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Lesson 01

The Challenge for Organizations

We live in a world that has been turned upside down. Companies are pouring money, technology, and management expertise into regions that were once off limits, acquiring new enterprises, forming joint ventures, creating new global businesses from the ground up. Many major companies are going through significant changes, including outsourcing, downsizing, reengineering, self-managed work teams, flattening organizations, and doing routine jobs with automation and computers. Some experts contend that if you can describe a job precisely or write rules for doing it, the job will probably not survive.

Change is avalanching down upon our heads and most people are utterly unprepared to cope with it. Tomorrow's world will be different from todays, calling for new organizational approaches. Organizations will need to be adapting to these changes market conditions and at the same time coping with the need for a renewing rather than reactive workforce. Every day managers are confronting massive and accelerating change. As one writer comments, "Call it whatever you like – reengineering, restructuring, transformation, flattening, downsizing, rightsizing, a quest for global competitiveness – it's real, it's radical and it's arriving every day at a company near you."

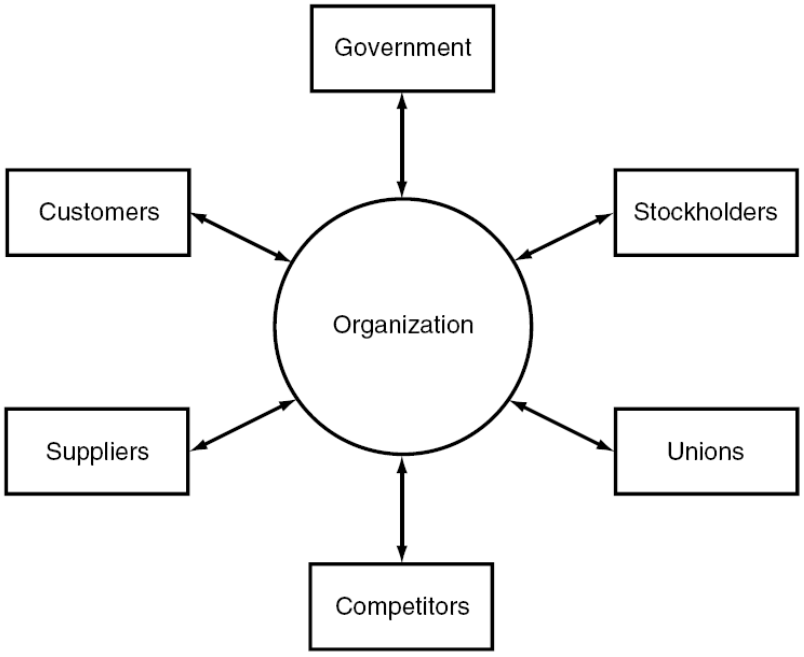
Global competition and economic downturns have exposed a glaring weakness in American organizations: the fact that many organizations have become overstaffed, cumbersome, slow and inefficient. To increase productivity, enhance competitiveness and contain costs, organizations are changing the way they are organized and managed.

The successful twenty-first century manager must deal with a chaotic world of new competitors and constant innovation. In the future the only winning companies will be the ones that respond quickly to change. Preparing managers to cope with today's accelerating role of change is the central theme/purpose of my lectures (concern of this book). Modern manager must not only be flexible and adaptive in a changing environment but must also be able to diagnose problems and implement change programs.

Tom Peters suggests that "the time for 10 percent staff cuts and 20 percent quality improvement is past".

Organizations are never completely static. They are in continuous interaction with external forces (see figure below). Changing consumer lifestyles and technological breakthroughs all act on the organization to cause it to change. The degree of change may vary from one organization to another, but all face the need for adaptation to external forces. Many of these changes are forced upon the organization, whereas others are generated internally. Because change is occurring so rapidly, there is a need for new ways to manage it.

Figure: 01 The Organizational Environment:



The Growth and Relevance of OD:

Organizations must adapt to increasingly complex and uncertain technological, economic, political, and cultural changes. The rapidly changing conditions of the past few years have shown that the organizations are in the midst of unprecedented uncertainty and chaos, and nothing short of a management revolution will save them. Three major trends are shaping change in organizations: globalization, information technology, and managerial innovation.

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First: globalization is changing the markets and environments in which organizations operate as the way they function. New governments, new leadership, new markets, and new countries are emerging and creating a new global economy. The toppling of the Berlin Wall symbolized and energized the reunification of Germany: entrepreneurs appeared in Russia, the Balkans, and Siberia as the former Soviet Union evolves, in fits and starts, into separate, market-oriented states; and China emerged as an open market and as the governance mechanism over Hong Kong to represent a powerful shift in global economic influence.

Second: information technology is redefining the traditional business model by changing how work is performed, how knowledge is used, and how the cost of doing business is calculated. The way an organization collects, stores, manipulates, uses, and transmits information can lower costs or increase the value and quality of products and services. Information technology, for example, is at the heart of emerging e-commerce strategies and organizations. Amazon.com, E-Trade, are among many recent entrants to the information economy, and the amount of business being conducted on the Internet is projected to grow at double-digit rates for well over ten years. Moreover, the underlying rate of innovation is not expected to decline. Electronic data interchange, a state-of-the-art technology application a few years ago, is now considered routine business practice. The ability to move information easily and inexpensively throughout and among organizations has fueled the downsizing, delayering, and restructuring of firms. The Internet and the World Wide Web have enabled a new form of work known as telecommuting; organization members can work from their homes or cars without ever going to the office. Finally, information technology is changing how knowledge is used. Information that is widely shared reduces the concentration of power at the top of the organization. Organization members now share the same key information that senior managers once used to control decision making. Ultimately, information technology will generate new business models in which communication and information sharing is nearly free.

Third: managerial innovation has responded to the globalization and information technology trends and has accelerated their impact on organizations. New organizational forms, such as networks, strategic alliances, and virtual corporations, provide organizations with new ways of thinking about how to manufacture goods and deliver services. The strategic alliance, for example, has emerged as one of the indispensable tools in strategy implementation. No single organization, not even IBM, Mitsubishi, or General Electric, can control the environmental and market uncertainty it faces. Sun Microsystems' network is so complex that some products it sells are never touched by a Sun employee. In addition, new methods of change, such as downsizing and reengineering, have radically reduced the size of organizations and increased their flexibility, and new large-group interventions, such as the search conference and open space, have increased the speed with which organizational change can take place. Managers, OD practitioners, and researchers argue that these forces not only are powerful in their own right but are interrelated. Their interaction makes for a highly uncertain and chaotic environment for all kinds of organizations, including manufacturing and service firms and those in the public and private sector. There is no question that these forces are profoundly affecting organizations.

Fortunately, a growing number of organizations are undertaking the kinds of organizational changes needed to survive and prosper in today's environment. They are making themselves more streamlined and nimble and more responsive to external demands. They are involving employees in key decisions and paying for performance rather than for time. They are taking the initiative in innovating and managing change, rather than simply responding to what has already happened.

Organization Development is playing an increasingly key role in helping organizations change themselves. It is helping organizations assess themselves and their environments, and revitalize and rebuild their strategies, structures, and processes. OD is helping organization members go beyond surface changes to transform the underlying assumptions and values governing their behaviors. The different OD concepts and methods increasingly are finding their way into government agencies, manufacturing firms, multinational corporations, service industries, educational institutions, and not-for-profit organizations. Perhaps at no other time has OD been more responsive and practically relevant to organizations' needs to operate effectively in a highly complex and changing world.

What is Organization Development (OD)?

What makes one organization a winner, whereas another fails to make use of the same opportunities? The key to survival and success lies not in the rational, quantitative approaches, but rather in a commitment to irrational, difficult-to-measure things like people, quality, customer service, and more importantly, develop the flexibility to meet changing conditions. For example, in a study that examined the "high tech-high touch" phenomenon at Citicorp, the crucial component in adapting to technological change was the human factor. Employee involvement and commitment is the true key to successful change.

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Defining Organization Development (OD):

The words **organization development** refers to something about organizations and developing them. "An organization is the planned coordination of the activities of a number of people for the achievement of some common explicit purpose or goal, through division of labor and functions, and through a hierarchy of authority and responsibility." Organizations are social systems possessing characteristics and OD efforts are directed toward organizations or major subparts of them.

Development is the act, process, result, or state of being developed – which in turn means to advance, to promote the growth of, to evolve the possibilities of, to further, to improve, or to enhance something.

Two elements of this definition seem important: first, development may be an act, process, or end state; second, development refers to "bettering' something.

Combining these words suggests that organization development is the act, process, or result of furthering, advancing, or promoting the growth of organization. According to this definition, organization development is anything done to "better" an organization. But this definition is too broad and all-inclusive. It can refer to almost anything done in an organizational context that enhances the organization – hiring a person with needed skills, firing an incompetent, merging with another organization, installing a computer, removing a computer, buying a new plant, and so on. This definition serves neither to identify and specify nor to delimit (perhaps something done to "worsen" an organization would be ruled out). The term organization development must be given added meaning, must refer to something more specific, if productive discourse on the subject is desired.

Another way of defining OD is to examine the following definitions which have been (suggested in the literature).

Definition of Organization Development (OD):

OD is an effort (1) planned, (2) organization-wide, and (3) managed from the top, to (4) increase organization effectiveness and health through (5) planned interventions in the organization's "processes," using behavioral science knowledge. (**Richard Beckhard**)

Analysis of the definition suggests that OD is not just "anything done to better an organization"; it is a particular kind of change process designed to bring about a particular kind of end result.

OD thus represents a unique strategy for system change, a strategy largely based in the theory and research of the behavioral sciences, and a strategy having a substantial prescriptive character. OD is thus a normative discipline, it prescribes how planned change in organizations should be approached and carried out if organization improvement is to be obtained.

In summary, OD is a process of planned system change that attempts to make organizations (viewed as social-technical systems) better able to attain their short- and long-term objectives. This is achieved by teaching the organization members to manage their organization processes and culture more effectively. Facts, concepts, and theory from the behavioral sciences are utilized to fashion both the process and the content of the interventions. A basic belief of OD theorists and practitioners is that for effective, lasting change to take place, the system members must grow in the competence to master their own fates.

Finally, it is important to note that OD has two broad goals: organization development and individual development. Although it is not stated explicitly in the above definitions, improving the quality of life for individuals in organizations is a primary goal of organization development. Enhancing individual development is a key value of OD practitioners and a key outcome of most OD programs.

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OD: A Unique Change Strategy

Consulting to organizations can take many forms. For example, Edgar Schein describes three consulting models:

i. Purchase of Expertise Model
ii. Doctor-patient Model
iii. Process Consultation Model

In the **"purchase of expertise model,"** a leader or group identifies a need for information or expertise that the organization cannot supply. The leader hires a consultant to obtain the information and make a report, often including recommendations for action. Example would be (1) surveying consumers or employees about some matter, (2) finding out how best to organize the company after a merger, or (3) developing a marketing strategy for a new product. This is a typical consulting approach that is widely used.

In the **"doctor-patient model,"** a leader or group detects symptoms of ill health in some part of the organization, and calls in a consultant who diagnoses the situation, identifies the causes of problems and then, like a physician, prescribes a cure. Examples would be calling in "the doctor" to examine (1) low morale at a particular plant, (2) being over budget and behind schedule on a major project, or (3) a high-performing manager who suddenly becomes a low-performer. This too is a well-known, traditional approach to consultation.

In the **"process consultation model,"** the consultant works with the leader and group to diagnose strengths and weaknesses, identify problems and opportunities, and develop action plans and methods for reaching desired goals. In this model the consultant assists the client organization in becoming more effective at examining and improving its own processes of problem solving, decision-making and action taking. This third model, typical in OD, encourages greater collaboration between clients and consultants, engages the resources and talents of the clients, and strengthens clients' abilities to improve their work processes. Examples would include working on any of the previously mentioned problems, but using a collaborative, participative, you-can-figure-out-the-right-answer-yourselves approach. An organization development consultant typically suggests general processes and procedures for addressing problems and issues. The consultant helps the clients generate valid data and learn from the data. The OD consultant is an expert on process-how to "go about" effective problem solving and decision making.

Thus, OD differs substantially from traditional "expert" models of consulting in its overall approach. Likewise, OD practitioners have different goals and focus on different targets compared with other consulting models. Here is a list of "primary distinguishing characteristics of organization development"

1. Change: OD is a planned strategy to bring about organizational change. The change effort focuses on the human and social side of the organization and in so doing, also intervenes in the technological and structural sides.

2. Collaborate: OD typically involves a collaborative approach to change that includes the involvement and participation of the organization members most affected by the changes. Participation and involvement in problem solving and decision making by all levels of the organization are hallmarks of OD.

3. Performance: OD programs include an emphasis on ways to improve and enhance performance and quality.

4. Humanistic: OD relies on a set of humanistic values about people and organizations that aims at making organizations more effective by opening up new opportunities for increased use of human potential.

5. Systems: OD represents a systems approach concerned with the interrelationship of divisions, departments, groups, and individuals as interdependent subsystems of the total organization.

6. Scientific: OD is based upon scientific approaches to increase organization effectiveness.

While the six characteristics, described above, describe organization development, let us add another means of identifying OD.

An OD Program is a long-range, planned, and sustained effort that unfolds according to a strategy.

The key elements here are long range, planned and sustained, and strategy.

Let's look at each one independently:

Long-range: The reason for OD practitioners and theorists conceptualizing OD programs in long-range terms are several. First, changing a system's culture and processes is a difficult, complicated, and long-term matter if lasting change is to be effected. OD programs envision that the system members become better able to manage their culture and processes in problem-solving and self-renewing ways. Such complex new learning takes time. Second, the assumption is made that organizational problems are multifaceted and complex. One-shot interventions probably cannot solve such problems, and they most assuredly cannot teach the client system to solve them in such a short time period.

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There is a long-range time perspective on the part of both the client system and the consultant in OD program. Both parties envision an ongoing relationship of one, two, or more years together if things go well in the program. A one-short intervention into the system is thus not organization development according to this criterion even though the intervention may be one that is used in OD efforts.

Planned and Sustained effort: OD involves deliberately planned change, as contrasted with system "drifts." Unlike an innovative project or program it is generally not limited to a specific period of time. To implement OD, an organizational subsystem – such as a Department of OD – is created and charged with the specific responsibility for planning, managing, and evaluating the continuous process of organizational self-renewal. Members of such a subsystem act as inside change agents or OD development specialists … and usually link with outside consultants to carry out their mission. The essential concept is that some fraction of an organization's resources is devoted to continuous organizational maintenance, rebuilding, and expansion. Such a concept is familiar to managers in the field of plant maintenance but is much less widely known and accepted in the maintenance of the human organization.

Organizations are not easily or quickly transformed. The available evidence suggests that in large organizations two to three years of OD effort is typical before the completion of serious and self-sustaining change. In addition, it must be borne in mind that an organization is never transformed permanently. Instead, institutionalized, built-in OD functions must continually be involved in facing the dilemmas and vicissitudes of organizational renewal.

There is, however, a point that is a source of some confusion. When some good management practices are taking place in an organization without an OD program – for example, a manager has worked out effective ways to manage team and inter-group culture and processes – is that organization development? We do not think so. OD practitioners try to inculcate good management practices in organizations, that is, they try to help organization members learn to manage themselves and others better. But many managers and many organizations are competently managing their affairs without help from organization development consultants and OD programs; what they are doing would not be called OD even though they may be using some techniques found in the OD technology. OD practitioners did not invent good management practices; OD practitioners are not the sole source for learning good management practices; and finally, the term organization development is not synonymous with the term good management.

Strategy: OD programs unfold according to a strategy. A part of the planned nature of OD programs almost always involves an overall strategy even though the strategy may be only dimly obvious and articulate, and even though the strategy may emerge and change shape over time. (From our experience, the more viable OD efforts have a fairly clear and openly articulated strategy.) Consultants and clients develop overall goals and paths to goals on organization development programs, and these guide the programmatic activities. It is preferable and usual for the strategy to be developed out of the diagnosed problems of the client system, the client system's desires and capabilities, and the consultant's capabilities and insights into client system needs.

The OD consultant establishes a unique relationship with client system members:

Probably the most fundamental differences between organization development programs and other organization development programs are found in the role and behavior of the consultant vis-à-vis the client system. In OD the consultant seeks and maintains a collaborative relationship of relative equality with the organization members. Collaboration means "to labor together" – essentially it implies that the consultant does not do all the work while the client system passively waits for solutions to its problems; and it means that the client system does not do all the work while the consultant is a disinterested observer. In organization development, consultant and client co-labor.

A second distinguishing feature of the consultant-client relationship is that it is one of relative equality – the two parties come together as relative equals, each possessing knowledge and skills different from but needed by the other. The client group is encouraged to critique the consultant's program and his or her effectiveness in terms of meeting client system needs and wants. In OD the consultant's role is generally that of a facilitator, not an expert on matters of content; the consultant acts primarily as a question-asker, and secondarily as an answer-giver.

The consultant's role is often described as nondirective and that is partially true, but the rationale behind this nondirective posture is less well understood. The OD consultant role rests on three beliefs. The first belief is simply an affirmation of the efficacy of division of labor and responsibility: let the consultant be responsible for doing what he or she does best (structuring activities designed to solve certain problems); and let the client system do what it does best (bring to bear its special knowledge and expertise on the problem and alternative solutions). The second belief is derived from the question: Where is the best solution to this problem likely to be found? In situations where the consultant is an expert role, the answer to the question is that the best solution is in the consultant's head due to that person's education, experience, and expertise. Both clients and consultant believe this. In organization development situations

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where the consultant is playing an enabling and facilitating role, the answer is that the best solution is in the heads of the client members and the challenge is to structure situations to allow it to become known. The third belief is that the responsibility for changing something rests ultimately in the client system members, not in the consultant. Therefore the members of the client system must "own" the problem and the solution, and that is best done when they generate both the problems and the solutions. This belief no doubt rests on Lewin's conceptualization of "own" and "induced" forces. Lewin believed, and demonstrated, that an individual's own forces toward a particular behavior were more powerful in determining the behavior than forces/motives/pushes induced by some outside agent.
The consultant is both expert and directive on matters relating to the best ways to facilitate/enable the client group to approach, diagnose, and solve its problems. In organization development, it is this expertise that the clients expect from the consultant - the expertise to offer the clients effective ways to work on problems, not answers to problems.

The nature of the intervention differentiates OD from other improvement strategies:
OD consultants fashion, conduct, or cause to happen, interventions – structured sets of activities and events in the life of the organization designed to achieve certain outcomes. As indicated in Fig (definitions of OD), the nature of these interventions is that they are reflective, self-analytical, self-examining, proactive, diagnostically oriented, and action oriented. Further, they focus on the organization culture and its human processes. OD consultants try to inculcate diagnostic skills, self-analytical skills, and reflexive skills in organization members, based on the belief that the organization's members must be able to diagnose situations accurately in order to arrive at successful solutions. But there are several additional beliefs in this statement. Diagnosis and self-reflection are necessary skills to have for problem solution – that is a belief of OD consultants. But who should possess those skills? "The client system members," answer OD consultants; "me," answer expert consultants. This is a key difference in the OD prescription. Another belief involved here is the belief that both the problems and the solutions to the problems abound in the client system members. Teaching the client system to diagnose and solve problems and take corrective actions is the goal of the OD consultant. The overriding goal is that the client system members learn to do it themselves. This tenet derives from nondirective therapy notions suggesting that responsibility for improvement and change rests in the individual (organization) that needs to change, not some outside agent. This is supported by most discussions of normalcy and maturity in psychotherapy that include the patient's ability to solve problems, adapt effectively, and cope effectively as criteria for a healthy organism. Many authors, including Gordon Lippitt, speak of the organization "learning from experience," and the OD literature suggests that "learning how to learn" is a desired outcome of OD interventions. This is what is being discussed: that the client system becomes expert in self-examination, diagnosis, and corrective action taking.
Planning, problem solving, and self-renewal are also mentioned as important processes for the client system to be reflexive about. The same overriding goal applies here: the client system members must learn to manage these processes effectively by themselves. There is thus a unique character to the nature of OD interventions: the intent that the client system becomes proficient in solving its own problems – present and future – by itself. The ancient Chinese proverb seems to describe the underlying rationale: 'Give a man a fish, and you have given him a meal; teach a man to fish, and you have given him a livelihood."
System improvement: The emphasis of OD is on the system, rather than the individual, as the target of change. In this respect the approach differs from "sensitivity training" and "management development." "System" may mean either an entire organization or a subsystem such as an academic department or team of teachers. The emphasis however is always on improving both the ability of a system to cope and the relationships of the system with subsystems and with the environment. Individuals, of course, often gain insights and new attitudes during such improvement processes, but the primary concern of OD is with such matters as adequate organizational communication, the integration of individual and organizational goals, the development of a climate of trust in decision making, and the effect of the reward system on morale.
Reflexive, self-analytic methods: OD involves system members themselves in the assessment, diagnosis, and transformation of their own organization. Rather than simply accepting diagnosis and prescription from an outside "technocratic" expert, organization members themselves, with the aid of outside consultants, examine current difficulties and their causes and participate actively in the reformulation of goals, the development of new group process skills, the redesign of structures and procedures for achieving the goals, the alteration of the working climate of the system, and the assessment of results.

The targets of OD interventions differentiate OD from other improvement strategies:
The OD prescription calls for certain configurations of people as targets of OD interventions – intact work groups, two or more work-related groups, subsystems of organizations, and total organizations. Katz and

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Kahn speak of "role sets," the offices (positions) and people an individual interacts with while performing role-relevant behavior in an organization. They state:
Each member of an organization is directly associated with a relatively small number of others, usually the occupants of offices adjacent to his in the work-flow structure or in the hierarchy of authority. They constitute his role set and typically include his immediate supervisor (and perhaps his supervisor's immediate supervisor), his subordinates, and certain members of his own or other virtue of the work-flow, technology, and authority structure of the organization.
Many of an individual's values, norms, and perceptions of organizational reality are derived from contact with role-set members. Role enactment problems derive from interaction with role-set members. A person's immediate work group, immediate supervisor, and immediate subordinates are immensely important factors for an individual's effectiveness in an organization. OD interventions concentrate on work-relevant constellations of people in the belief that these groups have inherent in them considerable power to determine individual and group behavior and also contain many of the sources of organizational problems.
What goes on between units is also of vital importance in organizational effectiveness. OD goes beyond intact work teams and also focuses on enhancing key interdependences across units and levels. For example, data are typically collected about the degree of cooperation versus dysfunctional competition between the various units, and identified problems are then worked on with members of the relevant groups present. Thus, intergroup configurations are a second major target of OD interventions.
A third target of OD interventions is the organization's processes and culture. In a sense, OD is comprehensive long-term effort to collaboratively manage the culture of an organization (since processes can be considered part of organization culture). As shown in Figure 1, some of the authors mention culture and some of the authors mention human and social processes as the targets of OD interventions. Problem-solving, planning, self-renewal, decision-making, and communications processes are identified as important processes. This focus on culture and processes is simply a part of the bet/hypothesis/belief system that OD consultants have: culture and processes are important strategic leverage points in an organization for bringing about organization improvement and change. Other consultants and practitioners make different bets on the best strategic leverage points – the technology of the organization, the structure of the organization, its design, and so forth. OD consultants, because they are working with a behavioral science knowledge base, focus on culture and processes. And the OD prescription suggests that these two targets are important ingredients in the process of planned organizational change.

OD consultants utilize a behavioral science base:
This is a characteristic of the practice of OD, but it is shared by many different improvement strategies. The behavioral science knowledge base of the practice of OD contributes to its distinctive gestalt. OD is an applied field in which theories, concepts, and practices from sociology, psychology, social psychology, education, economics, psychiatry, and management are brought to bear on real organizational problems.

The desired outcomes of OD are distinctive in nature:
The desired outcomes of OD efforts are both similar to other improvement strategies, and different from other improvement strategies. OD programs and efforts are designed to produce organizational effectiveness and health, better system functioning, greater ability to achieve objectives, and so forth, as shown in some of the definitions in Figure 1. But some of the definitions point additional desired outcomes: outcomes relating to a changed organizational culture, to changed processes (especially renewal and adaptation processes) and to the establishing of norms of continual self-study and pro-action.
Michael Beer lists the aims of OD as: "(1) enhancing congruence between organizational structure, processes, strategy, people, and culture; (2) developing new and creative organizational solutions, and (3) developing the organization's self-renewing capacity.' It is these self-renewal outcomes that seem particularly distinctive in the OD process.

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What an "ideal" effective, healthy organization would look like?

Numbers of writers and practitioners in the field have proposed definitions which, although they differ in detail, indicate a strong consensus of what a healthy operating organization is.
An effective organization is one in which:

1. The total organization, the significant subparts, and individuals, manage their work against goals and plans for achievement of these goals.
2. Form follows function (the problems, or task, or project, determines how the human resources are organized).
3. Decisions are made by and near the sources of information regardless of where these sources are located on the organization chart.
4. The reward system is such that managers and supervisors are rewarded (and punished) comparably for:
   Sort-term profit or production performance, Growth and development of their subordinates, and creating a viable working group.
5. Communication laterally and vertically is relatively undistorted. People are generally open and confronting. They share all the relevant facts including feelings.
6. There is a minimum amount of inappropriate win/lose activities between individuals and groups. Constant effort exists at all levels to treat conflict, and conflict situations, as problems subject to problem-solving methods.
7. There is high "conflict" (clash of ideas) about tasks and projects, and relatively little energy spent in clashing over interpersonal difficulties because they have been generally worked through.
8. The organization and its parts see themselves as interacting with each other and with a larger environment. The organization is an "open system."
9. There is a shared value, and management strategy to support it, of trying to help each person (or unit) in the organization maintains his (or its) integrity and uniqueness in an interdependent environment.
10. The organization and its members operate in an "action-research" way. General practice is to build in feedback mechanisms so that individuals and groups can learn from their own experience.

The only constant is Change:

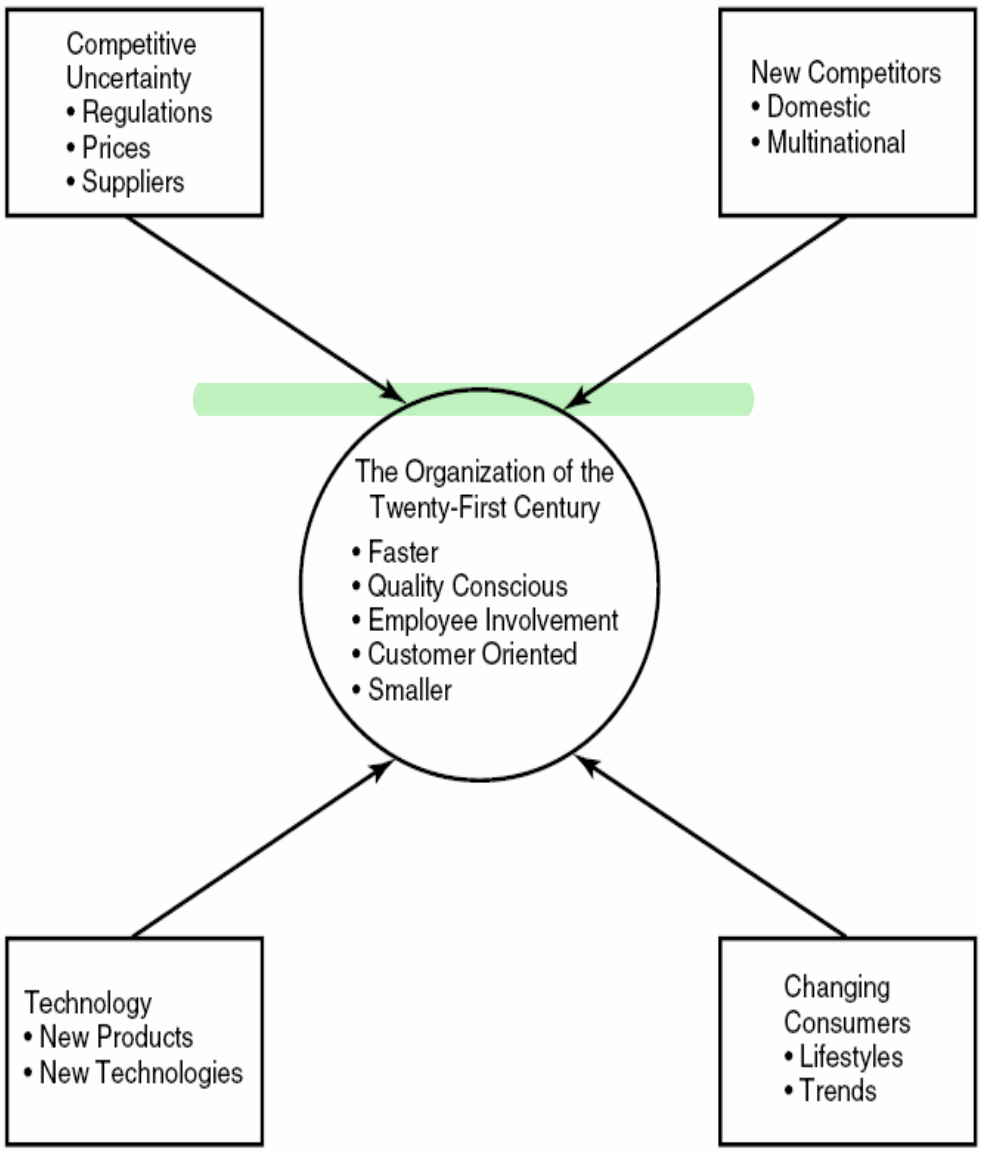
Although many organizations have been able to keep pace with the changes in information technology, few firms have been able to adapt to changing social and cultural conditions. In a dynamic environment, change is unavoidable. The pace of change has become so rapid that it is difficult to adjust to or compensate for one change before another is necessary. Change is, in essence, a moving target. The technological, social, and economic environment is rapidly changing, and an organization will be able to survive only if it can effectively respond to these changing demands. As we move into the twenty first century, increases in productivity of 100 percent, not 10 percent, will be required for corporations to compete effectively.
Given this increasingly complex environment, it becomes even more critical for management to identify and respond to forces of social and technical change. In attempting to manage today's organizations, many executives find that their past failures to give enough attention to the changing environment are how creating problems for them. In contrast 3M Corporation has developed an outstanding reputation for innovation. 3M is big but acts small. 3M's 15 percent rule allows its people to spend up to 15 percent of the work week on anything as long as it is product related. The most famous example to come out of this is Post-it note.

The Organization of the Future:

The fundamental nature of managerial success is changing. The pace of this change is relentless, and increasing past sources of competitive advantage, such as economies of scale and huge advertising budgets, is no longer as effective in the new competitive landscape. Moreover, the traditional managerial approach can no longer lead a firm to economic leadership. (See the OD in Practice what Trilogy Software is doing to become a successful company of the future.)
Today's managers need a new mind set – one that values flexibility, speed, innovation, and the challenge that evolves from constantly changing conditions. Virtual organizations can spring up overnight as networks of free agents combine expertise for a new project or produce. Nothing could be more flexible, ready to turn on a dime and grab any new opportunity. Management theorists believe that to be successful in the next century, organizations will require changes of the kind in the figure 2 They suggest that predictability is a thing of the past, and that the winning organization of today and tomorrow, it is becoming increasingly clear, will be based upon quality, innovation, and flexibility.
These successful firms will share certain common traits including

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Faster – more responsive to innovation and change
Quality conscious – totally committed to quality
Employee involvement – adding value through human resources
Customer oriented – creating niche markets
Smaller – made up of more autonomous units
Figure: 02



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OD in Practice: Trilogy Software – A New Kind of Company:

A dropout of Stanford, Joe Liemandt, formed a small software company, Trilogy Software Inc., in Austin, Texas, in 1989. Starting with a small investment, the company grew from 400 to 1000 employees within a short span of four years. Today, Trilogy is among the world's largest privately held software companies and is a leading provider of industry-specific software.

To call all those who work for Trilogy as "workers" would be wrong. They are all shareholders. They are all managers. They are all partners.

The founder, since its start, knows one thing that is Trilogy depends on talented people. He also knows that people can go anywhere, join any of the competitive companies, which means that his biggest competitive headache isn't companies. His biggest worry is holding onto people. "There is nothing more important than recruiting and developing people," he says. "That's my number-one job. Trilogy is going head-to-head with Microsoft and other biggies in the talent war.

They have a very clear teachable point of view of what Trilogy is and what they practice. They know how to energize people, how to make courageous decisions. The CEO personally teaches a large portion of the classes held for Trilogy's employee recruitment and development program – the glue that binds.

Trilogy has some unusual practices, including perks like speedboat for water skiing available to all employees, fully stocked kitchens on every floor, and parties every Friday. And there are spontaneous awards, such as a sports car for good work and trip to a Las Vegas. The CEO once took the entire company on a week-long, all-expense-paid trip to Hawaii. Bonuses are given to top performers that are equal to 50 or 100 percent of their regular salaries.

The economy is fostering new kinds of organizations with new kinds of practices and operating rules for pulling people together. These companies offer many of the advantages of free agency; flexibility in how, when, and where you work; compensation linked to what you contribute; freedom to move from project to project. However, they also offer the advantages of belonging to an organization in which mutual commitment builds continuity.

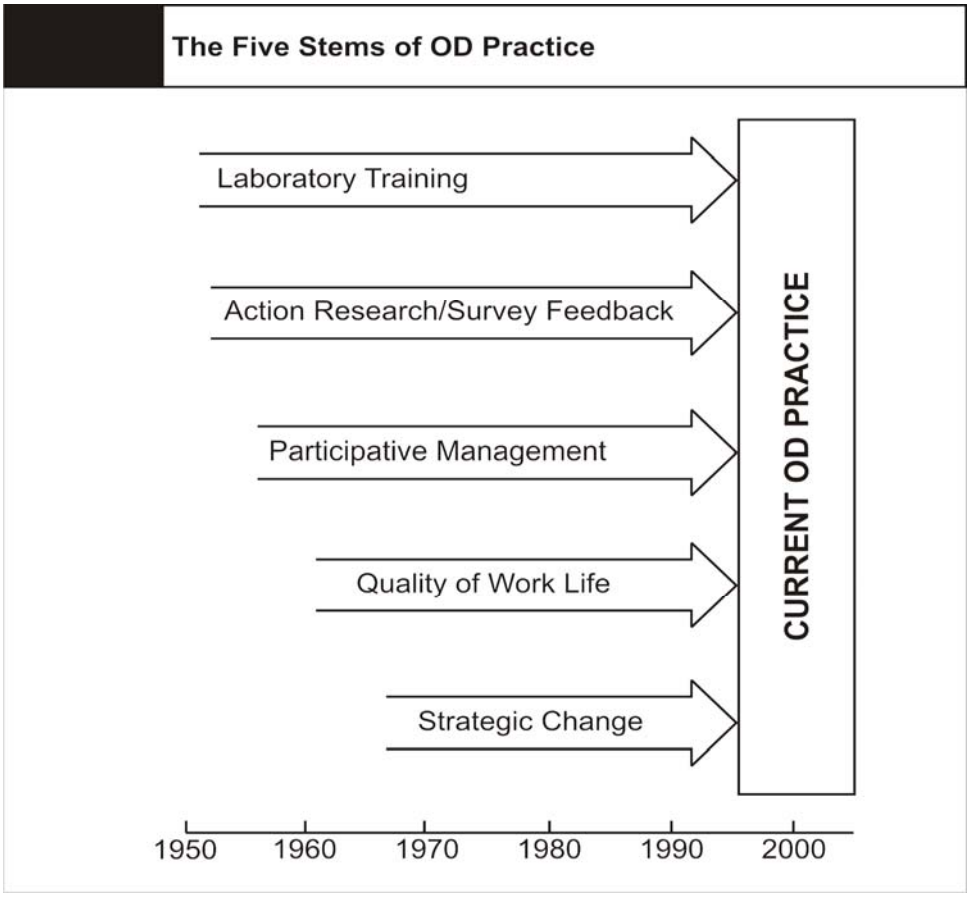
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The Evolution of OD

A brief history of OD will help to clarify the evolution of the term as well as some of the problems and confusion that have surrounded it. As currently practiced, OD emerged from five major stems, as shown below. The first was the growth of the National Training Laboratories (NTL) and the development of training groups, otherwise known as sensitivity training or T-groups, The second stem of OD was the classic work on action research conducted by social scientists interested in applying research to managing change. An important feature of action research was a technique known as survey feedback. Kurt Lewin, a prolific theorist, researcher, and practitioner in group dynamics and social change, was instrumental in the development of T-groups, survey feedback, and action research. His work led to the creation of OD and still serves as a major source of its concepts and methods. The third stem represents the application of participative management to organization structure and design. The fourth stem is the approach focusing on productivity and the quality of work life. The fifth stem of OD, and the most recent influence on current practice, involves strategic change and organization transformation.

Figure: 03



1. Laboratory Training (The T-Group):

This stem of OD pioneered laboratory training, or the T-group – a small, unstructured group in which participants learn from their own interactions and evolving dynamics about such issues as interpersonal relations, personal growth, leadership, and group dynamics. Essentially, laboratory training began in 1946, when Kurt Lewin, (1898 – 1947, a prolific theorist, researcher, and practitioner in interpersonal, group, intergroup, and community relationships) widely recognized as the founding father of OD, although he died before the concept became current in the mid-1950s, and his staff at the Research Centre for Group Dynamics at the Massachusetts Institute of Technology (MIT) were asked by the Connecticut Interracial Commission for help on research in training community leaders. A workshop was developed, and the community leaders were brought together to learn about leadership and to discuss problems. At the end of each day, the researchers discussed privately what behaviors and group dynamics they had observed. The community leaders asked permission to sit in on these feedback sessions. Reluctant at first, the researchers finally agreed. Thus, the first T-group was formed in which people reacted to data about their own behavior. The researchers drew two conclusions about the first T-group experiment:

Feedback about group interaction was a rich learning experience, and

The process of "group building" had potential for learning that could be transferred to "back-home" situations.

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As a result of this experience, the Office of Naval Research and the National Education Association provided financial backing to form the National Training Laboratories (NTL), and Gould Academy in Bethel, Maine, was selected as a site for further work (since the, Bethel has played an important part in NTL). The first Basic Skill Training Groups (later called T-groups) were offered in 1947. The program was so successful that out of Bethel experiences and NTL grew a significant number of laboratory training centers sponsored by universities.
In the 1950s, three trends emerged:
The emergence of regional laboratories,
The expansion of year-round sessions of T-groups, and
The expansion of the T-group into business and industry, with NTL members becoming increasingly involved with industry programs.
Over the next decade, as trainers began to work with social systems of more permanency and complexity then T-groups, they began to experience considerable frustration in the transfer of laboratory behavioral skills and insights of individuals into the solution of problems in organizations. Personal skills learned in the T-group settings were very difficult to transfer to complex organizations. However, the training of "teams" from the same organization had emerged early at Bethel and undoubtedly was a link to the total organizational focus of Douglas McGregor, Herbert Shepard, and Robert Blake, and subsequently the focus of Richard Beckhard, Chris Argyris, Jack Gibb, Warren Bennis, and others. All had been T-group trainers in NTL programs.
Applying T-group techniques to organizations gradually became known as team building – a process for helping work groups become more effective in accomplishing tasks and satisfying member needs.

2. Action Research/Survey Feedback:

Kurt Lewin also was involved in the second movement that led to OD's emergence as a practical field of social science. This second stem refers to the processes of action research and survey feedback. The action research contribution began in the 1940s with studies conducted by social scientists John Collier, Kurt Lewin, and William Whyte. They discovered that research needed to be closely linked to action if organization members were to use it to manage change. A collaborative effort was initiated between organization members and social scientists to collect research data about an organization's functioning, to analyze it for causes of problems, and to devise and implement solutions. After implementation, further data were collected to assess the results, and the cycle of data collection and action often continued. The results of action research were twofold: members of organizations were able to use research on themselves to guide action and change, and social scientists were able to study that process to derive new knowledge that could be used elsewhere.
Among the pioneering action research studies was the work of Lewin at a Manufacturing Co. (Harwood Manufacturing Company) and the classic research by Lester Coch and John French on overcoming resistance to change. The latter study led to the development of participative management as a means of getting employees involved in planning and managing change. Other notable action research contributions included Whyte and Edith Hamilton's famous study of Chicago's Tremont Hotel and Collier's efforts to apply action research techniques to improving race relations when he was commissioner of Indian affairs from 1933 to 1945. These studies did much to establish action research as integral to organization change. Today, it is the backbone of most OD applications.
A key component of most action research studies was the systematic collection of survey data that was fed back to the client organization. Following Lewin's death in 1947, his Research Center for Group Dynamics at MIT moved to Michigan and joined with the Survey Research Center as part of the Institute doe Social Research. The Institute was headed by Renis Likert, a pioneer in developing scientific approaches to attitude surveys. Likert's doctoral dissertation at Columbia University, "A Technique for the Measurement of Attitudes," was the classic study in which he developed the widely used, five-point "Likert Scale."
In an early study by the institute, Likert and Floyd Mann administered a companywide survey of management and employee attitudes at Detroit Edison. Over a two-year period beginning in 1948, three sets of data were developed: (1) the viewpoints of eight thousand non-supervisory employees about their supervisors, promotion opportunities, and work satisfaction with fellow employees; (2) similar reactions from first- and second-line supervisors; and (3) information from higher levels of management.
The feedback process that evolved was an "interlocking chain of conferences." The major findings of the survey were first reported to the top management and then transmitted throughout the organization. The feedback sessions were conducted in task groups, with supervisors and their immediate subordinates discussing the data together. Although there was little substantial research evidence, the researchers intuitively felt that this was a powerful process for change.
In 1950, eight accounting departments asked for a repeat of the survey, thus generating a new cycle of feedback meetings. In four departments, feedback approaches were used, but the method varied, with two

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of the remaining departments receiving feedback only at the departmental level. Because of changes in key personnel, nothing was done in two departments.
A third follow-up study indicated that more significant and positive changes, such as job satisfaction, had occurred in the departments receiving feedback than in the two departments that did not practice. From those findings, Likert and Mann derived several conclusions about the effects of survey feedback on organization change. This led to extensive applications of survey-feedback methods in a variety of settings. The common pattern of data collection, data feedback, action planning, implementation, and follow-up data collection in both action research and survey feedback can be seen in these examples.

Part of the emergence of survey research and feedback was based on the refinements made by SRC (Survey Research Center of Michigan) staff members in survey methodology. Another part was the evolution of feedback methodology.

Likert Scale:

Likert scale is often used in questionnaires, and is the most widely used scale in survey research. When responding to a Likert questionnaire item, respondents specify their level of agreement to a statement.
A typical test item in a Likert scale is a statement. The respondent is asked to indicate his or her degree of agreement with the statement or any kind of subjective or objective evaluation of the statement. Traditionally a five-point scale is used, however many advocate using a seven or nine point scale.

Ice cream is good for breakfast:

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Scoring and analysis:

After the questionnaire is completed, each item may be analyzed separately or item responses may be summed to create a score for a group of items.

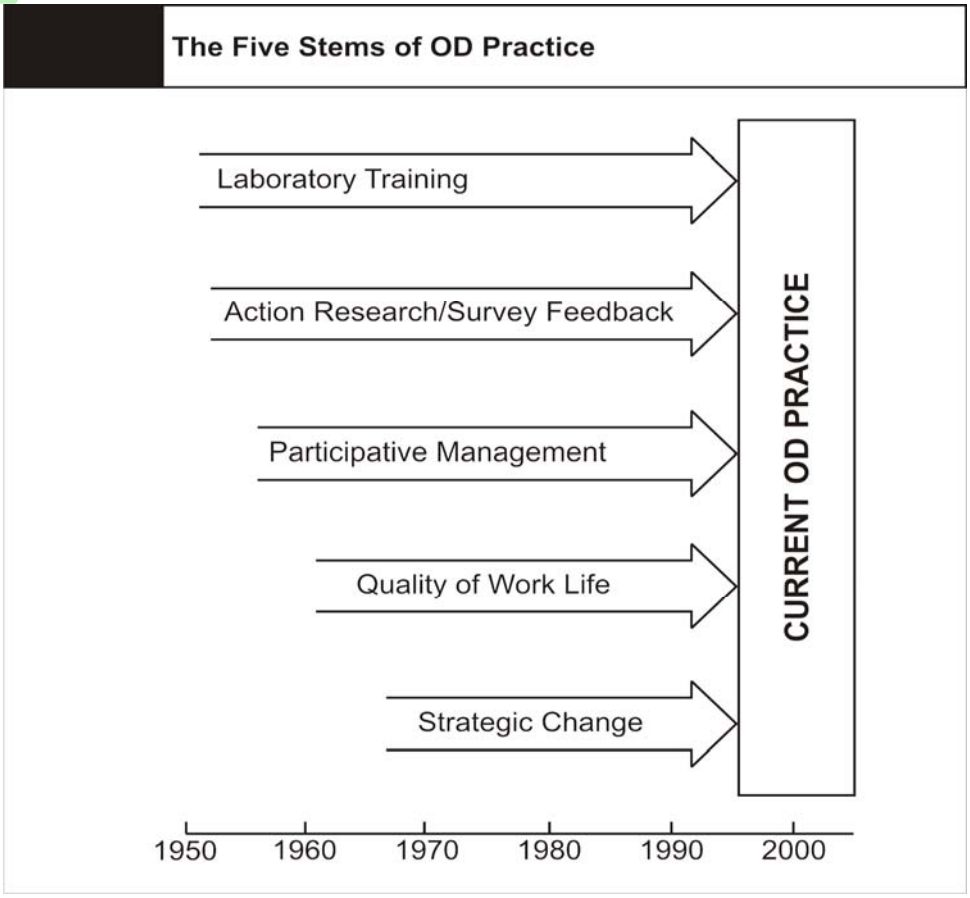
Results of Action Research/Survey Feedback:

Likert, along with some of his colleagues, while doing a company-wide study of employee perceptions, behavior, reactions and attitudes found that:
When the survey data were reported to a manager (or supervisor) and he or she failed to discus the results with subordinates and failed to plan with them what the managers and others should do to bring improvement, little change occurred.
On the other hand, when the manager discussed the results with subordinates and planned with them what to do to bring improvement, substantial favorable changes occurred.
Another aspect of the study was the process of feeding back data from an attitude survey to the participating departments had more positive change in business organizations than that coming from traditional training courses.
The effectiveness of this method is that it deals with the system of human relationships as a whole (supervisors and subordinates can change together) and it deals with each manager, supervisor, and employee in the context of his job, his own position, and his own work relationship.

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The Evolution of OD

Figure: 04



3. Participative Management

The intellectual and practical advances from the laboratory training stem and the action research/survey-feedback stem were followed closely by the belief that a human relations approach represented a one-best-way to manage organizations. This belief was exemplified in research that associated Likert's Participative Management (System 4) style with organizational effectiveness. This framework characterized organizations as having one of four types of management systems:

Exploitative authoritative systems (System 1) exhibit an autocratic, top-down approach to leadership. Employee motivation is based on punishment and occasional rewards. Communication is primarily downward, and there is little lateral interaction or teamwork. Decision making and control reside primarily at the top of the organization. System 1 results in mediocre performance.

Benevolent authoritative systems (System 2) are similar to System 1, except that management is more paternalistic. Employees are allowed a little more interaction, communication, and decision making but within boundaries defined by management.

Consultative systems (System 3) increase employee interaction, communication, and decision making. Although employees are consulted about problems and decisions, management still makes the final decisions. Productivity is good, and employees are moderately satisfied with the organization.

Participative group systems (System 4) are almost the opposite of System 1. Designed around group methods of decision making and supervision, this system fosters high degrees of member involvement and participation. Work groups are highly involved in setting goals, making decisions, improving methods, and appraising results. Communication occurs both laterally and vertically, and decisions are linked throughout the organization by overlapping group membership. System 4 achieves high levels of productivity, quality, and member satisfaction.

Likert applied System 4 management to organizations using a survey-feedback process. The intervention generally started with organization members completing the Profile of Organizational Characteristics. The survey asked members for their opinions about both the present and ideal conditions of six organizational features: leadership, motivation, communication, decisions, goals, and control. In the second stage, the data were fed back to different work groups within the organization. Group members examined the discrepancy between their present situation and their ideal, generally using System 4 as the ideal benchmark, and generated action plans to move the organization toward System 4 conditions.

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Quality of Work Life:

The contribution of the productivity and quality-of-work (QWL) background to OD can be described in two phases. The first phase, starting in 1950s, aimed at better integrating technology and people. These QWL programs generally involved joint participation by unions and management in the design of work and resulted in work designs giving employees high levels of discretion, task variety, and feedback about results. Perhaps the most distinguishing characteristic of these QWL programs was the development of self-managing work groups as a new form of work design. These groups were composed of multiskilled workers who were given the necessary autonomy and information to design and manage their own task performances.

Two definitions of QWL emerged during its initial development. QWL was first defined in terms of people's reaction to work, particularly individual outcomes related to job satisfaction and mental health. Using this definition, QWL focused primarily on the personal consequences of the work experience and how to improve work to satisfy personal needs.

A second definition of QWL defined it as an approach or method. People defined QWL in terms of specific techniques and approaches used for improving work. It was viewed as synonymous with methods such as job enrichment, self-managed teams, and labor-management committees. This technique orientation derived mainly from the growing publicity surrounding QWL projects, such as …..

Starting in 1979, a second phase of QWL activity emerged. A major factor contributing to the resurgence of QWL was growing international competition faced by the US in markets at home and abroad. It became increasingly clear that the relatively low cost and high quality of foreign-made goods resulted partially from the management practices used abroad, especially in Japan.

As a result, QWL programs expanded beyond their initial focus on work design to include other features of the workplace that can affect employee productivity and satisfaction, such as reward systems, work flows, management styles, and the physical work environment. This expanded focus resulted in larger-scale and longer-term projects than had the early job enrichment programs and shifted attention beyond the individual worker to work groups and the larger work context. Equally important, it added the critical dimension of organizational efficiency to what had been up to that time a primary concern for the human dimension.

At one point, the productivity and QWL approach became so popular that it was called an ideological movement. This was particularly evident in the spread of quality circles within many companies. Popularized in Japan, quality circles are groups of employees trained in problem-solving methods who meet regularly to resolve work-environment, productivity, and quality-control concerns and to develop more efficient ways of working.

Today, this second phase of QWL activity continues primarily under the banner of "employee involvement," rather than of QWL. For many OD practitioners, the term "EL" signifies, more than the name QWL, the growing emphasis on how employees can contribute more to running the organization so it can be more flexible, productive, and competitive. Recently, the term "employee empowerment" has been used interchangeably with the term EL, the former suggesting the power inherent in moving decision making downward in the organization. Employee empowerment may be too restrictive, however. Because it draws attention to the power aspects of these interventions, it may lead practitioners to neglect other important elements needed for success, such as information, skills, and rewards. Consequently, EL seems a broader and less restrictive banner than does employee empowerment for these approaches to organizational improvement.

Finally, the productivity and QWL approach has gained new momentum by joining forces with the total quality movement advocated by Demming & Juran. In this approach, the organization is viewed as a set of processes that can be linked to the quality of products and services, modeled through statistical techniques and improved continuously.

Strategic Change:

The strategic change stem is a recent influence on OD's evolution. As organizations and their technological, political, and social environments have become more complex and more uncertain, the scale and intricacies of organizational change have increased. This trend has produced the need for a strategic perspective from OD and encouraged planned change process at the organization level.

Strategic change involves improving the alignment among an organization's environment, strategy, and organization design. Strategic change interventions include efforts to improve both the organization's relationship to its environment and the fit between its technical, political, and cultural systems. The need for strategic change is usually triggered by some major disruption to the organization, such as the lifting of regulatory requirements, a technological breakthrough, or a new chief executive officer coming in from outside the organization.

One of the first applications of strategic change was Richard Beckhard's use of open system planning. He proposed that an organization's environment and its strategy could be described and analyzed. Based on

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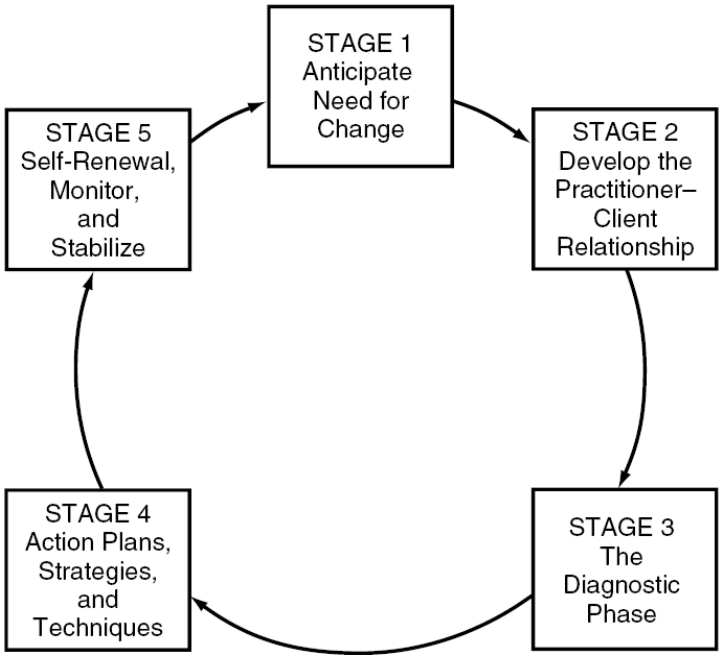
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the organization's core mission, the differences between what the environment demanded and how the organization responded could be reduced and performance improved. Since then, change agents have proposed a variety of large-scale or strategic change models, each of which recognizes that strategic change involves multiple levels of the organization and a change in its culture, is often driven from the top by powerful executives, and has important effects on performance.
The strategic change stem has significantly influenced OD practice. For example, implementing strategic change requires OD practitioners to be familiar with competitive strategy, finance, and marketing, as well as team building, action research, and survey feedback. Together, these skills have improved OD's relevance to organizations and their managers.

A Model for Organizational Development:
Organization development is a continuing process of long-term organizational improvement consisting of a series of stages; the emphasis is placed on a combination of individual, team, and organizational relationships.
The primary difference between OD and other behavioral science techniques is the emphasis upon viewing the organization as a total system of interacting and interrelated elements. Organization development is the application of an organization-wide approach to the functional, structural, technical, and personal relationships in organizations. OD programs are based upon a systematic analysis of problems and a top management actively committed to the change effort. The purpose of such a program is to increase organizational effectiveness by the application of OD values and techniques. Many organization development programs use the action research model. Action research involves collecting information about the organization, feeding this information back to the client system, and developing and implementing action programs to improve system performance. The manager also needs to be aware of the processes that should be considered when one is attempting to create change. This section presents a five-stage model of the total organization development process. Each stage is dependent on the preceding one, and successful change is more probable when each of these stages is considered in a logical sequence.

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Figure: 05 Organization Development's Five Stages



Stage One: Anticipate a Need for Change:

Before a program of change can be implemented, the organization must anticipate the need for change. The first step is the manager's perception that the organization is somehow in a state of disequilibrium or needs improvement. The state of disequilibrium may result from growth or decline or from competitive, technological, legal, or social changes in the external environment. There must be a felt need, because only felt needs convince individuals to adopt new ways. Managers must be sensitive to changes in the competitive environment, to "what's going on out there."

When a new CEO of AT&T Corporation took over, he made it clear to top executives that it was not business as usual. In his first week as CEO, he brought in the company's top 20 officers to tell them that the company's tradition of keeping people in top jobs as long as they didn't mess up was over. According to one person at the meeting, the CEO said "You are going to be in my boat or out of it. But don't be there barking or rowing against it

Stage Two: Develop the Practitioner-Client Relationship:

After an organization recognizes a need for change and an OD practitioner enters the system, a relationship begins to develop between the practitioner and the client system. The client is the person or organization that is being assisted. The development of this relationship is an important determinant of the probable success or failure of an OD program. As with many interpersonal relationships, the exchange of expectations and obligations (the formation of a psychological contract) depends to a great degree upon a good first impression or match between the practitioner and the client system. The practitioner attempts to establish a pattern of open communication, a relationship of trust and an atmosphere of shared responsibility. Issues dealing with responsibility, rewards, and objectives must be clarified, defined, or worked through at this point.

The practitioner must decide when to enter the system and what his or her role should be. For instance, the practitioner may intervene with the sanction and approval of top management and either with or without the sanction and support of members in the lower levels of the organization. At one company, OD started at the vice-presidential level, and by using internal OD practitioners the OD program was gradually expanded to include line managers and workers. At another company, an external practitioner from a university was invited in by the organization's industrial relations group to initiate the OD program.

Stage Three: The Diagnostic Phase:

After the OD practitioner has intervened and developed a working relationship with the client, the practitioner and the client begin to gather data about the system. The collection of data is an important activity providing the organization and the practitioner with a better understanding of client system problems: the diagnosis.

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One rule of operation for the OD practitioner is to question the client's diagnosis of the problem, because the client's perspective may be biased. After acquiring information relevant to the situation perceived to be the problem, the OD practitioner and client together analyze the data to identify problem areas and causal relationships. A weak, inaccurate, or faulty diagnosis can lead to a costly and ineffective change program. The diagnostic phase, then, is used to determine the exact problem that needs solution, to identify the forces causing the situation, and to provide a basis for selecting effective change strategies and techniques.
Although organizations usually generate a large amount of "hard" or operational data, the data may present an incomplete picture of organizational performance. The practitioner and client may agree to increase the range or depth of the available data by interview or questionnaire as a basis for further action programs. One organization, for instance, was having a problem with high employee turnover. The practitioner investigated the high turnover rate by means of a questionnaire to determine why the problem existed, and from these data designed an OD program to correct the problems. The firm's employees felt it had become a bureaucratic organization clogged with red tape, causing high turnover. OD programs have since reduced employee turnover to 19 percent, compared with 34 percent for the industry.
At a major food company, a new executive vice president needed to move quickly to improve the division's performance. With the help of an external practitioner, data were gathered by conducting intensive interviews with top management, as well as with outsiders, to determine key problem areas. Then, without identifying the source of comments, the management team worked on the information in a 10-hour session until solutions to the major problems was hammered out and action plans developed.

Stage Four: Action Plans, Strategies, and Techniques:
The diagnostic phase leads to a series of interventions, activities, or programs aimed at resolving problems and increasing organization effectiveness. These programs apply such OD techniques as total quality management (TQM), job design, role analysis, goal setting, team building, and inter-group development to the causes specified in the diagnostic phase (all of these techniques are discussed in detail in subsequent chapters). In all likelihood, more time will be spent on this fourth stage than on any of the other stages of an OD program.

Stage Five: Self-Renewal, Monitor, and Stabilize:
Once an action program is implemented, the final step is to monitor the results and stabilize the desired changes. This stage assesses the effectiveness of change strategies in attaining stated objectives. Each stage of an OD program needs to be monitored to gain feedback on member reaction to the change efforts. The system members need to know the results of change efforts in order to determine whether they ought to modify, continue, or discontinue the activities. Once a problem has been corrected and a change program is implemented and monitored, means must be devised to make sure that the new behavior is stabilized and internalized. If this is not done, the system will regress to previous ineffective modes or states. The client system needs to develop the capability to maintain innovation without outside support.

Continuous Improvement:
In today's environment, companies seeking to be successful and survive are faced with the need to continually introduce changes. The unlikely has become commonplace, and the unthinkable has become almost inevitable. The most important lesson managers need to learn is that there are only two kinds of companies — those that are changing, and those that are going out of business. Continual change is a way of life. A critical challenge for managers who are leading change efforts is to inspire individuals to work as a team.
This five stage model shows how different OD methods and approaches are used to continuously improve performance so that the vision can be achieved. It is important to remember that no model or paradigm is perfect, but it can still provide useful approaches to change.
As an OD program stabilizes, the need for the practitioner should decrease. If the client moves toward independence and evidences a self-renewal capacity, the gradual termination of the practitioner-client system relationship is easily accomplished. If the client system has become overly dependent upon the practitioner, termination of the relationship can be a difficult and awkward issue. At one company, for example, the program produced tangible benefits. Of 264 managers involved in the program, 93 percent reported that the program led to improved teamwork.
One important issue in the implementation of an OD program is whether or not the practitioner is able to deal effectively with power and the use of power. Hierarchical organizations, whether they be business, governmental, for-profit, or not-for-profit, rely on power. The individuals in positions of influence generally constitute the power structure and frequently are power-motivated people. Managers compete for promotions, and departments and divisions have disagreements over budget allocations, Political infighting is a reality (and often a dysfunctional factor) in most organizations, and the issue is whether OD

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practitioners deal with these power issues in bringing about a change. In a study of high-speed decision making, Kathleen Eisenhardt and L. J. Bourgeois III found that politics influence decisions and those political conflicts "within top management teams are associated with poor firm performance.

The OD practitioner acts as a facilitator to promote team problem solving and collaboration, and encourages such values as trust, openness, and consensus. Given the nature of an OD program, it is our view that OD is not a political/power type of intervention. Given the political nature of organizational decision making, however, the OD practitioner must be aware of politics and use a problem-solving approach that is compatible with power-oriented situations.

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Lesson 06

The Organization Culture

Basically, organizational culture is the personality of the organization. Culture is comprised of the assumptions, values, norms and tangible signs (artifacts) of organization members and their behaviors. Culture is one of those terms that are difficult to express distinctly, but everyone knows it when they sense it. For example, the culture of a large, for-profit corporation is quite different than that of a hospital which is quite different that that of a university. You can tell the culture of an organization by looking at the arrangement of furniture, what they brag about, what members wear, etc. -- similar to what you can use to get a feeling about someone's personality.

Definition:

"The culture of an organization is its customary and traditional way of thinking and doing things, which is shared to a greater or lesser degree by all its members, and which new members must learn and at least partially accept, in order to be accepted into service in the firm. Culture covers a wide range of behavior: the methods of production; job skills and technical knowledge; attitudes towards discipline and punishment; the custom and habit of managerial behavior; its way of doing business; the methods of payment; the values placed on different types of work; beliefs in democratic living and joint consultation".

Culture shows up in both visible and invisible ways. Some manifestations of this energy field called "culture" are easy to observe. You can see the dress code, work environment, perks, and titles in a company. This is the surface layer of culture. These are only some of the visible manifestations of a culture.

The far more powerful aspects of culture are invisible. The cultural core is composed of the beliefs, values, standards, paradigms, worldviews, moods, internal conversations, and private conversations of the people that are part of the group. This is the foundation for all actions and decisions within a team, department, or organization.

Visible Manifestations of Culture:

- Dress Code
- Work Environment
- Benefits
- Perks
- Conversations
- Work/Life Balance
- Titles & Job Description
- Organizational Structure

Invisible Manifestations of Culture:

- Values
- Private Conversations (with self or confidants)
- Invisible Rules
- Attitudes
- Beliefs
- Worldviews
- Moods and Emotions
- Unconscious Interpretations
- Standards of Behavior
- Paradigms
- Assumptions

Business leaders often assume that their company's vision, values, and strategic priorities are synonymous with their company's culture. Unfortunately, too often, the vision, values, and strategic priorities may only be words hanging on a plaque on the wall. In a thriving profitable company, employees will embody the values, vision, and strategic priorities of their company. What creates this embodiment (or lack of embodiment) is the culture that permeates the employees' psyches, bodies, conversations, and actions.

The energy fields that make up a group's culture are dynamic and change continuously. Culture is created and constantly reinforced on a daily basis through conversations, symbols, rituals, written materials, and body language. It is the small, mundane actions and behaviors that create a culture and can shift a culture.

Creating and sustaining a healthy, vibrant culture requires reinforcement of the culture through daily and proactive conversations and communications. The failure to discuss the values, purpose, and rules within a group often leads to a culture that is at cross purposes with the stated intention of the group. Poor communication creates a lot of confusion and often a crisis of meaninglessness.

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Since a culture is created every time a group of people come together to form a team, a company will have many sub-cultures that exist within its main culture. Within the company, there may be sub-cultures in departments, divisions, regions or operating units. For example, the marketing and technology teams may have different worldviews, jargon, work hours, and ways to do things. A big challenge for today's company is to create a strong, cohesive corporate culture that pulls all of the sub-cultures together and ensures that they can work as a unified team.

Corporate culture starts when the organization begins and develops as it grows. Corporate culture controls the way the people in an organization interact with each other and the stakeholders outside the organization. Over time, the culture changes as people come and go. Culture reflects the values, ethics, beliefs, personality and traits of the company's founders, management and employees. In a well-established company, the culture is so strong that even new top management may not be able to change it. Or, if they try, it may take 5, 10 or 20 years to change. Employees who feel comfortable and compatible with the company culture will stay; those who don't will leave or will not perform as well as they can.

Culture is extremely powerful. The rules of the game, what behavior is ethical and accepted, the mood of the organization, and the enthusiasm of employees are all contained in the culture. So, culture can be a powerful, hidden asset or it can be a liability - a time-bomb waiting to go off. If your leadership team has not pro-actively created a corporate culture to support the company's purpose, then chances are that the culture is a hidden liability.

Every time people come together with a shared purpose, culture is created. This group of people could be a family, neighborhood, project team, or company. Culture is automatically created out of the combined thoughts, energies, and attitudes of the people in the group.

Have you ever noticed how people react to foreign visitors; whether an exchange student or a visiting professional? The stranger may be welcomed, but may never be accepted unless that person can adapt to the norms of their new environment. If they do not, the members will shun the stranger and reject the alien from their culture. The same is true in business. If the new employee, consultant or visitor cannot adapt to the corporate culture, their chances for success are slight. The members of the culture will reject the person outright and will work against them.

The reason for this phenomenon is because people tend to prefer conformity in their culture. Conformity represents a harmonious environment where the behavior and actions are predictable. Most people have a deeply rooted desire for a sense of order and stability in their lives, which is what conformity provides. A stable environment promotes self-confidence in the members of the culture and allows them to concentrate on their work.

Culture is an energy force that becomes woven through the thinking, behavior, and identity of those within the group. Culture is powerful and invisible and its manifestations are far reaching. Culture determines a company's dress code, work environment, work hours, rules for getting ahead and getting promoted, how the business world is viewed, what is valued, who is valued, and much more.

The term organization culture refers to a system of shared meanings, including the language, dress, patterns of behavior, value system, feelings, attitudes, interactions, and group norms of the members. Examine the patterns of behavior on your campus or in your company. How do people dress? What jargon or unique terms do they use?

Norms:

Norms are organized and shared ideas regarding what members should do and feel, how this behavior should be regulated, and what sanctions should be applied when behavior does not coincide with social expectations. The values and behaviors of every organization are unique. Some patterns of behavior may be functional and may facilitate the accomplishment of organizational goals. Other patterns of behavior or cultural norms may actually inhibit or restrict the accomplishment of organization goals.

A look at the types of norms that exist in an organization will help in gaining a better understanding of the organization's culture. Norms are generally enforced only for the behaviors viewed as most important by most group members. Norms essential to accomplishing the organization's objectives are called **pivotal norms**. Norms that support and contribute to the pivotal norms but are not essential to the organization's objectives are called **peripheral norms**. For example, dress codes that are enforced Monday through Thursday are probably peripheral in light of Friday's being a casual dress day. Pivotal and peripheral norms constantly confront individuals in an organization, and they must decide whether or not to conform. The pressure to conform to norms varies, allowing individuals some degree of freedom in responding to these organizational pressures depending on how they perceive the rewards or punishments. The organization also has latitude in the degree of conformity it requires of its members.

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The Socialization Process:

Even if an organization does an effective job of recruiting, new employees must still adjust to the organizational culture. Because they are not aware of the culture, new employees are likely to disagree with or question the customs and values that exist. Socialization may be defined as the process that adapts employees to the organization's culture. The socialization of employees at Procter and Gamble Co. starts at an early age because employees often begin their careers there and grow up together. The culture is one of being resistant to new ideas and even being insular. P&G is, by many measures, a family company and only promotes from within. It is located in a relatively small city, Cincinnati, where employees live near one another, go to the same social functions, and eat at the same restaurants. CEO Alan Lafley admits, "I am worried that I will ask the organization to change ahead of its understanding, capability, and commitment."

New Employee Expectations:

To function effectively, managers and members must be aware of the organization's norms. They must recognize how sharply norms are defined and how strongly they are enforced. Entry into a new situation often results in some degree of anxiety or stress. The less an individual can relate the new situation to previous situations, the greater the feelings of anxiety and discomfort. The more the individual can meet expectations, the less the feelings of anxiety and discomfort.

Some organizations assign current employees to act as mentors to new employees. W. L. Gore & Associates assigns each person hired by the company a sponsor who acts as a mentor. Twenty percent of Gore's associates (employees) are sponsors, and the sponsor is typically the person who has the most at stake in making the new associate successful. The Gore philosophy is that if you sponsor someone, you want them to be successful, and therefore will offer them opportunities, such as sitting in on meetings. If the new associate is successful, the team will be successful, and Gore will be successful.

Encounter Organization's Culture:

The organizational culture provides a way for organization members to meet and get along. Three important aspects of socialization when joining an organization are:

1. Deciding who is a member and who is not.
2. Developing an informal understanding of behavioral norms
3. Separating friends from enemies.

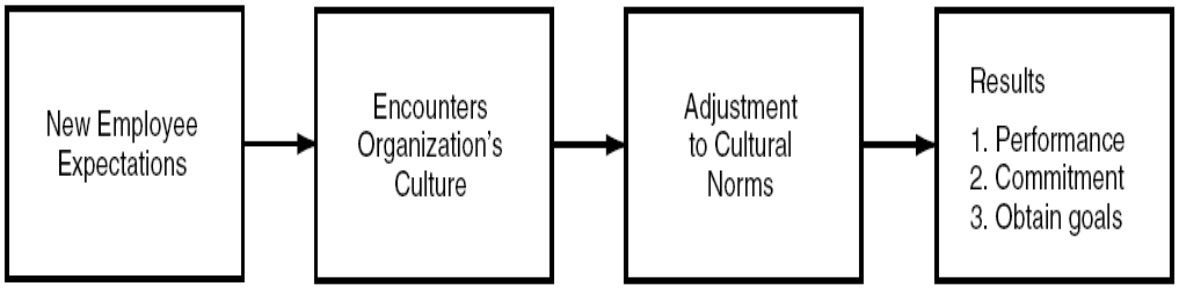
To work together effectively, individuals need to understand things like power, status, rewards, and sanctions for specific types of behaviors. For instance, what behavior gets one a good grade, and so on.

While the individual employees are experiencing a new situation, the organization may be attempting to influence them. If new members come to an organization expecting to find a certain set of norms, they are looking for their expectations to be affirmed. If their expectations reflect the actual norms of the organization, the integration process for both the new members and the organization is relatively painless.

Adjustment to Cultural Norms:

New members often find that the norms are unclear, confusing, and restrictive. As a result, they may react in different ways when entering an organization. At one extreme, a new member may choose to conform to all the norms of the organization, resulting in uniformity of behavior and complete acceptance of organizational values. This conformity may result in stagnation, non-responsiveness, and a loss of creativeness. At the other extreme, a new member may choose to rebel, to reject all the values, or to leave the organization altogether.

Figure: 06



A less obvious alternative is for new members to accept the pivotal norms and seriously question the peripheral norms, which can be termed creative individualism. This is the ideal behavior for a healthy and effective organization, but it is often difficult for a newcomer to correctly determine which norms are peripheral and which are pivotal. What may be a pivotal norm in one department may be a peripheral norm

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or not a norm at all in another department of the same organization. Since norms are changing and dynamic, the organization member must have the awareness to discern the differences between pivotal and peripheral norms.

Results:

Only the more healthy organizations allow their members to challenge their norms. The aim of OD is to develop an organizational climate that is appropriate to the organization's mission and members. In a sense, OD involves changing the culture of organizations and work groups so that a more effective means of interacting, relating, and problem solving will result. OD seeks to develop the organization to the point that it feels comfortable about allowing its members to openly examine the norms, both pivotal and peripheral, with the ultimate goal of building a more effective organization. The reaction of the individual to the norms results in the formation of an unwritten agreement with the organization.

For example, at one organization employees believe that it is their responsibility to innovate and be creative. They develop new and improved products, processes, and ways to serve their customers. They believe that team discussion, challenging ideas, and taking risks are appropriate behaviors for achieving goals. However, at another organization employee believe that following procedures, reaching numerical outcome targets, doing no more or less than what is required, and not saying anything that the boss does not want to hear are the appropriate behaviors. These two organizations have very different types of cultures. In both of these organizations, each person tends to do the following:

1. Separate more important from less important goals.
2. Develop ways to measure their accomplishments.
3. Create explanations for why goals may not always be met.

Psychological Contracts:

A psychological contract may be defined as an unwritten agreement between individuals and the organization of which they are members. It describes certain expectations that the organization has of the individual and the individual's expectations of the organization. Because the two parties are growing and changing, the contract must be open-ended, so that old issues and new issues can be renegotiated.

An organization has certain expectations of its members. If it is a business organization, its expectations of member behavior will probably be spelled out very clearly. It undoubtedly expects its members to be on the job during certain hours of the day. It is probably concerned with the quality and quantity of the work they do, their loyalty, their appearance, and various other things unique to the organization. For the organization to be satisfied, the individual will need to comply to some degree with its expectations. In other words, the organization has certain requirements, and the individual must do certain things to meet those requirements if there is to be a lasting and healthy relationship. In many instances, unfulfilled expectations result in high turnover, absenteeism, sabotage, and worker alienation.

Similarly, the individual has certain expectations of the organization. An individual may expect to gain work experience, security, and advancement. The individual probably expects to have an opportunity to meet people, make friends, and form social relationships; and undoubtedly expects remuneration from the organization. For the individual to be satisfied and stay, the organization will have to meet the individual's expectations.

When either the organization's or the individual's expectations are not being satisfied adequately by the other party, friction and difficulties may develop. If these problems cannot be solved, they may culminate in the individual's leaving the organization, either voluntarily or by the organization's choice. All too often, the problem is solved by not solving it: it takes too much effort to reach a real solution, so both parties must continue with a tenuous and unharmonious relationship.

Sometimes the psychological contract between the organization and the individual does not even address certain key expectations. One or both parties may assume that the other party agrees to some unstated expectations. The phrase "it is intuitively obvious to the most casual observer" may be the underlying assumption of one or both parties. Unstated or assumed expectations can lead to an organization of individuals who feel cheated or of managers who are disappointed in their subordinates. To avoid such misunderstandings, both parties the members and the representatives of the organization should formulate a psychological contract that can be continually renegotiated.

OD in Practice: What's your culture worth?

The founders of Setpoint had a pretty good idea of the sort of company culture they wanted to build. It didn't occur to them that what they came up with would become one of the company's most valuable assets.

Steve Peterson, owner of his own company, Peterson Inc., with about 300 employees, says he had no particular agenda when he dropped by Setpoint for a visit. He certainly wasn't thinking about a merger.

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Setpoint was just another custom-manufacturing company employing only about 30 employees. Most of its revenues come from designing and building factory-automation equipment. He'd heard about some of the things they were doing with project management and open-book accounting. Setpoint CEO, Joe Knight, took Peterson on a tour of the facility. At some point they wound up in the shop, where about 10 employees were working on half a dozen machines. Peterson noticed a large whiteboard off to one side. Scribbled across the board were about 20 rows and 10n columns of numbers forming a table of some sort.

The Board

"What's that?" he asked

"That's our board," Knight said. "It's how we track our projects and figures out whether or not we're making money."

"How do you do that?" Peterson asked. Knight began explaining what the numbers were and where they came from.

Then Knight stopped. "You know," he said, "you really shouldn't take my word for it. You should get these guys to tell you about it." He called out to one of the technicians and introduced him.

"Would you mind explaining this board to us?" Peterson asked.

"Sure," the young man said and proceeded to walk them through it. He talked about calculating the gross profit that he and his colleagues had earned the previous week on each project. He pointed out the column showing each project's gross profit per hour and explained the importance of keeping that number in mind. He said he also watched the ration of overall gross profit to operating expenses, since that's how you knew if the company was making money. He added that he liked to see it running at about 2.0

"I was just amazed," Peterson recalls. "He knew the board inside and out. He knew every number on it. He knew exactly where the company was and where they had to focus their attention. There was no hesitation. He had great confidence in what was up there." Peterson continues, "I could see that the board was a cherished possession, and I was so impressed, not that Joe Knight understood it, but that the people on the shop floor had it down like that. It was their scoreboard. It was the way they could tell if they were winning or losing. I talked to several of them, and I just couldn't get over the positive attitude they had and their understanding of business …I knew right then that Setpoint had what we needed, and somehow we had to get it."

Merger Negotiation

Shortly thereafter, Peterson began negotiating with the owners of Setpoint to acquire their business, their services, their management system, and their culture.

Companies are bought for a limited number of reasons. In almost every acquisition the buyer is looking for market share, earnings, cash flow, strategic advantage, or some kind of synergy, either alone or in combination. Setpoint has little to offer Peterson in terms of those criteria. Yet Setpoint does have one asset that Steve Peterson would be willing to pay a substantial price for – namely, a particular type of corporate culture.

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The Nature of Planned Change

The pace of global, economic, and technological development makes change an inevitable feature of organizational life. However, change that happens to an organization can be distinguished from change that is planned by its members. Here, the term change will refer to planned change. Organization development is directed at bringing about planned change to increase an organization's effectiveness. It is generally initiated and implemented by managers, often with the help of an OD practitioner either from inside or outside of the organization. Organizations can use planned change to solve problems, to learn from experience, to reframe shared perceptions, to adapt to external environmental changes, to improve performance, and to influence future changes.

All approaches to OD rely on some theory about planned change. The theories describe the different stages through which planned change may be effected in organizations and explain the process of applying OD methods to help organization members manage change.

Theories of Planned change:

The three major theories of organization change that have received considerable attention in the field are: Lewin's change model, the action research model, and contemporary adaptations of action research.

Lewin's Change Model:

According to the open-systems view, organizations— like living creatures—tend to be homeostatic, or continuously working to maintain a steady state. This helps us understand why organizations require external impetus to initiate change and, indeed, why that change will be resisted even when it is necessary.

Organizational change can occur at three levels— and, since the patterns of resistance to change are different for each, the patterns in each level require different change strategies and techniques. These levels involve:

1. Changing the individuals who work in the organization—that is, their skills, values, attitudes, and eventually behavior—but making sure that such individual—ehaviora4 change is always regarded as instrumental to organizational change.

2. Changing various organizational structures and systems—reward systems, reporting elationships, work design, and so on.

3. Directly changing the organizational climate or interpersonal style—how open people are with each other, how conflict is managed, how decisions are made, and so on.

According to Lewin, a pioneer in the field of social psychology of organizations, the first step of any change process it to **unfreeze** the present pattern of behavior as a way of managing resistance to change. Depending on the organizational level of change intended, such unfreezing might involve, on the individual level, selectively promoting or terminating employees; on the structural level, developing highly experiential training programs in such new organization designs as matrix management; or, on the climate level, providing data-based feedback on how employees feel about certain management practices. Whatever the level involved, each of these interventions is intended to make organizational members address that level's need for change, heighten their awareness of their own behavioral patterns, and make them more open to the change process.

The second step, **movement**, involves making the actual changes that will move the organization to another level of response. On the individual level, we would expect to see people behaving differently, perhaps demonstrating new skills or new supervisory practices. On the individual level, we would expect to see changes in actual organizational structures, reporting relationships, and reward systems that affect the way people do their work. Finally, on the climate or interpersonal- style level, we would expect to see behavior patterns that indicate greater interpersonal trust and openness and fewer dysfunctional interactions.

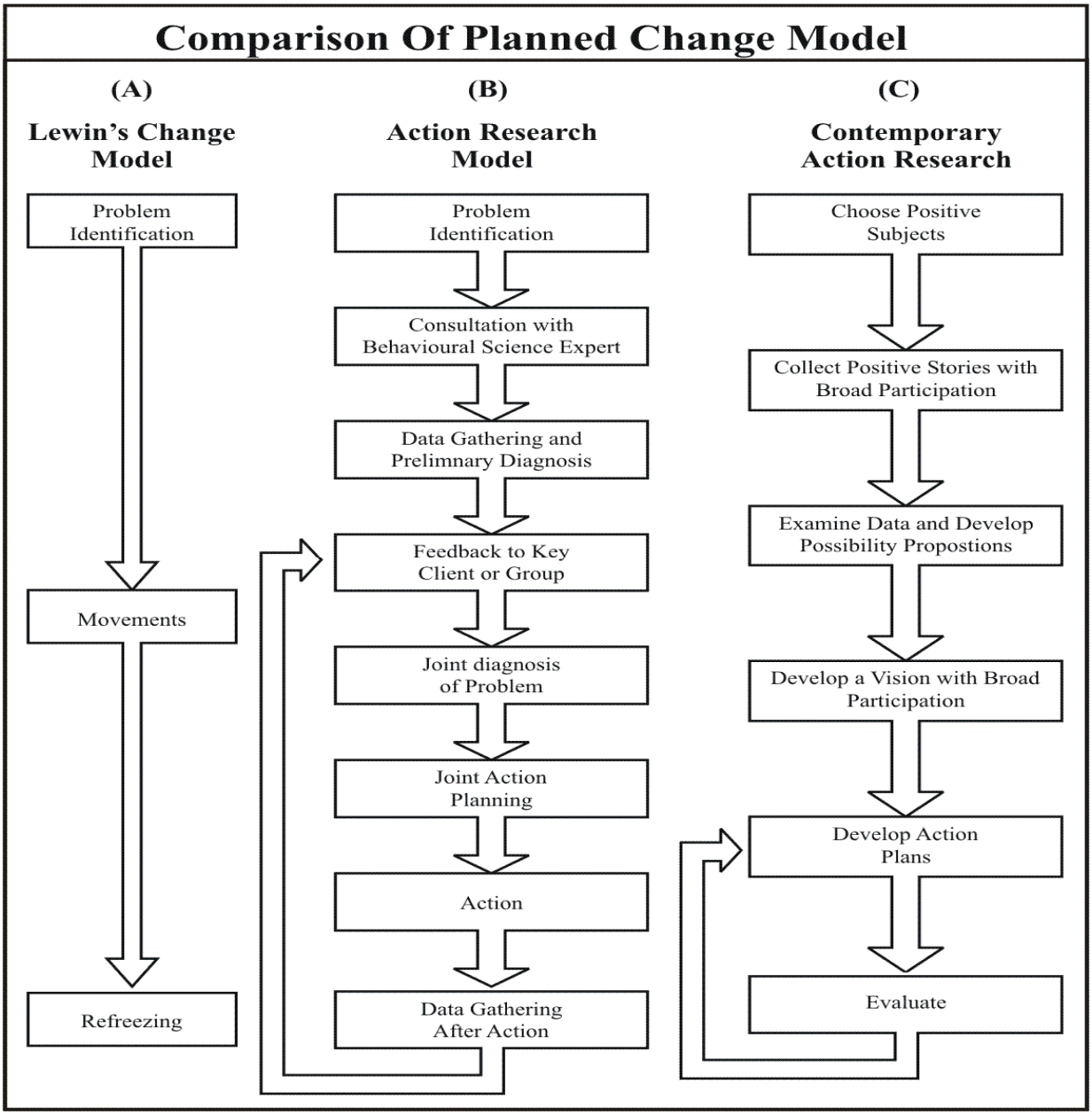
The final stage of the change process, **refreezing**, involves stabilizing or institutionalizing these changes by establishing systems that make these behavioral patterns "relatively secure against change," as Lewin put it. The refreezing stage may involve, for example, redesigning the organization's recruitment process to increase the likelihood of hiring applicants who share the organizations new management style and value system. During the refreezing stage, the organization may also ensure that the new behaviors have become the operating norms at work, that the reward system actually reinforces those behaviors, or that a new, more participative management style predominates.

According to Lewin, the first step to achieving lasting organizational change is to deal with resistance to change by unblocking the present system. This unblocking usually requires some kind of confrontation and a retraining process based on planned behavioral changes in the desired direction. Finally, deliberate steps

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need to be taken to cement these changes in place—this "institutionalization of change" is designed to make the changes semi-permanent until the next cycle of change occurs.

Figure: 07



Whatever the level involved, each of the three interventions is needed to make organizational members address the level's need for change, heighten their awareness of their own behavioral patterns, and make them more open to the change process.

Stage 1: Unfreezing

Three ways of unfreezing an organization are:

i. Disconfirmation
ii. Induction of guilt or anxiety
iii. Creation of psychological safety

i. Disconfirmation or lack of confirmation. Organizational members are not likely to embrace change unless they experience some need for it. Embracing change typically means that people are dissatisfied with the way things are – quality is below standard, costs are too high, morale is too low, or direction is unclear, for example.

Unfreezing involves reducing those forces maintaining the organization's behavior at its present level. Unfreezing is sometimes accomplished through a process of "psychological disconfirmation." By

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introducing information that shows discrepancies between behaviors desired by organization members and those behaviors currently exhibited, members can be motivated to engage in change activities.

ii. Induction of guilt or anxiety. This is a matter of establishing a gap between what is current but not working well and some future goal that would make things work better. When people recognize a gap between what is and what would be better and more desirable, they will be motivated via guilt or anxiety to reduce the gap. But disconfirmation and induction are not enough to accomplish the unfreezing stage. One more process is necessary.

iii. Creation of psychological safety. To face disconfirmation, experience guilt or anxiety, and be able to act or move, people must believe that moving will not bring them humiliation or loss of self-esteem. People must still feel worthy, psychologically safe. The consultant must be concerned with people not losing face and must take care that when people admit that something is wrong they will not be punished or humiliated.

Stage 2: Moving (Changing)

The second step, **movement**, involves making the actual changes that will move the organization to another level of response.

On the individual level, we would expect to see people behaving differently, perhaps demonstrating new skills or new supervisory practices.

On the structural level, we would expect to see changes in actual organizational structures, reporting relationships, and reward systems that affect the way people do their work.

On the climate or interpersonal level, we would expect to see behavior patterns that indicate greater interpersonal trust and openness and fewer dysfunctional interactions.

There are two main processes for accomplishing this stage:

i. Identification with a new role model

ii. Scanning the environment for new information

i. Identification with a new role model, mentor, boss, or consultant to "begin to see things from that other person's point of view. If we see another point of view operating in a person to whom we pay attention and respect, we can begin to imagine that point of view as something to consider for ourselves".

ii. Scanning the environment for new, relevant information. In working with the chairman of a company and the president or CEO, the consultant explored many reasons for their conflict with one another. To help with reducing some of this conflict, the consultant worked on clarifying roles and responsibilities. He quotes other chairman-president/CEO models from other client organizations, some that worked very well and some that did not. This process was an activity of bringing to the two of them new, relevant information that might help them move forward with the changes needed in the relationship.

Stage 3: Refreezing

This final stage is one of helping the client integrate the changes. This stage involves stabilizing or institutionalizing these changes by establishing systems (such as norms, policies, and structures) that make these behavioral patterns "relatively secure against change".

The refreezing stage may involve

- Redesigning the organization's recruitment process to increase the likelihood of hiring applicants who share the organization's new management style and value system.
- During the refreezing stage, the organization may also ensure that the new behaviors have become the operating norms at work, that the reward system actually reinforces those behaviors, or that a new, more participative management style predominates.

This stage can be seen in two parts – self and relations with others:

i. Personal refreezing

ii. Relational refreezing

i. Personal refreezing is the process of taking the new, changed way of doing things and making it fit comfortably into one's total self-concept. This process involves a lot of practice – trying out new roles and behaviors, getting feedback, and making adjustments until the new way of doing things feels reasonably comfortable.

ii. Relational refreezing is the process of assuring that the client's new behavior will fit with significant others. In a system, when one begins to do things differently, will this difference quickly affect others with

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whom the person interacts? If you and I interact frequently and I change to maintain the relationship you will have to change as well, at least to some extent to maintain the relationship. This process involves openly engaging with others about the new way of doing things, to help them see why the change is better than the old way.

Case Example: British Airways

In 1982 Margaret Thatcher's government in Great Britain decided to convert British Airways (BA) from government ownership to private ownership. BA had regularly required large subsidies from the government (almost $900 million in 1982), subsidies that the government felt it could not provide. Even more important, the Conservative government was ideologically opposed to the government's ownership of businesses—a matter they regarded as the appropriate province of private enterprise.

The growing deregulation of international air traffic was another important environmental change. Air fares were no longer fixed, and the resulting price wars placed BA at even greater risk of financial losses.

In order to be able to "privatize"—that is, sell BA shares on the London and New York Stock Exchanges—it was necessary to make BA profitable. The pressures to change thus exerted on BA by the external environment were broad and intense. And the internal organizational changes, driven by these external pressures, have been massive and widespread. They have transformed the BA culture from what BA managers described as "bureaucratic and militaristic" to one that is now described as "service-oriented and market- driven." The success of these efforts over a five- year period (1982—1987) is clearly depicted in the data.

This figure 8 reflects BA's new mission in its new advertising slogan—"The World's Favorite Airline." Five years after the change effort began, BA had successfully moved from government ownership to private ownership, and both passenger and cargo revenues had dramatically increased, leading to a substantial increase in share price over the offering price, despite the market crash of October 1987. Indeed, in late 1987 BA acquired British Caledonian Airways, its chief domestic competitor. The steps through which this transformation was accomplished clearly fit Lewin's model of the change process.

Table: 01

The British Airways Success Story: Creating the "World's Favorite Airline"		
	1982	1987
Ownership	Government	Private
Profit/loss	$900 million	$435 million
Culture	Bureaucratic and militaristic	Service-oriented and market-driven
Passenger load factor	Decreasing	Increasing-up 16% in Ist quarter 1988
Cargo load	Stable	Increasing-up 41% in Ist quarter 1988
Share price	N/A	Increased 67% (2/11/87-8/11/87)
Acquisitions	N/A	British Caledonian

Unfreezing: In BA's change effort, the first step in unfreezing involved a massive reduction in the worldwide BA workforce (from 59,000 to 37,000). It is interesting to note that, within a year after this staff reduction, virtually all BA performance indices had improved—more on-time departures and arrivals, fewer out-of-service aircraft, less time "on hold" for telephone reservations, fewer lost bags, and so on. The consensus view at all levels within BA was that the downsizing had reduced hierarchical levels, thus giving more autonomy to operating people and allowing work to get done more easily.

The downsizing was accomplished with compassion; no one was actually laid off. Early retirement, with substantial financial settlements, was the preferred solution throughout the system. Although there is no question that the process was painful, considerable attention was paid to minimizing the pain in every possible way.

A second major change occurred in BA's top management. In 1981, Lord John King of Wartinbee, a senior British industrialist, was appointed chairman of the board, and Cohn Marshall, now Sir Colin, was appointed CEO. The appointment of Marshall represented a significant departure from BA culture. An outsider to BA, Marshall had a marketing background that was quite different from that of his predecessors, many of whom were retired senior Royal Air Force officers. It was Marshall who decided, shortly after his arrival, that BA's strategy should be to become "the World's Favorite Airline." Without question, critical ingredients in the success of the overall change effort were Marshall's vision, the clarity of his understanding that BA's culture needed to be changed in order to carry out the vision, and his strong leadership of that change effort.

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To support the unfreezing process, the first of many training programs was introduced. "Putting People First"—the program in which all BA personnel with direct customer contact participated - was another important part of the unfreezing process. Aimed at helping line workers and managers understand the service nature of the airline industry, it was intended to challenge the prevailing wisdom about how things were to be done at BA.

Movement: Early on, Marshall hired Nicholas Georgiades, a psychologist and former professor and consultant, as director (vice president) of human resources. It was Georgiades who developed the specific tactics and programs required to bring Marshall's vision into reality. Thus Georgiades, along with Marshall, must be regarded as a leader of BAS successful change effort. One of the interventions that Georgiades initiated—a significant activity during the movement phase—was to establish training programs for senior and middle managers. Among these were "Managing People First" and "Leading the Service Business"—experiential programs that involved heavy doses of individual feedback to each participant about his or her behavior regarding management practices on the job.

