Government Affairs Department, Nov. 2015. Web.

- Employees of certain seasonal amusement or recreational establishments, employees of certain small newspapers, seamen employed on foreign vessels, employees engaged in fishing operations, and employees engaged in newspaper delivery;
- Farmworkers employed by anyone who used no more than 500 "man-days" of farm labor in any calendar quarter of the preceding calendar year;
- Casual babysitters and persons employed as companions to the elderly or infirm

(dol.gov)[21]

Proposed Changes:

On March 13, 2014, President Obama directed the DOL, through Presidential Memorandum to "modernize and streamline" the FLSA overtime regulations (shrm.org)[22] On June 20, 2015, DOL published proposed changes to regulations defining the "white collar" overtime exemptions to include:

1. Salary Levels – Raising the salary level to the equivalent of the 40th percentile of weekly earnings for full-time salaried workers as tracked by the Bureau of Labor (BLS). There is an estimation that the 40th percentile will increase to $970 per week of $50,440 annually in 2016, when the rule is to be implemented. The provisions have also raised the salary level for highly compensated employees to roughly $122,148/year. This salary increase would affect roughly 4.6 million employees who would no longer qualify for exemptions (bizjournals.com).[23] Salary levels will now be updated automatically each year, and the DOL has asked the public on their opinion for the data this should be based on. There is debate on whether or not this should be based on pegging the 40th and 90th percentiles or

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[21] "Wage and Hour Division (WHD)." *U.S. Department of Labor*. United States Department of Labor, n.d. Web. 27 Mar. 2016.

[22] *Standards Act: New Regulations*. Columbus, OH: OSBA CLE Institute, 2004. Society of Human Resource Management Government Affairs Department, Nov. 2015. Web.

[23] Zalewski, Ed. "How to Prepare Now for Upcoming New Salary Regulations." *Bizjournals.com*. The Business Journals, 1 Oct. 2015.

by assessing inflation rates. Previously, the DOL has conducted assessments from year to year to update the salary level, rather than automatic updates. Under this new salary level, many employees will be reclassified as non-exempt and will be subject to overtime requirements.

2. Duties – As far as duties, the DOL does not want to make any changes to the duties test in the proposed rule. Instead, they ask the public for its opinion on whether or not a salary increase would have an effect on the current duties (dol.com)[21]

A final ruling on these proposed changes is not expected until late spring/summer of 2016 with an effective date a minimum of 30 days after publication.

Perspectives of the Proposed Changes

With all of this in mind, there are different views of the new regulations. One perspective employers have is that low-salaried employees would lose the same level of workplace flexibility they had as exempt employees. However, findings show this to be actually false. Salaried workers making less than 50,000 under the new regulations would not lose as much flexibility as they tend to think (epi.org)[24] Contrary to belief, salaried workers at the affected pay levels appear to have around the same level of flexibility to take personal or family time off than do hourly workers at the same annual earnings levels. Therefore, these employees moving from salaried to hourly employees wouldn't reduce this element of work flexibility (epi.org)[24].

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[24] Golden, Lonnie. "Flexibility and Overtime Among Hourly and Salaried Workers: When You Have Little Flexibility, You Have Little To Lose." *Economic Policy Institute*. Economic Policy Institute, 30 Sept. 2014. Web. 27 Mar. 2016.

A second assumption is that workers at these affected pay levels would become more stressed with being changed to non-exempt. However these affected employees appear to show greater incidence of work-family conflict and work-related stress conditions (epi.org)[24]. Therefore, this adjusted overtime regulation would actually benefit these affected salaried workers. As the table shows below, salaried workers during a typical day-shift appear to be more stressed than hourly workers. There is a higher stress level percentage of salaried employees than hourly/other employees.