These training programs all had more or less the same general purpose: to identify the organization's dysfunctional management style and begin the process of developing a new management style that would fit BA's new, competitive environment. If the organization was to be market- driven, service-based, and profit-making, it would require an open, participative management style— one that would produce employee commitment.

On the structures and systems level during the unfreezing stage, extensive made of diagonal task forces composed of individuals from different functions and at different levels of responsibility to deal with various aspects of the change process—the need for MIS (management information systems) support, new staffing patterns, new uniforms, and so on. A bottom-up, less centralized budgeting process—one sharply different from its predecessor—was introduced.

Redefining BA's business as service, rather than as transportation, represented a critical shift on the level of climate/interpersonal style. A service business needs an open climate and good interpersonal skills, coupled with outstanding teamwork. Off-site, team-building meetings—the process chosen to deal with these issues during the movement stage—has now been institutionalized.

None of these changes would have occurred without the commitment and involvement of top management. Marshall himself played a central role in both initiating and supporting the change process, even when problems arose. As one index of this commitment, Marshall shared information at question-and-answer sessions at most of the training programs—both "to show the flag" and to provide his own unique perspective on what needed to be done.

An important element of the movement phase was acceptance of the concept of "emotional labor" that Georgiades championed—that is, the high energy levels required providing the quality of service needed in a somewhat uncertain environment, such as the airline business. Recognition that such service is emotionally draining and often can lead to burnout and permanent psychological damage is critical to developing systems of emotional support for the service workers involved.

Another important support mechanism was the retraining of traditional personnel staff to become internal change agents charged with helping and supporting line and staff managers. So, too, was the development of peer support groups for managers completing the "Managing People First" training program?

To support this movement, a number of internal BA structures and systems were changed. By introducing a new bonus system, for example, Georgiades demonstrated management's commitment to sharing the financial gains of BA's success. The opening of Terminal 4 at Heathrow Airport provided a more functional work environment for staff. The purchase of Chartridge House as a permanent BA training center permitted an increase in and integration of staff training, and the new, "user-friendly" MIS enabled managers to get the information they needed to do their jobs in a timely fashion.

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Table: 02

Applying Lewin's Model to the British Airways (BA) Change Effort			
Levels	**Unfreezing**	**Movement**	**Refreezing**
Individual	Downsizing of workforce ($9,000 to 37,000); middle management especially hard hit. New top management team. "putting people first"	Acceptance of concept of "emotional labor". Personnel staff as internal consultants. "managing people first" peer support groups.	Continued commitment of top management. Promotion of staff with new BA values. "Top Flight Academies". "Open Learning" programs
Structures and systems	Use of diagonal task forces to plan change. Reduction in levels of hierarchy. Modification of budgeting process	Profit sharing (3weeks pay in 1987). Opening of Terminal 4. Purchase of Chartridge as training center. New, "User-friendly" MIS	New performance appraisal system based on both behavior and performance. Performance-based compensation system. Continued use of task forces
Climate/interpersonal style	Redefinition of the business: service, not transportation. Top-management commitment and involvement.	Greater emphasis on open communications. Data feedback on work-unit climate. Off-site, team-building meeting.	New uniforms. New coat of arms. Development and use of cabin-crew teams. Continued use of data-based feedback on climate and management practices.

Refreezing: During the refreezing phase, the continued involvement and commitment of BA's top management ensured that the changes became "fixed" in the system. People who clearly exemplified the new BA values were much more likely to be promoted, especially at higher management levels. Georgiades introduced additional pro-grams for educating the workforce, especially managers. "Open Learning" programs, including orientation programs for new staff, supervisory training for new supervisors, and so on, were augmented by "Top Flight Academies" that included training at the executive, senior management, and management levels. One of the academies now leads to an MBA degree.

A new performance appraisal system, based on both behavior and results, was created to emphasize customer service and subordinate development. A performance-based compensation system is being installed, and task forces continue to be used to solve emerging problems, such as those resulting from the acquisition of British Caledonian Airlines.

Attention was paid to BA's symbols as well— new, upscale uniforms; refurbished aircraft; and a new corporate coat of arms with the motto "We fly to serve." A unique development has been the creation of teams for consistent cabin-crew staffing, rather than the ad hoc process typically used. Finally, there is continued use of data feedback on management practices throughout the system.

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Action Research Model

The action research model focuses on planned change as a cyclical process in which initial research about the organization provides information to guide subsequent action. Then the results of the action are assessed to provide further information to guide further action, and so on. This iterative (iterate means to repeat) cycle of research and action involves considerable collaboration among organization members and OD practitioners. It places heavy emphasis on data gathering and diagnosis prior to action planning and implementation, as well as careful evaluation of results after action is taken.

Action research is traditionally aimed both at helping specific organizations to implement planned change and at developing more general knowledge that can be applied to other change and settings. Although action research was originally developed to have this dual focus on knowledge, it has been adapted to OD efforts in which the major emphasis is on planned change. Figure 2.1 (B) shows the cyclical phases of planned change as defined by the original research method. The main steps involved are:

1. Entry (Problem identification): This stage usually begins when a key executive in the organization or someone with power and influence senses that the organization has one or more problems that might be solved with the help of an OD practitioner. Contact between the consultant and client is what initiates the entry phase. After the contact, the consultant and the client begin the process of exploring with one another the possibilities of a working relationship. During this process, the consultant assesses:

a. The probability of relating with the client
b. The motivation and values of the client
c. The client's readiness for change
d. The extent of resources available
e. Potential leverage points of change

2. Contracting (Consultation with a behavioral science expert): During the initial contact, the OD practitioner and the client carefully assess each other. The practitioner has his or her own normative, developmental theory or frame of reference and must be conscious of those assumptions and values. Sharing them with the client from the beginning establishes an open and collaborative atmosphere.

Unlike other types of contracts, the OD contract states three critical areas:

a. What each expects to get from the relationship
b. How much time each will invest, when, and at what cost
c. The ground rules under which the parties will operate

3. Diagnosis (Data gathering and preliminary diagnosis): This step is usually completed by the OD practitioner, often in conjunction with organization members. It involves gathering appropriate information and analyzing it to determine the underlying causes of organizational problems. The four basic methods of gathering data are interviews, process observation, questionnaires, and organizational performance data (unfortunately, often overlooked). One approach to diagnosis begins with observation, proceeds to a semi structured interview, and concludes with a questionnaire to measure precisely the problems identified by the earlier steps. When gathering diagnostic information, OD practitioners may influence members from whom they are collecting data. In OD, "every action on the part of the consultant constitutes an intervention" that will have some effect on the organization.

4. Feedback (Feedback to a key client or group): Because action research is a collaborative activity, the diagnostic data are fed back to the client, usually in a group or work-team meeting. The feedback step, in which members are given the information gathered by the OD practitioner, helps them determine the strengths and weaknesses of the organization or the department under study. The consultant provides the client with all relevant and useful data. Obviously, the practitioner will protect confidential sources of information and, at times, may even withhold data. Defining what is relevant and useful involves consideration of privacy and ethics as well as judgment about whether the group is ready for the in-formation or if the information would make the client overly defensive.

At this point, members discuss the feedback and explore with the OD practitioner whether they want to work on identified problems. A close interrelationship exists among data gathering, feedback, and diagnosis because the consultant summarizes the basic data from the client members and presents the data to them for validation and further diagnosis. An important point to remember is that the action research process is very different from the doctor-patient model, in which the consultant comes in, makes a diagnosis, and prescribes a solution. It is important to note that the failure to establish a common frame of reference in the client-consultant relationship may lead to a faulty diagnosis or to a communications gap whereby the client is sometimes "unwilling to believe the diagnosis or accept the prescription." That is the reason one

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may find that most companies have drawers full of reports by consultants, each loaded with diagnoses and recommendations which are either not understood or not accepted by the 'patient'.
A feedback session generally has three steps.
First: the consultant provides a summary of the data collected and some preliminary analysis.
Next: there is a general discussion in which questions of clarification are raised and answered.
Finally: some time is devoted to interpretation. At this stage some changes may be made in the consultant's analysis and interpretation.
Thus, the consultant works collaboratively with the client to arrive at a final diagnosis that accurately describes the current state of the system.

Case Example:
An OD practitioner conducted interviews with the senior management group. He asked four general questions;

1. What are the strengths?
2. What are the weaknesses?
3. Are you in favor of the off-site meeting?
4. What should be the objective of the off-site meeting?

1. What are the strengths?

- Senior management is highly experienced in business (7)
- Commitment of work force (5)
- Good people throughout (3)
- Last four years we experienced success in many areas (3)
- Technological superior & a market leader (3)
- Creativity (2)
- Managers think entrepreneurially (2)

2. What are the weaknesses?

- Marketing & Servicing System (6)
- Do not establish priorities (3)
- Organizational priorities are always secondary to individual managers (3)
- Lack of management depth (3)
- Little planning (3)
- Structure (2)
- High Costs (2)
- Overly change-oriented (2)
- Poor reward system (2)
- Low morale (2)
- Internal competition (2)
- High degree of mistrust (2)

3. What should be the objective of the off-site meeting?

- Agree on the regional structure (7)
- Set financial objectives for next two years (6)
- List of things we need to do & stop doing (4)
- Must hear from the GM about his team notions, ideas, expectations (4)
- Some ventilation of feelings needed (3)
- Must come together more as a top management team (3)
- Establish standards for performance (3)
- Increase mutual respect (2)

5. Planning Change (Joint action planning): Next, the OD practitioner and the client members jointly agree on further actions to be taken. This is the beginning of the moving process (described in Lewin's change model), as the organization decides how best to reach a different quasi-stationary equilibrium. At this stage, the specific action to be taken depends on the culture, technology, and environment of the organization; the diagnosis of the problem; and the time and expense of the intervention. Once the diagnosis is understood and deemed accurate, action steps are planned.
Good diagnosis determines the intervention. The purposes of this planning phase are to generate alternative steps for responding correctively to the problems identified in the diagnosis, and to decide on the step or order of steps to take.

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6. Intervention (Action): This stage involves the actual change from one organizational state to another. It may include installing new methods and procedures, reorganizing structures and work designs, and reinforcing new behaviors. Such actions typically cannot be implemented immediately but require a transition period as the organization moves from the present to a desired future state.

Examples of interventions at the individual level are: job redesign and enrichment, training and management development, changes in the quality of working life, management by objectives, and career development. Examples of interventions at the group level are: team building, the installation of autonomous work groups or quality control circles.

7. Evaluation (Data gathering after action): Because action research is a cyclical process, data must also be gathered after the action has been taken to measure and determine the effects of the action and to feed the results back to the organization. This, in turn, may lead to re-diagnosis and new action.

Termination of the OD Effort:

An organization has a constant need for periodic, objective diagnostic check-ups by external consultants – a need that exists, incidentally, whether or not the organization's managers see it.

Termination is not an applicable phase for internal OD practitioners. Although they may conclude specific programs and projects with their clients, they should not terminate the relationship. A primary role of internal practitioners is to serve as guardians of the new culture. They may help to regulate the social change that has become a new routine in organizational life.

When OD practitioners follow the action research model, they generate new data for further diagnosis and action. The process is cyclical, and since an organization is both dynamic and naturally follows the entropic process, there is always a great deal of consultative work to be done.

Phases not Steps:

Phases are a more appropriate term than steps for describing the flow of events in OD work. Steps imply discrete actions, while phases connote a cycle of changes. Although it is useful for our understanding of OD practice to conceive of distinct phases, in actual practice they blend, overlap, and do not follow one from the other. Diagnosis, for example, comes early in the OD process and intervention later, but when one is collecting information from the organization for diagnostic purposes, an intervention is occurring simultaneously; when the OD practitioner begins to ask questions about the organization and its members, he or she is intervening.

Phases are an appropriate term also because of the cyclical nature of the OD process. As the process continues, new or undisclosed data are discovered. These data affect organization members, and the members react, creating additional information for diagnosis. Further action is then planned as a consequence of the new, perhaps more refined diagnosis.

Contemporary Adaptations of Action Research:

The action research model underlies most current approaches to planned change and is often identified with the practice of OD. Recently, action research has been extended to new settings and applications, and consequently researchers and practitioners have made requisite adaptations of its basic framework.

Trends in the application of action research include movement from smaller subunits of organizations to total systems and communities. In those larger contexts, action research is more complex and political than in smaller settings. Therefore, the action research cycle is coordinated across multiple change processes and includes a diversity of stakeholders who have an interest in the organization.

Action research also is applied increasingly in international settings, particularly in developing nations in the southern hemisphere. Embedded within the action research model, however, are "northern-hemisphere" assumptions about change. For example, action research traditionally views change more linearly than do Eastern cultures, and it treats the change process more collaboratively than do Latin American and African countries. To achieve success in those settings, action research is tailored to fit cultural assumptions.

Finally, action research is applied increasingly to promote social change and innovation, as demonstrated most clearly in community development and global social change projects. Those applications are heavily value laden and seek to redress imbalances in power and resource allocations across different groups. Action researchers tend to play an activist role in the change process, which is often chaotic and confliction.

In light of these general trends, action research has undergone two key adaptations. First, contemporary applications have increased substantially the degree of member involvement in the change process. That contrasts with traditional approaches to planned change, whereby consultants carried out most of the change activities, with the agreement and collaboration of management. Although consultant-dominated change still persists in OD, there is a growing tendency to involve organization members in learning about their organization and about how to change it. Referred to as "participatory action research," "action

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learning," "action science," "self-design "or" appreciative inquiry," this approach to plan change emphasizes the need for organization members to learn firsthand about planned change if they are to gain the knowledge and skills needed to change the organization. In today's complex and changing environment, some argue that OD must go beyond solving particular problems to helping members gain the competence needed to change and improve the organization continually.

In this modification of action research, the role of OD consultants is to work with members to facilitate the learning process. Both parties are "co-learners" in diagnosing the organization, designing changes, and implementing and assessing them. Neither party dominates the change process. Rather, each participant brings unique information and expertise to the situation, and they combine their resources to learn how to change the organization. Consultants, for example, know how to design diagnostic instruments and OD interventions, and organization members have local knowledge about the organization and how it functions. Each participant learns from the change process. Organization members learn how to change their organization and how to refine and improve it. OD consultants learn how to facilitate complex organizational change and learning.

The second adaptation to action research is the integration of an "interpretive or "social constructionist" approach to planned change. Called "appreciative inquiry," this model proposes that words and conversations determine what is important and meaningful in organizational life. Take, for example, the work group whose daily conversations are dominated by management feedback that its costs are too high. Even if the group performs well on quality and customer satisfaction, the focus on cost problems can lead group members to believe that the group is a poor performer. Accordingly, this approach to change involves starting new conversations that drive new shared meanings of key goals, processes, and achievements. Proponents of appreciative inquiry point out that most organizational conversations are focused on poor financial results or on how the organization could be better, on the gap between where the organization is and where it wants to be, and on the problems it faces. Metaphorically, organizations are like problems to be solved and the conversations among members dwell on the organization's faults.

Appreciative inquiry challenges that assumption. It suggests that the most important change an organization can make is to begin conversations about what the organization is doing right. Appreciative inquiry helps organization members to understand and describe their organization when it is working at its best. That knowledge is then applied to creating a powerful and guiding image of what the organization could be. Broad involvement of organization members in creating the vision starts a new conversation about the organization's potential and creates a new focus and positive expectation. Considerable research on expectation effects supports this positive approach to planned change. It suggests that people tend to act in ways that make their expectations occur: a positive vision of the organization's future energizes and directs behavior to make that expectation come about.

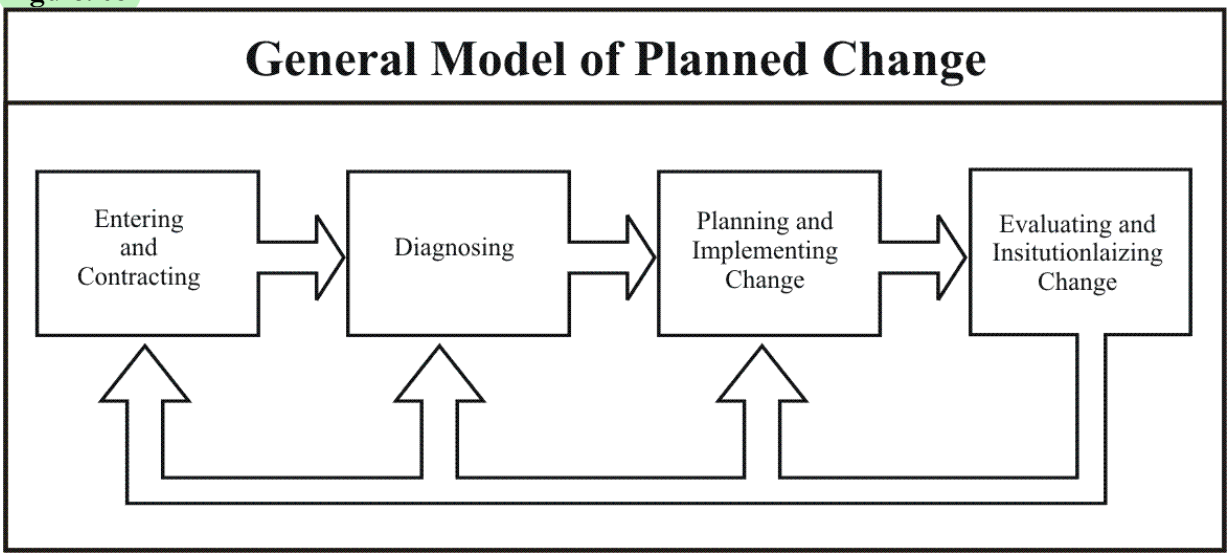
Planned change emphasizes member involvement and starts with which organization features to examine. For example, members can choose to look for successful male-female collaboration (as opposed to sexual discrimination), instances of customer satisfaction (as opposed to customer dissatisfaction), particularly effective work teams, or product development processes that brought new ideas to market especially fast. If the focus of inquiry is real and vital to organization members, the change process itself will take on these positive attributes. The second step involves gathering data about the "best of what is" in the organization. A broad array of organization members is involved in developing data-gathering instruments, collecting information, and analyzing it. In the third step, members examine the data to find stories, however small, that present a truly exciting and possible picture of the future. From those stories, members develop "possibility propositions"—statements that bridge the organization's current best practices with ideal possibilities for future organizing. That effort redirects attention from "what is" to "what might be." In step four, relevant stakeholders are brought together to construct a vision of the future and to devise action plans for moving in that direction. The vision becomes a statement of "what should be." Finally, implementation of those plans proceeds similarly to the action and assessment phases of action research described previously. Members make changes, assess the results, and make necessary adjustments, and so on as they move the organization toward the vision.

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General Model of Planned Change

The three theories of planned change in organizations described above—Lewin's change model, the action research model, and contemporary adaptations to the action research model—suggest a general framework for planned change, as shown in Fig. 10. The framework describes the four basic activities that practitioners and organization members jointly carry out in organization development. The arrows connecting the different activities in the model show the typical sequence of events, from entering and contracting, to diagnosing, to planning and implementing change, to evaluating and institutionalizing change. The lines connecting the activities emphasize that organizational change is not a straightforward, linear process but involves considerable overlap and feedback among the activities.

Figure: 08



Entering and Contracting:

The first set of activities in planned change concerns entering and contracting. Those events help managers decide whether they want to engage further in a planned change program and to commit resources to such a process. Entering an organization involves gathering initial data to understand the problems facing the organization or the positive opportunities for inquiry. Once this information is collected, the problems or opportunities are discussed with managers and other organization members to develop a contract or agreement to engage in planned change. The contract spells out future change activities, the resources that will be committed to the process, and how OD practitioners and organization members will be involved. In many cases, organizations do not get beyond this early stage of planned change because disagreements about the need for change surface, resource constraints are encountered, or other methods for change appear more feasible. When OD is used in nontraditional and international settings, the entering and contracting process must be sensitive to the context in which the change is taking place.

Diagnosing:

In this stage of planned change, the client system is carefully studied. Diagnoses can .focus on understanding organizational problems, including their causes and consequences, or on identifying the organization's positive attributes. The diagnostic process is one of the most important activities in OD. It includes choosing an appropriate model for understanding the organization and gathering, analyzing, and feeding back information to managers and organization members about the problems or opportunities that exist.

Diagnostic models for analyzing problems explore three levels of activities. Organization issues represent the most complex level of analysis and involve the total system. Group-level issues are associated with department and group effectiveness. Individual-level issues involve the way jobs are designed.

Gathering, analyzing, and feeding back data are the central change activities in diagnosis. Describes how data can be gathered through interviews, observations, survey instruments, or such archival sources as meeting minutes and organization charts. It also explains how data can be reviewed and analyzed. Organization members, often in collaboration with an OD practitioner, jointly discuss the data and their implications for change.

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Planning and Implementing Change:

In this stage, organization members and practitioners jointly plan and implement OD interventions. They design interventions to achieve the organization's vision or goals and make action plans to implement them. There are several criteria for designing interventions, including the organization's readiness for change, its current change capability, its culture and power distributions, and the change agent's skills and abilities. Depending on the outcomes of diagnosis, there are four major types of interventions in OD:

1. Human process interventions at the individual, group, and total system levels.
2. Interventions that modify an organization's structure and technology.
3. Human resource interventions that seek to improve member performance and wellness.
4. Strategic interventions that involve managing the organization's relationship to its external environment and the internal structure and process necessary to support a business strategy.

Implementing interventions is concerned with managing the change process. It includes motivating change, creating a desired future vision of the organization, developing political support, managing the transition toward the vision, and sustaining momentum for change.

Evaluating and Institutionalizing Change:

The final stage in planned change involves evaluating the effects of the intervention and managing the institutionalization of successful change programs. Feedback to organization members about the intervention's results provides information about whether the changes should be continued, modified, or suspended. Institutionalizing successful changes involves reinforcing them through feedback, rewards, and training. It demonstrates how traditional planned change activities, such as entry and contracting, survey feedback, and change planning, can be combined with contemporary methods, such as large-group interventions and high levels of participation.

Different types of Planned Change:

The general model of planned change describes how the OD process typically un-folds in organizations. In actual practice, the different phases are not nearly as orderly as the model implies. OD practitioners tend to modify or adjust the stages to fit the needs of the situation. Steps in planned change may be implemented in a variety of ways, depending on the client's needs and goals, the change agent's skills and values, and the organization's context. Thus, planned change can vary enormously from one situation to another.

To understand the differences better, planned change can be contrasted across situations on three key dimensions: the magnitude of organizational change, the degree to which the client system is organized, and whether the setting is domestic or international.

Magnitude of Change:

Planned change efforts can be characterized as falling along a continuum ranging from incremental changes that involve fine-tuning the organization to quantum changes that entail fundamentally altering how it operates. Incremental changes tend to involve limited dimensions and levels of the organization, such as the decision-making processes of work groups. They occur within the context of the organization's existing business strategy, structure, and culture and are aimed at improving the status quo. Quantum changes, on the other hand, are directed at significantly altering how the organization operates. They tend to involve several organizational dimensions, including structure, culture, reward systems, information processes, and work design. They also involve changing multiple levels of the organization, from top-level management through departments and work groups to individual jobs.

Planned change traditionally has been applied in situations involving incremental change. Organizations in the 1960s and 1970s were concerned mainly with fine-tuning their bureaucratic structures by resolving many, of the social problems that emerged with increasing size and complexity. In those situations, planned change involves a relatively bounded set of problem-solving activities. OD practitioners are typically contracted by managers to help solve specific problems in particular organizational systems, such as poor communication among members of a work team or low customer satisfaction scores in a department store. Diagnostic and change activities tend to be limited to the defined issues, although additional problems may be uncovered and may need to be addressed. Similarly, the change process tends to focus on those organizational systems having specific problems, and it generally terminates when the problems are resolved. Of course, the change agent may contract to help solve additional problems.

In recent years, OD has been concerned increasingly with quantum change. The greater competitiveness and uncertainty of today's environment have led a growing number of organizations to alter drastically the way in which they operate. In such situations, planned change is more complex, extensive, and long term than when applied to incremental change. Because quantum change involves most features and levels of the

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organization, it is typically driven from the top, where corporate strategy and values are set. Change agents help senior managers create a vision of a desired future organization and energize movement in that direction. They also help executives develop structures for managing the transition from the present to the future organization and may include, for example, a variety of overlapping steering committees and redesign teams. Staff experts also may redesign many features of the firm, such as performance measures, rewards, planning processes, work designs, and information systems.

Because of the complexity and extensiveness of quantum change, OD professionals often work in teams comprising members with different yet complementary areas of expertise. The consulting relationship persists over relatively long time periods and includes a great deal of renegotiation and experimentation among consultants and managers. The boundaries of the change effort are more uncertain and diffuse than in incremental change, thus making diagnosis and change seem more like discovery than like problem solving.

It is important to emphasize that quantum change may or may not be developmental in nature. Organizations may drastically alter their strategic direction and way of operating without significantly developing their capacity to solve problems and to achieve both high performance and quality of work life. For example, firms may simply change their marketing mix, dropping or adding products, services, or customers; they may drastically downsize by cutting out marginal businesses and laying off managers and workers; or they may tighten managerial and financial controls and attempt to squeeze more out of the labor force. On the other hand, organizations may undertake quantum change from a developmental perspective. They may seek to make themselves more competitive by developing their human resources; by getting managers and employees more involved in problem solving and innovation; and by promoting flexibility and direct, open communication. That OD approach to quantum change is particularly relevant in today's rapidly changing and competitive environment. To succeed in this setting, major multinational organizations (firms such as General Electric, Kimberly-Clark, ABB, Hewlett-Packard, and Motorola) are transforming themselves from control-oriented bureaucracies to high-involvement organizations capable of changing and improving themselves continually.

Degree of Organization:

Planned change efforts also can vary depending on the degree to which the organization or client system is organized. In over organized situations, such as in highly mechanistic, bureaucratic organizations, various dimensions such as leadership styles, job designs, organization structure, and policies and procedures are too rigid and overly defined for effective task performance. Communication between management and employees is typically suppressed, conflicts are avoided, and employees are apathetic. In under organized organizations, on the other hand, there is too little constraint or regulation for effective task performance. Leadership, structure, job design, and policy are poorly defined and fail to control task behaviors effectively. Communication is fragmented, job responsibilities are ambiguous, and employees' energies are dissipated because they lack direction. Underorganized situations are typically found in such .areas as product development, project management, and community development, where relationships among diverse groups and participants must be coordinated around complex, uncertain tasks.

In over organized situations, where much of OD practice has historically taken place, planned change is generally aimed at loosening constraints on behavior. Changes in leadership, job design, structure, and other features are designed to liberate suppressed energy, to increase the flow of relevant information between employees and managers, and to promote effective conflict resolution. The typical steps of planned change — entry, diagnosis, intervention, and evaluation — are intended to penetrate a relatively closed organization or department and make it increasingly open to self-diagnosis and revitalization. The relationship between the OD practitioner and the management team attempts to model this loosening process. The consultant shares leadership of the change process with management, encourages open communications and confrontation of conflict, and maintains flexibility in relating to the organization.

When applied to organizations facing problems in being under organized, planned change is aimed at increasing organization by clarifying leadership rules, structuring communication between, managers and employees, and specifying job and departmental responsibilities. These activities require a modification of the traditional phases of planned change and include the following four steps.

1. Identification: This step identifies the relevant people or groups who need to be involved in the change program. In many under organized situations, people and departments can be so disconnected that there is ambiguity about who should be included in the problem-solving process. For example, when managers of different departments have only limited interaction with each other, they may disagree or be confused about which departments should be involved in developing a new product or service.

2. Convention: In this step the relevant people or departments in the company are brought together to begin organizing for task performance. For example, department, managers might be asked to attend a

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series of organizing meetings to discuss the division of labor and the coordination required to introduce a new product.
3. Organization: Different organizing mechanisms are created to structure the newly required interactions among people and departments. This might include creating new leadership positions, establishing communication channels, and specifying appropriate plans and policies.
4. Evaluation: In this final step the outcomes of the organization step are assessed. The evaluation might signal the need for adjustments in the organizing process or for further identification, convention, and organization activities.

In carrying out these four steps of planned change in under organized situations, the relationship between the OD practitioner and the client system attempts to reinforce the organizing process. The consultant develops a well-defined leadership role, which might be autocratic during the early stages of the change program. Similarly, the consulting relationship is clearly defined and tightly specified. In effect, the interaction between the consultant and the client system supports the larger process of bringing order to the situation.

Domestic vs. International Settings:
Planned change efforts traditionally have been applied in North American and European settings but increasingly are used outside of those cultures. Developed in western societies, the action research model reflects the underlying values and assumptions of these geographic settings, including equality, involvement, and short-term time horizons. Under such conditions, the action research model works quite well. In other societies, however, a very different set of cultural values and assumptions may operate and make the application of OD problematic. For example, the cultures of most Asian countries are more hierarchical and status conscious, are less open to discussing personal issues, more concerned with saving "face," and have a longer time horizon for results. Even when the consultant is aware of the cultural norms and values that permeate the society; those cultural differences make the traditional action research steps more difficult for a North American or European consultant to implement.
The cultural values that guide OD practice in the United States, for example, include a tolerance for ambiguity, equality among people, individuality, and achievement motives. An OD process that encourages openness among individuals, high levels of participation, and actions that promote increased effectiveness are viewed favorably. The OD practitioner is also assumed to hold those values and to model them in the conduct of planned change. Most reported cases of OD involve western-based organizations using practitioners trained in the traditional model and raised and experienced in western society.
When OD is applied outside of the North American or European context (and sometimes even within those settings), the action research process must be adapted to fit the cultural context. For example, the diagnostic phase, which is aimed at understanding the current drivers of organization effectiveness, can be modified in a variety of ways. Diagnosis can involve many organization members or include only senior managers; be directed from the top, conducted by an outside consultant, or performed by internal consultants; or involve face-to-face interviews or organization documents. Each step in the general model of planned change must be carefully mapped against the cultural context.
Conducting OD in international settings is highly stressful on OD practitioners. To be successful, they must develop a keen awareness of their own cultural biases, be open to seeing a variety of issues from another perspective, be fluent in the values and assumptions of the host country, and understand the economic and political context of business there. Most OD practitioners are not able to meet all of those criteria and adopt a "cultural guide," often a member of the organization, to help navigate the cultural, operational, and political nuances of change in that society.

Critique of Planned Change:
Despite their continued refinement, the models and practice of planned change are still in a formative stage of development, and there is considerable room for improvement. Critics of OD have pointed out several problems with the way planned change has been conceptualized and practiced.

Conceptualization of Planned Change:
Planned change has typically been characterized as involving a series of activities for carrying out effective organization development. Although current models outline a general set of steps to be followed, considerably more information is needed to guide how those steps should be performed in specific situations. In an extensive review and critique of planned change theory, Porras and Robertson argued that planned change activities should be guided by information about (1) the organizational features that can be changed, (2) the intended outcomes from making those changes, (3) the causal mechanisms by which those outcomes are achieved, and (4) the contingencies upon which successful change depends. In particular,

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they noted that the key to organizational change is change in the behavior of each member and that the information available about the causal mechanisms that produce individual change is lacking. Overall, Porras and Robertson concluded that the necessary information to guide change is only partially available and that a good deal more research and thinking are needed to fill the gaps.
A related area where current thinking about planned change is deficient is knowledge about how the stages of planned change differ across situations. Most models specify a general set of steps that are intended to be applicable to most change efforts. We already know, however, how change activities can vary depending on such factors as the magnitude of change, the degree to which the client system is organized, and whether change is being conducted in a domestic or an international setting. Considerably more effort needs to be expended identifying situational factors that may require modifying the general stages of planned change. That would likely lead to a rich array of planned change models, each geared to a specific set of situational conditions. Such contingency thinking is sorely needed in planned change.
Planned change also tends to be described as a rationally controlled, orderly process. Critics have argued that although this view may be comforting, it is seriously misleading. They point out that planned change has a more chaotic quality, often involving shifting goals, discontinuous activities, surprising events, and unexpected combinations of changes. For example, managers often initiate changes without clear plans that clarify their strategies and goals. As change unfolds, new stakeholders may emerge and demand modifications reflecting previously unknown or unvoiced needs. Those emergent conditions make planned change a far more disorderly and dynamic process than is customarily portrayed, and conceptions need to capture that reality.
Finally, the relationship between planned change and organizational performance and effectiveness is not well understood. OD traditionally has had problems assessing whether interventions are producing observed results. The complexity of the change situation, the lack of sophisticated analyses, and the long time periods for producing results have contributed to weak evaluation of OD efforts. Moreover, managers have often accounted for OD efforts with post hoc testimonials, reports of possible future benefits, and calls to support OD as the right thing to do. In the absence of rigorous assessment and measurement, it is difficult to make resource allocation decisions about change programs and to know which interventions are most effective in certain situations.

Practice of Planned Change:

Critics have suggested several problems with the way planned change is carried out. Their concerns are not with the planned change model itself but with how change takes place and with the qualifications and activities of OD practitioners.
A growing number of OD practitioners have acquired skills in a specific technique, such as team building, total quality management, large-group interventions, or gain sharing and have chosen to specialize in that method. Although such specialization may be necessary, it can lead to a certain myopia given the complex array of techniques that make up modern OD. Some OD practitioners favor particular techniques and ignore other strategies that might be more appropriate, tending to interpret organizational problems as requiring the favored technique. Thus, for example, it is not unusual to see consultants pushing such methods as diversity training, reengineering, organization learning, or self-managing work teams as solutions to most organizational problems.
Effective change depends on a careful diagnosis of how the organization is functioning. Diagnosis identifies the underlying causes of organizational problems, such as poor product quality and employee dissatisfaction. It requires both time and money, and some organizations are not willing to make the necessary investment. Rather, they rely on preconceptions about what the problem is and hire consultants with skills appropriate to solve that problem. Managers may think, for example, that work design is the problem, so they hire an expert in job enrichment to implement a change program. The problem may be caused by other factors such as poor reward practices, however, and job enrichment would be inappropriate. Careful diagnosis can help to avoid such mistakes.
In situations requiring complex organizational changes, planned change is a long-term process involving considerable innovation and learning on site. It requires a good deal of time and commitment and a willingness to modify and refine changes as the circumstances require. Some organizations demand more rapid solutions to their problems and seek quick fixes from experts. Unfortunately, some OD consultants are more than willing to provide quick solutions. They sell prepackaged programs for organizations to adopt. Those programs appeal to managers because they typically include an explicit recipe to be followed, standard training materials, and clear time and cost boundaries. The quick fixes have trouble gaining wide organizational support and commitment, however, and they seldom produce the positive results that have been advertised.
Other organizations have not recognized the systemic nature of change. Too often they believe that intervention into one aspect or subpart of the organization will be sufficient to ameliorate the problems,

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and are unprepared for the other changes that may be necessary to support a particular intervention. For example, at GTE of California, the positive benefits of an employee involvement program did not begin to appear until after the organization redesigned its reward system to support the cross-functional collaboration necessary to solve highly complex problems. Changing any one part or feature of an organization often requires adjustments in the other parts to maintain an appropriate alignment. Thus, although quick fixes and change programs that focus on only one part or aspect of the organization may resolve some specific problems, they generally do not lead to complex organizational change or increase members' capacity to carry out change.

Case: The Dim Lighting Co.

The Dim Lighting Company is a subsidiary of a major producer of electrical products. Each subsidiary division operates as a profit center and reports to regional, group, and product vice presidents at corporate headquarters. The Dim Lighting subsidiary produces electric lamps and employs about 2,000 workers. The general manager is Jim West, an MBA from Wharton, who has been running this subsidiary successfully for the past five years. However, last year the division failed to realize its operating targets, and profit margins dropped by 15 percent. In developing next year's budget and profit plan, Jim West feels that he is under pressure to have a good year because two bad years in a row might hit his long-term potential for advancement.

Mr. Spinks, Director of R&D

Robert Spinks, director of R&D, was hired by West three years ago, after resigning from a major competitor. Mr. Spinks has received a number of awards from scientific societies. The scientists and engineers in his group respect his technical competence and have a high level of morale.

Although Spinks is recognized as a talented scientist, other managers feel that he is often autocratic, strong-willed, and impatient. Spins left his former company because management lacked creativity and innovation in R&D.

The Proposal

Spinks has submitted a budget request for a major research project, the micro-miniaturization of lighting sources so as to greatly reduce energy requirements. He sees this as the Lamp of the Future. The proposed budget requires $250,000 per year for two years, plus another $300,000 to begin production. Jim West immediately contacted corporate headquarters, and although top management praised the idea, they were reluctant to spend on the proposed project. Spinks feels the project has a 70 percent chance of success, and will develop a net cash flow of $1 million by the third year.

The Budget Meeting

West called a meeting of his management group to discuss the proposed budget. Spinks presented a well-reasoned and high-powered sales pitch for his project. He suggested that the energy crunch had long-term implications, and if they failed to move into new technologies, the firm would be competitively obsolete.

Carol Preston, accountant, presented a financial analysis of the proposed project, noting the high risk, the uncertain results, the length of time before it would contribute to operating profits. "These scientists are prima donnas, who can afford to wait for long-term results. Unfortunately, if we don't do something about the bottom line right now, we may not be here to enjoy it," she noted.

Bill Boswell, production manager, agreed with Preston: "We need new machinery for our production line also, and that has a very direct payback."

Pete Newell, marketing, agreed with Spinks: "I don't feel we can put our heads in the sand. If we don't keep up competitively, how will our salespeople be able to keep selling obsolete lighting products? Besides, I'm not sure that Carol's figures are completely accurate in measuring the actual return on this low-energy project." A stormy debate followed, with heated arguments both for and against the project, until West called the meeting to a halt.

Later, thinking it over in his office, West considered the situation. Going ahead with the micro-miniaturization project was a big gamble. But if he decided against it, it was quite possible that .Spinks would resign, which would shatter the R&D department he had worked so hard to assemble.

Case Analysis Form

Name: _____

I. Problems

A. Macro

1. _____
2. _____

B. Micro

1. _____
2. _____

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II. Causes

1. _____
2. _____
3. _____

III. Systems affected

1. Structural _____
2. Psychosocial _____.
3. Technical _____
4. Managerial _____
5. Goals and values _____

IV. Alternatives

1. _____
2. _____
3. _____

V. Recommendations

1. _____
2. _____
3. _____

Case Solution: The Dim Lighting Co.

I. Problems:

A. Macro

1. Will Dim Lighting be reactive?
2. Will Dim Lighting be proactive?

B. Micro

1. Will Jim West be influenced by thoughts of what a second year of un-obtained targets will do to his career in making this budget decision?
2. West feels threatened every time Spinks does not receive his demands or "wish list."

II. Causes:

1. Previous unprofitable year.
2. Spinks' past history of leaving a company that "lacked creativity and innovation".

III. Systems affected:

1. Structural – the structure is a traditional functional structure. This may not encourage the development of new products and ideas.
2. Psychosocial – other departments feel threatened by Spinks. Also, Jim West feels he is under pressure to improve the profit margins immediately.
3. Technical – both the production manager and Spinks want money to upgrade technical aspects of the company.
4. Managerial – West feels caught between being innovative and trying to improve the bottom line immediately.
5. Goals and values – corporate headquarters does not seem to value risk taking and moving into new projects. If their rejection of the lighting proposal is indicative of their decisions, the company as a whole may become entrenched in old technology.

IV. Alternatives:

1. Before making a budget decision, West should contact corporate offices to see if additional funds are available for R&D. Spinks' project would have a long-term effect on entire industry and possibly the parent company would contribute to the R&D project.
2. If additional funds are unavailable, the budget committee needs to make some compromises and come to a consensus-it should not be an all-or-nothing proposition. Funds should be allocated for both R&D and for upgrading essential equipment.

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3. West should also ask the accountant, Preston, to make a three-tiered analysis of the project: (1) best-case scenario, (2) worst-case scenario, and (3) probable scenario.
4. West also needs to resolve his mixed feelings about the possibility of Spinks leaving. West needs to approach Spinks, praising him for what he has accomplished in the R&D department and asking him to help spread that high degree of morale across the company. West needs to make Spinks an ally rather than a potential deserter.

V. Recommendations:

1. First try to obtain additional funds from parent company.
2. If additions are not available, obtain a consensus from the budget committee. Compromises will have to be made on length of time for R&D projects, what equipment is needed, etc.

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The Organization Development Practitioner:

A closer look at OD practitioners can provide a more personal perspective on the field and can help us understand the essential character of OD as a helping profession, involving personal relationships between practitioners and organization members.

Much of the literature about OD practitioners views them as internal or external consultants providing professional services—diagnosing problems, developing solutions, and helping to implement them. More recent perspectives expand the practice scope to include professionals in related disciplines, such as industrial psychology and organization theory, as well as line managers who have learned how to carry out OD to change and develop their departments.

A great deal of opinion and some research studies have focused on the necessary skills and knowledge of an effective OD practitioner. Studies of the profession provide a comprehensive list of basic skills and knowledge that all effective OD practitioners must possess.

Most of the relevant literature focuses on people specializing in OD as a profession and addresses their roles and careers. The OD role can be described in relation to the position of practitioners: internal to the organization, external to it, or in a team comprising both internal and external consultants. The OD role also can be examined in terms of its marginality in organizations, of the emotional demands made on the practitioner, and of where it fits along a continuum from client-centered to consultant-centered functioning. Finally, organization development is an emerging profession providing alternative opportunities for gaining competence and developing a career. The stressful nature of helping professions, however, suggests that OD practitioners must cope with the possibility of professional burnout.

As in other helping professions, such as medicine and law, values and ethics play an important role in guiding OD practice and in minimizing the chances that clients will be neglected or abused.

Who is the Organization Development Practitioner?

The term organization development practitioner refers to at least three sets of people. The most obvious group of OD practitioners are those people specializing in OD as a profession. They may be internal or external consultants who offer professional services to organization clients, including top managers, functional department heads, and staff groups. OD professionals traditionally have shared a common set of humanistic values promoting open communications, employee involvement, and personal growth and development. They tend to have common training, skills, and experience in the social processes of organizations (for example, group dynamics, decision making, and communications). In recent years, OD professionals have expanded those traditional values and skill sets to include more concern for organizational effectiveness, competitiveness, and bottom-line results, and greater attention to the technical, structural, and strategic parts of organizations. That expansion, mainly in response to the highly competitive demands facing modern organizations, has resulted in a more diverse set of OD professionals geared to helping organizations cope with those pressures.

Second: the term OD practitioner applies to people specializing in fields related to OD, such as reward systems, organization design, total quality, information technology, and business strategy. These content-oriented fields increasingly are becoming integrated with OD's process orientation, particularly as OD projects have become more comprehensive, involving multiple features and varying parts of organizations. For example is the result of marrying OD with business strategy. A growing number of professionals in these related fields are gaining experience and competence in OD, mainly through working with OD professionals on large-scale projects and through attending OD training sessions. For example, most of the large accounting firms have diversified into management consulting and change management. In most cases, professionals in these related fields do not subscribe fully to traditional OD values, nor do they have extensive OD training and experience. Rather, they have formal training and experience in their respective specialties, such as industrial relations, management consulting, information systems, health care, and work design. They are OD practitioners in the sense that they apply their special competence within an OD-like process, typically by engaging OD professionals and managers to design and implement change programs. They also practice OD when they apply their OD competence to their own specialties, thus spreading an OD perspective into such areas as compensation practices, work design, labor relations, and planning and strategy.

Third: the term OD practitioner applies to the increasing number of managers and administrators who have gained competence in OD and who apply it to their own work areas. Studies and recent articles argue that OD applied by managers rather than OD professionals is growing rapidly. They suggest that the faster pace of change affecting organizations today is highlighting the centrality of the manager in managing change. Consequently, OD must become a general management skill. Along those lines, Kanter studied a growing number of firms, such as General Electric, Hewlett-Packard, and 3M, where managers and

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employees have become "change masters. They have gained the expertise to introduce change and innovation into the organization.
Managers tend to gain competence in OD through interacting with OD professionals in actual change programs. This on-the-job training frequently is supplemented with more formal OD training, such as the variety of workshops offered by the National Training Laboratories, the Center for Creative Leadership, the Gestalt Institute, UCLA's Extension Service, University Associates, and others. Line managers increasingly are attending such external programs. Moreover, a growing number of organizations, including Texas Instruments, Motorola, and General Electric, have instituted in-house training programs for managers to learn how to develop and change their work units. As managers gain OD competence, they become its most basic practitioners.
In practice, the distinctions among the three sets of OD practitioners are blurring. A growing number of managers have transferred, either temporarily or permanently, into the OD profession. For example, companies such as Procter & Gamble have trained and rotated managers into full-time OD roles so that they can gain skills and experience needed for higher-level management positions. Also, it is increasingly common to find managers using their experience in OD to become external consultants. More OD practitioners are gaining professional competence in related specialties, such as business process reengineering, reward systems, and organization design. Conversely, many specialists in those related areas are achieving professional competence in OD. Cross-training and integration are producing a more comprehensive and complex kind of OD practitioner, one with a greater diversity of values, skills, and experience than a traditional practitioner.

External and Internal Practitioners:
In every large-scale planned change program, some person or group is usually designated to lead the change; sometimes it is the OD practitioner. The practitioner then, is the change leader, the person leading or guiding the process of change in an organization. Internal practitioners are already members of the organization. They may be either managers practicing OD with their work groups or OD specialists that may be from the human resources or organization development department. External practitioners are brought in from outside the organization as OD specialists and are often referred to as consultants. Both the use of external and internal practitioners have advantages and disadvantages.
The OD practitioners who are specialists, whether from within or outside of the organization are professionals who have specialized and trained in OD and related areas, such as the social sciences, interpersonal communications, decision making, and organization behavior. These specialists, often referred to as OD consultants, have a more formal and involved process when they enter the client system than managers who are doing OD with their work group. Although much of the chapter is directed at OD practitioners who are specialists, the concepts also apply to OD practitioners who are managers and team leaders implementing OD.

The External Practitioner:
The **external practitioner** is someone not previously associated with the client system. Coming from the outside, the external practitioner sees things from a different viewpoint and from a position of objectivity. Because external practitioners are invited into the organization, they have increased leverage (the degree of influence and status within the client system) and greater freedom of operation than internal practitioners. Research evidence suggests that top managers view external practitioners as having a more positive role in large-scale change programs than internal practitioners.
Since external practitioners are not a part of the organization, they are less in awe of the power wielded by various organization members. Unlike internal practitioners, they do not depend upon the organization for raises, approval, or promotions. Because they usually have a very broad career base and other clients to fall back on, they tend to have a more independent attitude about risk-taking and confrontations with the client system. At McKinsey & Co., a leading management consulting firm, consultants are direct, outspoken, and challenge the client's opinions. Once "The Firm" (as McKinsey is called) is hired, a four- to six-person "engagement team" is assembled, with an experienced consultant to coordinate the effort. Bear in mind, though, that McKinsey's management consulting work is not necessarily organization development.
The disadvantages of external practitioners result from the same factors as the advantage. Outsiders are generally unfamiliar with the organization system and may not have sufficient knowledge of its technology, such as aerospace or chemistry. They are unfamiliar with the culture, communication networks, and formal or informal power systems. In some situations, practitioners may have difficulty gathering pertinent information simply because they are outsiders. Our Changing World illustrates problems that outside management consulting firms face in Germany.

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The Internal Practitioner:

The **internal practitioner** is already a member of the organization: a top executive, an organization member who initiates change in his or her work group, or a member of the human resources or organization development department. Many large organizations have established offices with the specific responsibility of helping the organization implement change programs. In the past few years, a growing number of major organizations (including Disney, IBM, General Electric, General Motors, Honeywell, Union Carbide, and the US. Army and Navy) have created internal OD practitioner groups. These internal practitioners often operate out of the human resources area and may report directly to the president of the organization.

Internal practitioners have certain advantages inherent in their relationship with the organization. They are familiar with the organization's culture and norms and probably accept and behave in accordance with the norms. This means that they need not waste time becoming familiar with the system and winning acceptance. Internal practitioners know the power structure, which are the strategic people, and how to apply leverage. They are already known to the employees, and have a personal interest in seeing the organization succeed. Unfortunately, it is by no means easy for internal practitioners to acquire all the skills they will need. The proof is in the problems encountered by new, not quite ready internal practitioners or managers who take on projects before they are fully comfortable with their practitioner roles in the organization, and before they understand and have developed critical skills.

The position of an internal practitioner also has disadvantages. One of these may be a lack of the specialized skills needed for organization development. The lack of OD skills has become a less significant factor now that more universities have OD classes and programs and their graduates have entered the workforce. Another disadvantage relates to lack of objectivity. Internal practitioners may be more likely to accept the organizational system as a given and accommodate their change tactics to the needs of management. Being known to the workforce has advantages, but it can also work against the internal practitioner. Other employees may not understand the practitioner's role and will certainly be influenced by his or her previous work and relationships in the organization, particularly if the work and relationships have in anyway been questionable. Finally, the internal practitioner may not have the necessary power and authority; internal practitioners are sometimes in a remote staff position and report to a mid-level manager.

The OD practitioner must break through the barriers of bureaucracy and organizational politics to develop innovation, creativity, teamwork, and trust within the organization.

The External-Internal Practitioner Team:

The implementation of a large-scale change program is almost impossible without the involvement of all levels and elements of the organization. One approach to creating a climate of change uses a team formed of an external practitioner working directly with an internal practitioner to initiate and facilitate change programs (known as the **external-internal practitioner team**).This is probably the most effective approach. OD researcher John Lewis, for example, found that successful external OD practitioners assisted in the development of their internal counterparts. The partners bring complementary resources to the team; each has advantages and strengths that offset the disadvantages and weaknesses of the other. The external practitioner brings expertise, objectivity, and new insights to organization problems. The internal practitioner, on the other hand, brings detailed knowledge of organization issues and norms, a long-rime acquaintance with members, and an awareness of system strengths and weaknesses. For change programs in large organizations, the team will likely consist of more than two practitioners.

The collaborative relationship between internal and external practitioners provides an integration of abilities, skills, and resources. The relationship serves as a model for the rest of the organization—a model that members can observe and see in operation, one that embodies such qualities as trust, respect, honesty, confrontation, and collaboration. The team approach makes it possible to divide the change program's workload and share in the diagnosis, planning, and strategy. The external-internal practitioner team less likely to accept watered-down or compromised change programs because each team member provides support to the other. As an example, during the U.S. Navy's Command Development (OD) Program, the internal change agents recommended that training seminars be conducted away from the Navy environment (i.e., at a resort) and the participants dress in civilian clothing to lessen authority it issues. Higher authority, however, ordered the seminars to he held on naval bases and in uniform—ground rules that the internal practitioners reluctantly accepted. In this situation an external practitioner with greater leverage might have provided enough support and influence to gain approval to the desired program. Another reason for using an external-internal practitioner team is to achieve greater continuity over the entire OD program. Because external practitioners are involved in other outside activities, they generally are available to the organization only a few days a month, with two- or three-week intervals between visits. The internal practitioner, on the other hand, provides a continuing point of contact for organization members whenever problems or questions arise. Because many OD programs are long-term efforts, often lasting

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three to five Years, the external-internal combination may provide the stimulation and motivation needed to keep the change program moving during periods of resistance. The team effort is probably the most effective approach because it combines the advantages of both external and internal practitioners while minimizing the disadvantages.

Practitioner Style Model:

There is often a gap between the practitioner's and the client's understandings about OD and change. The practitioner needs to assess the degree of this gap, because a relationship is possible only if the practitioner can be flexible enough to understand where the client is and help the client to learn about the OD change process. In this sense, the practitioner must have clarity about the purpose of OD in the organization. The practitioner brings certain knowledge, skills, values, and experience to the situation. In turn, the client system has its own values and a set of expectations for the practitioner. The target organization within the client system has its own subculture and level of readiness for change.

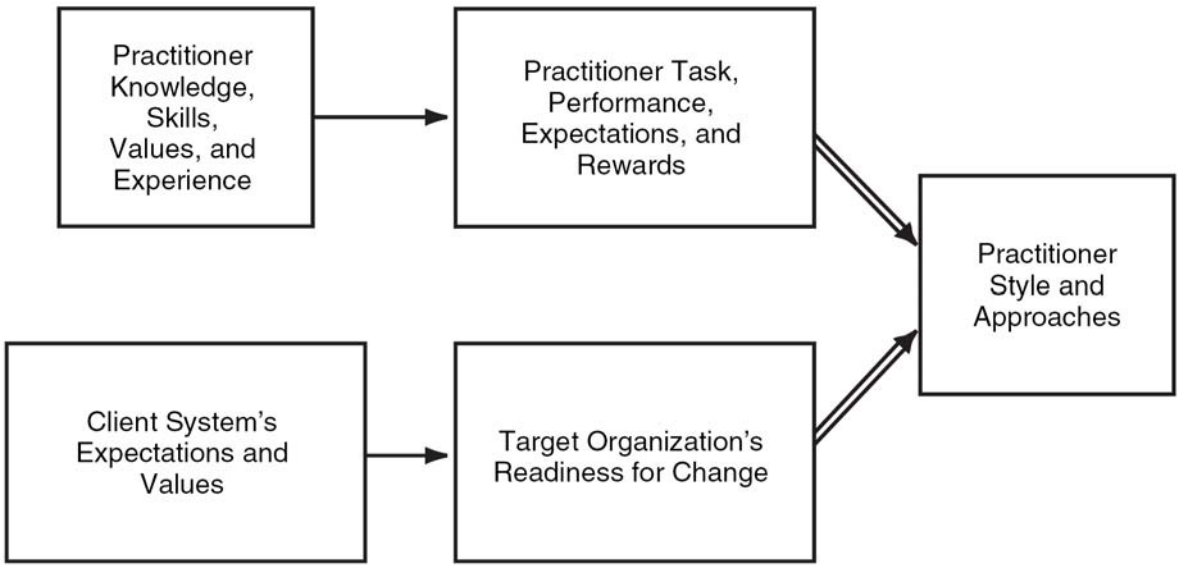
The practitioner's task and the scope, difficulty, and complexity of the changes to be implemented affect the relationship as well. Finally, the target organization's readiness, for change, level of resistance, and culture also influence the practitioner's style and the change approaches that may be successful in a given situation. The OD practitioner needs to involve organization members at all levels and convince them to "buy in" on the change program—in effect, to get involved in soling the problems.

Developing a Trust Relationship:

The development of openness and trust between practitioner and client is an essential aspect of the OD program. It is important because trust is necessary for cooperation and communication. When there is no trust, people will tend to be dishonest, evasive, and not authentic with one another, and communication is often inaccurate, distorted, or incomplete. There are several basic responses that the practitioner may use in the communication process aimed at developing a trust relationship:

- **Questions** —"How do you see the organization?"
- **Applied expertise (advising)** —"One possible intervention is team building."
- **Reflection** – "It sounds like you would like to see a participative form of leadership."
- **Interpretation** —"From your description, inter-team conflict could be the problem."
- **Self-disclosure** —"I've felt discouraged myself when my ideas were rejected."
- **Silence** —Say nothing, let the client sort out his or her thoughts.

Figure: 09 Practitioner Style Model



How these basic responses are used is important in developing the practitioner-client relationship, in general the more balanced the practitioner's use of these responses and the more open the range of responses, the higher level of trust. For example, some practitioners rely almost exclusively on questions without sharing their own ideas and feelings. This tends to create a one-way flow of information. Other

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practitioners rely heavily on advising responses, which may tend to develop a dependency relationship. It is important for the practitioner to be aware of the range of responses and to use those that will build an open and trusting relationship.
During the first several contacts with the client system, the following types of questions may be reflected upon:

- What is the attitude of the client system toward OD? Is there a real underlying desire for change? Or is the attitude superficial?
- What is the gut-level meaning of the client's problem? How realistic is the client's appraisal of its own problems?
- What are the possibilities that an OD program will alleviate the problem? Can OD solve the problem or are other change programs more appropriate?
- What is the practitioner's potential impact on the system? Based on feedback from the client, how probable is it that the practitioner can bring about significant change?

Once these questions are answered, the practitioner can decide whether to continue the change efforts or to discontinue and terminate the relationship. Most OD practitioners recommend an open discussion with the client on these issues at an early stage.

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Creating a Climate for Change

Most OD practitioners would agree that an open give-and-take relationship with the client is desirable. To some extent this depends on the ability of the practitioner to form relationships of openness and trust. Good relationships do not fit into a formula or equation, but OD practitioners have noted a number of recognizable characteristics of which the practitioner may be aware. "The change agent should act congruently, in accordance with the values he or she is attempting to superimpose upon the client system's value system. To use an old expression, the practitioner should practice what he or she preaches. The practitioner must think and act in ways that will create and enhance a positive climate for participation and learning.

The basic value system of the OD practitioner may not be compatible with the organization's culture. As a result, there may be conflicts between the value systems of the practitioner and the client system. An assessment of the degree of difference and the likelihood of working these differences through should be part of the OD practitioner's initial intervention. The practitioner may desire to create a relationship of openness, authenticity, and trust. The client system managers, however, may tend not to be open, may have learned not to behave authentically, and may even feel threatened by an exploration of feelings or confrontation by the practitioner; the practitioner may have reservations about the probability of a successful program. The practitioner also examines the degree of conflict and collaboration between organization units and needs to be aware of this to avoid being party to any existing conflicts. "One of the most frequent forms of resistance to change," comments OD authority Ronald Lippitt, "is the perception by certain subgroups, that the consultant is more closely related to other subgroups and is 'on their side' in any conflict of interests."

Who is Client?

One may say, the client is….

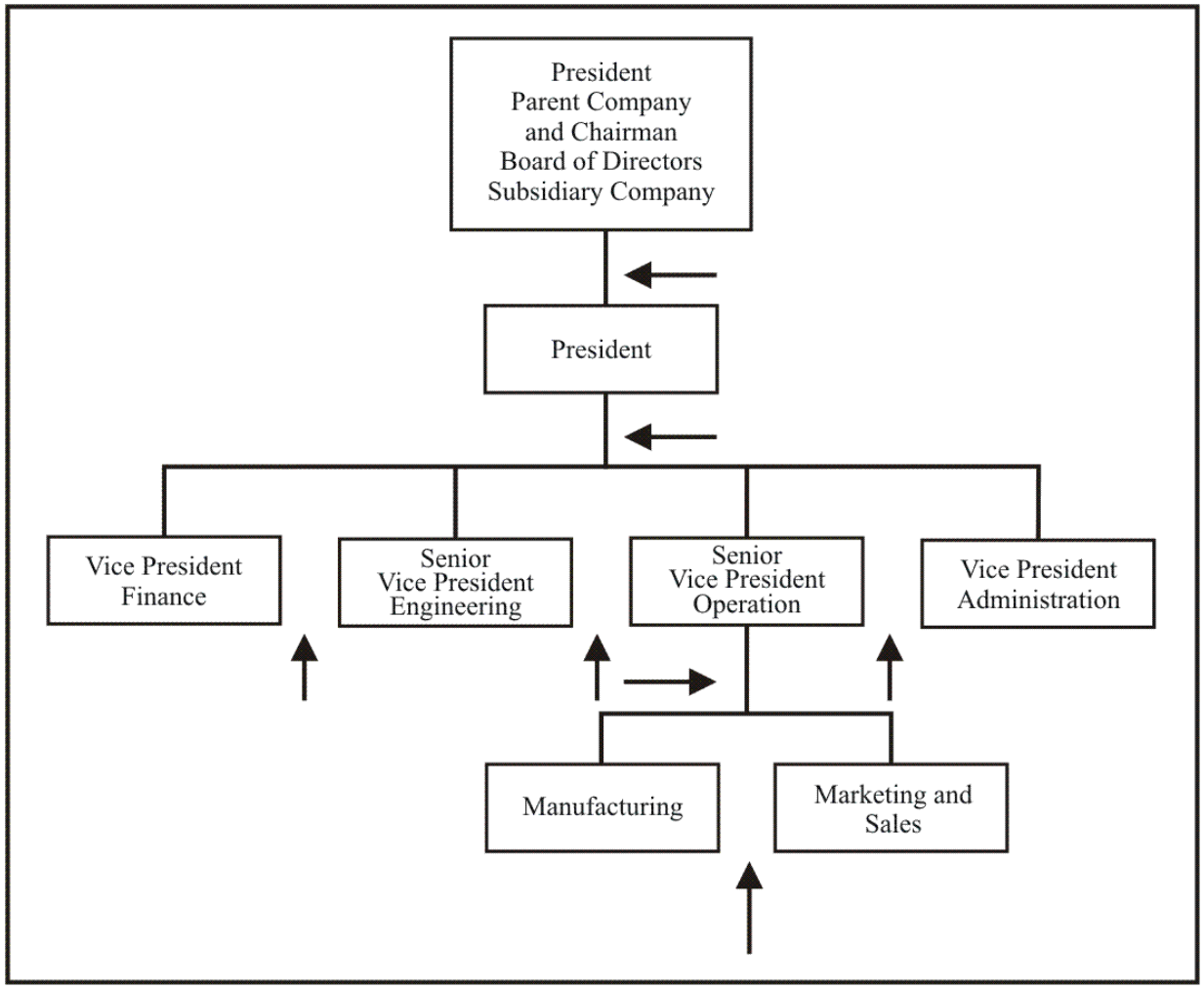
1. Company president
2. Top management group
3. Employee relations person
4. Total company
5. Parent corporation
6. All of the above
7. None of the above.

The correct answer is (7), "none of the above." The client in OD consultation is never one individual, regardless of position or role, or any particular group, team, or subsystem of the organization, or any combination thereof.

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The client is the relationship and/or interface between individuals and units within and related to the system. The arrows in the figure 12 depict the true client.

Figure: 12



The degree to which a consultant is effective is a function of how capable he or she is at maintaining a certain social distance between self and other individuals in the client organization and its operating on the boundaries of units rather than exclusively within them. In these ways, the consultant can more readily maintain an objective stance between persons and units in conflict rather than being with one or the other.

OD Practitioner Styles:

The OD practitioner is the person who initiates, stimulates, or facilitates a change program, and may come from inside or outside the organization. Change begins with the intervention of the practitioner in the system to be changed. **Intervention** refers to the practitioner's entry into the client stem and includes several different roles and activities.

Practitioners, be they internal or external, have a variety of practitioner styles or approaches. One way to view the styles is based on the degree of emphasis the practitioner places upon two interrelated goals or dimensions of the change process. One of the goals is effectiveness the degree of emphasis upon goal accomplishment. The other goal is morale, the degree of emphasis upon relationships and participant satisfaction.

Based upon the two dimensions of accomplishing goals and member satisfaction, five different types of practitioner styles or roles can be identified (see Figure 13).

The Stabilizer Style:

The goal of the **stabilizer style** is neither effectiveness nor participant satisfaction. Rather the practitioner is trying to keep from rocking the boat and to maintain a low profile. The underlying motivation is often survival, or merely following the directives of top management. Such a role is typically found in large organizations where development programs may be part of the staff function and are not highly regarded

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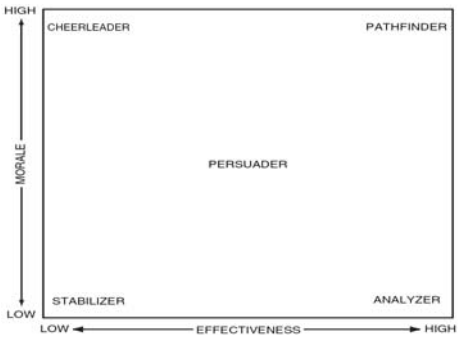
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by top management. This style is usually forced upon the practitioner by organizational pressures, so that the practitioner has learned to conform and to suppress any other motivations.

The Cheerleader Style:

The **cheerleader style** places emphasis on the satisfaction of organization members and is chiefly concerned with employee motivation and morale. The cheerleader practitioner seeks warm working relationships and in general is more comfortable in non confrontational situations. Effectiveness per se is not emphasized. The assumption being that if member satisfaction is high, effectiveness will also be high. Unfortunately, there is a great deal of evidence that contradicts these assumptions. The cheerleader style strongly minimizes differences and maintains harmony.

Figure: 13: Practitioner Styles



The Analyzer Style:

The **analyzer style** places great emphasis on efficiency, and gives little emphasis to member satisfaction. The analyzer feels most comfortable with a rational assessment of problem and assumes that the facts will lead to a solution. Practitioners of this type may be quite confrontational, usually relying on authority to resolve conflicts and on rational problem-solving processes.

The analyzer style has a background of specialized expertise, knowledge, and experience applicable to the solution of specific problems. The client needs to have a problem solved, a service performed or a study made; the analyzer practitioner takes responsibility for providing these functions. This style is based on the belief that the client does not need to know or cannot learn the skills to solve its problems. The success of the practitioner is largely dependent on the client's having properly diagnosed its problem and called in the right kind of practitioner.

The Persuader Style:

The **persuader style** focuses on dimensions, effectiveness and morale, yet optimizes neither. Such a style provides a relatively low-risk strategy, yet avoids direct confrontation with other forces. This approach may be used when the practitioner has little power or leverage relative to other participants. It is motivated primarily by a desire to satisfy, that is, to achieve something that is "good enough." A great deal of effort is applied in attempting to satisfy the different forces, thus gaining a majority bloc of support for prepared changes. The resulting change program is often watered down or weakened to the point where organization improvement is unlikely.

The Pathfinder Style:

The **pathfinder style** seeks both a high degree of effectiveness and a high degree of member satisfaction, believing that greater effectiveness is possible when all members are involved and problem-solving is done through teamwork. There is awareness that confrontation and conflict are often a means to a more effective organization and to more satisfied individual members. The pathfinder approach uses collaborative problem solving and challenges the underlying patterns of member behavior. Harold J, Leavitt uses this term to refer to developing a sense of value and vision. The pathfinder practitioner helps the organization to focus on its most critical issues and questions.

A survey of about 1,000 OD practitioners found that listening, integrity, and organizational diagnosis were rated as the most important OD skills. The pathfinder practitioner uses these skills to give the client new insights into its activities and to help the client system determine how it wishes to change and how it might go about implement changes. The practitioner rarely informs or instructs the client system, but instead tries to discover client system problems and to challenge the underlying patterns of behavior of organization members. The pathfinder practitioner focuses on six processes essential for effective organization

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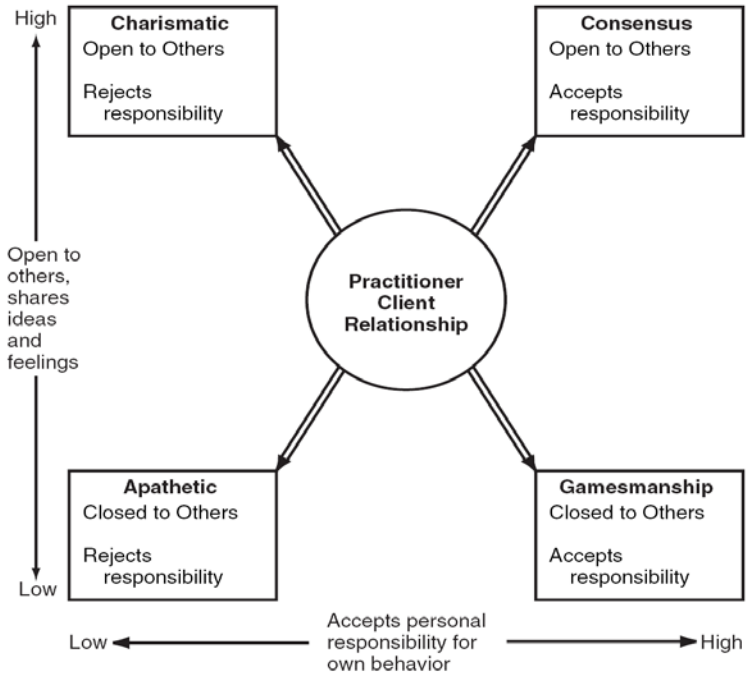
performance: (1) communication, (2) member role and functions in groups, (3) group problem-solving and decision-making, (4) group norms and growth, (5) leadership and authority, and (ft) inter-group cooperation a competition.
We have identified five different practitioner styles in this section. You will have an opportunity to find out where your own style fits in this classification system. Most organizational problems are complex situations, however, and may not neatly fit with any one change approach but will depend upon the practitioner, the nature of the problem, and the organizational climate.
In summary, these five practitioner styles are not mutually exclusive. All the styles can be effective, and they are interrelated. A practitioner may transition from one style to another to meet changing client system needs and deal with diverse situations. Frequently, some combination of the styles may be applied.

Practitioner-Client Relationship Modes:
Eric H. Neilson has identified several basic dimensions in the practitioner-client relationship that can be used as indicators of the climate for change. In order to collaboratively change the organization's culture, members need to (1) share their ideas, assumptions, perceptions, and feelings, and (2) accept personal responsibility for their own behavior. Based upon these two dimensions, Neilsen has identified four possible modes in the practitioner-client relationship. (See Figure 14)

The apathetic mode: Members keep their true ideas about self-fulfillment and organization effectiveness to themselves. They assume that sharing this information will not make any difference, so why bother? They follow established routines, take no responsibility for their actions, and simply do as they are told. They relate to the practitioner in the same way, assuming that higher authority has sanctioned the change hut viewing it with skepticism.
The gamesmanship mode: Members keep their true feelings about self- fulfillment and organizational effectiveness to themselves, under the assumption that sharing information may threaten personally desired outcomes, They make their own decisions about how to behave, thus taking responsibility for their behavior. This may include conforming outwardly to any decision-making procedure hut manipulating strategic factors to gain personal goals. Members may favor change if they can see ways in which it can serve their personal interest.
The charismatic mode: A limited number of members openly share ideas and feelings with the rest, based on perceptions of leadership. The followers are looking for cues from their leaders, so responsibility is low for most members. Members view the change process as desirable if the leaders approve, but they rely on the leaders to interpret the results.
The consensus mode: Members continuously share perceptions and feelings openly both on self-fulfillment and organizational effectiveness. Personal viewpoints are seen as relevant to organization functioning and are expressed. Decisions are made and differences arc resolved through the sharing of viewpoints, this process involves both sharing of data and maintaining one's responsibility for actions. Members see the OD process as consistent with their way of operating and find the results interesting and useful.

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Figure 14: Four Practitioner-Client Relationship Modes



The practitioner's attitudes and behavior make it possible for the client to create a climate where feelings about the client system can be freely and honestly expressed. The practitioner also has the ability to listen effectively and express ideas clearly and concisely. The practitioner is honest with the client, because facades have no place in the relationship. By operating based on power equalization, the practitioner ensures that the power differential between practitioner and client is not too great, for otherwise it will be difficult to develop a collaborative relationship. This is particularly true with internal practitioners, who may be in a subordinate position in the organization's power structure? The practitioner also makes certain that all the key parties in the client system are involved in the OD program to some extent. Thee practitioner must determine to how much involvement by different individuals or groups is appropriate. The outcome of ignoring key people is increased resistance and probable ineffectiveness in the change program.

These are not the only dimensions that are involved in a complex practitioner-client relationship, but they have been discussed here to provide the beginning practitioner with an awareness of some of the important dimensions that should be examined and considered. The practitioner must keep in mind that this relationship is analogous to one's impact on the total system. The practitioner's behavior will actually be a model for the organization between organization members. In attempting to create a climate of openness and collaboration between organization members and departments, one strives to develop personal relationships based on similar qualities. A good relationship increases the probability of a successful OD program. A tenuous or superficial relationship increases the probability that the OD program will be ineffective or unsuccessful.

Important dimensions in practitioner-client relationship:

- The practitioner's attitudes and behavior make it possible for the client to create a climate where feelings about the client system can be freely and honestly expressed.
- Ability to listen effectively and express ideas clearly and concisely.
- The practitioner is honest with the client, because facades have no place in the relationship.
- By operating based on power equalization, - the practitioner ensures that the power differential between practitioner and client is not too great, for otherwise it will be difficult to develop a collaborative relationship.
- This is particularly true with internal practitioners, who may be in a subordinate position in the organization's power structure?
- The practitioner also makes certain that all the key parties in the client system are involved in the OD program to some extent. The practitioner must determine to how much involvement by different individuals or groups is appropriate. The outcome of ignoring key people is increased resistance and probable ineffectiveness in the change program.

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- A good relationship increases the probability of a successful OD program. A superficial relationship increases the probability that the OD program will be ineffective or unsuccessful.

Case: The Grayson Chemical Company

The Grayson Chemical Company manufactured industrial chemicals for sale to other industrial companies. The company was about 40 years old and had been run by a stable management in which there had only been two presidents. Within the past few years, however, declining earnings and sales had brought pressure from the board of directors, investment bankers, and stockholder groups to name a new president. The company had become increasingly stagnant – although at Grayson they refer to it as conservative – and had steadily lost market standing and profitability. Finally, the board decided to go outside the company to find a new CEO and was able to recruit a dynamic manager from another major corporation, Tom Baker. Baker is 47, an MBA, and had helped build his former company into a leadership position.

Baker was clear about what he needed to do. He knew that he needed to develop a top management team that could provide the leadership to turn the company around. Unfortunately, the situation at Grayson was not very favorable.

Decisions were made by the book or taken to the next-higher level. Things were done because "they have always been done this way," and incompetent managers were often promoted to high-level jobs.

The Meeting

Baker met with three members of the board, Robert Temple (chairman), James Allen, and Hartley Ashford. Each had a different bit of advice to offer.

Robert Temple said: "Look, Tom, you can't just get rid of the old organization if you want to maintain any semblance of morale. Your existing people are all fairly competent technically, but it's up to you to develop performance goals and motivate them to achieve these standards. Make it clear that achievement will be rewarded and that those who can't hack it will have to go."

James Allen, puffing on his pipe, noted: "Let's face it, Tom; you need to bring in a new top management team. Probably only six or so, but people who know what top performance means, people who are using innovative methods of managing and, above all, people you trust. That means people you've worked with closely, from ABC or other companies, but people you know. You can't retread the old people, and you don't have time to develop young MBAs, so you need to bring in your own team even though it might upset some of the old-timers."

Hartley Ashford smiled and said: "Sure, you're going to have to bring in a new team from the outside, but rather than bring in people you've worked with before, bring in only managers with proven track records. People who have proven their ability to lead, motivate, and perform from different industries. This way you'll get a synergistic effect from a number of successful organizations. And the old people will see that favoritism is not the way to get ahead. So get a top performance team. And if you lose a few old-timers, so much the better."

Case Analysis Form

Name: _____

I. Problems

A. Macro

1. _____
2. _____

B. Micro

1. _____
2. _____

II. Causes

1. _____
2. _____
3. _____

III. Systems affected

1. Structural _____
2. Psychosocial _____.
3. Technical _____
4. Managerial _____

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5. Goals and values _____

IV. Alternatives

1. _____
2. _____
3. _____

V. Recommendations

1. _____
2. _____
3. _____

Case Solution: The Grayson Chemical Company

I. Problems:

A. Macro

1. Grayson has become stagnant, failed to change, and is no longer competitive.
2. The current people at Grayson are not acceptable to change.
3. There is a culture of doing things by the book.

B. Micro:

1. Incompetent managers promoted.
2. Board does not have a consensus of opinion.

II. Causes:

1. Grayson has not been proactive with its environment.
2. Corporate culture is very resistant to change.
3. Board does not speak with one voice. So entire organization is somewhat disorganized in its operations—no clear direction or focus

III. Systems affected:

The entire organization is affected. The organization is still functioning; however, to be a healthy company and to grow, changes are needed.

1. Structural – with major changes, the structure could be radically altered.
2. Psychosocial – status quo and contentment seems to be prevalent among management.
3. Technical – though there is evidence that managers are "fairly" competent technically, but this may not be enough to make the kind of changes that Grayson requires.
4. Managerial – the management currently seems to be comfortable in their positions and performance. The changes that Tom Baker may initiate would likely create turmoil in the management ranks.
5. Goals and values – the system seems to value putting in your time and you will get promoted. Excellence in performance is something not present at Grayson, but complacency seems to be prevalent.

IV. Alternatives:

1. Maintain status quo—do nothing.
2. Develop a pathfinder style; involve board, and organization members in renewing the company.
3. Develop a persuader style and avoid "rocking the boat" by making gradual or slow changes.

V. Recommendations:

Develop pathfinder style; involve Entire Corporation in change process. Establish open communications with board and establish a consensus on what the board wants/expects/desires. Since incompetent managers have often been promoted, personnel changes should be made after thorough analysis of personnel.

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OD Practitioner Skills and Activities

Much of the literature about the competencies of an effective OD practitioner reveals a mixture of personality traits, experiences, knowledge, and skills presumed to lead to effective practice. For example, research on the characteristics of successful change practitioners yields the following list of attributes and abilities: diagnostic ability, basic knowledge of behavioral science techniques, empathy, knowledge of the theories and methods within the consultant's own discipline, goal-setting ability, problem-solving ability, and ability to perform self-assessment, ability to see things objectively, imagination, flexibility, honesty, consistency, and trust. Although these qualities and skills are laudable, there has been relatively little consensus about their importance to effective OD practice.

Two ongoing projects are attempting to define and categorize the skills and knowledge required of OD practitioners. In the first effort, fifty well-known practitioners and researchers annually update a list of professional competencies. The most recent list has grown to 187 statements in nine areas of OD practice, including entry, start-up, assessment and feedback, action planning, intervention, evaluation, adoption, separation, and general competencies. The statements range from "staying centered in the present, focusing on the ongoing process" and "understanding and explaining how diversity will affect the diagnosis of the culture" to "basing change on business strategy and business needs" and "being comfortable with quantum leaps, radical shifts, and paradigm changes." The discussion is currently considering additional items related to international OD, large-group interventions, and trans-organizational skills.

The second project, sponsored by the Organization Development and Change Division of the Academy of Management, seeks to develop a list of competencies to guide curriculum development in graduate OD programs. So far, more than forty OD practitioners have worked to develop the two competency lists. First, foundation competencies are oriented toward descriptions of an existing system. They include knowledge from organization behavior, psychology, group dynamics, management and organization theory, research methods, and business practices. Second, core competencies are aimed at how systems change over time. They include knowledge of organization design, organization research, system dynamics, OD history, and theories and models for change; they also involve the skills needed to manage the consulting process, to analyze and diagnose systems, to design and choose interventions, to facilitate processes, to develop clients' capability to manage their own change, and to evaluate organization change.

The information in Table.1 applies primarily to people specializing in OD as a profession. For them, possessing the listed knowledge and skills seems reasonable, especially in light of the growing diversity and complexity of interventions in OD. Gaining competence in those areas may take considerable time and effort, and it is questionable whether the other two types of OD practitioners—managers and specialists in related fields—also need that full range of skills and knowledge. It seems more reasonable to suggest, whether they are OD professionals, managers, or related specialists. Those items would constitute the practitioner's basic skills and knowledge. Beyond that background, the three types of OD practitioners likely would differ in areas of concentration. OD professionals would extend their breadth of skills across the remaining categories.

Based on the studies available, all OD practitioners should have the following basic skills and knowledge to be effective:

1. Intrapersonal skills. Despite the growing knowledge base and sophistication of the field, organization development is still a human craft. As the primary instrument of diagnosis and change, practitioners often must process complex, ambiguous information and make informed judgments about its relevance to organizational issues. Practitioners must have the personal centering to know their own values, feelings, and purposes as well as the integrity to behave responsibly in a helping relationship with others. Because OD is a highly uncertain process requiring constant adjustment and innovation, practitioners must have active learning skills and a reasonable balance between their rational and emotional sides. Finally, OD practice can be highly stressful and can lead to early burnout, so practitioners need to know how to manage their own stress.

2. Interpersonal skills. Practitioners must create and maintain effective relationships with individuals and groups within the organization and help them gain the competence necessary to solve their own problems. Group dynamics, comparative cultural perspectives, and business functions are considered to be the foundation knowledge, and managing the consulting process and facilitation as core skills. All of these interpersonal competencies promote effective helping relationships. Such relationships start with a grasp of the organization's perspective and require listening to members' perceptions and feelings to understand how they see themselves and the organization. This understanding provides a starting point for joint diagnosis and problem solving. Practitioners must establish trust and rapport with organization members so that they can share pertinent information and work effectively together. This requires being able to converse in members' own language and to give and receive feedback about how the relationship is progressing.

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To help members learn new skills and behaviors, practitioners must serve as concrete role models of what is expected. They must act in ways that are credible to organization members and provide them with the counseling and coaching necessary to develop and change. Because the helping relationship is jointly determined, practitioners need to be able to negotiate an acceptable role and to manage changing expectations and demands.

3. General consultation skills. OD starts with diagnosing an organization or department to understand its current functioning and to discover areas for further development. OD practitioners need to know how to carry out an effective diagnosis, at least at a rudimentary level. They should know how to engage organization members in diagnosis, how to help them ask the right questions, and how to collect and analyze information. A manager, for example, should be able to work with subordinates to determine jointly the organization's or department's strengths or problems. The manager should know basic diagnostic questions some methods for gathering information, such as interviews or surveys, and some techniques for analyzing it, such as force-field analysis or statistical means and distributions.

In addition to diagnosis, OD practitioners should know how to design and execute an intervention. They need to be able to define an action plan and to gain commitment to the program. They also need to know how to tailor the intervention to the situation, using information about how the change is progressing to guide implementation. For example, managers should be able to develop action steps for an intervention with subordinates. They should be able to gain their commitment to the program (usually through participation), sit down with them and assess how it is progressing, and make modifications if necessary.

4. Organization development theory. The last basic tool OD practitioners should have is a general knowledge of organization development. They should have some appreciation for planned change, the action research model, and contemporary approaches to managing change. They should be familiar with the range of available interventions and the need for evaluating and institutionalizing change programs. Perhaps most important is that OD practitioners should understand their own role in the emerging field of organization development, whether it is as an OD professional, a manager, or a specialist in a related area.

The role of the OD practitioner is changing and becoming more complex, Ellen Fagenson and W. Warner Burke found that the most practiced OD skill or activity was team development, whereas the least employed was the integration of technology (see Table 1).

The results of this study reinforce what other theorists have also suggested. The OD practitioners of today are no longer just process facilitators, but are expected to know something about strategy, structure, reward systems, corporate culture, leadership, human resource development and the client organization's business. As a result, the role of the OD practitioner today is more challenging and more in the mainstream of the client organization than in the past.

Table 1: OD Practitioner Skills and Activities

Activity	*Average Use*
1. Team development	2.97
2. Corporate change	2.91
3. Strategy development	2.60
4. Management development	2.45
5. Employee (career) development	2.04
6. Technology integration	1.97

Note: Ratings on 5-point scale with 5.0 being high.

Susan Gebelein lists six key skill areas that are critical to the success of the internal practitioner. These are shown in Figure15. The relative emphasis on each type of skill will depend upon the situation, but all are vital in achieving OD program goals. The skills that focus on the people-oriented nature of the OD practitioner include:

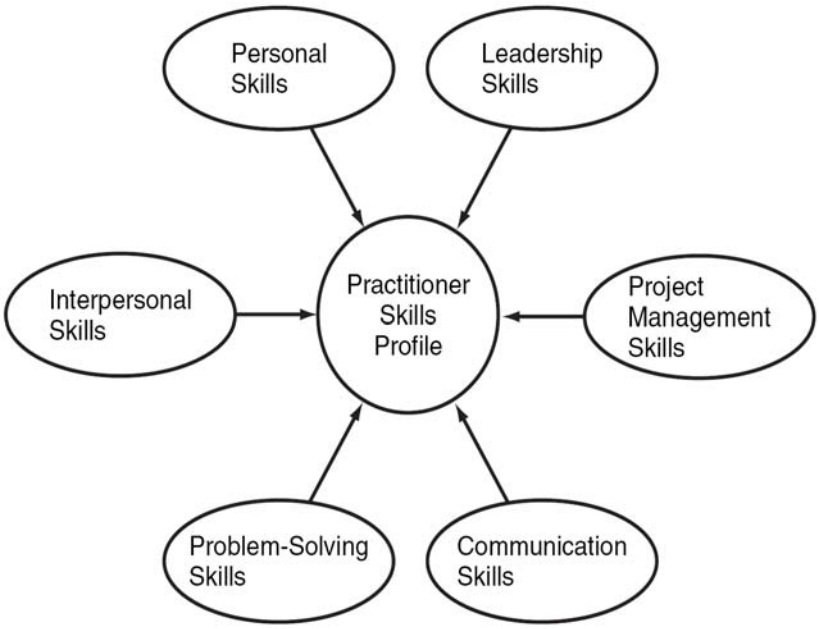
- **Leadership.** Leaders keep members focused on key company values and on opportunities and need for improvement. A leader's job is to recognize when a company is headed in the wrong direction and to get it back on the right track.
- **Project Management.** This means involving all the right people and department to keep the change program on track.
- **Communication.** It is vital to communicate the key values to everyone in the organization.

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- **Problem-Solving**. The real challenge is to implement a solution to an organizational problem. Forget about today's problems: focus constantly on the next set of problems.
- **Interpersonal**. The number-one priority is to give everybody in the organization the tools and the confidence to be involved in the change process. This includes facilitating, building relationships, and process skills.
- **Personal.** The confidence to help the organization make tough decisions, introduce new techniques, try something new, and see if it works.

Figure 15: Practitioner Skills Profile



The OD practitioner's role is to help employees create their own solutions, systems, and concepts. When the practitioner uses the above-listed skills lo accomplish these goals, the employees will work hard to make them succeed, because they are the owners of the change programs,

Consultant's Abilities:

Ten primary abilities are key to an OD consultant's effectiveness. Most of these abilities can be learned, but because of individual differences in personality or basic temperament, some of them would be easier for some to learn than for others.

1. The ability to **tolerate ambiguity**. Every organization is different, and what worked before may not work now; every OD effort starts from scratch, and it is best to enter with few preconceived notions other than with the general characteristics that we know about social systems.
2. The ability to **influence.** Unless the OD consultant enjoys power and has some talent for persuasion, he or she is likely to succeed in only minor ways in OD.
3. The ability to **confront difficult issues**. Much of OD work consists of exposing issues that organization members are reluctant to face.
4. The ability to **support and nurture others.** This ability is particularly important in times of conflict and stress; it is also critical just before and during a manager's first experience with team building.
5. The ability to **listen well and empathize.** This is especially important during interviews, in conflict situations, and when client stress is high.
6. The ability to **recognize one's feelings and intuition quickly**. It is important to be able to distinguish one's own perceptions from those of the client and also be able to use these feelings and intuitions as interventions when appropriate and timely.
7. The ability to **conceptualize.** It is necessary to think and express in understandable words certain relationships, such as the cause-and-effect and if-then linkages that exist within the systemic context of the client organization.

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8. The ability to **discover and mobilize human energy,** both within oneself and within the client organization. There is energy in resistance, for example, and the consultant's interventions are likely to be most effective when they tap existing energy within the organization and provide direction for the productive use of the energy.
9. The ability to **teach** or to **create** learning opportunities**.** This ability should not be reserved for classroom activities but should be utilized on the job, during meetings, and within the mainstream of the overall change effort.
10. The ability to **maintain a sense of humor,** both on the client's behalf and to help sustain perspective: Humor can be useful for reducing tension. It is also useful for the consultant to be able to laugh at himself or herself; not taking oneself too seriously is critical for maintaining perspective about an OD effort, especially since nothing ever goes exactly according to plan, even though OD is supposed to be a planned change effort.

Role of Organization Development Professionals Position:

Position:

Organization development professionals have positions that are either internal or external to the organization. Internal consultants are members of the organization and often are located in the human resources department. They may perform the OD role exclusively, or they may combine it with other tasks, such as compensation practices, training, or labor relations. Many large organizations, such as Intel, Merck, Abitibi Consolidated, BHP, Philip Morris, Levi Strauss, Procter & Gamble, Weyerhaeuser; GTE, and Citigroup, have created specialized OD consulting groups. These internal consultants typically have a variety of clients within the organization, serving both line and staff departments.

External consultants are not members of the client organization; they typically work for a consulting firm, a university, or themselves. Organizations generally hire external consultants to provide a particular expertise that is unavailable internally and to bring a different and potentially more objective perspective into the organization development process. Table.2 describes the differences between these two roles at each stage of the action research process.

During the entry process, internal consultants have clear advantages. They have ready access to and relationships with clients, know the language of the organization, and have insights about the root cause of many of its problems. This allows internal consultants to save time in identifying the organization's culture, informal practices, and sources of power. They have access to a variety of information, including rumors, company reports, and direct observations. In addition, entry is more efficient and congenial, and their pay is not at risk. External consultants, however, have the advantage of being able to select the clients they want to work with according to their own criteria. The contracting phase is less formal for internal consultants and there is less worry about expenses, but there is less choice about whether to complete the assignment. Both types of consultants must address issues of confidentiality, risk project termination (and other negative consequences) by the client, and fill a third-party role.

During the diagnosis process, internal consultants already know most organization members and enjoy a basic level of rapport and trust. But external consultants often have higher status than internal consultants, which allows them to probe difficult issues and assess the organization more objectively. In the intervention phase, both types of consultants must rely on valid information, free and informed choice, and internal commitment for their success, However, an internal consultant's strong ties to the organization may make him or her overly cautious particularly when powerful others can affect a career. Internal consultants also may lack certain skills and experience in facilitating organizational change. Inside he may have some small advantages in being able to move around the system and cross key organizational boundaries. Finally, the measures of success and reward differ from those of the external practitioner in the evaluation process.

A promising approach to having the advantages of both internal and external OD consultants is to include them both as members of an internal-external consulting team. External consultants can combine their special expertise and objectivity with the inside knowledge and acceptance of internal consultants. The two parties can use complementary consulting skills while sharing the workload and possibly accomplishing more than either would by operating alone. Internal consultants, for example, can provide almost continuous contact with the client, and their external counterparts can provide specialized services periodically, such as two or three days each month. External consultants also can help train their organization partners, thus transferring OD skills and knowledge to the organization.

Although little has been written on internal-external consulting teams, recent studies suggest that the effectiveness of such teams depends on members developing strong, supportive, collegial relationships. They need to take time to develop the consulting team; confronting individual differences and establishing appropriate roles and exchanges, member's need to provide each other with continuous feedback and make a commitment to learning from each other. In the absence of these team-building and learning activities,

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internal-external consulting teams can be more troublesome and less effective than consultants working alone.

The difference between External and Internal Consulting		
Stage of change	**External consultant**	**Internal consultant**
Entering	•Source clients •Build relationships •Learn company jargon •"presenting problem" challenge •Time consuming •Stressful phase •Select project/client according to own criteria •Unpredictable outcome	•Ready access to clients •Ready relationships •Knows company jargon •Understands root causes •Time efficient •Congenial phase •Obligated to work with everyone •Steady pay
Contracting	•Formal documents •Can terminate project at will •Guard against out-of-pocket expenses •Information confidential •Loss of contract at stake •Maintain third-party role	•Informal agreements •Must complete projects assigned •No out-of-pocket expenses •Information can be open or confidential •Risk of client retaliation and loss of job at state •Act as third party, driver (on behalf of client or pair of hands)
Diagnosing	•Meet most organization members for the first time •Prestige from being external •Build trust quickly •Confidential data can increase political sensitivities	•Has relationships with many organization members •Prestige determined by job rank and client stature •Sustain reputation as trustworthy over time •Data openly shared can reduce political intrigue
Intervening	•Insist on valid information, free and informed choice, and internal commitment •Confine activities within boundaries of client organization	•Insist on valid information, free and informed choice and internal commitment •Run interference for client across organizational lines to align support
Evaluating	•Rely on repeat business and customer referral as key measures of project success •Seldom see long-term results	•Rely on repeat business, pay raise and promotion as key measures of success •Can see change become institutionalized •Little recognition for job well done

Marginality:

A promising line of research on the professional OD role centers on the issue of marginality. The marginal person is one who successfully straddles the boundary between two or more groups with differing goals, value systems, and behavior patterns. Whereas in the past, the marginal role always was seen as dysfunctional, marginality now is seen in a more positive light. There are many examples of marginal roles in organizations: the salesperson, the buyer, the first-line supervisor, the integrator and the project manager. Evidence is mounting that some people are better at taking marginal roles than are others. Those who are good at it seem to have personal qualities of low dogmatism, neutrality, open-mindedness, objectivity, flexibility, and adaptable information-processing ability. Rather than being upset by conflict, ambiguity, and stress, they thrive on it. Individuals with marginal orientations are more likely than others to develop integrative decisions that bring together and reconcile viewpoints among opposing organizational groups and are more likely to remain neutral in controversial situations. Thus, the research suggests that the

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marginal role can have positive effects when it is filled by a person with a marginal orientation. Such a person can be more objective and better able to perform successfully in linking, integrative, or conflict-laden roles,

There are two other boundaries: **the activities boundary** and **the membership boundary.** For both, the OD consultant should operate at the boundary, in a marginal capacity.

With respect to change activities**,** particularly implementation, the consultant must help but not be directly involved. Suppose an off-site team-building session, for a manger and his subordinates, he would help the manager with the design and process of the meeting but would not lead.

With respect to membership, the OD consultant is never quite in nor quite out. Although the consultant must be involved, he or she cannot be a member of the client organization. Being a member means that there is vested interest, a relative lack of objectivity. Being totally removed means, he cannot sense, cannot be empathetic, and cannot use his or her feelings. Being marginal means that the consultant becomes involved enough to understand client's feelings and perceptions yet distant enough to be able to see these feelings and perceptions for what they are.

Being marginal is critical for both an external consultant and an internal consultant. The major concern regarding the internal OD practitioner's role is that he or she can never be a consultant to his or her own group. If the group is an OD department, a member of this department, no matter how skilled, cannot be an affective consultant to it. It is also difficult for an internal OD practitioner to be a consultant to any group that is within the same vertical path or chain of the managerial hierarchy as he or she may be. Since the OD function is often a part of corporate personnel or the human resource function, it would be difficult for the internal OD consultant to play a marginal role in consulting with any of the groups within the corporate function, because the consultant would be a primary organization member of that function. Consulting with marketing, R&D or manufacturing within one's organization, for example, would be far more feasible and appropriate, since the OD consultant could more easily maintain a marginal role.

Emotional Demands:

The OD practitioner role is emotionally demanding. Research and practice support the importance of understanding emotions and their impact on the practitioner's effectiveness. The research on emotional intelligence in organizations suggests a set of abilities that can aid OD practitioners in conducting successful change efforts. Emotional intelligence refers to the ability to recognize and express emotions appropriately, to use emotions in thought and decisions, and to regulate emotion in oneself and in others. It is, therefore, a different kind of intelligence from problem-solving ability, engineering aptitude, or the knowledge of concepts. In tandem with traditional knowledge and skill, emotional intelligence affects and supplements rational thought; emotions help prioritize thinking by directing attention to important information not addressed in models and theories. In That sense, some researchers argue that emotional intelligence is as important as cognitive intelligence.

Reports from OD practitioners support the importance of emotional intelligence in practice. At each stage of planned change, they must relate to and help organization members adapt to resistance, commitment, and ambiguity. Facing those important and difficult issues raises emotions such as the fear of failure or rejection. As the client and others encounter these kinds of emotions, OD practitioners must have a clear sense of emotional effects, including their own internal emotions. Ambiguity or denial of emotions can lead to inaccurate and untimely interventions. For example, a practitioner who is uncomfortable with conflict may intervene to diffuse conflict because of the discomfort he or she feels, not because the conflict is destructive. In such a case, the practitioner is acting to address a personal need rather than intervening to improve the system's effectiveness.

Evidence suggests that emotional intelligence increases with age and experience. In addition, it can be developed through personal growth processes such as sensitivity training, counseling, and therapy. It seems reasonable to suggest that professional OD practitioners dedicate themselves to a long-term regimen of development that includes acquiring both cognitive learning and emotional intelligence.

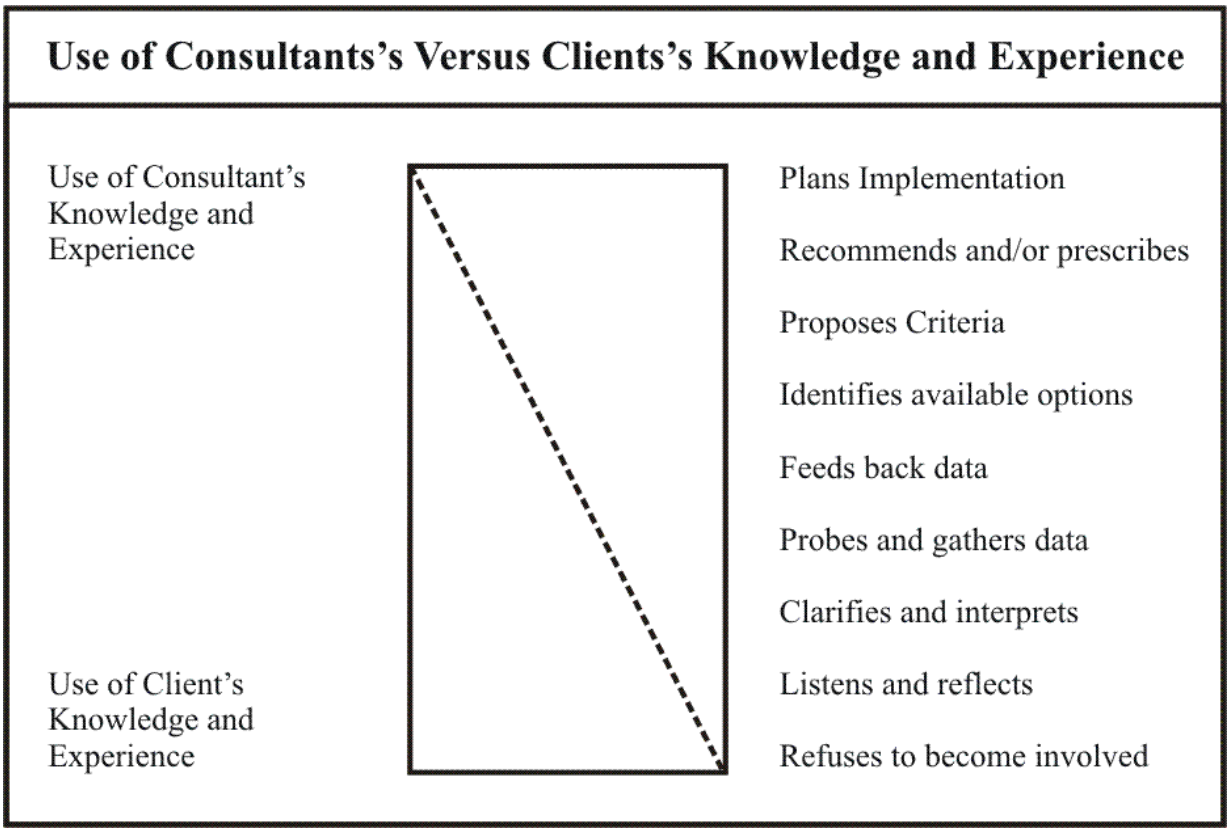
Use of Knowledge and Experience:

The professional OD role has been described in terms of a continuum ranging from client-centered (using the client's knowledge and experience) to consultant-centered (using the consultant's knowledge and experience, as shown in Figure 16), Traditionally, OD consultants have worked at the client-centered end of the continuum. Organization development professionals, relying mainly on sensitivity training, process consultation, and team building, have been expected to remain neutral, refusing to offer expert advice on organizational problems. Rather than contracting to solve specific problems, the consultant has tended to work with organization members to identify problems and potential solutions, to help them study what they are doing now and consider alternative behaviors and solutions, and to help them discover whether, in fact, the consultant and they can learn to do things better. In doing that the OD professional has generally

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listened and reflected upon members' perceptions and ideas and helped clarify and interpret their communications and behaviors.

Figure 16: Use of Consultant's Versus Client's Knowledge and Experience



With the recent proliferation of OD interventions in the structural, human resource management, and strategy areas that limited definition of the professional OD role has expanded to include the consultant-centered end of the continuum. In many of the newer approaches, the consultant may have to take on a modified role of expert, with the consent and collaboration of organization members. For example, if a consultant and managers were to try to bring about a major structural redesign, managers may not have the appropriate knowledge and expertise to create and manage the change. The consultant's role might be to present the basic concepts and ideas and then to struggle jointly with the managers to select an approach that might be useful to the organization and to decide how it ' might best be implemented. In this situation, the OD professional recommends or prescribes particular changes and is active in planning how to implement them. This expertise, however, is always shared rather than imposed.

With the development of new and varied intervention approaches, the OD professional's role needs to be seen as falling along the entire continuum from client-centered to consultant-centered. At times, the consultant will rely mainly on organization members' knowledge and experiences to identify and solve problems. At other times, it will be more appropriate to take on the role of expert, withdrawing from that role as managers gain more knowledge and experience.

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Professional Values

Values have played an important role in organization development from its beginning. Traditionally, OD professionals have promoted a set of values under a humanistic framework, including a concern for inquiry and science, democracy and being helpful. They have sought to build trust and collaboration; to create an open, problem-solving climate; and to increase the self-control of organization members. More recently, OD practitioners have extended those humanistic values to include a concern for improving organizational effectiveness (for example, to increase productivity or to reduce turnover) and performance (for example, to increase profitability). They have shown an increasing desire to optimize both human benefits and production objectives.

We can gain some understanding of the values represented by OD by referring to sensitivity training. This method of education and change has a humanistic value orientation, the belief that it is worthwhile to have the opportunity throughout their lives to learn and develop personally toward a full realization and actualization of individual potential.

Another OD value that came even more directly from sensitivity training is that people's feelings are just as important a source of data for diagnosis and have as much implication for change as do facts or so-called hard data and people's thoughts and opinions, and that these feelings should be considered as legitimate for expression in the organization as any thought, fact, or opinion.

Yet another OD value stemming from sensitivity training is that conflict, whether interpersonal or inter-group, should be brought to the surface and dealt with directly, rather than ignored, avoided, or manipulated.

When sensitivity training was at the height of its popularity, two main value systems considered were: a spirit of inquiry, and democracy.

The **spirit of inquiry** comes from the values of science. Two parts of it are relevant: the hypothetical spirit – being tentative checking on the validity of assumptions, and allowing for errors; and experimentation – putting ideas or assumptions to the test. In sensitive training, "all experienced behavior is subjected to questioning and examination, limited only by the threshold of tolerance to truth and new ideas".

The second main value system, the **democratic value** has two elements: collaboration, and conflict resolution through rational means. The learning process in sensitivity training is collaborative between participant and trainer, not a traditional authoritarian student-teacher relationship. By conflict resolution through rational means, it is meant that irrational behavior or emotion was off limits, but "that there is a problem-solving orientation to conflict rather than the more traditional approaches based on bargains, power plays, suppression, or compromise".

More recently, OD practitioners have extended those humanistic values to include a concern for: improving organizational effectiveness (for example, to increase productivity or to reduce turnover), and improving performance (for example, to increase profitability).

They have shown an increasing desire to optimize both human benefits and production objectives.

It is painfully obvious that most organizations treat their most valued resources – employees – as if they were expendable. The all-too-frequent attitude among managers is, "If our employees don't like the jobs we provide, they can find employment elsewhere, we pay them a fair wage and they receive excellent fringe benefits." In the name of efficiency and economic or top management pressure, some people in organizations may be bored, some may be discriminated against, and many may be treated unfairly or inequitably regarding their talent and performance. If OD helps correct these imbalances, it is long overdue, but what about the organization? If it doesn't survive, there will be no jobs, no imbalances to correct. Of the two words, represented by OD, Practitioners have spent more time on development than on organization. They are equally important; however, if either is out of balance, the OD consultant's goal is to redress the imbalance.

OD's right goal grows from its proper setting. If the proper setting is organizations, then there is only one right goal for OD, i.e. to confront an issue that is the tension between freedom and constraint. OD's right purpose is to redress the balance between freedom and constraint.

There is always tension between the two – the autonomy of the individual and the requirements of the organization. It is practically impossible to determine the proper balance but, when either factor is obviously out of balance, the OD consultant's goal is to work toward reducing the heavier side.

The joint values of humanizing organizations and improving their effectiveness have received widespread support in the OD profession as well as increasing encouragement from managers, employees, and union officials. Indeed, it would be difficult not to support those joint concerns. But in practice OD professionals face serious challenges in simultaneously pursuing greater humanism and organizational effectiveness. More practitioners are experiencing situations in which there is conflict between employees' needs for greater meaning and the organization's need for more effective and efficient use of its resources. For example,

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expensive capital equipment may run most efficiently if it is highly programmed and routinized, but people may not derive satisfaction from working with such technology. Should efficiency be maximized at the expense of people's satisfaction? Can technology be changed to make it more humanly satisfying while remaining efficient? What compromises are possible? How do these tradeoffs shift when they are applied in different social cultures? These are the value dilemmas often faced when we try to optimize both human benefits and organizational effectiveness.

In addition to value issues within organizations, OD practitioners are dealing more and more with value conflicts with powerful outside groups. Organizations are open systems and exist within increasingly turbulent environments. For example, hospitals are facing complex and changing task environments. This has led to a proliferation of external stakeholders with interests in the organization's functioning, including patients, suppliers, medical groups, insurance companies, employers, the government, stockholders, unions, the press, and various interest groups. Those external groups often have different and competing values for judging the organization's effectiveness. For example, stockholders may judge the firm in terms of earnings per share, the government in terms of compliance with equal employment opportunity legislation, patients in terms of quality of care, and ecology groups in terms of hazardous waste disposal. Because organizations must rely on these external groups for resources and legitimacy, they cannot simply ignore these competing values. They must somehow respond to them and try to reconcile the different interests.

Recent attempts to help firms manage external relationships suggest the need for new interventions and competence in OD. Practitioners must have not only social skills but also political skills. They must understand the distribution of power, conflicts of interest, and value dilemmas inherent in managing external relationships and be able to manage their own role and values with respect to those dynamics, Interventions promoting collaboration and system maintenance may he ineffective in this larger arena, especially when there are power and dominance relationships among organizations and competition for scarce resources. Under those conditions, OD practitioners may need more power-oriented interventions, such as bargaining, coalition forming, and pressure tactics.

For example, firms in the tobacco industry have waged an aggressive campaign against the efforts of external groups, such as the ILS. Surgeon general, the American Lung Association, and local governments, to limit or ban the smoking of tobacco products. They have formed a powerful industry coalition to lobby against antismoking legislation; they have spent enormous sums of money advertising tobacco products, conducting public relations campaigns, and refuting research purportedly showing the dangers of smoking. Such power-oriented strategies are intended to manage an increasingly hostile environment and may be necessary for the industry's survival.

People practicing OD in such settings may need to help organizations implement such strategies if organizations are to manage their environments effectively. That effort will require political skills and greater attention to how the OD practitioner's own values fit with those of the organization.

Professional Ethics:

Ethical issues in OD are concerned with how practitioners perform their helping relationship with organization members. Inherent in any helping relationship is the potential for misconduct and client abuse. OD practitioners can let personal values stand in the way of good practice or use the power inherent in their professional role to abuse (often unintentionally) organization members.

Ethical Guidelines:

To its credit, the field of OD always has shown concern for the ethical conduct of its practitioners. There have been several articles and symposia about ethics in OD. In addition, statements of ethics governing OD practice have been sponsored by the Organization Development Institute, the American Society for Training & Development, and a consortium of professional associations in OD. The consortium has jointly sponsored an ethical code derived from a large-scale project conducted at the Center for the Study of Ethics in the Professions at the Illinois Institute of Technology- The project's purposes included preparing critical incidents describing ethical dilemmas and using that material for professional and continuing education in OD, providing an empirical basis for a statement of values and ethics for OD professionals, and initiating a process for making the ethics of OD practice explicit on a continuing basis. The ethical guidelines from that project appear in the appendix to this chapter.

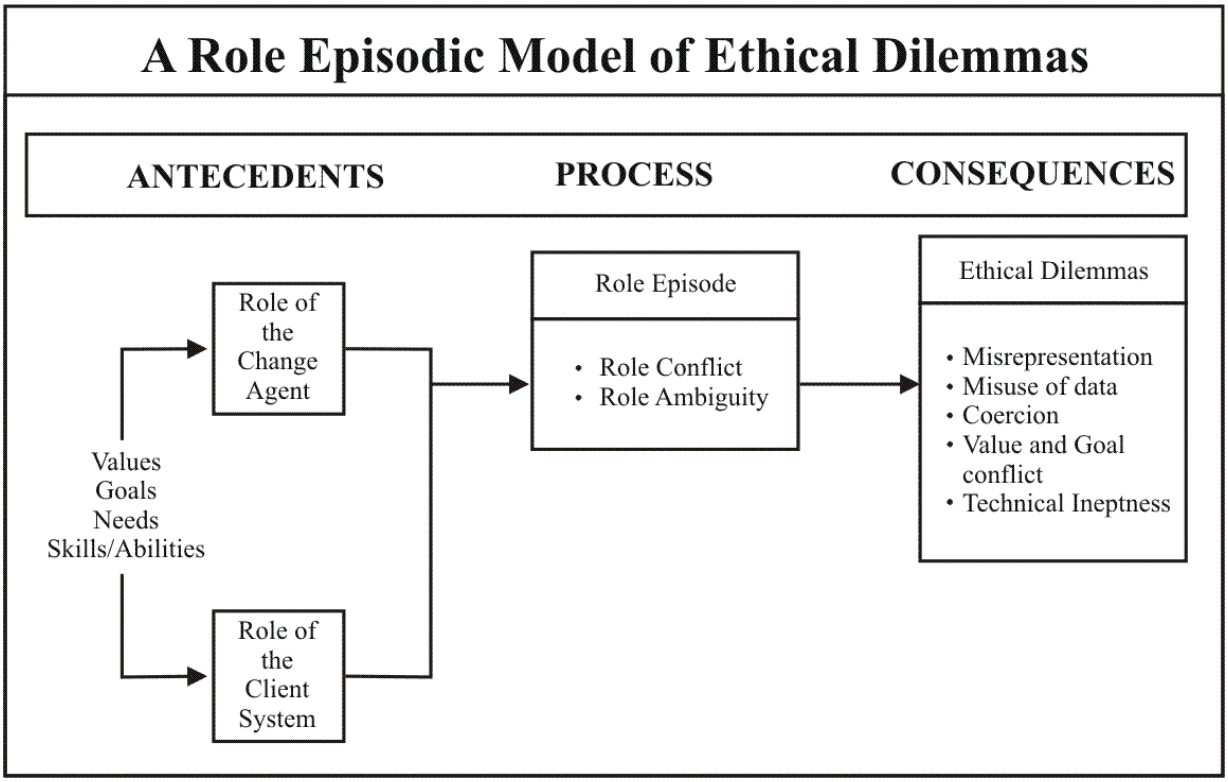
Ethical Dilemmas:

Although adherence to statements of ethics helps prevent the occurrence of ethical problems, OD practitioners still can encounter ethical dilemmas. Figure 17 is a process model that explains how ethical dilemmas can occur in OD. The antecedent conditions include an OD practitioner and a client system with different goals, values, needs, skills, and abilities. During the entry and contracting phase these differences may or may not be addressed and clarified. If the contracting process is incomplete, the subsequent

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intervention process or role episode is subject to role conflict and role ambiguity. Neither the client nor the OD practitioner is clear about respective responsibilities. Each party is pursuing different goals, and each is using different skills and values to achieve those goals. The role conflict and ambiguity may produce five types of ethical dilemmas: misrepresentation, misuse of data, coercion, value and goal conflict, and technical ineptness.

Figure: 17



Misrepresentation: Misrepresentation occurs when OD practitioners claim that an intervention will produce results that are unreasonable for the change program or the situation. The client can contribute to the problem by portraying inaccurate goals and needs. In either case, one or both parties are operating under false pretenses and an ethical dilemma exists. For example, in an infamous case called "The Undercover Change Agent." an attempt was made to use laboratory training in an organization whose top management did not understand it and was not ready for it. The OD consultant sold T-groups as the intervention that would solve the problems facing the organization. After the president of the firm made a surprise visit to the site where the training was being held, the consultant was fired because the nature and style of the T-group was in direct contradiction to the president's concepts about leadership. Misrepresentation is likely to occur in the entering and contracting phases of planned change when the initial consulting relationship is being established- To prevent misrepresentation, OD practitioners need to gain clarity about the goals of the change effort and to explore openly with the client its expected effects, its relevance to the client system, and the practitioner's competence in executing the intervention.

Misuse of Data: Misuse of data occurs when information gathered during the OD process is used punitively. Large amounts of information are invariably obtained during the entry and diagnostic phases of OD. Although most OD practitioners value openness and trust, it is important that they be aware of how such data are going to be used. It is a human tendency to use data to enhance a power position. Openness is one thing, but leaking inappropriate information can be harmful to individuals and to the organization. It is easy for a consultant, under the guise of obtaining information, to gather data about whether a particular manager is good or bad. When, how, or if this information can be used is an ethical dilemma not easily resolved. To minimize misuse of data, practitioners should reach agreement up front with organization members about how data collected during the change process will be used. This agreement should be reviewed periodically in light of changing circumstances.

Coercion: Coercion occurs when organization members are forced to participate in an OD intervention. People should have the freedom to choose whether to participate in a change program if they are to gain self-reliance to solve their own problems. In team building, for example, team members should have the

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option of deciding not to become involved in the intervention. Management should not decide unilaterally that team building is good for members. However, freedom to make a choice requires knowledge about OD. Many organization members have little information about OD interventions, what they involve, and the nature and consequences of becoming involved with them. This makes it imperative for OD practitioners to educate clients about interventions before choices are made for implementing them.

Coercion also can pose ethical dilemmas for the helping relationship between OD practitioners and organization members. Inherent in any helping relationship are possibilities for excessive manipulation and dependency, two facets of coercion. Kelman pointed out that behavior change "inevitably involves some degree of manipulation and control, and at least an implicit imposition of the change agent's values on the client or the person he [or she] is influencing." This places the practitioner on two horns of a dilemma: (1) any attempt to change is in itself a change and thereby a manipulation, no matter how slight, and (2) there exists no formula or method to structure a change situation so that such manipulation can be totally absent. To attack the first aspect of the dilemma, Kelman stressed freedom of choice, seeing any action that limits freedom of choice as being ethically ambiguous or worse. To address the second aspect, Kelman argued that the 00 practitioner must remain keenly aware of her or his own value system and alert to the possibility that those values are being imposed on a client. In other words, an effective way to resolve this dilemma is to make the change effort as open as possible, with the free consent and knowledge of the individuals involved.

The second facet of coercion that can pose ethical dilemmas for the helping relationship involves dependency. Helping relationships invariably create dependency between those who need help and those who provide it, A major goal in OD is to lessen clients' dependency on consultants by helping clients gain the knowledge and skills to address organizational problems and manage change themselves. In some cases, however, achieving independence from OD practitioners can result in clients being either counter dependent or over dependent, especially in the early stages of the relationship. To resolve dependency issues, consultants can openly and explicitly discuss with the client how to handle the dependency problem, especially what the client and consultant expect of one another. Another approach is to focus on problem finding. Usually, the client is looking for a solution to a perceived problem. The consultant can redirect the energy to improved joint diagnosis so that both are working on problem identification and problem solving. Such action moves the energy of the client away from dependency. Finally, dependency can be reduced by changing the client's expectation from being helped or controlled by the practitioner to a greater focus on the need to manage the problem. Such a refocusing can reinforce the understanding that the consultant is working for the client and offering assistance that is at the client's discretion.

Value and Goal Conflict: This ethical conflict occurs when the purpose of the change effort is not clear or when the client and the practitioner disagree over how to achieve the goals. The important practical issue for OD consultants is whether it is justifiable to withhold services unilaterally from an organization that does not agree with their values or methods. OD pioneer Gordon Lippitt suggested that the real question is the following: assuming that some kind of change is going to occur anyway, doesn't the consultant have a responsibility to try to guide the change in the most constructive fashion possible? That question may be of greater importance and relevance to an internal consultant or to a consultant who already has an ongoing relationship with the client.

Argyris takes an even stronger stand, maintaining that the responsibilities of professional OD practitioners to clients are comparable to those of lawyers or physicians, who, in principle, may not refuse to perform their services. He suggests that the very least the consultant can do is to provide "first aid" to the organization, as long as the assistance does not compromise the consultant's values. Argyris suggests that if the Ku Klux Klan asked for assistance and the consultant could at least determine whether the KKK was genuinely interested in assessing itself and willing to commit itself to all that a valid assessment would entail concerning both itself and other groups, the consultant should be willing to help. If later the Klan's objectives proved to be less than honestly stated, the consultant would be free to withdraw without being compromised.

Technical Ineptness: This final ethical dilemma occurs when OD practitioners try to implement interventions for which they are not skilled or when the client attempts a change for which it is not ready. Critical to the success of any OD program is the selection of an appropriate intervention, which depends, in turn, on careful diagnosis of the organization. Selecting an intervention is closely related to the practitioner's own values, skills, and abilities. In solving organizational problems, many OD consultants emphasize a favorite intervention or technique, such as team building, total quality management, or self-managed teams. They let their own values and beliefs dictate the change method, Technical ineptness dilemmas also can occur when interventions do not align with the ability of the organization to implement them. Again, careful diagnosis can reveal the extent to which the organization is ready to make a change and possesses the skills and knowledge to implement an ethical dilemma that arises frequently in OD con-

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sulting. What points in the process represent practical opportunities to intervene? Do you agree with Kindred's resolution to the problem? What other options did she have?

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Entering and Contracting

The planned change process generally starts when one or more key managers or administrators somehow sense that their organization, department, or group could be improved or has problems that could be alleviated through organization development. The organization might be successful yet have the room for improvement. It might be facing impending environmental conditions that necessitate a change in how it operates. The organization could be experiencing particular problems, such as poor product quality, high rates of absenteeism or dysfunctional conflicts among departments. Conversely, the problems might appear more diffuse and consist simply of feelings that the organization should be "more innovative," "more competitive," or "more effective."

Entering and contracting are the initial steps in the OD process. They involve defining in a preliminary manner the organization's problems or opportunities for development and establishing a collaborative relationship between the OD practitioner and members of the client system about how to work on those issues. Entering and contracting set the initial parameters for carrying out the subsequent phases of OD: diagnosing the organization, planning and implementing changes, and evaluating and institutionalizing them. They help to define what issues will be addressed by those activities, which will carry them out, and how they will be accomplished.

Entering and contracting can vary in complexity and formality depending on the situation. In those cases where the manager of a work group or department serves as his or her own OD practitioner, entering and contracting typically involve the manager and group members meeting to discuss what issues to work on and how they will jointly accomplish that. Here, entering and contracting are relatively simple and informal. They involve all relevant members directly in the process without a great number of formal procedures. In situations where manager and administrators are considering the use of professional OD practitioners, either from inside or from outside the organization, entering and contracting tend to be more complex and formal. OD practitioners may need to collect preliminary information to help define the problematic or development issues. They may need to meet with representatives of the client organization rather than with the total membership; they may need to formalize their respective roles and how the change process will unfold.

Let's first discuss the activities and content-oriented issues involved in entering into and contracting for an OD initiative. Major attention here will be directed at complex processes involving OD professionals and client organizations. Similar entering and contracting issues, however, need to be addressed in even the simplest OD efforts where managers serve as OD practitioners for their own work units. Unless there is clarity and agreement about what issues to work on, who will address them, and how that will be accomplished, subsequent stages of the OD process are likely to be confusing and ineffective.

Entering into an OD Relationship:

An OD process generally starts when a member of an organization or unit contacts an OD practitioner about potential help in addressing an organizational issue. The organization member may be a manager, staff specialist, or some other key participant, and the practitioner may be an OD professional from inside or outside of the organization. Determining whether the two parties should enter into an OD relationship typically involves clarifying the nature of the organization's current functioning and the issue(s) to be addressed, the relevant client system for that issue, and the appropriateness of the particular OD practitioner. In helping assess these issues, the OD practitioner may need to collect preliminary data about the organization. Similarly, the organization may need to gather information about the practitioner's competence and experience. This knowledge will help both parties determine whether they should proceed to develop a contract for working together.

The activities involved in entering an OD relationship are: clarifying the organizational issue, determining the representatives of the client organization, and selecting the appropriate OD practitioner.

Clarifying the Organizational Issue:

When seeking help from OD practitioners, organizations typically start with a presenting problem—the issue that has caused them to consider an OD process. It may be specific (decreased market share, increased absenteeism) or general ("we're growing too fast," "we need to prepare for rapid changes"). The presenting problem often has an implied or stated solution. For example, managers may believe that because members of their teams are in conflict, team building is the obvious answer. They may even state the presenting problem in the form of a solution: "We need some team building."

In many cases, however, the presenting problem is only a symptom of an underlying problem. For example, conflict among members of a team may result from several deeper causes, including ineffective reward systems, personality differences, inappropriate structure, and poor leadership. The issue facing the

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organization or department must be clarified early in the OD process so that subsequent diagnostic and intervention activities are focused correctly.
Gaining a clearer perspective on the organizational issue may require collecting preliminary data. OD practitioners often examine company records and interview a few key members to gain an introductory understanding of the organization, its context, and the nature of the presenting problem. Those data are gathered in a relatively short period of time, typically over a few hours to one or two days. They are intended to provide enough rudimentary knowledge of the organizational issue to enable the two parties to make informed choices about proceeding with the contracting process.
The diagnostic phase of OD involves a far more extensive assessment of the problematic or development issue that occurs during the entering and contracting stage. The diagnosis also might discover other issues that need to be addressed, or it might lead to redefining the initial issue that was identified during the entering and contracting stage. This is a prime example of the emergent nature of the OD process, where things may change as new information is gathered and new events occur.

Determining the OD Team Members:

A second activity in entering an OD relationship is to define who are the team members involved in addressing the organizational issue. Generally such organization members are involved who can directly impact the change issue, whether it is solving a particular problem or improving an already successful organization or department. Unless these members are identified and included in the entering and contracting process, they may withhold their support for and commitment to the OD process. In trying to improve the productivity of a unionized manufacturing plant, for example, it will be necessary to include union official as well as managers and staff personnel. It is not unusual for an OD project to fail because the team members were inappropriately defined.
Determining the team members can vary in complexity depending on the situation. In those cases where the organizational issue can be addressed in a specific organization unit, members of that unit must be included in the entering and contracting process. For example, if a manager asked for help improving the decision-making process of his or her team, the manager and team members would be the part of the OD process. Unless they are actively involved in choosing an OD practitioner and defining the subsequent change process, there is little likelihood that OD will improve team decision making.
Determining the team members is more complex when the organizational issue cannot readily be addressed in a single unit. Here, it may be necessary to include members from multiple units, from different hierarchical levels, and even from outside of the organization. For example, the manager of a production department may seek help in resolving conflict between his or her unit and other departments in the organization. The requirement of team members would extend beyond the boundaries of the production department because that department alone cannot resolve the issue. The team might include members from all departments involved in the conflict as well as the executive to whom all of the departments report. If that interdepartmental conflict also involved key suppliers and customers from outside of the firm, the team might include members of those groups.
In such complex situations, OD practitioners need to gather additional information about the organization to determine the relevant team members, generally as part of the preliminary data collection that typically occurs when clarifying the issue to be addressed. When examining company records or interviewing personnel, practitioners can seek to identify the key members and organizational units that need to be involved. For example, they can ask organization members such question as who can directly impact the organizational issue. Who has a vested interest in it? Who has the power to approve or reject the OD effort? Answers to those questions can help determine who is the relevant team for the entering and contracting stage, although the members may change during the later stages of the OD process as new data are gathered and changes occur. If so, participants may have to return to and modify this initial stage of the OD effort.

Selecting an OD Practitioner:

The last activity involved in entering an OD relationship is selecting an OD practitioner who has the expertise and experience to work with members on the organizational issue. Unfortunately, little systematic advice is available on how to choose a competent OD professional, whether from inside or outside of the organization.
Perhaps the best criteria for selecting, evaluating, and developing OD practitioners are those suggested by the late Gordon Lippitt, a pioneering practitioner in the field. Lippitt listed areas that managers should consider before selecting a practitioner, including the ability of the consultant to form sound interpersonal relationships, the degree of focus on the problem, the skills of the practitioner relative to the problem, the extent that the consultant clearly informs the client as to his or her role and contribution, and whether the practitioner belongs to a professional association. References from other clients are highly important. A

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client may not like the consultant's work, but it is critical to know the reasons for both pleasure and displeasure. One important consideration is whether the consultant approaches the organization with openness and an insistence on diagnosis or whether the practitioner appears to have a fixed program that is applicable to almost any organization.
Certainly, OD consulting is as much a person specialization as it is a task specialization. The OD professional needs not only a repertoire of technical skills but also the personality and interpersonal competence to use himself or herself as an instrument of change. Regardless of technical training, the consultant must be able to maintain a boundary position, coordinating among various units and departments and mixing disciplines, theories, technology, and research findings in an organic rather than a mechanical way. The practitioner is potentially the most important OD technology available.
Thus, in selecting an OD practitioner, perhaps the most important issue is the fundamental question, how effective has the person been in the past, with what kinds of organizations, using what kinds of techniques? In other words, references must be checked. Interpersonal relationships are tremendously important, but even con artists have excellent interpersonal relationships and skills.
The burden of choosing an effective OD practitioner should not rest entirely with the client organization. Consultants also bear a heavy responsibility for seeking an appropriate match between their skills and knowledge and what the organization or department needs. Few managers are sophisticated enough to detect or to understand subtle differences in expertise among OD professionals, and they often do not understand the difference between intervention specialties. Thus, practitioners should help educate potential clients, being explicit about their strengths and weaknesses and about their range of competence. If OD professionals realize that a good match does not exist, they should inform managers and help them find more suitable help.

Developing a Contract:

The activities of entering an OD relationship are a necessary prelude to developing an OD contract. They define the major focus for contracting, including the relevant parties. Contracting is a natural extension of the entering process and clarifies how the OD process will proceed. It typically establishes the expectations of the parties, the time and resources that will be expended, and the ground rules under which the parties will operate.
The goal of contracting is to make a good decision about how to carry out the OD process. It can be relatively informal and involve only a verbal agreement between the client and OD practitioner. A team leader with OD skills, for example, may voice his or her concerns to members about how the team is functioning.
After some discussion, they might agree to devote one hour of future meeting time to diagnosing the team with the help of the leader. Here, entering and contracting are done together informally. In other cases, contracting can be more protracted and result in a formal document. That typically occurs when organizations employ outside OD practitioners. Government agencies, for example, generally have procurement regulations that apply to contracting with outside consultants.
Regardless of the level of formality, all OD processes require some form of explicit contracting that result in either a verbal or a written agreement. Such contracting clarifies the client's and the practitioner's expectations about how the OD process will take place. Unless there is mutual understanding and agreement about the process, there is considerable risk that someone's expectations will be unfilled. That can lead to reduced commitment and support, to misplaced action, or to premature termination of the process.
The contracting step in OD generally addresses three key areas: what each party expects to gain from the OD process, the time and resources that will be devoted to it, and the ground rules for working together.

Mutual Expectations:

This part of the contracting process focuses on the expectations of the client and the OD practitioner. The client states the services and outcomes to be provided by the OD practitioner and describes what the organization expects from the process and the consultant. Clients usually can describe the desired outcomes, such as decreased turnover or higher job satisfaction. Encouraging them to state their wants in the form of outcomes, working relationships, and personal accomplishments can facilitate the development of a good contract.
The OD practitioner also should state what he or she expects to gain from the OD process. This can include opportunities to try new interventions, report the results to other potential clients, and receive appropriate compensation or recognition.

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Time and Resources:

To accomplish change, the organization and the OD practitioner must commit time and resources to the effort. Each must be clear about how much energy and how many resources will be dedicated to the change process. Failure to make explicit the necessary requirements of a change process can quickly ruin an OD effort. For example, a client may clearly state that the assignment involves diagnosing the causes of poor productivity in a work group. However, the client may expect the practitioner to complete the assignment without talking to the workers. Typically, clients want to know how much time will be necessary to complete the assignment, which needs to be involved, how much it will cost, and so on.

Resources can be divided into two parts. Essential requirements are things that are absolutely necessary if the change process is to be successful. From the practitioner's perspective, they can include access to key people or information, enough time to do the job, and commitment from certain people. The organization's essential requirements might include a speedy diagnosis or assurances that the project will be conducted at the lowest price. Being clear about the constraints on carrying out the assignment will facilitate the contracting process and improve the chances for success. Desirable requirements are those things that would be nice to have but are not absolutely necessary, such as access to special resources and written rather than verbal reports.

Ground Rules:

The final part of the contracting process involves specifying how the client and the OD practitioner will work together. The parameters established may include such issues as confidentiality, if and how the OD practitioner will become involved in personal or interpersonal issues, how to terminate the relationship, and whether the practitioner is supposed to make expert recommendations or help the manager make decisions. For internal consultants, organizational politics make it especially important to clarify issues of how to handle sensitive information and how to deliver bad news." Such process issues are as important as the needed substantive changes. Failure to address the concerns may mean that the client or the practitioner has inappropriate assumptions about how the process will unfold.

Application 1: Contracting at Charity Medical Center

Charity Medical Center (CMC), a five hundred-bed acute-care hospital, was part of the Jefferson Hospital Corporation (JHC). JHC, which operated several long-term and acute-care facilities and was sponsored by a large religious organization, had recently been formed and was trying to establish accounting and finance, materials management, and human resources systems to manage and coordinate the different facilities. Of particular concern to CMC, however, was a market share that had been declining steadily for six months. Senior management recognized that other hospitals in the area were newer, had better facilities, were more "user friendly," and had captured the interest of referring physicians. In the context of JHC's changes, CMC invited several consultants, including an external OD practitioner named John Murray, to make presentations on how a total quality management process might be implemented in the hospital.

John conducted an initial interview with CMC's vice president of patient-care services, Joan Grace. Joan noted that the hospital's primary advantage was its designation as a level-one trauma center. CMC offered people needing emergency care for major trauma their best chance for survival. "Unfortunately," Joan said, "the reputation of the hospital is that once we save a patient's life, we tend to forget they are here." Perceptions of patient-care quality were low and influenced by the age and decor of the physical plant. CMC had been one of the original facilities in the metropolitan area. Finally, Joan suggested that the hospital had lost a substantial amount of money last year and considerable pressure was coming from JHC to turn things around.

John thanked Joan for her time and asked for additional materials that might help him better understand the hospital. Joan provided a corporate mission statement, a recent strategic planning document, an organization chart, and an analysis of recent performance. John also sought permission to interview other members of the hospital and the corporate office to get as much information as possible for his presentation to the hospital's senior management. He interviewed the hospital president, observed one of the nursing units, and spoke with the human resources vice president from the corporate office.

The interviews and documents provided important information. First, the documents revealed that CMC was not one hospital but two. A small, 150-bed hospital located in the suburbs also reported to the president of CMC, and several members of the hospital's staff held managerial positions at both hospitals. Second, last year's strategic plan included a budget for initiating a patient-care quality improvement process. Budget responsibility for the project was assigned to Joan Grace's department. Third, the mission statement was a standard expression of values and was heavily influenced by the religious group's beliefs. Fourth, the performance reports confirmed both poor financial results and decreasing market share.

John's interviews and observations pointed out several additional pieces of information. First, the corporate organization, JHC, truly was in a state of flux. There were clear goals and objectives for each of the

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hospitals, but patient, physician, and employee satisfaction measures, human resources policies, financial practices, and material logistics were still being established. Second, the management and nursing staff heads at CMC were extremely busy—usually attending meetings for most of the day. In fact, Joan's secretary kept a notebook dedicated to tracking who was meeting where and when. Third, a large consulting firm had just been awarded a contract to do "job redesign" work in two departments of the hospital. And fourth, most of the nursing units operated under traditional and somewhat outdated nursing management principles.

In developing his presentation, John thought about several issues. For example, the relevant client would be difficult to identify. Joan Grace was clearly responsible for the project and its success, but the president, referring physicians, the suburban hospital, and the corporate office were important stakeholders in a TQM process and needed a voice if it was to succeed. In addition, the presenting problem was a decline in market share. The job redesign contract awarded to the other consulting firm seemed disconnected from the TQM effort, and both efforts seemed disconnected from the market share problem. John wondered how the hospital viewed the relationships among total quality management, job design, and market share. He also questioned whether he was the appropriate consultant for CMC. The firm doing the job redesign used a packaged approach to change that conflicted with John's OD-based philosophy.

Using the information gathered and his reflections on the project, John gave his presentation to senior management about implementing a total quality management process at CMC. His presentation included a history of the quality movement and how it had been applied to other health-care organizations. Several examples of the gains made in patient satisfaction, clinical outcomes (such as decreased infection rates), and physician satisfaction were incorporated. He noted that implementing a quality process was a major organizational change, requiring a thorough diagnosis of the hospital, a considerable commitment of resources, and a high level of involvement by senior management. Without such involvement, it was not reasonable to expect the kinds of results he had described, John also suggested that total quality management was capable of addressing certain problems but was not designed to address directly such broader performance issues as market share.

Finally, John described his track record at implementing quality improvement process in health-care organizations. He shared several references with the group members and encouraged them to talk with former clients regarding his style and impact. John also noted that he had been referred to CMC by the religious organization that sponsored the hospital system and that it was aware of his work in another medical facility.

John Murray's presentation to the senior management team at CMC, based on the information outlined in Application 4.1, was well received, and patient-care vice president Joan Grace asked John to meet with her to discuss how the change process might go forward. At the meeting, John thanked Joan for the opportunity to work with CMC and suggested that the next year or two represented a challenging time for the hospital's management. He identified several knotty issues that needed to be discussed before work could begin. Most important the hospital's rush to implement a total quality management process was admirable, but he was worried that it lacked an appropriate base of knowledge. Although performance and market share were the big issues facing the hospital, the relationship between those problems and a quality program was not clear. In addition, even if a TQM process made sense, managers and nursing heads were frustrated by their inability to influence change because of their busy meeting schedules. A quality improvement process might solve some of those problems but certainly not all of them.

Joan acknowledged that both performance and frustration with change were problems that needed to be addressed. She explained that the hospital wanted help to improve the quality of patient care and to increase patient, employee, and physician satisfaction with the hospital. Improvements in those areas were expected to produce important gains in hospital performance. Joan asked John if he could generate a proposal that addressed those issues as well as managerial frustration with the inability to make necessary changes.

John agreed to put a proposal in writing but suggested that it would be helpful to discuss first what should be included in it. John thought that discussing several issues now would improve the chances of getting started quickly. He outlined several issues that the proposal would cover. First, the hospital should thoroughly diagnose the reasons for market-share decline, the current level of patient-care quality, and managerial frustration with making changes. That diagnosis would require access to the corporate officer's at JHC to discuss their relationships with CMC. In addition, several managers and employees of the hospital, as well as some physicians needed to be interviewed. Second, the proposed job redesign effort being conducted by the other consulting firm should be postponed. Finally, CMC management should meet for two days to examine the information generated by the diagnosis and to make a joint decision about whether a total quality management process made sense.

Joan looked uncomfortable. John's requirement seemed unreasonable given that the hospital simply wanted to improve patient-care quality and stakeholder satisfaction. For example, getting the senior administrators

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to commit to two days away from the hospital would be difficult. Everyone was busy, and finding a time when they could all meet for that long was nearly impossible. In addition, there was a sense of urgency in the hospital to begin the process right away. Collecting information seemed like a waste of time. Finally, and perhaps most important postponing the job redesign effort was a sensitive issue. The project had strong political support, and the other consultants had provided a clear ten-step process and timetable for the work design changes.

John told Joan that he appreciated her concerns and her willingness to confront these issues. He explained that his requests were necessary if the prospect was to be successful and that he had thought carefully about them. Collecting the diagnostic information was, in fact, the first step in any quality management process. The very basis of a TQM effort was data-based decision making. To begin a quality process without valid information violated fundamental principles of the approach. More important to proceed without that information could very well mean that the wrong change would be implemented. John suggested, for instance, that the market share problem could result from the way CMC was treating the physicians. If that were true, a quality program would be inappropriate and costly. Instead, a program to improve the relationships with physicians might provide a better return on CMC's investment.

The two-day meeting was therefore very important. Once appropriate data were collected, the senior managers could decide, based on fact, what exactly should be done to address hospital performance; employee, patient and physician satisfaction; and managerial frustration. John explained that a quality management process, if necessary, required attention to CMC's structure, measurement, and reward systems as well as its culture. The two-day meeting of the senior management team would permit a full explanation of the TQM process a description of the necessary resources, and a discussion of the commitment necessary to implement it. Following that meeting, he could provide a more explicit outline of the change process.

Finally, John acknowledged that the politically sensitive nature of the job redesign program made resolving this issue more difficult. He explained his belief that any redesign effort that did not take into account a potential TQM process likely would have to be redone. He argued that to proceed blindly with a job redesign effort might result in money spent for nothing.

Joan believed that John could have access to the consulting firm doing job redesign but that there was little chance of postponing the program for very long. Again acknowledging the political support for the program, John offered to coordinate with the other consultants but strongly urged Joan to postpone initiating the project until after the two-day management meeting. Joan said she understood his concerns but stated that she could not make that decision without talking with the senior management team.

John accepted that and asked if his other requests now made better sense. Joan replied that a two-day meeting did seem important and worth the effort. In addition, access to the corporate officers, employees, managers, and physicians was a reasonable request and could be arranged. Responding to John's example of a physician relations program, Joan informed him that although CMC had such a program, it was not very effective because managers had become too busy to pay attention to it.

At this point, Joan had to go to another meeting. They adjourned with the understanding that Joan would speak with the other managers and get back to John. A week later, Joan called and agreed to John's requests. She asked him to submit a written proposal covering the issues discussed as soon as possible.

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Diagnosing Organizations

All consultants advocate expert diagnosis and action-taking. Engineers and behavioral scientists alike have diagnoses of organizational conflict and prescription for solving it. **Diagnosis** is medical jargon for the gap between sickness and health. As biology exploded in the late 19th century, the human body, like the workplace, was divided into manageable components, too. Doctors became the industrial engineers of the human physique. Their claim of expertise was based on their ability to factor in every relevant "variable" and thus heal the sick.

It is no surprise that, applying to industrial science, diagnosis is conceived as identifying and closing gaps between how things are and how they should be, using all the tools of science and technology.

Lewin added a new dimension to this model. He highlighted processes unseen through 19th-century eyes because nobody had a conceptual lens powerful enough.

The concept he developed goes by the name of the "**task/process" relationship –** the subtle chicken/egg interplay between ends and means, methods and goals. A task is something concrete, observable, and thing-oriented. It can be converted into criteria, measurements, targets, and deadlines**.** A task – group dynamics people were fond of saying – refers to what is to be done.

Process refers to how. It reflects perceptions, attitudes, reasoning. Process diagnosticians ask, "Why aren't we making progress?" They don't ask when, where, and how many but why, how, and whether. Task/process thinking can be likened to the famous visual paradox of the Old Woman/Young Woman. Do you see a young beauty with her head turned or an old woman in profile?

Figure 18: Old woman/young girl



You can't see both at once. By some mental gyration, you can learn to shift between them.

Action, on the other hand, reflects pure process. We guide it largely on automatic pilot, fueled by little explosions of energy in the right brain – of creativity, insight, synthesis – that can't be quantified or specified as "targets."

Through trained observation, you can diagnose ingenious linkages between task and process. When work stops, for example, determine what is not being talked about – the gap between word and deed, the all-too-human shortfall between aspiration and action. You must shift attention the way a pilot scans instruments – from compass to altimeter to air speed indicator – to keep task and process synchronized. That requires skills few of us learn in school.

Unfortunately, left-brain diagnostic thinking – perfected by scientists for more than 100 years – leads people to pay attention to the compass and to consider the altimeter a frill. The diagnoser is assumed to stand outside, impartial, "objective," and aloof from what is observed. If you add to this your propensity to defer to authority – parents, boss, and experts – you have a setup for disappointment. For the authority/dependency relationship itself becomes a "process" issue, especially when the person invested with abilities lacks satisfactory "answers."

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Group dynamics' great contribution to management was its relentless gaze at the process as inseparable from the task, the diagnoser inseparable from the diagnosis, a leader's effectiveness inseparable from follower contributions.

What is Diagnosis?

Diagnosis is the process of understanding how the organization is currently functioning, and it provides the information necessary to design change interventions. It generally follows from successful entry and contracting, which set the stage for successful diagnosis. They help OD practitioners and client members jointly determine organizational issues to focus on, how to collect and analyze data to understand them, and how to work together to develop action steps from the diagnosis.

Unfortunately, the term diagnosis can be misleading when applied to organizations. It suggests a model of organization change analogous to medicine: an organization (patient) experiencing problems seeks help from an OD practitioner (doctor); the practitioner examines the organization, finds the causes of the problems, and prescribes a solution. Diagnosis in organization development, however, is much more collaborative than such a medical perspective implies and does not accept the implicit assumption that something is wrong with the organization.

First, the values and ethical beliefs that underlie OD suggest that both organization members and change agents should be involved in discovering the determinants of current organizational effectiveness. Similarly, both should be involved actively in developing appropriate interventions and implementing them. For example, a manager might seek OD help to reduce absenteeism in his or her department. The manager and an OD consultant jointly might decide to diagnose the cause of the problem by examining company absenteeism records and by interviewing selected employees about possible reasons for absenteeism. Alternatively, they might examine employee loyalty and discover the organizational elements that encourage people to stay. Analysis of those data could uncover determinants of absenteeism or loyalty in the department, thus helping the manager and the practitioner to develop an appropriate intervention to address the issue. The choice about how to approach the issue of absenteeism and the decisions about how to address it are made jointly by the OD practitioner and the manager.

Second, the medical model of diagnosis also implies that something is wrong with the patient and that one needs to uncover the cause of the illness. In those cases where organizations do have specific problems, diagnosis can be problem oriented, seeking reasons for the problems. On the other hand, as suggested by the absenteeism example above, the practitioner and the client may choose to frame the issue positively. Additionally, the client and OD practitioner may be looking for ways to enhance the organization's existing functioning. Many managers involved with OD are not experiencing specific organizational problems. Here, diagnosis is development oriented. It assesses the current functioning of the organization to discover areas for future development. For example, a manager might be interested in using OD to improve a department that already seems to be functioning well. Diagnosis might include an overall assessment of both the task-performance capabilities of the department and the impact of the department on its individual members. This process seeks to uncover specific areas for future development of the department's effectiveness.

In organization development, diagnosis is used more broadly than a medical definition would suggest. It is a collaborative process between organization members and the OD consultant to collect pertinent information, analyze it, and draw conclusions for action planning and intervention. Diagnosis may be aimed at uncovering the causes of specific problems; be focused on understanding effective processes; or be directed at assessing the overall functioning of the organization or department to discover areas for future development. Diagnosis provides a systematic understanding of organizations so that appropriate interventions may be developed for solving problems and enhancing effectiveness.

Organizational diagnosis is a major practitioner skill. It usually examines two broad areas.

The first area comprises the various interacting sub-elements that make up the organization. These include the divisions, departments, products, and the relationships between them. The diagnosis may also include a comparison of the top middle, and lower levels of management in the organization.

The second area of diagnosis concerns the organizational processes. These include communication networks, team problem-solving, decision-making, leadership and authority styles, goal-setting and planning methods, and the management of conflict and competition.

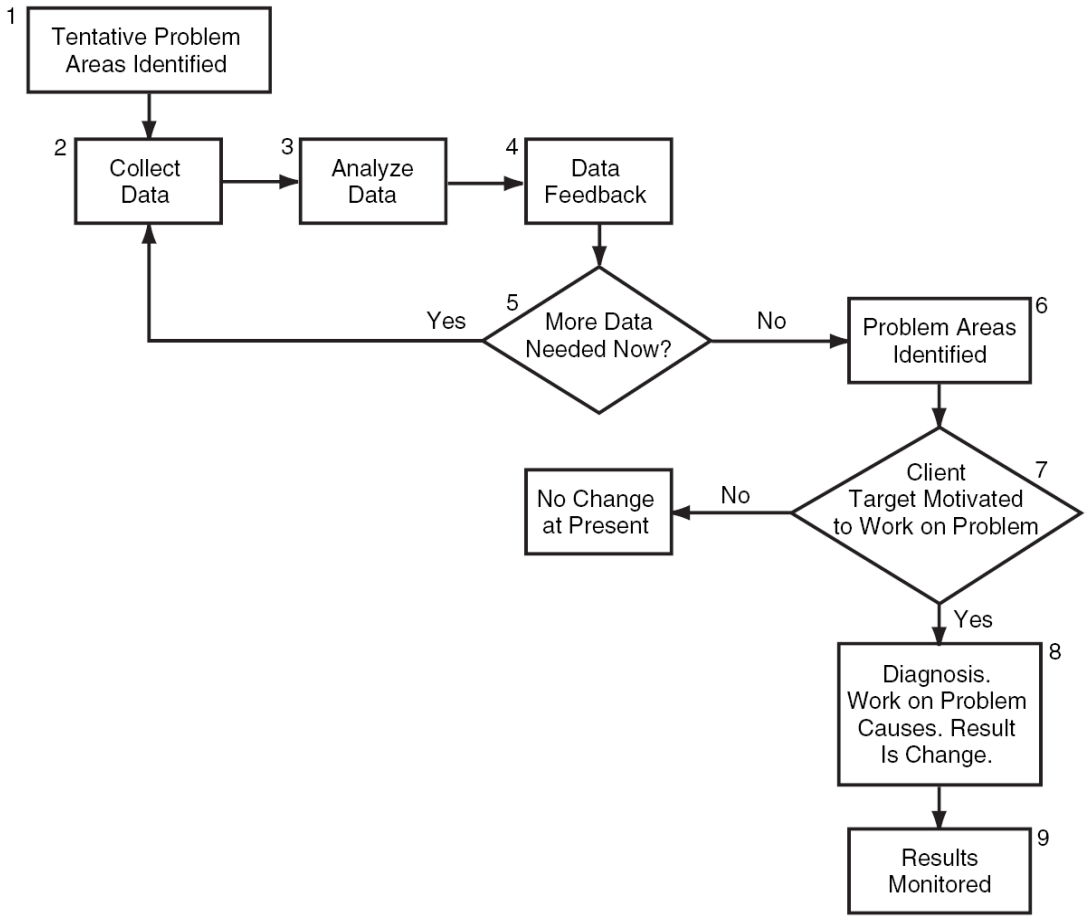
The Process:

Diagnosis is a cyclical process that involves data gathering, interpretations, and identification of problem areas and possible action programs, as shown in Figure 19. The first step is the preliminary identification of possible problem areas. These preliminary attempts often bring out symptoms as well as possible problem areas.

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The second step involves gathering data based on the preliminary problem identified in the preceding step. These data are categorized, analyzed and presented to the client in a feedback session (steps 3 and 4). If it is determined that enough data are available (step 5), the client and practitioner jointly diagnose and identify likely problem areas (step 6). At this point, the client's level of motivation to work on the problems is determined (step 7). Based upon the diagnosis, the target systems are identified and the change strategy is designed (step 8). Finally (step 9), the results are monitored to determine the degree of change that has been attained versus the desired change goals.

Fig 19: The Diagnostic Process



The Performance Gap:

One method in the diagnostic process is to determine the **performance gap—**the difference between what the organizations could do by virtue of its opportunity in its environment and what it actually does. This leads to an approach that may be termed gap analysis. In this method, data are collected on the actual state of the organization on a varying set of dimensions and also on the ideal or desired state, that is, "where the organization should be. As shown in Figure 20, the gap, or discrepancy, between the actual state and the ideal form a basis for diagnosis and the design of interventions. The gap may be the result of ineffective performance by internal units or may emerge because of competitive changes or new innovations. A performance gap may also occur when the organization fails to adapt to changes in its external environment.

Competent organizational diagnosis does not simply provide information about the system; it is also helpful in designing and introducing action alternatives for correcting possible problems. The diagnosis affirms the need for change and the benefits of possible changes in the client system. Important problems are very often hidden or obscure, whereas the more conspicuous and obvious problems are relatively unimportant. In such situations, dealing with the obvious may not be a very effective way to manage change; this underscores the importance of the diagnostic stage.

A performance gap may continue for some time before it is recognized, in fact, it may never be recognized. On the other hand, the awareness of a performance gap may unfreeze the functions within the organization that are most in need of change. When this happens, conditions are present for altering the structure and function of the organization by introducing OD interventions.

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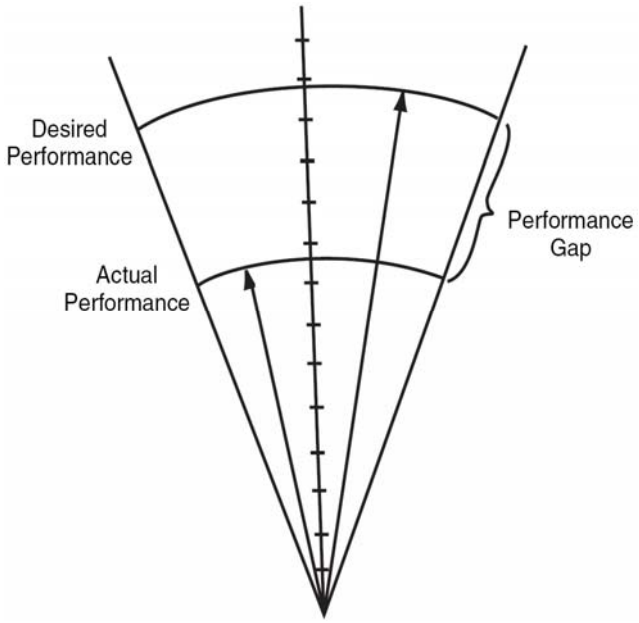
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One OD practitioner suggests a self assessment version of gap analysis using questionnaires to gather information in four key areas:

1. The organization's strengths.
2. What can be done to take advantage of the strengths?
3. The organization's weaknesses.
4. What can be done to alleviate the weaknesses?

In organizational diagnosis, the practitioner is looking for causality – that is, an implication that change in one factor (such as compensation) will cause change in another factor (productivity): a cause-effect relationship. The client is often aware of the evidence of the problem, such as declining sales, high turnover, or loss of market share – the symptom of a problem. In the diagnosis phase, the practitioner tries to identify what factors are causing the problem, and therefore what needs to be changed to fix it.

Fig 20: The Performance Gap



The process of identifying the organization's strengths and weaknesses often leads to recognition of performance gaps and to change programs.

The Need for Diagnostic Models:

Entry and contracting processes can result in a need to understand a whole system or some part, process, or feature of the organization. To diagnose an organization, OD practitioners and organization members need to have an idea about what information to collect and analyze. Choices about what to look for invariably depend on how organizations are perceived. Such perceptions can vary from intuitive hunches to scientific explanations of how organizations function. Conceptual frameworks that people use to understand organizations are referred to as diagnostic models. They describe the relationships among different features of the organization, its context, and its effectiveness. As a result, diagnostic models point out what areas to examine and what questions to ask in assessing how an organization is functioning.

However all models represent simplifications of reality and therefore choose certain features as critical. Focusing attention on those features, often to the exclusion of others, can result in a biased diagnosis. For example, a diagnostic model that relates team effectiveness to the handling of interpersonal conflict would lead an OD parishioner to ask questions about relationships among members, decision-making processes, and conflict resolution methods. Although relevant, those questions ignore other group issues such as the composition of skills and knowledge, the complexity of the tasks performed by the group, and member inter-dependencies. Thus, diagnostic models must be chosen carefully to address the organization's presenting problems as well as to ensure comprehensiveness.

Potential diagnostic models are everywhere. Any collection of concepts and relationships that attempts to represent a system or explain its effectiveness can potentially qualify as a diagnostic model. Major sources of diagnostic models in OD are the thousands of articles and books that discuss, describe, and analyze how organizations function. They provide information about how and why certain organizational systems, processes, or functions are effective. The studies often concern a specific facet of organizational behavior,

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such as employee stress, leadership, motivation, problem solving, group dynamics, job design, and career development they also can involve the larger organization and its con text, including the environment, strategy, structure, and culture. Diagnostic models can be derived from that information by noting the dimensions or variables that are associated with organizational effectiveness.
Another source of diagnostic models is OD practitioners' experience in organizations. That field knowledge is a wealth of practical information about how organizations operate. Unfortunately only a small part of that vast experience has been translated into diagnostic models that represent the professional judgments of people with years of experience in organizational diagnosis. The models generally link diagnosis with specific organizational processes, such as group problem solving, employee motivation, or communication between managers and employees. The models list specific questions for diagnosing such processes.
Let's look at a general framework for diagnosing organizations. The framework describes the systems perspective prevalent in OD today and integrates several of the more popular diagnostic models. The systems model provides a useful starting point for diagnosing organizations or departments.

Open-Systems Model:

This section introduces systems theory, a set of concepts and relationships describing the properties and behaviors of things called systems - organizations, groups, and people, for example. Systems are viewed as unitary wholes composed of parts or subsystems; the system serves to integrate the parts into a functioning unit. For example, organization systems are composed of departments such as sales, operations, and finance. The organization serves to coordinate behaviors of its departments so that they function together in service of a goal or strategy. The general diagnostic model based on systems theory that underlies most of OD is called the open -systems model.

Organization as Open Systems:

Systems can vary in how open they are to their outside environments. Open systems, such as organizations and people, exchange information and resources with their environments. They cannot completely control their own behavior and are influenced in part by external forces. Organizations, for example, are affected by such environmental conditions as the availability of raw material, customer demands, and government regulations. Understanding how these external forces affect the organization can help explain some of its internal behavior.
Open systems display a hierarchical ordering. Each higher level of system comprises lower-level systems: systems at the level of society comprise organizations; organizations comprise groups (departments); and groups comprise individuals. Although systems at different levels vary in many ways—in size and complexity, for example—they have a number of common characteristics by virtue of being open systems, and those properties can be applied to systems at any level. The following key properties of open systems are described below: inputs, transformations, and outputs; boundaries; feedback; equifinality; and alignment.

Case: The Old Family Bank

The Old Family Bank is a large bank in a southeastern city. As a part of a comprehensive internal management study, H. Day, the data-processing vice-president, examined the turnover, absenteeism, and productivity figures of all the bank's work groups. The results Day obtained offered no real surprises except in the case of the check-sorting and data-processing departments.

The study

The study revealed that, in general, the departments displaying high turnover and absenteeism rates had low production figures, and those with low turnover and absenteeism were highly productive. When the check-sorting and data-processing figures were analyzed, Day discovered that two departments were tied for the lead for the lowest turnover and absenteeism figures. What was surprising was the check-sorting department ranked first as the most productive unit, whereas the electronic data-processing department ranked last.
This inconsistency was further complicated by the fact that the working conditions for check-sorting employees are very undesirable. They work in a large open room that is hot in the summer and cold in the winter. They work alone and operate high-speed check-sorting machines requesting a high degree of accuracy and concentration. There is little chance for interaction because they take rotating coffee breaks.
The computer room is air-conditioned, with a stable temperature year around: it has perfect lighting and is quiet and comfortable. Both groups are known to be highly cohesive, and the workers in each department function well with one another. This observation was reinforced by the study's finding of the low levels of turnover and absenteeism.

The Interview Data

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In an effort to understand this phenomenon, Day decided to interview the members of both departments in order to gain some insight into the dynamics of each group's behavior. Day discovered that the check-sorting department displayed a great deal of loyalty to the company. Most of the group members are unskilled or semiskilled workers; although they have no organized union, they all felt that the company had made special efforts to keep their wages and benefits in line with unionized operations. They knew that their work required team effort and were committed to high performance.

A quite different situation existed in the data-processing department. Although the workers liked their fellow employees, there was a uniform feeling among this highly skilled group that management put more emphasis on production than on staff units. They felt that the operating departments had gotten better pay raises, and that the wag gap did not reflect the skill differences between employees. As a result, a large percentage of the group's members displayed little loyalty to the company, even though they were very close to one another.

Case Analysis Form

Name: _____

I. Problems

A. Macro

1. _____
2. _____

B. Micro

1. _____
2. _____

II. Causes

1. _____
2. _____
3. _____

III. Systems affected

1. Structural _____
2. Psychosocial _____.
3. Technical _____
4. Managerial _____
5. Goals and values _____

IV. Alternatives

1. _____
2. _____
3. _____

V. Recommendations

1. _____
2. _____
3. _____

Case Solution: The Old Family Bank

I. Problems

A. Macro

1. The lack of loyalty to the entire bank could affect the effectiveness (and profitability) of the bank.
2. The bank may have a poor process for setting pay policies.

B. Micro

1. Though the personnel in the data-processing department have a strong team, they are not loyal to the larger organization.
2. Data-processing personnel believe that management does not appreciate them, their skills, and contributions.
3. Data-processing personnel may be underpaid when compared to similar workers in other companies.

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II. Causes

1. The skilled workers in the data-processing department do not recognize all of the factors that may affect pay and rewards.
2. The data-processing personnel possibly has access to more company-wide information by virtue of the type of work their department does than do personnel in other departments. Consequently, they get a portion of the data without understanding how managers make decisions based upon that data.

III. Systems affected

The attitude of the data-processing personnel to the bank likely affects the entire bank's operations.

IV. Alternatives

1. H. Day gathers more data to confirm/disprove initial diagnosis.
2. Use a diagnosis model such as force-field analysis to better understand the problem. Working through the model may bring to light ways to change the situation in the data-processing department.
3. Day checks on regional employment data to determine if data-processing personnel are being paid competitively with similar workers in other companies. Adjust pay if warranted by the data.
4. Meet with the department and explain the bank's procedures and rationale for how pay levels are set.

V. Recommendations

All of the alternatives listed above can be undertaken by Day.

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Organization as Open Systems

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Open systems display a hierarchical ordering. Each higher level of system comprises lower-level systems: systems at the level of society comprise organizations; organizations comprise groups (departments); and groups comprise individuals. Although systems at different levels vary in many ways—in size and complexity, for example—they have a number of common characteristics by virtue of being open systems, and those properties can be applied to systems at any level. The following key properties of open systems are described below: inputs, transformations, and outputs; boundaries; feedback; equifinality; and alignment.

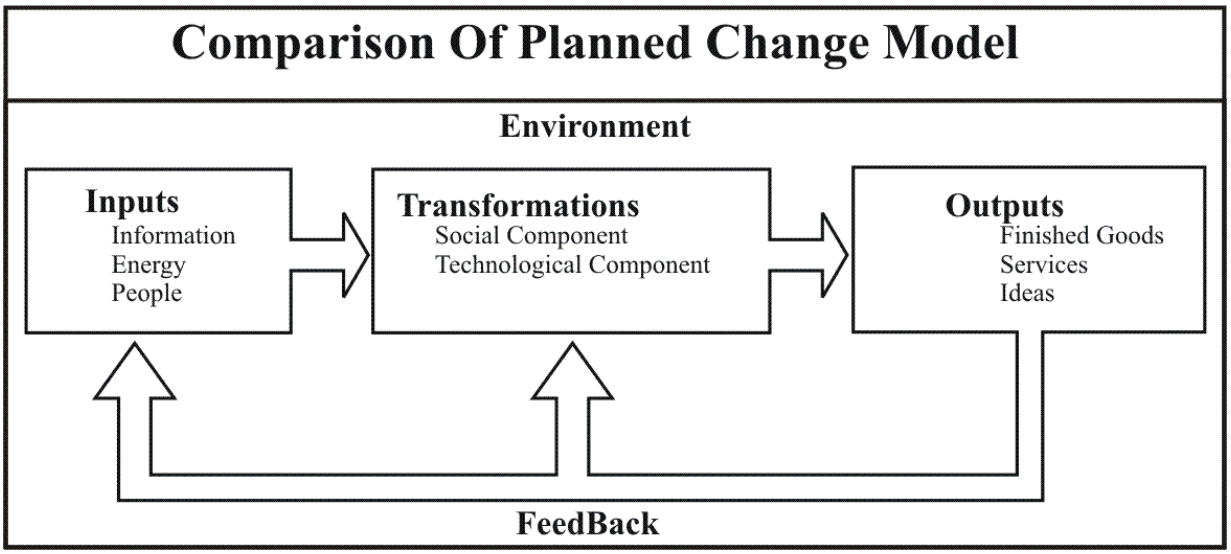
Inputs, Transformations, and Outputs:

Any organizational system is composed of three related parts: inputs, transformations, and outputs, as shown in Figure 21. Inputs consist of human or other resources, such as information, energy, and materials, coming into the system. Inputs are acquired from the system's external environment. For example, a manufacturer in organization acquires raw materials from an outside supplier. Similarly, a hospital nursing unit acquires information concerning a patient's condition from the attending physician. In each case, the system (organization or nursing unit) obtains resources (raw materials or information) from its external environment.

Transformations are the processes of converting inputs into outputs. In organizations, a production or operations function composed of both social and technological components generally carries out transformations. The social component consists of people and their work relationships, whereas the technological component involves tools, techniques, and methods of production or service delivery. Organizations have developed elaborate mechanisms for transforming incoming resources into goods and services. Banks, for example, transform deposits into mortgage loans and interest income. Schools attempt to transform students into more educated people. Transformation processes also can take place at the group and individual levels. For example, research and development departments can transform the latest scientific advances into new product ideas.

Outputs are the results of what is transformed by the system and sent to the environment. Thus, inputs that have been transformed represent outputs ready to leave the system. Group health insurance companies receive premiums, healthy and unhealthy individuals, and medical bills, transform them through physician visits and record keeping, and export treated patients and payments to hospitals and physicians.

Fig 21: The Organization as an Open System



Boundaries:

The idea of boundaries helps to distinguish between systems and environments. Closed systems have

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relatively rigid and impenetrable boundaries, whereas open systems have far more permeable borders. Boundaries—the borders, or limits, of the system—are easily seen in many biological and mechanical systems. Defining the boundaries of social systems is more difficult because there is a continuous inflow and outflow through them. For example, where are the organizational boundaries in this case? When a fire alarm sounds in Malmo, Sweden, a firefighter puts the address of the fire into a computer terminal. A moment later, the terminal gives out a description of potential hazards at the address. The computer storing the information is in Cleveland, Ohio. The emergence of the information superhighway and worldwide information networks will continue to challenge the notion of boundaries in open systems.

The definition of a boundary is somewhat arbitrary because a social system has multiple subsystems and the boundary line for one subsystem may not be the same as that for a different subsystem. As with the system itself, arbitrary boundaries may have to be assigned to any social organization, depending on the variable to be stressed. The boundaries used for studying or analyzing leadership, for instance, may be quite different from those used to study intergroup dynamics.

Just as systems can be considered relatively open or closed, the permeability of boundaries also varies from fixed to diffuse. The boundaries of a community's police force are probably far more rigid and sharply defined than those of the community's political parties. Conflict over boundaries is always a potential problem within an organization, just as it is in the world outside the organization.

Feedback:

As shown in Figure 21, feedback is information regarding the actual performance or the results of the system. Not all such information is feedback, however. Only information used to control the future functioning of the system is considered feedback. Feedback can be used to maintain the system in a steady state (for example, keeping an assembly line running at a certain speed) or to help the organization adapt to changing circumstances. McDonald's, for example, has strict feedback processes to ensure that a meal in one outlet is as similar as possible to a meal in any other outlet. On the other hand, a salesperson in the field may report that sales are not going well and may insist on some organizational change to improve sales. A market research study may lead the marketing department to recommend a change to the organization's advertising campaign.

Equifinality:

In closed systems, a direct cause-and-effect relationship exists between the initial condition and the final state of the system: when a computer's "on" switch is pushed, the system powers up. Biological and social systems, however, operate quite differently. The idea of equifinality suggests that similar results may be achieved with different initial conditions and in many different ways. This concept suggests that a manager can use varying degrees of inputs into the organization and can transform them in a variety of ways to obtain satisfactory outputs. Thus, the function of management is not to seek a single rigid solution but rather to develop a variety of satisfactory options. Systems and contingency theories suggest that there is no universal best way to design an organization. Organizations and departments providing routine services, such as AT&T's and MCIWorldCom's long distance phone services could be designed quite differently and still achieve the same result. Similarly, customer service functions at major retailers, software manufacturers, or airlines could be designed according to similar principles.

Alignment:

A system's overall effectiveness is determined by the extent to which the different parts are aligned with each other. This alignment or fit concerns the relationships between inputs and transformations, between transformations and outputs, and among the subsystems of the transformation process. Diagnosticians who view the relationships among the various parts of a system as a whole are taking what is referred to as a systemic perspective.

Alignment refers to a characteristic of the relationship between two or more parts. It represents the extent to which the features, operations, and characteristics of one system support the effectiveness of another system. Just as the teeth in two 'wheels of a watch must mesh perfectly for the watch to keep time, so do the parts of an organization need to mesh for it to be effective. For example, General Electric attempts to achieve its goals through a strategy of diversification, and a divisional structure is used to support that strategy. A functional structure would not be a good fit with the strategy because it is more efficient for one division to focus on one product line than for one manufacturing department to try to make many different products. The systemic perspective suggests that diagnosis is the search for misfits among the various parts and subsystems of an organization.

Diagnosing Organizational Systems:

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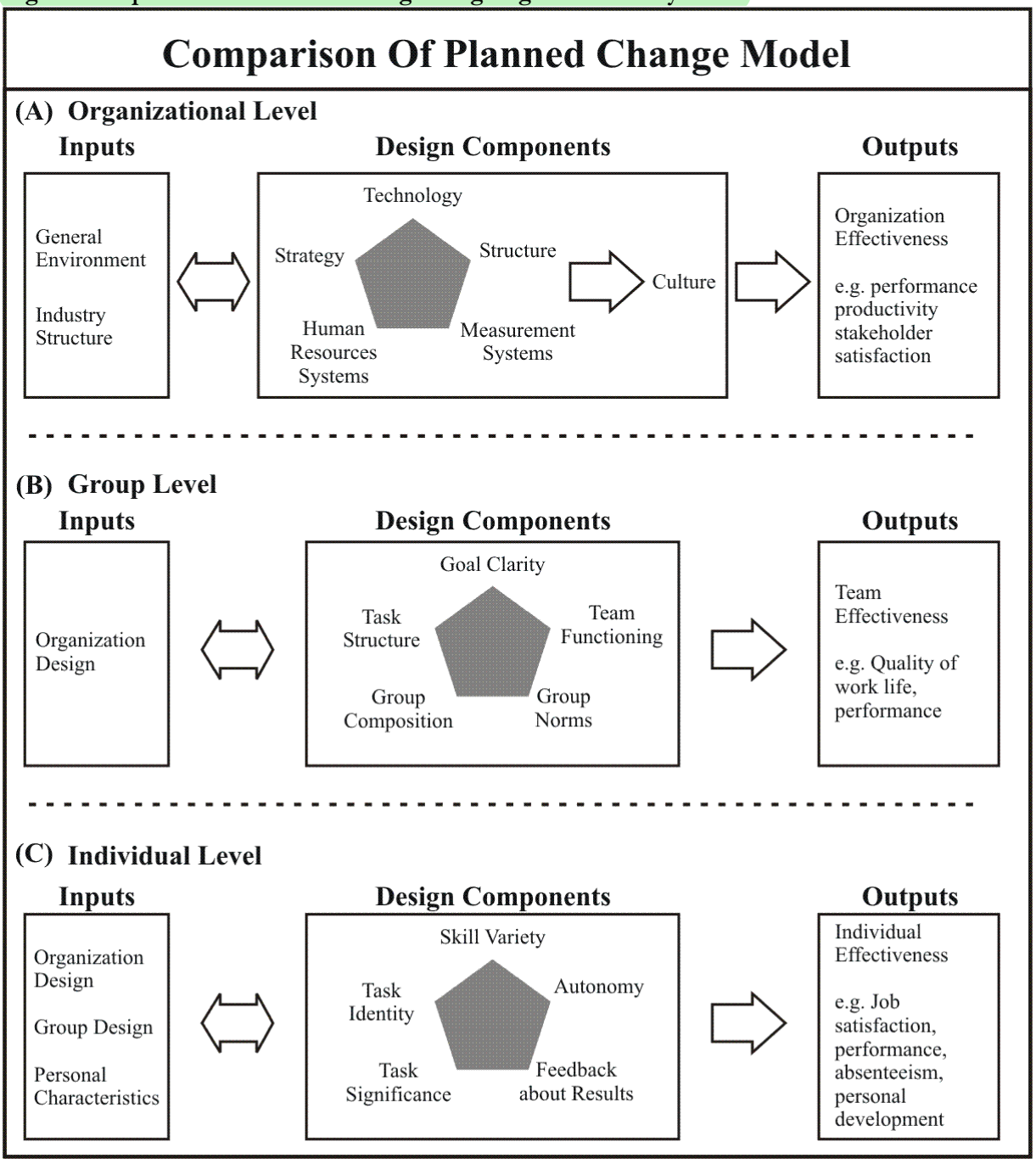
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When viewed as open systems, organizations can be diagnosed at three levels. The highest level is the overall organization and includes the design of the company's strategy, structure, and processes. Large organization units, such as divisions, subsidiaries, or strategic business units, also can be diagnosed at that level. The next lowest level is the group or department, which includes group design and such devices for structuring interactions among members as norms and work schedules. The lowest level is the individual position or job. This includes ways in which jobs are designed to elicit required task behaviors.

Diagnosis can occur at all three organizational levels, or it may be limited to issues occurring at a particular level. The key to effective diagnosis is to know what to look for at each level as well as how the levels affect each other. For example, diagnosing a work group requires knowledge of the variables important for group functioning and how the larger organization design affects the group. In fact, a basic understanding of organization-level issues is important in almost any diagnosis because they serve as critical inputs to understanding groups and individuals.

Figure 22 presents a comprehensive model for diagnosing these different organizational systems. For each level, it shows: (1) the inputs that the system has to work with, (2) the key design components of the transformation subsystem, and (3) the system's outputs.

Fig 22: Comprehensive Model for Diagnosing Organizational Systems



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The relationships shown in Figure 22 illustrate how each organization level affects the lower levels. The larger environment is an input to organization design. Organization design is an input to group design, which in turn serves as an input to job design. These cross-level relationships emphasize that organizational levels must fit with each other if the organization is to operate effectively. For example, organization structure must fit with and support group task design, which in turn must fit with individual job design.
The following discussion on organization-level diagnosis and the future discussion on group- and job-level diagnosis provide a general overview of the dimensions (and their relationships) that needs to be understood at each level. It is beyond the scope at this stage to describe in detail the many variables and relationships reported in the extensive literature on organizations. However, specific diagnostic questions are identified and concrete examples are included as an introduction to this phase of the planned change process.

Organization-Level Diagnosis:

The organization level of analysis is the broadest systems perspective typically taken in diagnostic activities. The model shown in Figure 22(A) is similar to other popular organization-level diagnostic models. These include Weisbord's six-box model, Nadler and Tushman's congruency model, Gaibraith's star model, and Kotter's organization dynamics model. Figure 22(A) proposes that an organization's transformation processes, or design components, represent the way the organization positions and organizes itself within an environment (inputs) to achieve specific outputs. The combination of design component elements is called a strategic orientation.

Inputs:

To understand how a total organization functions, it is necessary to examine particular inputs, design components, and the alignment of the two sets of dimensions. Figure 22 shows that two key inputs affect the way an organization designs its strategic orientation: the general environment and industry structure.
The general environment represents the external elements and forces that can affect the attainment of organization objectives. It can be described in terms of the amount of uncertainty present in social, technological, economic, ecological, and political forces. The more uncertainty there is in how the environment will affect the organization, the more difficult it is to design an effective strategic orientation. For example, the technological environment in the watch industry has been highly uncertain over time. The Swiss, who build precision watches with highly skilled craftspeople, were caught off guard by the mass production and distribution technology of Timex in the 1960s. Similarly, many watch manufacturers were surprised by and failed to take advantage of digital technology. Similarly, the increased incidence of AIDS in the workplace (social environment) and the passage of the Americans with Disabilities Act (political environment) have forced changes in the strategic orientations of organizations.
An organization's industry structure or task environment is another important input into strategic orientation. As defined by Michael Porter, an organization's task environment consists of five forces: supplier power, buyer power, threats of substitutes, threats of entry, and rivalry among competitors. First, strategic orientations must be sensitive to powerful suppliers who can increase prices (and therefore lower profits) or force the organization to pay more attention to the supplier's needs than to the organization's needs. For example, unions represent powerful suppliers of labor that can affect the costs of any organization within an industry. Second, strategic orientations must be sensitive to powerful buyers. Airplane purchasers, such as American Airlines or country governments, can force Airbus Industries or Boeing to lower prices or appoint the planes in particular ways. Third, strategic orientations must be sensitive to the threat of new firms entering into competition. Profits in the restaurant business tend to be low because of the ease of starting a new restaurant. Fourth, strategic orientations must be sensitive to the threat of new products or services that can replace existing offerings. Ice cream producers must carefully monitor their costs and prices because it is easy for a consumer to purchase frozen yogurt or other types of desserts instead. Finally, strategic orientations must be sensitive to rivalry among existing competitors. If many organizations are competing for the same customers, for example, then the strategic orientation must monitor product offerings, costs, and structures carefully if the organization is to survive and prosper. Together, these forces play an important role in determining the success of an organization, whether it is a manufacturing or service firm, a nonprofit organization, or a government agency.
General environments and industry structures describe the input content. In addition to understanding what inputs are available, the inputs must be understood for their rate of change and complexity. An organization's general environment or industry structure can be characterized along a dynamic—static continuum. Dynamic environments change rapidly and unpredictably and suggest that the organization adopt a flexible strategic orientation. Dynamic environments are relatively high in uncertainty. The complexity of the environment refers to the number of important elements in the general environment and industry structure. For example, software development organizations face dynamic and complex

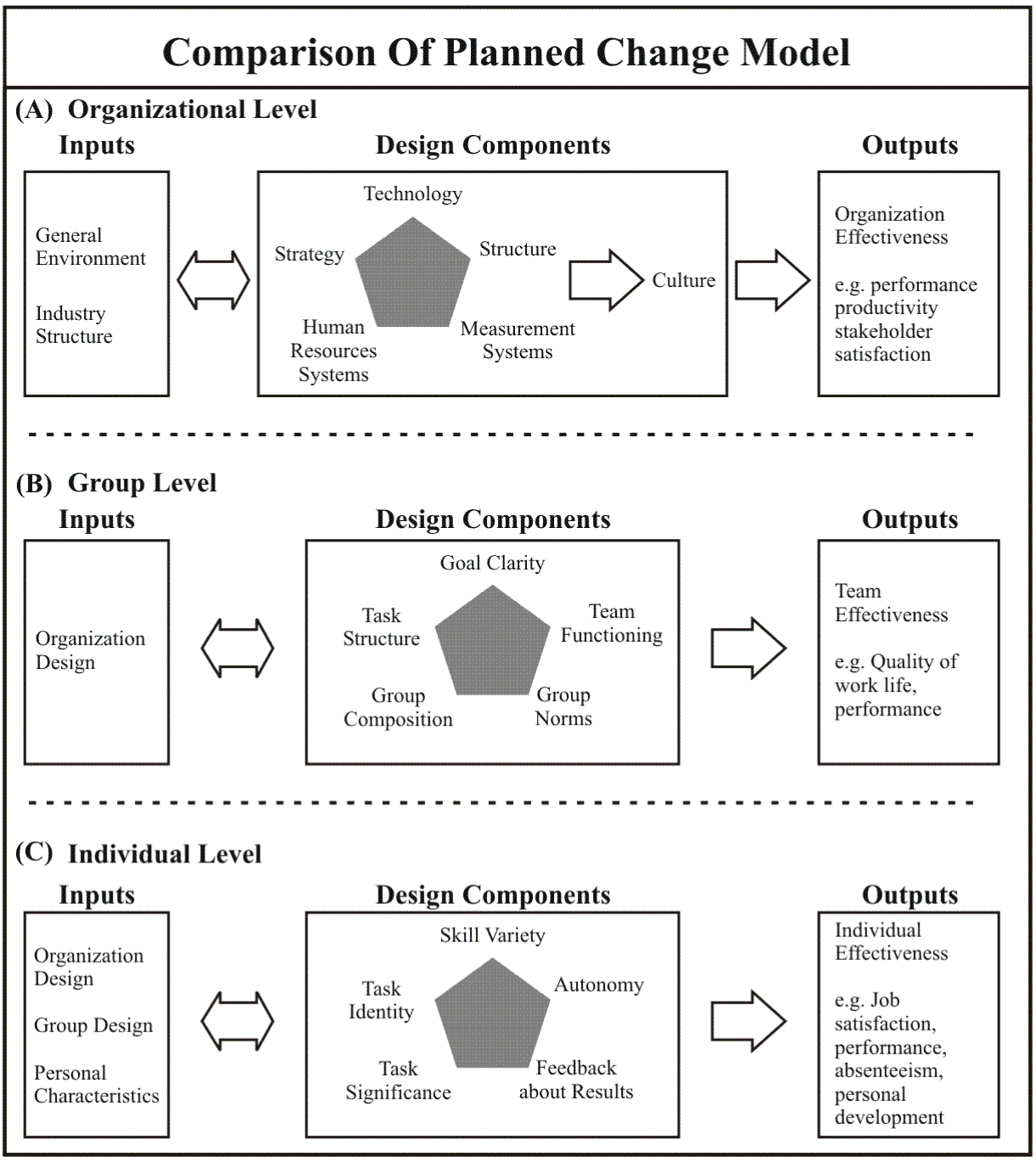
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environments. Not only do technologies, regulations, customers, and suppliers change rapidly, but all of them are important to the firm's survival. On the other hand, manufacturers of glass jars face more stable and less complex environments.

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Diagnosing Organizations

Fig 23: Comprehensive Model for Diagnosing Organizational Systems



Organization-Level Diagnosis:

Design Components:

Figure 23(A) shows that a strategic orientation is composed of five major design components—strategy, technology, structure, measurement systems, and human resources systems—and an intermediate output—culture. Effective organizations align their design components to each other and to the environment.

A strategy represents the way an organization uses its resources (human, economic, or technical) to gain and sustain a competitive advantage. It can be described by the organization's mission, goals and objectives, strategic intent, and functional policies. A mission statement describes the long-term purpose of the organization, the range of products or services offered, the markets to be served, and the social needs served by the organization's existence. Examples are

"To make people happy." …Walt Disney

"To give ordinary folk the chance to buy the same thing as rich people." ….. Wal Mart

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"To preserve and improve human life. " …Merck
"To give unlimited opportunity to women." ….Mary Kay Cosmetics

Goals and objectives are statements that provide explicit direction, set organization priorities, provide guidelines for management decisions, and serve as the cornerstone for organizing activities, designing jobs, and setting standards of achievement. Goals and objectives should set a target of achievement (such as 50-percent gross margins, an average employee satisfaction score of four on a five-point scale, or some level of productivity); provide a means or system for measuring achievement; and provide a deadline or timeframe for accomplishment. A strategic intent is a succinct label that describes how the organization intends to achieve its goals and objectives. For example, an organization can achieve goals through differentiation of its product or service, by achieving the lowest costs in the industry, or by growth. Finally, functional policies are the methods, procedures, rules, or administrative practices that guide decision making and convert plans into actions. In the semiconductor business, for example, Intel has a policy of allocating about 30 percent of revenues to research and development to maintain its lead in microprocessors production.

Technology is concerned with the way an organization converts inputs into products and services. It represents the core of the transformation function and includes production methods, work flow, and equipment. Automobile companies have traditionally used an assembly-line technology to build cars and trucks. Two features of the technological core have been shown to influence other design components: interdependence and uncertainty. Technical interdependence involves ways in which the different parts of a technological system are related. High interdependence requires considerable coordination among tasks, such as might occur when departments must work together to bring out a new product. Technical uncertainty refers to the amount of information processing and decision making required during task performance. Generally, when tasks require high amounts of information processing and decision making, they are difficult to plan and routinize. The technology of car manufacturing is relatively certain and moderately interdependent. As a result, automobile manufacturers can specify in advance the behaviors workers should perform and how their work should be coordinated.

The structural system describes how attention and resources are focused on task accomplishment. It represents the basic organizing mode chosen to (1) divide the overall work of an organization, into subunits that can assign tasks to individuals or groups and (2) coordinate these subunits for completion of the overall work. Structure, therefore, needs to be closely aligned with the organization's technology.

Two ways of determining how an organization divides work are to examine its formal structure or to examine its level of differentiation and integration. Formal structures divide work by function (accounting, sales, or production), by product or service (Chevrolet, Buick, or Pontiac), or by some combination of both (a matrix composed of functional departments and product groupings). The second way to describe how work is divided is to specify the amount of differentiation and integration there is in a structure. Applied to the total organization, differentiation refers to the degree of similarity or difference in the design of two or more subunits or departments. In a highly differentiated organization, there are major differences in design among the departments. Some departments are highly formalized with many rules and regulations, others have few rules and regulations, and still others are moderately formal or flexible.

The way an organization coordinates the work across subunits is called integration. Integration can be achieved in a variety of ways—for example, by using plans and schedules; using budgets; assigning special roles, such as project managers, liaison positions, or integrators; or creating cross-departmental task forces and teams. The amount of integration required in a structure is a function of (1) the amount of uncertainty in the environment, (2) the level of differentiation in the structure, and (3) the amount of interdependence among departments. As uncertainty, differentiation, and interdependence increase, more sophisticated integration devices are required.

Measurement systems are methods of gathering, assessing, and disseminating information on the activities of groups and individuals in organizations. Such data tell how well the organization is performing and are used to detect and control deviations from goals. Closely related to structural integration, measurement systems monitor organizational operations and feed data about work activities to managers and members so that they can better understand current performance and coordinate work. Effective information and control systems clearly are linked to strategic objectives; provide accurate, understandable and timely information; are accepted as legitimate by organization members; and produce benefits in excess of their cost.

Human resources systems include mechanisms for selecting, developing, appraising, and rewarding organization members. These influence the mix of skills, personalities, and behaviors of organization members. The strategy and technology provide important information about the skills and knowledge required if the organization is to be successful. Appraisal processes identify whether those skills and knowledge are being applied to the work, and reward systems complete the cycle by recognizing

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performance that contributes to goal achievement. Reward systems may be tied to measurement systems so that rewards are allocated on the basis of measured results.
Organization culture is the final design component. It represents the basic assumptions, values, and norms shared by organization members. Those cultural elements are generally taken for granted and serve to guide members' perceptions, thoughts, and actions. For example McDonald's culture emphasizes efficiency, speed, and consistency. It orients employees to company goals and suggests the kinds of behaviors necessary for success. In Figure 23 (A), culture is shown as an intermediate output from the five other design components because it represents both an outcome and a constraint. It is an outcome of the organization's history and environment as well as of prior choices made about the strategy, technology, structure, measurement systems, and human resources systems. It is also a constraint in that it is more difficult to change than the other components. In that sense it can either hinder or facilitate change. In diagnosis, the interest is in understanding the current culture well enough to determine its alignment with the other design factors. Such information may partly explain current outcomes, such as performance or effectiveness.