Share of workers and reported level of work stress, salaried vs. hourly worker, by shift type

	Day shift (Stress level/share)	Night shift (Stress level/share)	Irregular shift (Stress level/share)
All (n= 4,641)	77%	6%	16%
Salaried	3.3 (86%)	2.9 (2%)	3.3 (12%)
Hourly	3 (75%)	3(10%)	3.1(15%)
Other	3 (60%)	2.7 (3%)	3 (35%)

Note: The stress scores reflect workers' responses (1= never, 2=hardly ever, 3= sometimes, 4=often, and 5=always) to the question, "How often do you find your work stressful?" T-tests show the differences between irregular shift and day shift are not statistically significant. The "Other" category includes people working as independent contractors, independent consultants, or freelance workers. Shares shown may not add up to 100 percent due to rounding.

Source: General Social Survey Quality of Worklife Supplement (NIOSH) pooled years 2002, 2006

Implications for HR Managers with the proposed regulations:

1. Start planning now for the future impact on operations and finances and consider becoming involved in the public comment period (wagehourinsights.com) Employers

should utilize labor law attorneys to complete a preliminary assessment of all positions

they currently treat as exempt to determine whether they would be impacted by the

proposed changes or potential duties test changes. It may be necessary for employers to

budget for salary increases and/or increased overtime costs if the proposed regulations are

passed (wagehourinsights.com).

2. Identify which employees are classified as exempt and re-evaluate their job duties to see

   if it's necessary to classify them in this way (omegasolutions.com)[25]. Many employers

   incorrectly assume that salary is a classification for overtime eligibility, when really it is

   a method of payment.

C. Domestic Partnership Regulations: Post Obergefell

Background

With the legalization of same-sex marriage through the Orbergefell v. Hodges Supreme Court

Case on June 26th, 2015, same-sex couples enjoy the same federal and state benefits that

heterosexual couples have enjoyed. Previously all states allowed for same-same couples to be

eligible for the same benefits, except for the following 13 states: Arkansas, Georgia, Louisiana,

North Dakota, South Dakota, Tennessee, Texas, Ohio, Missouri, Mississippi, Kentucky,

Michigan and Nebraska (cnn.com)[26]. Same-sex partners will now be entitled to financial benefits

including social security, health benefits, joint income taxes, inheritance rights and will be able

to make medical decisions for their spouse (cnnmoney.com).[27] However, before the passage of

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[25] Haberman, Michael. "The New Proposed FLSA Regulations and What They Mean for Employers." *Omega HR Solutions RSS*. Omega HR Solutions Inc., n.d. Web. 27 Mar. 2016.
[26] Karimi, Fairth. "The 13 States That Still Ban Same-sex Marriage." *Cnn.com*. N.p., 13 Feb. 2015.
[27] Lobosco, Katie. "Same-sex Marriage Is Legal. Here's What It Means for Couples." *CNNMoney*. Cable News Network, n.d. Web. 29 Mar. 2016.

this legislation, most employers utilized domestic partner benefits for same-sex partners who were not protected in some states to identify applicable internal benefits. Merriam-Webster defines a domestic partner as either one of an unmarried heterosexual or homosexual cohabiting couple especially when considered as to eligibility for spousal benefits (Merriam-Webster).[28]

In order to classify as a domestic partner, citizens must possess the following criteria according to the Society for Human Resource Management (SHRM.org).

- At least 18 years old and mentally competent to consent to a contract.
- Not legally married to anyone.
- Not related by blood to a degree of closeness that would prohibit legal marriage in [the state of].
- Have entered into the domestic partner relationship voluntarily and without reservation.
- Are jointly responsible for each other's common welfare and shared financial obligations.
- Intend to continue the domestic partner relationship indefinitely, with the understanding that the relationship can be terminated at any time by either partner.