Outputs:
The outputs of a strategic orientation can be classified into three components. First, organization performance refers to financial outputs such as profits, return on investment, and earnings per share. For nonprofit and government agencies, performance often refers to the extent to which costs were lowered or budgets met. Second, productivity concerns internal measurements of efficiency such as sales per employee, waste, error, rates, quality, or units produced per hour. Third, stakeholder satisfaction reflects how well the organization has met the expectations of different groups. Customer satisfaction can be measured in terms of market share or focus-group data; employee satisfaction can be measured in terms of an opinion survey; investor satisfaction can be measured in terms of stock price.

Alignment:
The effectiveness of an organization's current strategic orientation requires knowledge of the above information to determine the alignment among the different elements.

1. Does the organization's strategic orientation fit with the inputs?
2. Do the design components fit with each other?

For example if the elements of the external environment (inputs) are fairly similar in their degree of certainty, then an effective organization structure (design factor) should have a low degree of differentiation. Its departments should be designed similarly because each faces similar environmental demands. On the other hand, if the environment is complex and each element presents different amounts of uncertainty, a more differentiated structure is warranted. Chevron Oil Company's regulatory, ecological, technological and social environments differ greatly in their amount of uncertainty. The regulatory environment is relatively slow paced and detail oriented. Accordingly, the regulatory affairs function within Chevron is formal and bound by protocol. In the technological environment, on the other hand, new methods for discovering, refining, and distributing oil and oil products are changing at a rapid pace. Those departments are much more flexible and adaptive, very different from the regulatory affairs function.

Analysis:
Application 2 describes the Nike organization and provides an opportunity to perform the following organization-level analysis. Organization-level dimensions and relationships may be applied to diagnose this example. A useful starting point is to ask how well the organization is currently functioning. Examination of the organization's outputs yields measures of market share, financial performance, and stakeholder satisfaction. Nike's string of solid annual increases over six years was followed by real or predicted declines. Discovering the underlying causes of these problems begins with an assessment of the inputs and strategic orientation and then proceeds to an evaluation of the alignments among the different parts. In diagnosing the inputs, these two questions are important:

1. **What is the company's general environment?** Nike's environment is uncertain and complex. Technologically, Nike is dependent on the latest breakthroughs in shoe design and materials to keep its high-performance image. Socially and politically, Nike's international manufacturing and marketing operations require that it be aware of a variety of stakeholder demands from several countries, cultures, and governments, including the U.S. government, which might view Nike's foreign manufacturing strategy with some concern about U.S. jobs. Other stakeholders are pressuring Nike for changes to its human resources practices.

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2. **What is the company's industry structure?** Nike's industry is highly competitive and places considerable pressure on profits. First, the threat of entry is high. It is not difficult or expensive to enter the athletic shoe market. Many shoe manufacturers could easily offer an athletic shoe if they wanted. The threat of substitute products is also high. Nike's image and franchise depend on people wanting to be athletic. If fitness trends were to change, then other footwear could easily fill the need. This possibility clearly exists because Nike's marketing has sensationalized professional athletes and sports, rather than emphasizing fitness for the average person. The bargaining power of suppliers, such as providers of labor, shoe materials, and manufacturing, is generally low because the resources are readily available and there are many sources. The bargaining power of buyers is moderate. At the high-performance end, buyers are willing to pay more for high quality, whereas at the casual end, price is important and the purchasing power of large accounts can bid down Nike's price. Finally, rivalry among firms is severe. A number of international and domestic competitors exist, such as Reebok, Adidas, New Balance, Puma, Converse, and Tiger. Many of them have adopted marketing and promotion tactics similar to Nike's and are competing for the same customers. Thus, the likelihood of new competition, the threat of new substitute products, and the rivalry among existing competitors are the primary forces creating uncertainty in the environment and squeezing profits in the athletic shoe industry.

The following questions are important in assessing Nike's strategic orientation:

1. **What is the company's strategy?** Nike's strategy is clear on some points and nebulous on others. First, although the company has no formal mission statement, it has a clear sense about its initial purpose in producing high-quality, high- performance athletic footwear. That focus has blurred somewhat as Nike has ventured into apparel, hiking boots, and casual shoes. Its goals also are nebulous because Phil Knight does not set specific goals, only general direction. The tension between growth and profits is a potential source of problems for the organization. On the other hand, its strategic intent is fairly clear. It is attempting to achieve its growth and profitability goals by offering a differentiated product—a high quality, high-performance shoe. Informal policies dominate the Nike organization.

Application 2: Nike's Strategic Orientation

In 1993, Nike was the leader in domestic-brand athletic footwear with more than 30 percent market share. It also produced sports apparel, hiking boots, and upscale men's shoes. But after six years of solid growth, international sales were falling, sales of basketball shoes were down, and the firm's stock price had dropped 41 percent since November 1992. Analysts were projecting declines in both total revenues and profits for the next fiscal year. In addition, Nike had been the focus of attack from several stakeholder groups. Organized labor believed that Nike exploited foreign labor; the African-American sector noted the lack of diversity in Nike's workforce; and the general public was growing tired of sensationalizing athletes.

Nike's traditional strategy was built around high-performance, innovative athletic shoes, aggressive marketing, and low-cost manufacturing. Using input from athletes, Nike developed a strong competence in producing high-quality athletic shoes, first for running, then for basketball another sports. By contracting with well-known and outspoken athletes to endorse its products, a Nike image of renegade excellence and high performance emerged. Other consumers who wanted to associate with the Nike image could do so by purchasing its shoes. Thus, a large market of "weekend warriors," people pursuing a more active lifestyle, serious runners, and anyone wanting to project a more athletic image became potential customers. Nike contracted with low-cost, foreign manufacturing plants to produce its shoes.

An athletic shoe retailer places orders with Nike representatives, who are not employees of Nike but contract with Nike to sell its shoes, for delivery in six to eight months. The Futures program, as it is called, offers the retailer 10 percent off the wholesale price for making these advanced orders. The orders are then compiled and production scheduled with one of Nike's Asian manufacturing partners. Nike doesn't actually make shoes; instead, it develops contract relationships with Taiwanese, Korean, Japanese, and other low-cost sources. On-site Nike employees guarantee that the shoes meet the Nike standards of quality.

Nike's culture is distinctive. The organization, built by athletes for athletes is very entrepreneurial, and the "Just Do It" marketing campaign aptly describes the way things are done at Nike. As one senior executive put it, "It's fine to develop structures and plans and policies, if they are viewed, and used, as tools. But it is so easy for them to become substitutes for good thinking, alibis for not taking responsibility, reasons to not become involved, and then we'd no longer be Nike."

What emerged, by the mid-I 980s, was a way of working that involved setting direction, dividing up the work, pulling things together, and providing rewards.

Although Phil Knight, founder and chairman of Nike, sets the general direction for Nike, he rarely sets clear goals. For example, Knight views Nike as a growth company. The athletic drive pushes employees to achieve bigger sales and put more shoes on more feet than anyone else. Others are concerned that the decision to go public in the early I 980s has produced pressures for profitability that sometimes work

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against growth. Implementation of the general direction depends on people being tuned into the day-to-day operations. "You tune into what other people are doing, and if you're receptive, you start to see the need for something to be done," Knight says.

Nike changed from a functional organization in 1985 to a product division structure in 1987. In addition, 1993 brought additional structural change. The new president, Tom Clark, was busy implementing stronger communication and collaboration among manufacturing, marketing, and sales. This description, however, belies the informality of the organization. In essence, the aim of the Nike structure is to fit the pieces together in ways that best meet the needs of the product, the customers, and the market.

In pulling things together, Nike relies on meetings as the primary method for coordination. The word "meeting" connotes more formality than is intended. Meetings, which occur at all levels and all parts of the organization, range from an informal gathering in the hallway, to a three-day off-site event, to formal reviews of a product line. Membership in a meeting is equally fluid, with the people who need to be involved invited and those who don't, not invited, Although more formal systems have emerged over the years, their use is often localized to the people or groups who invented them and is met with resistance by others. Thus, with the exception of the Futures program, there is little in the way of formal information systems.

Finally, Knight favors an annual performance review system with annual pay increases tied to performance. In fact, the system is fairly unstructured; some managers take time to do the reviews well and others do not. Although no formal compensation policy exists, most employees and managers believe that Nike is a "great place to work" For the majority of people there, rewards come in the form of growth opportunities, autonomy, and responsibility.

2. **What are the company's technology, structure, measurement systems, and human resources systems?** First, the technology of Nike is moderately uncertain and interdependent. For example, developing high-quality, state-of-the-art shoes is uncertain, but there is no evidence that research and development is tightly linked to production. In addition, the Futures program creates low interdependence between manufacturing and distribution, both of which are fairly routine processes. Second, Nike's product division structure appears moderately differentiated, but the new president's emphasis on communication and coordination suggests that it is not highly integrated. Moreover, although Nike appears to have a divisional structure, its contract relationships with manufacturing plants and sales representatives give it a fluid, network-like structure. Third, human resources and measurement systems are underdeveloped. There is no compensation policy, for example, and formal control systems are generally resisted. The one exception to this is the Futures program that tracks orders (which are really advance revenues).

3. What is Nike's culture? Finally, Nike's culture is a dominant feature of the organization design. The organization appears driven by typical athletic norms of winning, competition, achievement, and performance.

Now that the organization inputs, design components, and outputs have been assessed, it is time to ask the crucial question about how well they fit together. The first concern is the fit between the inputs and the strategic orientation. The complex and uncertain environment fits well with Nike's focus on differentiation and a generally flexible organization design. That explains its incredible success during the 1970s, 1980s, and into the 1990s. The alignment between its strategic orientation and its environment appears sound.

The second concern is the alignment of the design components. With respect to strategy, the individual elements of Nike's strategy are not aligned. It clearly intends to differentiate its product by serving the high-end athlete with high-performance shoes. However, this small group of athletes may have trouble communicating its needs to a large, diversified organization. Growth goals and a diversified mission obviously do not align with Nike's differentiation intent. The market for higher priced and more specialized athletic shoes is much smaller than the market for low-priced tennis shoes and limits the growth potential of sales. That hypothesis is supported by the lack of clear goals in general and policies that support neither growth nor profitability. However, there appears to be a good fit between strategy and the other design components. The differentiated strategic intent requires technologies, structures, and systems that focus on creating new ideas in products, marketing, and manufacturing. The flexible structure, informal systems, and driving culture would seem well suited for that purpose.

The technology appears well supported and aligned with the structure. Product development, market development, and manufacturing development are inherently unprogrammable tasks that require flexibility and adaptability from the organization. Although a product structure overlays most of Nike's activities, the structure is not rigid, and there appears to be a willingness to create structure as necessary to complete a task. In addition, the Futures program is important for two reasons. First, it reduces uncertainty from the market by getting retailers to take the risk that a shoe will not do well. For the retailer, this risk is mitigated by Nike's tremendous reputation and marketing clout. Second, knowing in advance what will be ordered provides Nike with the ability to schedule production and distribution far in advance. This is a powerful

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device for integrating Nike's activities. Finally, the lack of a formal human resource's system supports the fluid and flexible design, hut it creates problems in that there is no direction for hiring and development, a point noted by the various stakeholders at the beginning of the application.

Obviously, any discussion of Nike's organization design has to recognize the powerful role its culture plays. More than any design component, the culture promotes coordination of a variety of tasks, serves as a method for socializing and developing people, and establishes methods for moving information around the organization. Clearly, any change effort at Nike will have to acknowledge this role and design an intervention accordingly. The strong culture will either sabotage or facilitate change depending on how the change process aligns with the culture's impact on individual behavior.

Based on this diagnosis of the Nike organization, at least two intervention possibilities are suggested. First, in collaboration with the client, the OD practitioner could suggest increasing Nike's clarity about its strategy. In this intervention, the practitioner would want to avoid talking about formalizing Nike's strategy because the culture would resist such an attempt. However, there are some clear advantages to be gained from a clearer sense of Nike's future, its businesses, and the relationships among them. Second, Nike could focus on increasing the integration and coordination of its structure, measurement systems, and human resources systems. Although the culture provides a considerable amount of social control, the lack of any human resources systems and the relatively underdeveloped integration mechanisms suggest that finding ways to coordinate activities without increasing formalization would be a value-added intervention.

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Diagnosing Groups and Jobs

Diagnosis is the second major phase in the model of planned change. Based on open-systems theory, a comprehensive diagnostic framework for organization-, group-, and job-level systems was discussed. The organization-level diagnostic model was elaborated and applied. After the organization level, the next two levels of diagnosis are the group and job. Many large organizations have groups or departments that are themselves relatively large. Diagnosis of large groups can follow the dimensions and relational fits applicable to organization-level diagnosis. In essence, large groups or departments operate much like organizations, and their functioning can be assessed by diagnosing them as organizations.

Small departments and groups, however, can behave differently from large organizations and so they need their own diagnostic models to reflect those differences. In the first section, we discuss the diagnosis of work groups. Such groups generally consist of a relatively small number of people working face-to-face on a shared task. Work groups are prevalent in all sizes of organizations. They can he relatively permanent and perform an ongoing function, or they can be temporary and exist only to perform a certain task or to make a specific decision.

Finally, we describe and apply a diagnostic model of individual jobs—the smallest unit of analysis in organizations. An individual job is constructed to perform a specific task or set of tasks. How jobs are designed can affect individual and organizational effectiveness.

Group-Level Diagnosis:

Figure 24 replicates the comprehensive model discussed earlier but highlights the group- and individual-level models. It shows the inputs, design components, outputs, and relational fits for group-level diagnosis. The model is similar to other popular group-level diagnostic models, such as Hackman and Morris's task group design model, McCaskey's framework for analyzing groups, and Ledford, Lawler, and Mohrman's participation group design model.

Inputs:

Organization design is clearly the major input to group design. It consists of the design components characterizing the larger organization within which the group is embedded: technology, structure, measurement systems, and human resources systems, as well as organization culture. Technology can determine the characteristics of the group's task; structural systems can specify the level of coordination required among groups. The human resources and measurement systems, such as performance appraisal and reward systems, play an important role in determining team functioning. For example, individually based performance appraisal and reward systems tend to interfere with team functioning because members may be more concerned with maximizing their individual performance to the detriment of team performance. Collecting information about the group's organization design context can greatly improve the accuracy of diagnosis.

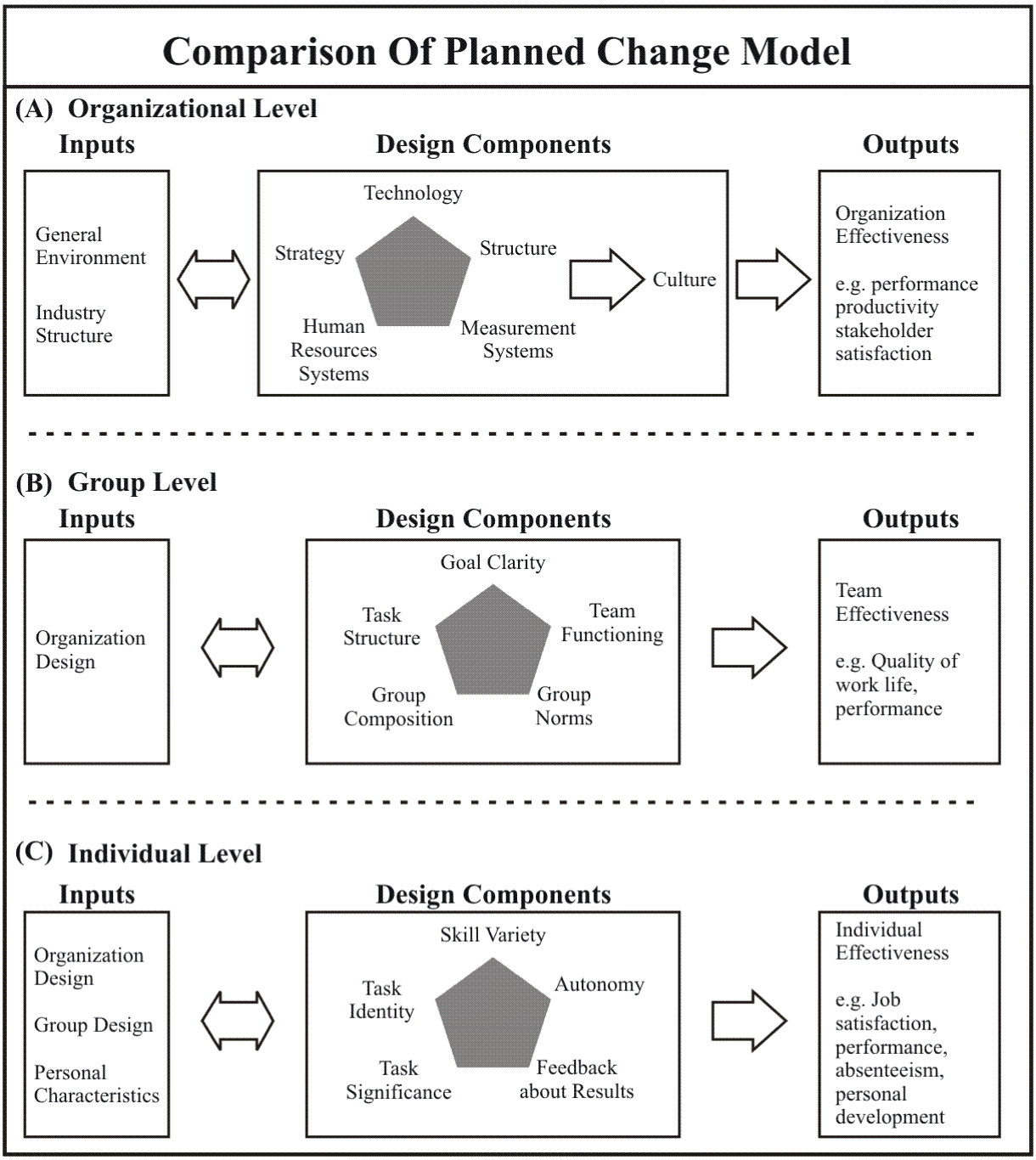
Design Components:

Figure 24 (B) shows that groups have five major components: goal clarity, task structure, group composition, group functioning, and performance norms.

Goal clarity involves how well the group understands its objectives. In general, goals should be moderately challenging; there should be a method for measuring, monitoring, and feeding back information about goal achievement; and the goals should be clearly understood by all members.

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Figure 24: Comprehensive Model for Diagnosing Organizational Systems



Task structure is concerned with how the group's work is designed. Task structures can vary along two key dimensions; coordination of members' efforts and regulation of their task behaviors. The coordination dimension involves the degree to which group tasks are structured to promote effective interaction among group members. Coordination is important in groups performing interdependence tasks, such as surgical teams and problem-solving groups. It is relatively unimportant, however, in groups composed of members who perform independent tasks, such as a group of telephone operators or salespeople. The regulation dimension involves the degree to which members can control their own task behaviors and be relatively free from external controls such as supervision, plans, and programs. Self-regulation generally occurs when members can decide on such issues as task assignments, work methods, production goals, and membership. Composition concerns the membership of groups. Members can differ on a number of dimensions having relevance to group behavior. Demographic variables, such as age, education, experience, and skills and abilities, can affect how people behave and relate to each other in groups. Demographics can determine whether the group is composed of people having task-relevant skills and knowledge, including

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interpersonal skills. People's internal needs also can influence group behaviors. Individual differences in social needs can determine whether group membership is likely to be satisfying or stressful.
Group functioning is the underlying basis of group life. How members relate to each other is important in work groups because the quality of relationships can affect task performance. In some groups, for example interpersonal competition and conflict among members result in their providing little support and help for each other. Conversely groups may become too concerned about sharing good feelings and support and spend too little time on task performance. In organization development considerable effort has been invested to help work group members develop healthy interpersonal relations, including ability and a willingness to share feelings and perceptions about members' behaviors so that inter-personal problems and task difficulties can he worked through and resolved. Group functioning therefore involves task-related activities, such as giving and seeking information and elaborating, coordinating, and evaluating activities; and the group-maintenance function, which is directed toward holding the group together as a cohesive team and includes encouraging, harmonizing, compromising, setting standards, and observing.
Performance norms are member beliefs about how the group should perform its task and include acceptable levels of performance. Norms derive from interactions among members and serve as guides to group behavior. Once members agree on performance norms, either implicitly or explicitly, then members routinely perform tasks according to those norms. For example, members of problem-solving groups often decide early in the life of the group that decisions will be made through voting; voting then becomes a routine part of group task behavior.

Outputs:

Group effectiveness has two dimensions: performance and quality of work life. Performance is measured in terms of the group's ability to control or reduce costs, increase productivity, or improve quality. This is a "hard" measure of effectiveness. In addition, effectiveness is indicated by the group member's quality of work life. It concerns work satisfaction, team cohesion, and organizational commitment.

Fits:

The diagnostic model in Figure 24(B) shows that group design components must fit inputs if groups are to be effective in terms of performance and the quality of work life. Research suggests the following fits between the inputs and design dimensions:

1. Group design should be congruent with the larger organization design. Organization structures with low differentiation and high integration should have work groups that are composed of highly skilled and experienced members performing highly interdependent tasks. Organizations with differentiated structures and formalized human resources and information systems should spawn groups that have clear, quantitative goals and support standardized behaviors. Although there is little direct research on these fits, the underlying rationale is that congruence between organization and group designs support overall integration within the company. When group designs are not compatible with organization designs, groups often conflict with the organization. They may develop norms that run counter to organizational effectiveness, such as occurs in groups supportive of horseplay, goldbricking, and other counterproductive behaviors.
2. When the organization's technology results in interdependent tasks, coordination among members should be promoted by task structures, composition, performance norms, and group functioning. Conversely when technology permits independent tasks, the design components should promote individual task performance. For example, when coordination is needed, task structure might physically locate related tasks together; composition might include members with similar interpersonal skills and social needs; performance norms would support task-relevant interactions; and healthy interpersonal relationships would be developed.
3. When the technology is relatively uncertain and requires high amounts of information processing and decision making, group task structure, composition, performance norms, and group functioning should promote self-regulation. Members should have the necessary freedom, information, and skills to assign members to tasks, to decide on production methods, and to set performance goals. When technology is relatively certain, group designs should promote standardization of behavior, and groups should be externally controlled by supervisors, schedules, and plans. For example, when self-regulation is needed, task structure might be relatively flexible and allow the interchange of members across group tasks; composition might include members with multiple skills, interpersonal competencies, and social needs; performance norms would support complex problem solving; and efforts would be made to develop healthy interpersonal relations.

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Application 3: Top-Management Team at Ortiv Glass Corporation

The Ortiv Glass Corporation produces and markets plate glass for use primarily in the construction and automotive indulines. The multiplant company has been involved in OD for several years and actively supports participative management practices and employee involvement programs. Ortiv's organization design is relatively organic, and the manufacturing plants are given freedom and encouragement to develop their own organization designs and approaches to participative management. It recently put together a problem-solving group made up of the top-management team at its newest plant.

The team consisted of the plant manager and the managers of the five functional departments reporting to him: engineering (maintenance), administration, human resources, production, and quality control. In recruiting managers for the new plant, the company selected people with good technical skills and experience in their respective functions. It also chose people with some managerial experience and a desire to solve problems collaboratively, a hallmark of participative management. The team was relatively new, and members had been working together for only about five months.

The team met formally for two hours each week to share pertinent information and to deal with plant wide issues affecting all of the departments, such as safety procedures, interdepartmental relations, and personnel practices. Members described these meetings as informative but often chaotic in terms of decision making. The meetings typically started late as members straggled in at different times. The latecomers generally offered excuses about more pressing problems occurring elsewhere in the plant. Once started, the meetings were often interrupted by "urgent" phone messages for various members, including the plant manager, and in most cases the recipient would leave the meeting hurriedly to respond to the call.

The group had problems arriving at clear decisions on particular issues. Discussions often rambled from topic to topic, and members tended to postpone the resolution of problems to future meetings. This led to a backlog of unresolved issues, and meetings often lasted far beyond the two-hour limit. When group decisions were made, members often reported problems in their implementation. Members typically failed to follow thorough on agreements, and there was often confusion about what had actually been agreed upon. Everyone expressed dissatisfaction with the team meetings and their results.

Relationships among team members were cordial yet somewhat strained, especially when the team was dealing with complex issues in which members had varying opinions and interests. Although the plant manager publicly stated that he wanted to hear all sides of the issues, he often interrupted the discussion or attempted to change the topic when members openly disagreed in their views of the problem. This interruption was typically followed by an awkward silence in the group. In many instances when a solution to a pressing problem did not appear forthcoming, members either moved on to another issue or they informally voted on proposed options, letting majority rule decide the outcome. Members rarely discussed the need to move on or vote; rather, these behaviors emerged informally over time and became acceptable ways of dealing with difficult issues.

Analysis:

Application 3 presents an example of applying group-level diagnosis to a top-management team engaged in problem solving.

The group is having a series of ineffective problem-solving meetings. Members report a backlog of unresolved issues, poor use of meeting time, lack of follow through and decision implementation, and a general dissatisfaction with the team meeting. Examining group inputs and design components and how the two fit can help explain the causes of those group problems.

The key issue in diagnosing group inputs is the design of the larger organization within which the group is embedded. The Ortiv Glass Corporation's design is relatively differentiated. Each plant is allowed to set up its own organization design. Similarly, although no specific data are given, the company's technology, structure, measurement systems, human resources systems, and culture appear to promote flexible and innovative behaviors at the plant level. Indeed, freedom to innovate in the manufacturing plants is probably an outgrowth of the firm's OD activities and participative culture.

In the case of decision-making groups such as this one, organization design also affects the nature of the issues that are worked on. The team meetings appear to be devoted to problems affecting all of the functional departments. This suggests that the problems entail high interdependence among the functions; consequently high coordination among members is needed to resolve them. The team meetings also seem to include many issues that are complex and not easily solved, so there is probably a relatively high amount of uncertainty in the technology or work process. The causes of the problems or acceptable solutions are not readily available. Members must process considerable information during problem solving, especially when there are different perceptions and opinions about the issues.

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Diagnosis of the team's design components answers the following questions:

1. **How clear are the group's goals?** The team's goals seem relatively clear: they are to solve problems. There appears to be no clear agreement, however on the specific problems to be addressed. As a result, members come late because they have "more pressing" problems needing attention.
2. **What is the group's task structure?** The team's task structure includes face-to-face interaction during the weekly meetings. That structure allows members from different functional departments to come together physically to share information and to solve problems mutually affecting them. It facilitates coordination of problem solving among the departments in the plant. The structure also seems to provide team members with the freedom necessary to regulate their task behaviors in the meetings. They can adjust their behaviors and interactions to suit the flow of the discussion and problem-solving process.
3. **What is the composition of the group?** The team is composed of the plant manager and managers of five functional departments. All members appear to have task-relevant skills and experience, both in their respective functions and in their managerial roles. They also seem to be interested in solving problems collaboratively. That shared interest suggests that members have job-related social needs and should feel relatively comfortable in group problem-solving situations.
4. **What are the group's performance norms?** Group norms cannot be observed directly but must be inferred from group behaviors. The norms involve member beliefs about how the group should perform its task, including acceptable levels of performance. A useful way to describe norms is to list specific behaviors that complete the sentences "A good group member should…." and "its okay to…." Examination of the team's problem-solving behaviors suggests the following performance norms are operating in the example:

- "It's okay to come late to team meetings."
- "It's okay to interrupt meetings with phone messages."
- "It's okay to leave meetings to respond to phone messages."
- "It's okay to hold meetings longer than two hours."
- "A good group member should not openly disagree with others' views."
- "It's okay to vote on decisions."
- "A good group member should be cordial to other members."
- "It's okay to postpone solutions to immediate problems."
- "It's okay not to follow through on previous agreements."

5. **What is the nature of team functioning in the group?** The case strongly suggests that interpersonal relations are not healthy on the management team. Members do not seem to confront differences openly. Indeed, the plant manager purposely intervenes when conflicts emerge. Members feel dissatisfied with the meetings, but they spend little time talking about those feelings. Relationships are strained, but members fail to examine the underlying causes.

The problems facing the team can now be explained by assessing how well the group design fits the inputs. The larger organization design of Ortiv is relatively differentiated and promotes flexibility and innovation in its manufacturing plants. The firm supports participative management, and the team meetings can be seen as an attempt to implement that approach at the new plant. Although it is too early to tell whether the team will succeed, there does not appear to be significant incongruity between the larger organization design and what the team is trying to do. Of course, team problem solving may continue to be ineffective, and the team might revert to a more autocratic approach to decision making. In such a case, a serious mismatch between the plant management team and the larger company would exist, and conflict between the two would likely result.

The team's issues are highly interdependent and often uncertain, and meetings are intended to resolve plant wide problems affecting the various functional departments. Those problems are generally complex and require the members to process a great deal of information and create innovative solutions. The team's task structure and composition appear to be the nature of team issues. The face-to-face meetings help to coordinate problem solving among the department managers, and except for the interpersonal skills, members seem to have the necessary task-relevant skills and experience to drive the problem-solving process. There appears, however, to be a conflict in the priority between the problems to be solved by the team and the problems faced by individual managers.

More important, the key difficulty seems to be a mismatch between the team's performance norms and interpersonal relations and the demands of the problem-solving task. Complex, interdependent problems require performance norms that support sharing of diverse and often conflicting kinds of information. The

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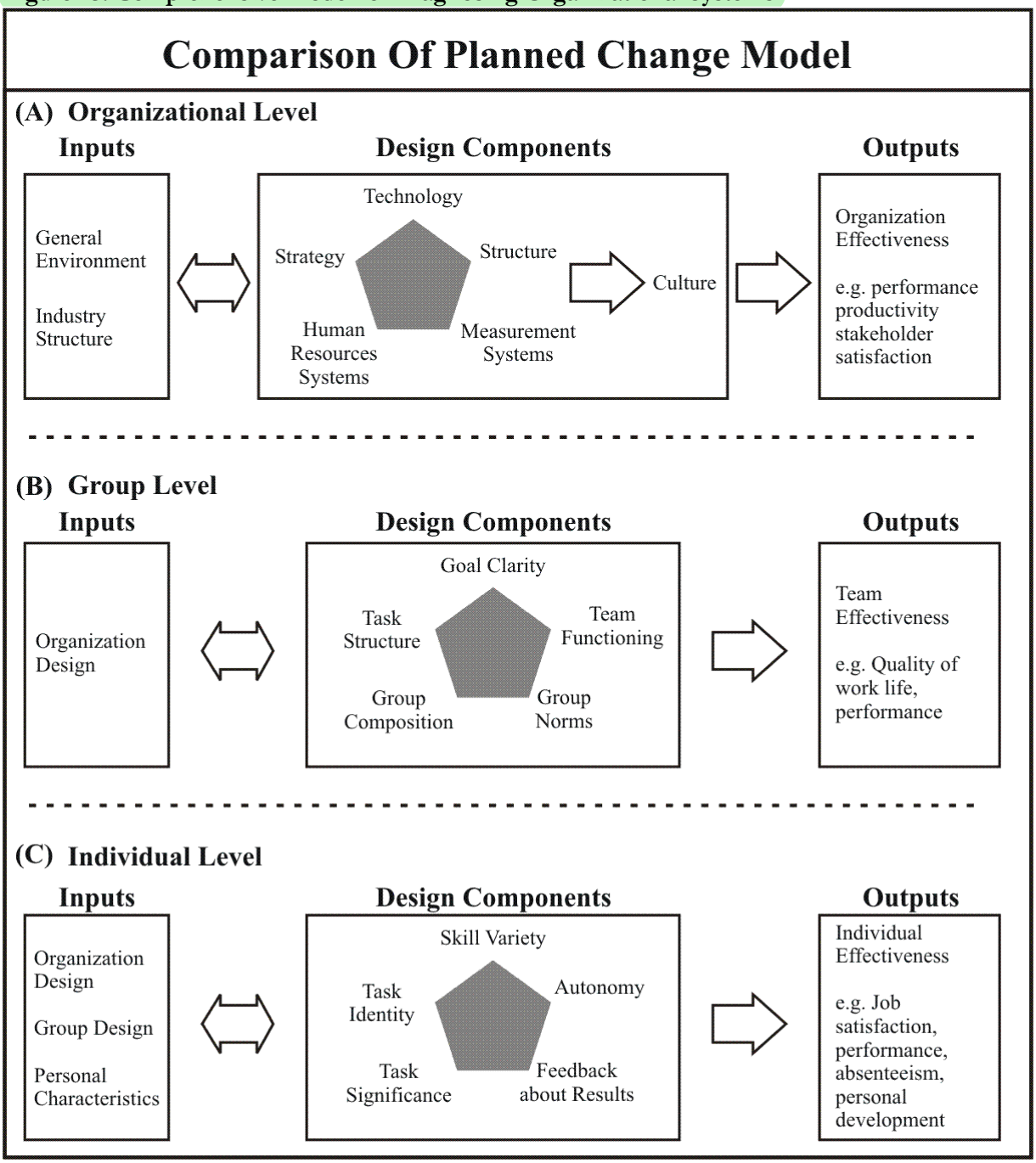
norms must encourage members to generate novel solutions and to assess the relevance of problem-solving strategies in light of new issues. Members need to address explicitly how they are using their knowledge and skills and how they are weighing and combining members' individual contributions.

In our example, the team's performance norms fail to support complex problem solving; rather, they promote a problem-solving method that is often superficial, haphazard, and subject to external disruptions. Members' interpersonal relationships reinforce adherence to the ineffective norms. Members do not confront personal differences or dissatisfactions with the group process. They fail to examine the very norms contributing to their problems. In this case, diagnosis suggests the need for group interventions aimed at improving performance norms and developing healthy interpersonal relations.

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Diagnosing Groups and Jobs

Figure 25: Comprehensive Model for Diagnosing Organizational Systems



Individual-Level Diagnosis:

The lowest level of organizational diagnosis is the individual job or position. An organization consists of numerous groups; a group, in turn, is composed of several individual jobs. This section discusses the inputs, design components, and relational fits for diagnosing jobs. The model shown in Figure 25(C) is similar to other popular job diagnostic frameworks, such as Hackrnan and Oldhamn's job diagnostic survey and Herzberg's job enrichment model.

Inputs:

Three major inputs affect job design: organization design, group design, and the personal characteristics of job holders.

Organization design is concerned with the larger organization within which the individual job is the smallest unit. Organization design is a key part of the larger context surrounding jobs. Technology, structure, measurement systems, human resources systems, and culture can have a powerful impact on the way jobs are designed and on people's experiences in jobs. For example, company reward systems can

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orient employees to particular job behaviors and influence whether people see job performance as fairly rewarded. In general, technology characterized by relatively uncertain tasks and low interdependency is likely to support job designs allowing employees flexibility and discretion in performing tasks. Conversely, low-uncertainty work systems are likely to promote standardized job designs requiring routinized task behaviors.

Group design concerns the larger group or department containing the individual job. Like organization design, group design is an essential part of the job context. Group task structure, goal clarity, composition, performance norms, and group functioning serve as inputs to job design. They typically have a more immediate impact on jobs than do the larger, organization-design components. For example, group task structure can determine how individual jobs are grouped together — as in groups requiring coordination among jobs or in ones comprising collections of independent jobs. Group composition can influence the kinds of people who are available to fill jobs. Group performance norms can affect the kinds of job designs that are considered acceptable, including the level of job holders' performances. Goal clarity helps members to prioritize work, and group functioning can affect how powerfully the group influences job behaviors. When members maintain close relationships and the group is cohesive, group norms are more likely to be enforced and followed.

Personal characteristics of individuals occupying jobs include their age, education, experience, and skills and abilities. All of these can affect job performance as well as how people react to job designs. Individual needs and expectations can also affect employee job responses. For example, individual differences in growth need — the need for self-direction, learning, and personal accomplishment — can determine how much people are motivated and satisfied by jobs with high levels of skill variety, autonomy, and feedback about results. Similarly, work motivation can be influenced by people's expectations that they can perform a job well and that good job performance will result in valued outcomes.

Design Components:

Figure 25(C) shows that individual jobs have five key dimensions: skill variety, task identity, task significance, autonomy, and feedback about results.

Skill variety identifies the degree to which a job requires a range of activities and abilities to perform the work. Assembly-line jobs, for example, generally have limited skill variety because employees perform a small number of repetitive activities. Most professional jobs, on the other hand, include a great deal of skill variety because people engage in diverse activities and employ several different skills in performing their work.

Task identity measures the degree to which a job requires the completion of a relatively whole, identifiable piece of work. Skilled craftspeople, such as tool-and-die makers and carpenters, generally have jobs with high levels of task identity. They are able to see a job through from beginning to end. Assembly-line jobs involve only a limited piece of work and score low on task identity.

Task significance identifies the degree to which a job has a significant impact on other people's lives. Custodial jobs in a hospital are likely to have more task significance than similar jobs in a toy factory because hospital custodians are likely to see their jobs as affecting someone else's health and welfare.

Autonomy indicates the degree to which a job provides freedom and discretion in scheduling the work and determining work methods. Assembly-line jobs generally have little autonomy: the work pace is scheduled, and people perform programmed tasks. College teaching positions have more autonomy: professors usually can determine how a course is taught, even though they may have limited say over class scheduling.

Feedback about results involves the degree to which a job provides employees with direct and clear information about the effectiveness of task performance. Assembly-line jobs often provide high levels of feedback about results, whereas college professors must often contend with indirect and ambiguous feedback about how they are performing in the classroom.

Those five job dimensions can be combined into an overall measure of job enrichment. Enriched jobs have high levels of skill variety, task identity, task significance, autonomy, and feedback about results. They provide opportunities for self direction, learning, and personal accomplishment at work. Many people find enriched jobs internally motivating and satisfying.

Fits:

The diagnostic model in Figure 25(C) suggests that job design must fit job inputs to produce effective job outputs, such as high quality and quantity of individual performance, low absenteeism, and high job satisfaction. Research reveals the following fits between job inputs and job design:

1. Job design should be congruent with the larger organization and group designs within which the job is embedded. Both the organization and the group serve as a powerful context for individual jobs or positions. They tend to support and reinforce particular job designs. Highly differentiated and

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integrated organizations and groups that permit members to self-regulate their behavior fit enriched jobs. These larger organizations and groups promote autonomy, flexibility, and innovation at the individual job level. Conversely, bureaucratic organizations and groups relying on external controls are congruent with job designs scoring low on the five key dimensions. Both organizations and groups reinforce standardized, routine jobs. As suggested earlier, congruence across different levels of organization design promotes integration of the organization, group, and job levels. Whenever the levels do not fit each other, conflict is likely to emerge.

2. Job design should fit the personal characteristics of the jobholders if they are to perform effectively and derive satisfaction from work. Generally, enriched jobs fit people with strong growth needs. These people derive satisfaction and accomplishment from performing jobs involving skill variety, autonomy, and feedback about results. Enriched jobs also fit people possessing moderate to high levels of task-relevant skills, abilities, and knowledge. Enriched jobs generally require complex information processing and decision making; people must have comparable skills and abilities to perform effectively. Jobs scoring low on the five job dimensions generally fit people with rudimentary skills and abilities and with low growth needs. Simpler, more routinized jobs requiring limited skills and experience fit better with people who place a low value on opportunities for self- direction and learning. In addition, because people can grow through education, training, and experience, job design must he monitored and adjusted from time to time.

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Collecting and Analyzing Diagnostic information

Dimensions to Consider in Diagnosis:

In addition to the importance of the consultant having descriptive, analytic, and diagnostic theories, a number of other dimensions are important for the consultant to consider. A description of seven such dimensions follows:

1. Timing of the diagnostic activities is a significant dimension. For example, it is one thing to collect and analyze data and then to develop a strategy for how to use it, but quite another to gather data about the perceived usefulness and timeliness of doing a survey in the first place. Much time and resources can be wasted if organizational participants are not prepared to work with the data.
2. Extent of participation is a key aspect of diagnosis. Who, in a preliminary way, decided that diagnosis should take place? Who decided how it should be done? Which people were systematically involved in supplying data, and further in analyzing and describing the dynamics revealed by the data? One person? Two people? The top team? The top team plus others? One or more people in conjunction with a consultant? All of the members of the system or subsystem? One of the underlying assumptions is the efficacy of participative problem identification and diagnosis in contrast to unilateral problem identification and diagnosis.
3. The dimension of confidentiality, or individual-anonymous vs. group surfacing of data, has important facets. In the early stages of an OD effort, when trust between group members may be low and their feedback skills inadequate, the situation may call for individual interviews, with responses kept anonymous and only reported to the group in terms of themes. As trust is earned and grows, people can become more open in terms of surfacing attitudes, feelings, and perceptions about organizational dynamics in group settings.
4. The degree to which there was pre-selection of variables vs. emergent selection of variables to be considered is another important dimension. For survey feedback different questionnaires which taps some 19 dimensions under three broad categories: leadership, organizational climate, and satisfaction, are used. Another, "Managerial Grid", focuses on two dimensions: concern for people and concern for production. Some OD consultants use interviews asking two or three questions, such as: What things are going well in the organization? What problems do you see?
5. The extent to which data gathering and analysis are isolated events in contrast to being part of a long-range strategy is also important. One usual assumption in OD efforts is that diagnostic activities should be part of an overall plan. Diagnostic activities lead to action program that in turn call for diagnostic activities – this is the action research model.
6. Diagnostic activities that are not part of any such plan that are prompted by someone's whim to know "what they are thinking" may produce resentment and resistance and can seriously hinder attempts to get valid data from system members.
7. The nature of the target population in both preliminary and later systematic data gathering and analysis is also a key dimension. The size and nature of the target group can affect the acceptability of the diagnostic process, what kind of interdependencies can be examined, and what kinds of issues can be worked successfully. The data-providing group can be different from the data-analyzing group, but in OD, suppliers of the information usually work with their own data in intact work teams.

And finally, the type of technique used obviously has a number of important ramifications. By type we mean questionnaire-versus-interview techniques, individual-versus-group surfacing of data, or other categories of techniques that can be differentiated in major ways. As another example of the importance of technique selection an interview can be used for trust building as well as collecting data; a face-to-face conversation is a better vehicle building a relationship than sending someone a questionnaire. Concerns can be expressed and responded to, questions can be answered, and assurances can be provided as how the data will be used, and so on. As another example of the importance of the type of technique selected, giving diagnostic assignments to subgroups in a workshop setting can be a powerful diagnostic technique. But the way these groups are constituted- for example, heterogeneous versus homogenous in terms of rank, position, or aggressiveness-resistance – can be crucial to the amount and candor of the data generated.

Collecting and Analyzing Diagnostic information:

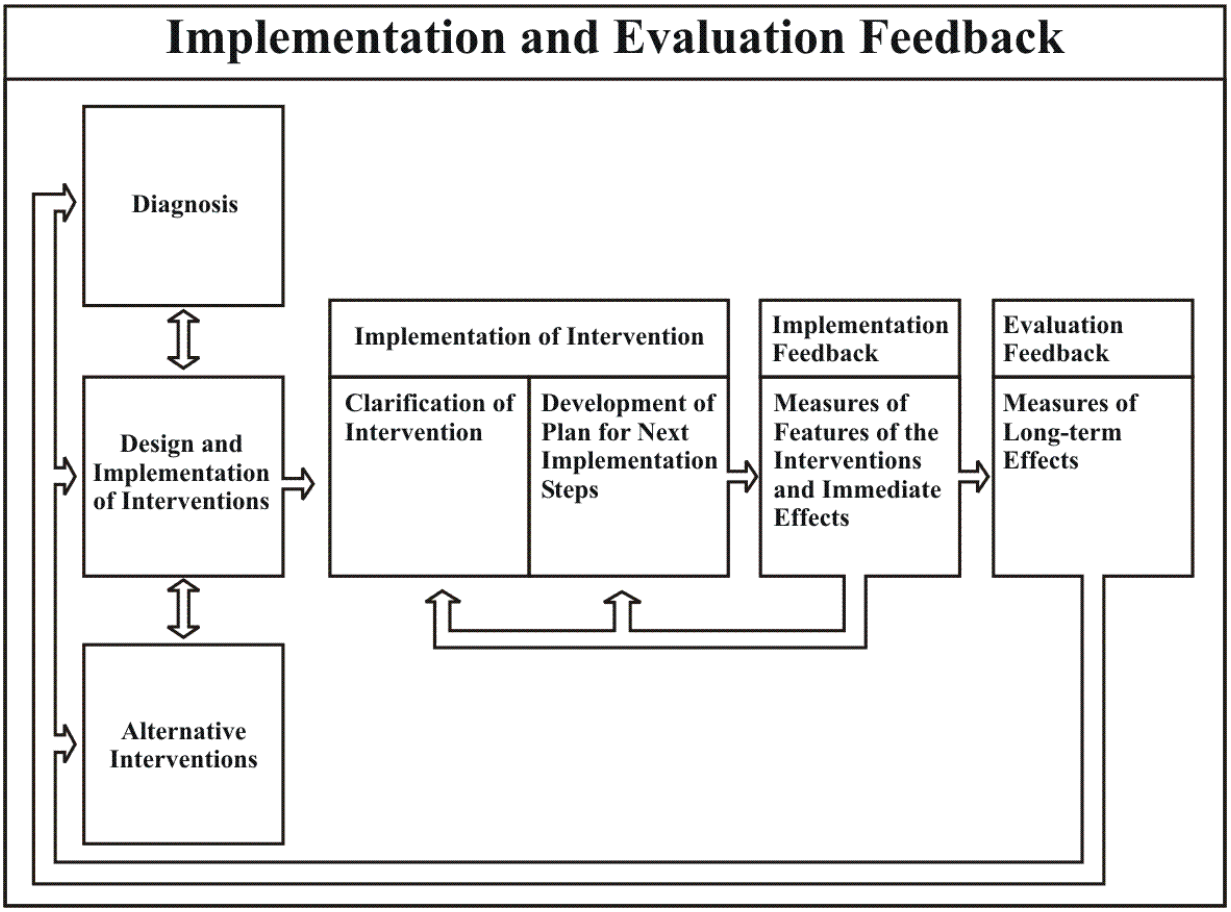
Organization development is vitally dependent on organization diagnosis: the process of co1lecing information that will be shared with the client in jointly assessing how the organization is functioning and determining the best change intervention. The quality of the information gathered, therefore, is a critical part of the OD process.

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Data collection involves gathering information on specific organizational features, such as the inputs, design components, and outputs as discussed earlier. The process begins by establishing an effective relationship between the OD practitioner and those from whom data will be collected and then choosing data-collection techniques. Four methods can be used to collect data: questionnaires, interviews, observations, and unobtrusive measures. Data analysis organizes and examines the information to make clear the underlying causes of an organizational problem or to identify areas for future development. The overall process of data collection, analysis, and feedbacks is shown in Figure 26.

Fig 26: The Data Collection and Feedback Cycle



The Diagnostic Relationship:

In most cases of planned change, OD practitioners play an active role in gathering data from organization members for diagnostic purposes For example, they might interview members of a work team about causes of conflict among members; they might survey employees at a large industrial plant about factors contributing to poor product quality. Before collecting diagnostic information, practitioners need to establish a relationship with those who will provide and subsequently use it. Because the nature of that relationship affects the quality and usefulness of the data collected, it is vital that OD practitioners clarify for organization members who they are, why the data are being collected, what the data gathering will involve, and how the data will be used. That information can help allay people's natural fears that the data might be used against them and gain members' participation and support, which are essential to developing successful interventions.

Establishing the diagnostic relationship between the consultant and relevant organization members is similar to forming a contract. It is meant to clarity expectations and to specify the conditions of the relationship. In those cases where members have been directly involved in the entering and contracting process described earlier, the diagnostic contract will typically be part of the initial contracting step. In situations where data will be collected from members who have not been directly involved in entering and contracting, however, OD practitioners will need to establish a diagnostic contract as a prelude to diagnosis. The answers to the following questions provide the substance of the diagnostic contract:

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1. **Who am I?** The answer to this question introduces the OD practitioner to the organization, particularly to those members who do not know the consultant and yet will be asked to provide diagnostic data.
2. **Why am I here, and what am I doing?** These answers are aimed at defining the goals of the diagnosis and data-gathering activities. The consultant needs to present the objectives of the action research process and to describe how the diagnostic activities fit into the overall developmental strategy.
3. **Who do I work for?** This answer clarifies who has hired the consultant, whether it is a manager, a group of managers, or a group of employees and managers. One way to build trust and support for the diagnosis is to have those people directly involved in establishing the diagnostic contract. Thus, for example, if the consultant works for a joint labor—management committee, representatives from both sides of that group could help the consultant build the proper relationship with those from whom data will be gathered.
4. **What do I want from you, and why?** Here, the consultant needs to specify how much time and effort people will need to give to provide valid data and subsequently to work with these data in solving problems. Because some people may not want to participate in the diagnosis, it is important to specify that such involvement is voluntary.
5. **How will I protect your confidentiality?** This answer addresses member concerns about who will see their responses and in what form. This is especially critical when employees are asked to provide information about their attitudes or perceptions. OD practitioners can either ensure confidentiality or state that full participation in the change process requires open information sharing. In the first case, employees are frequently concerned about privacy and the possibility of being punished for their responses. To alleviate concern and to increase the likelihood of obtaining honest responses, the consultant may need to assure employees of the confidentiality of their information, perhaps through explicit guarantees of response anonymity. In the second case, full involvement of the participants in their own diagnosis may be a vital ingredient of the change process. If sensitive issues arise, assurances of confidentiality can co-opt the OD practitioner and thwart meaningful diagnosis. The consultant is bound to keep confidential the issues that are most critical for the group or organization to understand. OD practitioners must think carefully about how they want to handle confidentiality issues.
6. **Who will have access to the data?** Respondents typically want to know whether they will have access to their data and who else in the organization will have similar access. The OD practitioner needs to clarify access issues and, in most cases, should agree to provide respondents with their own results. Indeed, the collaborative nature of diagnosis means that organization members will work with their own data to discover causes of problems and to devise relevant interventions.

7. **What's in it for you?** This answer is aimed at providing organization members with a clear delineation of the benefits they can expect from the diagnosis. This usually entails describing the feedback process and how they can use the data to improve the organization.
8. **Can I be trusted?** The diagnostic relationship ultimately rests on the trust established between the consultant and those providing the data. An open and honest exchange of information depends on such trust, and the practitioner should provide ample time and face-to-face contact during the contracting process to build this trust. This requires the consultant to listen actively and discuss openly all questions raised by participants.

Careful attention to establishing the diagnostic relationship helps to promote the three goals of data collection. The first and most immediate objective is to obtain valid information about organizational functioning. Building a data-collection contract can ensure that organization members provide honest, reliable, and complete information.

Data collection also can rally energy for constructive organizational change. A good diagnostic relationship helps organization members start thinking about issues that concern them, and it creates expectations that change is possible. When members trust the consultant, they are likely to participate in the diagnostic process and to generate energy and commitment for organizational change.

Finally, data collection helps to develop the collaborative relationship necessary for effecting organizational change. The diagnostic stage of action research is probably the first time that most organization members meet the OD practitioner, and it can be the basis for building a longer-term relationship. The data-collection contract and subsequent data-gathering and feedback activities provide members with opportunities for seeing the consultant in action and for knowing her or him personally. If the consultant can show employees that she or he is trustworthy, is willing to work with them, and is able to help improve the organization, then the data-collection process will contribute to the longer-term collaborative relationship so necessary for carrying out organizational changes.

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The Data-Collection Process:

The process of collecting data is an important and significant step in an OD program. During this stage, the practitioner and the client attempt to determine the specific problem requiring solution. After the practitioner has intervened and has begun developing a relationship, the next step is acquiring data and information about the client system.

This task begins with the initial meeting and continues throughout the OD program. The practitioner is, in effect, gathering data and deciding which data are relevant whenever he or she meets with the client, observes, or asks questions. Of all the basic OD techniques, perhaps none is a fundamental as data collection. The practitioner must be certain of the facts before proceeding with an action program. The probability that an OD program will be successful is increased if it is based upon accurate and in-depth knowledge of the client system.

Information quality is a critical factor in any successful organization. Developing an innovative culture and finding new ways to meet customer needs are strongly influenced by the way information is gathered and processed. Organization development is a data-based change activity. The data collected are used by the members who provide the data, and often lead to insights into ways of improving effectiveness. The data-collection process itself involves an investigation, a body of data, and some form of processing information. For our purposes, the word **data**, which is derived from the Latin verb dare, meaning "to give, is most appropriately applied to unstructured, unformed facts. It is an aggregation of all signs, signals, clues, facts, statistics, opinions, assumptions, and speculations, including items that are accurate and inaccurate, relevant and irrelevant. The word **information** is derived from the Latin verb informare, meaning "to give form to," and is used here to mean data that have form and structure. A common problem in organizations is that they are data-rich but information poor: lots of data, but little or no information.

An OD program based upon a systematic and explicit investigation of the client system has a much higher probability of success because a careful data collect on phase initiates the organization's problem solving process and provides a foundation for the following stages. This section discusses the steps involved in the data-collection process.

The Definition of Objectives:

The **first** and most obvious step in data collection is defining the objectives of the change program. A clear understanding of these broad goals is necessary to determine what information is relevant. Unless the purpose of data collection is clearly defined, it becomes difficult to select methods and standards. The OD practitioner must first obtain enough information to allow a preliminary diagnosis and then decide what further information is required to verify the problem conditions. Usually, some preliminary data gathering is needed simply to clarify the problem conditions before further large-scale data collection is undertaken.

This is usually accomplished by investigating possible problem areas and ideas about what an ideal organization might be like in a session of interviews with key members of the organization. These conversations enable the organization and the practitioner to understand the way things are, as opposed to the way members would like them to be.

Most practitioners emphasize the importance of collecting data as a significant step in the OD process. First, data gathering provides the basis for the organization to begin looking at its own processes, focusing upon how it does things and how this affects performance. Second, data collection often begins a process of self-examination or assessment by members and work teams in the organization, leading to improved problem solving capabilities.

The Selection of Key Factors:

The **second** step in data collection is to identity the central variables involved in the situation (such as turnover, breakdown in communication and isolated management). The practitioner and the client decide which factors are important and what additional information is necessary for a systematic diagnosis of the client system's problems. The traditional approach was to select factors along narrow issues, such as pay and immediate supervisors, more recently; the trend has been to gauge the organization's progress and status more broadly. Broader issues include selecting factors that determine the culture and values of the organization.

Organizations normally generate a considerable amount of "hard" data internally, including production reports, budgets, turnover ratio, sales per square foot, sales or profit per employee and so forth, which may be useful as indicators of problems. This internal data can be compared with competitor's data and industry averages. The practitioner may find, however, that it is necessary to increase the range of depth of data beyond what is readily available. The practitioner may wish to gain additional insights into other dimensions of the organizational system, particularly those dealing with the quality of the transactions or relationships between individuals or groups. This additional data gathering may examine the following dimensions:

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- What is the degree of dependence between operating teams, departments or units?
- What is the quantity and quality of the exchange of information and communication between units?
- What is the degree to which the vision, mission, and the goals of the organization are shared and understood by members?
- What are the norms, attitudes, and motivations of organization members?
- What are the effects of the distribution of power and status within the system?

In this step, the practitioner and client determine which factors are important and which factors can and should be investigated.

The Selection of a Data-Gathering Method:

The third step in data collection is selecting a method of gathering data. There are many different types of data and many different methods of tapping data sources. There is no one best way to gather data - the selection of a method depends on the nature of the problem. Whatever method is adopted data should be acquired in a systematic manner thus allowing quantitative or qualitative comparison between elements of the system. The task in this step is to identify certain characteristics that may be measured to help in the achievement of the OD program objective and then to select an appropriate method to gather the required data. Some major data collecting methods follow.

Methods for Collecting Data:

The **four major techniques** for gathering diagnostic data are questionnaires, interviews, observations, and unobtrusive measures. Table 3 briefly compares the methods and lists their major advantages and problems. No single method can fully measure the kinds of variables important to OD because each has certain strengths and weaknesses. For example, perceptual measures, such as questionnaires and surveys, are open to self-report biases, such as respondents' tendency to give socially desirable answers rather than honest opinions. Observations, on the other hand, are susceptible to observer biases, such as seeing what one wants to see rather than what is really there. Because of the biases inherent in any data-collection method, we recommend that more than one method be used when collecting diagnostic data. If data from the different methods are compared and found to be consistent, it is likely that the variables are being measured validly. For example, questionnaire measures of job discretion could be supplemented with observations of the number and kinds of decisions employees are making. If the two kinds of data support one another, job discretion is probably being accurately assessed. If the two kinds of data conflict, then the validity of the measures should be examined further— perhaps by using a third method, such as interviews.

Table 3: A Comparison of Different Methods of Data Collection

A Comparison of Different Methods of Data Collection		
Method	**Major Advantages**	**Major Potential Problems**
Questionnaires	•Responses can be quantified and easily summarized •Easy to use with large samples •Relatively inexpensive •Can obtain large volume of data	•non-empathy •Predetermined questions/missing issues •Over-interpretation of data •Response bias
Interviews	•adaptive-allows data collection on a range of possible subjects •Source of "rich" data •Empathic •Process of interviewing can build rapport	•Expense •Bias in interviewer responses •coding and interpretation difficulties •self-report bias
Observations	•collects data on behavior, rather than reports of behavior •Real time, not retrospective •Adaptive	•coding and interpretation difficulties •Sampling inconsistencies •Observer bias and questionable reliability •Expense

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Unobtrusive measures	•Non-reactive- no response bias •High face validity •Easily quantified	•Access and retrieval difficulties •Validity concerns •Coding and interpretation difficulties

Questionnaires:

One of the most efficient ways to collect data is through questionnaires. Because they typically contain fixed-response queries about various features of an organization, these paper-and-pencil measures can be administered to large numbers of people simultaneously. Also, they can be analyzed quickly, especially with the use of computers, thus permitting quantitative comparison and evaluation. As a result, data can easily be fed back to employees. Numerous basic resource books on survey methodology and questionnaire development are available.

Questionnaires can vary in scope, some measuring selected aspects of organizations and others assessing more comprehensive organizational characteristics. They also can vary in the extent to which they are either standardized or tailored to a specific organization. Standardized instruments generally are based on an explicit model of organization group, or individual effectiveness and contain a predetermined set of questions that have been developed and refined over time.

Several research organizations have been highly instrumental in developing and refining surveys. The institute for Social Research at the University of Michigan and the Center for Effective Organizations at the University of Southern California are two prominent examples. Two of the institute's most popular measures of organizational dimensions are the Survey of Organizations and the Michigan Organizational Assessment Questionnaire. Few other instruments are supported by such substantial reliability and validity data. Other examples of packaged instruments include Weisbord's Organizational Diagnostic Questionnaire, Dyer's Team Development Survey, and Hackman and Oldham's Job Diagnostic Survey. In fact, so many questionnaires are available that rarely would an organization have to create a totally new one. However, because every organization has unique problems and special jargon for referring to them, almost any standardized instrument will need to have organization-specific additions, modifications, or omissions. Customized questionnaires, on the other hand, are tailored to the needs of a particular client. Typically, they include questions composed by consultants or organization members, receive limited use, and do not undergo longer-term development. They can be combined with standardized instruments to provide valid and reliable data focused toward the particular issues facing an organization.

Questionnaires, however, have a number of draw backs that need to be taken into account in choosing whether to employ them for data collection. First, responses are limited to the questions asked in the instrument. They provide little opportunity to probe for additional data or to ask for points of clarification, second, questionnaires tend to be impersonal, and employees may not be willing to provide honest answers. Third, questionnaires often elicit response biases, such as the tendency to answer questions in a socially acceptable manner. This makes it difficult to draw valid conclusions from employees' self-reports.

Interviews:

A study of 245 OD practitioners found that interviewing is the most widely used data- gathering technique in OD programs. Interviews are more direct, personal, and flexible than surveys and are very well suited for studies of interaction and behavior. Two advantages in particular set interviewing apart from other techniques. First, interviews are flexible and can be used in many different situations. For example, they can be used to determine motives, values, and attitudes. Second, interviewing is the only technique that provides two-way communication. This permits the interviewer to learn more about the problems, challenges, and limitations of the organization. Interviewing usually begins with the initial intervention and is best administered in a systematic manner by a trained interviewer. Data-gathering interviews usually last at least one hour; the purpose is to get the interviewees to talk freely about things that are important to them and to share these perceptions in an honest and straightforward manner. In the author's experience, people really want to talk about things that they feel are important. If the OD practitioner asks appropriate questions, interviewing can yield important results.

The advantage of the interview method is that it provides data that are virtually unobtainable through other methods. Subjective data, such as norms, attitudes, and values, which are largely inaccessible through observation, may be readily inferred from effective interviews. The disadvantages of the interview are the amount of time involved, the training and skill required of the interviewer, the biases and resistances of the respondent and the difficulty of ensuring comparability of data across respondents.

The interview itself may take on several different formats. It can be directed or non-directed. In a **directed interview,** certain kinds of data are desired, and therefore specific questions are asked. The questions are usually formulated in advance to ensure uniformity of responses. The questions themselves may be open-

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ended or closed. **Open- ended** questions allow the respondent to be free and unconstrained in answering, such as "How would you describe the work atmosphere of this organization?" The responses may be very enlightening, but may also be difficult to record and quantify. **Closed questions,** which can be answered by a yes, no. or some other brief response, are easily recorded and are readily quantifiable.

In a **non-directed interview** the interview's direction is chosen by the respondent, with little guidance or direction by the interviewer. If questions are used in a non-directed interview, open-ended questions will be more appropriate than closed questions. A non-directed interview could begin with the interviewer saying, "Tell me about your job here." This could be followed by "You seem to be excited about your work." The data from such an interview can be very detailed and significant, but difficult to analyze because the interview is unstructured.

Interviews may be highly structured, resembling questionnaires, or highly unstructured, starting with general questions that allow the respondent to lead the way. Structured interviews typically derive from a conceptual model of organization functioning; the model guides the types of questions that are asked. For example, a structured interview based on the organization-level design components would ask managers specific questions about organization structure, measurement systems, human resources systems, and organization culture.

Unstructured interviews are more general and include broad questions about organizational functioning, such as:

- What are the major goals or objectives of the organization or department?
- How does the organization currently perform with respect to these purposes?
- What are the strengths and weaknesses of the organization or department?
- What barriers stand in the way of good performance?

Although interviewing typically involves one-to-one interaction between an OD practitioner and an employee, it can be carried out in a group context. Group interviews save time and allow people to build on others' responses. A major drawback, however, is that group settings may inhibit some people from responding freely.

A popular type of group interview is the focus group or sensing meeting. These are unstructured meetings conducted by a manager or a consultant. A small group of ten to fifteen employees is selected representing a cross section of functional areas and hierarchical levels or a homogenous grouping, such as minorities or engineers. Group discussion is frequently started by asking general questions about organizational features and functioning, an intervention's progress, or current performance. Group members are then encouraged to discuss their answers more fully. Consequently, focus groups and sensing meetings are an economical way to obtain interview data and are especially effective in understanding particular issues in greater depth. The richness and validity of the information gathered will depend on the extent to which the manager or consultant develops a trust relationship with the group and listens to member opinions.

Another popular unstructured group interview involves assessing the current state of an intact work group. The manager or consultant generally directs a question to the group, calling its attention to some part of group functioning. For example, group members may be asked how they feel the group is progressing on its stated task. The group might respond and then come up with its own series of questions about barriers to task performance. This unstructured interview is a fast, simple way to collect data about group behavior. It allows members to discuss issues of immediate concern and to engage actively in the questioning and answering process. This technique is limited, however, to relatively small groups and to settings where there is trust among employees and managers and a commitment to assessing group processes.

Interviews are an effective method for collecting data in OD. They are adaptive, allowing the interviewer to modify questions and to probe emergent issues during the interview process. They also permit the interviewer to develop an empathetic relationship with employees, frequently resulting in frank disclosure of pertinent information.

A major drawback of interviews is the amount of time required to conduct and analyze them. Interviews can consume a great deal of time, especially if interviewers take full advantage of the opportunity to hear respondents out and change their questions accordingly. Personal biases also can distort the data. Like questionnaires, interviews are subject to the self-report biases of respondents and, perhaps more important, to the biases of the interviewer. For example, the nature of the questions and the interactions between the interviewer and the respondent may discourage or encourage certain kinds of responses. These problems suggest that interviewing takes considerable skill to gather valid data. Interviewers must be able to understand their own biases, to listen and establish empathy with respondents, and to change questions to pursue issues that develop during the course of the interview.)

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Observations:

One of the more direct ways of collecting data is simply to observe organizational behaviors in their functional settings. The OD practitioner may do this by walking casually through a work area and looking around or by simply counting the occurrences of specific kinds of behavior (for example, the number of times a phone call is answered after three rings in a service department). Observation can range from complete participant observation, in which the OD practitioner becomes a member of the group under study, to more detached observation, in which the observer is clearly not part of the group or situation itself and may use film, videotape, and other methods to record behaviors.

Observations have a number of advantages. They are free of the biases inherent in self-report data. They put the practitioner directly in touch with the behaviors in question, without having to rely on others' perceptions. Observations also involve real-time data, describing behavior occurring in the present rather than the past. This avoids the distortions that invariably arise when people are asked to recollect their behaviors. Finally, observations are adaptive in that the consultant can modify what he or she chooses to observe, depending on the circumstances.

Among the problems with observations are difficulties interpreting the meaning underlying the observations. Practitioners may need to devise a coding scheme to make sense out of observations, and this can be expensive, take time, and introduce biases into the data. Because the observer is the data-collection instrument, personal bias and subjectivity can distort the data unless the observer is trained and skilled in knowing what to look for; how, where, and when to observe; and how to record data systematically. Another problem concerns sampling: observers not only must decide which people to observe; they also must choose the time periods, territory, and events in which to make those observations. Failure to attend to these sampling issues can result in highly biased samples of observational data.

When used correctly, observations provide insightful data about organization and group functioning, intervention success, and performance. For example, observations are particularly helpful in diagnosing the interpersonal relations of members of work groups. As discussed earlier, interpersonal relationships are a key component of work groups; observing member interactions in a group setting can provide direct information about the nature of those relationships.

Unobtrusive Measures:

Unobtrusive data are not collected directly from respondents but from secondary sources, such as company records and archives. These data are generally available in organizations and include records of absenteeism or tardiness; grievances; quantity and quality of production or service; financial performance; meeting minutes; and correspondence with key customers, suppliers, or governmental agencies.

Unobtrusive measures are especially helpful in diagnosing the organization, group, and individual outputs, talked earlier. At the organization level, for example, market share and return on investment usually can be obtained from company reports. Similarly, organizations typically measure the quantity and quality of the outputs of work groups and individual employees. Unobtrusive measures also can help to diagnose organization-level design components—structures work systems, control systems, and human resources systems. A company's organization chart, for example, can provide useful information about organization structure. Information about control systems usually can be obtained by examining the firm's management information system, operating procedures, and accounting practices. Data about human resources system often are included in a company's personnel manual.

Unobtrusive measures provide a relatively objective view of organizational functioning. They are free from respondent and consultant biases and are perceived as being "real" by many organization members. Moreover, unobtrusive measures tend to be quantified and reported at periodic intervals, permitting statistical analysis of behaviors occurring over time. Examining monthly absenteeism rates, for example, might reveal trends in employee withdrawal behavior.

The major problems with unobtrusive measures occur in collecting such information and drawing valid conclusions from it. Company records may not include data in a form that is usable by the consultant. If, for example, individual performance data are needed, the consultant may find that many firms only record production information at the group or departmental level. Unobtrusive data also may have their own built-in biases. Changes in accounting procedures and in methods of recording data are common in organizations, and such changes can affect company records independently of what is actually happening in the organization. For example, observed changes in productivity over time might be caused by modifications in methods of recording production rather than by actual changes in organizational functioning.

Despite these drawbacks, unobtrusive data serve as a valuable adjunct to other diagnostic measures, such as interviews and questionnaires. For example, if questionnaires reveal that employees in a department are dissatisfied with their jobs, company records might show whether that discontent is manifested in heightened withdrawal behaviors, in lowered quality work, or in similar counterproductive behaviors.

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Collecting and Analyzing Diagnostic information

Table 4: A Comparison of Different Methods of Data Collection

A Comparison of Different Methods of Data Collection		
Method	**Major Advantages**	**Major Potential Problems**
Questionnaires	• Responses can be quantified and easily summarized • Easy to use with large samples • Relatively inexpensive • Can obtain large volume of data	• non-empathy • Predetermined questions/missing issues • Over-interpretation of data • Response bias
Interviews	• adaptive-allows data collection on a range of possible subjects 1. Source of "rich" data 2. Empathic 3. Process of interviewing can build rapport	• Expense • Bias in interviewer responses • coding and interpretation difficulties • self-report bias
Observations	• collects data on behavior, rather than reports of behavior • Real time, not retrospective • Adaptive	• coding and interpretation difficulties • Sampling inconsistencies • Observer bias and questionable reliability • Expense
Unobtrusive measures	• Non-reactive- no response bias • High face validity • Easily quantified	• Access and retrieval difficulties • Validity concerns • Coding and interpretation difficulties

Sampling:

Before discussing how to analyze data, the issue of sampling needs to he emphasized. Application of the different data-collection techniques invariably raises the following questions: "How many people should be interviewed and who should they be?" "What events should be observed and how many?" "How many records should be inspected and which ones?"

Sampling is not an issue in many OD cases. Because practitioners collect interview or questionnaire data from all members of the organization or department in question, they do not have to worry about whether the information is representative of the organization or unit.

Sampling becomes an issue in OD, however, when data are collected from selected members, behaviors, or records. This is often the case when diagnosing organization-level issues or large systems. In these cases, it may be important to ensure that the sample of people, behaviors, or records adequately represents the characteristics of the total population. For example, a sample of fifty employees might be used to assess the perceptions of all three hundred members of a department. A sample of production data might be used to evaluate the total production of a work group. OD practitioners often find that it is more economical and quicker to gather a sampling of diagnostic data than to collect all possible information. If done correctly, the sample can provide useful and valid information about the entire organization or unit.

Sampling design involves considerable technical detail, and consultants may need to become familiar with basic references in this area or to obtain professional help. The first issue to address is sample size, or how many people, events, or records are needed to carry out the diagnosis or evaluation. This question has no simple answer: the necessary sample size is a function of population size, the confidence desired in the quality of the data, and the resources (money and time) available for data collection.

First, the larger the population (for example, number of organization members or total number of work outcomes) or the more complex the client system (for example, the number of salary levels that must he sampled or the number of different functions), the more difficult it is to establish a "right" sample size. As

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the population increases in size and complexity, the less meaning one can attach to simple measures, such as an overall average score on a questionnaire item. Because the population comprises such different types of people or events, more data are needed to ensure an accurate representation of the potentially different subgroups. Second, the larger the proportion of the population that is selected, the more confidence one can have about the quality of the sample. If the diagnosis concerns an issue of great importance to the organization, then extreme confidence may be needed, indicative of a very large sample size. Third, limited resources constrain sample size. If resources are limited but the required confidence is high, then questionnaires will be preferred over interviews because more information can be collected per member per dollar.

The second issue to address is sample selection. Probably the most common approach to sampling diagnostic data in OD is a simple random sample, in which each member, behavior, or record has an equal chance of being selected. For example, assume that an OD practitioner would like to select fifty people randomly out of the three hundred employees at a manufacturing plant. Using a complete list of all three hundred employees, the consultant can generate a random sample in one of two ways. The first method is to use a random number table printed in the back of almost any statistics text; the consultant would pick out the employees corresponding to the first fifty numbers under three hundred beginning anywhere in the table. The second method is to pick every sixth name (300/50 = 6) starting anywhere in the list.

If the population is complex or many subgroups need to be represented in the sample, a stratified sample may be more appropriate than a random one. In a stratified sample, the population of members, events, or records is segregated into a number of mutually exclusive subpopulations and a random sample is taken from each subpopulation. For example, members of an organization might be divided into three groups (managers, white-collar workers, and blue-collar workers), and a random sample of members, behaviors, or records could be selected from each grouping to reach diagnostic conclusions about each of the groups.

Adequate sampling is critical to gathering valid diagnostic data, and the OD literature has paid little attention to this issue. OD practitioners should gain rudimentary knowledge in this area and use professional help if necessary.

The Implementation of Data Collection:

Data collection begins with a decision about who to obtain data from and how many respondents there should be. The use of interviews may limit the number of respondents, whereas the use of a questionnaire may increase the number. Data should be collected from several levels and departments in the organization, but different questions may be needed for each of them. The results of a survey of OD practitioners about the methods they use to gather data are reported by Burke, Lark, and Koopman. The one-to-one interview is the most common data-gathering method, used by 87 percent of the respondents. Other methods include observation (60) percent), group interviews (52 percent), questionnaires (45 percent), and existing documents (37 percent).The survey also shows that practitioners normally rely on a variety of data-gathering methods.

Once an appropriate technique has been selected, the actual data-collection program must be accomplished. This includes the operational aspects of designing, printing, distributing, and collecting the data-collection instrument. Outside data-collection agents are more effective than internal personnel. The use of outside data-collection agents is recommended because it apparently makes respondents feel more secure and trusting that candid answers will not be used against them. There are companies that develop data-collection instruments, test them and make them available commercially. The disadvantage is that such instruments may be too generalized and not focused enough for a specific organization to get reliable and useful data.

Once again, confidentiality of data is a critical issue. A small pilot study or beta test of the data-collection instrument is also a good idea. This should include a practice analysis before the large-scale data collection begins to ensure that every possible problem is corrected.

The Analysis of Data:

The techniques for analyzing data vary from relatively straightforward, simple methods to highly sophisticated statistical techniques. Several important questions must be considered before a data-collecting method is selected: How are the data to be analyzed? Are they to be analyzed statistically, and if so, what type of analysis is to be used? Will the data be processed by hand or by computer? Will they be coded, and if so how? These questions must be taken into account prior to data collection so that the data can be used to draw inferences and conclusions. This is especially true with large-scale surveys or interviews, because the large amount of data makes processing a difficult task. The analysis may include comparisons of different divisions within the organization. Management levels can also be compared. To make comparisons, however, it is necessary to properly code the surveys or interviews. “If you can’t measure it, you can’t control it,” says Meg Whitman, CEO of eBay Inc.

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Evaluating the Effectiveness of Data Collection:

A systematic data-collection program has to establish some criteria for how well the data meet the objectives in terms of quantity and quality. Obviously, the sample has to be large enough sample to enable generalization of results. The accuracy of the data, that is, the degree to which the data deviate from the truth, is also an important factor.

A number of criteria may be used to compare data-collection techniques. There is necessarily a trade-off between data quantity and accuracy, on the one hand, and collection cost and time spent collecting, on the other. Naturally the practitioner wants to obtain the best available data that can be generated within the given cost and time constraints. The following criteria lay out some guidelines.

The Validity of the Data:

Probably the most important question is: Are we measuring and collecting data on the dimensions that we intend to measure? OD programs frequently have to deal with difficult subjective parameters such as attitudes and values.

The Time to Collect Data:

How long will it take to gather the data using any given technique? How much time is available? Experience suggests that data collection usually takes longer than planned.

The Cost of Data Collection:

How much do the data cost? A large-scale interviewing program costs a great deal of time and money. The practitioner and the client must determine how much money can be spent in the data-gathering stage. They should also consider the problem of diminishing returns: What is the minimum number of interviews needed for a reliable measure?

The Organization Culture and Norms:

The practitioner has to decide what techniques are best suited to a given organization's culture and will yield the most valid data given these constraints. For example: Are people likely to be open and candid, or hidden and resistant? Does the climate call for open confrontation and questions or a more indirect form of data gathering?

The Hawthorne Effect in Data Collecting:

One of the most difficult factors to eliminate is the so-called **Hawthorne effect—**the effect the observer has on the subject. The very act of investigating and observing may influence the behavior of those being investigated.

One characteristic of successful change programs is that they gather data about organizational problems before initiating a change effort. An effective data-collection process enables the change effort to focus on specific problems rather than rely upon a generalized program. The data-collection stage provides managers and organization members with hard data that can he compared with intuitive, subjective problem awareness.

Techniques for Analyzing Data:

Data analysis techniques fall into two broad classes: qualitative and quantitative. Qualitative techniques generally are easier to use because they do not rely on numerical data. That fact also makes them easier to understand and interpret. Quantitative techniques, on the other hand, can provide more accurate readings of the organizational problem.

Qualitative Tools:

Of the several methods for summarizing diagnostic data in qualitative terms, two of the most important are content analysis and force-field analysis.

Content Analysis:

A popular technique for assessing qualitative data, especially interview data, is content analysis, which attempts to summarize comments into meaningful categories. When done well, a content analysis can reduce hundreds of interview comments into a few themes that effectively summarize the issues or attitudes of a group of respondents. The process of content analysis can be quite formal, and specialized references describe this technique in detail. In general, however, the process can be broken down into three major steps.

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First, responses to a particular question are read to gain familiarity with the range of comments made and to determine whether some answers are occurring over and over again.

Second, based on this sampling of comments, themes are generated that capture recurring comments. Themes consolidate different responses that say essentially the same thing. For example, in answering the question "What do you like most about your job?" different respondents might list their co-workers, their supervisors, the new machinery, and a good supply of tools. The first two answers concern the social aspects of work, and the second two address the resources available for doing the work.

Third, the respondents' answers to a question are then placed into one of the categories. The categories with the most responses represent those themes that are most often mentioned.

Force-Field Analysis:

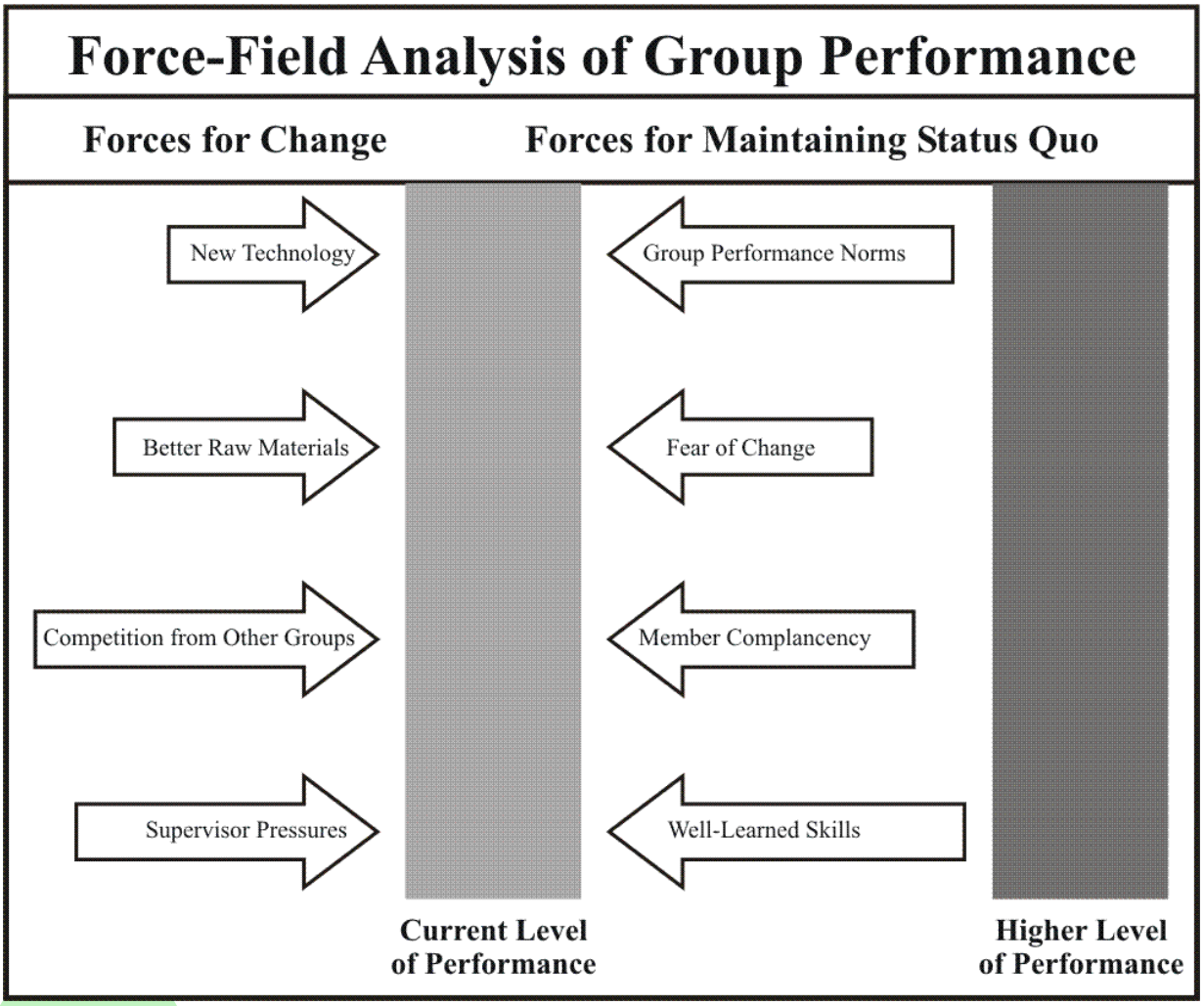
A second method for analyzing qualitative data in OD derives from Kurt Lewin's three-step model of change. Called force-field analysis, this method organizes information pertaining to organizational change into two major categories: forces for change and forces for maintaining the status quo or resisting change. Using data collected through interviews, observation, or unobtrusive measures, the first step in conducting a force-field analysis is to develop a list of all the forces promoting change and all those resisting it. Then, based either on the OD practitioner's personal belief or perhaps on input from several members of the client organizations a determination is made of which of the positive and which of the negative forces are most powerful. One can either rank the order or rate the strength of the different forces. Figure 27 illustrates a force-field analysis of the performance of a work group. The arrows represent the forces, and the length of the arrows corresponds to the strength of the forces. The information could have been collected in a group interview in which members were asked to list those factors maintaining the current level of group performance and those factors pushing for a higher level. Members also could have been asked to judge the strength of each force, with the average judgment shown by the length of the arrows.

This analysis reveals two strong forces pushing for higher performance: pressures from the supervisor of the group and competition from other work groups performing similar work. These forces for change are offset by two strong forces for maintaining the status quo: group norms supporting present levels of performance and well-learned skills that are resistant to change. According to Lewin, efforts to change to a higher level of group performance shown by the darker band in Figure 27 should focus on reducing the forces maintaining the status quo. This might entail changing the group's performance norms and helping members to learn new skills. The reduction of forces maintaining the status quo is likely to result in organizational change with little of the tension or conflict typically accompanying change caused by increasing the forces for change.

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Figure 27: Force-Field Analysis of Work Group



Performance:

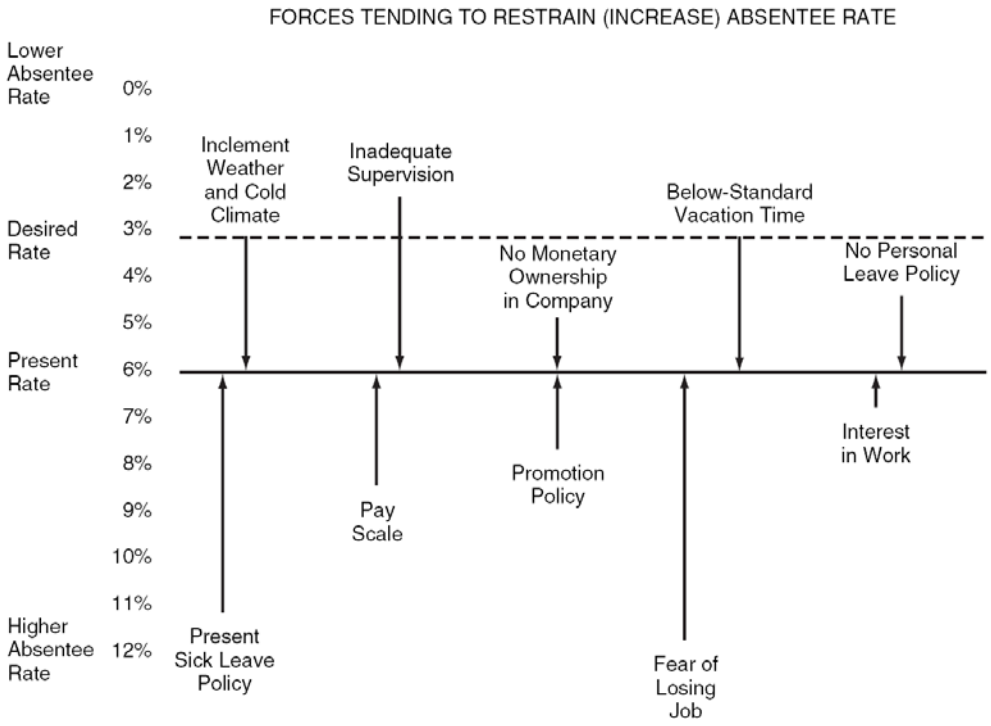
An example of how force-field analysis can be used may be helpful. The general manager of a hospital employing 300 workers and her immediate subordinates identified the 6 percent daily absentee rate as an area of concern. They determined that a 3 percent absentee rate would be much more acceptable. In other words, they found a "performance gap." After going over the survey results with the OD practitioner, it was decided to use force-field analysis to gain an improved diagnosis of this problem. In a brainstorming session, the work team listed all of the forces tending to restrain and increase absenteeism. (figure28)

The managers made the length of the arrows proportionate to the strength of the forces. They had a choice of several strategies to reduce the performance gap. They could decrease the strength of the restraining forces; increase the strength of the driving forces, or a combination of both. Generally, if the forces that put pressure on people (such as fear of losing their job) are increased, the tension within the system will also increase, possibly bringing about stronger resistance and unpredictable behavior, It is often better to increase forces that do not put pressure on people (for instance, a promotion policy that is more closely tied to an employee's absentee rate), to reduce restraining forces, or to add new driving forces.

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Fig 28: Example of the Use of Force-Field Analysis



Quantitative Tools:

Methods for analyzing quantitative data range from simple descriptive statistics of items or scales from standard instruments to more sophisticated, multivariate analysis of the underlying instrument properties and relationships among measured variables. The most common quantitative tools are means, standard deviations, frequency distributions, scattergrams, correlation coefficients, and difference tests. These measures are routinely produced by most statistical computer software packages. Therefore, mathematical calculations are not discussed here.

Means, Standard Deviations, and Frequency Distributions:

One of the most economical and straightforward ways to summarize quantitative data is to compute a mean and standard deviation for each item or variable measured. These represent the respondents' average score and the spread or variability of the responses, respectively. These two numbers easily can be compared across different measures or subgroups. For example, Table 5 shows the means and standard deviations for six questions asked of one hundred employees concerning the value of different kinds of organizational rewards. Based on the five-point scale ranging from one (very low value) to five (very high value), the data suggest that challenging work and respect from peers are the two most highly valued rewards. Monetary rewards, such as pay and fringe benefits, are not as highly valued.

Table 5. Descriptive Statistics of Value of Organizational Rewards.

Descriptive Statistics of Value of Organizational Rewards		
Organizational Rewards	**Mean**	**Standard Deviation**
Challenging work	4.6	0.79
Respect from peers	4.4	0.81
Pay	4.0	0.71
Praise from supervisor	4.0	1.55
Promotion	3.3	0.95
Fringe benefits	2.7	1.14

Number of respondents = 100
1 = very low value, 5 = very high value

But the mean can be a misleading statistic. It only describes the average value and thus provides no information on the distribution of the responses. Different patterns of responses can produce the same

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mean score. Therefore, it is important to use the standard deviation along with the frequency distribution to gain a clearer understanding of the data. The Frequency distribution is a graphical method for displaying data that shows the number of times a particular response was given. For example, the data in Table 5 suggest that both pay and praise from the supervisor are equally valued with a mean of 4.0. However, the standard deviations for these two measures are very different at 0.71 and 1.55, respectively. Table 6 shows the frequency distributions of the responses to the questions about pay and praise from the supervisor. Employees' responses to the value of pay are distributed toward the higher end of the scale, with no one rating it of low or very low value. In contrast, responses about the value of praise from the supervisor fall into two distinct groupings: twenty-five employees felt that supervisor praise has a low or very low value, whereas seventy-five people rated it high or very high. Although both rewards have the same mean value, their standard deviations and frequency distributions suggest different interpretations of the data.

Table 6: Frequency Distribution of Responses to "Pay" and praise from Supervisor" items.

Frequency Distributions of Responses to "Pay" and "praise from Supervisor" Items		
Pay (Mean = 4.0)		
Response	Number checking each response	Graph
(1) Very low vlue	0	
(2) Low value	0	
(3) Moderate value	25	Xxxxx
(4) High value	50	Xxxxxxxxxx
(5) Very high value	25	xxxxx
Praise from Supervisor (Mean = 4.0)		
Response	Number checking each response	Graph
(1) Very low value	15	Xxx
(2) Low value	10	Xx
(3) Moderate value	0	
(4) High value	10	Xx
(5) Very high value	65	xxxxxxxxxxxx

In general, when the standard deviation for a set of data is high, there is considerable disagreement over the issue posed by the question if the standard deviation is small; the data are similar on a particular measure. In the example described above, there is disagreement over the value of supervisory praise (some people think it is important but others do not), but there is fairly good agreement that pay is a reward with high value.

Scatter grams and Correlation Coefficients:

In addition to describing data, quantitative techniques also permit OD consultants to make inferences about the relationships between variables. Scattergrams and correlation coefficients are measures of the strength of a relationship between two variables. For example, suppose the problem being faced by an organization is increased conflict between the manufacturing department and the engineering design department. During the data-collection phase, information about the number of conflicts and change orders per month over the past year is collected. The data are shown in Table 7and plotted in a Scattergrams in Fig 29.

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Table 7: Relationship between Change Orders and Conflicts

Relationship Between Change Orders and Conflicts		
Month	**Number of Change Orders**	**Number of Conflicts**
April	5	5
May	12	4
June	14	3
July	6	2
August	8	3
September	20	5
October	10	2
November	2	1
December	15	4
January	8	3
February	18	4
March	10	5

A Scattergram is a diagram that visually displays the relationship between two variables; it is constructed by locating each case (person or event) at the intersection of its value for each of the two variables being compared. For example, in the month of August, there were eight change orders and three conflicts, whose intersection is shown on Figure 29as an X.

Three basic patterns can emerge from a Scattergram, as shown in Fig 30. The first pattern is called a positive relationship because as the values of x increase, so do the values of y. The second pattern is called a negative relationship because as the values of x increase, the values of y decrease. Finally, there is the "shotgun" pattern wherein no relationship between the two variables is apparent. In the example shown in Figure 29, an apparently strong positive relationship exists between the number of change orders and the number of conflicts between the engineering design department and the manufacturing department. This suggests that change orders may contribute to the observed conflict between the two departments.