With the passage of this legislation, some employers are dropping benefits coverage for domestic partners, and this is a major concern to both same-sex couples and heterosexual couples. In fact, some large employers like Verizon, Delta Airlines, IBM and Corning already have rescinded domestic partnerships with this passage. Administrative duties involved with domestic partnerships in both same-sex couples and opposite-sex couples are complex, with workers being taxed on the value of their benefits. This is something that employers are considering as they will need to continue withholding these taxes from paychecks in the future (nytimes.com)[29]. According to a national Compensation Survey from the Bureau of Labor Statistics, "About 35 percent of all private sector workers had access to domestic partner benefits for same-sex partners in 2014. And 30 percent of workers had access to benefits for opposite-sex partners

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[28] *Merriam-Webster*. Merriam-Webster, n.d. Web. 29 Mar. 2016.
[29] Bernard, Tara Siegel. "Fate of Domestic Partner Benefits in Question After Marriage Ruling." *The New York Times*. The New York Times, 28 June 2015. Web. 29 Mar. 2016.

(bls.gov).[30] It is important to note that the percentage of both same-sex and opposite-sex couples is relatively high, considering this statistic is only supporting the private sector. It is also important to note that both of these percentages are relatively close, as both types of couples would be close to equally affected by the elimination of domestic partnership benefits. State and Local government employees exhibit higher percentages of employees with access to different benefit plans health care plans (bls.gov).[31] The concern is that with the allowance of same-sex marriage to be recognized, there may be little continuing reason to recognize domestic partnerships or any lesser relationship alternatives in comparison to the marriage contract (Pimentel).[32]

How States Are Responding:

Some states have already begun responding in favor of the marriage contract. The Connecticut State legislature, having already legalized same-sex marriage in 2008, eliminated civil unions and transferred civil unions into marriages.[33] New Hampshire converted all civil unions into marriages, and no longer allowed for the formation of civil unions.[34] And Vermont refused to perform civil unions after the legalization of same-sex marriage in 2009. [35] Many employers and insurance companies are resisting to extend the same benefits of married couples to unmarried partners, as Obergefell has encouraged marriage contracts for everyone.

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[30] "Table II.2c. Income Tax plus Employee Contributions Less Cash Benefits, Single Persons, 100% of Average Earnings." (n.d.): n. pag. *Bls.gov*. Bureau of Labor Statistics.

[31] The "National Compensation Survey: Employee Benefits in the United States, March 2012" (Bulletin 2773)

[32] David Pimentel, The Impact of Obergefell: Traditional Marriage's New Lease on Life?, 30 B.Y.U. J. PUB. L. ___ (2016)

[33] See 2009 Conn. Acts 09-13 (Reg. Sess.)(repealing civil union statute effective Oct. 1, 2010).

[34] See N.H. Rev. Stat. Ann. § 457:46 (2015).

[35] Legal Information and Resources by State, supra note 63.

Today's View of Marriage: A personal perspective

Before the passage of Obergefell, there was little reason to think that marriage numbers would increase. With the availability of legal benefits of marriage, without having to get married, its self-explanatory why partners may resist. Marvin vs. Marvin, a California Supreme Court Case in 1976 allowed benefits for spousal support to those who had never been a spouse or didn't intend to marry. This case puts forth the possibility that two individuals, while not married, can still be held accountable financially by the other partner in case of a breakup, depending on the assumed living arrangement and other circumstances made during the relationship.

III. Conclusion

Organizational Change is becoming a highly common practice in today's society, and its essential for HR Professionals to obtain control and order during these times. HR Professionals have the exciting opportunity to lead their employees in the right direction, as long as they manage them effectively. Understanding the forces for change today and why employees resist is the first step for HR Professionals. By avoiding Kotter's eight most common errors and leading with a sense of purpose, HR Professionals can transform organizations and increase profitability in the long-run. Through my research, I want HR Professionals to gain a deeper understanding of the need for change and the barriers in doing so. In today's economy, HR Professionals are key stakeholders in organizations, and it's a pivotal time for large-scale organizational changes to be made. With the proper knowledge and skill-set to oversee change management, HR Professionals can raise the bar to the next level and take their competitor organizations with them.