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Figure 29: Scattergram of change order versus conflict

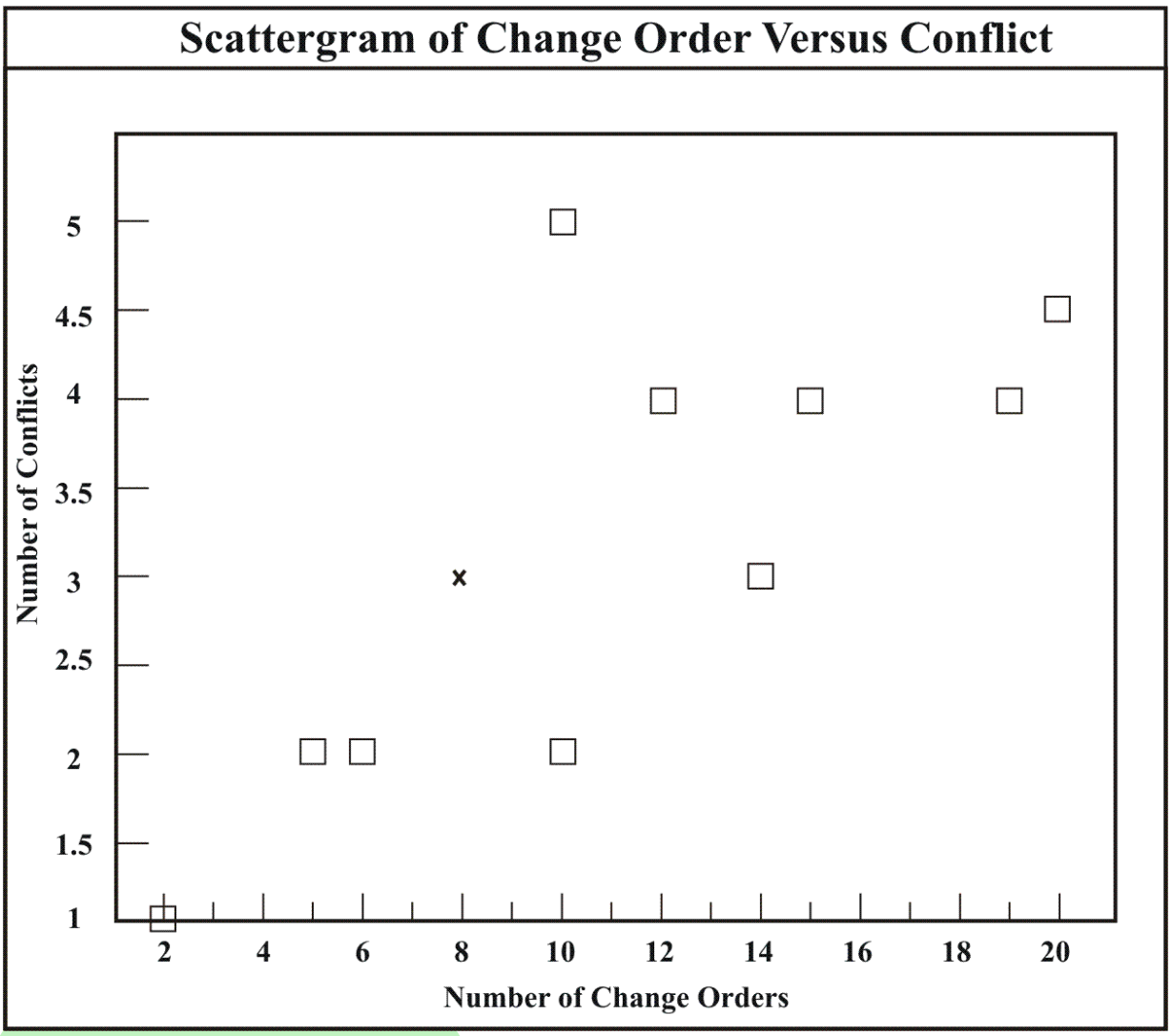
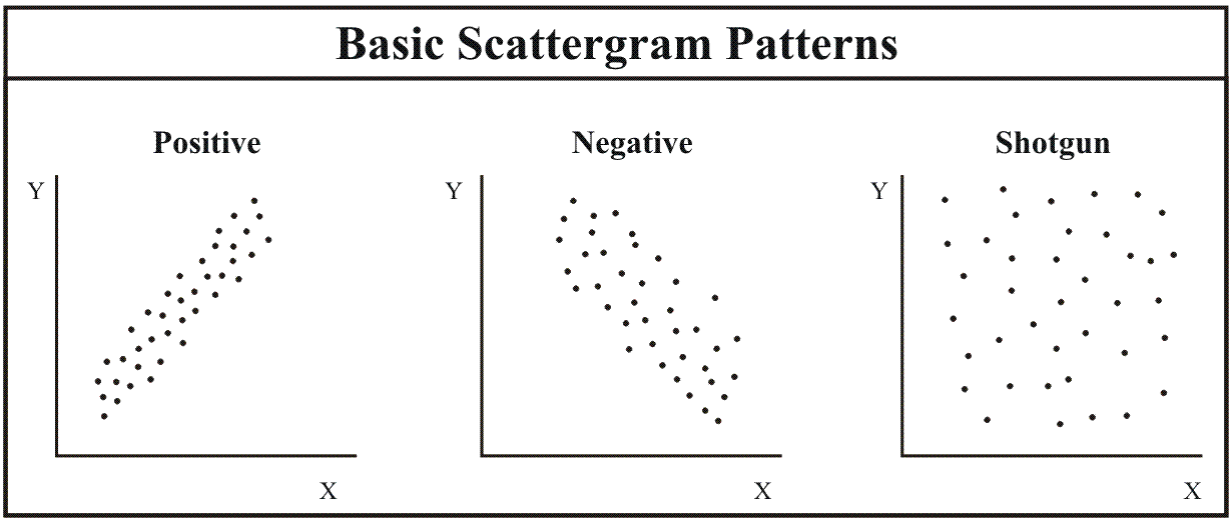


Figure 30: Basic Scattergram Patterns



The correlation coefficient is simply a number that summarizes data in a scattergram. Its value ranges between +1.0 and -1.0. A correlation coefficient of +1.0 means that there is a perfect, positive relationship between two variables, whereas a correlation of -1.0 signifies a perfectly negative relationship. A correlation of 0 implies a "shotgun" scattergram where there is no relationship between two variables.

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Difference Tests:

The final technique for analyzing quantitative data is the difference test. It can be used to compare a sample group against some standard or norm to determine whether the group is above or below that standard. It also can be used to determine whether two samples are significantly different from each other. In the first case, such comparisons provide a broader context for understanding the meaning of diagnostic data. They serve as a "basis for determining 'how good is good or how bad is bad." Many standardized questionnaires have standardized scores based on the responses of large groups of people. It is critical, however, to choose a comparison group that is similar to the organization being diagnosed. For example, if one hundred engineers take a standardized attitude survey, it makes little sense to compare their scores against standard scores representing married males from across the country. On the other hand, industry-specific data are available; a comparison of sales per employee (as a measure of productivity) against the industry average would be valid and useful.

The second use of difference tests involves assessing whether two (or more) groups differ from one another on a particular variable, such as job satisfaction or absenteeism. For example, job satisfaction differences between an accounting department and a sales department can be determined with this tool. Given that each group took the same questionnaire, their means and standard deviations can be used to compute a difference score (t-score or z-score) indicating whether the two groups are statistically different. The larger the difference score relative to the sample size and standard deviation for each group, the more likely that one group is more satisfied than the other.

Difference tests also can be used to determine whether a group has changed its score on job satisfaction or some other variable over time. The same questionnaire can be given to the same group at two points in time. Based on the group's means and standard deviations at each point in time, a difference score can be calculated. The larger the score, the more likely that the group actually changed its job satisfaction level. The calculation of difference scores can be very helpful for diagnosis but requires the OD practitioner to make certain assumptions about how the data were collected, these assumptions are discussed in most standard statistical texts, and OD practitioners should consult them before calculating difference scores for purposes of diagnosis or evaluation.

Feeding Back Diagnostic Information:

Perhaps the most important step in the diagnostic process is feeding back diagnostic information to the client organization. Although the data may have been collected with the client's help, the OD practitioner usually is responsible for organizing and presenting them to the client. Properly analyzed and meaningful data can have an impact on organizational change only if organization members can use the information to devise appropriate action plans. A key objective of the feedback process is to be sure that the client has ownership of the data.

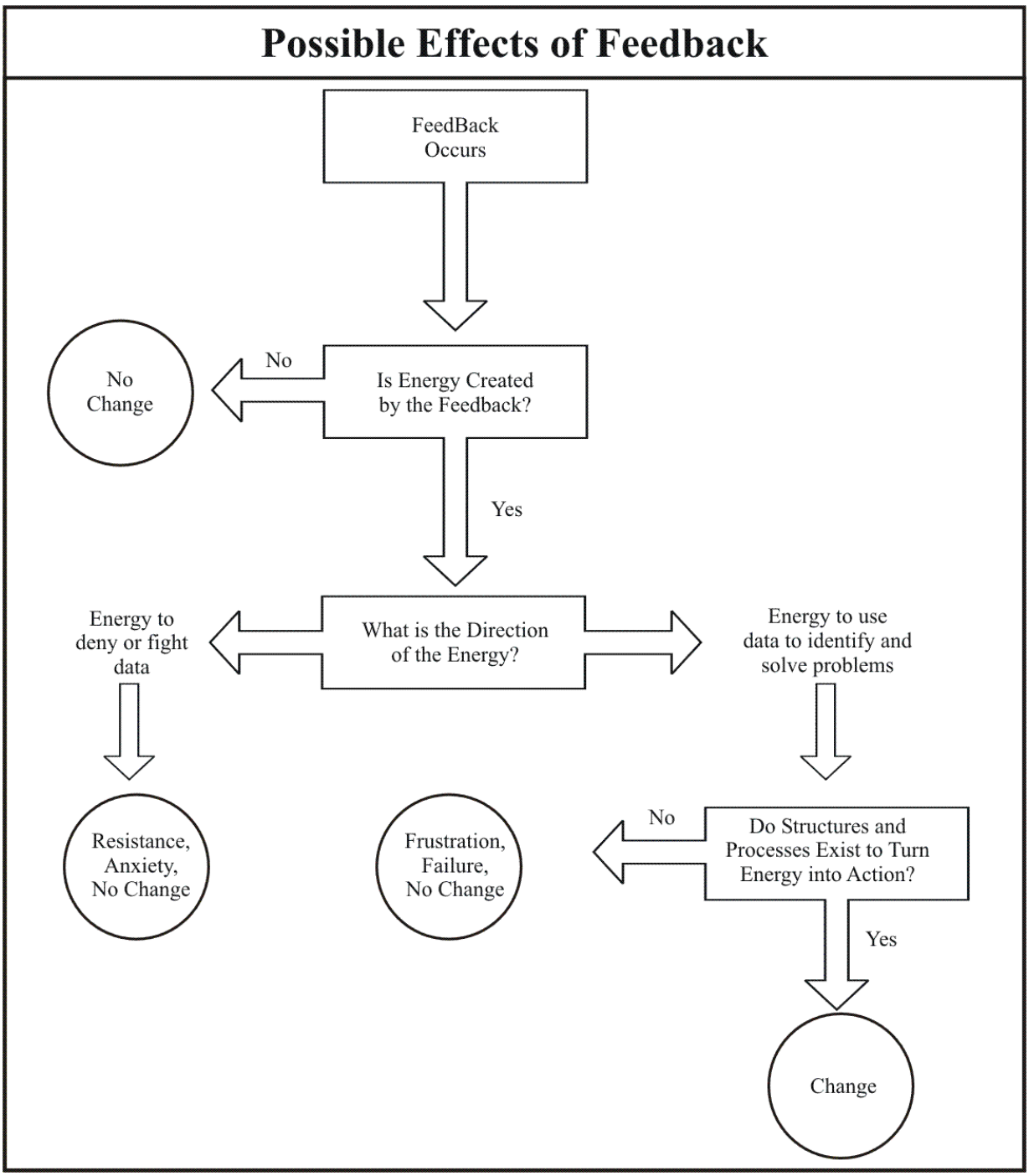
As shown in Figure 31, the success of data feedback depends largely on its ability to arouse organizational action and to direct energy toward organizational problem solving. Whether feedback helps to energize the organization depends on the content of the feedback data and on the process by which they are fed back to organization members.

We now discuss criteria for developing both the content of feedback information and the processes for feeding it back. If these criteria are overlooked, the client is not apt to feel ownership of the problems facing the organization. A flexible and potentially powerful technique for data feedback that has arisen out of the wide use of questionnaires in OD work is known as survey feedback. Its central role in many large-scale on efforts warrants a special look.

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Figure 31: Possible Effects of Feedback



Determining the Content of the Feedback:

In the course of diagnosing the organization, a large amount of data is collected. In fact, there is often more information than the client needs or could interpret in a realistic period of time. If too many data are fed back, the client may decide that changing is impossible. Therefore, OD practitioners need to summarize the data in ways that enable clients to understand the information and draw action implications from it. The techniques for data analysis described earlier can inform this task. Additional criteria for determining the content of diagnostic feedback are described below.

Several characteristics of effective feedback data have been described in the literature. They include the following nine properties:

1. **Relevant**. Organization members are likely to use feedback data for problem solving when they find the information meaningful. Including managers and employees in the initial data-collection activities can increase the relevance of the data.

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2. **Understandable.** Data must be presented to organization members in a form that is readily interpreted. Statistical data, for example, can be made understandable through the use of graphs and charts.
3. **Descriptive.** Feedback data need to be linked to real organizational behaviors if they are to arouse and direct energy. The use of examples and detailed illustrations can help employees gain a better feel for the data.
4. **Verifiable.** Feedback data should be valid and accurate if they are to guide action. Thus, the information should allow organization members to verify whether the findings really describe the organization. For example, questionnaire data might include information about the sample of respondents as well as frequency distributions for each item or measure. Such information can help members verify whether the feedback data accurately represent organizational events or attitudes.
5. **Timely.** Data should be fed back to members as quickly as possible after being collected and analyzed. This will help ensure that the information is still valid and is linked to members' motivation to examine it.
6. **Limited.** Because people can easily become overloaded with too much information, feedback data should be limited to what employees can realistically process at one time.
7. **Significant.** Feedback should be limited to those problems that organization members can do something about because it will energize them and help direct their efforts toward realistic changes.
8. **Comparative.** Feedback data can be ambiguous without some benchmark as a reference. Whenever possible, data from comparative groups should be provided to give organization members a better idea of how their group fits into a broader context.
9. **Un-finalized.** Feedback is primarily a stimulus for action and thus should spur further diagnosis and problem solving. Members should be encouraged, for example, to use the data as a starting point for more in-depth discussion of organizational issues.

Characteristics of the Feedback Process:

In addition to providing effective feedback data, it is equally important to attend to the process by which that information is fed back to people. Typically, data are provided to organization members in a meeting or series of meetings. Feedback meetings provide a forum for discussing the data, drawing relevant conclusions, and devising preliminary action plans. Because the data might include sensitive material and evaluations about organization members' behaviors, people may come to the meeting with considerable anxiety and fear about receiving the feedback. This anxiety can result in defensive behaviors aimed at denying the information or providing rationales. More positively, people can be stimulated by the feedback and the hope that desired changes will result from the feedback meeting.

Because people are likely to come to feedback meetings with anxiety, fear, and hope, OD practitioners need to manage the feedback process so that constructive discussion and problem solving occur. The most important objective of the feedback process is to ensure that organization members own the data. Ownership is the opposite of resistance to change and refers to people's willingness to take responsibility for the data, their meaning, and the consequences of using them to devise a change strategy. If the feedback session results in organization members rejecting the data as invalid or useless, then the motivation to change is lost and members will have difficulty engaging in a meaningful process of change.

Ownership of the feedback data is facilitated by the following five features of successful feedback processes:

1. **Motivation to work with the data.** People need to feel that working with the feedback data will have beneficial outcomes. This may require explicit sanction and support from powerful groups so that people feel free to raise issues and to identify concerns during the feedback sessions. If people have little motivation to work with the data or feel that there is little chance to use the data for change, then the information will not be owned by the client system.
2. **Structure for the meeting.** Feedback meetings need some structure or they may degenerate into chaos or aimless discussion. An agenda or outline and a discussion leader can usually provide the necessary direction. If the meeting is not kept on track, especially when the data are negative, ownership can be lost in conversations that become too general. When this happens, the energy gained from dealing directly with the problem is lost.
3. **Appropriate attendance.** Generally, people who have common problems and can benefit from working together should be included in the feedback meeting. This may involve a fully intact work team or groups comprising members from different functional areas or hierarchical levels. Without proper representation in the meeting, ownership of the data is lost because participants cannot address the problem(s) suggested by the feedback.
4. **Appropriate power.** It is important to clarify the power possessed by the group. Members need to know on which issues they can make necessary changes, on which they can only

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recommend changes, and over which they have no control. Unless there are clear boundaries, members are likely to have some hesitation about using the feedback data for generating action plans. Moreover, if the group has no power to make changes, the feedback meeting will become an empty exercise rather than a real problem-solving session. Without the power to address change, there will be little ownership of the data.

5. **Process help.** People in feedback meetings require assistance in working together as a group. When the data are negative, there is a natural tendency to resist the implications, deflect the conversation onto safer subjects, and the like. An OD practitioner with group process skills can help members stay focused on the subject and improve feedback discussion, problem solving, and ownership.

When combined with effective feedback data, these features of successful feedback meetings enhance member ownership of the data. They help to ensure that organization members fully discuss the implications of the diagnostic information and that their conclusions are directed toward relevant and feasible organizational changes.

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Designing Interventions

An organization development intervention is a sequence of activities, actions, and events intended to help an organization improve its performance and effectiveness. Intervention design, or action planning, derives from careful diagnosis and is meant to resolve specific problems and to improve particular areas of organizational functioning identified in the diagnosis. OD interventions vary from standardized programs that have been developed and used in many organizations to relatively unique programs tailored to a specific organization or department.

What are effective interventions?

The term intervention refers to a set of sequenced planned actions or events intended to help an organization increase its effectiveness. Interventions purposely disrupt the status quo; they are deliberate attempts to change an organization or subunit toward a different and more effective state. In OD, three major criteria define an effective intervention: (1) the extent to which it fits the needs of the organization; (2) the degree to which it is based on causal knowledge of intended outcomes; and (3) the extent to which it transfers change-management competence to organization members.

The first criterion concerns the extent to which the intervention is relevant to the organization and its members. Effective interventions are based on valid information about the organization's functioning; they provide organization members with opportunities to make free and informed choices; and they gain members' internal commitment to those choices.

Valid information is the result of an accurate diagnosis of the organization's functioning. It must reflect fairly what organization members perceive and feel about their primary concerns and issues. Free and informed choice suggests that members are actively involved in making decisions about the changes that will affect them. It means that they can choose not to participate and that interventions will not be imposed on them. Internal commitment means that organization members accept ownership of the intervention and take responsibility for implementing it. If interventions are to result in meaningful changes, management, staff, and other relevant members must be committed to carrying them out.

The second criterion of an effective intervention involves knowledge of outcomes. Because interventions are intended to produce specific results, they must be based on valid knowledge that those outcomes actually can be produced. Otherwise there is no scientific basis for designing an effective OD intervention. Unfortunately, and in contrast to other applied disciplines such as medicine and engineering, knowledge of intervention effects is in a rudimentary stage of development in OD. Much of the evaluation research lacks sufficient rigor to make strong causal inferences about the success or failure of change programs. Moreover, few attempts have been made to examine the comparative effects of different OD techniques. All of these factors make it difficult to know whether one method is more effective than another. Despite these problems, more attempts are being made to assess systematically the strengths and weaknesses of OD interventions and to compare the impact of different techniques on organization effectiveness.

The third criterion of an effective intervention involves the extent to which it enhances the organization's capacity to manage change. The values underlying OD suggest that organization members should be better able to carry out planned change activities on their own following an intervention. They should gain knowledge and skill in managing change from active participation in designing and implementing the intervention. Competence in change management is essential in today's environment, where technological, social, economic, arid political changes are rapid and persistent.

How to design effective interventions:

Designing OD interventions requires paying careful attention to the needs and dynamics of the change situation and crafting a change program that will be consistent with the previously described criteria of effective interventions. Current knowledge of OD interventions provides only general prescriptions for change. There is scant precise information or research about how to design interventions or how they can be expected to interact with organizational conditions to achieve specific results. Moreover, because the ability to implement most OD interventions is highly dependent on the skills and knowledge of the change agent, the design of an intervention will depend to some extent on the expertise of the practitioner. Two major sets of contingencies that can affect intervention success have been discussed in the OD literature: those having to do with the change situation (including the practitioner) and those related to the target of change. Both kinds of contingencies need to be considered in designing interventions.

Contingencies Related to the Change Situation:

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Researchers have identified a number of contingencies present in the change situation that can affect intervention success. These include individual differences among organization members (for example, needs for autonomy), organizational factors (for example, management style and technical uncertainty), and dimensions of the change process itself (for example, degree of top-management support). Unless these factors are taken into account in designing an intervention, it will have little impact on organizational functioning or, worse, it may produce negative results. For example, to resolve motivational problems among blue-collar workers in an oil refinery it is important to know whether interventions intended to improve motivation (for example, job enrichment) will succeed with the kinds of people who work there. In many cases, knowledge of these contingencies results in modifying or adjusting the change program to fit the setting. In applying a reward-system intervention to an organization, the changes might have to be modified depending on whether the firm wants to reinforce individual or team performance. Although knowledge of contingencies is still at a rudimentary stage of development in OD, researchers have discovered several situational factors that can affect intervention success. More generic contingencies that apply to all OD interventions are presented below. They include the following situational factors that must be considered in designing any intervention: the organization's readiness for change, its change capability, its cultural context, and the change agent's skills and abilities.

Readiness for Change:

Intervention success depends heavily on the organization being ready for planned change. Indicators of readiness for change include sensitivity to pressures for change, dissatisfaction with the status quo, availability of resources to support change, and commitment of significant management time. When such conditions are present, interventions can be designed to address the organizational issues uncovered during diagnosis. When readiness for change is low, however, interventions need to focus first on increasing the organization's willingness to change.

Capability to Change:

Managing planned change requires particular knowledge and skills, including the ability to motivate change, to lead change, to develop political support, to manage the transition, and to sustain momentum. If organization members do not have these capabilities, then a preliminary training intervention may be needed before members can engage meaningfully in intervention design.

Cultural Context:

The national culture within which the organization is embedded can exert a powerful influence on members' reactions to change, so intervention design must account for the cultural values and assumptions held by organization members. Interventions may have to be modified to fit the local culture, particularly when OD practices developed in one culture are applied to organizations in another culture. For example, a team-building intervention designed for top managers at an American firm may need to be modified when applied to the company's foreign subsidiaries.

Capabilities of the Change Agent:

Many failures in OD result when change agents apply interventions beyond their competence. In designing interventions, OD practitioners should assess their experience and expertise against the requirements needed to implement the intervention effectively. When a mismatch is discovered, practitioners can explore whether the intervention can be modified to fit their talents better, whether another intervention more suited to their skills can satisfy the organization's needs, or whether they should enlist the assistance of another change agent who can guide the process more effectively. The ethical guidelines under which OD practitioners operate requires full disclosure of the applicability of their knowledge and expertise to the client situation. Practitioners are expected to intervene within their capabilities or to recommend someone more suited to the client's needs.

Contingencies Related to the Target of Change:

OD interventions seek to change specific features or parts of organizations. These targets of change are the main focus of interventions, and researchers have identified two key contingencies related to change targets that can affect intervention success: the organizational issues that the intervention is intended to resolve and the level of organizational system at which the intervention is expected to have a primary impact.

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Organizational Issues:

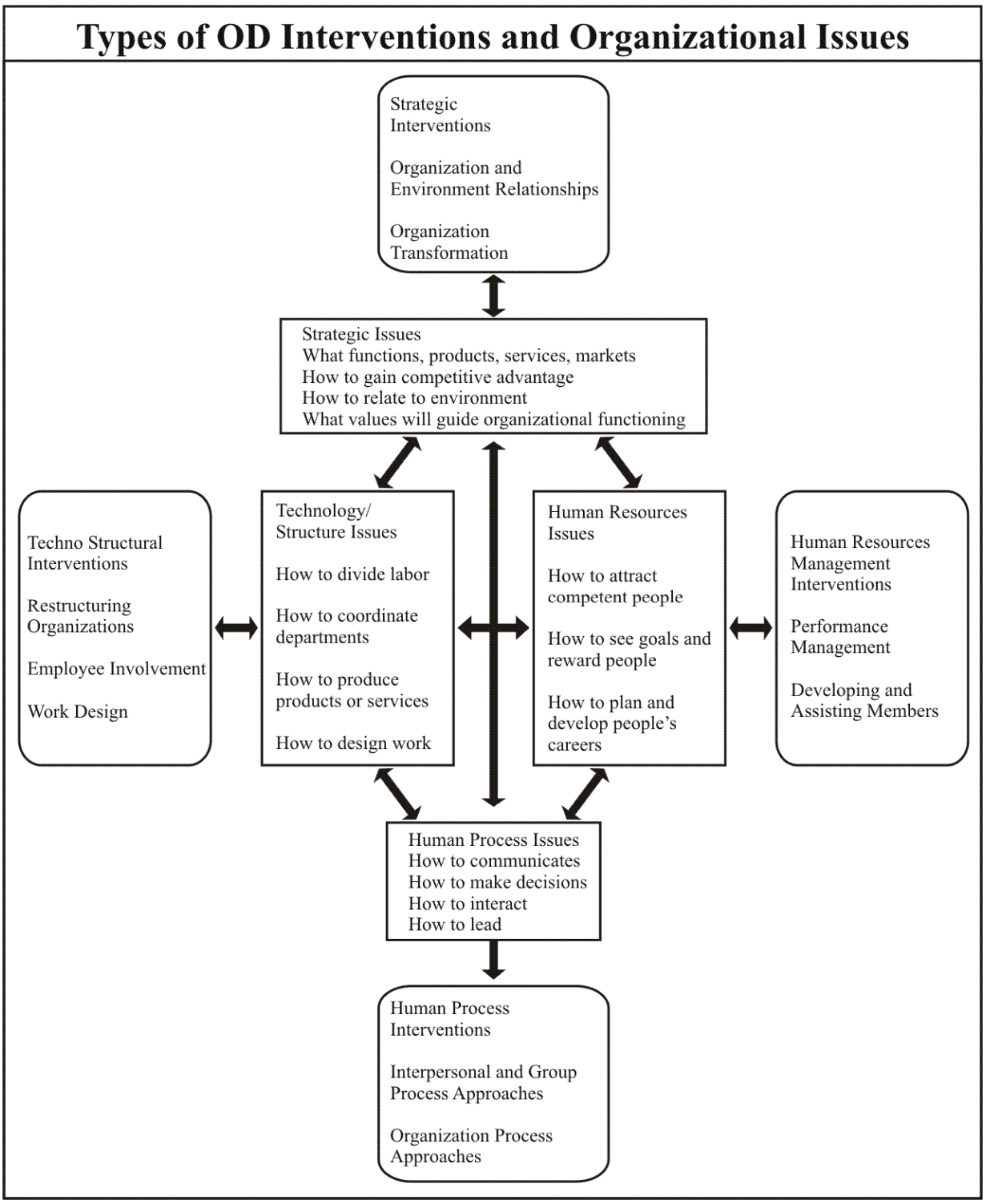
Organizations need to address certain issues to operate effectively. Figure 9.1 lists these issues along with the OD interventions that are intended to resolve them. It shows the following four interrelated issues that are key targets of OD interventions:

1. **Strategic issues.** Organizations need to decide what products or services they will provide and the markets in which they will compete, as well as how to relate to their environments and how to transform themselves to keep pace with changing conditions. These strategic issues are among the most critical facing organizations in today's changing and highly competitive environments. OD methods aimed at these issues are called strategic interventions. The methods are among the most recent additions to OD and include integrated strategic change, mergers and acquisitions, trans-organizational development, and organization learning.
2. **Technology and structure issues.** Organizations must decide how to divide work into departments and then how to coordinate among those departments to support strategic directions. They also must make decisions about how to deliver products or services and how to link people to tasks. OD methods for dealing with these structural and technological issues are called techno-structural interventions and include OD activities relating to organization design, employee involvement, and work design.
3. **Human resources issues.** These issues are concerned with attracting competent people to the organization, setting goals for them, appraising and rewarding their performance, and ensuring that they develop their careers and manage stress. OD techniques aimed at these issues are called human resources management interventions.
4. **Human process issues.** These issues have to do with social processes occurring among organization members, such as communication, decision making, leadership, and group dynamics. OD methods focusing on these kinds of issues are called human process interventions; included among them are some of the most common OD techniques, such as conflict resolution and team building.

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Figure 32. Types of OD Interventions and Organizational Issues



Consistent with system theory as discussed earlier, these organizational issues are interrelated and need to be integrated with each other. The double-headed arrows connecting the different issues in Figure 32 represent the fits or linkages among them. Organizations need to match answers to one set of questions with answers to other sets of questions to achieve high levels of effectiveness. For example, decisions about gaining competitive advantage need to fit with choices about organization structure, setting goals for and rewarding people, communication, and problem solving.

The interventions discussed in the lectures are intended to resolve these different concerns as shown in Figure 32, particular OD interventions apply to specific issues. Thus, intervention design must create change methods appropriate to the organizational issues identified in diagnosis. Moreover, because the organizational issues are themselves linked together, OD interventions similarly need to be integrated with one another. For example, a goal-setting intervention that tries to establish motivating goals may need to be

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integrated with supporting interventions, such as a reward system that links pay to goal achievement. The key point is to think systemically. Interventions aimed at one kind of organizational issue will invariably have repercussions on other kinds of issues. Careful thinking about how OD interventions affect the different kinds of issues and how different change programs might be integrated to bring about a broader and more coherent impact on organizational functioning are critical to effective intervention.

Organizational Levels:

In addition to facing interrelated issues, organizations function at different levels— individual, group, organization and trans-organization. Thus, organizational levels are targets of change in OD. Table 8 lists OD interventions in terms of the level of organization that they primarily affect. For example, some techno-structural interventions affect mainly individuals and groups (for example, work design), whereas others impact primarily the total organization (for example, structural design).

It is important to emphasize that only the primary level affected by the intervention is identified in Table 8. Many OD interventions also have a secondary impact on the other levels. For example, structural design affects mainly the organization level but can have an indirect effect on groups and individuals because it sets the broad parameters for designing work groups and individual jobs. Again, practitioners need to think systemically. They must design interventions to apply to specific organizational levels, address the possibility of cross-level effects, and perhaps integrate interventions affecting different levels to achieve overall success. For example, an intervention to create self-managed work teams may need to be linked to organization-level changes in measurement and reward systems to promote team-based work.

Overview of interventions:

The OD interventions, which will be discussed later, are briefly described below. They represent the major organizational change methods used in OD today.

Human Process Interventions:

These interventions focus on people within organizations and the processes through which they accomplish organizational goals. These processes include communication, problem solving, group decision making, and leadership. This type of intervention is deeply rooted in the history of OD. It represents the earliest change programs characterizing OD, including the T-group and the organizational confrontation meeting. Human process interventions derive mainly from the disciplines of psychology and social psychology and the applied fields of group dynamics and human relations. Practitioners applying these interventions generally value human fulfillment and expect that organizational effectiveness follows from improved functioning of people and organizational processes.

Table 8 Types of Interventions and Organization Levels

Organizational Levels	Primary Organization Level Affected		
Interventions	**Individual**	**Group**	**Organization**
Human Process			
T-group	X	X	
Process consultation		X	
Third-party intervention	X	X	
Organization confrontation meeting		X	X
Inter-group relations		X	X
Large-group interventions			X
Techno-structural			
Structural Design			X
Work Design	X	X	
Human Resources Management			
Goal setting	X	X	
Performance appraisal	X	X	
Reward systems	X	X	X
Managing workforce diversity	X	X	
Employee wellness	X		
Strategic			
Self-designing organizations		X	X

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Human process interventions related to interpersonal relationships and group dynamics include the following four interventions:

1. **T-group.** This traditional change method provides members with experiential learning about group dynamics, leadership, and interpersonal relations. The basic T-group brings ten to fifteen strangers together with a professional trainer to examine the social dynamics that emerge from their interactions. Members gain feedback about the impact of their own behaviors on each other and learn about group dynamics.
2. **Process consultation.** This intervention focuses on interpersonal relations and social dynamics occurring in work group. Typically, a process consultant helps group members diagnose group functioning and devise appropriate solutions to process problems, such as dysfunctional conflict, poor communication, and ineffective norms. The aim is to help members gain the skills and understanding necessary to identify and solve problems themselves.
3. **Third-party intervention.** This change method is a form of process consultation aimed at dysfunctional interpersonal relations in organizations. Interpersonal conflict may derive from substantive issues, such as disputes over work methods, or from interpersonal issues, such as miscommunication. The third-party intervener helps people resolve conflicts through such methods as problem solving, bargaining, and conciliation.
4. **Team building.** This intervention helps work groups become more effective in accomplishing tasks. Like process consultation, team building helps members diagnose group processes and devise solutions to problems. It goes beyond group processes, however, to include examination of the group's task, member roles, and strategies for performing tasks. The consultant also may function as a resource person offering expertise related to the group's task.

Human process interventions that are more system-wide (than those related to Interpersonal & Groups) typically focus on the total organization or an entire department, as well as on relations between groups. These include the following four change programs:

1. **Organization confrontation meeting.** This change method mobilizes organization members to identify problems, set action targets, and begin working on problems. It is usually applied when organizations are experiencing stress and when management needs to organize resources for immediate problem solving. The intervention generally includes various groupings of employees in identifying and solving problems.
2. **Inter-group relations.** These interventions are designed to improve interactions among different groups or departments in organizations. The microcosm group intervention involves a small group of people whose backgrounds closely match the organizational problems being addressed. This group addresses the problem and develops means to solve it. The inter-group conflict model typically involves a consultant helping two groups understand the causes of their conflict and choose appropriate solutions.
3. **Large-group interventions.** These interventions involve getting a broad variety of stakeholders into a large meeting to clarify important values, to develop new ways of working, to articulate a new vision for the organization, or to solve pressing organizational problems. Such meetings are powerful tools for creating awareness of organizational problems and opportunities and for specifying valued directions for future action.
4. **Grid organization development.** This normative intervention specifies a particular way to manage an organization. It is a packaged OD program that includes standardized instruments for measuring organizational practices and specific procedures for helping organizations to achieve the prescribed approach.

Techno-structural Interventions:

These interventions focus on an organization's technology (for example, task methods and job design) and structure (for example, division of labor and hierarchy). These change methods are receiving increasing attention in OD, especially in light of current concerns about productivity and organizational effectiveness. They include approaches to employee involvement, as well as methods for designing organizations, groups, and jobs. Techno-structural intervention are rooted in the disciplines of engineering, sociology, and psychology and in the applied fields of socio-technical systems and organization design, practitioners generally stress both productivity and human fulfillment and expect that organization effectiveness will result from appropriate work designs and organization structures.

In the coming lectures we will discuss the following three techno-structural interventions concerned with restructuring organizations:

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1. **Structural design.** This change process concerns the organization's division of labor—how to specialize task performances. Interventions aimed at structural design include moving from more traditional ways of dividing the organizations overall work (such as functional, self-contained-unit, and matrix structures) to more integrative and flexible forms (such as process-based and network-based structures). Diagnostic guidelines exist to determine which structure is appropriate for particular organizational environments, technologies, and conditions.
2. **Downsizing.** This intervention reduces costs and bureaucracy by decreasing the size of the organization through personnel layouts, organization redesign and outsourcing. Each of these downsizing methods must be planned with a clear understanding of the organizations strategy.
3. **Reengineering.** This recent intervention radically redesigns the organization's core work processes to create tighter linkage and coordination among the different tasks. This work-flow integration results in faster, more responsive task performance. Reengineering is often accomplished with new information technology that permits employees to control and coordinate work processes more effectively. Reengineering often fails if it ignores basic principles and processes of OD.

Employee involvement (El). This broad category of interventions is aimed at improving employee well-being and organizational effectiveness. It generally attempts to move knowledge, power, information, and rewards downward in the organization. El includes parallel structures (such as cooperative union—management projects and quality circles), high-involvement plants, and total quality management. Work design. These change programs are concerned with designing work for work groups and individual jobs. The intervention includes engineering, motivational, and socio-technical systems approaches that produce traditionally designed jobs and work groups; enriched jobs that provide employees with greater task variety, autonomy, and feedback about results; and self-managing teams that can govern their own task behaviors with limited external control.

Human Resources Management Interventions:

These interventions would focus on personnel practices used to integrate people into organizations. These practices include career planning, reward systems, goal setting, and performance appraisal—change methods that traditionally have been associated with the personnel function in organizations. In recent years, interest has grown in integrating human resources management with OD. Human resources management interventions are rooted in the disciplines of economics and labor relations and in the applied personnel practices of wages and compensation employee selection and placements performance appraisal, and career development. Practitioners in this area typically focus on the people in organizations believing that organizational effectiveness results from improved practices for integrating employees into organizations.

Interventions concerning performance management include the following change programs:

1. **Goal setting.** This change program involves setting clear and challenging goals. It attempts to improve organization effectiveness by establishing a better fit between personal and organizational objectives. Managers and subordinates periodically meet to plan work, review accomplishments and solve problems in achieving goals.
2. **Performance appraisal.** This intervention is a systematic process of jointly assessing work-related achievements, strengths, and weaknesses. It is the primary human resources management intervention for providing performance feedback to individuals and work groups. Performance appraisal represents an important link between goal setting and reward systems.
3. **Reward systems.** This intervention involves the design of organizational rewards to improve employee satisfaction and performance. It includes innovative approaches to pay, promotions and fringe benefits.

Three change methods associated with developing and assisting organization members include:

1. **Career planning and development.** This intervention helps people choose organizations and career paths and attain career objectives. It generally focuses on managers and professional staff and is seen as a way of improving the quality of their work life.
2. **Managing workforce diversity.** This change program makes human resources practices more responsive to a variety of individual needs. Important trends, such as the increasing number of women, ethnic minorities, and physically and mentally challenged people in the workforce, require a more flexible set of polices and practices.

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3. **Employee wellness.** These interventions include employee assistance programs (EAPs) and stress management. EAPs are counseling programs that help employees deal with substance abuse and mental health, marital, and financial problems that often are associated with poor work performance. Stress management programs help workers cope with the negative consequences of stress at work. They help managers reduce specific sources of stress, such as role conflict and ambiguity, and provide methods for reducing such stress symptoms as hypertension and anxiety.

Strategic Interventions:

Interventions that link the internal functioning of the organization to the larger environment and transform the organization to keep pace with changing conditions are among the newest additions to OD. They are implemented organization wide and bring about a fit between business strategy, structure, culture, and the larger environment. The interventions derive from the disciplines of strategic management, organization theory, open—systems theory, and cultural anthropology.

Major interventions for managing organization and environment relationships involve:

1. **Integrated strategic change.** This comprehensive OD intervention describes how planned change can make a value-added contribution to strategic management. It argues that business strategies and organizational systems must be changed together in response to external and internal disruptions. A strategic change plan helps members manage the transition between a current strategy and organization design and the desired future strategic orientation.
2. **Trans-organization development.** This intervention helps organizations enter into alliances, partnerships, and joint ventures to perform tasks or solve problems that are too complex for single organizations to resolve. It helps organizations recognize the need for partnerships and develop appropriate structures for implementing them.
3. **Merger and acquisition integration.** This intervention describes how OD practitioners can assist two or more organizations to form a new entity. Addressing key strategic, leadership, and cultural issues prior to the legal and financial transaction helps to smooth operational integration.

Interventions for transforming organizations include:

1. **Culture change.** This intervention helps organizations develop cultures (behaviors, values, believes, and norms) appropriate to their strategies and environments. It focuses on developing a strong organization culture to keep organization members pulling in the same direction.
2. **Self-designing organizations.** This change program helps organizations gain the capacity to alter them fundamentally. It is a highly participative process involving multiple stakeholders in setting strategic directions and designing and implementing appropriate structures and processes. Organizations learn how to design and implement their own strategic changes.
3. **Organization learning and knowledge management.** This intervention describes two interrelated change processes: Organization Learning (OL), which seeks to enhance an organization's capability to acquire and develop new knowledge, and Knowledge Management (KM), which focuses on how that knowledge can be organized and used to improve organization performance. These interventions move the organization beyond solving existing problems so as to become capable of continuous improvement.

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Lesson 23

Leading and Managing Change

After diagnosis reveals the cause of problem or opportunities for development, organization members begin planning and subsequently leading and implementing the changes necessary to improve organization effectiveness and performance. A large part of OD is concerned with interventions for improving organization.

Changes can vary in complexity from the introduction of relatively simple process into a small work group to transformation the strategies and design features of the whole organization. Although change management differs across situation, here we discuss tasks that must be performed in managing any kind of organization change.

Overview of Changes Activities:

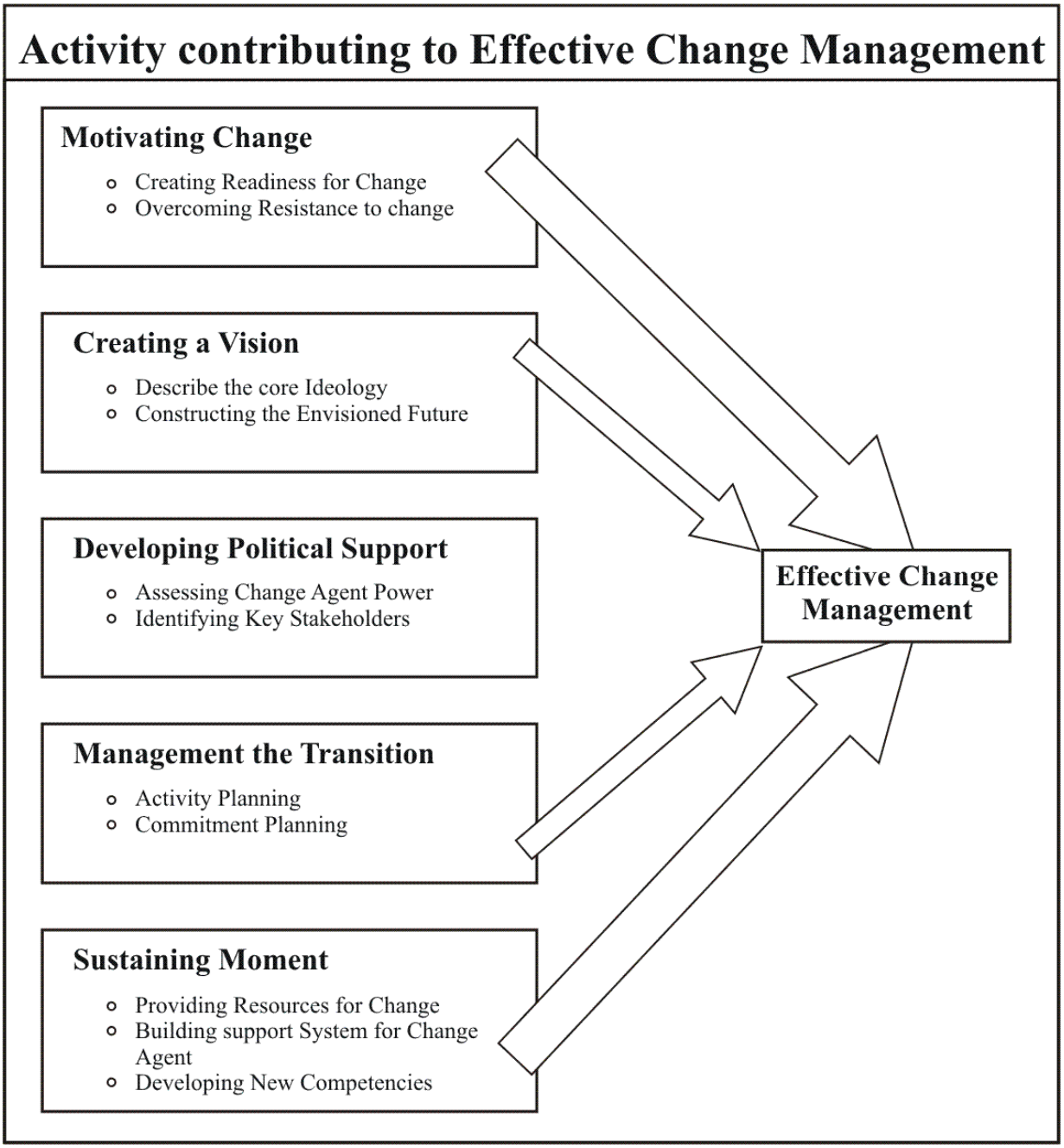
The OD literature has directed considerable attention to leading and managing change. Much of the material is highly prescriptive, advising mangers about how to plan and implement organizational changes. Traditionally, change management has focused on identifying sources of resistance to change and offering ways to overcome them. More recent contribution has challenged the focus on resistance and has been aimed at creating vision and desired future, gaining political support for them, and managing the transition of the organization toward them.

The diversity of practical advice for managing change can be organized into five major activities, as shown in figure 33. The activities contribute to effective change management and are listed roughly in the order in which they typically are performed. Each activity represents a key element in change leadership. The first activity involves motivating change and includes creating a readiness for change among organization member and helping them address resistance to change. Leadership must create an environment in which people accept the need for change and commit physical and psychological energy to it. Motivation is a critical issue in starting change because ample evidence indicates that people and organization seek to preserve the status quo and are willing to change only when there is compelling reason to do so. The second activity is concerned with creating a vision and is closely aligned with leadership activities. The vision provides a purpose and reason for change and describes the desired future state. Together, they provide the "why" and "what" of planned change. The third activity involves developing political support for change. Organizations are composed of powerful individuals and groups that can either block or promote change. The fourth activity is concerned with managing the transition from the current state to the desired future state. It involves creating a plan for managing the change activities as well as planning special management structure for operating the organization during the transition. The fifth activity involves sustaining momentum for change so that it will be carried to completion. This includes providing resources for implementation the changes, building a support system for change agent, developing new competencies and skills, and reinforcing the new behaviors needed to implement the changes.

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Figure 33. Activity Contributing to Effective Change Management



Each of the activities shown in Figure 33 is important for managing change. Although little research has been conducted on their relative contributions, organization leaders must give careful attention to each activity when planning and implementing organizational change. Unless individuals are motivated and committed to change, unfreezing the status quo will be extremely difficult. In the absence of vision, change is likely to be disorganized and diffuse. Without the support of powerful individuals and groups, change may be blocked and possibly sabotaged. Unless the transition process is managed carefully, the organization will have difficulty functioning while it moves from the current state to the future state. Without efforts to sustain momentum for change, the organization will have problems carrying the changes through to completion. Thus, all five activities must be managed effectively to realize success.

Let's now discuss more fully each of these change activities, directing attention to how the activities contribute to planning and implementing organizational change.

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Motivating Change:

Organizational change involves moving from the known to the unknown. Because the future is uncertain and may adversely affect people's competencies, worth and coping abilities, organization members generally do not support change unless compelling reason convince them to do so. Similarly, organizations tend to be heavily invested in the status quo, and they resist changing it in the face of uncertain future benefits. Consequently, a key issue in planning for action is how to motivate commitment to organizational change. As shown in figure 33, this requires attention to two related tasks: creating readiness for change and overcoming resistance to change.

Creating Readiness for Change:

One of the more fundamental axioms of OD is that people's readiness for change depends on creating a felt need for change. This involves making people so dissatisfied with the status quo that they are motivated to try new work process, technology, or ways of behaving. Creating such dissatisfaction can be difficult, as any one knows who has tried to lose weight, stop smoking, or change some other habitual behavior. Generally, people and organizations need to experience deep levels of hurt before they will seriously undertake meaningful change. For example IBM, GM and Sears experienced threats to their very survival before they undertook significant change program. The following three methods can help generate sufficient dissatisfaction to produce change:

1. **Sensitize organizations to pressure for change.** Innumerable pressures for change operate both externally and internally to organizations. As mentioned earlier, modern organizations face unprecedented environmental pressures to change themselves, including heavy foreign competition, rapidly changing technology, and the draw of global markets. Internally pressures to change include new leadership, poor product quality, high production costs and excessive employee absenteeism and turnover. Before these pressures can serve as triggers for change, however, organizations must be sensitive to them. The pressure must pass beyond an organization's threshold of awareness if managers are to respond to them. Many organizations, such as Kodak, Apple, Polaroid and Jenny Craig, set their threshold of awareness too high and neglected pressure for changes until those pressures reached disastrous levels. Organizations can make themselves more sensitive to pressure for change by encouraging leaders to surround themselves with devil's advocate; by cultivating external network that comprise people or organizations with different perspective and views; by visiting other organizations to gain exposure to new ideas and methods; and by using external standards of performance, such as competitions' progress or benchmarks, rather than the organization's own past standards of performance.
2. **Reveal discrepancies between current and desired states.** In this approach to generating a felt need for change, information about the organization's current functioning is gathered and compared with desired states of operation. (See "Creating a Vision" later for more information about desired future states.) These desired states may include organizational goals and standards, as well as general vision of a more desirable future state. Significant discrepancies between actual and ideal states can motivate organization members to initiate corrective changes, particularly when members are committed to achieving those ideals. A major goal of diagnosis, as described earlier, is to provide members with feedback about current organizational functioning so that the information can be compared with goals or with desired function states. Such feedback can energize action to improve the organization.
3. **Convey credible positive expectation for the change.** Organization members invariably have expectations about the result of organizational changes. The contemporary approach to planned change described earlier suggest that these expectations can play an important role in generating motivation for change. The expectations can serve as a fulfilling prophecy, leading members to invest energy in changes program that they expect will succeed. When members expect success, they are likely to develop greater commitment to the change process and to direct more energy into the constructive behaviors needed to implement it. The key to achieving these positive effects is to communicate realistic, positive expectation about the organizational changes. Organization members also can be taught about the benefit of positive expectations and be encouraged to set credible positive expectations for the change program.

Overcoming Resistance to Change:

Change can generate deep resistance in people and in organization, thus making it difficulty, if not possible, to implement organizational improvement. At a personal level, change can arouse considerable anxiety about letting go of the known and moving to an uncertain future. People may be unsure whether their existing skills and contribution will be valued in the future, or have significant questions about whether they

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can learn to function effectively and to achieve benefits in the new situation. At the organization level, resistance to change can come from three sources. Technical resistance comes from the habit of following common producers and the consideration of sunk costs invested in the status quo. Political resistance can arise when organization changes threaten powerful stakeholders, such as top executive or staff personal, or call into question the past decisions of leaders. Organization change often implies a different allocation of already scare resources, such as capital, training budgets and good people. Finally cultural resistance takes the form of systems and procedures that reinforce the status quo, promoting conformity to existing values, norms, and assumptions about how things should operate.

There are at least three major strategies for dealing with resistance to change.

1. **Empathy and support.** A first step in overcoming resistance is to learn how people are experiencing change. This strategy can identify people who are having trouble accepting the changes, the nature of their resistance, and possible ways to overcome it, but it requires a great deal of empathy and support. It demands willingness to suspend judgment and to see the situation from another's perspective, a process called active listening. When people feel that those people who are responsible for managing change are genuinely interested in their feelings and perception, they are likely to be less defensive and more willing to share their concern and fears. This more open relationship not only provides useful information about resistance but also helps establish the basis for the kind of joint problem solving needed to overcome barriers to change.
2. **Communication.** People resist change when they are uncertain about its consequences. Lack of adequate information fuels rumors and gossip and adds to the anxiety generally associated with change. Effective communication about changes and their likely result can reduce this speculation and allay unfounded fears. It can help members realistically prepare for change.
   However, communication is also one of the most frustrating aspects of managing change. Organization members constantly receive data about people, changes and politics. Managers and OD practitioners must think seriously about how to break through this stream of information. One strategy is to make change information salient by communicating through a new different channel. If most information is delivered through memos and emails, the change information can be sent through meeting and presentations. Another method that can be effective during large-scale change is to substitute change information for normal operating information deliberately. This sends a message that changing one's activities is a critical part of a member's job.
3. **Participation and involvement.** One of the oldest and most effective strategies for overcoming resistance is to involve organization members directly in planning and implementing change. Participation can lead both to designing high quality changes and to overcoming resistance to implementing them. Members can provide a diversity of information and ideas, which can contribute to making the innovations effective and appropriate to the situation. They also can identify pitfalls and barriers to implementation. Involvement in planning the changes increases the likelihood that members' interest and needs will be accounted for during the intervention. Consequently, participants will be committed to implementing the changes because doing so will suit their interests and meet their needs. Moreover, for people having strong needs for involvement, the act of participation itself can be motivating, leading to greater effort to make the changes work.

The Life Cycle of Resistance to Change:

Organization programs such as downsizing, reengineering and total quality management involve innovations and changes that will probably encounter some degree of resistance. This resistance will be evident in individuals and groups in such forms as controversy, hostility, and conflict, either overt or covert. The response to change tends to move through a life cycle.

Phase 1

In the first phase, there are only a few people who see the need for change and take reform seriously, As a fringe element of the organization, they may be openly criticized, ridiculed, and persecuted by whatever methods the organization has at its disposal and thinks appropriate to handle dissidents and force them to conform to established organizational norms. The resistance looks massive. At this point the change program may die, or it may continue to grow. Large organizations seem to have more difficulty bringing about change than smaller organizations. One of IBM's business partners has said, for example, that trying to get action from IBM is like swimming through "giant pools of peanut butter."

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Phase 2

As the movement for change begins to grow the forces for and against it become identifiable. The change is discussed, and is more thoroughly understood by more of the organizations members. Greater understanding may lessen the perceived threat of the change. In time, the novelty and strangeness of the change tends to disappear.

Phase 3

In this phase there is a direct conflict and showdown between the forces for and against the change. This phase will probably mean life or death to the change effort, because the exponents of the change often underestimate the strength of their opponents. Those in organization who see change as good and needed often find it difficult to believe how far the opposition will go to put a stop to the change.

Phase 4

If the supporters of the change are in power after the decisive battles, they will see the remaining resistance as stubborn and a nuisance. There is still a possibility that the resisters will mobilize enough support to shift the balance of power. Wisdom is necessary in dealing with overt opposition and also with the sizable element that are not openly opposed to the change but also not convinced of its benefits.

Phase 5

In the last phase, the resisters to the change are as few and as alienated as the advocates were in the first phase. Although the description of the five phases may give the impression that a battle is being waged between those trying to bring about change and those resisting the change (and sometimes this is the situation), the actual conflict is usually more subtle and may only surface in small verbal disagreements, questions, reluctance, and so forth.

To better understand the phases, see the Five Phases of Resistance to Change in Action.

Regardless of how much resistance there is to the organizations change program, the change will to some extent evolve through the five phases described above.

Depending on the change program, however, some of the phases may be brief, omitted, or repeated. If the last phase is not solidified, the change process will move into first phase again. General Electric's retired CEO, John F. Welch, has written:

People always ask, "Is the change over? Can we stop now? " You've got to tell them, "No, it's just begun." They must come to understand that it is never ending. Leaders must create an atmosphere where people understand that change is continuing process, not an event.

The Five Phases of Resistance to Change

Phase 1

In the 1970s the environmental movement began to grow. The First Earth Day was held in 1970. Widespread interest in environmental concerns subsided during the 1980s. Some political officials neglected environmental concerns, and environmentalists were often portrayed as extremists and radicals (even antidevelopment). The forces for change were small, but pressure for change persisted through court actions, elected officials, and group actions.

Phase 2

Environmental supporters and opponents became more identifiable in the 1980s. Secretary of the Interior James Watt was perhaps the most vocal and visible opponent of environmental concerns and served as a "lightening rod" for pro-environmental forces like the Sierra Club and the Wilderness Society. As time passed, educational efforts by environmental groups increasingly delivered their message. The public now has information and scientific data that enabled it to understand the problem.

Phase 3

The Clean Air Act passed by Congress in 1990 represented the culmination of years of confrontation between pro- and anti-environmental forces. The bill was passed several months after national and worldwide Earth Day events. Corporations criticized for contributing to environmental problems took out large newspaper and television ads to explain how they were reducing pollution and cleaning up the environment. The "greening" of corporations became very popular.

Phase 4

One example is the confrontation between Greenpeace (an environmental group) and Shell Oil. The Greenpeace group had been campaigning for weeks to block the Royal Dutch/Shell group from disposing of the towering Brent Spar oil-storage rig by sinking it deep in the Atlantic Ocean. As a small helicopter sought to land Greenpeace protesters on the rig's deck, Shell blasted high-powered water canons to fend off the aircraft. This was all captured on film and shown on TV around the world. Four days after the incident, Shell executives made a humiliating about-face; they agreed to comply with Greenpeace requests and dispose of the Brent Spar on land. The incident, like the Exxon Valdez oil spill, shows how high-profile cases can ignite worldwide public interest.

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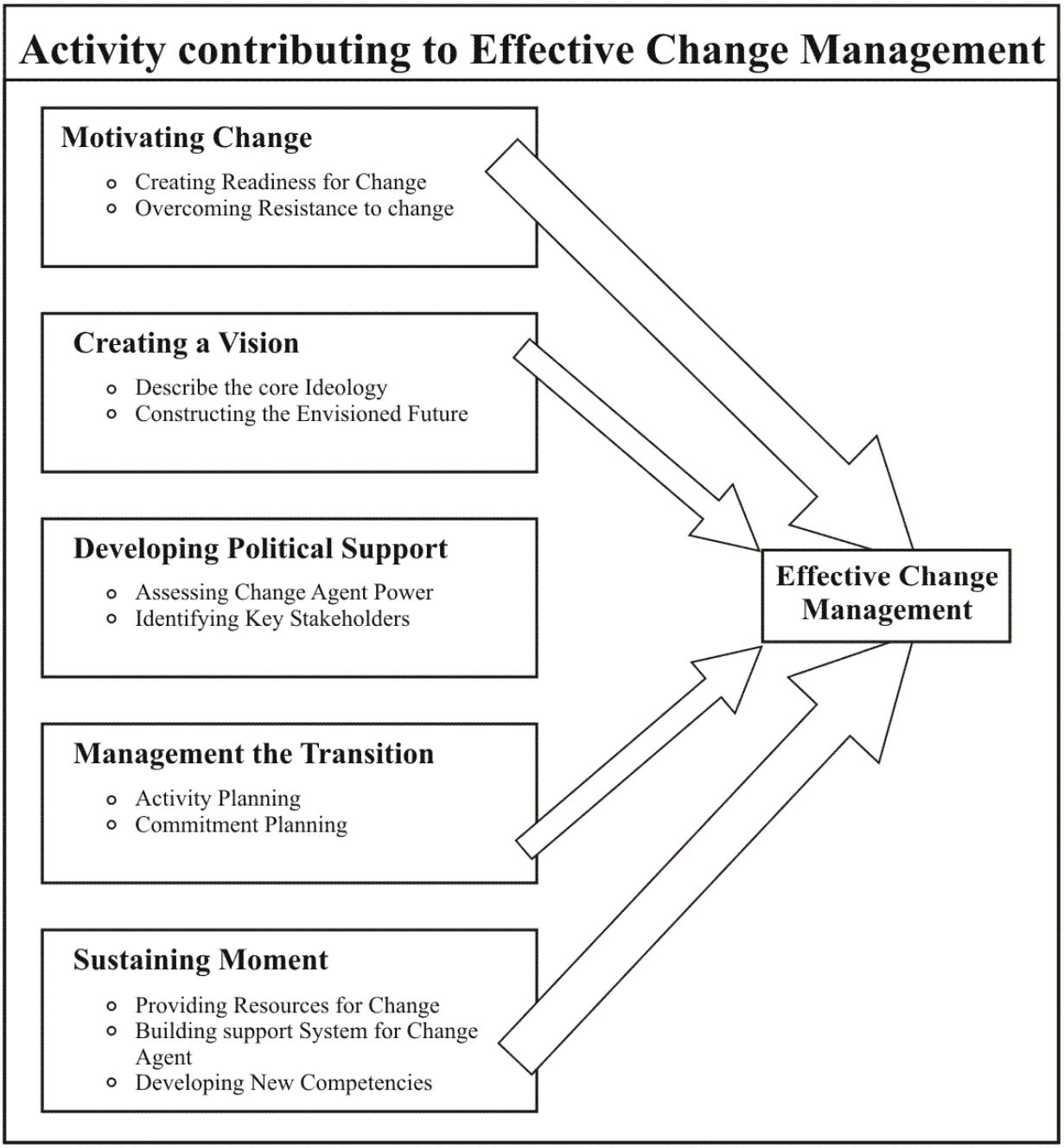
Phase 5

Much of the world now sees environmentally responsible behavior as a necessity. Near-zero automobile emissions are moving closer to a reality. Recycling has become a natural part of everyday life for many people. But new ways to be environmentally responsible are still being sought.

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Figure 34: Activity Contributing to Effective Change Management



Creating a Vision:

The second activity in leading and managing change involves creating a vision of what members want the organization to look like or become. It is one of the most popular yet least understood practices in management. Generally, a vision describe the core values and purpose that guide the organization as well as an envisioned future toward which change is directed. It provides a valued direction for designing, implementing and assessing organization changes. The vision also can energize commitment to change by providing members with a common goal and a compelling rationale for why change is necessary and worth the effort. However, if the vision is seen impossible or promotes changes that the organization cannot implement, it actually can depress member motivation. For example, George Bush's unfulfilled "thousand points of light" vision was emotionally appealing but it was too vague and contained little inherent benefit. In contrast, John Kennedy's vision of "putting a man on the moon and returning him safely to the earth" was just beyond engineering and technical feasibility. In the context of the 1960s, it was bold, alluring and vivid; it provided not only a purpose but a valued direction as well. Recent research suggests that

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corporation with carefully crafted vision can significantly out perform the stock market over long periods of time.
Creating a vision is considered a key element in most leadership frameworks. Organization or subunit leaders are responsible for effectiveness, and they must take an active role in describing a desired future and energizing commitment to it. In many cases, leaders encourage participation in developing the vision to gain wider input and support. For example, they involve subordinates and others who have a stake in the changes. The popular media frequently offer accounts of executives who have helped to mobilize and direct organizational change, including Nobuhiko Kawamoto of Honda and Jack Welch at General Electric. Describing a desired future is no less important for people leading change in small departments and work groups than for senior executives. At lower organizational levels, there are ample opportunities to involve employees directly in the visioning process.
Developing a vision is heavily driven by people's values and preference for what the organization should look like and how it should function. The envisioned future represents people's ideals, fantasies, or dreams of what they would like the organization to look like or become. Unfortunately, dreaming about the future is discouraged in most organization, because it requires creative and intuitive thought processes that tend to conflict with the rational, analytical methods prevalent there. Consequently, leaders may need to create special conditions in which to describe a desired future such as off site workshop or exercise that stimulate creative thinking.
Research by Collins and Porras suggests that compelling visions are composed of two parts: (1) a relatively stable core ideology that describes the organization's core values and purpose, and (2) an envisioned future with bold goals and a vivid description of the desired future state that reflects the specific change under consideration.

Describing the Core Ideology:

The fundamental basis of a vision for change is the organization's core ideology. It describes the organization's core values and purpose and is relatively stable over time. Core values typically include three to five basic principles or beliefs that have stood the test of time and best represent what the organization stands for. Although the vision ultimately describes a desired future, it must acknowledge the organization's historical roots, the intrinsically meaningful core values and principles that have guided and will guide the organization over time. Core values are not "espoused values"; they are the "values in use" that actually inform members what is important in the organization. The retailer Nordstrom, for example, has clear values around the importance of customer service; toymaker Lego has distinct values around the importance of families; and the Disney companies have explicit values around wholesomeness and imagination. These values define the true nature of these firms and cannot be separated from them. Thus, core values are not determined or designed; they are discovered and described through a process of inquiry. Members can spend considerable time and energy discovering their organization's core values through long discussion about organizational history, key events, founder's beliefs, and the work people actually do, and the "glue" that holds the organization together. In many cases, organizations want the core values to be something they are not. For example, many U.S firms want "teamwork" to be a core value despite strong cultural norms and organizational practices that reward individuality.
The organization's core purpose is its reason for being the idealistic motivation that brings people to work each day. A core purpose is not a strategy. Purpose describes why the organization exists; strategy describes how an objective will be achieved. Organizations often create a slogan or metaphor that captures the real reason they are in business. For example, part of Disneyland's return to prominence in the late 1980s and 1990s was guided by the essential purpose of "creating a place where people can feel like kids again". Similarly, Apple's original vision of "changing the way people do their work" describe well the benefits the organization was providing to its customers and society at large. Many Apple employees previously had experienced the drudgery of a boring job, an uninspired boss, or an alienating workshop, and it was alluring to be part of a company that was changing work into something more challenging, creative or satisfying.
The real power of an organization's core ideology is its stability over time and the way it can help the organization change itself. Core values and purpose provide guidelines for the strategic choices that will work and can be implemented versus those that will not work because they contradict the real nature of the organizations identity. An envisioned future can be compelling and emotionally powerful to members only if it aligns with and supports the organization's core values and purpose.

Constructing the Envisioned Future:

The core ideology provides the context for the envisioned future. Unlike core values and purpose, which are stable aspect of the organization and must be discovered, the envisioned future is specific to the change project at hand and must be created. The envisioned future varies in complexity and scope depending on the changes being considered. A relatively simple upgrading of a work group's word processing software requires a less complex envisioned future than the transformation of a government bureaucracy.

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The envisioned future typically includes the following elements that can be communicated to organization members:

1. **Bold and valued outcomes**. Descriptions of envisioned futures often include specific performance and human outcomes that the organization or unit would like to achieve. These valued outcomes can serve as goals for the change process and standards for assessing program. For example, BHAGs (Big, Hairy, and Audacious Goals) are clear, tangible, energizing targets that serve as rallying points for organization action. They can challenge members to meet clear target levels of sales growth or customer satisfaction, to overcome key competitors, to achieve role-model status in the industry, or to transform the organization in some meaningful way. For example, in 1990 Wal-Mart Stores made a statement of intent "to become a $ 125 billion company by the year 2000" (Net sales in 1999 exceeded $ 137.6 billion). Following the downsizing of the U.S. military budget, Rockwell proposed the following bold outcomes for its change efforts: "Transformation this company from a defense contractor into the best diversified high- technology company in the world."
2. **Desired future state.** This element of the envisioned future specified, in vivid detail, what the organization should look like to achieve bold and valued outcomes. It is a passionate and engaging statement intended to draw organization members into the future. The organizational features describe in the statement help define a desired future state toward which change activities should move. This aspect of the visioning process is exciting and compelling. It seeks to create a word picture that is emotionally powerful to members and motivates them to change.

Developing Political Support:

From a political perspective, organizations can be seen as loosely structured coalitions of individuals and groups having different preference and interests. For example, shop-floor workers may want secure, high-paying jobs, and top executives may be interested in diversifying the organization into new business. The marketing department might be interested in developing new products and markets, and the production department may want to manufacture standard products in the most efficient way. These different groups or coalitions compete with one another for scarce resources and influence. They act to preserve or enhance their self-interest while managing to arrive at a sufficient balance of power to sustain commitment to the organization and achieve overall effectiveness.

Given this political view, attempts to change the organization may threaten the balance of power among groups, thus resulting in political conflicts and struggles.

Individuals and groups will be concerned with how the changes affect their own power and influence, and they will act accordingly. Some groups will become less powerful; others will gain influence. Those whose power is threatened by the change will act defensively and seek to preserve the status quo. For example, they may try to act present compelling evidence that change is unnecessary or that only minor modification is needed. On the other hand, those participants who will gain power from the changes will push heavily for them, perhaps bringing in seemingly impartial consultants to legitimize the need for change. Consequently, significant organizational changes are frequently accompanied by conflicting interest, distorted information, and political turmoil.

Methods for managing the political dynamics of organizational change are relatively recent additions to OD. Traditional, OD has neglected political issues mainly because its humanistic roots promoted collaboration and power sharing among individuals and groups. Today, change agents are paying increased attention to power and political activity, particular as they engage in strategic change involving most parts and features of organizations. Some practitioners are concerned, however, about whether power and OD are compatible. A growing number of advocates suggest that OD practitioners can use power in positive ways. They can build their own power base to gain access to other power holders within the organization. Without such access, those who influence or make decisions may not have the advantage of an OD perspective. OD practitioners can use power strategies that are open and aboveboard to get those in power to consider OD applications. They can facilitate processes for examining the uses of power in organizations and help power holders devise more creative and positive strategies than political bargaining, deceit, and the like. They can help power holders confront the need for change and can help ensure that the interests and concerns of those with less power are considered. Although OD professionals can use power constructively in organizations, they probably will continue to be ambivalent and tense about whether such uses promote OD values and ethics or whether they represent the destructive, negative side of power. That tension seems healthy, and one can hope that it will guide the wise use of power in OD.

Assessing Change Agent Power:

The first task is to evaluate the change agent's own sources of power. This agent may be the leader of the organization or department undergoing change, or he or she may be the OD consultant if professional help

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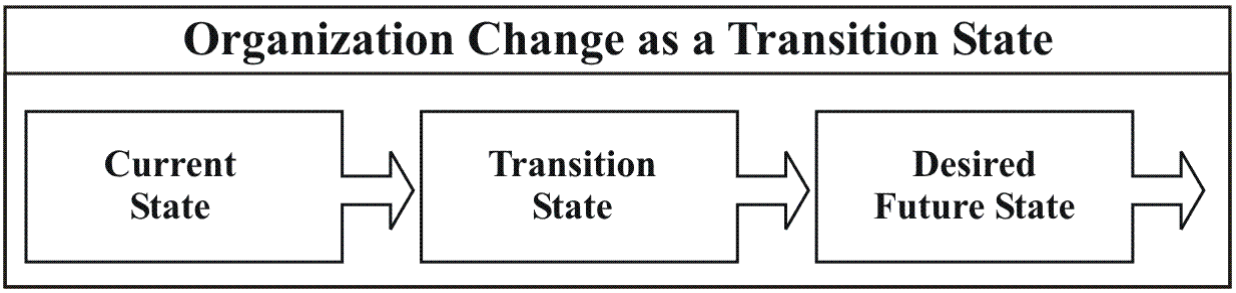
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is being used. By assessing their own power base, change agents can determine how to use it to influence others to support changes. They also can identify areas in which they need to enhance their sources of power.
Greiner and Schein, in the first OD book written entirely from a power perspective, identified three key sources of personal power in organizations (in addition to one's formal position): knowledge, personality, and others' support. Knowledge bases of power include having expertise that is valued by others and controlling important information. OD professional typically gain power through their expertise in organizational change. Personality sources of power can derive from change agents' charisma, reputation, and professional credibility can wield considerable power by providing access to information and resource networks. Others also may use their power on behalf of the change agent. For example, leaders in organizational units undergoing change can call on their informal networks for resources and support, and encourage subordinates to exercise power in support of the change.

Identifying Key Stakeholders:
Having assessed their own power bases, change agents can identify powerful individuals and groups with an interest in the changes, such as staff groups, unions, departmental managers, and top-level executives. These key stakeholders can thwart or support change, and it is important to gain broad-based support to minimize the risk that a single interest group will block the changes. Identifying key stakeholders can start with the simple question "Who stands to gain or to lose from the changes?" Once stakeholders are identified, creating a map of their influence may be useful. The map could show relationships among the stakeholders in terms of who influences whom and what the stakes are for each party. This would provide change agents with information about which people and groups need to be influenced to accept and support the changes.

Managing the Transition:
Implementing organizational change involves moving from the existing organizational state to the desired future state. Such movement does not occur immediately but, as shown in figure 35, instead requires a transition state during which the organization learns how to implement the conditions needed to reach the desired future. Beckhard and Harris pointed out that the transition state may be quite different from the present state of the organization and consequently may require special management structures and activities. They identified three major activities and structures to facilitate organizational transition: activity planning, commitment planning and change-management structures.

Figure 35: Organization Change as a Transition State



Activity Planning:
This involves the making a road map for change citing specific activities and events that must occur if the transition is to be successful. Activity planning should clearly identify, temporally orient, and discrete change tasks and should link these tasks to the organization's change goals and priorities. Activity planning also should gain top-management approval, be cost effective, and remain adaptable as feedback is received during the change process.
An important feature of activity planning is that vision and desired future states can be quite general when compared with the realities of implementing change. As a result it may be necessary to supplement those with midpoint goals as part of the activity plan. Such goals represent desirable organizational conditions between the current state and the desired future state. For example, if the organization is implementing continuous improvement process, an important midpoint goal can be the establishment of a certain number of improvement teams focused on understanding and controlling key words process. Midpoint goals are clearer and more detailed than desired future states, and thus they provide more concrete and manageable steps and benchmarks for change. Activity plans can use in midpoint goals to provide members with the direction and security they need to work towards the desired future.

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Commitment Planning:

This activity involves identifying key people and groups whose commitment is needed for change to occur and formulating a strategy for gaining their support. Although commitment planning is generally a part of developing political support, discussed above, specific plans for identifying key stakeholders and obtaining their commitment to change need to be made early in the change process.

Change-Management Structures:

Because organizational transitions tend to be ambiguous and to need direction, special structures for managing the change process need to be created. These management structures should include people who have the power to mobilize resources to promote change, the respect of the existing skills to guide the change process. Alternative management structures include the following:

- The chief executive or head person manages the change effort.
- A project manager temporarily is assigned to coordinate the transition.
- The formal organization manages the change effort in addition to supervising normal operations.
- Representatives of the major constituencies involved in the change jointly manage the project.
- Natural leaders who have the confidence and trust of large numbers of affected employees are selected to manage the transition.
- A cross section of people representing different organizational functions and levels manages the change.
- A "kitchen cabinet" representing people whom the chief executive consults with and confides in manages the change effort.

Sustaining Momentum:

Once organizational changes are under way, explicit attention must be directed to sustaining energy and commitment for implementing them. The initial excitement and activity of changing often dissipate in the face of practical problems of trying to learn new ways of operating. A strong tendency exists among organization members to return to what is learned and well known unless they receive sustained support and reinforcement for carrying the changes through to completion. The following five activities can help to sustain momentum for carrying change through to completion: providing resources for change, building a support system for change agents, developing new competencies and skills, reinforcing new behaviors, and staying the course.

Providing resources for change:

Implementing organization change generally requires additional financial and human resources, particularly if the organization continues day-to-day operations while trying to change it. These extra resources are needed for such change activities as training, consultation, data collection and feedback, and special meetings. Extra resources also are helpful to provide a buffer as performance drops during the transition period. Organizations can underestimate seriously the need for special resources devoted to the change process. Significant organizational change invariably requires considerable management time and energy, as well as the help of consultants. A separate "change budget" that exists along with capital and operating budgets can earmark the resources needed for training members in how to behave differently and for assessing progress and making necessary modifications in the change program. Unless these extra resources are planned for and provided, meaningful change is less likely to occur.

Building a support system for change agents:

Organization change can be difficult and filled with tension, not only for participants but for change agents as well. They often must give members emotional support, but they may receive little support themselves. They often must maintain "psychological distance" from others to gain the perspective needed to lead the change process. This separation can produce considerable tension and isolation, and change agents may need to create their own support system to help them cope with such problems. A support system typically consist of a network of people with whom the change agent has close personal relationships--- people who can give emotional support, serve as a sounding boards for ideas and problems, and challenge untested assumptions. For example, OD professionals often use trusted colleagues as "shadow consultants" to help them think through difficult issues with clients and to offer conceptual and emotional support. Similarly, a growing number of companies, such as Intel, Procter & Gamble, BHP-Copper, TRW, and Texas instruments, are forming internal networks of change agents to provide mutual learning and support.

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Developing new competencies and skills:

Organizational changes frequently demand new knowledge, skills, and behaviors from organization members. In many cases, the changes cannot be implemented unless members gain new competencies. For example, employee-involvement programs often require managers to learn new leadership styles and new approaches to problem solving. Change agents must ensure that such learning occurs. They need to provide multiple learning opportunities, such as traditional training programs, on-the-job counseling and coaching, and experiential simulations, covering both technical and social skills. Because it is easy to overlook the social component, change agents may need to devote special time and resources to helping members gain the social skills needed to implement changes. Ford's new CEO, Jacques Nasser, is supporting the organization's efforts to increase the speed of decision making through a concerted emphasis on "teaching". Through small-group discussions of strategy, providing all employees with a computer, assignments to develop new ideas, and 360-degree feedback. Ford managers are learning new skills and a new mindset to support the organization's need for faster decision making.

Reinforcing new behaviors:

In organizations, people generally do those things that bring them rewards. Consequently, one of the most effective ways to sustain momentum for change is to reinforce the kinds of behaviors needed to implement the changes. This can be accomplished by linking formal rewards directly to the desired behaviors. For example, Integra Financial encouraged more teamwork by designing rewards and recognition programs in which the best team players got both financial rewards and management attention, and a variety of behaviors aimed at promoting self-interest were directly discouraged. In addition, desired behaviors can be reinforced more frequently through informal recognition, encouragement, and praise. Perhaps equally important are the intrinsic rewards that people can experience through early success in the change effort. Achieving identifiable early successes can make participants feel good about themselves and their behaviors, and thus reinforce the drive to change.

Staying the course:

Change requires time, and many of the expected financial and organizational benefits from change lag behind its implementation. If the organization changes again too quickly or abandons the change before it is fully implemented, the desired results may never materialize. There are two primary reasons that managers do not keep a steady focus on change implementation. First, many managers fail to anticipate the decline in performance, productivity, or satisfaction as change is implemented. Organization members need time to practice, develop, and learn new behaviors; they do not abandon old ways of doing things and adopt a new set of behaviors overnight. Moreover, change activities, such as training, extra meetings, and consulting assistance, are extra expenses added on to current operating expenditures. There should be a little surprise, therefore, that effectiveness declines before its get better. However, perfectively good change projects often are abandoned when questions are raised about short term performance decline. Patience and trust in the diagnosis and intervention design work are necessary.

Second, many managers don't keep focused on a change because they want to implement the next big idea that comes along. When organizations change before they have to in response to the latest management fad, a "flavor-of-the-month" cynicism can develop. As a result, organization members provide only token support to change under the (accurate) notion that the current change won't last. Successful organizational change requires persistent leadership that doesn't waiver unnecessarily.

OD in Practice: Values drive Culture and Operations at Levi Strauss

Levi Strass and Company, one of the world's largest makers of blue jeans and other apparel, has been engaged in a culture change effort that began in 1985. Following a meeting with a small number of minority and women managers who believed there were invisible barriers to advancement, the CEO, Robert D. Haas, the great-great-grandnephew of founder Levi Strauss organized an off-site retreat that paired white senior managers with minority and women managers. The two-and-one-half days of discussions produced painful realizations about how the firm treated its people. What the small group had identified was not so much a diversity problem as a leadership and culture problem.

Today, Levi Strauss is focused on managing in a way that balances concerns with a set of values that honor diversity, empowerment, and openness. The company has "struggled mightily" to live up to a vision of how to run a modern corporation – a vision set forth by Haas who has demonstrated unswerving commitment to it for more than ten years. As part of a mission of "responsible commercial success," the following Aspiration Statement hangs on office and factory walls throughout the organization and guides all major decisions.

Aspiration Statement

We all want a company that our people are proud of and committed to where all employees have an

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opportunity to contribute, learn, grow, and advance based on merit, not politics, or background. We want our people to feel respected, treated fairly, listened to, and involved. Above all, we want satisfaction from accomplishments and friendships, balanced personal and professional lives, and to have fun in our endeavors.

When we describe the kind of Levi Strauss and Company we want in the future what we are talking about is building on the foundation we have inherited: affirming the best of our Company's traditions, closing gaps that may exist between principles and practices, and updating some of our values to reflect contemporary circumstances.

What type of Leadership is necessary to make our aspirations a reality?

New Behaviors: Leadership that exemplifies directness, openness to influence, commitment to the success of others, and willingness to acknowledge our own contributions to problems, personal accountability, teamwork, and trust. Not only must we model these behaviors, but we must coach others to adopt them.

Diversity: Leadership that values a diverse workforce (age, ethnic group, etc.) at all levels of the organization, diversity in experience, and a diversity in perspectives. We have committed to taking full advantage of the rich backgrounds and abilities of all our people and to promote a greater diversity in positions of influence. Differing points of view will be sought; diversity will be valued and honestly rewarded, not suppressed.

Recognition: Leadership that provides greater recognition – both financial and psychic – for individuals and teams that contribute to our success. Recognition must be given to all who contribute: those who create band innovate and those who continually support day-to-day business requirements.

Ethical management practices: Leadership that epitomizes the stated standards of ethical behavior: We must provide clarity about our expectations and must enforce these standards throughout the corporation.

Communications: Leadership that is clear about company, unit, and individual goals and performance. People must know what is expected of them and receive timely, honest feedback on their performance and career aspirations.

Empowerment: Leadership that increases the authority and responsibility of those closest to our products and customers. By actively pushing the responsibility, trust, and recognition into the organization, we can harness and release the capabilities of all our people.

Haas believes that successful corporations are more than strategies and structures. "This is where values come in. In a more volatile and dynamic business environment, the controls have to be conceptual… Values provide a common language for aligning a company's leadership and its people" to the strategy. He set out to make each of his workers, from the factory floor on up, feel as if they are the integral part of the making and selling of blue jeans. All views on all issues – no matter how controversial – are encouraged, heard, and respected. The chairman does not tolerate harassment of any kind. Nor will he do business with suppliers or customers who violate the company' (Levi's) strict standards regarding work environment and ethics. For example, Levi's board voted unanimously to pull its business out of China in protest of human rights violations even though it cost about $40 million of revenues.

"We are not doing this because it makes us feel good – although it does. We are not doing this because it is politically correct. We are doing this because we believe in the interconnection between liberating the talents of our people and business success." However, the simple truth is, living up to a value system as comprehensive as Levi's is difficult. It takes hours and hours of work by both managers and organization members.

To implement this vision, Haas began at the top. The first responsibility for me and for my team was to examine critically our own behaviors and management styles in relation to the behaviors and values that we profess and to work to become more consistent with the values that we are articulating…You can't be one thing and say another. People have unerring direction systems for fakes, and they won't put up with them. They won't put values into practice if you're not." The most difficult changes were in behaviors that had made managers successful in the past. Activities that were productive under the old culture were counterproductive in the flatter, more responsive, and empowered organization that top management was trying to implement.

To push his vision into the organization, Haas commissioned a set of training courses, such as leadership week, making ethical decisions, and managing diversity. Specifically designed not to be "skill-building" courses, the sessions were more likely highly experiential seminars. During the sessions, managers and employees grappled with their own prejudices, attempted to make difficult decisions using the aspirations statement as a guide, and built a support network that helped in applying the ideas in the workplace. To reinforce the importance of the training, senior management attended the courses, came back to teach in them, and in some cases, went through the courses again as participants to gain additional insights and ideas.

In addition, aspirations management was given some teeth by making it an important part of the performance management system. It includes a 360-degree-like feedback process; each manager develops

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an "aspirational objective"; and one-third of an employee's evaluation is based on "aspirational" behavioral. The aspirations statement has also affected the way work is designed. A new team-based organization and incentive pay system means that a worker's appraisals and compensation depend on other workers. Although more aligned with the values of the organization, the work design produces difficult tests for management. For example, when workers think that someone is faking sick days or lollygagging on a sewing machine, tempers flare. Employee ABC says that if someone calls attention to a worker's laziness, the worker will just "flip him off." Supervisor D says that "it gets tough out there." She finds herself intervening to prevent "big fights." Says plant manager EF "Peer pressure can be vicious and brutal." Empowerment and teamwork can be alien, uncomfortable concepts for those in the manufacturing plant who have spent their working lives taking orders.

After ten years of work, Haas is a long way from realizing his vision. "We are only a few steps along in our journey," he agrees. "We are far from perfect. We are far from where we want to be. But the goal is out there, and it's worth striving for."

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Lesson 25

Evaluating and Institutionalizing Organization Development Interventions

This lecture focuses on the final stage of the organization development cycle— evaluation and institutionalization. Evaluation is concerned with providing feed-back to practitioners and organization members about the progress and impact of interventions. Such information may suggest the need for further diagnosis and modification of the change program, or it may show that the intervention is successful. Institutionalization involves making a particular change a permanent part of the organization's normal functioning. It ensures that the results of successful change programs persist over time. Evaluation processes consider both the implementation success of the intended intervention and the long-term results it produces. Two key aspects of effective evaluation are measurement and research design. Time institutionalization or long- term persistence of intervention effects is examined in a framework showing the organization characteristics, intervention dimensions, and processes contributing to institutionalization of OD interventions in organizations.

Evaluating OD Interventions:

Assessing organization development interventions involves judgments about whether an intervention has been implemented as intended and, if so, whether it is having desired results. Managers investing resources in OD efforts increasingly are being held accountable for results—being asked to justify the expenditures in terms of hard, bottom-line outcomes. More and more, managers are asking for rigorous assessment of OD interventions and are using the results to make important resource allocation decisions about OD, such as whether to continue to support the change program, to modify or alter it, or to terminate it and try something else.

Traditionally, OD evaluation has been discussed as something that occurs after the intervention. That view can be misleading, however. Decisions about the measurement of relevant variables and the design of the evaluation process should be made early in the OD cycle so that evaluation choices can be integrated with intervention decisions.

There are two distinct types of OD evaluation—one intended to guide the implementation of interventions and another to assess their overall impact. The key issues in evaluation are measurement and research design.

Implementation and Evaluation Feedback:

Most discussions and applications of OD evaluation imply that evaluation is something done after intervention. It is typically argued that once the intervention is implemented, it should be evaluated to discover whether it is producing intended effects. For example, it might be expected that a job enrichment program would lead to higher employee satisfaction and performance. After implementing job enrichment, evaluation would involve assessing whether these positive results indeed did occur.

This after-implementation view of evaluation is only partially correct. It assumes that interventions have been implemented as intended and that the key purpose of evaluation is to assess their effects. In many, if not most, organization development programs, however, implementing interventions cannot be taken for granted. Most OD interventions require significant changes in people's behaviors and ways of thinking about organizations, but they typically offer only broad prescriptions for how such changes are to occur. For example, job enrichment calls for adding discretion, variety, and meaningful feedback to people's jobs. Implementing such changes requires considerable learning and experimentation as employees and managers discover how to translate these general prescriptions into specific behaviors and procedures. This learning process involves much trial and error and needs to be guided by information about whether behaviors and procedures are being changed as intended. Consequently, we should expand our view of evaluation to include both during-implementation assessment of whether interventions are actually being implemented and after-implementation evaluation of whether they are producing expected results.

Both kinds of evaluation provide organization members with feedback about interventions. Evaluation aimed at guiding implementation may be called implementation feedback, and assessment intended to discover intervention outcomes may be called evaluation feedback. Figure 36 shows how the two kinds of feedback fit with the diagnostic and intervention stages of OD. The application of OD to a particular organization starts with a thorough diagnosis of the situation, which helps identify particular organizational problems or areas for improvement, as well as likely causes underlying them. Next, from an array of possible interventions, one or some set is chosen as a means of improving the organization. The choice is based on knowledge linking interventions to diagnosis and change management.

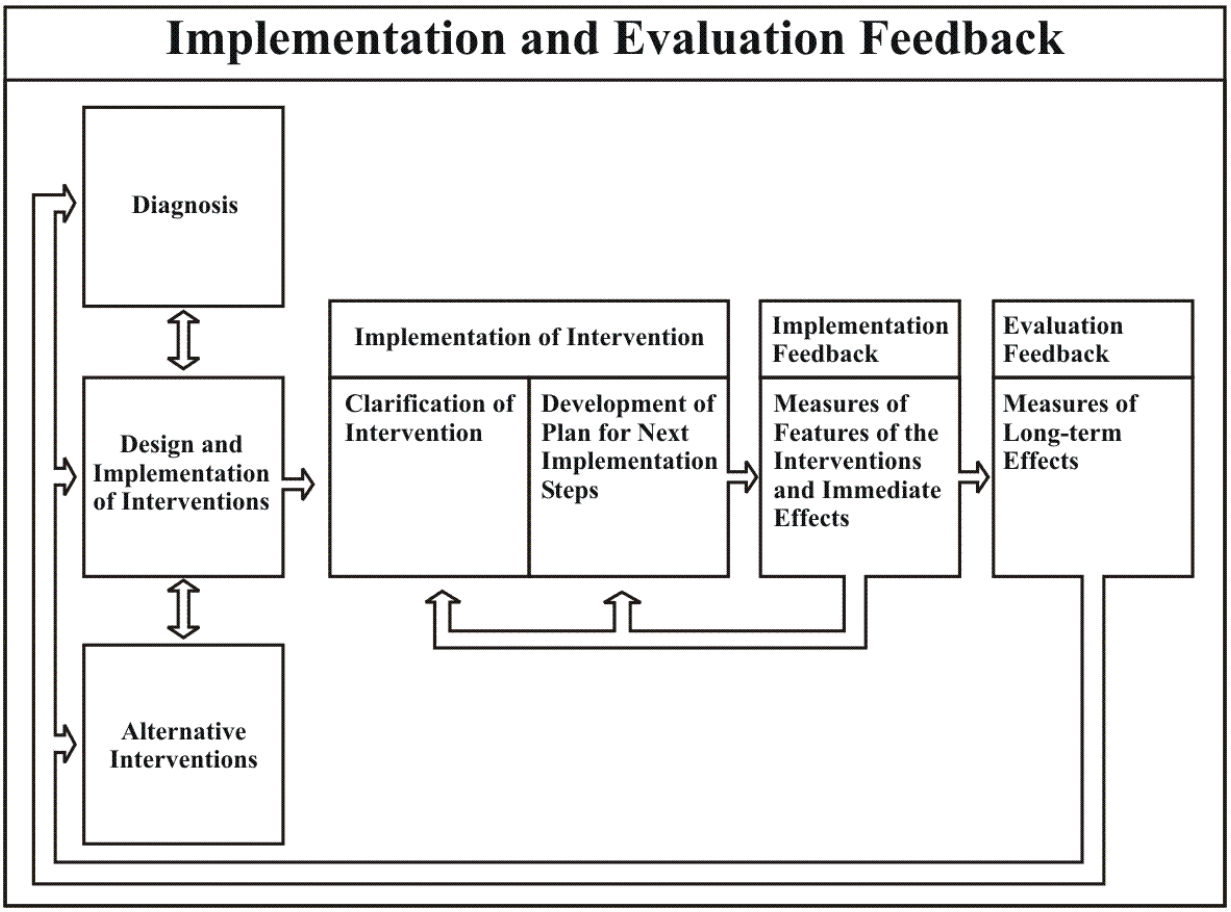
In most cases, the chosen intervention provides only general guidelines for organizational change, leaving managers and employees with the task of translating those guidelines into specific behaviors and procedures. Implementation feedback informs this process by supplying data about the different features of

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the intervention itself and data about the immediate effects of the intervention. These data, colleted repeatedly and at short intervals, provide a series of snapshots about how the intervention is progressing. Organization members can use this information, first, to gain a clearer understanding of the intervention (the kinds of behaviors and procedures required to implement it) and, second, to plan for the next implementation steps. This feedback cycle might proceed for several rounds, with each round providing members with knowledge about the intervention and ideas lot the next stage of implementation.

Figure 36: Implementation and Evaluation Feedback



Once implementation feedback informs organization members that the intervention is sufficiently in place, evaluation feedback begins, in contrast to implementation feedback, it is concerned with the overall impact of the intervention and with whether resources should continue to be allocated to it or to other possible interventions. Evaluation feedback takes longer to gather and interpret than does implementation feedback. It typically includes a broad array of outcome measures, such as performance job satisfaction, absenteeism, and turnover. Negative results on these measures tell members either that the initial diagnosis was seriously flawed or that tile wrong intervention was chosen. Such feedback might prompt additional diagnosis and a search for a more effective intervention. Positive results, on the other hand, tell members that the intervention produced expected outcomes and might prompt a search for ways to institutionalize the changes, making them a permanent part of the organizations normal functioning.

An example of a job enrichment intervention helps to clarity the OD stages and feedback linkages shown in Figure 36. Suppose the initial diagnosis reveals that employee performance and satisfaction are low and that jobs being overly structured and routinized is an underlying cause of this problem. An inspection of alternative interventions to improve productivity and satisfaction suggests that job enrichment might be applicable for this situation. Existing job enrichment theory proposes that increasing employee discretion, task variety, and feedback can lead to improvements in work quality and attitudes and that this job design and outcome linkage is especially strong for employees who have growth needs—needs for challenge, autonomy, and development. Initial diagnosis suggests that most of the employees have high growth needs and that the existing job designs prevent the fulfillment of these needs. Therefore, job enrichment seems particularly suited to this situation.

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Managers and employees now start to translate the general prescriptions offered by job enrichment theory into specific behaviors and procedures. At this stage, the intervention is relatively broad and must be tailored to fit the specific situation. To implement the intervention, employees might decide on the following organizational changes: job discretion can be increased through more participatory styles of supervision; task variety can be enhanced by allowing employees to inspect their job outputs; and feedback can be made more meaningful by providing employees with quicker and more specific information about their performances.

After three months of trying to implement these changes, the members use implementation feedback to see how the intervention is progressing. Questionnaires and interviews (similar to those used in diagnosis) are administered to measure the different features of job enrichment (discretion, variety, and feedback) and to assess employees' reactions to the changes. Company records are analyzed to show the short-term effects on productivity of the intervention. The data reveal that productivity and satisfaction have changed very little since the initial diagnosis. Employ perceptions of job discretion and feedback also have shown negligible change, but perceptions of task variety have shown significant improvement. In-depth discussion and analysis of this first round of implementation feedback help supervisors gain a better feel for the kinds of behaviors needed to move toward a participatory leadership style. This greater clarification of one feature of the intervention leads to a decision to involve the supervisors in leadership training to develop the skills and knowledge needed to lead anticipatively. A decision also is made to make job feedback more meaningful by translating such data into simple bar graphs, rather than continuing to provide voluminous statistical reports.

After these modifications have been in effect for about three months, members institute a second round of implementation feedback to see how the intervention is progressing. The data now show that productivity and satisfaction have moved moderately higher than in the first round of feedback and that employee perceptions of task variety and feedback are both high. Employee perceptions of discretion, however, remain relatively low. Members conclude that the variety and feedback dimensions of job enrichment are sufficiently implemented but that the discretion component needs improvement. They decide to put more effort into supervisory training and to ask OD practitioners to provide online counseling and coaching to supervisors about their leadership styles.

After four more months, a third round of implementation feedback occurs. The data now show that satisfaction and performance are significantly higher than in the first round of feedback and moderately higher than in the second round. The data also show that discretion, variety, and feedback are all high, suggesting that the job enrichment intervention has been successfully implemented. Now evaluation feedback is used to assess the overall effectiveness of the program.

The evaluation feedback includes all the data from the satisfaction and performance measures used in the implementation feedback. Because both the immediate and broader effects of the intervention are being evaluated, additional outcomes are examined, such as employee absenteeism, maintenance costs, and reactions of other organizational units not included in job enrichment. The full array of evaluation data might suggest that after one year from the start of implementation, the job enrichment program is having expected effects and thus should be continued and made more permanent.

Measurement:

Providing useful implementation and evaluation feedback involves two activities: selecting the appropriate variables and designing good measures.

Selecting Variables:

Ideally, the variables measured in OD evaluation should derive from the theory or conceptual model underlying the intervention. The model should incorporate the key features of the intervention as well as its expected results. The general diagnostic models described in Chapters 5 and 6 meet these criteria, as do the more specific models introduced in Chapters 12 through 20. For example, the job-level diagnostic model described in Chapter 6 proposes several major features of work: task variety, feedback, and autonomy. The theory argues that high levels of these elements can be expected to result in high levels of work quality and satisfaction. In addition, as we shall see in Chapter 16, the strength of this relationship varies with the degree of employee growth need: the higher the need, the more that job enrichment produces positive results.

The job-level diagnostic model suggests a number of measurement variables for implementation and evaluation feedback. Whether the intervention is being implemented could be assessed by determining how many job descriptions have been rewritten to include more responsibility or how many organization members have received cross-training in other job skills. Evaluation of the immediate and long- term impact of job enrichment would include measures of employee performance and satisfaction over time.

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Again, these measures would likely be included in the initial diagnosis, when the company's problems or areas for improvement are discovered.
Measuring both intervention and outcome variables is necessary for implementation and evaluation feedback. Unfortunately, there has been a tendency in OD to measure only outcome variables while neglecting intervention variables altogether. It generally is assumed that the intervention has been implemented and attention, therefore, is directed to its impact on such organizational outcomes as performance, absenteeism, and satisfaction. As argued earlier, implementing OD interventions generally take considerable time and learning. It must be empirically determined that the intervention has been implemented; it cannot simply be assumed. Implementation feedback serves this purposes guiding the implementation process and helping to interpret outcome data Outcome measures are ambiguous without knowledge of how well the intervention has been implemented. For example, a negligible change in measures of performance and satisfaction could mean that the wrong intervention has been chosen, that the correct intervention has not been implemented effectively, or that the wrong variables have been measured. Measurement of the intervention variables helps determine the correct interpretation of out-come measures.
As suggested above, the choice of intervention variables to measure should derive from the conceptual framework underlying the OD intervention. OD research and theory increasingly have come to identify specific organizational changes needed to implement particular interventions. These variables should guide not only implementation of the intervention but also choices about what change variables to measure for evaluative purposes. Additional sources of knowledge about intervention variables can be found in the numerous references at the end of each of the intervention chapters in this book and in several of the books in the Wiley Series on Organizational Assessment and Change.
The choice of what outcome variables to measure also should be dictated by intervention theory, which specifies the kinds of results that can be expected from particular change programs. Again, the material in this book and elsewhere identifies numerous outcome measures, such as job satisfaction, intrinsic motivation, organizational commitment, absenteeism, turnover, and productivity.
Historically, OD assessment has focused on attitudinal outcomes, such as job satisfaction, while neglecting hard measures, such as performance. Increasingly, however, managers and researchers are calling for development of behavioral measures of OD outcomes. Managers are interested primarily in applying OD to change work-related behaviors that involve joining, remaining, and producing at work, and are assessing OD more frequently in terms of such bottom-line results. Macy and Mirvis have done extensive research to develop a standardized set of behavioral outcomes for assessing and comparing intervention results.

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Evaluating and Institutionalizing Organization Development Interventions

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Designing Good Measures:

Each of the measurement methods described earlier has advantages and disadvantages. Many of these characteristics are linked to the extent to which a measurement is operationally defined, reliable, and valid. These assessment characteristics are discussed below.

1. **Operational definition**. A good measure is operationally defined; that is, it specifies the empirical data needed how they will be collected and, most important, how they will be converted from data to information. For example, Macy and Mirvis developed operational definitions for the behavioral outcomes (see Table 9). They consist of specific computational rules that can be used to construct measures for each of the behaviors. Most of the behaviors are reported as rates adjusted for the number of employees in the organization and for the possible incidents of behavior. These adjustments make it possible to compare the measures across different situations and time periods. These operational definitions should have wide

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applicability across both industrial and service organizations, although some modifications, deletions, and additions may be necessary for a particular application.

Operational definitions are extremely important in measurement because they provide precise guidelines about what characteristics of the situation are to be observed and how they are to he used. They tell OD practitioners and the client system exactly how diagnostic, intervention, and outcome variables will be measured.

2. **Reliability**. Reliability concerns the extent to which a measure represents the "true" value of a variable; that is, how accurately the operational definition translates data into information. For example, there is little doubt about the accuracy of the number of cars leaving an assembly line as a measure of plant productivity; although it is possible to miscount, there can be a high degree of confidence in the measurement. On the other hand, when people are asked to rate their level of job satisfaction on a scale of 1 to 5, there is considerable room for variation in their response. They may just have had an argument with their supervisor, suffered an accident on the job, been rewarded for high levels of productivity, or been given new responsibilities. Each of these events can sway the response to the question on any given day. The individuals' "true" satisfaction score is difficult to discern from this one question and the measure lacks reliability.

OD practitioners can improve the reliability of their measures in four ways. First, rigorously and operationally define the chosen variables. Clearly specified operational definitions contribute to reliability by explicitly describing how collected data will be converted into information about a variable. An explicit description helps to allay the client's concerns about how the information was collected and coded. Second, use multiple methods to measure a particular variable. The use of questionnaires, interviews, observation, and unobtrusive measures can improve reliability and result in more comprehensive understanding of the organization. Because each method contains inherent biases, several different methods can be used to triangulate on dimensions of organizational problems. If the independent measures converge or show consistent results, the dimensions or problems likely have been diagnosed accurately.' Third, use multiple items to measure the same variable on a questionnaire. For example, in Job Diagnostic Survey for measuring job characteristics, the intervention variable "autonomy" has the following operational definition: the average of respondents' answers to the following three questions (measured on a seven—point scale):

1. The job permits me to decide on my own how to go about doing the work.
2. The job denies me any chance to use my personal initiative or judgment in carrying out the work. (Reverse scored)
3. The job gives me considerable opportunity for independence and freedom in how I do the work.

Table 9: Behavioral Outcomes for Measuring OD Interventions: Measures and Computational Formulas

Behavioral Outcomes for measuring OD Interventions: Measures and Computational Formulae	
Behavioral Measure	**Computational Formula**
Absenteeism rate (monthly)	$\frac{\sum \text{Absence days}}{\text{Average workforce size x working days}}$
Turnover rate (monthly	$\frac{\sum \text{Tardiness incidents}}{\text{Average workforce size x working days}}$
Internal stability rate (monthly)	$\frac{\sum \text{Turnover incidents}}{\text{Average workforce size}}$
Strike rate (yearly)	$\frac{\sum \text{Internal movement incidents}}{\text{Average workforce size}}$
Accident rate (yearly)	$\frac{\sum \text{Striking Workers x Strike days}}{\text{Average workforce size x working days}}$
Grievance rate (yearly)	$\frac{\sum \text{of Accidents, illnesses}}{\text{Total yearly hours worked}} \times 200{,}000$

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	Plant: $\frac{\sum \text{Grievance incidents}}{\text{Average workforce size}}$
	Individual: $\frac{\sum \text{Aggrieved individuals}}{\text{Average workforce size x working days}}$
Productivity Total	$\frac{\text{Output of goods or services (units or \$)}}{\text{Direct and/or indirect labor (hours or \$)}}$
Below standard	Actual versus engineered standard
Below budget	Actual versus budgeted standard
Variance	Actual versus budgeted variance
Per employee	Output/average workforce size
Quality: Total	Scrap + customer returns + Rework – Recoveries (\$, units or hours)
Below standard	Actual versus engineered standard
Below budget	Actual versus budgeted standard
Variance	Actual versus budgeted variance
Per employee	Output/average workforce size
Downtime	Labor (\$) + Repair costs or dollar value of replaced equipment (\$)
Inventory, supply and material usage	Variance (actual versus standard utilization) (\$)

By asking more than one question about "autonomy," time survey increases the accuracy of its measurement of this variable. Statistical analyses (called psychometric tests) are readily available for assessing the reliability of perceptual measures, and OD practitioners should apply these methods or seek assistance from those who can apply them." Similarly, there are methods for analyzing the content of interview and observational data, and OD evaluators can use these methods to categorize such information so that it can be understood and replicated. Fourth, use standardized instruments. A growing number of standardized questionnaires are available for measuring OD intervention and outcome variables.

3. **Validity**. Validity concerns the extent to which, a measure actually reflects the variable it is intended to reflect. For example, the number of cars leaving an assembly line might be a reliable measure of plant productivity but it may not be a valid measure. The umber of cars is only one aspect of productivity; they may have been produced at an unacceptably high cost. Because the number of cars does not account for cost, it is not a completely valid measure of plant productivity.

OD practitioners can increase the validity of their measures in several ways. First, ask colleagues and clients if a proposed measure actually represents a particular variable. This is called face validity or content validity. If experts and clients agree that the measure reflects the variable of interest, then there is increased confidence in the measure's validity. Second, use multiple measures of the same variable, as described in the section about reliability, to make preliminary assessments of the measure's criterion or convergent validity. That is, if several different measures of the same variable correlate highly with each other, especially if one or more of the other measures have been validated in prior research, then there is increased confidence in the measure's validity. A special case of criterion validity, called discriminant validity, exists when the proposed measure does not correlate with measures that it is not supposed to correlate with. For example, there is no good reason for daily measures of assembly—line productivity to correlate with daily air temperature. The lack of a correlation would be one indicator that the number of cars is measuring productivity and not some other variable. Finally, predictive validity is demonstrated when the variable of interest accurately forecasts another variable over time. For example, a measure of team cohesion can be said to be valid if it accurately predicts improvements in team performance in the future.

It is difficult, however, to establish the validity of a measure until it has been used. To address this concern, OD practitioners should make heavy use of content validity processes and use measures that already have been validated. For example, presenting proposed measures to colleagues and clients for evaluation prior to measurement has several positive effects: it builds ownership and commitment to the data-collection process and improves the likelihood that the client system will find the data meaningful. Using measures that have been validated through prior research improves confidence in the results and provides a standard that can be used to validate any new measures used in collecting the data.

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Research Design:

In addition to measurement, OD practitioners must make choices about how to design the evaluation to achieve valid results. The key issue is how to design the assessment to show whether the intervention did in fact produce the observed results. This is called internal validity. The secondary question of whether the intervention would work similarly in other situations is referred to as external validity. External validity is irrelevant without first establishing an intervention's primary effectiveness, so internal validity is the essential minimum requirement for assessing OD interventions. Unless managers can have confidence that the outcomes are the result of the intervention, they have no rational basis for making decisions about accountability and resource allocation.

Assessing the internal validity of an intervention is, in effect, testing a hypothesis—namely, that specific organizational changes lead to certain outcomes. Moreover, testing the validity of an intervention hypothesis means that alternative hypotheses or explanations of the results must be rejected. That is, to claim that an intervention is successful, it is necessary to demonstrate that other explanations— in the form of rival hypotheses—do not account for the observed results. For example, if a job enrichment program appears to increase employee performance, such other possible explanations as new technology, improved raw materials, or new employees must be eliminated.

Accounting for rival explanations is not a precise, controlled, experimental process such as might be found in a research laboratory. OD interventions often have a number of features that make determining whether they produced observed results difficult. They are complex and often involve several interrelated changes that obscure whether individual features or combinations of features are accounting for the results. Many OD interventions are long-term projects and take considerable time to produce desired outcomes. The longer the time period of the change program, the greater are the chances that other factors, such as technology improvements, will emerge to affect the results. Finally, OD interventions almost always are applied to existing work units rather than to randomized groups of organization members. Ruling out alternative explanations associated with randomly selected intervention and comparison groups is, therefore, difficult.

Given the problems inherent in assessing OD interventions, practitioners have turned to quasi-experimental research designs. These designs are not as rigorous and controlled as are randomized experimental designs, but they allow evaluators to rule out many rival explanations for OD results other than the intervention itself, Although several quasi-experimental designs are available, those with the following three features are particularly powerful for assessing changes:

1. **Longitudinal measurement**. This involves measuring results repeatedly over relatively long time periods. Ideally, the data collection should start before the change program is implemented and continue for a period considered reasonable for producing expected results.
2. **Comparison unit**. It is always desirable to compare results in the intervention situation with those in another situation where no such change has taken place. Although it is never possible to get a matching group identical to tile intervention group, most organizations include a number of similar work units that can be used for comparison purposes.
3. **Statistical analysis**. Whenever possible, statistical methods should be used to rule out the possibility that the results are caused by random error or chance. Various statistical techniques are applicable to quasi-experimental designs, and OD practitioners should apply these methods or seek help from those who can apply them.

Table 10: Quasi Experimental Research Design

Quasi- Experimental Research Design									
Monthly Absenteeism (%)									
	SEP.	OCT.	NOV.	DEC.		JAN	FEB	MAR	APR
Intervention group	2.1	5.3	5.0	5.1	Start of intervention	4.6	4.0	3.9	3.5
Comparison group	2.5	2.6	2.4	2.5		2.6	2.4	2.5	2.5

Table 10 provides an example of a quasi-experimental design having these three features. The intervention is intended to reduce employee absenteeism. Measures of absenteeism are taken from company monthly records for both the intervention and comparison groups. The two groups are similar yet geographically separate subsidiaries of a multi-plant company. Table 10 shows each plant's monthly absenteeism rate for four consecutive months both before and after the start of the intervention. The plant receiving the

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intervention shows a marked decrease in absenteeism in the months following the intervention, whereas the control plant shows comparable levels of absenteeism in both time periods. Statistical analyses of these data suggest that the abrupt downward shift in absenteeism following the intervention was not attributable to chance variation. This research design and the data provide relatively strong evidence that the intervention was successful.

Quasi-experimental research designs using longitudinal data, comparison groups, and statistical analysis permit reasonable assessments of intervention effectiveness. Repeated measures often can be collected from company records without directly involving members of the experimental and comparison groups. These unobtrusive measures are especially useful in OD assessment because they do not interact with the intervention and affect the results. More obtrusive measures, such as questionnaires and interviews, are reactive and can sensitize people to the intervention. When this happens, it is difficult to know whether the observed findings are the result of the intervention, the measuring methods, or some combination of both.

Multiple measures of intervention and outcome variables should be applied to minimize measurement and intervention interactions. For example, obtrusive measures such as questionnaires could be used sparingly, perhaps once before and once after the intervention. Unobtrusive measures, such as the behavioral outcomes shown in Table 9, could be used repeatedly, thus providing a more extensive time series than the questionnaires. When used together the two kinds of measures should produce accurate and non-reactive evaluations of the intervention.

The use of multiple measures also is important in assessing perceptual changes resulting from intervention. Considerable research has identified three types of change alpha, beta, and gamma—that occur when using self-report, perceptual measures.

Alpha Change concerns a difference that occurs along some relatively stable dimension of reality. This change is typically a comparative measure before and after an intervention. For example, comparative measures of perceived employee discretion might show an increase after a job enrichment program. If this increase represents alpha change, it can be assumed that the job enrichment program actually increased employee perceptions of discretion.

If comparative measures of trust among team members showed an increase after a team-building intervention, then we might conclude that our OD intervention had made a difference.

Beta Change: Suppose, however, that a decrease in trust occurred – or no change at all. One study has shown that, although no decrease in trust occurred, neither did a measurable increase occur as a consequence of team-building intervention. Change may have occurred, however. The difference may be what is called a beta change. As a result of team-building intervention, team members may view trust very differently. Their basis for judging the nature of trust changed, rather than their perception of a simple increase or decrease in trust along some stable continuum. This difference is called beta change.

For example, before-and-after measures of perceived employee discretion can decrease after a job enrichment program. If beta change is involved; it can explain this apparent failure of the intervention to increase discretion. The first measure of discretion may accurately reflect the individual's belief about the ability to move around and talk to fellow workers in the immediate work area. During implementation of the job enrichment intervention, however, the employee may learn that the ability to move around is not limited to the immediate work area. At a second measurement of discretion, the employee, using this new and recalibrated understanding, may rate the current level of discretion as lower than before.

Gamma change involves fundamentally redefining the measure as a result of an OD intervention. In essence, the framework within which a phenomenon is viewed changes. A major change in the perspective or frame of reference occurs. Staying with the example, after the intervention team members might conclude that trust was not a relevant variable in their team building experience. They might believe that the gain in their clarity and responsibility was the relevant factor and their improvement as a team had nothing to do with trust.

For example, the presence of gamma change would make it difficult to compare measures of employee discretion taken before and after a job enrichment program. The measure taken after the intervention might use the same words, but they represent an entirely different concept.

The term "discretion" may originally refer to the ability to move about the department and interact with other workers. After the intervention, discretion might be defined in terms of the ability to make decisions about work rules, work schedules, and productivity levels. In sum, the job enrichment intervention changed the way discretion is perceived and how it is evaluated.

These three types of change apply to perceptual measures. When other than alpha changes occur, interpreting measurement changes becomes the more difficult. Potent OD interventions may produce both beta and gamma changes, which severely complicates interpretations of findings reporting change or no change. Further, the distinctions among the three different types of change suggest that the heavy reliance on questionnaires, so often cited in the literature, should be balanced by using other measures, such as

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interviews and unobtrusive records. Analytical methods have been developed to assess the three kinds of change, anti OD practitioners should gain familiarity with these recent techniques.

Case: The Farm Bank

The Farm Bank is one of the state's oldest and most solid banking institutions. Located in a regional marketing center, the bank has been active in all phases of banking, specializing in farm loans. The bank's president, Frank Swain, 62, has been with the bank for many years and is prominent in local circles.

The bank is organized into six departments (as shown in Figure below). A senior vice president heads each department. All six of them have been with the bank for years, and in general they reflect a stable and conservative outlook.

The Management Information System

Two years ago, President Swain felt that the bank needed to "modernize its operations. With the approval of the board of directors, he decided to design and install a comprehensive management information system (MIS). The primary goal was to improve internal operations by supplying necessary information on a more expedited basis, thereby decreasing the time necessary to service customers. The system was also to be designed to provide economic operating data for top management planning and decision-making. To head this department he selected Al Hassier, 58, a solid operations manager who had some knowledge and experience in the computer department.

After the system was designed and installed, Al hired a young woman as his assistant. Valerie Wyatt was a young MBA with a strong systems analysis background. In addition to bring the only woman and considerably younger than any of the other managers at this level, Wyatt was the only MBA.

In the time since the system was installed, the MIS has printed thousands of pages of operating information, including reports to all the vice presidents, all the branch managers, and the president. The reports include weekly, monthly, and quarterly summaries and include cost of productions, projected labor costs, overhead costs, and projected earnings figures for each segment of the bank's operations.

The MIS Survey

Swain was pleased with the system but noticed little improvement in management operations. In fact, most of the older vice presidents were making decisions and function pretty much as they did before the MIS was installed. Swain decided to have Wyatt conduct a survey of the users to try to evaluate the impact and benefits of the new system. Wyatt was glad to undertake the survey, because she had long felt the system was too elaborate for the bank's needs. She sent out a questionnaire to all department heads, branch managers, and so on, inquiring into their uses of the system.

As she began to assemble the survey data, a pattern began to emerge. In general, most of the managers were strongly in favor of the system but felt that it should be modified. As Wyatt analyzed the responses, several trends and important points came out: (1) 93 percent reported that they did not regularly use the reports because the information was not in a useful form, (2) 76 percent reported that the printouts were hard to interpret, (3) 72 percent stated that they received more data than they wanted, (4) 57 percent reported finding some errors and inaccuracies, and (5) 87 percent stated that they still kept manual records because they did not fully trust the MIS.

The Meeting

Valerie Wyatt finished her report, excitedly rushed into Al Hassler's office, and handed it to him. Hassler slowly scanned the report and then said, "You've done a good job here, Val. But now that we have the system operating, I don't think we should upset the apple cart, do you? Let's just keep this to ourselves for the time being, and perhaps we can correct most of these problems. I'm sure Frank wouldn't want to hear this kind of stuff. This system is his baby, so maybe we shouldn't rock the boat with this report."

Valeries returned to her office feeling uncomfortable. She wondered what to do.

Case Analysis Form

Name: _____

I. Problems

A. Macro

1. _____
2. _____

B. Micro

1. _____
2. _____

II. Causes

1. _____
2. _____

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3. _____

III. Systems affected

1. Structural _____
2. Psychosocial _____.
3. Technical _____
4. Managerial _____
5. Goals and values _____

IV. Alternatives

1. _____
2. _____
3. _____

V. Recommendations

1. _____
2. _____
3. _____

Case Solution: The Farm Bank

I. Problems

A. Macro

1. Client system unprepared for change.
2. Client system unfamiliar with and unprepared for MIS.

B. Micro

1. Top-down approach (Swain's) excluded staff from decision and preparation for MIS.
2. Survey should have preceded, not followed, MIS.
3. Hassler not assertive enough to fulfill Swain's goals by keeping Swain informed.
4. Particulars in MIS need to be changed (limit info after determining needs, change format, etc.).
5. Valarie Wyatt has been charged by Swain to make survey but her boss, Hassler, has told her not to give the report to Swain.

II. Causes

1. Conservative nature of firm (and age of staff).
2. Lack of education regarding MIS.
3. Lack of planning regarding functions MIS would perform for managers and firm.
4. Hassler more interested in personal security than in fulfilling purpose for which he was hired.

III. Systems affected

1. Structural - Chain of command prohibited Wyatt from improving MIS through using results of report.
2. Technical - MIS needs new form and new limitations. These are not being carried out.
3. Behavioral – Wyatt's "fulfillment" and satisfaction of job well done are restricted. Other staff's expectations brought on by survey are frustrated by lack of follow-through. Swain hopes are not fulfilled. Hassler knows, somewhere, he is not fulfilling his role. Managerial decisions company-wide are not being made in the best possible way, since information is not being managed in the most effective way possible.
4. Managerial – Hassler is uncomfortable about taking things up the chain. Possibly the president, Frank Swain, has intimidated subordinates in the past. Or Hassler does not want to rock the boat, has a "full plate", or maybe is lazy. It is difficult to access motives of managers.
5. Goals and values – Excellence and organization improvement does not seem to be valued by most managers except possibly Wyatt.

IV. Alternatives

1. Wyatt could convince Hassler it's in his best interest to show Swain results of survey.
2. Wyatt could go along with Hassler's inaction.
3. Wyatt could go around Hassler and tell Swain.

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V. Recommendations

Wyatt needs to submit the report to Swain since this is the person who assigned her to do the survey. She needs to explain tactfully to Hassler the importance of her giving Swain the report. Once the report is sent to Swain, The Farm Bank needs to embark on a strategy of solving the problems identified in the survey. The approach should be an integrated one involving the people who use the MIS with them identifying specific problems and the steps to correct the problems. Hassler needs to be involved in making the changes as well as Wyatt.

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Evaluating and Institutionalizing Organization Development Interventions

Institutionalizing interventions:

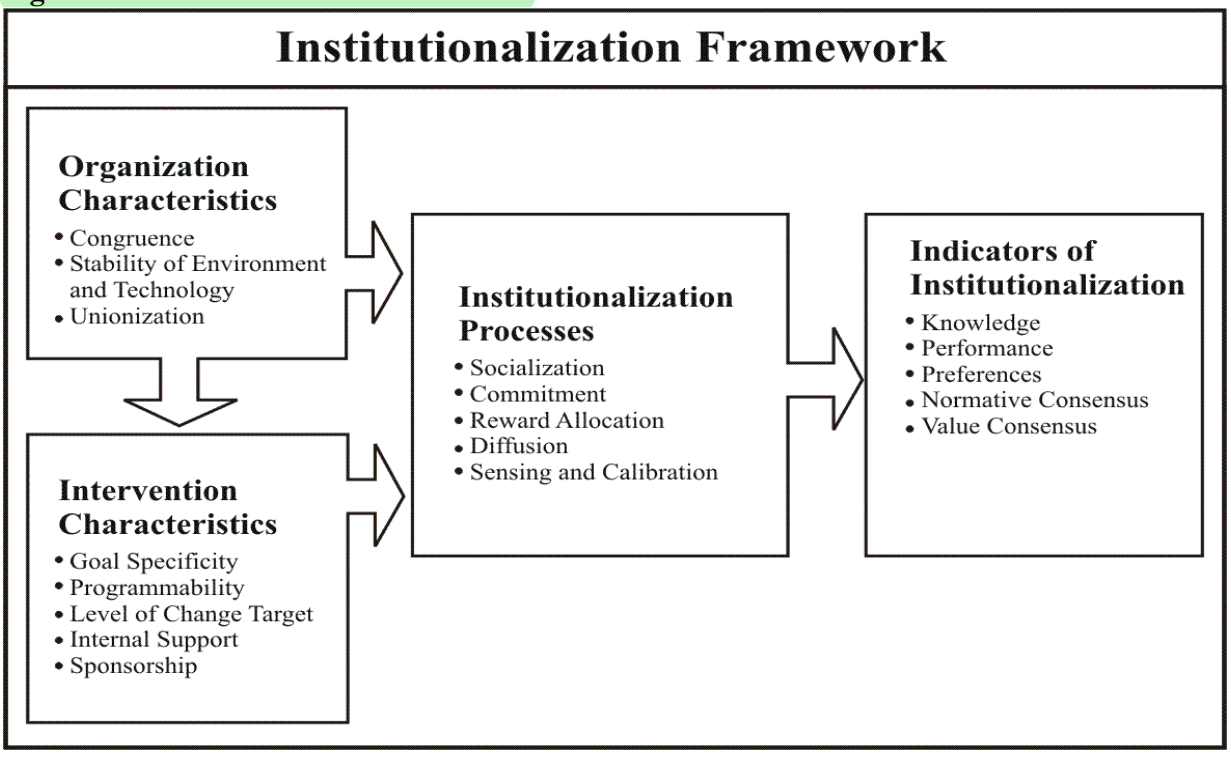
Once it is determined that a change has been implemented and is effective, attention is directed at institutionalizing the changes—making them a permanent part of the organization's normal functioning. Lewin described change as occurring in three stages: unfreezing, moving, and refreezing. Institutionalizing an OD intervention concerns refreezing. It involves the long-term persistence of organizational changes: to the extent that changes persist, they can be said to be institutionalized. Such changes are not dependent on any one person but exist as a part of the culture of an organization. This means that numerous others share norms about the appropriateness of the changes.

How planned changes become institutionalized has not received much attention in the OD literature. Rapidly changing environments have led to admonitions from consultants and practitioners to "change constantly," to "change before you have to," and "if it's not broke, fix it anyway." Such a context has challenged the utility of the institutionalization concept. Why endeavor to make any change permanent given that it may require changing again soon? However, the admonitions also have resulted in institutionalization concepts being applied in new ways. Change itself has become the focus of institutionalization. Total quality management, organization learning, integrated strategic change, and self-design interventions all are aimed at enhancing the organization's capability for change. In this vein, processes of institutionalization take on increased utility. This section presents a framework identifying factors and processes that contribute to the institutionalization of OD interventions, including the process of change itself.

Institutionalization Framework:

Figure 37 presents a framework that identifies organization and intervention characteristics and institutionalization processes affecting the degree to which change programs are institutionalized. The model shows that two key antecedents—organization and intervention characteristics—affect different institutionalization processes operating in organizations. These processes, in turn, affect various indicators of institutionalization. The model also shows that organization characteristics can influence intervention characteristics. For example, organizations having powerful unions may have trouble gaining internal support for OD interventions.

Figure 37: Institutionalization Framework



Organization Characteristics:

Figure 37 show that the following three key dimensions of an organization can affect intervention characteristics and institutionalization processes.

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1. **Congruence**. This is the degree to which an intervention is perceived as being in harmony with the organization's managerial philosophy, strategy, and structure; its current environment; and other changes taking place. When an intervention is congruent with these dimensions, the probability is improved that it will be institutionalized. Congruence can facilitate persistence by making it easier to gain member commitment to the intervention and to diffuse it to wider segments of the organization. The converse also is true; many OD interventions promote employee participation and growth. When applied in highly bureaucratic organizations with formalized structures and autocratic managerial styles, participative interventions are not perceived as congruent with the organization's managerial philosophy.

2. **Stability of environment and technology**: This involves the degree to which the organization's environment and technology are changing. Unless the change target is buffered from these changes or unless the changes are dealt with directly by the change program, it may be difficult to achieve long-term intervention stability. For example, decreased demand for the firm's products or services can lead to reductions in personnel that may change the composition of the groups involved in the intervention. Conversely, increased product demand can curtail institutionalization by bringing new members on board at a rate faster than they can be socialized effectively.

3. **Unionization**. Diffusion of interventions may be more difficult in unionized settings, especially if the changes affect union contract issues, such as salary and fringe benefits, ob design, and employee flexibility. For example, a rigid union contract can make it difficult to merge several job classifications into one, as might be required to increase task variety in a job enrichment program. It is important to emphasize, however, that unions can be a powerful force for promoting change, particularly when a good relationship exists between union and management.

Intervention characteristics:

Figure 37 shows that the following five major features of OD interventions can affect institutionalization processes:

1. **Goal specificity**. This involves the extent to which intervention goals are specific rather than broad. Specificity of goals helps direct socializing activities (for example. training and orienting new members) to particular behaviors required to implement the intervention. It also helps operationalize the new behaviors so that rewards can be linked clearly to them. For example, an intervention aimed only at increasing product quality is likely to be more focused and readily put into operation than a change program intended to improve quality, quantity, safety, absenteeism, and employee development.

2. **Programmability**. This involves the degree to which the changes can be programmed or the extent to which the different intervention characteristics can be specified clearly in advance to enable socialization, commitment, and reward allocation. For example, job enrichment specifies three targets of change: employee discretion, task variety, and feedback. The change program can be planned and designed to promote those specific features.

3. **Level of change target**. This concerns the extent to which the change target is the total organization, rather than a department or small work group. Each level of organization has facilitators and inhibitors of persistence. Departmental and group changes are susceptible to countervailing forces from others in the organization. These can reduce the diffusion of the intervention and lower its ability to impact organization effectiveness. However, this does not preclude institutionalizing the change within a department that successfully insulates itself from the rest of the organization. Such insulation often manifests itself as a subculture within the organization.

Targeting the intervention to wider segments of the organization, on the other hand, also can help or hinder change persistence. A shared belief about the intervention's value can be a powerful incentive to maintain the change, and promoting a consensus across organizational departments exposed to the change can facilitate institutionalization. But targeting the larger system also can inhibit institutionalization. The intervention can become mired in political resistance because of the "not invented here" syndrome or because powerful constituencies oppose it.

4. **Internal support**. This refers to the degree to which there is an internal support system to guide the change process. Internal support, typically provided by an internal consultant, can gain commitment for the changes and help organization members implement them. External consultants also can provide support, especially on a temporary basis during the early stages of implementation. For example, in many interventions aimed at implementing high—involvement organizations, both external and internal consultants provide change support. The external consultant typically brings expertise on organizational design and trains members to implement the design. The internal consultant generally helps members relate to other organizational units, resolve conflicts and legitimize the change activities within the organization.

5. **Sponsorship**. This concerns the presence of a powerful sponsor who can initiate, allocate, and legitimize resources for the intervention. Sponsors must come from levels in the organization high enough

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to control appropriate resources, and they must have the visibility and power to nurture the intervention and see that it remains viable. There are many examples of OD interventions that persisted for several years and then collapsed abruptly when the sponsor, usually a top administrator, left the organization. There also are numerous examples of middle managers withdrawing support for interventions because top management did not include them in the change program.

Institutionalization Processes:

The framework depicted in Figure 37 shows the following five institutionalization processes that can directly affect the degree to which OD interventions are institutionalized.

1. **Socialization**. This concerns the transmission of information about beliefs, preferences, norms, and values with respect to the intervention. Because implementation of OD interventions generally involves considerable learning and experimentation, a continual process of socialization is necessary to promote persistence of the change program. Organization members must focus attention on the evolving nature of the intervention and its ongoing meaning. They must communicate this information to other employees, especially new members. Transmission of information about the intervention helps bring new members onboard and allows participants to reaffirm the beliefs, norms, and values underlying the intervention. For example, employee involvement programs often include initial transmission of information about the intervention, as well as retraining of existing participants and training of new members. Such processes are intended to promote persistence of the program as both new behaviors are learned and new members are introduced.

2. **Commitment**. This binds people to behaviors associated with the intervention. It includes initial commitment to the program, as well as recommitment over time. Opportunities for commitment should allow people to select the necessary behaviors freely, explicitly, and publicly. These conditions favor high commitment and can promote stability of the new behaviors. Commitment should derive from several organizational levels, including the employees directly involved and the middle and upper managers who can support or thwart the intervention. In many early employee involvement programs, for example, attention was directed at gaining workers' commitment to such programs. Unfortunately, middle managers were often ignored and considerable management resistance to the interventions resulted.

3. **Reward allocation**. This involves linking rewards to the new behaviors required by an intervention. Organizational rewards can enhance the persistence of interventions in at least two ways. First, a combination of intrinsic and extrinsic rewards can reinforce new behaviors. Intrinsic rewards are internal and derive from the opportunities for challenge, development, and accomplishment found in the work. When interventions provide these opportunities, motivation to perform should persist. This behavior can be further reinforced by providing extrinsic rewards, such as money, for increased contributions. Because the value of extrinsic rewards tends to diminish over time, it may be necessary to revise the reward system to maintain high levels of desired behaviors.

Second, new behaviors will persist to the extent that rewards are perceived as equitable by employees. When new behaviors are fairly compensated. People are likely to develop preferences for those behaviors. Over time, those preferences should lead to normative and value consensus about the appropriateness of the intervention. For example, many employee involvement programs fail to persist because employees feel that their increased contributions to organizational improvements are unfairly rewarded. This is especially true for interventions relying exclusively on intrinsic rewards. People argue that an intervention that provides opportunities for intrinsic rewards also should provide greater pay or extrinsic rewards for higher levels of contribution to the organization.

4. **Diffusion**. This refers to the process of transferring interventions from one system to another. Diffusion facilitates institutionalization by providing a wider organizational base to support the new behaviors. Many interventions fail to persist because they run counter to the values and norms of the larger organization. Rather than support the intervention, the larger organization rejects the changes and often puts pressure on the change target to revert to old behaviors. Diffusion of the intervention to other organizational units reduces this counter implementation force. It tends to lock in behaviors by providing normative consensus from other parts of the organization. Moreover, the act of transmitting institutionalized behaviors to other systems reinforces commitment to the changes.

5. **Sensing and calibration**. This involves detecting deviations from desired intervention behaviors and taking corrective action, institutionalized behaviors invariably encounter destabilizing forces, such as changes in the environment, new technologies, and pressures from other departments to nullify changes. These factors cause some variation in performances preferences norms, and values. To detect this variation and take corrective actions, organizations must have some sensing mechanism. Sensing mechanisms, such as implementation feedback, provide information about the occurrence of deviations. This knowledge can then initiate corrective actions to ensure that behaviors are more in line with the intervention. For example, if a high level of job discretion associated with a job enrichment intervention does not persist, information

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about this problem might initiate' corrective actions, such as renewed attempts to socialize people or to gain commitment to the intervention.

Indicators of Institutionalization:

Institutionalization is not an all-or-nothing concept but reflects degrees of persistence of an intervention. Figure 37 shows five indicators of the extent of an intervention's persistence. The extent to which the following factors arc present or absent: indicates the degree of Institutionalization

1. **Knowledge**. This involves the extent to which organization members have knowledge of the behaviors associated with an intervention, it is concerned with whether members know enough to perform the behaviors and to recognize the consequences of that performance. For example, job enrichment includes a number of new behaviors, such as performing a greater variety of tasks, analyzing information about task performance, and making decisions about work methods and plans.
2. **Performance**. This is concerned with the degree to which intervention behaviors are actually performed. It may be measured by counting the proportion of relevant people performing the behaviors. For example, 60 percent of the employees in a particular work unit might be performing the job enrichment behaviors described above. Another measure of performance is the frequency with which the new behaviors are performed. In assessing frequency, it is important to account for different variations of the same essential behavior, as well as highly institutionalized behaviors that need to be performed only infrequently.
3. **Preferences**. This involves the degree to which organization members privately accept the organizational changes. This contrasts with acceptance based primarily organizational sanctions or group pressures. Private acceptance usually is reflected in people's positive attitudes toward the changes and can be measured by the direction and intensity of those attitudes across the members of the work unit receiving the intervention. For example, a questionnaire assessing members' perceptions of a job enrichment program might show that most employees have a strong positive attitude toward making decisions, analyzing feedback, and performing a variety of tasks.
4. **Normative consensus**. This focuses on the extent to which people agree about the appropriateness of the organizational changes. This indicator of institutionalization reflects how fully changes have become part of the normative structure of the organization. Changes persist to the degree members feel that they should support them. For example, a job enrichment program would become institutionalized to the extent that employees support it and see it as appropriate to organizational functioning.
5. **Value consensus**. This is concerned with social consensus on values relevant to the organizational changes. Values are beliefs about how people ought or ought not to behave. They are abstractions from more specific norms. Job enrichment, for example, is based on values promoting employee self-control and responsibility. Different behaviors associated with job enrichment, such as making decision and performing a variety of tasks, would persist to the extent that employees widely share values of self-control and responsibility.

These five indicators can be used to assess the level of institutionalization of an OD intervention. The more the indicators are present in a situation, the higher will be the degree of institutionalization. Further; these factors seem to follow a specific development order: knowledge, performance, preferences, norms, and values. People must first understand flew behaviors or changes before they can perform them effectively. Such performance generates rewards and punishments, which in time affect people's preferences. As many individuals come to prefer the changes, normative consensus about their appropriateness develops. Finally, if there is normative agreement about the changes reflecting a particular set of values, over time there should be some consensus on those values among organization members.

Given this developmental view of institutionalization, it is implicit that whenever one of the last indicators is present, all the previous ones are automatically included as well. For example, if employees normatively agree with the behaviors associated with job enrichment, then they also have knowledge about the behaviors, can perform them effectively, and prefer them. An OD intervention is fully institutionalized only when all five factors are present.

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Interpersonal and Group Process Approaches

Process Interventions:

Process interventions are in OD skill used by OD practitioners, whether managers or OD professionals, to help work groups become more effective. The purpose of process interventions is to help the work group become more aware of the way it operates and the way its members work with one another. The work group uses this knowledge to develop its own problem-solving ability. Process interventions, then, aim at helping the work group to become more aware of its own processes, including the way it operates, and uses this knowledge to solve its own problems.

The manager practicing process intervention observes individuals and teams in action and helps them learn to diagnose and solve their own problems. The manger refrains from telling them how to solve their problems but instead asks questions, focuses their attention on how they are working together, teaches or provides resources where necessary, and listens. On of the major advantages is that teams becomes more independent to solve problems.

Now we will discuss change programs relating to interpersonal relations and group dynamics. These change programs are among the earliest ones devised in OD and represent attempts to improve people's working relationships with one another. The interventions are aimed at helping group members assess their interactions and devise more effective ways of working together. These interventions represent a basic skill requirement for an OD practitioner.

Interpersonal relationships and group dynamics, involve four types of interventions:

1. T-group.
2. Process consultation.
3. Third-party intervention.
4. Team building.

1. T-Groups

As discussed earlier, sensitivity training, or the T-group, is an early forerunner of modern OD interventions. Its direct use in OD has lessened considerably. The National Training Laboratories (NTL) and UCLA are among the few remaining organizations that offer T-groups on a regular basis. OD practitioners often attend T-groups to improve their own functioning. For example, T-groups can help OD practitioners become more aware of how others perceive them and thus increase their effectiveness with client systems. In addition, OD practitioners often recommend that organization members attend a T-group to learn how their behaviors affect others and to develop more effective ways of relating to people.

What Are the Goals?

T-groups traditionally are designed to provide members with experiential learning about group dynamics, leadership, and interpersonal relations. The basic T-group consists of ten to fifteen strangers who meet with a professional trainer to explore the social dynamics that emerge from their interactions. Modifications of this basic design have generally moved in two directions. The first path has used T-group methods to help individuals gain deeper personal understanding and development. This intrapersonal focus typically is called an encounter group or a personal-growth group. It generally is considered outside the boundaries of OD and should be conducted only by professionally trained clinicians. The second direction uses T-group techniques to explore group dynamics and member relationships within an intact work group. Considerable training in T-group methods and group dynamics should he acquired before trying these interventions. This group focus has led to the OD intervention called team building, which is discussed later.

Extensive review of the literature reveals that there are six overall objectives common to most T-groups, although not every practitioner need accomplish every objective in every T-group. These objectives are:

1. Increased understanding, insight, and self-awareness about one's own behavior and its impact on others, including the ways in which others interpret one's behavior.
2. Increased understanding and sensitivity about the behavior of others, including better interpretation of both verbal and nonverbal clues, which increases awareness and understanding of what other people are thinking and feeling.
3. Better understanding and awareness of group and inter-group processes, both those that facilitate and those that inhibit group functioning.
4. Increased diagnostic skills in interpersonal and inter-group situations. Accomplishing the first three objectives provides the basic tools for accomplishing the fourth objective.
5. Increased ability to transform learning into action so that real-life interventions will be successful in increasing member satisfaction, output, or effectiveness.

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6. Improvement in individuals' ability to analyze their own interpersonal behavior as well as to learn how to help themselves and others with whom they come in contact, achieve more satisfying, rewarding, and effective interpersonal relationships.

These goals seem to meet many T-group applications, although any one training program may emphasize one goal more than the others. One trainer may emphasize understanding group process as applied to organizations; another may focus on group process as a way of developing individuals' understanding of themselves and others; and a third trainer may concentrate primarily on interpersonal and intrapersonal learning.

Application Stages

Application 4 illustrates the activities occurring in a typical unstructured strangers T-group, one of the most popular approaches.

Application 4: Unstructured Strangers T-group

A typical T-group session for strangers might consist of five or six T-groups of ten to fifteen members who have signed up for a Session conducted by the National Training Laboratories, UCLA's Ojai program, a university, or a similar organization. The T-group sessions may be combined with cognitive learning, such as brief lectures on general theory, designed exercises, or management games.

Each T-group comprises people who have not previously known one another. If several people from the same organization attend, they are put into different T-groups. At the beginning of the training session, the trainer makes a brief and ambiguous statement about either his or her role or some ground rules and lapses into silence. Because the trainer has not taken a leadership role or provided goals for the group, a dilemma of leadership and agenda is created. The group must work out its own methods to proceed further; it must fill the void left by the lack of a leader or of group objectives.

As the group fills the void, the individuals' behaviors become the "here-and-now" basic data for the learning experiences. As the group struggles with procedure, individual members try out different behaviors and roles, many of which are unsuccessful. One T-group member might make a number of direct, forceful, and unsuccessful attempts to take over the leadership role, trying first one style, then another. Finally, he or she conspicuously withdraws from the group, falls silent, and appears to be thinking about other things. Group members might observe that this person has two basic styles of working with others; when one style is unsuccessful, he or she adopts the other—withdrawal.

As appropriate, the trainer will make an "intervention," an observation or comment about the group, its behavior or the activities that are taking place. The type and nature of the intervention will vary, depending on the purpose of the laboratory and the trainer's own style. Usually, the trainer encourages individuals to understand what is going on in the group, their own feelings and behaviors, and the impact their behavior has on themselves and others. The primary emphasis is on the here-and-now experience, rather than on anecdotes or "back at the ranch" experiences.

The emphasis on openness and leveling in a supportive and caring environment enables the participants to gain insight into their own and others' feelings and behaviors. A better understanding of group dynamics also can make them more productive individuals.

2. Process Consultation:

Process consultation (PC) is a general framework for carrying out helping relationships. It is oriented to helping managers, employees, and groups assess and improve processes, such as communication, interpersonal relations, decision making and task performance. Schein argues that effective consultants and managers should be good helpers, aiding others in getting things done and in achieving the goals they have set. Thus, PC is more a philosophy than a set of techniques aimed at performing this helping relationship. The philosophy ensures that those who are receiving the help own their problems, gain the skills and expertise to diagnose them, and solve them themselves. Thus, it is an approach to helping people and groups help themselves.

Schein defines process consultation as "the creation of a relationship that permits the client to perceive, understand, and act on the process events that occur in (her/his) internal and external environment in order to improve the situation as defined by the client." The process consultant does not offer expert help in the form of solutions to problems, as in the doctor-patient model. Rather, the process consultant works to develop relationships, observes groups and people in action, helps them diagnose the way they are carrying out tasks, and helps them learn how to he more effective.

In the OD literature, team building is not clearly differentiated from process consultation. This confusion exists because most team building includes process consultation—helping the group diagnose and understand its own internal processes. However, process consultation is a more general approach to helping relationships than is team building. Team building focuses explicitly on helping groups perform

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tasks and solve problems more effectively. Process consultation, on the other hand, is concerned with establishing effective helping relationships in organizations. It is seen as key to effective management and consultation and can be applied to any helping relationship, from subordinate development to interpersonal relationships to group development. Thus, team building consists of process consultation plus other, more task-oriented interventions.

Group Process:

Process consultation deals primarily with five important interpersonal and group processes;

1. communications,
2. the functional roles of group members,
3. the ways in which the group solves problems and makes decisions,
4. group norms development, and
5. The use of leadership and authority.

Communications

One of the process consultant's areas of interest is the nature and style of communication at both the overt and covert levels. At the overt level, communication issues involve who talks to whom, for how long, and how often. One method for describing group communication is to keep a time log of how often and to whom people talk. For example, at an hour-long meeting conducted by a manager, the longest anyone other than the manager got to speak was one minute, and that minute was allotted to the assistant manager. Rather than telling the manager that he is cutting people off, the consultant can give descriptive feedback by citing the number of times others tried to talk and the amount of time they were given. The consultant must make certain that the feedback is descriptive and not evaluative (good or bad), unless the individual or group is ready for evaluative feedback.

By keeping a time log, the consultant also can note who talks and who interrupts. Frequently, certain people are perceived as being quiet, when in fact they have tried to say something and have been interrupted. Such interruptions are one of the most effective ways of reducing communications and decreasing participation in a meeting.

Body language and other nonverbal behavior also can be a highly informative method for understanding communication processes. For example, at another meeting conducted by a manager, the animated discussion at the start of the meeting was interrupted by the second-in-command, who said, "This is a problem-solving meeting, not a gripe session." As the manager continued to talk, the fourteen other members present assumed expressions of concentration. Within twenty-five minutes, all of them had folded their arms and were leaning backward, a sure sign that they were blocking out or shutting off the message. Within ten seconds of the manager's subsequent statement, "We are interested in getting your ideas," those present unfolded their arms and began to lean forward, a clear nonverbal sign that they were involved once again.

The manager uses several techniques to analyze the communications processes in a work group.

Observe. How often and how long does each member talk during a group discussion? These observations can be easily recorded on paper and referred to later when analyzing group behavior. It is also useful to keep a record of who talks to whom.

Identify. Who are the most influential listeners in the group? Noticing eye contact between members can give insights on the communication processes. Sometimes one person, and perhaps not even the person who speaks most frequently, is the one focused on by others as they speak.

Interruptions. Who interrupts whom? Is there a pattern in the interruptions? What are the apparent effects of the interruptions?

The manager will probably share this information with the group to enable the members to better understand how they communicate with one another.

Feedback may be given intermittently during the meeting or at the conclusion of the meeting. The purpose of feedback is to enable group members to learn about the way they communicate with one another.

At the covert or hidden level of communication, sometimes one thing is said but another meant, thus giving a double message. Luft has described this phenomenon in what is called the Johari Window. Figure 38, a diagram of the Johari Window, shows that some personal issues are perceived by both the individual and others (cell 1). Other people are aware of their own issues, but they conceal them from others (cell 2). People with certain feelings about themselves or others in the work group may not share with others unless they feel safe and protected; by not revealing reactions they feel might be hurtful or impolite, they lessen the degree of communication.

Cell 3 comprises personal issues that are unknown to the individual but that are communicated clearly to others. For example, an individual may shout, "I'm not angry," as he or she slams a fist on the table, or say, "I'm not embarrassed at all," as lie or she blushes scarlet. Typically, cell-3 communication conveys double

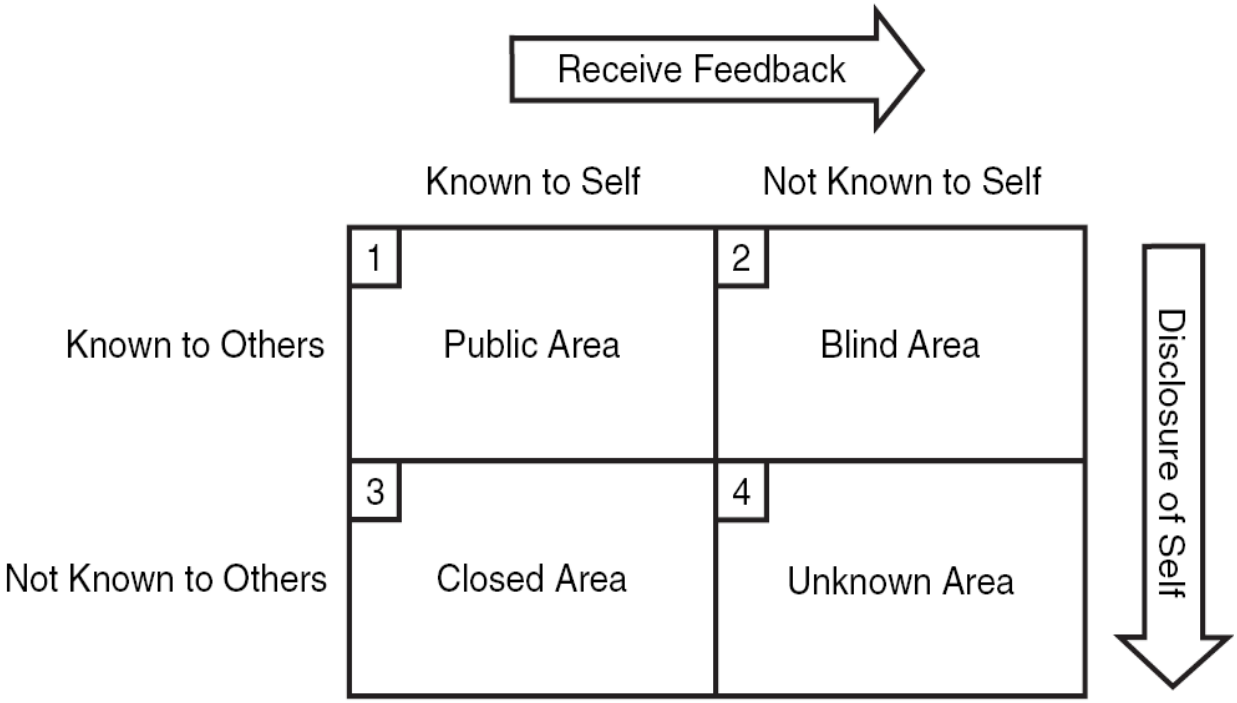
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messages. For example, one manager who made frequent business trips invariably told his staff to function as a team and to make decisions in his absence. The staff, however consistently refused to do this because it was clear to them, and to the process consultant, that the manager was really saying, "Go ahead as a team and make decisions in my absence, but be absolutely certain they are the exact decisions I would make if I were here." Only after the manager participated in several meetings in which he received feedback was he able to understand that he was sending a double message. Thereafter, he tried both to accept decisions made by others and to use management by objectives with his staff and with individual managers.

Cell 4 of the Johari Window represents those personal aspects that are unknown to either the individual or others. Because such areas are outside the realm of the process consultant and the group, focus is typically on the other three cells.

The consultant can encourage individuals to be more open with others about their views, opinions, concerns, and emotions, thus reducing cell 2. Further, the consultant can help individuals give feedback to others, thus reducing cell 3. Reducing the size of these two cells helps improve the communication process by enlarging cell I, the "sell" that is open to both the individual and others.

Figure 38: Johari Window



Disclosure and Feedback of Johari Window:

As indicated in Figure, movement along the vertical and horizontal dimensions enables individuals to change their interpersonal styles by increasing the amount of communication in the public or shared area. To enlarge the public area, a person may move vertically by reducing the closed area. As a person behaves less defensively and becomes more open, trusting and risk taking, others will tend to react with increased openness and trust. This process termed, **disclosure**, involves the open disclosure of one's feelings, thoughts and candid feedback to others. The openness of communication leads more to open and congruent relationships.

The behavioral process used to enlarge the public area horizontally termed, **feedback**, allows us to reduce the blind area. The only way to become aware of our blind spots is for others to give information or feedback about our behavior.

The blind area can only be reduced with the help and cooperation of others, and this requires a willingness to invite and accept such feedback.

Almost every organization finds that poor communication is the most important problem preventing organizational effectiveness.

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Interpersonal and Group Process Approaches

Functional Roles of Group Members:

The process consultant must be keenly aware of the different roles individual members take on in a group. Both upon entering and while remaining in a group, the individual must determine a self-identity influence, and power that will satisfy personal needs while working to accomplish group goals. Preoccupation with individual needs or power struggles can reduce the effectiveness of a group severely, and unless the individual can expose and share those personal needs to some degree, the group is unlikely to be productive. Therefore, the process consultant must help the group confront and work through these needs. Emotions are facts, but frequently they are regarded as side issues to be avoided. Whenever an individual, usually the leader, says to the group, "Let's stick with the facts," it can be a sign that the emotional needs of group members are not being satisfied and, indeed, are being disregarded as irrelevant.

Two other functions need to be performed if a group is to be effective: (1) task-related activities, such as giving and seeking information and elaborating, coordinating, and evaluating activities; and (2) group-maintenance actions, directed toward holding the group together as a cohesive team, including encouraging, harmonizing, compromising, setting standards, and observing. Most ineffective groups perform little group maintenance, and this is a primary reason for bringing in a process consultant.

The process consultant can help by suggesting that some part of each meeting be reserved for examining these functions and periodically assessing the feelings of the group's members. As Schein points out, however, the basic purpose of the process consultant is not to take on the role of expert but to help the group share in its own diagnosis and do a better job in learning to diagnose its own processes: "It is important that the process consultant encourage the group not only to allocate time for diagnosis but to take the lead itself in trying to articulate and understand its own processes." Otherwise, the group may default and become dependent on the supposed expert. In short, the consultant's role is to make comments and to assist with diagnosis, but the emphasis should be on facilitating the group's understanding and articulation of its own processes.

Group Problem Solving and Decision Making:

To be effective, a group must be able to identity problems, examine alternatives, and make decisions. The first part of this process is the most important. Groups often fail to distinguish between problems (either task-related or interpersonal) and symptoms. Once the group identifies the problem, a process consultant can help the group analyze its approach, restrain the group from reacting too quickly and making a premature diagnosis, or suggest additional options.

For example, a consultant was asked to process a group's actions during a three-hour meeting that had been taped. The tapes revealed that premature rejection of a suggestion had severely retarded the group's process. After one member's suggestion at the beginning of the meeting was quickly rejected by the manager, he repeated his suggestion several times in the next hour. Each time his suggestion was rejected quickly. During the second hour, this member became quite negative, opposing most of the other ideas offered. Finally, toward the end of the second hour, he brought up his proposal again. At that time, it was thoroughly discussed and then rejected for reasons that the member accepted.

During the third hour, this person was one of the most productive members of the group, offering constructive and worth while ideas, suggestions, and recommendations. In addition, he was able to integrate the comments of others, to modify them, and to come up with useful, integrated new suggestions. However, it was not until his first suggestion had been thoroughly discussed (even though it was finally rejected) that he was able to become a truly constructive member of the group.

Once the problem has been identified, a decision must be made. One way of making decisions is to ignore a suggestion. For example, when one person makes a suggestion, someone else offers another before the first has been discussed. A second method is to give decision-making power to the person in authority. Some- times decisions are made by minority rule, the leader arriving at a decision and turning for agreement to several people who will comply. Frequently, silence is regarded as consent. Decisions also can be made by majority rule, consensus, or unanimous consent.

The process consultant can help the group understand how it makes its decisions and the consequences of each decision process, as well as help diagnose which type of decision process may be the most effective in a given situation. Decision by unanimous consent or consensus, for example, may be ideal in some circumstances but too time-consuming or costly in other situations.

Group Norms and Growth:

Especially if a group of people works together over a period of time, it develops group norms or standards of behavior about what is good or bad, allowed or forbidden, right or wrong. There may be an explicit norm that group members are free to express their ideas and feelings, whereas the implicit norm is that one

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does not contradict the ideas or suggestions of certain group members (usually the more powerful ones). The process consultant can be very helpful in assisting the group to understand and articulate its own norms and to determine whether those norms are helpful or dysfunctional. By understanding its norms and recognizing which ones are helpful, the group can grow and deal realistically with its environment, make optimum use of its own resources, and learn from its own experiences.

Leadership and Authority:

A process consultant needs to understand processes of leadership and how different leadership styles can help or hinder a group's functioning. In addition, the consultant can help the leader adjust her or his style to fit the situation. An important step in that process is for the leader to gain a better understanding of his or her own behavior and the group's reaction to that behavior. It also is important that the leader become aware of alternative behaviors. For example, after gaining a better understanding of his or her assumptions about human behavior, the leader may do a better job of testing and perhaps changing those assumptions**.**

Basic Process Interventions:

For each of the five interpersonal and group processes described above, a variety of interventions may be used. In broad terms, these are aimed at making individuals and groups more elective.

Individual Interventions:

These interventions are designed to help people be more effective or to increase the information they have about their "blind spot" in the Johari Window. Before process consultants can give individual feedback, they first must observe relevant events, ask questions to understand the issues fully, and make certain that the feedback is given to the client in a usable manner. The following are guidelines for effective feedback.

• The giver and receiver must have consensus on the receiver's goals.
• The giver should emphasize description and appreciation.
• The giver should be concrete and specific.
• Both giver and receiver must have constructive motives.
• The giver should not withhold negative feedback if it is relevant.
• The giver should own his or her observations, feelings, and judgments.
• Feedback should be timed to when the giver and receiver are ready.

Group Interventions:

These interventions are aimed at the process, content, or structure of the group.

Process interventions sensitize the group to its own internal processes and generate interest in analyzing those processes. Interventions include comments, questions, or observations about

- Relationships between and among group members
- Problem solving and decision making
- The identity and purpose of the group.

Content interventions help the group determine what it works on. They include comments, questions, or observations about

- Group membership
- Agenda setting, review, and testing procedures
- Interpersonal issues
- Conceptual inputs on task-related topics.

Structural interventions help the group examine the stable and recurring methods it uses to accomplish tasks. They include comments, questions, or observations about the following:

- Methods for dealing with external issues, such as inputs, resources, and customers methods for determining goals, developing strategies, accomplishing work, assigning responsibility, monitoring progress, and addressing problems
- Relationships to authority, formal rules, and levels of intimacy.

Application 5 presents an example of process consultation with the top-management team of a manufacturing firm.

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When Is Process Consultation Appropriate?

Process consultation, a general model for helping relationships, has wide applicability in organizations. Because PC helps people and groups own their problems and diagnose and resolve them, it is most applicable in the following circumstances:

1. The client has a problem but does not know its source or how to resolve it.
2. The client is unsure of what kind of help or consultation is available.
3. The nature of the problem is such that the client would benefit from involvement in its diagnosis.
4. The client is motivated by goals that the consultant can accept, and the consultant has some capacity to enter into a helping relationship directed at reaching those goals.
5. The client ultimately knows what interventions are most applicable.
6. The client is capable of learning how to assess and resolve her or his own problem.

Results of Process Consultation:

Although process consultation is an important part of organization development and has been widely practiced over the past thirty-five years, only a modest amount of research addresses its effect on improving the ability of groups to accomplish work. The few studies that have been conducted have produced little hard evidence of effectiveness. Research findings on process consultation are unclear, especially because the findings relate to task performance.

A number of difficulties arise in trying to measure performance improvements as a result of process consultation. One problem is that most process consultation is conducted with groups performing mental tasks (for example, decision making); the outcomes of such tasks are difficult to evaluate. A second difficulty with measuring PC's effects occurs because in many cases process consultation is combined with other interventions in an ongoing OD program. Isolating the impact of process consultation from other interventions is difficult.

Kaplan's review of process consultation studies underscored the problems of measuring performance effects. It examined published studies in three categories: (1) reports in which process intervention is the causal variable but performance is measured inadequately or not at all, (2) reports in which performance is measured but process consultation is not isolated as the independent variable (the case in many instances), and (3) research in which process consultation is isolated as the causal variable and performance is adequately measured. The review suggests that process consultation has positive effects on participants, according to self-reports of greater personal involvement, higher mutual influence, group effectiveness, and similar variables. However, very little, if any, research clearly demonstrates that objective task effectiveness was increased.

Application 5: Process Consultation at Action Company

This application, a story often told by Ed Schein and documented in several of his books about process consultation and culture, involves the senior management team of an organization that he worked with over several years. It illustrates well several of the principles of process consultation, such as accessing your ignorance, always trying to be helpful, and understanding that errors are the prime source of learning.

The Action Company was a large and innovative high-technology organization. One salient feature of their executive committee meetings was long and loud discussions. Members interrupted each other constantly, often got into shouting matches, drifted off the subject, and moved from one agenda point to another without any clear sense of what had been decided. Based on his beliefs about the nature of effective groups and his experiences with group dynamics training, the process consultant made several initial interventions as an "expert" consultant. For example, whenever he saw an opportunity, he would ask the group to consider the consequences of interrupting each other repeatedly. This had the effect of communicating his belief that their process was 'bad" and interfered with the group's task and effectiveness. He pointed out how important ideas were being lost and potentially important ideas were not getting a full discussion. The group invariably responded with agreement and a resolution to do better, but within ten minutes was back to the same pattern.

As the process consultant reflected on these early interventions, he noticed that he was imposing on the group his own beliefs about what an ideal team should look like and how it should behave. This group, on the other hand, was clearly on a different path. Over time, he discovered that this group had a different set of shared assumptions that were driving their behaviors. In short, the group was trying to arrive at the "truth." Their assumption was that truth was revealed in ideas and actions that could withstand argument and debate. If an idea could survive intense scrutiny, it must be true and was worth pursuing.

Once he understood this basic premise, the process consultant asked himself what he could do that would be more helpful to the group. His answer was to work within the group's assumptions that were driving their behavior rather than imposing his beliefs on them. He had to learn that the primary task of the group,

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as they saw it, was to develop ideas that were so sound they could afford to bet the company on them. Generating ideas and evaluating them were therefore the two most crucial functions that they worked on in meetings.

Two kinds of interventions grew out of this insight. First, he noticed that ideas were in fact being lost because so much information was being processed so rapidly. Partly for his own sake and partly because he thought it might help, he went to the flipchart and wrote down the main ideas as they came out.

These ideas, incomplete or undeveloped because the presenter had been interrupted, led to the second kind of intervention. Instead of punishing the group for its "bad" behavior, as he had done in the early stages of the consultation, he looked for opportunities to turn the conversation back over to the person with the idea. For example, he would say. "John, you were trying to make a point. Did we get all of that?" This created the opportunity to get the idea out without drawing unnecessary attention to the reason why it had not gotten out in the first place. The combination of these two kinds of interventions focused the group on the ideas that were not on the flipchart and helped them navigate through their complex agenda. Ideas that were about to be lost were written down, resurrected, and given a fair chance.

The lesson was clear. Until the process consultant understood what the group really was trying to do, he could not focus on the right processes nor did he know how to intervene helpfully. He had to sense what the primary task was and where the group was getting stuck (incomplete idea formulation and too-quick evaluation) before he could determine what kind of intervention would be "facilitative."

In most cases, either the field studies did not directly measure performance or the effect of process intervention was confounded with other variables.

A third problem with assessing the performance effects of process consultation is that much of the relevant research has used people's perceptions rather than hard performance measures as the index of success. Although much of this research shows positive results, these findings should be interpreted carefully until further research is done using more concrete measures of performance.

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Interpersonal and Group Process Approaches

3. Third-Party Interventions

Third-party intervention focuses on conflicts arising between two or more people within the same organization. Conflict is inherent in groups and organizations and can arise from a variety of sources, include differences in personality, task orientation, and perceptions among group members, as well as competition for scarce resources. To emphasize that conflict is neither good nor bad per se is important. Conflict can enhance motivation and innovation and lead to greater understanding of ideas and views. On the other hand, it can prevent people from working together constructively, destroying necessary task interactions among group members. Consequently, third-party intervention is used primarily in situations in which conflict significantly disrupts necessary task interactions and work relationships among members.

Third-party intervention varies considerably depending on the kind of issues underlying the conflict. Conflict can arise over substantive issues, such as work methods, pay rates, and conditions of employment; or it can emerge from interpersonal issues, such as personalities and misperceptions. When applied to substantive issues, conflict resolution interventions often involve resolving labor-management disputes through arbitration and mediation. The methods used in such substantive interventions require considerable training and expertise in law and labor relations and generally are not considered part of OD practice. For example, when union and management representatives cannot resolve a joint problem, they can call upon the Federal Mediation and Conciliation Service to help them resolve the conflict. In addition, "alternative dispute resolution" (ADR) practices increasingly are offered in lieu of more expensive and time-consuming court trials. Conflicts also may arise at the boundaries of the organization, such as between suppliers and the company or between a company and a public policy agency.

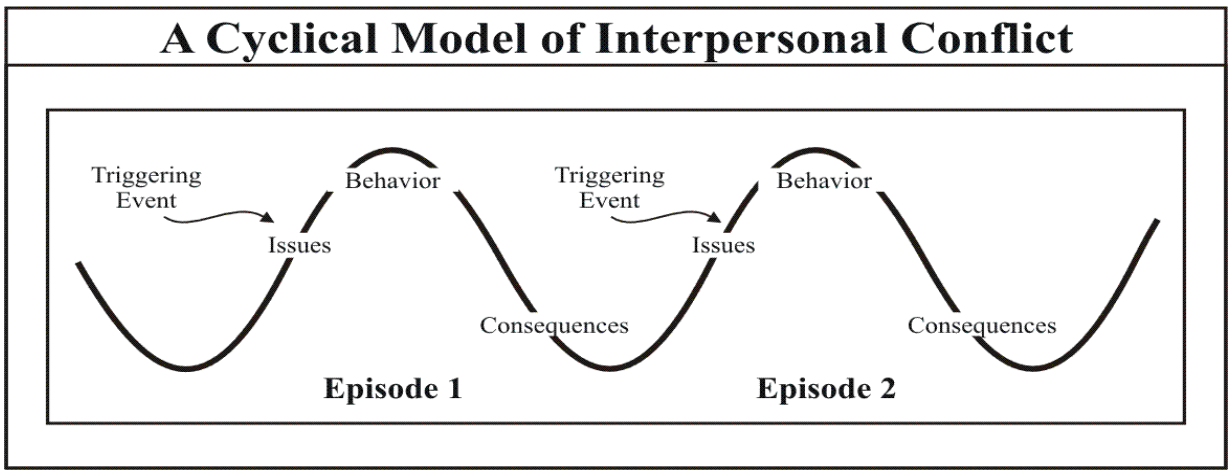
When conflict involves interpersonal issues, however, OD has developed approaches that help control and resolve it. These third-party interventions help the parties interact with each other directly, facilitating their diagnosis of the conflict and how to resolve it. That ability to facilitate conflict resolution is a basic skill in OD and applies to all of the process interventions. Consultants, for example, frequently help organization members resolve interpersonal conflicts that invariably arise during process consultation and team building.

Third-party consultation interventions cannot resolve all interpersonal conflicts in organizations, nor should they. Many times, interpersonal conflicts are not severe or disruptive enough to warrant attention. At other times, they simply may burn themselves out. Evidence also suggests that other methods may be more appropriate under certain conditions. For example, managers tend to control the process and outcomes of conflict resolution actively when they are under heavy time pressures, when the disputants are not expected to work together in the future, and when the resolution of the dispute has a broad impact on the organization. Under those conditions, the third party may resolve the conflict unilaterally with little input from the conflicting parties.

An Episodic Model of Conflict:

Interpersonal conflict often occurs in iterative, cyclical stages known as "episodes." An episodic model is shown in Figure 39. At times, issues underlying a conflict are latent and do not present any manifest problems for the parties. Then something triggers the conflict and brings it into the open. For example, a violent disagreement or frank confrontation can unleash conflictual behavior. Because of the negative consequences of that behavior, the unresolved disagreement usually becomes latent again. And again, something triggers the conflict, making it overt, and so the cycle continues with the next conflict episode.

Figure 39: A cyclical Model of Interpersonal Conflict



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Conflict has both costs and benefits to the antagonists and to those in contact with them. Unresolved conflict can proliferate and expand. An interpersonal conflict may be concealed under a cause or issue that serves to make the conflict appear more legitimate. Frequently, the overt conflict is only a symptom of a deeper problem.
The episode model identifies four strategies for conflict resolution. The first three attempts to control the conflict and only the last approach try to change the basic issues underlying it. The first strategy is to prevent the ignition of conflict by arriving at a clear understanding of the triggering factors and thereafter avoiding or blunting them when the symptoms occur. For example, if conflict between the research and production managers is always triggered by new product introductions, then senior management can warn them that conflict will not be tolerated during the introduction of the latest new product. However this approach may not always be functional and merely may drive the conflict underground until it explodes. As a control strategy, however, this method may help to achieve a temporary cooling-off period.
The second control strategy is to set limits on the form of the conflict. Conflict can be constrained by informal gatherings before a formal meeting or by exploration of other options. It also can be limited by setting rules and procedures specifying the conditions under which the parties can interact. For example, a rule can be instituted that union officials can attempt to resolve grievances with management only at weekly grievance meetings.
The third control strategy is to help the parties cope differently with the consequences of the conflict. The third-party consultant may work with the people involved to devise coping techniques, such as reducing their dependence on the relationship, ventilating their feelings to friends, and developing additional sources of emotional support. These methods can reduce the costs of the conflict without resolving the underlying issues.
The fourth method is an attempt to eliminate or to resolve the basic issues causing the conflict. As Walton points out, "There is little to he said about this objective because it is the most obvious and straightforward, although it is often the most difficult to achieve."

Facilitating the Conflict Resolution Process:

Walton has identified a number of factors and tactical choices that can facilitate the use of the episode model in resolving the underlying causes of conflict. The following ingredients can help third-party consultants achieve productive dialogue between the disputants so that they examine their differences and change their perceptions and behaviors: mutual motivation to resolve the conflict; equality of power between the parties; coordinated attempts to confront the conflict; relevant phasing of the stages of identifying differences and of searching for integrative solutions; open and clear forms of communication; and productive levels of tension and stress.
Among the tactical choices identified by Walton do those having to do with diagnosis, the context of the third-party intervention, and the role of the consultant. One of the tactics in third-party intervention is the gathering of data, usually through preliminary interviewing. Group-process observations can also be used. Data gathering provides some understanding of the nature and the type of conflict, the personality and conflict styles of the individuals involved, the issues and attendant pressures, and the participants' readiness to work together to resolve the conflict.
The context in which the intervention occurs is also important. Consideration of the neutrality of the meeting area, the formality of the setting, the appropriateness of the time for the meeting (that is, a meeting should not be started until a time has been agreed on to conclude or adjourn), and the careful selection of those who should attend the meeting are all elements of this context.
In addition, the third-party consultant must decide on an appropriate role to assume in resolving conflict. The specific tactic chosen will depend on the diagnosis of the situation. For example, facilitating dialogue of interpersonal issues might include initiating the agenda for the meeting, acting as a referee during the meeting, reflecting and restating the issues and the differing perceptions of the individuals involved, giving feedback and receiving comments on the feedback, helping the individuals diagnose the issues in the conflict, providing suggestions or recommendations, and helping the parties do a better job of diagnosing the underlying problem.
The third-party consultant must develop considerable skill at diagnosis, intervention, and follow-up. The third-party intervener must be highly sensitive to his or her own feelings and to those of others. He or she also must recognize that some tension and conflict are inevitable and that although there can be an optimum amount and degree of conflict, too much conflict can be dysfunctional for both the people involved and the larger organization. The third-party consultant must be sensitive to the situation and able to use a number of different intervention strategies and tactics when intervention appears to be useful. Finally, she or he must have professional expertise in third-party intervention and must be seen by the parties as neutral or unbiased regarding the issues and outcomes of the conflict resolution. Application 6 describes an attempt to address conflict in an information technology unit. How does this

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description fit with the process described above? What would you have done differently?

Application 6: Conflict Management at Balt Healthcare Corporation

Pete and Dan were managers in an IT department that was part of the information services group at Bait Healthcare Corporation, a large organization that provided health-care products to a global market. Pete was the general manager of the IT department and had been working in the unit for most of his 16 years with Bait. The IT department had global responsibility for developing and maintaining the organization's intranets, Websites, and internal networks. Pete ran his department with a traditional and formal management style where communication traveled vertically through the hierarchy.

Dan recently had been assigned to Pete's department to operate a small experimental group charged with developing e-commerce solutions for the organization and the industry. This was state-of-the-art development work with enormous future implications for the organization as it explored the possibility of sales, business-to-business and other supply chain opportunities on the Internet. Dan, in contrast to Pete, had a management style that stressed the value of open communication channels to promote teamwork and collaboration.

The biggest challenge in Dan's work was managing the transition from design into production. Senior management at Bait believed that by assigning Dan's team to Pete's organization, the resources required to manage this transition would be more readily available to Dan's group. In fact, it was generally agreed that Pete's strengths complimented Dan's weaknesses. Whereas Dan was a better designer, Pete had operational expertise that would help in bringing Dan's ideas online.

Unfortunately, the trouble started almost as soon as the assignment was announced. Although in front of their bosses Pete had agreed to work with Dan to make the project a success, his support was lukewarm at best. Dan and Pete had a history of conflict in the organization. Neither one respected the other's style, and prior conflicts had been swept under the carpet, creating a considerable amount of pent-up animosity. Operationally, when Dan's group needed resources to bring an idea online, Pete announced that all of his people were busy and that he couldn't assign anyone to help. Similarly, anytime Dan needed access to a piece of hardware within the IT unit. Pete made it complicated to get that access. Dan became increasingly frustrated by Pete's lack of cooperation and he was quite open about his feelings of being sabotaged. His complaints reached the highest levels of management as well as other members of the information services staff.

After several frustrating attempts to speak with Pete about the situation, Dan consulted Marilyn, the vice president for information services. Marilyn, like others in the organization, was aware of the conflict. She requested assistance from the human resources manager and an organization development specialist. The OD specialist met with Pete and Dan separately to understand the history of the conflict and each individuals contribution to it. Although different styles were partly to blame, the differences in the two work processes were also contributing to the problem. Pete's organization was primarily routine development and maintenance tasks that allowed for considerable preplanning and scheduling of resources. Dan's project, however, was highly creative and unpredictable. There was little opportunity to give Pete advance notice regarding the experimental team's needs for equipment and other resources. The OD specialist recommended several strategies to Marilyn, including a direct confrontation, the purchase of additional hardware and software, and mandating the antagonists' cooperation. Marilyn responded that there was no available budget for purchasing new equipment and admitted that she did not have any confidence in her ability to facilitate the needed communication and leadership for her staff. She asked the OD specialist to facilitate a more direct process. Agreements were made in writing about how the process would work, including Marilyn meeting with Dan and Pete to discuss the problem between them and how it was affecting the organization. But Marilyn did not follow through on the agreement. She never met with Pete and Dan at the same time and, as a result, the messages she sent to each were inconsistent. In fact, during their separate conversations, it appeared that Marilyn began supporting Pete and began criticizing Dan. Dan began to withdraw, productivity in both groups suffered, and he became more hostile, stubborn, and bitter.

In the end, Dan felt sabotaged not only by Pete but by Marilyn as well. He took a leave of absence based on Marilyn's advice. His project was left without a leader and he ended up leaving the organization. Pete stayed on, but staff at all levels of the organization were upset that his behavior had not been questioned. Similarly, the organization lost a lot of respect for Marilyn's ability to address conflict. Losses in productivity and morale among staff in many areas in the organization resulted from the conflict between two employees.

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Interpersonal and Group Process Approaches

4. Team Building

A **team** is a group of individuals with complementary skills who depend upon one another to accomplish common purpose or set of performance goals for which they hold themselves mutually accountable. **Teamwork** is work done when members subordinate their personal prominence for the good of the team. Members of effective teams are open and honest with one another, there is support and trust, there is a high degree of cooperation and collaboration, decisions are reached by consensus, communication channels are open and well developed, and there is a strong commitment to the team's goals.

Many organizations are attempting to increase productivity by implementing team-based programs. Almost 80% of all companies have some type of team-based, employee involvement program in place. Just like the Army believes that individuals perform better when they are part of a stable group; they are more reliable, and they take responsibility for the success of the overall operation.

Developing teams is necessary because technology and market demands are compelling manufactures to make their products faster, cheaper, and better.

The coordination of individual effort into task accomplishment is most important when the members of a team are interdependent. **Interdependence** refers to situations where one person's performance is contingent upon how someone else performs. In order to understand the workings of teams we can draw some good parallels from sports like cricket, football, and basketball. Among the three major professional sports – cricket, football, and basketball – basketball is more of a team sport than the other two.

Cricket is a game of pooled interdependence where team member contributions are somewhat independent of one another. The players are separated on a large field, they are not all involved actively in every play, and they come to bat one at a time.

Football, in contrast, involves sequential interdependence. A flow of players and first downs are required to score. The players are closer to each other than in cricket, and there is greater degree of interdependence. Players are normally grouped together functionally (i.e. offence and defense) and the two groups do not contact one another. Unlike cricket, all the players on the field are involved in every play.

Basketball exhibits the highest degree of interdependence. Players are closely grouped together and the team moves together on the court. Every player may contact any other player, and the player's roles or functions are less defined than in football. All the players are involved in offense, defense, and trying to score.

Organizations frequently use sport teams as a model. For example, some organizations require close teamwork similar to basketball, whereas other organizations require team involvement similar to cricket. Using sports terminology, a production manager expressed his vision of his work team by saying, "I have a picture of an ideal basketball team in my head that I compare to the production team. When I see people not passing to each other or when I see somebody taking all the shots, I know we have to work on teamwork."

One major OD technique, termed team building or team development, is used for increasing the communication, cooperation, and cohesiveness of units to make them productive and effective. Team building is an intervention where the members of a work group examine such things as their goals, structure, procedures, culture, norms, and interpersonal relationships, to improve their ability to work together effectively and efficiently.

The OD in Practice illustrates how Starbucks uses team methods.

OD in Practice: A Cup of Coffee at Starbucks

Howard Schultz's vocabulary, at least in formal interviews, makes him sound like a college professor of management. The interviews are prepared with words like "collaborative," "teams," "empowerment," "empathize," and "vision."

Schultz just happens to be one of the founders, chairperson of the board, and chief strategist of Starbucks Coffee Company, and he is intent on moving Starbucks to new heights. "We are in the second inning of a nine-inning game," he says. Starbucks stock has gone up more than 3,000 percent since it first went public in 1992. The firm has over 7,500 stores in 36 countries and is expanding so rapidly that the running joke is that a new Starbucks will be opening in the restroom of a current Starbucks. Over 25 million people visit Starbucks each week. No American retailer has a higher frequency of customer visits. Besides a good cup of Coffee, what is the Starbucks formula for success?

Perhaps it is the firm's vision. Says former US Senator and current Starbucks board member Bill Bradley, "Howard is consumed with his vision of Starbucks. That means showing the good that a corporation can do for his workers, shareholders, and customers." On Starbucks six-point mission statement, number one is "Provide a great work environment and treat each other with respect and dignity."

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Starbucks overriding Company philosophy is "Leave no one behind." This philosophy shows up in new employees receiving 24 hours of in-store training, higher-than-average salaries, and benefit packages. All employees who work more than 20 hours a week receive stock options and full health-care benefits. Schultz says, "The most important thing I ever did was give our employees stock options. That's what sets us apart and gives a higher quality employee that cares more."

In employee surveys Starbucks ranks ahead of other companies. Starbucks employees show an 82% job-satisfaction rate compared to a 50% rate for all employees. Starbucks has the lowest employee turnover rate of any restaurant or fast-food company. Another survey found that the two principal reasons people work for Starbucks are "the opportunity to work with an enthusiastic team" and "to work in a place where one has value." A Starbucks spokesperson says, "We look for people who are adaptable, self-motivated, passionate, creative team players." Maintaining this spirit is not easy in a company with around 11,000 full-time and almost 70,000 part-time employees. "Getting big and staying small," is the Starbucks objective, says Schultz.

Starbucks has lower profit margins than other companies in the fast-food industry, partly because it has higher salaries and benefit costs. All of the stores are owned by Starbucks, which enables the company to control store operations. "I look at franchising as a way of accessing capital, and I will never make the tradeoff between cheap money and losing control over our stores," says Schultz.

There are several reasons for using team building to improve organizational effectiveness. First, the work group is basic unit of the organization and thus provides a supportive change factor. Second, the operating problems of work groups (or the basic units) are often sources of inefficiency.
Teams or work groups often have difficulty in operating effectively. The problems that inhibit effective operation include lack of clear objectives, interpersonal differences or conflicts, ineffective communication, difficulty in reaching group decisions, and inappropriate power and authority levels in the group.

Need for Team Building:
Work teams may be of two basic types:
1. **Natural work team** – people come together because they do related jobs or because of the structure of the organizations design.
2. **Temporary task team** – groups meet for limited periods to work on a specific project or problem and disband after they solve it.

Need for team building varies with situation.

Team Building :
Team building refers to broad range of planned activities that help group improve the way they accomplish tasks and help group members enhance interpersonal and problem-solving skills. Effective approach to team building involves:

- Team-Building Activities
- Team Building Process
- The Manager's Role in Team Building
- When is Team Building Appropriate?
- Results of Team Building

Team-Building Activities:
A team is a group of interdependent people who share a common purpose, have common work methods, and hold each other accountable. The nature of that interdependence varies, creating the following types of team: groups reporting to the same supervisor, manager, or executive, groups involving people with common organizational goals; temporary groups formed to do a specific, one-time task; groups consisting of people whose work roles are interdependent; and groups whose members have no formal links in the organization but whose collective purpose is to achieve tasks they cannot accomplish alone. In addition, there are a number of factors that affect the outcomes of any specific team-building activity: the length of time allocated to the activity, the team's willingness to look at the way in which it operates, the length of time the team has been working together, and the team's permanence. Consequently, the results of team—building activities can range from comparatively modest changes in the team's operating mechanisms (for

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example, meeting more frequently or gathering agenda items from more sources) to much deeper changes (for example, modifying team members' behavior patterns or the nature and style of the group's management, or developing greater openness and trust).
In general, team-building activities can be classified as follows: (1) activities relevant to one or more individuals; (2) activities specific to the group's operation and behavior; and (3) activities affecting the group's relationship with the rest of the organization. Usually, a specific team-building activity will overlap these three categories. On occasion, a change in one area will have negative results in other areas. A very cohesive team may increase its isolation from other groups, leading to intergroup conflict or other dysfunctional results, which in turn can have a negative impact on the total organization unless the team develops sufficient diagnostic skills to recognize and deal with such results.

Activities Relevant to One or More individuals:

People come into groups and organizations with varying needs and wants for achievement, inclusion, influence, and belonging. These needs and wants can be supported and nurtured by the team's structure and process or they can be discouraged. Almost all team-building efforts result in one or more of the members gaining a better understanding of the way authority, inclusion, emotions, control, and power affect problem solving and other group processes. Such activities provide information so that people have a clearer sense of how their needs and wants can or will be supported. This information then gives group members a choice about their level of involvement, commitment, and investment in the team's functioning. For example, in one team, the typical decision-making process included the leader having several agenda items for discussion. Each of the items, however, had a predetermined set of actions that she wanted the group to take. Most members were frustrated by their inability to influence decision making. During the team-building process, group members asked whether the boss really wanted ideas and contributions from group members. They gave specific examples of the leader's not-so-subtle manipulation to arrive at preconceived decisions and described how they felt about it. At the end of the discussion, the boss indicated her willingness to be challenged about such preconceived decisions, and the other team members expressed their increased willingness to engage in problem—solving discussions, their trust in the leader, and their ability to make the challenge without fear of reprisal.
Sometimes, the team-building process generates pressures on individual members, such as requests for higher levels of task performance. Such requests could have negative results unless accompanied by agreement for further one-to-one negotiations among team members. If these demands are made of the boss, for example, he or she may feel a loss of power and authority unless the team can agree on ways in which the boss can be kept informed about what is happening. Methods to meet these needs for control and influence without causing feelings of isolation can be explored.

Activities Oriented to the Group's Operation and Behavior:

The most common focus of team building activities is behavior related to task performance and group process. In an effective team, task behavior and group process must be integrated with each other as well as with the needs and wants of the people making up the group. Team-building activities often begin by clarifying the team's purpose, priorities, goals, and objectives. This establishes a framework within which further work can be done. In most team-building activities, groups spend some time finding ways to improve the mechanisms that structure their approach to work. A group may discuss how a meeting agenda is created, the efficiency of key work processes, or strategies for lowering costs. In addition, groups often examine their communications patterns and determine ways in which they can be improved. Frequently, this leads to dropping some communications patterns and establishing new ones that are more open and conducive to problem solving in nature.
Another group operation issue is the effective use of time. To improve in this area, the group may examine its present planning mechanisms, introduce better ones, and identify ways for using its skills and knowledge more effectively. The group also may make decisions about recognizing and redistributing the workload. As the group develops over time, it tends to become more aware of the need for action plans about problems or tasks as well as for better self-diagnosis about the effectiveness of its task-accomplishment processes. Frequently, groups examine and diagnose the nature of their problem-solving techniques. Specific items usually are diagnosed in the earlier stage of team building, and as teams mature they broaden the scope of these diagnostic efforts to include areas that are more directly related to interpersonal styles and their impact on other group members. Throughout this process, group norms become clearer, and the group can provide more opportunity for members to satisfy individual needs within the group. As a result, the team is much more willing to take risks within both the team and the organization. Team members become more capable of facing difficulties and problems, not only within their own group but also within the larger organization. A spirit of openness, trust, and risk taking develops.

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Activities Affecting the Group's Relationship with the Rest of the Organization:

As the team gains a better understanding of itself and becomes better able to diagnose and solve its own problems; it focuses on its role within the organization. A group's relationship to the larger organizational context is an important aspect of group effectiveness. As a result, the team may perceive a need to clarify its organizational role and to consider how this role can be improved or modified. Sometimes, the team may recognize a need for more collaboration with other parts of the organization and so try to establish working parties or project teams that cross the boundaries of existing teams.

As the team becomes more cohesive, it usually exerts a stronger influence on the other subsystems of the organization. Because that is one area in which team building can have negative effects, the process consultant must help the group understand its role within the organization, develop its own diagnostic skills, and examine alternative action plans so that inter-group tensions and conflicts do not expand.

Team Building Process:

Managing a team involves more than supervising people. In today's world, managers must bring a divergent group of people together to work on a common project. Since no one person can possess all the knowledge necessary to analyze and solve today's complex problems, teams are used to bring together the required expertise. The nature of work groups makes team development interventions probably the single most important and widely used OD activity.

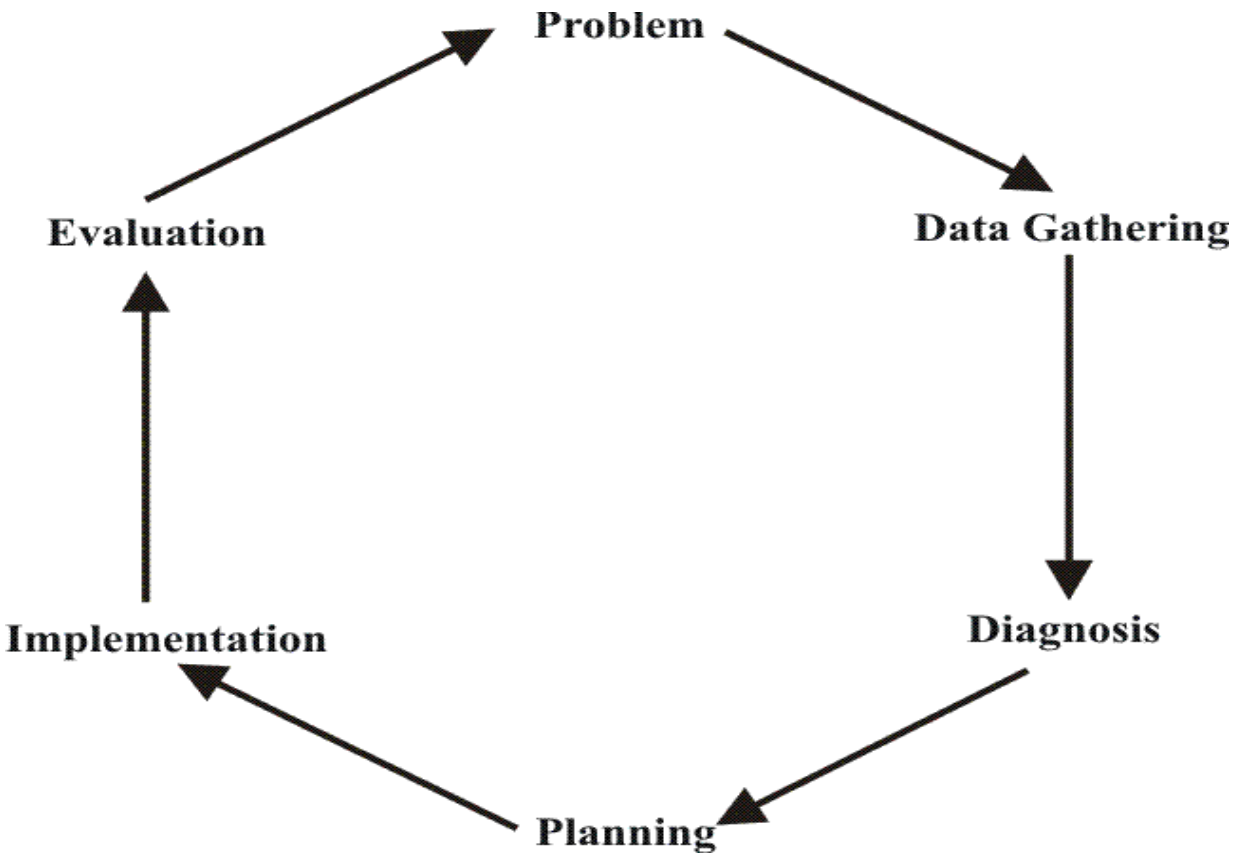
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Interpersonal and Group Process Approaches

Team Building

Figure 40 Team Building Cycle



The team building process recognizes two types of activities:

1. Family Group Diagnostic Meetings – aimed at identifying group problems
2. Family Group Team-Building Meetings – aimed at improving the team's functioning.

Most team development training meetings follow a format involving the following steps:

Step 1: Initiating the Team Building Meeting
Step 2: Setting Objectives
Step 3: Collecting Data
Step 4: Planning the Meeting
Step 5: Conducting the Meeting
Step 6: Evaluating the Team Building Process

Step 1: Initiating the Team Building Meeting

The team building meeting may be initiated by a manager higher in the organization structure, who is not a member of the team. Whosoever decided, the decision to proceed is usually collaborative. During the formation stage the members of the team will probably discuss the degree to which they support team building. They will also discuss whether a team is necessary given the specific work situation.

Step 2: Setting Objectives:

If a team building meeting is to be effective, there should be general agreement on the objectives before team building proceeds.

The practitioner may address some pertinent questions to the work group. These might include: What is the purpose of this meeting? What do the participants and the consultant want to do? Why this group of people at this time? How does this meeting fit into the OD program? What is the priority of this project? Are the team members really interested and committed? What does the team want to accomplish? How will team building be measured or evaluated?

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Step 3: Collecting Data:

Some information is already gathered before the meeting, particularly during the diagnostic phase. The usefulness of this information depends on the extent to which it can be specifically identified with the team as opposed to the total organization. The members may be given additional questionnaires to fill out, or they may be interviewed. The practitioner may hold mini-group meetings with a few members at a time or with all the members to gather information.

Step 4: Planning the Meeting:

The planning session will probably be attended by the practitioner, the manager, and a few of the team members. It is important at this point to restate the goals and objectives as precisely as possible, incorporating information obtained during the preceding steps. If the goals are specific behavioral objectives, the remaining work of planning the sequence of events of the meeting will flow more easily and logically. Going through this process will ensure a meeting that satisfies the needs of the participants.

Planning for a team building meeting includes the logistics of the meeting, such as arranging for a time and a place. The planning stage will also ensure that all necessary personnel and resources are available.

Step 5: Conducting the Meeting:

The meeting itself usually lasts two or three days. It is arranged at a place away from the work area. Reason being, it helps to put everyone – superior and subordinate – on a more equal level. It also lessens interruption.

On the morning of the 1st day, members are encouraged to share their expectations for the meeting and to develop specific norms that would guide their behaviors during the two-day meeting. This process is aided by an exercise in which the group members share their experiences about the best team they had ever worked on and in that way identified characteristics of effective teams. The norms and characteristics are placed on flipcharts and hung on the wall of the meeting room. All members agree to behave according to the norms and to assess periodically how well the norms were being followed. The consultant agrees to provide feedback on norm compliance during the session.

The meeting begins with a restatement agreed upon objectives. The data are presented to the entire team, with attention given to problem areas or issues in which the team has expressed an interest, and then the team forms an agenda ranked in order of priority. The team critiques its own performance to prevent dysfunctional actions and improve functional activities. If the members feel that this is an opportunity for them to express open and honest feelings without fear of punishment, the leader of the team may come under attack. The success and failure of team building meeting may depend on how the manager reacts to the situation.

Once the team members have resolved their interpersonal issues, and developed a group understanding, they can move on to the task issues that need to be discussed. The purpose is to develop a specific action plan for improving the ways or processes it uses to reach its organizational goals. The first day ends with several unfinished lists of value statements, core purposes, and thoughts. An evaluation of the day was done. An overall rating and comments about the group were made. The next day begins by feeding back the data from the evaluation and the important issues that remain to be addressed. The consultant then writes several important points on a flipchart and asks the group to identify the most important agenda items. Quickly they decide that they wanted to finish the core-values work and then discuss their core purpose. The consultant facilitates the conversation that is now under the control of the group members. Within a couple of hours, the group produces a list of core values, develops a process for involving the rest of the organization in creating a final list of values and crafts a core purpose that describes the essence of the organization. Before the meeting ends, the team should make a list of action items to be dealt with, who will be responsible for each item, and a time schedule.

Step 6: Evaluating the Team Building Process:

At this meeting, the team examines the action items, exploring those that have been or being carried out and those that are not working. It determines how well the implemented action items have aided the team's operation and what else can be done. It reconsiders any action items that are not working and discards those that seem unnecessary. Items that appear to be helpful may now be given additional attention and support. The team will also explore how to resolve ongoing problems and what can be done to enhance continuous improvement.

The Manager's Role in Team Building:

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Ultimately, the manager is responsible for group functioning, although this responsibility obviously must be shared by the group itself. Therefore, it is management's task to develop a work group that can stop regularly to analyze and diagnose its own effectiveness and work process. With the group's involvement, the manager must diagnose the group's effectiveness and take appropriate actions if the work unit shows signs of operating difficulty or stress.

Many managers, however, have not been trained to perform the data gathering, diagnosis, planning, and action necessary to maintain and improve their teams continually. Thus, the issue of who should lead a team-building session is a function of managerial capability. The initial use of a consultant usually is advisable if a manager is aware of problems, feels that she or he may be part of the problem, and believes that some positive action is needed to improve the operation of the unit, but is not sure how to go about it. Dyer has provided a checklist for assessing the need for a consultant (Table 11). Some of the questions ask the manager to examine problems and establish the degree to which she or he feels comfortable in trying out new and different things, the degree of knowledge about team building, whether the boss might be a major source of difficulty, and the openness of group members.

Basically, the role of the consultant is to work closely with the manager (and members of the unit) to a point at which the manager is capable of engaging in team-development activities as a regular and ongoing part of overall managerial responsibilities. Assuming that the manager wants and needs a consultant, the two should work together as a team in developing the initial program, keeping in mind that (1) the manager ultimately is responsible for all team-building activities, even though the consultant's resources are available, and (2) the goal of the consultant's presence is to help the manager learn to continue team-development processes with minimum consultant help or without the ongoing help of the consultant.

Thus, in the first stages the consultant might be much more active in data gathering, diagnosis, and action planning; particularly in a one- to three-day off-site workshop is considered. In later stages, the consultant takes a much less active role, with the manager becoming more active and serving as both manager and team developer.

Table 11.Assessing the Need for a Consultant

Assessing the Need for a Consultant				
Should you use an outside consultant to help in team building? (Circle the appropriate response)				
1.	Does the manager feel comfortable in trying out something new and different with the staff?	Yes	No	?
2.	Is the staff used to spending time in an outside location working on issues of concern to the work unit?	Yes	NO	?
3.	Will group members speak up and give honest data?	Yes	No	?
4.	Does your group generally work together without a lot of conflict or apathy?	Yes	No	?
5.	Are you reasonable sure that the boss is not a major source of difficulty?	Yes	No	?
6.	Is there a high commitment by the boss and unit members to achieving more effective team functioning?	Yes	No	?
7.	Is the personal style of the boss and his or her management philosophy consistent with a team approach?	Yes	No	?
8.	Do you feel you know enough about team building to begin a program without help?	Yes	No	?
9.	Would your staff feel confident enough to begin a team-building program without outside help?	Yes	No	?
Scoring: if you have circled six or more "yes" responses, you probably do not need an outside consultant. If you have circled four or more "no" responses, you probable do need a consultant. If you have mixture of "yes", "no", and ? responses, invite a consultant to talk over the situation and make a joint decision.				

When Is Team Building Applicable?

Team building is applicable in a large number of situations, from starting a new team, to resolving conflicts among members, to revitalizing a complacent team. Lewis has identified the following conditions as best suited to team building:

1. Patterns of communication and interaction are inadequate for good group functioning.
2. Group leaders desire an integrated team.
3. The group's task requires interaction among members.
4. The team leader will behave differently as the result of team building, and members will respond to the new behavior.

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5. The benefits outweigh the costs of team building.
6. Team building must be congruent with the leader's personal style and philosophy.

When is Team Building Appropriate?

- To permit members to gain new expertise and experience and to develop and educate members.
- To build and enhance communication and interaction, because teams offer increased levels of participation in decisions.
- To build consensus and commitment on a controversial issue.
- Group leaders desire an integrated team.
- To allow more creative discussions by pulling together people of unusual and different backgrounds and interests.
- Team building must be congruent with the leader's personal style and philosophy.

Team Management Styles:

There are two main styles of team management.

1. **A transactional, task oriented approach:**

Managers view the behavior of team members as an extension of team processes, and they attempt to modify that behavior through punishment and rewards.

2. **A transformational, people oriented approach:**

Managers who apply a transformational approach, developing team members' knowledge, skills, abilities, and careers, rather than focusing on the processes.

The Results of Team Building:

The research on team building has a number of problems. First, it focuses mainly on the feelings and attitudes of group members. Little evidence supports that group performance improves as a result of team-building experiences. One study, for example, found that team building was a smashing success in the eyes of the participants. However, a rigorous field test of the results over time showed no appreciable effects on either the team's functioning and efficiency or the larger organization's functioning and efficiency. Second, the positive effects of team building typically are measured over relatively short time periods. Evidence suggests that the positive effects of off-site team building are short-lived, often fading after the group returns to the organization. Third, team building rarely occurs in isolation. Usually it is carried out in conjunction with other interventions leading to or resulting from team building itself. For this reason it is difficult to separate the effects of team building from those of the other interventions.

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Lesson 33

Organization Process Approaches

Now we will discuss system wide process interventions change programs directed at improving such processes as organizational problem solving, leadership, visioning, and task accomplishment between groups—for a major subsystem or for an entire organization.

The first type of intervention, the organization confrontation meeting, is among the earliest organization wide process approaches. It helps mobilize the problem-solving resources of a major subsystem or whole organization by encouraging members to identify and confront pressing issues.

The second organization process approach is called inter-group relations. It consists of two interventions: the inter-group conflict resolution meeting and microcosm groups. Both interventions are aimed at diagnosing and addressing important organizational level processes, such as conflict, the coordination of organizational units, and diversity. The inter-group conflict intervention is specifically oriented toward conflict processes, whereas the microcosm group is a more generic system wide change strategy. A third system wide process approach, the large-group intervention, has received considerable attention recently and is one of the fastest-growing areas in OD. Large-group interventions get a "whole system into the room" and create processes that allow a variety of stakeholders to interact simultaneously. A large-group intervention can be used to clarify important organizational values, develop new ways of looking at problems, articulate a new vision for the organization, solve cross-functional problems, restructure operations, or devise an organizational strategy. It is a powerful tool for addressing organizational problems and opportunities and for accelerating the pace of organizational change.

The final is a normative approach to OD: Blake and Mouton's Grid Organization Development. It is a popular intervention, particularly in large organizations. Grid OD is a packaged program that organizations can purchase and train members to use. In contrast to modern contingency approaches, the Grid proposes one best way to manage organizations. Consequently, OD practitioners increasingly have questioned its applicability and effectiveness in contemporary organizations.

Organization Confrontation Meeting:

The confrontation meeting is an intervention designed to mobilize the resources of the entire organization to identify problems, set priorities and action targets, and begins working on identified problems. Originally developed by Beckhard, the intervention can be used at any time but is particularly useful when the organization is in stress and when there is a gap between the top and the rest of the organization (such as when a new top manager joins the organization). General Electric's Work-Out" program is a recent example of how the confrontation meeting has been adapted to fit today's organizations. Although the original model involved only managerial and professional people, it has since been used successfully with technicians, clerical personnel, and assembly workers.

Application Stages:

The organization confrontation meeting typically involves the following steps:

1. A group meeting of all those involved is scheduled and held in an appropriate place. Usually the task is to identity problems about the work environment and the effectiveness of the organization.
2. Groups are appointed representing all departments of the organization. Thus, each group might have one or more members from sales, purchasing, finance, operations, and quality assurance. For obvious reasons, a subordinate should not be in the same group as his or her boss, and top management should form its own group. Group size can vary from five to fifteen members, depending on such factors as the size of the organization and available meeting places.
3. The point is stressed that the groups are to be open and honest and to work hard at identifying problems they see in the organization. No one will be criticized for bringing up problems and, in fact, the groups will be judged on their ability to do so.
4. The groups are given an hour or two to identify organization problems. Generally, an OD practitioner goes from group to group, encouraging openness and assisting the groups with their tasks.
5. The groups then reconvene in a central meeting place. Each group reports the problems it has identified and sometimes offers solutions. Because each group hears the reports of all the others, a maximum amount of information is shared.
6. Either then or later, the master list of problems is broken down into categories. This can be done by the participants, by the person leading the session, or by the manager and his or her staff. This process eliminates duplication and overlap and allows the problems to be separated according to functional or other appropriate areas.

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7. Following problem categorization, participants are divided into problem-solving groups whose composition may, and usually does, differ from that of the original problem-identification groups. For example, all operations problems may be handled by people in that subunit. Or task forces representing appropriate cross sections of the organization may be formed.
8. Each group ranks the problems, develops a tactical action plan, and determines an appropriate timetable for completing this phase of the process.
9. Each group then periodically reports its list of priorities and tactical plans of action to management or to the larger group.
10. Schedules for periodic (frequently monthly) follow-up meetings are established. At these sessions, the team leaders report either to top management, to the other team leaders, or to the group as a whole regarding their team's progress and plans for future action. The formal establishment of such follow-up meetings ensures both continuing action and the modification of priorities and timetables as needed.

Inter-group Relations Interventions:

The ability to diagnose and understand inter-group relations is important for OD practitioners because (1) groups often must work with and through other groups to accomplish their goals; (2) groups within the organization often create problems and place demands on each other; and (3) the quality of the relationships between groups can affect the degree of organizational effectiveness. Two OD interventions—microcosm groups and inter-group conflict resolution—are described here. A microcosm group uses members from several groups to help solve organization- wide problems. Inter-group issues are explored in this context, and then solutions are implemented in the larger organization. Inter-group conflict resolution helps two groups work out dysfunctional relationships. Together, these approaches help improve inter-group processes and lead to organizational effectiveness.

Microcosm Groups:

A microcosm group consists of a small number of individuals who reflect the issue being addressed. For example, a microcosm group composed of members representing a spectrum of ethnic backgrounds, cultures, and races can be created to address diversity issues in the organization. This group, assisted by OD practitioners, can create programs and processes targeted at specific problems. In addition to addressing diversity problems, microcosm groups have been used to carry out organization diagnoses, solve communications problems, integrate two cultures, smooth the transition to a new structure, and address dysfunctional political processes.

Microcosm groups work through "parallel processes," which are the unconscious changes that take place in individuals when two or more groups interact. After groups interact, members often find that their characteristic patterns of roles and interactions change to reflect the roles and dynamics of the group with whom they were relating. Put simply, groups seem to "infect" and become "infected" by the other groups. The following example given by Alderfer helps to clarify how parallel processes work.

An organizational diagnosis team had assigned its members to each of five departments in a small manufacturing company. Members of the team had interviewed each department head and several department members, and had observed department meetings. The team was preparing to observe their first meeting of department heads and was trying to anticipate the group's behavior. At first they seemed to have no 'rational" basis for predicting the top group's behavior because they "had no data" from direct observation. They decided to role-play the group meeting they had never seen. Diagnostic team members behaved as they thought the department heads would, and the result was uncanny. Team members found that they easily became engaged with one another in the simulated department-head meeting; emotional involvement occurred quickly for all participants. When the team actually was able to observe a department-head meeting, they were amazed at how closely the simulated meeting had approximated the actual session.

Thus, if a small and representative group can intimately understand and solve a complex organizational problem for themselves; they are in a good position to recommended action to address the problem in the larger system.

Application Stages

The process of using a microcosm group to address organization wide issues involves the following five steps:

1. **Identify an issue**. This step involves finding a system wide problem to be addressed. This may result from an organizational diagnosis or may be an idea generated by an organization member or task force. For example, one microcosm group charged with improving organizational communications was started by a division manager. He was concerned that the information provided by those reporting directly to him

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differed from the data he received from informal conversations with people throughout the division.
2. **Convene the group**. Once an issue is identified, the microcosm group can be formed. The most important convening principle is that group membership needs to reflect the appropriate mix of stakeholders related to the issue. If the issue is organizational communication, then the group should contain people from all hierarchical levels and function, including staff groups and unions, if applicable. If the issue is integrating two corporate cultures following a merger, the microcosm group should contain people from both organizations who understand their respective cultures. Following the initial setup, the group itself becomes responsible for determining its membership. It will decide whether to add new members and how to fill vacant positions.
Convening the group also draws attention to the issue and gives the group status. Members also need to be perceived as credible representatives of the problem. This will increase the likelihood that organization members will listen to and follow the suggestions they make.
3. **Provide group training**. Once the microcosm group is established, training is provided in group problem solving and decision making. Team-building interventions also may be appropriate. Group training focuses on establishing a group mission or charter, working relationships among members, group decision- making norms, and definitions of the problem to be addressed.
From a group-process perspective, OD practitioners may need to observe and comment on how the group develops. Because the group is a microcosm of the organization, it will tend, through its behavior and attitudes, to reflect the problem in the larger organization. For example, if the group is addressing communication problems in the organization, it is likely to have its own difficulties with communication. Recognizing within the group the problem or issue it was formed to address is the first step toward solving the problem in the larger system.
4. **Address the issue**. This step involves solving the problem and implementing solutions. OD practitioners may help the group diagnose, design, implement, and evaluate changes. A key issue is gaining commitment in the wider organization to implementing the group's solutions. The following factors can facilitate such ownership. First, a communication plan should link group activities to the organization. This may include publishing minutes from team meetings; inviting organization members, such as middle managers, union representatives, or hourly workers, into the meetings; and making presentations to different organizational groups. Second, group members need to be visible and accessible to management and labor. This can ensure that the appropriate support and resources are developed for the recommendations. Third, problem-solving processes should include an appropriate level of participation by organization members. Different data collection methods can be used to gain member input and to produce ownership of the problem and solutions.
5. **Dissolve the group**. The microcosm group can be disbanded following successful implementation of changes. This typically involves writing a final report or holding a final meeting.

Large Group Interventions:
The third system wide process intervention is called large-group intervention. Such change programs have been referred to variously as "search conferences," "open-space meetings," "open-systems planning," and "future searches." They focus on issues that affect the whole organization or large segments of it, such as developing new products or services, responding to environmental change, or introducing new technology. The defining feature of large-group intervention is the bringing together large numbers of organization members and other stakeholders, often more than one hundred, for a two- to four-day meeting or conference. Here, conference attendees' work together to identify and resolve organization wide problems, to design new approaches to structuring and managing the firm, or to propose future directions for the organization. Large-group interventions are among the fastest-growing OD applications. Large-group interventions can vary on several dimensions, including purpose, size, length, structure, and number. The purpose of these change methods can range from solving particular organizational problems to envisioning future strategic directions. Large-group interventions have been run with groups of less than fifty to more than two thousand participants and have lasted between one and five days. Some large-group processes are relatively planned and structured; others are more informal. Some interventions involve a single large-group meeting; others include a succession of meetings to accomplish system wide change in a short period of time.

Application Stages:
Conducting a large-group intervention generally involves preparing for the meeting, conducting it, and following up on outcomes. These activities are described below.

Preparing for the Large-Group Meeting

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A design team comprising OD practitioners and several organization members is formed to organize the event. The team generally addresses three key ingredients for successful large-group meetings: a compelling meeting theme, appropriate participants, and relevant tasks to address the theme.

1. **Compelling meeting theme**. Large-group interventions require a compelling reason or focal point for change. Although "people problems" can be an important focus, more powerful reasons for large-group efforts include managing impending mergers or reorganizations, responding to environmental threats and opportunities, or proposing radical organizational changes. Whatever the focal point for change, senior leaders need to make clear to others the purpose of the large-group meeting. Ambiguity about the reason for the intervention can dissipate participants' energy and commitment to change. For example, a large-group meeting that successfully envisioned a hospital's future organization design was viewed as a failure by a few key managers who thought that the purpose was to cut costs from the hospital's budget. Their subsequent lack of support stalled the change effort.

2. **Appropriate participants**. A fundamental goal of large-group interventions is to "get the whole system in the room." This involves inviting as many people as possible who have a stake in the conference theme and who are energized and committed to conceiving and initiating change. Senior managers, suppliers, union leaders, internal and external customers, trade group representatives, government and regulatory officials, and organization members from a variety of jobs, genders, races, and ages are potential participants.

3. **Relevant tasks to address the conference theme.** As described below, these tasks typically are assigned to several subgroups responsible for examining the theme and drawing conclusions for action. Generally, participants rely on their own experience and expertise to address system wide Issues, rather than drawing on resources from outside of the large-group meeting. This ensures that the meeting can be completed within the allotted time and that members can participate fully as important sources of information.

Conducting the Meeting:

The flow of events in a large-group meeting can vary greatly, depending on its purpose and the framework adopted. Most large-group processes, however, fit within two primary frameworks: open-systems methods and open-space methods.

Open-Systems Methods:

A variety of large-group approaches, such as search conferences, open-systems planning, and real-time strategic change, have their basis in open-systems methods. These approaches help organizations assess their environments systematically and develop strategic responses to them. They help organization members develop a strategic mission for relating to the environment and influencing it in favorable directions, Open-systems methods begin with a diagnosis of the existing environment and how the organization relates to it. They proceed to develop possible future environments and action plans to bring them about. These steps are described below.

1. **Map the current environment surrounding the organization**. In this step, the different domains or parts of the environment are identified and prioritized. This involves listing all external groups directly interacting with the organization, such as customers, suppliers, or government agencies, and ranking them in importance. Participants then are asked to describe each domain's expectations for the organization's behavior.

2. **Assess the organization's responses to environmental expectations.** This step asks participants to describe how the organization currently addresses the environmental expectations identified in step 1

3. **Identify the core mission of the organization.** This step helps to identify the underlying purpose or core mission of the organization, as derived from how it responds to external demands. Attention is directed at discovering the mission as it is revealed in the organization's behavior, not as it is pronounced in the organization's official statement of purpose. This is accomplished by examining the organization and environment transactions identified in Steps 1 and 2 and then assessing the values that seem to underlie those interactions. These values provide clues about the actual identity or mission of the organization.

4. **Create a realistic future scenario of environmental expectations and organization responses**. This step asks members to project the organization and its environment into the near future, assuming no real changes in the organization. It asks participants to address the question, "What will happen if the organization continues to operate as it does at present?" Participant responses are combined to develop a likely organization future under the assumption of no change.

5. **Create an ideal future scenario of environmental expectations and organization responses.** Members are asked to create alternative desirable futures. This involves going back over steps 1, 2, and 3 and asking what members ideally would like to see happen in the near future in both the environment and

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the organization. People are encouraged to fantasize about desired futures without worrying about possible constraints.

6. **Compare the present with the ideal future and prepare an action plan for reducing the discrepancy**. This last step identifies specific actions that will move both the environment and the organization toward the desired future. Planning for appropriate interventions typically occurs in three timeframes: tomorrow, six months from now, and two years from now. Participants also decide on a follow- up schedule for sharing the flow of actions and updating the planning process.
There are a number of variations on this basic model, each of which follows a similar pattern of creating common ground, discussing the issues, and devising an agenda for change. For example, search conferences begin with an exercise called "appreciating the past," which asks participants to examine the significant events, milestones, and highlights of the organization's previous thirty years (or less, in the case of newer organizations). It demonstrates that participants share a common history, although they may come from different organizations, departments, age groups, or hierarchical levels.
Once common ground is established, members can discuss the system wide issue or theme. To promote widespread participation, members typically organize into subgroups of eight to ten people representing as many stakeholder viewpoints as possible. The subgroups may address a general question (for example, "What are the opportunities for new business in our global market?") or focus on a specific issue (For example, "How can we improve quality and cut costs on a particular product line?"). Subgroup members brainstorm answers to these questions, record them on flipchart paper, and share them with the larger group. The whole group compares responses from the subgroups and identifies common themes. Other methods, such as presentations to the large group, small-group meetings on particular aspects of the conference theme, or spontaneous meetings of interest to the participants, are used to discuss the conference theme and distribute information to members.
The final task of large-group meetings based on open-systems methods is creating an agenda for change. Participants are asked to reflect on what they have learned at the meeting and to suggest changes for themselves, their department, and the whole organization. Members from the same department often are grouped together to discuss their proposals and decide on action plans, timetables, and accountabilities. Action items for the total organization are referred to a steering committee that addresses organization wide policy issues and action plans. At the conclusion of the large-group meeting, the departmental subgroups and the steering committee report their conclusions to all participants and seek initial commitment to change.

Open-Space Methods. The second approach to large-group interventions is distinguished by its lack of formal structure. Open-space methods temporarily restructure or "self-organize" participants around interests and topics associated with the conference theme. They generally follow these steps:

1. **Set the conditions for self-organizing**. In the first step, the OD practitioner or manager responsible for the large-group intervention sets the stage by announcing the theme of the session and the norms that will govern it. In addition, participants are informed that the meeting will consist of small-group discussions convened by the participants and addressing any topic they believe critical to the theme of the conference. Two sets of norms govern how open-space methods are applied, and although the norms may sound ambiguous, they are critical to establishing the conditions for a successful meeting.

The first set of norms concerns the "Law of Two Feet." It encourages people to take' responsibility for their own behavior; to go to meetings and discussions where they are learning, contributing, or in some way remaining interested. Moving from group to group is legitimized by the roles of "butterflies" and "bumblebees." Butterflies attract others into spontaneous conversations and, in fact, may never attend a formal meeting. Bumblebees go from group to group and sprinkle knowledge, information, or new ideas into different meetings.
The second set of norms is labeled the "Four Principles." The first principle is "whoever comes is the right people." It is intended to free people to begin conversations with anyone at any time. It also signals that the quality of a conversation is what's most important, not who's involved. The second principle, "Whatever happens is the only thing that could have," infuses the group with responsibility, encourages participants to be flexible, and prepares them to be surprised. "Whenever it starts is the right time" is the third principle and is aimed at encouraging creativity and following the natural energy in the group. The final principle, "When it is over, it is over," allows people to move on and not feel like they have to meet for a certain time period or satisfy someone else's requirements.

2. **Create the agenda.** The second step in Open-Space interventions is to develop a road map for the remainder of the conference. This is accomplished by asking participants to describe a topic related to the conference theme that they have passion for and interest in discussing. This topic is written on a large piece of paper, announced to the group, and then posted on the community bulletin board where meeting topics and locations are displayed. The person announcing the topic agrees to convene the meeting at the posted time and place. This process continues until everyone who wants to define a topic has been given the

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chance to speak. The final activity in this step asks participants to sign up for as many of the sessions as they have interest in. The open-space meeting begins with the first scheduled sessions.

3. **Coordinate activity through information.** During an open-space session, there are two ways to coordinate activities. First, each morning and evening a community meeting is held to announce new topics that have emerged for which meeting dates and times have been assigned, or to share observations and learning. Second, as the different meetings occur, the conveners produce one-page summaries of what happened, who attended, what subjects were discussed, and what recommendations or actions were proposed. Typically, this is done on computer in a room dedicated for this purpose. These summaries are posted near the community bulletin board in an area often labeled "newsroom." Participants are encouraged to visit the newsroom and become familiar with what other groups have been discussing. The summaries also can be printed and copied for conference participants.

Following up of Meeting Outcomes:

Follow-up efforts are vital to implementing the action plans from large-scale interventions. These efforts involve communicating the results of the meeting to the rest of the organization, gaining wider commitment to the changes, and structuring the change process. In those cases where all the members of the organization were involved in the large-group meeting, implementation can proceed immediately according to the timetable included in the action plans.

Grid Organization Development: A Normative Approach

Grid OD, a change model is one of the most widely used approaches to system-wide planned change. This process is a systematic approach aimed at achieving corporate excellence. It is believed that managers and organizations can only be made more effective if the basic culture of the system is changed.

Grid OD starts with a focus on individual behavior, specifically on the managerial styles of executives, called Managerial Grid. The program moves through a series of sequential phases involving the work team, the relationships between groups or subunits, and finally the overall culture of the organization.

According to the Managerial Grid, an individual's style can be described according to his or her concern for production and concern for people.

A concern for production covers a range of behaviors, such as accomplishing productive tasks, developing creative ideas, making quality policy decisions, establishing thorough and high-quality staff services, or creating efficient workload measurements. Concern for production is not limited to things but also may involve human accomplishment within the organization, regardless of the assigned tasks or activities.

A concern for people encompasses a variety of issues, including concern for the individual's personal worth, good working conditions, a degree of involvement or commitment to completing the job, security, a fair salary structure and fringe benefits, and good social and other relationships.

Managers who have a low concern for production and a high concern for people view people's feelings, attitudes, and needs as valuable in their own right. This type of manager strives to provide subordinates with work conditions that provide ease, security, and comfort. On the other hand managers who have a high concern for production but a low concern for people minimize the attitudes and feelings of subordinates and give little attention to individual creativity, conflict, and commitment. As a result, the focus is on the work organization.

Managerial style is the most effective in overcoming the communications barrier to corporate excellence. The basic assumptions behind this managerial style differ qualitatively and quantitatively from those underlying the other managerial styles, which assume there is an inherent conflict between the needs of the organization and the needs of people. By showing a high concern for both people and production, managers allow employees to think and to influence the organization, thus promoting active support for organizational plans. Employee participation means that better communication is critical; therefore, necessary information is shared by all relevant parties. Moreover, better communication means self-direction and self-control, rather than unquestioning, blind obedience. Organizational commitment arises out of discussion, deliberation, and debate over major organizational issues.

Application Stages:

Grid Organization Development has two key objectives: to improve planning by developing a strategy for organizational excellence based on clear logic, and to help managers gain the necessary knowledge and skills to supervise effectively. It consists of six phases designed to analyze an entire business and to overcome the planning and communications barriers to corporate excellence.

Phase 1: The Grid Seminar

In this one-week program, participants analyze their personal styles on the Managerial Grid and learn team methods of problem solving. Top management attends the seminar and then leads the next level of

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management through a similar experience. In addition to assessing themselves using questionnaires and case studies, participants receive feedback on their styles from other group members.
The learning objectives for the week include:

- Learning the GRID in a way to analyze thinking.
- Increasing one's personal objectivity in appraising oneself.
- Achieving clear and candid communication.
- Learning and working effectively in a team.
- Learning to manage inter-group conflict.
- Analyzing one's corporate work culture by applying the GRID framework.
- Gaining an understanding of the phases of GRID OD.

Participants in the seminar analyze their own managerial approaches and learn alternative ways of managing. In addition, they study methods of team action. They measure and evaluate team effectiveness in solving problems with others. A high point of the seminar learning is reached when the participants critique one another's styles of managerial performance. Another is when managers critique the dominant style of their own organization's culture, its traditions, precedents, and past practices. A third is when participants consider steps for increasing the effectiveness of the whole organization.

Phase 2: Teamwork Development:
Teamwork development begins with the organization's top manager and employees who report directly to him or her. These people later attend another team meeting with their own subordinates. This continues down through the entire organization.
During this session the team deals with subjects directly relevant to their daily operations and behaviors. Before the conclusion of the week, the team sets group and individual goals.

Phase 3: Inter-group Development:
Although an organization may have various sections or units, each with specialized tasks and different goals, it still must work as a whole if it is to achieve organizational excellence. A fair amount of inter-group or interdepartmental conflict is present in most organizations. Each group builds negative stereotypes of other groups, and this conflict can escalate easily into subtle or overt power struggles that result in win-lose situations. Improving inter-group relations involves the following steps:

- Before the sessions, each person prepares a written description of the actual working relationship, as contrasted with the ideal relationship;
- Each group isolates itself for several days to summarize its perceptions of the actual and ideal relationships;
- The two groups meet and limit their interaction to comparing their perceptions via a spokesperson; and
- The two groups then work on making the relationship more productive. The action step is completed when both groups have a clear understanding of the specific actions each group will take and how those actions will be followed up.

Phase 4: Developing an Ideal Strategic Organization Model
The top managers in the organization now work toward achieving a model of organizational excellence, incorporating six basic factors:

- Clear definitions of minimum and optimum organizational financial objectives;
- Clear, explicit definitions of the character and nature of organizational activities;
- Clear operational definitions of the character and scope of markets, customers, or clients;
- An organizational structure that integrates operations for synergistic results;
- Basic policies for organizational decision making; and
- Approaches to implement growth capacity and avoid stagnation or obsolescence.

Phase 5: Implementing the Ideal Strategic Model
The Grid OD program has an implementation model that can be adapted to any organization. Organizations can be divided into identifiable segments, such as products, profit centers, or geographical areas.

- The top management team assigns one planning team to each segment.
- Because the units cannot be completely autonomous, one corporate headquarters team and a coordinator must be established.

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- Finally, the planning coordinator and the corporate headquarter team need to ensure that the implementation plan is understood clearly.

Phase 6: Systematic Critique:

The systematic critique determines the degree of organization excellence after Phase 5 compared with measurements taken before Phase 1. The basic instrument is a 100-question survey investigating behavior, teamwork, inter-group relations, and corporate strategy. With instruments administered at each phase, it is possible to observe the degree of change and gain insight into the total process of change. Because change never ceases, discovery sets the stage for a new beginning.

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Restructuring Organizations

We begin to examine techno-structural interventions change programs focusing on the technology and structure of organizations. Increasing global competition and rapid technological and environmental changes are forcing organizations to restructure themselves from rigid bureaucracies to leaner more flexible structures. These new forms of organizing are highly adaptive and cost efficient. They often result in fewer managers and employees and iii streamlined work flows that break down functional barriers. Interventions aimed at structural design include moving from more traditional ways of dividing the organization's overall work, such as functional, self-contained-unit and matrix structures, to more integrative and flexible forms, such as process-based and network-based structures. Diagnostic guidelines help determine which structure is appropriate for particular organizational environments, technologies, and conditions.

Downsizing seeks to reduce costs and bureaucracy by decreasing the size of the organization. This reduction in personnel can be accomplished through layoffs, organization redesign, and outsourcing, which involves moving functions that are not part of the organization's core competence to outside contractors. Successful downsizing is closely aligned with the organization's strategy.

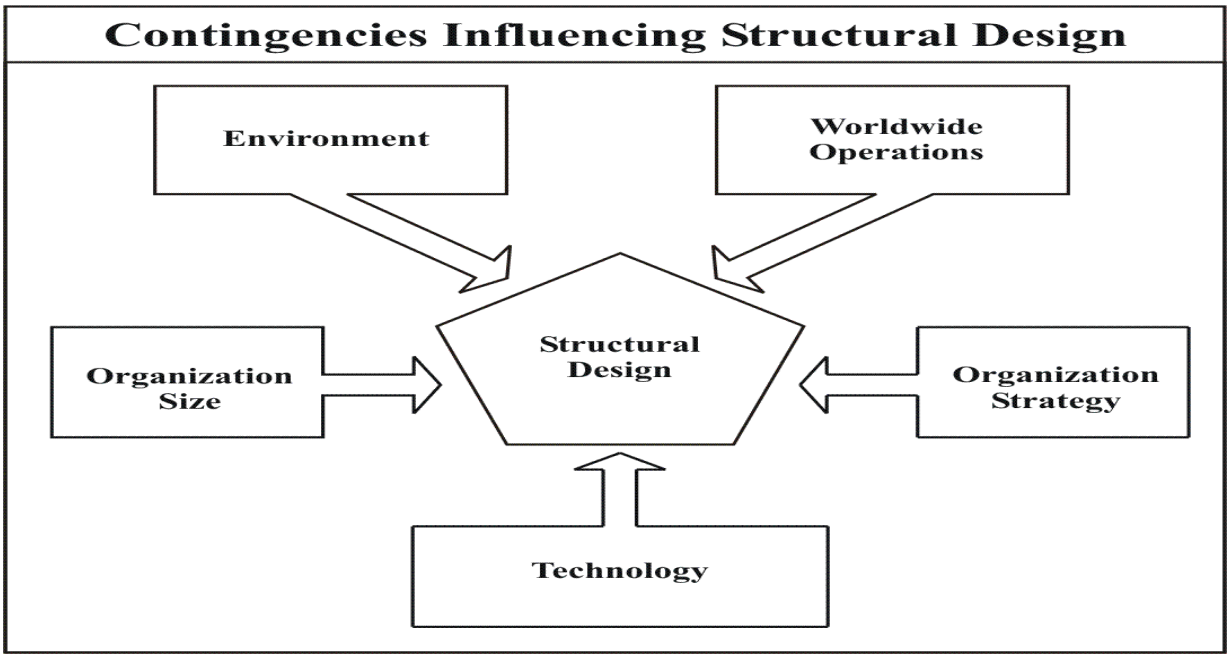
Reengineering radically redesigns the organization's core work processes to give tighter linkage and coordination among the different tasks. This work-flow integration results in faster, more responsive task performance. Reengineering often is accomplished with new information technology that permits employees to control and coordinate work processes more effectively.

Structural Design:

Organization structure describes how the overall work of the organization is divided into subunits and how these subunits are coordinated for task completion It is a key feature of an organization's strategic orientation. Based on a contingency perspective shown in Figure 41, organization structures should be designed to fit with at least five factors: the environment, organization size, technology, organization strategy and worldwide operations. Organization effectiveness depends on the extent to which its structures are responsive to these contingencies.

Organizations traditionally have structured themselves into one of three forms: functional departments that are task specialized; self-contained units that are oriented to specific products, customers, or regions; or matrix structures that combine both functional specialization and self-containment. Faced with accelerating changes in competitive environments and technologies, however, organizations increasingly have redesigned their structures into more integrative and flexible forms. These more recent innovations include process-based structures that design subunits around the organization's core work processes, and network-based structures that link the organization to other, interdependent organizations. The advantages, disadvantages, and contingencies of the different structures are described below.

Figure 41. Contingencies Influencing Structural Design



The Functional Organization:

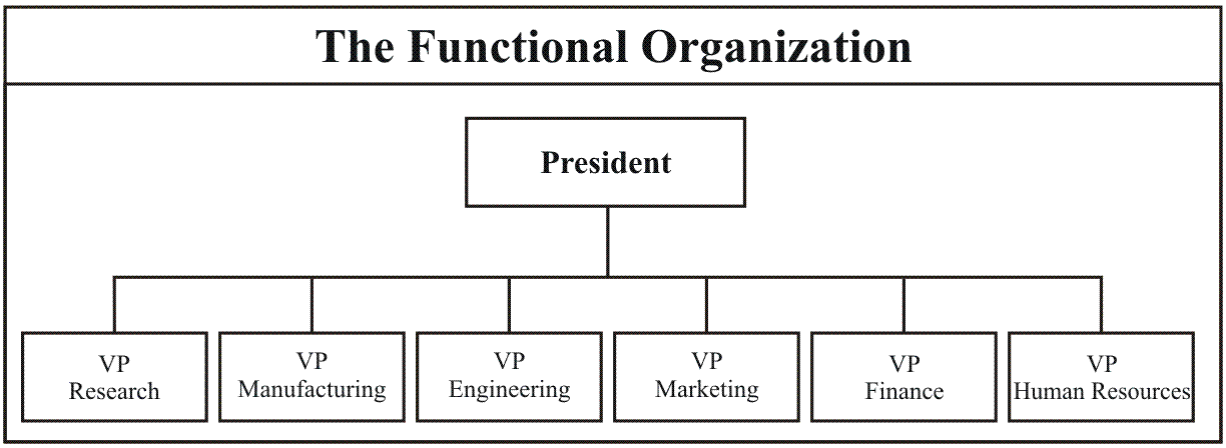
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Perhaps the most widely used organizational structure in the world today is the basic functional structure, depicted in figure 42. The organization usually is subdivided into functional units, such as engineering, research, operation, human resources, finance, and marketing. This structure is based on early management theories regarding specialization line and staff relations, span of control, authority, and responsibility. The major functional subunits are staffed by specialists in such disciplines as engineering and accounting. It is considered easier to manage specialists if they are grouped together under the same head and if the head of the department has training and experience in that particular discipline.

Table 12 lists the advantages and disadvantages of functional structures. On the positive side, functional structures promote specialization of skills and resources by grouping people who perform similar work and face similar problems. This grouping facilitates communication within departments and allows specialists to share their expertise. It also enhances career development within the specialist, whether it is accounting, finance, engineering, or sales. The functional structure reduces duplication of services because it makes the best use of people and resources.

Figure 42. The Functional Organization



On the negative side, functional structures tend to promote routine tasks with a limited orientation. Department members focus on their own tasks, rather than on the organization's total task. This can lead to conflict across functional departments when each group tries to maximize its own performance without considering the performance of other units. Coordination and scheduling among departments can be difficult when each emphasizes its own perspective. As shown in Table 12, the functional structure tends to work best in small-to medium-sized firms in environments that are relatively stable and certain. These organizations typically have a small number of products or services, and coordination across specialized units is relatively easy. This structure also is best suited to routine technologies in which there is interdependence within functions, arid to organizational goals emphasizing efficiency and technical quality.

Table 12: Advantages, Disadvantages, and Contingencies of the Functional Form

Advantages	Disadvantages	Contingencies
• Promotes skill • specialization • Reduces duplication of scarce resources and uses resources full time • Enhances career development for specialists within large departments • Facilitates communication and performance because superiors share expertise with their subordinates • Exposes specialists to others within the same specialty	• Emphasizes routine tasks, which encourages short time horizons • Fosters parochial perspectives by managers, which limit their capabilities for top-management positions • Reduces communication and cooperation between departments • Multiplies the interdepartmental dependencies, which can make coordination and scheduling difficult • Obscures accountability for overall outcomes	• Stable and certain environment • Small to medium size • Routine technology, interdependence within functions • Goals of efficiency and technical quality

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The Self-Contained-Unit Organization:

The self-contained-unit structure represents fundamentally different way of organizing. Also known as a **product or divisional structure**, it was developed at about the same time by General Motors, Sears, Standard Oil of New Jersey (Exxon), and DuPont. It groups organizational activities on the basis of products, services, customers, or geography. All or most of the resources necessary to accomplish a specific objective are set up as a self-contained unit headed by a product or division manager. For example, General Electric has plants that specialize in making jet engines and others that produce household appliances. Each plant manager reports to a particular division or product vice president, rather than to a manufacturing vice president. In effect, a large organization may set up smaller (sometimes temporary) special purpose organizations, each geared to a specific product, service, customer, or region. A typical product structure is shown in Figure 43. It is interesting to note that, the formal structure within a self-contained unit often is functional in nature.

Table 13 lists the advantages and disadvantages of self-contained-unit structures. These organizations recognize key interdependencies and coordinate resources toward an overall outcome. This strong outcome orientation ensures departmental accountability and promotes cohesion among those contributing to the product. These structures provide employees with opportunities for learning new skills and expanding knowledge because workers can move more easily among the different specialties contributing to the product. As a result, self-contained-unit structures are well suited for developing general managers. Self-contained-unit organizations do have certain problems. They may not have enough specialized work to use people's skills and abilities fully. Specialists may feel isolated from their professional colleagues and may fai1 to advance in their career specialty. The structures may promote allegiance to department rather than organization objectives. They also place multiple demands on people, thereby creating stress.

Table 13

Advantages, Disadvantages and contingencies of the Self-Contained-unit Form

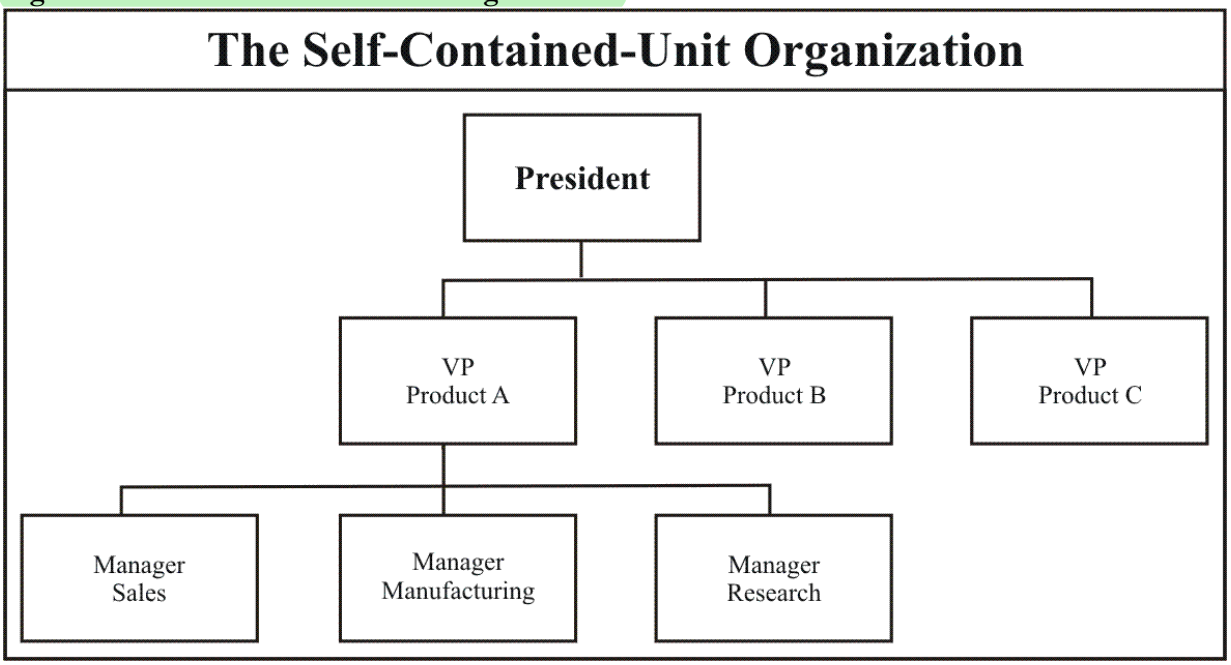
Advantages	Disadvantages	Contingencies
• Recognizes sources of • interdepartmental dependencies • fosters an orientation toward overall outcomes and clients • allows diversification and expansion of skills and training • ensures accountability by departmental managers and so promotes delegation of authority and responsibility • heightens departmental cohesion and involvement in work	• May use skills and resources inefficiently • Limits career advancement by specialists to movements out of their departments • Impedes specialists esposure to others within the same specialties • Puts multiple-role demands on people and so creates stress • May promote departmental objectives, as opposed to overall organizational objectives	• Unstable and uncertain environments • Large size • Technological interdependence across functions • Goals of product specialization and innovation

The self-contained-unit structure works best in conditions almost the opposite of those favoring a functional organization, as shown in Table 13. The organization needs to be relatively large to support the duplication of' resources assigned to the units. Because each unit is designed to fit a particular niche, the structure adapts well to uncertain conditions. Self-contained units also help to coordinate technical interdependencies falling across functions and are suited to goals promoting product or service specialization and innovation.

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Figure 43: The Self-Contained-Unit Organization



The Matrix Organization:

Some OD practitioners have focused on maximizing the strengths and minimizing the weaknesses of both the functional and the self-contained-unit structures, and this effort has resulted in the matrix organization. It superimposes the lateral structure of a product or project coordinator on the vertical functional structure, as shown in Figure 44. Matrix organizational designs originally evolved in the aerospace industry where changing customer demands and technological conditions caused managers to focus on lateral relationships between functions to develop a flexible and adaptable system of resources and procedures, and to achieve a series of project objectives. Matrix organizations now are used widely in manufacturing, service, and nonprofit, governmental, and professional organizations.

Every matrix organization contains three unique and critical roles: the top manager, who heads and balances the dual chains of command, the matrix bosses (functional, product, or area), who share subordinates: and the two-boss managers, who report to two different matrix bosses. Each of these roles has its own unique requirements.

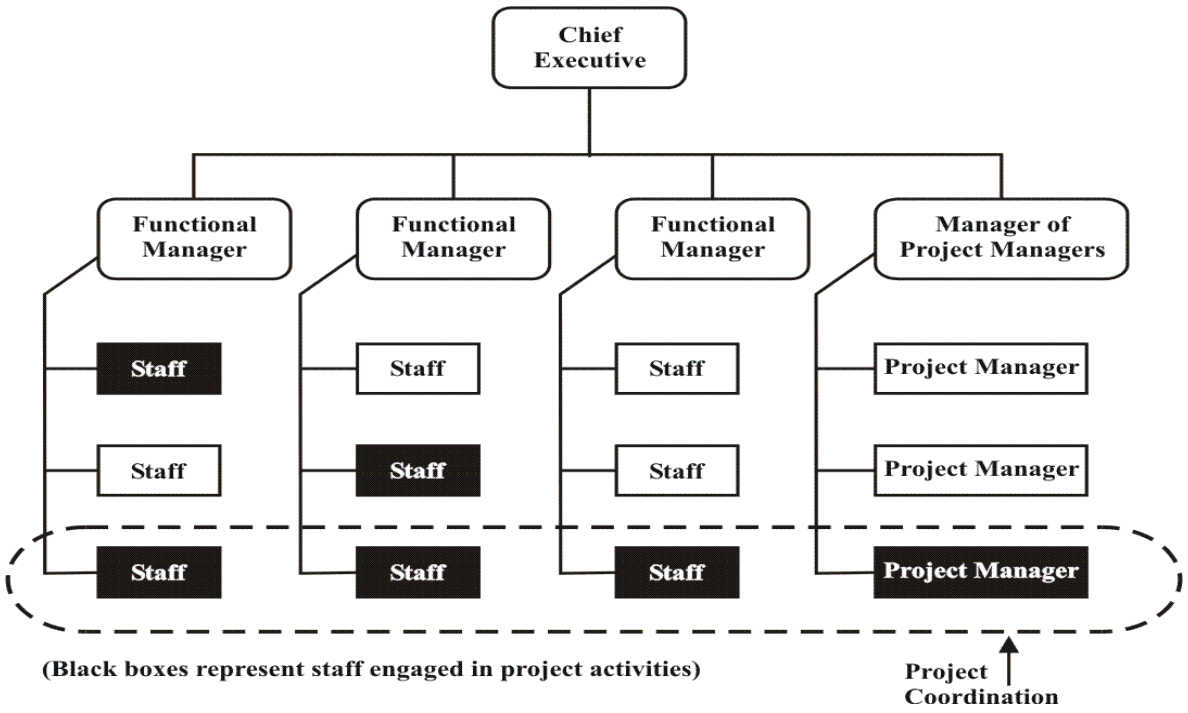
For example, all engineers may be in one engineering department and report to an engineering manager, but these same engineers may be assigned to different projects and report to a project manager while working on that project. Therefore, each engineer may have to work under several managers to get his or her job done.

In a matrix organization, each project manager reports directly to the vice president and the general manager. Since each project represents a potential profit centre, the power and authority used by the project manager come directly from the general manager.

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Figure 44. The Matrix Organization



Matrix organizations, like all organization structures, have both advantages and disadvantages, as shown in Table 14. On the positive side, this structure allows multiple orientations. Specialized, functional knowledge can be applied to all projects. New products or projects can be implemented quickly by using people flexibly and by moving between product and functional orientations as circumstances demand. Matrix organizations can maintain consistency among departments and projects by requiring communication among managers. For many people, matrix structures are motivating and exciting.

On the negative side, these organizations can be difficult to manage. To implement and maintain them requires heavy managerial costs and support. When people are assigned to more than one department, there may be role ambiguity and conflict, and overall performance may be sacrificed if there are power conflicts between functional departments and project structures. To make matrix organizations work, organization members need interpersonal and conflict management skills. People can get confused about how the matrix works, and that can lead to chaos and inefficiencies

Table 14

Advantages, Disadvantages and Contingencies of the Matrix Form		
Advantages	**Disadvantages**	**contingencies**
• Make specialized, functional knowledge available to all projects. • Uses people flexibly, because departments maintain reservoirs of specialists. • Maintains consistency between different departments and projects by forcing communication between managers. • Recognizes and provides mechanisms for dealing with legitimate, multiple sources of power in the organization.	• Can be very difficult introduce without a preexisting supportive management climate • Increases role ambiguity, stress and anxiety by assigning people to more than one department • Without power balancing between product and functional forms, lowers overall performance • Makes inconsistent demands, which may result in unproductive conflicts and short-term crisis management • May reward political	• Dual focus on unique product demands and technical specialization • Pressure for high information processing capacity • Pressure for shared resources

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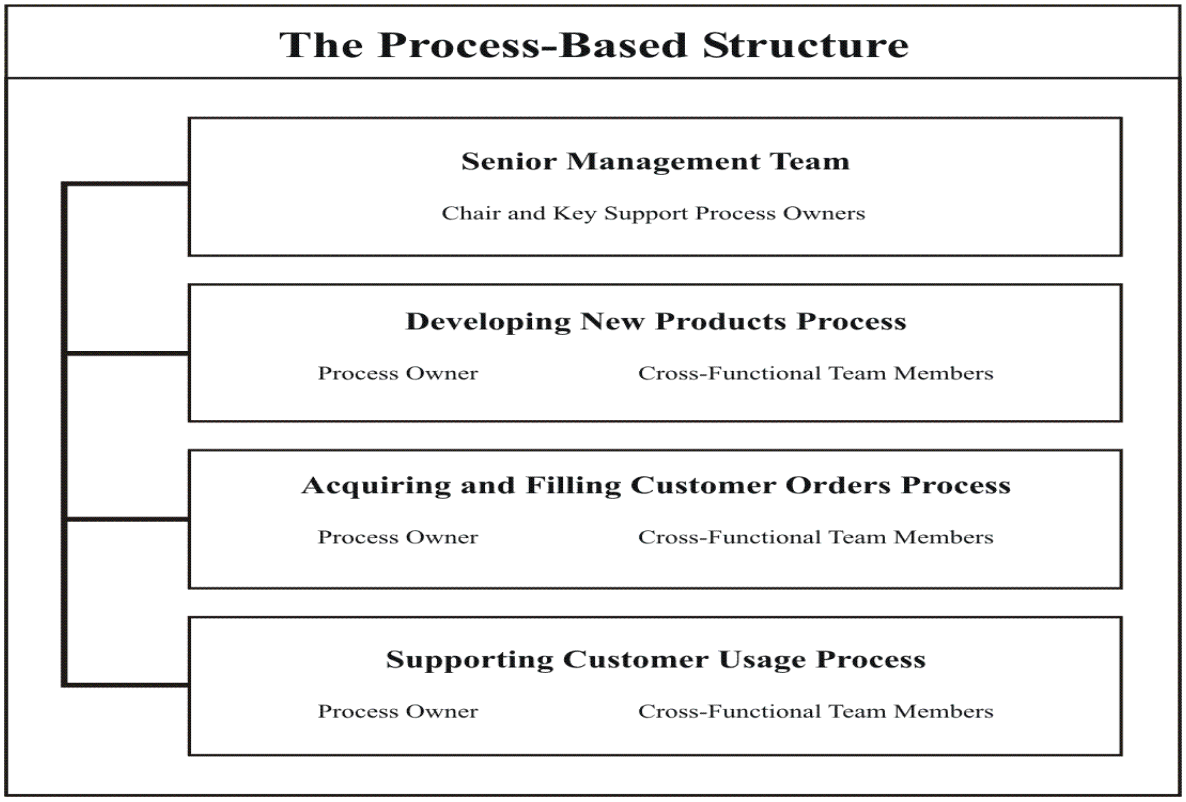
• Can adapt to environmental changes by shifting emphasis between project and functional aspects	skills as opposed to technical skills	

As shown in Table 14, matrix structures are appropriate under three important conditions. First, there must be outside pressures for a dual focus. That is, a matrix structure works best when there are many customers with unique demands on the one hand and strong requirements for technical sophistication on the other hand. Second, a matrix organization is appropriate when the organization must process a large amount of information. Circumstances requiring such capacity are few and include the following: when external environmental demands change unpredictably and there is considerable uncertainty in decision making; when the organization produces a broad range of products or services, or offers those outputs to a large number of different markets, and there is considerable complexity in decision making: and when there is reciprocal interdependence among the tasks in the organization's technical core and there is considerable pressure on communication and coordination systems. Third, and finally, there must be pressures for shared resources. When customer demands vary greatly and technological requirements are strict, valuable human and physical resources are likely to be scarce. The matrix works well under those conditions because in facilitates the sharing of scarce resources. If any of the foregoing conditions is not met, a matrix organization is likely to fail.

Process-Based Structures:

A radically new logic for structuring organizations is to form multidisciplinary teams around core processes, such as product development, order fulfillment, sales generation, and customer support. As shown in Figure 45, process-based structures emphasize lateral rather than vertical relationships. All functions necessary to produce a product or service are placed in a common unit usually managed by someone called a "process owner." There are few hierarchical levels, and the senior executive team is relatively small, typically consisting of the chair, the chief operating officer, and the heads of a few key support services such as strategic planning, human resources, and finance.

Figure 45: The Process-Based Structure



Process-based structures eliminate many of the hierarchical and departmental boundaries that can impede task coordination and slow decision making and task performance. They reduce the enormous costs of

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managing across departments up and down the hierarchy. Process-based structures enable organization to focus most of their resources on serving customers, both inside and outside the firm.

The use of process-based structures is growing rapidly in a variety of manufacturing and service companies. Typically referred to as "horizontal" "boundary less," or "team-based" organization, they are used to enhance customer service at such firm as American Express Financial Advisors, The Associates, Duke Power. 3M, Xerox, General Electric Capital Services, at id the National b Provincial building Society in time United Kingdom.

Although there is no one right way to design process- based structures, the following features characterize this new form of organizing.

Processes drive structure. Process-based structures are organized around the three to five key processes that define the work of the organization. Rather than products or functions, processes define the structure and are governed by a "process owner." Each process has clear performance goals that drive task execution.

Work adds value. To increase efficiency, process—based structures simplify and enrich work processes. Work is simplified by eliminating nonessential tasks and reducing layers of management, and it is enriched by combining tasks so that learns perform whole processes.

Teams are fundamental. Teams are the key organizing feature in a process- based structure. They manage everything from task execution to strategic planning, are typically self-managing, and are responsible for goal achievement.

• **Customers define performance.** The primary goal of any team in a process-based structure is customer satisfaction. Defining customer expectations and designing team functions to meet those expectations command much of the team's attention. The organization must value this orientation as the primary path to financial performance.

Teams are rewarded for performance. Appraisal systems focus on measuring team performance against customer satisfaction and other goals, and then provide real recognition for achievement. Team-based rewards are given as much, if not more, weight than is individual recognition.

Teams are tightly linked to suppliers and customers. Through designated members, teams have timely and direct relationships with vendors and customers to understand and respond to emerging concerns.

Team members are well informed and trained. Successful implementation of a process-based structure requires team members who can work with a broad range of information, including customer and market data, financial information, and personnel and policy matters. Team members also need problem solving and decision-making skills and abilities to address and implement solutions.

Table 15 lists the advantages and disadvantages of process-based structures. The most frequently mentioned advantage is intense focus on meeting customer needs, which can result in dramatic improvements in speed, efficiency, and customer satisfaction. Process-based structures remove layers of management, and consequently information flows inure quickly and accurately throughout the organization. Because process teams comprise different functional specialties, boundaries between departments are removed, thus affording organization members a broad view of the work flow and a clear line of sight between team performance and organization effectiveness. Process-based structures also are more flexible and adaptable to change than are traditional structures.

Table 15: Advantages, Disadvantages, and Contingencies of the Process-Based Form

Advantages	Disadvantages	Contingencies
• Focuses resources on customer satisfaction • Improves speed and efficiency, often dramatically • Adapts to environmental change rapidly • Reduces boundaries between departments • Increases ability to see total work flow • Enhances employee involvement • Lowers costs because of less overhead structure	• Can threaten middle managers and staff specialists • Requires changes in command-and-control mindsets • Duplicates scarce resources • Requires new skills and knowledge to manage lateral relationships and teams • May take longer to make decisions in teams • Can be ineffective if wrong processes are identified	• Uncertain and changing environments • Moderate to large size • Non-routine and highly interdependent technologies • Customer-oriented goals

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A major disadvantage of process-based structures is the difficulty of changing to this new organizational form. These structures typically require radical shifts in mindsets, skills, and managerial roles — changes that involve considerable time and resources and can be resisted by functional managers and staff specialists. Moreover, process-based structures may result in expensive duplication of scarce resources and, if teams are not skilled adequately, in slower decision making as they struggle to define and reach consensus. Finally, implementing process-based structures relies on properly identifying key processes needed to satisfy customer needs. If critical processes are misidentified or ignored altogether, performance and customer satisfaction are likely to suffer.

Table 15 shows that process-based structures are particularly appropriate for highly uncertain environments where customer demands and market conditions are changing rapidly. They enable organizations to manage non-routine technologies and coordinate work flows that are highly interdependent. Process-based structures generally appear in medium- to large-sized organizations having several products or projects. They focus heavily on customer-oriented goals and are found in both domestic and global organizations.

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Restructuring Organizations

Network-Based Structures:

A network-based structure manages the diverse, complex, and dynamic relationships among multiple organizations or unit5, each specializing in a particular business junction or task. Sonic contusion over the definition of a network has been clarified recently by a typology describing four basic types of networks.

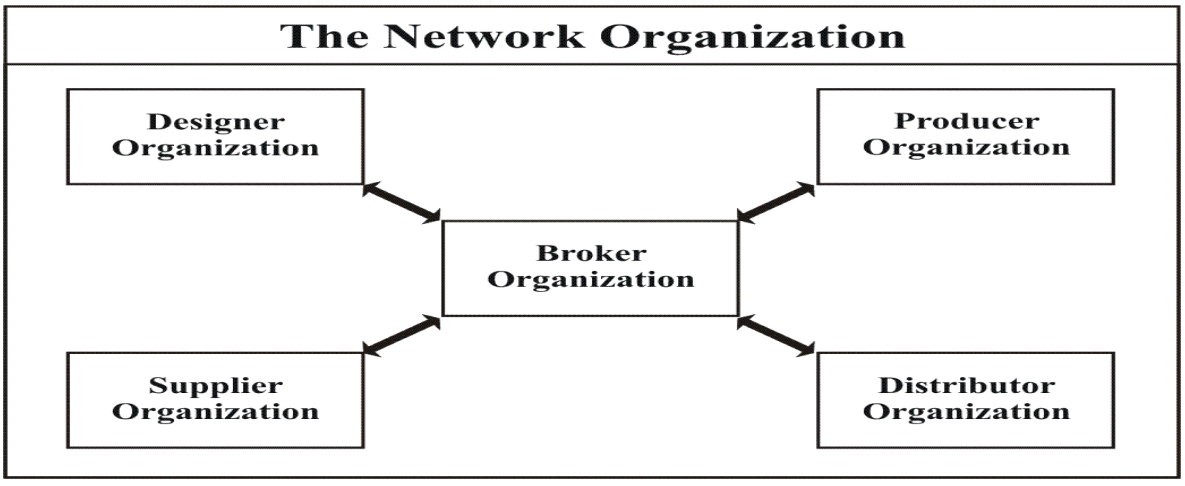
- An internal market network exists when a single organization establishes each subunit as an independent profit center that is allowed to buy and sell services and resources from each other as well as from the external market. Asea Brown Boveri's (ABB) fifty worldwide businesses consist of twelve hundred companies organized into forty-five hundred profit centers that conduct business with each other.
- A vertical market network is composed of multiple organizations linked to a focal organization that coordinates the movement of resources from raw materials to end consumer. Nike, for example, has its shoes manufactured in different plants and then organizes their distribution through retail outlets.
- An inter-market network represents alliances among a variety of organizations in different markets and is exemplified by the Japanese keiretsu and the Korean chaebol.
- An opportunity network is the most advanced form of network structure. It is a temporary constellation of organizations brought together to pursue a single purpose. Once accomplished, the network disbands.

These types of networks can be distinguished from one another in terms of whether they are single or multiple organizations, single or multiple industry, and stable or temporary. For example, an internal market network is a stable, single-organization, single-industry structure; an opportunity network is a temporary, multiple-organization structure that can span several different industries.

As shown in Figure 46, the network structure redraws organizational boundaries and links separate business units to facilitate task interaction. The essence of networks is the relationships among organizations that perform different aspects of work. In this way, organizations do the things that they do well; for example, manufacturing expertise is applied to production, and logistical expertise is applied to distribution. Network organizations use strategic alliances, joint ventures, research and development consortia, licensing agreements, and wholly owned subsidiaries to design, manufacture, and market advanced products, enter new international markets, and develop new technologies.

Network-based structures are known by a variety of names, including shamrock organizations and virtual, modular, or cellular corporations. Less formally, they have been described as "pizza" structures, spider webs, starbursts, and cluster organizations. Companies such as Apple Computer, Benetton, Sun Microsystems, Liz Claiborne, MCI WorldCom, and Merck have implemented fairly sophisticated vertical market and inter-market network structures. Opportunity networks also are commonplace in the construction, fashion, and entertainment industries, as well as in the public sector.

Figure 46: The Network Organization



Network structures typically have the following characteristics.

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- **Vertical desegregation.** This refers to the breaking up of the organization's business functions, such as production, marketing, and distribution, into separate organizations performing specialized work. In the film industry, for example, separate organizations providing transportation, cinematography, special effects, set design, music, actors, and catering all work together under a broker organization, the studio. The particular organizations making up the opportunity network represent au important factor in determining its success."' More recently, disintermediation, or the replacement of whole steps in the value chain by information technology, specifically the Internet, has fueled the development and numbers of network structures.
- **Brokers.** Networks often arc' managed by broker organizations that locate and assemble member organizations. The broker may play a central role and subcontract for needed products or services, or it may specialize in linking equal partners into a network. In the construction industry, the general contractor typically assembles and manages drywall, mechanical, electrical, plumbing, and other specialties to erect a building.
- **Coordinating mechanisms.** Network organizations generally are not controlled by hierarchical arrangements or plans. Rather, coordination of the work in a network falls into three categories: informal relationships, contracts, and market mechanism. First, coordination patterns can depend heavily on interpersonal relationships among individuals who have a well-developed partnership. Conflicts are resolved through reciprocity; network members recognize that each likely will have to compromise at some point. Trust is built anti nurtured over time by these reciprocal arrangements. Second, coordination can be achieved through formal contracts, such as ownership control, licensing arrangements, or purchase agreements. Finally, market mechanisms, such as spot payments, performance accountability, and information systems, ensure that all parties are aware of each others' activities.

Network structures have a number of advantages and disadvantages, as shown in Table 16. They are highly flexible and adaptable to changing conditions. The ability to form partnerships with different organizations permits the creation of a "best-of-the-best" company to exploit opportunities, often global in nature. They enable each member to exploit its distinctive competence. They can accumulate and apply sufficient resources and expertise to large, complex tasks that single organizations cannot perform. Perhaps most important, network organizations can have synergistic effects whereby members build on each other's strengths and competencies, creating a whole that exceeds the sum of its parts.

Table 16

Advantages, Disadvantages and Contingencies of the Network-Based Form

Advantages	Disadvantages	Contingencies
• Enables highly flexible and adaptive response to dynamic environments • Creates a "best-of-the-best" organization to focus resources on customer and market needs • Enables each organization to leverage a distinctive competency • Permits rapid global expansion • Can produce synergistic results	• Managing lateral relations across autonomous organizations is difficult • Motivating members to relinquish autonomy to join the network is troublesome • Sustaining membership and benefits can be problematic • May give partners access to proprietary knowledge/technology	• Highly complex and uncertain environments • Organizations of all sizes • Goals of organizational specialization and innovation • Highly uncertain technologies • Worldwide operations

The major problems with network organizations are in managing such complex structures. Galbraith and Kazanjian describe network structures as matrix organizations extending beyond the boundaries of single firms but lacking the ability to appeal to a higher authority to resolve conflicts. Thus, matrix skills of managing lateral relations across organizational boundaries arc critical to administering network structures. Most organizations, because they are managed hierarchically, can be expected to have difficulties managing lateral relations. Other disadvantages of network organizations include the difficulties of motivating

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organizations to join such structures and of sustaining commitment over time. Potential members may not want to give up their autonomy to link with other organizations and, once linked, they may have problems sustaining the benefits of joining together. This is especially true if time network consists of organizations that are not the "best of breed." Finally, joining a network may expose the organization's proprietary knowledge and skills to others.
As shown in Table 16, network organizations are best suited to highly complex and uncertain environments where multiple competencies and flexible responses are needed. They seem to apply to organizations of all sizes, and they deal with complex tasks or problems involving high interdependencies across organizations. Network structures fit with goals that emphasize organization specialization and innovation.

Downsizing:

Downsizing refers to interventions aimed at reducing the site of the organization. This typically is accomplished by decreasing the number of employees through layoffs, attrition, redeployment, or early retirement or by reducing the number of organizational units or managerial levels through divestiture, outsourcing, reorganization, or delayering. In practice, downsizing generally involves layoffs where a certain number or class of organization members is no longer employed by the organizations. Although traditionally associated with lower-level workers, downsizing increasingly has claimed the jobs of staff specialists, middle managers, and senior executives.
An important consequence of downsizing has been the rise of the contingent workforce. These less expensive temporary or permanent part-time workers often are hired by the organizations that just laid elf thousands of employees. A study by the American Management Association found that nearly a third of the 720 firms in the sample had rehired recently terminated employees as independent contractors or consultants because time downsizings had not been matched by an appropriate reduction in or redesign of the workload. Overall cost reduction was achieved by replacing expensive permanent workers with a contingent workforce.
Downsizing is generally a response to at least four major conditions. First, it is associated increasingly with mergers and acquisitions. One in nine job cuts during 1998 were the result of the integration of two organizations; second, it can result from organization decline caused by loss of revenues and market share and b1 technological and industrial change. In southern California, an economy traditionally dependent on the defense industry, more than one hundred thousand jobs have been lost to relocation or elimination as that industry has contracted and consolidated. Third, downsizing can occur when organizations implement one of the new organizational structures described above. For example, creation of network- based structures often involves outsourcing work to other firms that is not essential to the organization's core competence. Fourth, downsizing can result from beliefs and social pressures that smaller are better. In the United States; there is strong conviction that organizations should be leaner and more flexible. Hamel and Prahalad warned, however, that organizations must be careful that downsizing is not a symptom, "corporate anorexia." Organizations may downsize for their own sake and not think about future growth. They may lose key employees who are necessary for future success, cutting into the organization's core competencies and leaving a legacy of mistrust among members. In such situations, it is questionable whether downsizing is developmental as defined in OD.

Application Stages:

Successful downsizing interventions tend to proceed by the following steps:

1. **Clarify the organization's strategy.** As a first step, organization leaders specify corporate strategy arid communicate clearly how downsizing relates to it. They seek to inform members that downsizing is not a goal h itself, hut a restructuring process for achieving strategic' objectives. Leaders need to provide visible and consistent support throughout the process. They can provide opportunities for members to voice their concerns, ask questions, and obtain counseling if necessary.
2. **Assess downsizing options and make relevant choices.** Once corporate strategy is clear, the full range of downsizing options can he identified and assessed. Table 17 describes three primary downsizing methods: workforce reduction, organization redesign, and systemic change. A specific downsizing strategy may Use elements of all three approaches. Workforce reduction is aimed at reducing the number of employees, usually in a relatively short timeframe. It can include attrition, retirement incentives, outplacement services, and layoffs. Organization redesign attempt to restructure the firm to prepare it for the next stage of growth. This is a medium term approach that can be accomplished by merging organizational units, eliminating management layers, and redesigning tasks. Systemic change is a longer-term option aimed at changing the culture and strategic orientation of the organization. It can involve interventions that alter the responsibilities

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and work behaviors of everyone in the organization and that promote continual improvement as a way of life in the firm.

Case, a manufacturer of heavy construction equipment, used a variety of methods to downsize, including eliminating money-losing product lines; narrowing the breadth of remaining product lines; bringing customers to the company headquarters to get their opinions of new product design (which surprisingly resulted in maintaining, rather than changing, certain preferred features, thus holding down redesign costs); shifting production to outside vendors, restructuring debt; amid spinning off most of its 250 stores. Eventually, these changes led to closing five plants and to payroll reductions of almost 35 percent. The number of jobs lost would have been much greater, however, if Case had not implemented a variety of downsizing methods.

Unfortunately, organizations often choose obvious solutions for downsizing, such as layoffs, because they can be implemented quickly. This action produces a climate of fear and defensiveness as members focus on identifying who will be separated from the organization. Examining a broad range of options and considering the entire organization rather than only certain areas can help allay tears favoritism and polities are the bases for downsizing decisions. Moreover, participation of organization members in such decisions can have positive benefits. It can create a sense of urgency for identifying and implementing options to downsizing other than layoffs. Participation can provide members with a clearer understanding of how downsizing will proceed and can increase the likelihood that whatever choices are made are perceived as reasonable and fair.

3. **Implement the changes.** This stage involves implementing methods for reducing the size oh time organization. Several practices characterize successful implementation. First, downsizing is best controlled from the top down. Many difficult decisions are required, and a broad perspective helps to overcome people's natural instincts to protect their enterprise or function. Second, identify arid target specific areas of inefficiency and high cost. The morale of the organization can be hurt if areas commonly known to be redundant are left untouched. Third, link specific actions to the organization's strategy. Organization members need to be reminded consistently that restructuring activities are part of a plan to improve the organization's performance. Finally, communicate frequently using a variety of media. This keeps people informed, lowers their anxiety over the process, and makes it easier for them to focus on their work.

Table 17

Three Downsizing Tactics

Downsizing Tactic	Characteristics	Examples
Workforce reduction	Aimed at headcount reduction Short-term implementation Fosters a transition	Attrition Transfer and outplacement Retirement incentives Buyout packages Layoffs
Organization redesign	Aimed at organization change Moderate-term implementation Fosters transition and potentially transformation	Eliminates functions Merge units Eliminate layers Eliminate products Redesign tasks
Systemic redesign	Aimed at culture change Long-term implementation Fosters transformation	Change responsibility Involve all constituents Foster continuous improvement and innovation Simplification Downsizing a way of life

4. Address the needs of survivors and those who leave. Most downsizing eventually involves reduction in the size of the workforce, and it is important to support not only employees who remain with the organization but also those who leave. When layoffs occur, employees are generally asked to take on additional responsibilities and to lean new jobs, often with little or no increase in compensation. This added workload can he stressful, arid when combined with anxiety over past layoffs and possible future ones, it can lead to what researchers have labeled time "survivor syndrome." This syndrome involves a narrow set of self-absorbed and risk-averse behaviors that can threaten the organization's survival. Rather than working to ensure the organization's success, survivors often are preoccupied with whether additional layoffs will occur, with guilt over receiving pay and benefits while co workers are struggling with termination, and with the uncertainty of career advancement.

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Organizations can address these survivor concerns with communication processes that increase the amount and frequency of information provided. Communication should shift from explanations about who left or why to clarification of where the Company is going, including its visions, strategies, and goals. The linkage between employees' performance and strategic success is emphasized so that remaining members feel they are valued. Organizations also can support survivors through training and development activities that prepare them for the new work they are being asked to perform. Senior management can promote greater involvement in decision making, thus reinforcing the message that people are important to the future success and growth of the organization.
Given the negative consequences typically associated with job loss, organizations have developed an array of methods to help employees who have been laid off. These include outplacement counseling, personal and family counseling, severance packages, office support for job searches, relocation services, and job retraining. Each service is intended to assist employees in their transition to another work situation.
1. **Follow through with growth plans.** This final stage of downsizing involves implementing an Organization renewal and growth process. Failure to move quickly to implement growth plans is a key determinate of ineffective downsizing For example, a study of 1,020 human resource directors reported that only 44 percent of the companies that had downsized in the previous live years shared details of their growth plans with employees; only 34 percent told employees how they would lit into the company's new strategy. Organizations must ensure that employees understand the renewal strategy and their new roles in it. Employees need credible expectations that, although the organization has been through a tough period, their renewed efforts can move it forward.

Results of Downsizing:
The empirical research on downsizing is mostly negative. A review conducted by the National Research Council concluded, "From the research produced thus tar, downsizing as a strategy for improvement has proven to be, by and large, a failure." A number of studies base documented the negative productivity and employee consequences. One survey of 1,005 companies that used downsizing to reduce costs reported that fewer than half of the firms actually met cost targets. Moreover, only 22 percent of the companies achieved expected productivity gains, and consequently about 80 percent of the firms needed to rehire some of the same people that they had previously terminated. Fewer than 33 percent of the companies surveyed reported that profits increased as much as expected, and only 21 percent achieved satisfactory improvements in shareholder return on investment. Another survey of 1,142 downsized firms found that only about a third achieved productivity goals.39 In addition, the research points to a number of problems at the individual level, including increased stress and illness, loss of sell-esteem, reduced trust and loyalty, and marriage and family disruptions.
Research on the effects of downsizing on financial performance also shows negative results. One study examined an array of financial performance measures, such as return on sales, assets, and equity, in 210 companies that announced layoffs. It found that increases in financial performance in the first year following the layoff announcements were not followed by performance improvements in the next year. In no case did a firm's financial performance after a layoff announcement match its maximum levels of performance in the year before the announcement. These results suggest that layoffs may result in initial improvements iii financial performance, hut such gains are temporary and not sustained at even pre-layoff levels. In a sin3ilar study of sixteen firms that wrote off more than 10 percent of their net worth in a live-year period, stock prices, which averaged 16 percent below the market average before the layoff announcements, increased on the day that the restructuring was announced but then began a steady decline. Two years after the layoff announcements, ten of the sixteen stocks were trading below the market by 17 percent to 48 percent, and twelve of the sixteen were below comparable firms in their industries by 5 to 45 percent.

These research findings paint a rather bleak picture of the success of downsizing. The results must be interpreted cautiously, however, for three reasons.
First, many of the survey-oriented studies received responses from human resources specialists who might have been naturally inclined to view downsizing in a negative light.
Second, the studies of financial performance may have included a biased sample of firms. If the companies selected for analysis had been poorly managed, then downsizing alone would have been unlikely to improve financial performance. There is some empirical support for this view because low-performing firms are more likely to engage in downsizing than are high-performing firms.

Third, disappointing results may be a function of the way downsizing was implemented. A number of organizations have posted solid financial returns following downsizing, such as Florida Power and Light, General Electric, Motorola, Texas instruments, Boeing, Chrysler, and Hewlett-Packard. A study of thirty

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downsized firms in the automobile industry showed that those companies that implemented effectively the process described above scored significantly higher on several performance measures than did firms that had no downsizing strategy or that implemented the steps poorly. Several studies have suggested that where downsizing programs adopt appropriate CD interventions or apply strategies similar to the process outlined above, they generate more positive individual and organizational results. Thus, the success of downsizing efforts may depend as much on how effectively the intervention is applied as on the size of the layoffs or the amount of delayering.

Reengineering:

The final restructuring intervention is reengineering—the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in performance Reengineering transforms how organizations traditionally produce and deliver goods and services. Beginning with the Industrial Revolution, organizations have increasingly fragmented work into specialized units, each focusing on a limited pan of the overall production process. Although this division of labor has enabled organizations to mass-produce standardized products and services efficiently, it can be overly complicated, difficult to manage, and slow to respond to the rapid and unpredictable changes experienced by many organizations today. Reengineering addresses these problems by breaking down specialized work units into more integrated, cross-functional work processes. This streamlines work processes and makes them faster and more flexible; consequently they are more responsive to changes in competitive conditions, customer demands, product life cycles, and technologies.

As might be expected, reengineering requires an almost revolutionary change in how organizations design their structures and their work. It addresses fundamental issues about why organizations do what they do, and why do they do it in a particular way. Reengineering identifies and questions the often unexamined assumptions underlying how organizations perform work. This effort typically results in radical changes in thinking and work methods a shift front specialized job, tasks, and structures to integrated processes that deliver value to customers. Such revolutionary change differs considerably from incremental approaches to performance improvement, such as continuous improvement and total quality management, which emphasize Incremental changes in existing work processes. Because reengineering radically alters the status quo, it seeks to produce dramatic Increases In organization performance.

In radically changing business processes, reengineering frequently takes advantage of new Information technology. Modern information technologies, such as teleconferencing, expert systems, shared databases, and wireless communication, can enable organizations to reengineer. They can help organizations to break out of traditional ways of thinking about work and embrace entirely new ways of producing and delivering products. At IBM Credit, for example, an integrated information system with expert systems technology enables one employee to handle all stages of the credit-delivery process. This eliminates the handoffs, delays, and errors that derived from the traditional work design, in which different employees performed sequential tasks.

Whereas new information technology can enable organizations to reengineer themselves, existing technology can thwart such efforts.4' Many reengineering projects fail because existing information systems do not provide the data needed to operate integrated business processes. The systems do not allow Interdependent departments to interface with each other they often require new Information to be entered by hand into separate computer systems before people in different work areas can access it. Given the inherent difficulty in trying to support process-based work with specialized information systems, organizations have sought to develop information technologies that are more suited to reengineered work. The most popular software system, SAR was developed by a German company of the same name. With SAI firms can standardize their information systems because the software processes data on a range of tasks and links ft all together, thus integrating the information flow among different pans of the business. Because they believe that SAP may be the missing technological link to reengineering, many of the largest consulting firms that provide reengineering services, such as Anderson Consulting, Deloitte Touché, and Price water house Coopen, have developed their own SAP consultants.

Reengineering also is associated with interventions having to do with downsizing, the shift from functional to process-based structures, and work design. Although these Interventions have different conceptual and applied backgrounds, they overlap considerably in practice. Reengineering can result in production and delivery processes that require fewer people and fewer layers of management. Conversely, down sizing may require subsequent reengineering interventions. When downsizing occurs without fundamental changes in how work is performed, the same tasks simply are being performed with a smaller number of people. Thus, expected cost savings may not be realized because lower productivity offsets lower salaries and fewer benefits.

Reengineering also can be linked to transformation of organization structures and work design. Its focus on work processes helps to break down the vertical orientation of functional and self-contained—unit

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organizations. The endeavor identifies and assesses core business processes and redesigns work to account for key task interdependencies running through them. That typically results in new jobs or teams that emphasize multifunctional tasks, results-oriented feedback, and employee empowerment characteristics associated with motivational and socio-technical approaches to work design. Regrettably, reengineering has failed to apply these approaches attention to individual differences in people's reactions to work to its own work-design prescriptions. It advocates enriched work and teams, without consideration for the wealth of research that shows that not all people are motivated to perform such work.

Application Stages:

Reengineering is a relatively new intervention and is still developing applied methods. Early applications emphasized identifying which business processes to reengineer and technically assessing the work flow. More recent efforts have extended reengineering practice to address issues of managing change, such as how to deal with resistance to change and how to manage the transition to new work processes. The following application steps are included in most reengineering efforts, although the order may change slightly from one situation to another.

1. **Prepare the organization.** Reengineering begins with clarification and assessment of the organization's context, including its competitive environment, strategy, and objectives. This effort establishes the need for reengineering and the strategic direction that the process should follow. Changes in an organization' competitive environment can signal a need for radical change in how it does business. As preparation for reengineering at GTE Telephone Operations, for example, executives determined that although deregulation had begun with coin-operated telephones and long-distance service, it soon would spread to the local network. They concluded that this would present an enormous competitive challenge and that the old way of doing business, reinforced by years of regulatory protection, would seriously saddle the organization with high costs.
2. **Specify organization strategy and objectives.** The business strategy determines the focus of reengineering and guides decisions about the business processes that are essential for strategic success. In the absence of such information, the organization may reengineer extraneous processes or ones that could be outsourced. GTE executives recognized that the keys to the firm's success in a more competitive environment were low costs and customer satisfaction. Consequently, they set dramatic goals of doubling revenues while halving costs and reducing product development time by 75 percent. Defining these objectives gave the reengineering effort a clear focus. A final task in this preparation step is to communicate clearly throughout the organization why reengineering is necessary and the direction it will lake. GTE's communications program lasted a year and a half, and helped ensure that members understood the reasons underlying the program and the magnitude of the changes to be made. Senior executives were careful to communicate, both verbally and behaviorally, that they were fully committed to the change effort. Demonstration of such unwavering support seems necessary if Organization members are to challenge their traditional thinking about how business should he conducted.
3. **Fundamentally rethink the way work gets done.** This step lies at the heart of reengineering and involves these activities: identifying and analyzing core business processes, defining their key performance objectives, and designing new processes. These tasks are the real work of reengineering and typically are performed by a cross-functional team who is given considerable time and resources to accomplish them.

a. **Identify and analyze core business processes.** Core processes are considered essential for strategic success. They include activities that transform inputs into valued outputs. Core processes typically are assessed through development of a process map that lists the different activities required to deliver an organization's products or services. GTE determined that its core processes could be characterized as "choose, use, and pay." Customers first choose a telephone carrier, then use its services, and pay for them. GTE developed a process map for these core processes that included the work flow for getting customers to choose, use, and pay for the firm's service.

Analysis of core business processes can include assigning costs to each of the major phases of the work flow to help identify costs that may be hidden in the activities of the production process. Traditional cost-accounting systems do not store data in process terms; they identify costs according to categories of expense, such as salaries, fixed costs, and supplies. This method of cost accounting can he misleading and can result in erroneous conclusion about how best to reduce costs.

For example, the material control department at a Dana Corporation plant in Plymouth, Minnesota, changed from a traditional to a process-based accounting system. The traditional accounting system

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showed that salaries and fringe benefits accounted for 82 percent of total costs—an assessment that suggested workforce downsizing was the most effective way to lower costs. The process-based accounting system revealed a different picture, however: it showed that 44 percent of the department's costs involved expediting, resolving, and reissuing orders from suppliers and customers. In other words, almost half of their costs were associated with reworking deficient orders.

Business processes also can be assessed in terms of value-added activities the amount of value contributed to a product or service by a particular step in the process. For example, as part of its invoice collection process, Corky's Pest Control, a small service business dependent on a steady stream of cash payments, provides its customers with a sell-addressed, stamped envelope. Although this adds an additional cost to each account, it more than pays for itself in customer loyalty arid retention, and reduced accounts receivables arid late payments handling. Conversely, Organizations often engage in process activities that have little or no added value. For instance, in a Denver hospital an employee on each workshift checked a pump that circulated oxygen. Eight years earlier, the pump had failed and caused a death. Since that time, a new pump had been installed with fault-protection equipment and control sensors that no longer required the physical inspection. Yet because of habit, the checking process remained in place and drained resources that could be used more productively in other areas.

b. Define performance objectives. Challenging performance goals are set in this step. The highest possible level of performance for any particular process is identified, and dramatic goals are set for speed, quality, cost, or other Inca- sores of performance. These standards can derive from customer requirements or from benchmarks of the best practices of industry leaders. For example, at Andersen Windows, the demand for unique window shapes pushed the number of different products from 28,000 to more than 86,000 in 1991. The pressure on the shop floor for a "batch of one" resulted in 20 percent of all shipments containing at least one order discrepancy. As part of its reengineering effort, Andersen set targets for ease of ordering, manufacturing, and delivery. Each retailer and distributor was sold an interactive, computerized version of its catalogue that allowed customers to design their own windows. The resulting design is then given a unique "license plate number" and the specifications are sent directly to the factory. By 1995, new sales had tripled at some retail locations, the number of products had increased to 188,000, and fewer than one in two hundred shipments had a discrepancy.

c. Design new processes. The last task in this third step of reengineering is to redesign current business processes to achieve breakthrough goals. It often starts with a clean sheet of paper and addresses the question "If we were starting this company today, what processes would we need to create a sustainable competitive advantage?" These essential processes are then designed according to the following guidelines:

- Begin and end the process with the needs and wants of the customer.
- Simplify the current process by combining and eliminating steps.
- Use the "best of what is" in the current process.
- Attend to both technical and social aspects of the process.
- Do not be constrained by past practice.
- Identify the critical information required at each step in the process.
- Perform activities in their most natural order.
- Assume the work gets done right the first time.
- Listen to people who do the work.

An important activity that appears in many successful reengineering efforts is implementing "early wins" or "quick hits." Analysis of existing processes often reveals obvious redundancies and inefficiencies for which appropriate changes may be authorized immediately. These early successes can help generate and sustain momentum in the reengineering effort.

4. **Restructure the organization around the new business processes.** This last step in reengineering involves changing the organization's structure to support the new business processes. This endeavor typically results in the kinds of process-based structures that were described earlier in this chapter. An important element of this restructuring is implementing new information and measurement systems that reinforce a shift from measuring behaviors, such as absenteeism and grievances, to assessing outcomes, such as productivity, customer satisfaction, and cost savings. Moreover, information technology IS one of the key drivers of reengineering because it can drastically reduce the cost and time associated with integrating and coordinating business processes.

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Employee Involvement

Changing Michael Dell's DNA

Dell Inc. is one of the world's largest PC manufacturers, with a marketing and manufacturing system that is repeatedly studies and copied. Of the Fortune 500 companies, Dell topped the list in 10-year total return to investors. However, despite Dell's success year after year, Dell's CEO and founder, Michael Dell, still manages with the urgency and determination he had when he started the company out of his college dorm some 20 years ago. "I still think of us as a challenger. I still think of us attacking," says Dell.

But not all is well in Camelot. A recent survey of Dell's employees revealed that half of them would leave if they got the chance. Internal interviews of the subordinates of Michael Dell and the firm's president, Kevin Rollins, revealed that they felt Dell was impersonal and emotionally detached, and Rollins, autocratic and antagonistic.

Michael Dell believes that the status quo is never good enough. Once a problem is uncovered, it should be dealt with quickly and directly. In the 1990's, when the company was rapidly growing, it recruited seasoned managers from IBM and Intel. Some quickly bailed out because they were not willing to work in Dell's demanding culture. An executive coach who has worked with Michael Dell since 1995 says, "They need to work a lot on appreciating people."

Michael Dell, facing the results of the employee surveys, took a page out of his own book. Fearing an exodus of talent and a tearing apart of the company by antagonized employees, Dell went before his management team and offered an honest self-critique.

He acknowledged that he was shy and made him appear removed and not caring.

He promised to build tighter relationship with his team. Within days, a videotape of meeting was shown to every manager in the company.

Like Dell, a growing number of today's companies are not only concerned but doing something about the way they manage their employees. They recognize that empowered employees are the difference between success and failure in the long run. Faced with competitive demands for lower costs, higher performance and greater flexibility, organizations are increasingly turning to employee involvement (El) to enhance the participation, commitment, and productivity of their members.

Employee involvement is a broad term that has been variously referred to as "empowerment" "participative management," "work design," "industrial democracy," and "quality of work life." Empowerment is giving employees power to make decisions about work. Firms that have transformed their culture claim to have increased productivity and number of clients, made each employee feel a sense of ownership, and increased profits. OD interventions in this area are, therefore, aimed at moving decision making downward in the organization, closer to where the actual work takes place, i.e. delegation of power.

The following major El applications are discussed in this chapter: parallel structures, including cooperative union—management projects and quality circles; high- involvement organizations; and total quality management. Two additional El approaches, work design and reward system interventions, are discussed in Chapters 16 and 17, respectively.

Employee Involvement: What is it?

Employee involvement is the current label used to describe a set of practices and philosophies that started with the quality-of-work-life movement in the late 1950s. The phrase quality of work life was used to stress the prevailing poor quality of life at the workplace. As described earlier, both the term QWL and the meaning attributed to it have undergone considerable change and development. In this section, we provide a working definition of EI, document the growth of El practices in the United States and abroad, and clarify the Important and often misunderstanding relationship between EI and productivity.

A Working Definition of Employee involvement:

Employee involvement seeks to increase members input into decisions that affect organization performance and employee well-being. It can be described in terms of four key elements that promote worker involvement:

1. Power: This element of EI includes providing people with enough authority to make work-related decisions covering various issues such as work methods, task assignments, performance outcomes, customer service, and employee selection. The amount of power afforded employees can vary enormously, from simply asking them for input into decision that managers subsequently make, to managers and workers jointly making decisions, to employees making decisions themselves.

2. Information. Timely access to relevant information is vital to making effective decisions. Originations can promote El by ensuring that the necessary information flows freely to those with decision authority.

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This can include data about operating results, business plans, competitive conditions, new technologies and work methods, and ideas for organizational improvement.

3. Knowledge and skills. Employee involvement contributes to organizational effectiveness only to the extent that employees have the requisite skills and knowledge to make good decisions. Organization can facilitate El by providing training and development programs for improving members' knowledge and skills. Such learning can cover an array of expertise having to do with performing tacks, making decisions, solving problems, and understanding how the business operates.

4. Rewards. Because people generally do those things for which they are recognized, rewards can have a powerful effect on getting people. Involved in the organization meaningful opportunities for involvement can provide employees with internal rewards, such as feelings of self-worth and accomplishment. External rewards, such as pay and promotions, can reinforce El when they are linked directly to perform outcomes that result from participation in decision making.

Those four elements power information, knowledge and skills, and rewards contribute to El success by determining how much employee participation in decision making is possible in organization. The farther that all four elements are moved downward throughout the organization, the greater the employee involvement. Furthermore, because the four elements of El are interdependent they must be changed together to obtain positive results. For example, if organization members are given more power and authority to make decisions but do not have the information or knowledge and skill to make good decisions, then the value of involvement is likely to be negligible. Similarly, increasing employees' power information, and knowledge and skills but not linking rewards to the performance consequences of changes gives members little incentive to improve organizational performance. The El methods that will be described here vary in how much involvement is afforded employees. Parallel structures, such as union-management cooperative efforts and quality circles, are limited in the degree that the four elements of EI are moved downward in the organization; high-involvement organizations and total quality management provide far greater opportunities for involvement.

How Employee Involvement Affects Productivity?

An assumption underlying much of the El literature is that such interventions will lead to higher productivity. Although this premise has been based mainly on anecdotal evidence and a good deal of speculation, there is now a growing body of research findings to support that linkage. Studies have found a consistent relationship between El practices and such productivity measures as financial performance, customer satisfaction, labor hours, and waste rates.

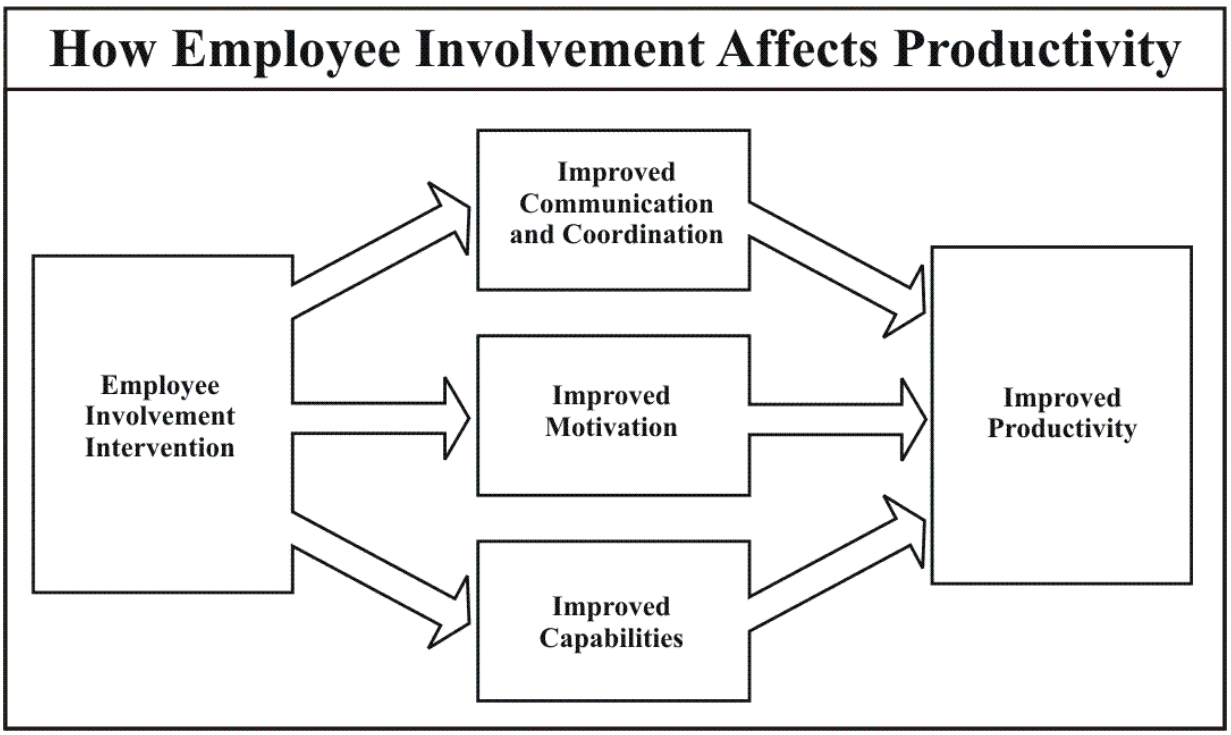
Attempts to explain this positive linkage traditionally have followed the idea that giving people more involvement in work decisions raises their job satisfaction and, in turn, their productivity. There is growing evidence that this satisfaction- causes-productivity premise is too simplistic and sometimes wrong. A more realistic explanation for how El interventions can affect productivity is shown in Figure 47.El practices, such as participation in workplace decisions, can improve productivity in at least three ways.

First, such interventions can improve communication and coordination among employees and organizational departments and help integrate the different jobs or departments that contribute to an overall task.

Second, El interventions can improve employee motivation, particularly when they satisfy important individual needs. Motivation is translated into improved performance when people have the necessary skills and knowledge to perform well and when the technology and work situation allow people to affect productivity. For example, some jobs are so rigidly controlled and specified that individual motivation can have little impact on productivity.

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Figure 47



Third, EI practices can improve the capabilities of employees, thus enabling them to perform better. For example, attempts to increase employee participation in decision making generally include skill training in group problem solving and communication.

Figure 48 shows the secondary effects of EI. These practices increase employee well-being and satisfaction by providing a better work environment and a more fulfilling job. Improved productivity also can increase satisfaction, particularly when it leads to greater rewards. Increased employee satisfaction, deriving from EI interventions and increased productivity ultimately can have a still greater impact on productivity by attracting good employees in join and remain with the organization.

In sum, El interventions are expected to increase productivity by improving communication and coordination employee motivation, and individual capabilities. They also can influence productivity by means of the secondary effects of increased employee well-being and satisfaction. Although a growing body of research supports these relationships, there is considerable debate over the strength of the association between El and productivity. Recent data support the conclusion that relatively modest levels of Ph produce moderate improvements in performance and satisfaction and those higher levels of El produce correspondingly higher levels of performance.

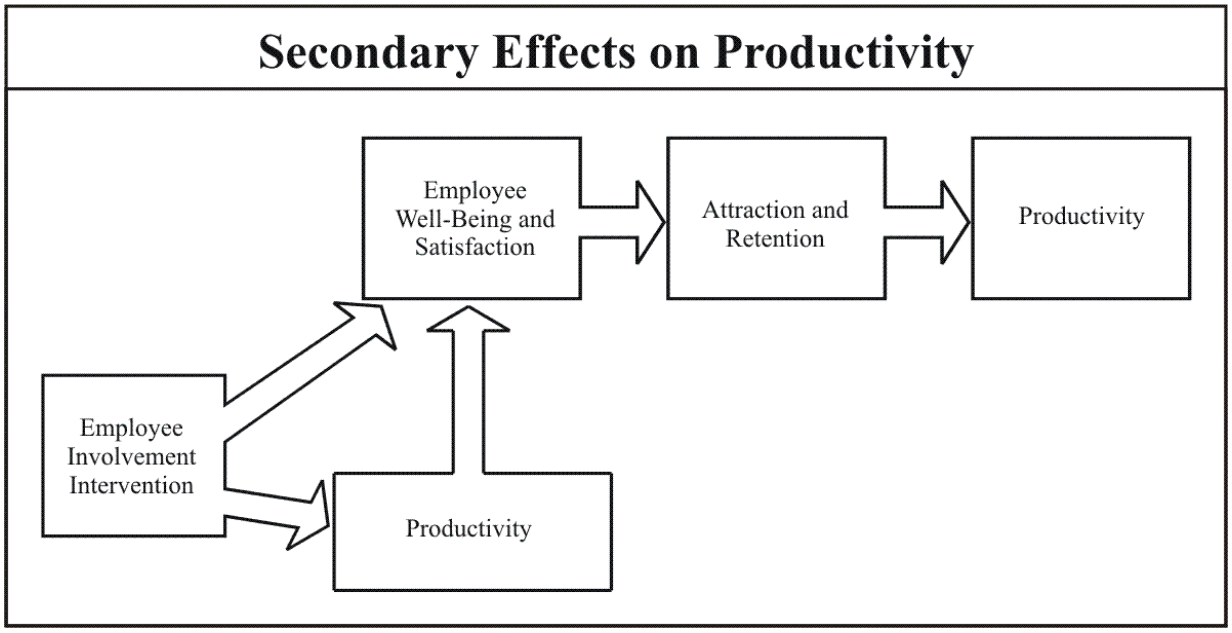
Employee Involvement Application:

This section describes three major El applications that vary in the amount of power, information,
Knowledge and skills, and rewards that are moved downward through the organization (from least to most involvement): parallel structures, including cooperative projects and quality circles; high-Involvement organizations and total quality management.

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Figure 48



Parallel Structures:

Parallel structures involve members in resolving ill-defined, complex problems and build adaptability into bureaucratic organizations. Also known as "collateral structures," "dualistic structures,' or "shadow structures," parallel structures operate in conjunction with the formal organization. They provide members with an alternative setting in which to address problems and to propose innovative solutions free from the formal organization structure and culture. For example, members may attend periodic off-site meetings to explore ways to improve quality in their work area or they may be temporarily assigned to a special project or facility to devise new products or solutions to organizational problems. Parallel structures facilitate problem solving and change by providing time and resources for members to think, talk, and act in completely new ways. Consequently, norms and procedures for working in parallel structures are entirely different from those of the formal organization. This section describes the application steps associated with most parallel structures; discusses two specific applications cooperative union-management projects and quality circles; and reviews the research on their effectiveness.

OD in Practice: A Work-out Meeting at General Electric Medical System Business

As part of the large-scale change effort, Jack Welch and several managers at General Electric devised a method for involving many organization members in the change process. Work-Out is a process for gathering the relevant people to discuss important issues and develop a clear action plan. The program has four goals to use employees' knowledge and energy to improve work, to eliminate unnecessary work, to build trust through a process that allows and encourages employees to speak out without being fearful, and to engage in the construction of an organization that is ready to deal with the future.

At GE Medical Systems (GEMS), internal consultants conducted extensive interviews with managers throughout the organization. The interviews revealed considerable dissatisfaction with existing systems, including performance management (too many measurement processes, not enough focus on customers, unfair reward systems, and unrealistic goals), career development, and organizational climate. Managers were quoted as saying:

I'm frustrated. I simply can't do the quality of work that I want to do and know how to do. I feel my hands are tied. I have no time. I need help on how to delegate and operate in this new culture. The goal of downsizing and delaying is correct. The execution stinks.

The concept is to drop a lot of 'less important" work. This just didn't happen. We still have to know all the details, still have to follow all the old policies and systems.

In addition to the interviews, Jack Welch spent some time at GEMS headquarters listening and trying to understand the issues facing the organization.

Based on the information compiled, about fifty GEMS employees and managers gathered for a five-day Work-Out session. The participants included the group executive who oversaw the GEMS business, his staff, employee relations managers, and informal leaders from the key functional areas who were thought to be risk takers and who would challenge the status quo. Most of the work during the week was spent

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unraveling, evaluating, and reconsidering the structures and processes that governed work at GEMS. Teams of managers and employees addressed business problems. Functional groups developed visions of where their operations were headed. An important part of the teams' work was to engage in "bureaucracy busting" by identifying CRAP (Critical Review Appraisals) in the organization. Groups were asked to list needless approvals, policies, meetings, and reports that stifled productivity. In an effort to increase the intensity of the work and to encourage free thinking, senior managers were not a part of these discussions.

At the end of the week, the senior management team listened to the concerns, proposals, and action plans from the different teams. During the presentations, senior GEMS managers worked hard to understand the issues, communicate with the organization members, and build trust by sharing information, constraints, and opportunities. Most of the proposals focused on ways to reorganize work and improve returns to the organization. According to traditional Work-Out methods, managers must make instant, on-the-spot decisions about each idea in front of the whole group. The three decision choices are approval; rejection with clear reasons; and need more data, with a decision to be made within a month.

The five-day GEMS session ended with individuals and functional teams signing close to one hundred written contracts to implement the new processes and procedures or drop unnecessary work. The contracts were between people, between functional groups, and between levels of management, and organizational contracts affecting all members. One important outcome of the Work-Out effort at GEMS was a decision to involve suppliers in its internal email network. Through that interaction, GEMS and a key supplier eventually agreed to build new-product prototypes together, and their joint efforts have led to further identification of ways to reduce costs, improve design quality, or decrease cycle times.

Work-Out at GE has been very successful but hard to measure in dollar terms. Since 1988, hundreds of Work-Outs have been held, and the concept has continued to evolve into best practice investigations, process mapping, and change-acceleration programs. The Work-Out process, however, clearly is based on the confrontation meeting model, where a large group of people gathers to identify issues and plan actions to address problems.

Application Stages:

Parallel structures fall at the lower end of the EI scale. Member participation typically is restricted to making proposals and to offering suggestions for change because subsequent decisions about implementing the proposals are reserved for management. Membership in parallel structures also tends to be limited, primarily to volunteers and to numbers of employees for which there are adequate resources. Management heavily influences the conditions under which parallel structures operate. it controls the amount of authority that members have in making recommendations, the amount of information that is shared with them, the amount of training they receive to increase their knowledge and skills, and the amount of monetary rewards for participation. Because parallel structures offer limited amounts of EI, they are most appropriate for organizations with little or no history of employee participation top-down management styles and bureaucratic cultures. Parallel structures typically are implemented in the following steps:

1. **Define the purpose and scope.** This first step involves defining the purpose for the parallel structure and initial expectations about how it will function. Organizational diagnosis can help clarify which specific problems and issues to address, such as productivity, absenteeism, or service quality. In addition, management training in the use of parallel structures can include discussions about the commitment and resources necessary to implement them; the openness needed to examine organizational practices, operations, and policies; and the willingness to experiment and learn.
2. **Form a steering committee.** Parallel structures typically use a steering committee composed of acknowledged leaders of the various functions and constituencies within the formal organization. This committee performs the following tasks:

- Refining the scope and purpose of the parallel structure
- Developing a vision for the effort
- Guiding the creation and implementation of the structure
- Establishing the linkage mechanisms between the parallel structure and the formal organization
- Creating problem-solving groups and activities
- Ensuring the support of senior management

OD practitioners can play an important role in forming the steering committee. First, they can help develop and maintain group norms of learning and innovation. These norms set the tone for problem solving throughout the parallel structure, second, they can help the committee create a vision statement that refines the structures purpose and promotes ownership of it. Third, they can help Committee members develop and specify objectives and strategies, organizational expectations and required resources, and potential rewards for participation in the parallel structure.

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3. **Communicate with organization members.** The effectiveness of a parallel structure depends on a high level of involvement from organization members, and Communicating the purpose, procedures, and rewards of participation can promote that involvement. Moreover, employee participation in developing a structure's vision and purpose can increase ownership and visibly demonstrate the "new way" of working. Continued communication concerning parallel structure activities can ensure member awareness.

4**. Form employee problem-solving groups.** These groups are the primary means of accomplishing the purpose of the parallel learning structure. Their formation involves selecting and training group members, identifying problems for the groups to work on, and providing appropriate facilitation. Selecting group members is important because success often is a function of group membership. Members need to represent the appropriate hierarchical levels, expertise, functions, and constituencies that are relevant to the problems at hand. This allows the parallel structure to identify and communicate with the formal structure. It also provides the necessary resources to solve the problems.

Once formed, the groups need appropriate training. This may include discussions about the vision of the parallel structure, the specific problems to he addressed, and the way those problems will he solved, As in the steering committee, group norms promoting openness, creativity, and integration need to be established. Another key resource for parallel structures is facilitation for the problem-solving groups. Although this can be expensive, it can yield important benefits in problem-solving efficiency and quality. Group members are being asked to solve problems by cutting through traditional hierarchical and functional boundaries. Facilitators can pay special attention to processes that require disparate groups to cooperate. They can help members identify and resolve prob1em-solving issues within and between groups.

5. **Address the problems and issues.** Generally, groups in parallel structures solve problems by using an action research process. They diagnose specific problems, plan appropriate solutions and impalement and evaluate them. Problem solving can be facilitated when the groups and the steering committee relate effectively to each other. This permits the steering committee to direct problem-solving efforts in an appropriate manner, to acquire the necessary resources and support, and to approve action plans. It also helps ensure that the groups' solutions are linked appropriately to the formal organization. In this manner, early attempts at change will have a better chance of succeeding.

6. **Implement and evaluate the changes.** This step involves implementing appropriate organizational changes and assessing the results. Change proposals need the support of the steering committee and the formal authority structure. As changes are implemented, the organization needs information about their effects. This lets members know how successful the changes have been and if they need to be modified. In addition, feedback on changes helps the organization learns to adapt and innovate.

Cooperative Union-Management Projects:

Cooperative union-management projects are one of the oldest El applications of parallel structures. They are associated with the original QWL movement and its focus on workplace change, although more recent approaches have broadened that focus to include productivity improvement. Cooperative union-management projects are relatively new to OD in the United States, but such dual involvement has a long history in other countries, particularly the Scandinavian countries. These interventions tend to have the following structural characteristics:

Steering committee. This top-level labor-management committee serves as the basic center for planning. It is created during the project start-up phase and comprises key representatives from management, such as a president or chief operating officer, and each of the unions and employee groups involved in the project, such as local union presidents. The steering committee's mandate is to begin activities directed at improving both the quality of working life and the effectiveness of the organization. Members are encouraged to be open about the need for improvements in productivity. Unionists are told that because projects are jointly controlled efforts, they need not fear an organization's productivity motives. Indeed, many unions distrust a management philosophy that does not express concern for higher productivity or the quality of its product or service.

Multiple-level committees. Because the steering committee may not be able to oversee all aspects of a project, it often is necessary to establish more than one labor-management committee at a number of selected levels in the organization to reflect the differing interests and knowledge. For example, the steering committee can be amplified and assisted by working committees at the plant, department, and shop-floor levels. These lower-level committees deal with day- to-day project activities.

Ad hoc committees. In many instances, labor-management committees initiate particular projects that involve the workers and managers in a specific part of the organization. At the same time, employees themselves frequently initiate action toward a particular goal. In such cases, an ad hoc committee is established to bring about change. Such committees are charged with a specific task and have a limited lifetime.

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External consultants. External change agents act as third-party facilitators, offering guidance and assistance to the labor-management committees and prob1em-solving and teamwork training for all participants. In most projects, the steering committee selects the consultants.

External researchers. In some projects, researchers are brought in to assess the overall results of the intervention. In those cases, separate roles for the change agents and the evaluation researchers are created. It is assumed that keeping these functions separate enables consultants to be concerned with client needs and researchers to do a more objective assessment of the intervention.

Excellent descriptions of cooperative union-management projects are available in the literature, featuring longitudinal discussions of problems, successes, and partial failures. The projects include a large metropolitan hospital, a large international company called the "National Processing Case," and the Bolivar plant of Harman International Industries. Union-management cooperative projects have been carried out in most industrial and public sectors in the United States. Both managers and unionists realize that their fates are positively correlated and that both parties must be jointly involved in enhancing the quality of work life and productivity. Almost every major union and corporation has become involved in these efforts, including UAW, Communications Workers of America, Ford, General Motors, and AT&T.24

Application 7 presents an example of a cooperative union—management program at GTE of California.

Application 7: Union-Management Cooperation at GTE California

GTE of California (GTEC) and the Communications Workers of America embarked on a cooperative union—management project during the fall of 1984. This OD effort was in response to the court-ordered breakup of AT&T, which forced firms in the telecommunications industry to rethink the way that they conducted business. Over time, the deregulation of the industry would remove the protective shield of guaranteed returns on investment, monopoly territories, and "cradle-to-grave" employment that had characterized operations.

Under the new conditions, GTEC management and union leadership believed strongly that the company's usual way of operating in the regulatory environment would need to change. The traditional approach to managing the business was characterized by centralized decision making and work planning, lackadaisical service orientation, and little cross- functional teamwork. The advent of deregulation was coupled with tremendous technological changes in information processing and service delivery and a broadening of the belief that workers should have more say in decisions that affect them. The old way of managing produced low morale and mediocre service in this changing environment. Consequently, management and union officials felt the need for improved adaptability and productivity and a more customer-oriented workforce.

For some time, union leadership had been researching worker participation and union—management cooperation at its national office in Washington, D.C. This research was limited, however, because no one had implemented such interventions during a period of rapid deregulation. At the same time, GTEC senior management had been meeting with other telephone companies to discuss how to meet the challenges posed by deregulation, technological change, and increased worker sophistication. These discussions consistently pointed out that effective organizations in deregulated environments were more decentralized in their decision making. But, given decades of regulatory tradition, the means to accomplish such an organizational change were not clear.

Working with OD consultants from the University of Southern California's Center for Effective Organizations, senior managers and union leaders began discussing how to increase worker participation and decentralize decision making without treading on traditional collective bargaining issues. These discussions resulted in a cooperative union—management partnership called Employee Involvement. The purpose of the El process was to improve employees' quality of working life and productivity. The group of senior managers and union officials became the steering committee for the project and developed a vision of the El process and its objectives.

The steering committee established a parallel structure to guide implementation of the El process with the twenty-six thousand employees at GTEC. It comprised three area coordinating committees responsible for implementing the El process in their respective geographic regions. Each coordinating Committee created support committees for the functional areas in its region. The support committees, in turn, established El teams that would identify and solve work-related problems in the different units of the company. Each committee and team was staffed with both union and management personnel as appropriate.

As part of the early implementation activities, all organization members attended a two-hour orientation meeting that described the goals, structure, and implementation of the El process. This orientation was conducted by both GTEC management and local union presidents. In addition, a three-day union—management training program was conducted for all supervisors and union officials (local presidents and stewards). During the first two days of training, union leaders and GTEC managers were

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trained separately in their respective roles and responsibilities in the El process. On the third day, the managers and union officials were brought together to discuss how the implementation of El would proceed in their particular departments. Members of the support committees and employee involvement teams attended a five-day training program focusing on meeting-management skills, problem- solving techniques, and group dynamics. They were also provided with internal facilitators if needed.

Over the next several months, the El teams focused on quality-of-work-life issues, such as the provision of bottled drinking water, rather than on productivity-related changes. Responsible Committees were concerned about this limited focus and modified the process to align it more closely with El's productivity objectives. For example, the problem-solving training was changed to emphasize performance issues. In addition, the composition and responsibilities of the different committees were revised to increase senior management and union leadership involvement and accountability. At the organizational level, a new incentive compensation system was initiated. This system rewarded cross-functional teamwork and generated many ideas for employee involvement. Finally, facilitators were assigned permanently to functional areas to focus on operating problems.

The El process produced many successes. One team, established in early 985, worked for more than two years to simplify the way field employees reported their time at work. These efforts produced savings of more than $3 million by increasing the amount of productive time that employees spent in the field and by consolidating several offices that had been used to collect, collate, and report work-time Information. Between 1987 and 988, an evaluation of the El process concluded that the program had produced a net savings (after the costs of training and dedicated personnel) of more than $1 million. In 1991, GTEC surpassed its competition in measures of customer satisfaction for large- and medium-sized businesses to become the benchmark for others. In addition, several cost measures also decreased significantly. The El program survived through two union contract negotiations and massive corporate changes that reduced the size of the work force by consolidating work functions and business units and standardizing systems and equipment.

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Employee Involvement

Quality Circles:

Quality circles or "employee involvement teams" as they are often called in the United States, were at one time the most popular parallel structure approach to EI. Originally developed in Japan in the mid-1950s, quality circles consist of small groups of employees who meet voluntarily to identify and solve productivity problems. The group method of problem solving and the participative management philosophy associated with it are natural outgrowths of Japanese managerial practices. The Japanese emphasize decentralized decision making and use the small group as the organization unit to promote collective decision making and responsibility. Various estimates once put the total circle membership at as many as ten million Japanese workers.

Quality circles were introduced in the United States in the mid-1970s. Their growth through the early I 980s was nothing short of astounding, with some four thousand companies adopting some version of the circles approach. The popularity of quality circles can be attributed in part to the widespread drive to emulate Japanese management practices and to achieve the quality improvements and cost savings associated with those methods. What may be overlooked, however, is the Japanese philosophy of decentralized, collective decision making, which supports and nurtures the circles approach. Thus, quality circles may be more difficult to implement in the more autocratic, individualistic situations that characterize many American companies.

Although quality circles are implemented in different ways, a typical program is illustrated in Figure 49. Circle programs generally are implemented with a parallel structure consisting of several circles, each having three to fifteen members Membership is voluntary, and members of a circle share a common job or work area. Circles meet once each week for about one hour on company tune, several consulting companies have developed training packages as part of standardized programs for implementing quality circles. Members are trained in different prob1cm identification and analysis techniques and they apply their training to identify, analyze, and recommend solutions to work-related problems. When possible, they implement solutions that affect only their work area and do not require higher management approval.

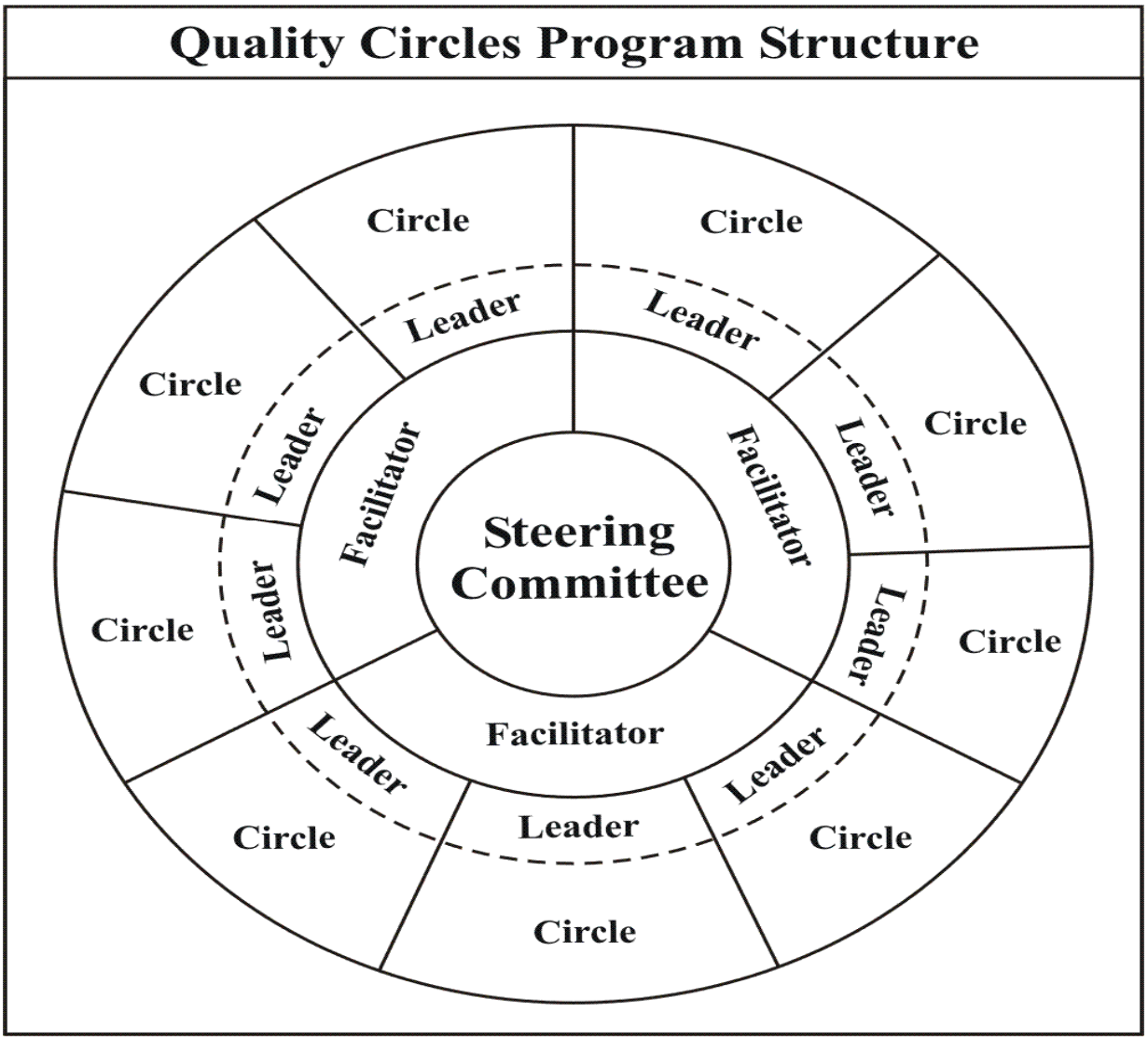
Each circle has a leader, who is typically the supervisor of the work area represented by circle membership. The leader trains circle members and guides the weekly meetings, setting the agenda and facilitating the problem-solving process.

Facilitators can be a key part of a quality circles program. They coordinate the activities of several circles and may attend the meetings, especially during the early development stages. Facilitators train circle leaders and help them start the circles. They also help circles obtain needed inputs from support groups and keep upper management apprised of progress. Because facilitators are the most active promoters of the program, their role may he full time.

A steering committee is the central coordinator of the quality circles program. Generally, it is composed of the facilitators and representatives of the major functional departments in the organization. The steering committee determines the policies and procedures of the program and the issues that tall outside of circle attention, such as wages, fringe benefits, and other topics normally covered in union contracts. The committee also coordinates training programs and guides program expansion. Large quality circles programs might have several steering committees operating at different levels.

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Figure 49



Application 8 presents a classic example of a quality circles program in the warehouse department of the HEB Grocery Company. The study reports mixed results but identifies the organizational conditions needed to implement effective quality circles.

Application 8: Quality Circles at H.E.B Grocery Company

A quality circles program was implemented as a pilot project at a large warehouse of the HE-B Grocery Company in Texas. Department management of this eighty-person, two- shift warehousing operation volunteered to adopt the program, which was part of a larger corporate strategy to increase employee involvement. This choice emerged from a survey in which employees indicated a desire to be better informed about department events and to have greater involvement in problem solving. All but four workers volunteered to be part of the pilot circles.

The program consisted of four circles, each composed of ten people representing a cross section of workers familiar with the warehousing operation. The circles met for two hours at two-week intervals. Because of the large number of workers who wished to participate in the program, management held periodic rotations, replacing some circle members with new volunteers. One rotation occurred after five months: twelve workers dropped out, several more left the department, and twenty-nine employees joined the circles.

Each circle had a worker-leader trained in communication techniques, group process, and problem-solving skills. The leaders also formed a leader circle that met regularly to exchange ideas, concerns, and information and to coordinate the four circles. Supervisors were trained and served as resources to the circles. Similarly, members of the corporate human resources department served as facilitators. They helped

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the leaders train circle members, attended the meetings, and provided process facilitation. The department head and several top managers formed the steering committee to guide the project. Circle suggestions were reported to department management, which worked closely with employees to implement the suggestions.

Researchers conducted a thorough evaluation of the quality circles program. They compared the warehouse department with a similar control group that had not participated in the program. Comparison measures included survey data at three points in time: five months before the program, three months after its beginning, and ten months after the program started, Also included were unobtrusive measures of productivity, absenteeism, and accidents collected at four- week intervals beginning one year before the program. The researches also conducted formal, open-ended interviews with selected warehouse managers and circle members and observed the circles in action once a month. All documentation that emerged from the circles was examined.

In contrast to the control group, the warehouse department showed slightly more positive trends in productivity during the course of the circles program. Specifically, the quantity of production increased slightly, and small decreases were shown in costs, absenteeism, labor expense, overtime, and accidents. The survey data showed that the attitudes of warehouse employees changed little during the program but, unexpectedly, the attitudes of members of the control group suffered in regard to feeling informed, being involved in decision making, and receiving feedback from super4sors. The researchers attributed this deterioration in morale to the disruption caused by a rapid expansion in the workload of the comparison unit. Because the expansion affected both the warehouse and the control group, the researchers concluded that the circles program might have buffered warehouse employees during this disruption, accounting for the stability of attitudes during the program.

Examination of the interview and observational data revealed a more negative assessment of the circles program. Its initial months were marked by a flurry of activity and improvement suggestions. Among the outcomes were efforts to improve equipment maintenance procedures, reduce warehouse congestion, and prevent damage. After several months, attendance at the meetings began to wane, and the circle members found it increasingly difficult to identify significant issues within their sphere of expertise and influence. Supervisors also started to admit that the circles were draining time and energy from the department.

A second flurry of activity and enthusiasm for the program took place soon after the voluntary rotation of members into and out of the program. With time, this energy also subsided as members became frustrated with the difficulty of systematic problem solving, the slowness of any implementation of ideas, and the failure of the program to affect their jobs. As the workload of the warehouse increased, management allowed the circles to become inactive by neglecting the project.

Interview data showed that participants in the program felt they had accomplished something worthwhile, had learned a lot, and had enjoyed the circles. Non-participants or those who dropped out of the circles felt that the program never really dealt with significant issues, it is interesting that those who didn't participate or dropped out showed a marked worsening of attitudes during the program, compared with active participants. This unexpected downturn was attributed to disillusionment with the program and to feelings that some participants were wasting time. Supervisors felt that the payback was not worth the time spent in the meetings. The human resources personnel judged the program a successful step toward employee involvement in H.E.B.

Observations and interviews suggested several reasons why the program gradually died. The level of group functioning did not noticeably improve during the program, and there was no indication that systematic problem-solving techniques were followed. implementation of several ideas was unduly delayed in bureaucratic channels, resulting in member perceptions of low management commitment to the program- Although many circle members reported satisfaction with the program, little indication was evident that their enthusiasm translated into greater motivation on the job. Indeed, many of the most active participants became disenchanted with their jobs and sought ways to enter the supervisory ranks. Some members also felt that they were being inadequately compensated for generating moneysaving ideas for the company.

The researchers concluded that, as a pilot project, the quality circles program was successful. The company learned about the level of commitment and energy required to sustain such programs and continued to experiment with other approaches to employee involvement, holding more realistic expectations. The rigorous and contradictory nature of the assessment measures strongly suggests that research on quality circles must go beyond glowing testimonials and superficial reports of worker enthusiasm to include whether such programs effect valued individual and organization outcomes.

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High-Involvement Organizations:

Over the past several years, an increasing number of employee involvement projects have been aimed at creating high-involvement organizations (HIOs). These interventions create organizational conditions that support high levels of employee participation. What makes HIOs unique is the comprehensive nature of their design process. Unlike parallel structures that do not alter the formal organization, in HIOs almost all organization features are designed jointly by management and workers to promote high levels of involvement and performance including structure, work design, information and control systems, physical layout, personnel policies, and reward systems.

Features of High Involvement Organizations:

High-involvement organizations are designed with features congruent with one another. For example, in HIOs employees have considerable influence over decisions. To support such a decentralized philosophy, members receive extensive training in problem-solving techniques, plant operation, and organizational policies; in addition, both operational and issue-oriented information is shared widely and is obtained easily by employees. Finally, rewards are tied closely to unit performance, as well as to knowledge and skill levels. These disparate aspects of the organization are mutually reinforcing and form a coherent pattern that contributes to employee involvement. Table 18 presents a list of compatible design elements characterizing HIOs and most such organizations include several if not all of the following features:

Flat, lean organization structures contribute to involvement by pushing the scheduling, planning, and controlling functions typically performed by management and stall groups toward the shop floor. Similarly, mini-enterprise, team-based structures that is oriented to a common purpose or Outcome help focus employee participation on a shared objective. Participative structures, such as work councils and union—management Committees, create conditions in which workers can influence the direction and policies of the organization.

Table 18

Design Features for a participative System		
Organization Structure	**Job Design**	**Information System**
Flat Lean Minienterprise-oriented Team-based Participative council or structure	Individually enriched Self-managing teams	Open Inclusive Tied to jobs Decentralized; team-based Anticipatively set goals and standards
Career System	**Selection**	**Training**
Tracks and counseling available Open job posting	Realistic job preview Team-based Potential and process-skill oriented	Heavy commitment Peer training Economic education Interpersonal skills
Reward System	Personnel Policies	Physical Layout
Open Skill-based Gain sharing or ownership Flexible benefits All salaried workforce Egalitarian perquisites	Stability of employment Anticipatively established through representative group	Around organizational structure Egalitarian Safe and pleasant

Job designs that provide employees with high levels of discretion, task variety, and meaningful feedback can enhance evolvement. They enable workers to influence day-to-day workplace decisions and to receive intrinsic satisfaction by performing work under enriched conditions. Self-managed trains encourage employee responsibility by providing cross-training and job rotation, which give people a chance to learn about the different functions contributing to organizational performance.

Open information systems that are tied to jobs or work teams provide the necessary information tar employees to participate meaningfully in decision making. Goals and standards of performance that are set participatively can provide employees with a sense of commitment arid motivation for achieving those objectives.

Career systems that provide different tracks for advancement and counseling to help people choose appropriate paths can help employees plan and prepare for long-term development in the organization.

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Open job posting, for example, makes employees aware of jobs that can further their development. **Selection** of employees for high-involvement organizations can be improved through a realistic job preview providing information about what it will be like to work in such situations. Team member involvement in a selection process oriented to potential and process skills of recruits can facilitate a participative climate.
Training employees for the necessary knowledge and skills to participate effectively in decision making is a heavy commitment in HIOs. This effort includes education on the economic side of the enterprise, as well as interpersonal skill development. Peer training is emphasized as a valuable adjunct to formal, expert training.
Reward systems can contribute to employee involvement when information about them is open and the rewards are based on acquiring new skills, as well as sharing gains from improved performance. Similarly, participation is enhanced when people can choose among different fringe benefits and when reward distinctions among people from different hierarchical levels are minimized.
Personnel policies that are participatively set and encourage stability of employment provide employees with a strong sense of commitment to the organization. People feel that the policies are reasonable and that the firm is committed to their long-term development.
Physical layouts of organizations also can enhance employee involvement. Physical designs that support team structures and reduce status differences among employees can reinforce the egalitarian climate needed for employee participation. Safe and pleasant working conditions provide a physical environment conducive to participation.
These HIO design features are mutually reinforcing. "They all send a message to people in the organization that says they are important, respected, valued, capable of growing, and trusted and that their understanding of and involvement in the total organization is desirable and expected." Moreover, these design components tend to motivate and focus organizational behavior in a strategic direction, and thus can lead to superior effectiveness and competitive advantage, particularly in contrast to inure traditionally designed organizations.

Total Quality Management:
Total quality management (TQM) is the most recent and, along with high-involvement organizations the most comprehensive approach to employee involvement. Also known as "Continuous process improvement" and "continuous quality," TQM grew out of a manufacturing emphasis on quality control and represents a long- term effort to orient all of an organization's activities around the concept of quality. Quality is achieved when organizational processes reliably produce products and services that meet or exceed customer expectations.
Like high-involvement designs, TQM increases workers' knowledge and skills through extensive training, provides relevant information to employees, pushes decision-making power downward in the organization and ties rewards to performance. When implemented successfully. TQM also is aligned closely with a firm's overall business strategy and attempts to change the entire organization toward continuous quality improvement.

Characteristics of TQM:
TQM is a philosophy and a set of guiding principles for continuous improvement based on customer satisfaction, teamwork, and empowerment of individuals. TQM applies human resources and analytical tools to focus on meeting or exceeding customer's current and future needs. There are a series of planned improvements that will ultimately influence the quality and productivity of the organization.
Like high-involvement designs, TQM increases workers' knowledge and skills through extensive training, provides relevant information to employees, pushes decision-making power downward in the organization and ties rewards to performance.
When implemented successfully TQM also is aligned closely with a firm's overall business strategy and attempts to change the entire organization toward continuous quality improvement.

TQM usually have several principles or components in common:
TQM is organization-wide. The production line is natural and obvious place to improve quality, but TQM also takes place in the accounting, human resource management, house-keeping, marketing, sales, and in other service and staff areas of an organization.
The CEO and other top managers support it. Everyone, from top managers to hourly employees, operates under TQM. There is a reward system in place that ensures continual support.
Organization wide TQM generally takes three or more years. So allocation of significant resources for training is a crucial aspect. Motorola company has developed a University, a training organization, that teaches in twenty-seven languages. It allocates at least 1.5 percent of its budget to education, and every

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employee must take a minimum of forty hours of training a year. This effort supports the Company's goals of "six sigma" quality -a statistical measure of product quality that implies 99.9997 % perfection. Having a work-force that is able to read, write, solve problems, and do math at the seventh-grade level or above.

TQM is an ingrained value in the corporate culture. Continuous improvement penetrates the culture and values of the organization. Quality is seen as "how we do things around here."

Partnership with customers and suppliers. The organization encourages partnerships with suppliers and customers. The product or service must meet or exceed the customer's expectations. Results – not slogans – represent quality.

For example, a leading garments company found that the retailers were out of stock on 30 percent of their items 100 percent of the time. In response, the company revamped its systems to fill orders within twenty-four hours 95 percent of the time.

Everyone in an organization has a customer. The customer may be internal or external. The next person on the production line, another department, and someone outside the organization who purchases the product are all seen as customers.

Reduced cycle time. Cycle times for products, services, as well as support functions, focus on doing the job faster.

Techniques range in scope. The techniques used in TQM include statistical quality control, job design, empowerment, and self-managed work teams.

Do it right the first time. Quality is not obtained by rejecting a product at the end of a production line; rather it is built in at every stage of the production process.

Organization values and respects everyone. This includes customers, suppliers, employees, owners, community, and the environment. These parties are often called stakeholders.

No single formula works fit everyone. Every organization is unique, and off-the-shelf programs tend not to work. "What was successful at one company may not work in another."

Application 8: Total Quality Management at L.L. Bean

Customers of L.LBean know that they are the boss. They can order hunting equipment twenty-four hours a day. They can request fishing poles to arrive, via Federal Express, within two days—at no extra charge. And they can return broken car racks after years of use. To say that the Maine-based mail- order company has a reputation for superior customer service is an understatement. The company's history is replete with stories of employees who went out of their way for a customer. L.L.Bean has a reputation that dates back to 1912, when founder Leon Leonwood Bean made good on nearly an entire shipment of hunting shoes that came back to him with defective stitching.

That reputation prompted Leon Gorman, the grandson of Bean and current chairman of L.L.Bean, to apply for the Malcolm Baldridge National Quality Award in the service category in 1988, the first year the award came out. Despite its reputation, L.L.Bean won no award that year, although it was one of two companies that qualified for a site Visit. No award was given that year in the service category.

At the time, German noted that L.L.Bean "will be under a great deal of pressure to renew and enhance our quality improvement efforts to make sure we live up to our reputation." Consequently, the company used feedback from the Baldridge committee as diagnostic information to carry out Gorman's desire to renew and enhance the company's quality improvement efforts. This resulted in a change program that focused first on employee involvement and then on process improvement.

The Baldridge feedback prompted Bean to take a hard look at its quality culture, Although members of the award committee had been impressed with Bean's customer service and cited it as "world class," they thought that the firm was not achieving customer satisfaction in a productive way. Bean had been satisfying customers through a guarantee-based approach to quality; in fact, they pioneered the "no-questions asked" guarantee. The Baldridge committee members thought that Bean should not rely on a guarantee but should ensure that things happen right the first time. A favorite company story illustrates the situation: A customer service representative in Freeport, Maine, once strapped a canoe on his car and drove it to a customer in New York, who was leaving the next morning for a hunting trip. Although this certainly demonstrated exemplary customer service, the award committee noted that it also served as a sign that something was wrong. The canoe had been ordered in plenty of time to be shipped; had the order been processed properly in the first place, there would have been no need for heroics.

The diagnostic information also revealed that Bean needed to have more employee involvement. This came as a surprise to management because the firm prided itself on a participative culture. L.L.Bean had been one of the first organizations in the United States to implement quality circles ten years earlier. Certainly, managers argued, the employee who delivered the canoe was involved. What members of L.L.Bean had trouble understanding was the practice of letting people take responsibility for their work and the work quality. In fact, decision making at L.L.Bean had usually taken place at a high level.

Based on the diagnostic feedback, the organization first developed a definition for what was referred to as

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"total quality" (TQ). It proposed that "total quality involves managing an enterprise to maximize customer satisfaction in the most efficient and effective way possible by totally involving people in improving the way work is done." In short, the company defined TQ as the way to involve its people and to improve customer-service processes.

Next, L.L.Bean focused on training. It spent approximately ten months familiarizing its three thousand employees with TQ methods and what quality means to the firm. First, all salaried employees in the organization received three days of TQ training, and then all hourly workers received one day. Senior executives were trained first so that each level within the company was capable of supporting total quality as the next level down learned about it.

During this training period, Bean's human resources department explored ways to change the infrastructure of the company to support greater employee involvement in decisions that affect quality. It concluded that because L.L.Bean is a service organization, decisions that influence quality occur every time a customer calls one of its phone centers and talks to a customer service representative. Thus, frontline, customer-contact employees needed to be knowledgeable and empowered. This would require a new managerial role aimed at involving employees and helping them develop the necessary expertise.

Soon after the training, Bean enlisted seventy members to devise ways to put the knowledge into action and to challenge the status quo. They formed seven cross-functional teams composed of both managers and workers. One team defined the manager's role in a quality-oriented organization as that of coach and developer, and created a program to help managers acquire the knowledge and skills to fill this new role. Another team constructed a feedback instrument as part of a management development process. The tool eventually became part of a performance management process that linked managers' compensation to improvements in such behaviors as being "aspiring and focused, ethical and compassionate, customer focused and aligned, effective and efficient, challenging and empowering, open and innovating, and rewarding and developing."

Employee involvement also paid big dividends in L.L.Bean's process improvement efforts. At the manufacturing division, a manager of footwear production shut down an entire work line, despite tremendous productivity pressures, and spent the morning teaching workers how a shoe is costed out. He explained each of the operations involved in making a shoe and described the cost of each task and of the materials involved. He then took employees back to the production line and asked them to discover ways that they could save money based on what they had learned in the morning. Employees found enough savings that day to pay for all the training conducted in the department for the entire year. In another case, stockers who replenish shelves in Bean's retail store swapped jobs temporarily with pickers who gather store orders from inventory in the distribution center. They applied TQ methods, such as work-flow mapping, to understand the work relationship between the store and the distribution center. In the old process, retail workers placed orders with the distribution center for items running low in the store. Pickers at the distribution center gathered those items on rolling carts, packed them in boxes, and loaded them onto trucks. 'When the items arrived at the store, stockers unloaded and unwrapped them and put them on rolling carts for transportation to the shelves. When the employees saw both sides of the work process, they realized that there was no reason for packaging the items. Now, the pickers simply roll the carts holding items directly on to trucks so that stockers can roll them right off.

To support these process improvements, L.L.Bean's staff groups also changed. The human resources department, for example, expanded its role to help employees understand and manage the TQ process. The department reengineered itself from a functional structure to a customer-oriented organization. Now, service teams made up of human resources specialists support each of LL.Bean's major divisions with process improvement techniques, health and safety advice, employee relations help, and training.

Most gratifying to L.L.Bean is that through all the changes, customer satisfaction remained high and job satisfaction among the workforce increased more than 12 percent. Although L.L.Bean is only halfway through its TQ intervention, it has experienced increased profitability, return on sales, and return on equity.

TQM and OD have Similar Values:

TQM & OD share certain values. Both are system-wide, depend on planned change, believe in empowerment and involvement, are self-renewing and continuous, base decision-making on data-based activities, and view people as having inherent desire to contribute in meaningful ways.

There are differences, however, between OD and TQM. Some OD practitioners argue that their core values differ, and they caution against OD practitioners assuming the role of "quality management expert." The OD practitioner has to enter the organization as a neutral party and resists advocating any particular method of change. OD practitioners view organization problems as having a variety of causes with no predefined solutions. TQM consultant, on the other hand, views organization problems as having TQM solutions.

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TQM can be applied as one change methodology along with an accompanying array of other interventions. TQM is more likely to be successful when combined with employee involvement. The two are complementary, and the impact of either is diminished by the absence of the other.

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Work Design

Work design has been researched and applied extensively in organizations. Recently, organizations have tended to combine work design with formal structure and supporting changes in goal setting, reward systems, work environment, and other performance management practices. These organizational factors can help structure and reinforce the kinds of work behaviors associated with specific work designs

We will examine three approaches to work design. First, the engineering approach, which focuses on efficiency and simplification, and results in traditional job and work group designs. Second approach to work design rests on motivational theories and attempts to enrich the work experience. The third and most recent approach to work design derives from socio-technical systems methods, and seeks to optimize both the social and the technical aspects of work systems.

The Engineering Approach:

The oldest and most prevalent approach to designing work is based on engineering concepts and methods. It proposes that the most efficient work designs can be determined by clearly specifying the tasks to be performed, the work methods to be used, and the work flow among individuals. The engineering approach is based on the pioneering work of Frederick Taylor, the father of scientific management. He developed methods for analyzing and designing work and laid the foundation for the professional field of industrial engineering.

The engineering approach scientifically analyzes workers' tasks to discover those procedures that produce the maximum output with the minimum input of energies and resources. This generally results in work designs with high levels of specialization and specification. Such designs have several benefits: they allow workers to learn tasks rapidly; they permit short work cycles so performance can take place with little or no mental effort; and they reduce costs because lower-skilled people can be hired and trained easily and paid relatively low wages.

The engineering approach produces two kinds of work design: traditional jobs and traditional work groups. When the work can be completed by one person, such as with bank tellers and telephone operators, traditional jobs are created. These jobs tend to be simplified, with routine and repetitive tasks having clear specifications concerning time and motion. When the work requires coordination among people, such as on automobile assembly lines, traditional work groups are developed. They are composed of members performing relatively routine yet related tasks. The overall group task is typically broken into simpler, discrete parts (often called jobs). The tasks and work methods are specified for each part, and the parts are assigned to group members. Each member performs a routine and repetitive part of the group task. Members' separate task contributions are coordinated for overall task achievement through such external controls as schedules, rigid work flows, and supervisors. In the 1950s and 1960s, this method of work design was popularized by the assembly lines of American automobile manufacturers and was an important reason for the growth of American industry following World War II.

The engineering approach to job design is less an OD intervention than a benchmark in history. Critics of the approach argue that the method ignores workers' social and psychological needs. They suggest that the rising educational level of the workforce and the substitution of automation for menial labor point to the need for more enriched forms of work in which people have greater discretion and are more challenged. Moreover, the current competitive climate requires a more committed and involved workforce able to make online decisions and to develop performance innovations. Work designed with the employee in mind is more humanly fulfilling and productive than that designed in traditional ways. However, it is important to recognize the strengths of the engineering approach. It remains an important work design intervention because its immediate cost savings and efficiency can be measured readily, and because it is well understood and easily implemented and managed.

The Motivational Approach:

The motivational approach to work design views the effectiveness of organizational activities primarily as a function of member needs and satisfaction, and seeks to improve employee performance and satisfaction by enriching jobs. The motivational method provides people with opportunities for autonomy, responsibility, closure (that is, doing a complete job), and performance feedback. Enriched jobs are popular in the United States at such companies as AT&T Universal Card, TRW, Dayton Hudson, and GTE.

The motivational approach usually is associated with the research of Herzberg and of Hackman and Oldham. Herzberg's two-factor theory of motivation proposed that certain attributes of work, such as opportunities for advancement and recognition, which he called motivators, help increase job satisfaction. Other attributes that Herzberg called hygiene factors, such as company policies, working conditions, pay, and supervision, do not produce satisfaction but rather prevent dissatisfaction—important contributors

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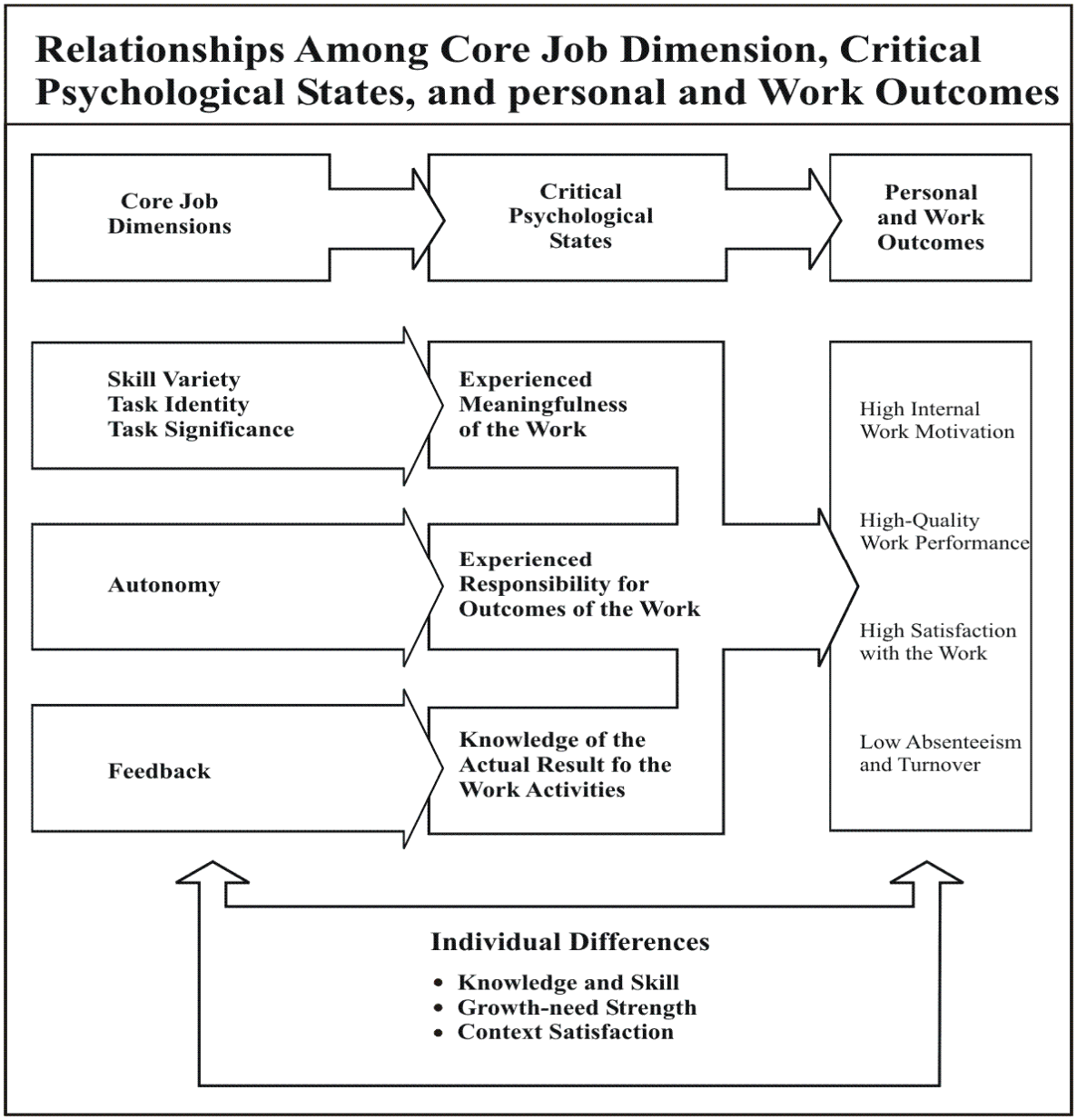
because only satisfied workers are motivated to produce. Successful job enrichment experiments at AT&T, Texas Instruments, and Imperial Chemical Industries helped to popularize job enrichment in the 1960s.

Although Herzberg's motivational factors sound appealing, increasing doubt has been cast on the underlying theory. Motivation and hygiene factors are difficult to put into operation and measure, and that makes implementation and evaluation of the theory difficult. Furthermore, important worker characteristics that can affect whether people will respond favorably to job enrichment were not included in his theory. Finally, Herzberg's failure to involve employees in the job enrichment process itself does not suit most OD practitioners today. Consequently, a second, well-researched approach to job enrichment has been favored. It focuses on the attributes of the work itself and has resulted in a more scientifically acceptable theory of job enrichment than Herzberg's model. The research of Hackman and Oldham represents this more recent trend in job enrichment.

The Core Dimensions of Jobs:

Considerable research has been devoted to defining and understanding core job dimensions. Figure 50 summarizes the Hackman and Oldham model of job design. Five core dimensions of work affect three critical psychological states, which in turn produce personal and job outcomes. These outcomes include high internal work motivation, high-quality work performance, satisfaction with the work, and low absenteeism and turnover. The five core job dimensions—skill variety, task identity, task significance, autonomy, and feedback from the work itself—are described below and associated with the critical psychological states that they create.

Figure 50



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Skill Variety, Task Identity, and Task Significance:

These three core job characteristics influence the extent to which work is perceived as meaningful. Skill variety refers to the number and types of skills used to perform a particular task. Employees at Lechmere's, a retail chain in Florida, can work as warehouse stock clerks, cashiers, and salespeople. The more tasks an individual performs, the more meaningful the job becomes. When skill variety is increased by moving a person from one job to another, a form of job enrichment called job rotation is accomplished. However, simply rotating a person from one boring job to another is not likely to produce the outcomes associated with a fully enriched job.

Task identity describes the extent to which an individual performs a whole piece of work. For example, an employee who completes an entire wheel assembly for an airplane, including the tire, chassis, brakes, and electrical and hydraulic systems has more task identity and will perceive the work as more meaningful than someone who only assembles the braking subsystem. Job enlargement, another form of job enrichment that combines increases in skill variety with task identity, blends several narrow jobs into one larger, expanded job. For example, separate machine set-up, machining, and inspection jobs might be combined into one. This method can increase meaningfulness, job satisfaction, and motivation when employees comprehend and like the greater task complexity.

Task significance represents the impact that the work has on others. In jobs with high task significance, such as nursing, consulting, or manufacturing something like sensitive parts for the space shuttle, the importance of successful task completion creates meaningfulness for the worker.

Experienced meaningfulness is expressed as an average of these three dimensions. Thus, although it is advantageous to have high amounts of skill variety, task identity, and task significance, a strong emphasis on any one of the three dimensions can, at least partially, make up for deficiencies in the other two.

Autonomy:

This refers to the amount of independence, freedom, and discretion that the employee has to schedule and perform tasks. Salespeople, for example, often have considerable autonomy in how they contact, develop, and close new accounts, whereas assembly-line workers often have to adhere to work specifications clearly detailed in a policy-and-procedure manual. Employees are more likely to experience responsibility for their work outcomes when high amounts of autonomy exist.

Feedback from the Work Itself:

This core dimension represents the information that workers receive about the effectiveness of their work. It can derive from the work itself, as when determining whether an assembled part functions properly or it can come from such external sources as reports on defects, budget variances, customer satisfaction, and the like. Because feedback from the work itself is direct and generates intrinsic satisfaction, it is considered preferable to feedback from external sources.

Skill variety, task identity, and task significance jointly determine jobs meaningfulness.

These three dimensions are treated as one dimension in the Motivation Potential Score formula, or MPS:

Motivation Potential Score (**MPS**) = **Job Meaningfulness** x **Autonomy** x **Job Feedback**

The first variable in the formula, job meaningfulness, is a function of skill variety, task identity, and task significance. Thus the formula can further be refined:

Motivation Potential Score (MPS) = [Skill Variety + Task identity + Task significance] x Autonomy x Job Feedback
3

A score of near zero on either the autonomy or job feedback dimension will produce an MPS of near zero. Whereas a number near zero on skill variety, task identity or task significance will reduce the total MPS, but will not completely undermine the motivational potential of a job.

We can predict employee's psychological state from this formula.

High scores in Skill variety, task variety, and task significance result in the employee's experiencing meaningfulness in job, such as believing the work to be important, valuable, and worthwhile.

A high score in the autonomy dimension leads to the employee's feeling personally responsible and accountable for the results of the work.

A high score in the job feedback dimension is an indication that the employee has an understanding of how he or she is performing the job.

Self managed teams (to be discussed later) have high scores on all the five core job dimensions.

Individual Differences:

Not all people react in similar ways to job enrichment interventions. Individual differences—among them, a worker's knowledge and skill levels, growth-need strength, and satisfaction with contextual factors—moderate the relationships among core dimensions, psychological states, and outcomes. "Worker knowledge and skill" refers to the education and experience levels characterizing the workforce. If employees lack the appropriate skills, for example, increasing skill variety may not improve a job's meaningfulness. Similarly, if workers lack the intrinsic motivation to grow and develop personally, attempts

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to provide them with increased autonomy may be resisted. Finally, contextual factors include reward systems, supervisory style, and co-worker satisfaction. When the employee is unhappy with the work context, attempts to enrich the work itself may be unsuccessful.

Application Stages:

The basic steps for job enrichment as described by Hackman and Oldham include making a thorough diagnosis of the situation, forming natural work units, combining tasks, establishing client relationships, vertical loading, and opening feedback channels.

Making a Thorough Diagnosis:

The most popular method of diagnosing a job is through the use of the Job Diagnostic Survey (JDS) or one of its variations. An important output of the JDS is the motivating potential score, which is a function of the three psychological states—experienced meaningfulness, autonomy, and feedback. The survey can be used to profile one or more jobs, to determine whether motivation and satisfaction are really problems or whether the job is low in motivating potential, and to isolate specific job aspects that are causing difficulties.

Forming Natural Work Units:

As much as possible, natural work units should be formed. Although there may be a number of technological constraints, interrelated task activities should be grouped together. The basic question in forming natural work units is "How can one increase 'ownership' of the task?" Forming such natural units increases two of the core dimensions—task identity and task significance—that contribute to the meaningfulness of work.

Combining Tasks:

Frequently, divided jobs can be put back together to form a new and larger one. In the Medfield, Massachusetts, plant of Corning Glass Works, the task of assembling laboratory hotplates was redesigned by combining a number of previously separate tasks. After the change, each hotplate was completely assembled, inspected, and shipped by one operator, resulting in increased productivity of 84 percent. Controllable rejects dropped from 23 percent to less than 1 percent, and absenteeism dropped from 8 percent to less than 1 percent. A later analysis indicated that the change in productivity was the result of the intervention. Combining tasks increases task identity and allows a worker to use a greater variety of skills. The hotplate assembler can identify with a product finished for shipment, and self-inspection of his or her work adds greater task significance, autonomy, and feedback from the job itself.

Establishing Client Relationships:

When jobs are split up, the typical worker has little or no contact with, or knowledge of, the ultimate user of the product or service. Improvements often can be realized simultaneously on three of the core dimensions by encouraging and helping workers to establish direct relationships with the clients of their work. For example, when a typist in a typing pool is assigned to a particular department, feedback increases because of the additional opportunities for praise or criticism of his or her work. Because of the need to develop interpersonal skills in maintaining the client relationship, skill variety may increase. If the worker is given personal responsibility for deciding how to manage relationships with clients, autonomy is increased.

Three steps are needed to create client relationships: (1) the client must be identified; (2) the contact between the client and the worker needs to be established as directly as possible; and (3) criteria and procedures are needed by which the client can judge the quality of the product or service received and relay those judgments back to the worker. For example, even customer-service representatives and data-entry operations can be set up so that people serve particular clients. In the hotplate department, personal nametags can be attached to each instrument. The Indiana Bell Telephone Company found substantial improvements in satisfaction and performance when telephone directory compilers were given accountability for a specific geographic area.

Vertical Loading:

The intent of vertical loading is to decrease the gap between doing the job and controlling the job. A vertically loaded job has responsibilities and controls that formerly were reserved for management. Vertical loading may well be the most crucial of the job-design principles. Autonomy is invariably increased. This approach should lead to greater feelings of personal accountability and responsibility for the work outcomes. For example, at an IBM plant that manufactures circuit boards for personal computers, assembly workers were trained to measure the accuracy and speed of production processes and to test the quality of

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finished products. Their work is more "whole/' they are more autonomous, and the engineers who used to measure and test are free to design better products and more efficient ways to manufacture them.
Loss of vertical loading usually occurs when someone has made a mistake. Once a supervisor steps in, the responsibility may be removed indefinitely. For example, many skilled machinists have to complete forms to have maintenance people work on a machine. The supervisor automatically signs the slip rather than allowing the machinist either to repair the machine or ask directly for maintenance support.

Opening Feedback Channels:

In almost all jobs, approaches exist to open feedback channels and help people learn whether their performance is remaining at a constant level, improving, or deteriorating. The most advantageous and least threatening feedback occurs when a worker learns about performance as the job is performed. In the hotplate department at Corning Glass Works, assembling the entire instrument and inspecting it dramatically increased the quantity and quality of performance information available to the operators. Data given to a manager or supervisor often can be given directly to the employee. Computers and other automated operations can be used to provide people with data not currently accessible to them. Many organizations simply have not realized the motivating impact of direct, immediate feedback.

Barriers to Job Enrichment:

As the application of job enrichment has spread, a number of obstacles to significant job restructuring have been identified. Most of these barriers exist in the organizational context within which the job design is executed. Other organizational systems and practices, whether technical, managerial, or personnel, can affect both the implementation of job enrichment and the lifespan of whatever changes are made.
At least four organizational systems can constrain the implementation of job enrichment:
1. The technical system. The technology of an organization can limit job enrichment by constraining the number of ways jobs can be changed. For example, long-linked technology like that found on an assembly line can be highly programmed and standardized, thus limiting the amount of employee discretion that is possible. Technology also may set an "enrichment ceiling." Some types of work, such as continuous-process production systems, may be naturally enriched so there is, little more that can be gained from a job enrichment intervention.
2. The personnel system. Personnel systems can constrain job enrichment by creating formalized job descriptions that are rigidly defined and limit flexibility in changing people's job duties. For example, many union agreements include such narrowly defined job descriptions that major renegotiation between management and the union must occur before jobs can be significantly enriched.
3. The control system. Control systems, such as budgets, production reports, and accounting practices, can limit the complexity and challenge of jobs within the system. For example, a company working on a government contract may have such strict quality control procedures that employee discretion is effectively curtailed.
4. The supervisory system. Supervisors determine to a large extent the amount of autonomy and feedback that subordinates can experience. To the extent that supervisors use autocratic methods and control work-related feedback, jobs will be difficult, if not impossible, to enrich.
Once these implementation constraints have been overcome, other factors determine whether the effects of job enrichment are strong and lasting. Consistent with the contingency approach to OD, the staying power of job enrichment depends largely on how well it fits and is supported by other organizational practices, such as those associated with training, compensation, and supervision. These practices need to be congruent with and to reinforce jobs having high amounts of discretion, skill variety, and meaningful feedback.

The Sociotechnical Systems Approach:

The sociotechnical systems (STS) approach currently is the most extensive body of scientific and applied work underlying employee involvement and innovative work designs. Its techniques and design principles derive from extensive action research in both public and private organizations across diverse national cultures. This section reviews the conceptual foundations of the STS approach and then describes its most popular application—self-managed work teams.

Conceptual Background:

Sociotechnical systems theory was developed originally at the Tavistock Institute of Human Relations in London and has spread to most industrialized nations in a little more than fifty years. In Europe and particularly Scandinavia, STS interventions are almost synonymous with work design and employee involvement. In Canada and the United States, STS concepts and methods underlie many of the innovative work designs and team-based structures that are so prevalent in contemporary organizations. Intel

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Corporation, United Technologies, General Mills, and Procter & Gamble are among the many organizations applying the STS approach to transforming how work is designed and performed.
STS theory is based on two fundamental premises: that an organization or work unit is a combined, social-plus-technical system (sociotechnical), and that this system is open in relation to its environment.

Sociotechnical System:

The first assumption suggests that whenever human beings are organized to perform tasks, a joint system is operating—a sociotechnical system. This system consists of two independent but related parts: a social part including the people performing the tasks and the relationships among them, and a technical part comprising the tools, techniques, and methods for task performance. These two parts are independent of each other because each follows a different set of behavioral laws. The social part operates according to biological and psychosocial laws, whereas the technical part functions according to mechanical and physical laws. Nevertheless, the two parts are related because they must act together to accomplish tasks. Hence, the term sociotechnical signifies the joint relationship that must occur between the social and technical parts, and the word system communicates that this connection results in a unified whole.
Because a sociotechnical system is composed of social and technical parts, it follows that it will produce two kinds of outcomes: products, such as goods and services; and social and psychological consequences, such as job satisfaction and commitment. The key issue is how to design the relationship between the two parts so that both outcomes are positive (referred to as joint optimization). Sociotechnical practitioners design work and organizations so that the social and technical parts work well together, producing high levels of product and human satisfaction. This effort contrasts with the engineering approach to designing work, which focuses on the technical component, worries about fitting people in later, and often leads to mediocre performance at high social costs. The STS approach also contrasts with the motivational approach that views work design in terms of human fulfillment and can lead to satisfied employees but inefficient work processes.

Environmental Relationship:

The second major premise underlying STS theory is that such systems are open to their environments. As discussed earlier, open systems must interact with their environments to survive and develop. The environment provides the STS with necessary inputs of energy, raw materials, and information, and the STS provides the environment with products and services. The key issue here is how to design the interface between the STS and its environment so that the system has sufficient freedom to function while exchanging effectively with the environment. In what is typically called boundary management, STS practitioners structure environmental relationships both to protect the system from external disruptions and to facilitate the exchange of necessary resources and information. This enables the STS to adapt to changing conditions and to influence the environment in favorable directions.
In summary, STS theory suggests that effective work systems jointly optimize the relationship between their social and technical parts. Moreover, such systems effectively manage the boundary separating and relating them to the environment. This allows them to exchange with the environment while protecting themselves from external disruptions.

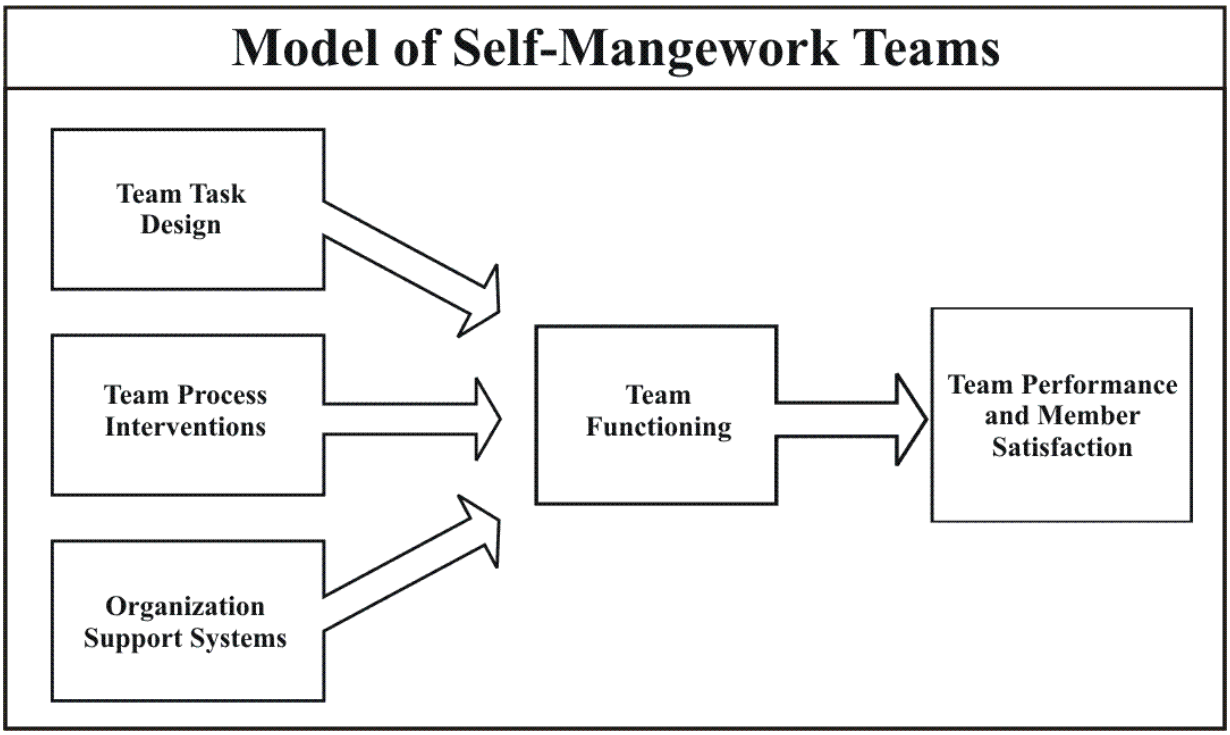
Self-Managed Work Teams:

The most prevalent application of the STS approach is self-managed work teams. Alternatively referred to as self-directed, self-regulating, or high-performance work teams, these work designs consist of members performing interrelated tasks. Self-managed teams typically are responsible for a complete product or service, or a major part of a larger production process. They control members' task behaviors and make decisions about task assignments and work methods. In many cases, the team sets its own production goals within broader organizational limits and may be responsible for support services, such as maintenance, purchasing, and quality control. Team members generally are expected to learn many if not all of the jobs within the team's control and frequently are paid on the basis of knowledge and skills rather than seniority. When pay is based on performance, team rather than individual performance is the standard.
Figure 51 is a model explaining how self-managed work teams perform. It summarizes current STS research and shows how teams can be designed for high performance. Although the model is based mainly on experience with teams that perform the daily work of the organization (work teams), it also has relevance to other team designs, such as problem-solving teams, management teams, cross-functional integrating teams, and employee involvement teams. The model shows that team performance and member satisfaction follow directly from how well the team functions: how well members communicate and coordinate with each other, resolve conflicts and problems, and make and implement task-relevant decisions. Team functioning, in turn, is influenced by three major inputs: team task design, team process interventions, and organization support systems. Because these inputs affect how well teams function and

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subsequently perform, they are key intervention targets for designing and implementing self-managed work teams.

Figure: 51



Team Task Design:

Self-managed work teams are responsible for performing particular tasks; consequently, how the team is designed for task performance can have a powerful influence on how well it functions. Task design generally follows from the team's mission and goals that define the major purpose of the team and provide direction for task achievement. When a team's mission and goals are closely aligned with corporate strategy and business objectives, members can see how team performance contributes to organization success. This can increase member commitment to team goals.

Team task design links members' behaviors to task requirements and to each other. It structures member interactions and performances. Three task design elements are necessary for creating self-managed work teams: task differentiation, boundary control, and task control. Task differentiation involves the extent to which the team's task is autonomous and forms a relatively self-completing whole. High levels of task differentiation provide an identifiable team boundary and a clearly defined area of team responsibility. At Johnsonville Sausage, for example, self-managed teams comprise seven to fourteen members. Each team is large enough to accomplish a set of interrelated tasks but small enough to allow face-to-face meetings for coordination and decision making. In many hospitals, self-managed nursing teams are formed around interrelated tasks that together produce a relatively whole piece of work. Thus, nursing teams may be responsible for particular groups of patients, such as those in intensive care or undergoing cancer treatments, or they may be accountable for specific work processes, such as those in the laboratory, pharmacy, or admissions office.

Boundary control involves the extent to which team members can influence transactions with their task environment—the types and rates of inputs and outputs. Adequate boundary control includes a well-defined work area; group responsibility for boundary-control decisions, such as quality assurance (which reduces dependence on external boundary regulators, such as inspectors); and members sufficiently trained to perform tasks without relying heavily on external resources. Boundary control often requires deliberate cross-training of team members to take on a variety of tasks. This makes members highly flexible and adaptable to changing conditions. It also reduces the need for costly overhead because members can perform many of the tasks typically assigned to staff experts, such as those in quality control, planning, and maintenance.

Task control involves the degree to which team members can regulate their own behavior to provide services or to produce finished products. It includes the freedom to choose work methods, to schedule

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activities, and to influence production goals to match both environmental and task demands. Task control relies heavily on team members having the power and authority to manage equipment, materials, and other resources needed for task performance. This "work authority" is essential if members are to take responsibility for getting the work accomplished. Task control also requires that team members have accurate and timely information about team performance to allow them to detect performance problems and make necessary adjustments.

Task control enables self-managed work teams to observe and control technical variances as quickly and as close to their source as possible. Technical variances arise from the production process and represent significant deviations from specific goals or standards. In manufacturing; for example, abnormalities in raw material, machine operation, and work flow are sources of variance that can adversely affect the quality and quantity of the finished product. In service work, out-of-the-ordinary requests, special favors or treatment, or unique demands create variances that can place stress on the process. Technical variances traditionally are controlled by support staff and managers, but this can take time and add greatly to costs. Self-managed work teams, on the other hand, have the freedom, skills, and information needed to control technical variances online when they occur. This affords timely responses to production problems and reduces the amount of staff overhead needed.

Team Process interventions:

A second key input to team functioning involves team process interventions. As discussed earlier teams may develop ineffective social processes that impede functioning and performance, such as poor communication among members, dysfunctional roles and norms, and faulty problem solving and decision making. Team process interventions, such as process consultation and team building, can resolve such problems by helping members address process problems and moving the team to a more mature stage of development. Because self-managed work teams need to be self-reliant, members generally acquire their own team process skills. They may attend appropriate training programs and workshops or they may learn on the job by working with OD practitioners to conduct process interventions on their own teams. Although members' process skills generally are sufficient to resolve most of the team's process problems, OD experts occasionally may need to supplement the team's skills and help members address problems that they are unable to resolve.

Organization Support Systems:

The final input to team functioning is the extent to which the larger organization is designed to support self-managed work teams. The success of such teams clearly depends on support systems that are quite different from traditional methods of managing. For example, a bureaucratic, mechanistic organization is not highly conducive to self-managed teams. An organic structure, with flexibility among units, relatively few formal rules and procedures, and decentralized authority, is much more likely to support and enhance the development of self-managed work teams. This explains why such teams are so prevalent in high-involvement organizations. Their different features, such as flat, lean structures, open information systems, and team-based selection and reward practices, all reinforce teamwork and responsible self-management.

A particularly important support system for self-managed work teams is the external leadership. Self-managed teams exist along a spectrum from having only mild influence over their work to near-autonomy. In many circumstances, such teams take on a variety of functions traditionally handled by management. These can include assigning members to individual tasks, determining the methods of work, scheduling, setting production goals, and selecting and rewarding members. These activities do not make external supervision obsolete, however. That leadership role usually is changed to two major functions: working with and developing team members, and assisting the team in managing its boundaries.

Working with and developing team members is a difficult process and requires a different style of managing than do traditional systems. The team leader (often called a team facilitator) helps team members organize themselves in a way that allows them to become more independent and responsible. She or he must be familiar with team-building approaches and must assist members in learning the skills to perform their jobs. Recent research suggests that the leader needs to provide expertise in self-management. This may include encouraging team members to be self-reinforcing about high performance, to be self-critical of low performance, to set explicit performance goals, to evaluate goal achievement, and to rehearse different performance strategies before trying them.

If team members are to maintain sufficient autonomy to control variance from goal attainment, the leader may need to help them manage team boundaries. Where teams have limited control over their task environment, the leader may act as a buffer to reduce environmental uncertainty. This can include mediating and negotiating with other organizational units, such as higher management, staff experts, and related work teams. Research suggests that better managers spend more time in lateral interfaces.

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These new leadership roles require new and different skills, including knowledge of sociotechnical principles and group dynamics, understanding of both the task environment and the team's technology, and ability to intervene in the team to help members increase their knowledge and skills. Leaders of self-managed teams also should have the ability to counsel members and to facilitate communication among them.

Many managers have experienced problems trying to fulfill the complex demands of leading self-managed work teams. The most typical complaints mention ambiguity about responsibilities and authority, lack of personal and technical skills and organizational support, insufficient attention from higher management, and feelings of frustration in the supervisory job.

Characteristics of Self-managed Work Teams:

Self-managed work teams may be used organization-wide, at a work site composed of a number of work teams, or within just a few work teams. But to whatever degree they are used, there are several characteristics that are common to all self-managed work team sites.

The structure of the organization or work site is based on team concepts. There are few managerial levels in the plant or work site structure and few job descriptions.

There is an egalitarian culture and a noticeable lack of status symbols. There are no management dinning rooms, no assigned parking places, and no special furniture or décor for manager's offices. There is no special dress code; if uniforms are required, everyone, including the plant superintendent wears the uniform.

A work team has a physical site. There are functional boundaries that members can identify.

The number of people in a team is kept as small as possible. Typical size range from five to fifteen members.

Work teams order material and equipment. They set goals, profit targets, and also rewards for the team members. They have a voice in who is hired and fired.

Team members have a sense of vision for their team and their organization.

A vision provides direction and energizes team behavior to accomplish goals.

There is strong partnership between team members and management.

If there is a labor union, the union is also a member of the partnership.

Team members are different enough. Members learn because of variety of viewpoints, backgrounds, cultural experiences and training.

Information of all types is openly shared. The information system needs to be well developed and available to all members. Members are knowledgeable in accounting and statistical concepts for decision making.

Team members should be skilled and knowledgeable in their areas. Team members should have good interpersonal skills and a desire and ability to work with others.

Training, and specially cross-training, is a major requirement of self-managed teams. The success of a team depends on its members being skilled and knowledgeable in a variety of areas, including technical skills, finance and accounting, competition in the marketplace, and group process.

Team managers are knowledgeable of customers, competitors, and suppliers. The primary emphasis is to focus on customers. From the team's standpoint, a customer is someone within the organization or external to the organization that uses the team's product/service.

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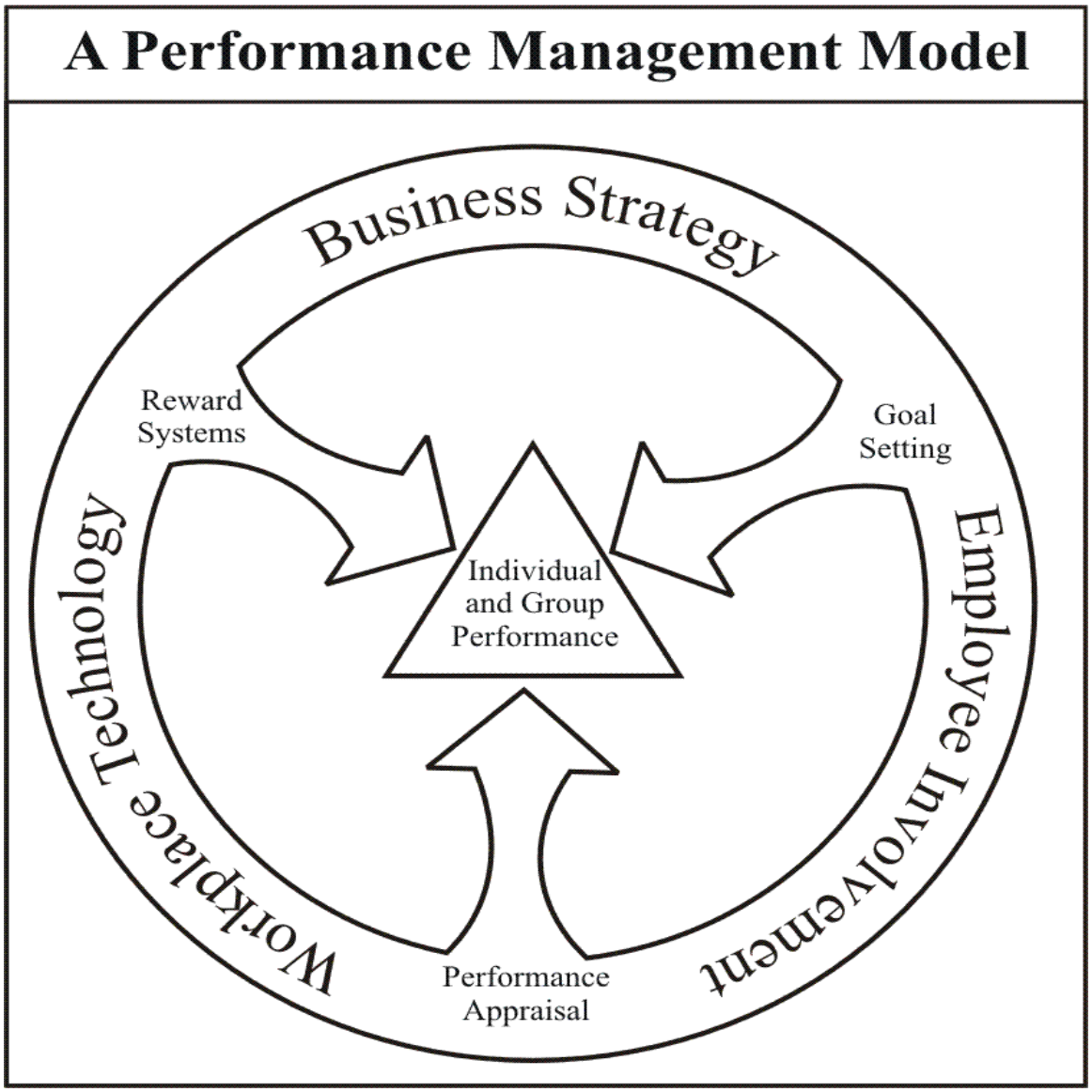
Performance Management

We discuss human resources management interventions concerned with managing individual and group performance. Performance management involves goal setting, performance appraisal, and reward systems that align member work behavior with business strategy, employee involvement, and workplace technology.

A Model of Performance Management:

Performance management is an integrated process of defining, assessing, and reinforcing employee work behaviors and outcomes. Organizations with a well-developed performance management process often outperform those without this element of organization design. As shown in Figure 52, performance management includes practices and methods for goal setting, performance appraisal, and reward systems. These practices jointly influence the performance of individuals and work groups. Goal setting specifies the kinds of performances that are desired; performance appraisal assesses those outcomes; reward systems provide the reinforces to ensure that desired outcomes are repeated. Because performance management occurs in a larger organizational context, at least three contextual factors determine how these practices affect work performance: business strategy, workplace technology, and employee involvement. High levels of work performance tend to occur when goal setting, performance appraisal, and reward systems are aligned jointly with these contextual factors.

Figure: 52



Business strategy defines the goals and objectives that are needed for an organization to compete successfully, and performance management focuses, assesses, and reinforces member work behaviors toward those objectives. This ensures that work behaviors are strategically driven.

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Workplace technology affects whether performance management practices should be based on the individual or the group. When technology is low in interdependence and work is designed for individual jobs, goal setting, performance appraisal, and reward systems should be aimed at individual work behaviors. Conversely, when technology is highly interdependent and work is designed for groups, performance management should be aimed at group behaviors.

Finally, the level of employee involvement in an organization should determine the nature of performance management practices. When organizations are highly bureaucratic with low levels of participation, goal setting, performance appraisal, and reward systems should be formalized and administered by management and staff personnel. In high-involvement situations, on the other hand, performance management should be heavily participative, with both management and employees setting goals and appraising and rewarding performance. In high-involvement organizations, for example, employees participate in all stages of performance management are heavily involved in both designing and administering its practices.

Goal Setting

OD in Practice: Big Hairy Audacious Goals

Employees at the Generic Electric are aiming at "stretch goals." At GE, stretch goals means encouraging employee teams to try for huge gains in productivity and quality even though, at the outset, it is unclear how they will get there, based on certainty that they will use their ingenuity to find ways to do what they are asked. At other companies they call these goals BHAG – big hairy audacious goals. These are the kind of goals that stimulate everyone in the organization to shoot for extreme achievement. One thinks, for instance, of the NASA moon mission. The NASA goal energized the entire country.

One major goal that GE is striving for is called Six Sigma. This program is the largest quality initiative ever mounted at a U.S. corporation. Six Sigma is a statistical term for 3.4 defects per million products. This translates to near-perfect manufacturing. GE began implementing Six Sigma in the mid-1990s, when Lawrence Bossidy, who at the time was CEO of AlliedSignal, spoke to GE's top management about the concept. Bossidy had been using Six Sigma at AlliedSignal for about five years. He had borrowed it from Motorola. All three companies, Motorolla, AlliedSignal, and GE, have placed, and continue to place, substantial resources into Six Sigma programs. GE has a way to go before it attains its goals. Currently GE is running at three to four Sigma level. The gap between that and a six level is costing GE between $8 billion and $12 billion a year in lost productivity and inefficiencies. To attain a goal of Six Sigma requires more than an edict from the CEO. It requires every employee to get on board and "walk the talk." For a company the size of GE, this is a gargantuan task. Six Sigma is difficult to understand because of its heavily laden statistical concepts. It is even more difficult to implement. Last year GE spent $600 million on Six Sigma projects – mostly for the salaries of 4,000 full-time Six Sigma experts plus 100,000 employees to undergo basic training.

As the program at the GE illustrates, goals give direction and purpose. It is difficult to imagine an organization that does not have goal setting of some kind. In a large and established company, goal-setting may be a formal program as the development of an ideal model of the organization or the implementation of a management by objective program. On the other hand, in a newly opened business, goal setting may take the form of a mental image of what the business will be like in a year and then five years from now.

OD programs rely heavily upon the goal-setting process. OD, by definition, is planned change. In order for that change to take place, goals need to be set to establish what the organization will be like. And then plan a series of steps that will move the organization to accomplish the goals.

Goal setting involves managers and subordinates in jointly establishing and clarifying employee goals. In some cases, such as management by objectives, it also can facilitate employee counseling and support. The process of establishing challenging goals involves managing the level of participation and goal difficulty. Once goals have been established, the way they are measured is an important determinant of member performance.

Goal setting can affect performance in several ways. It influences what people think and do by focusing their behavior, motivating people to put forth the effort to reach difficult goals that are accepted, and when goals are difficult but achievable, goal setting prompts persistence over time. Goal-setting interventions have been implemented in such organizations as GE, 3M, AT&T Universal Card, and Occidental Petroleum's subsidiary Oxy-USA.

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Characteristics of Goal Setting

Challenging goals produce better performance:

Goals are only effective if they are difficult and challenging. Increasing the difficulty of employee goals, also known as **"stretch goals"** can increase their perceived challenge and enhance the amount of effort expended to achieve them. Thus, more difficult goals tend to lead to increased effort and performance, as long as they are seen as feasible.

Specific hard goals are better than "do your best" Goals:

Goal setting involves specifying and clarifying the goals. When given specific goals, workers perform higher than when they are simply told to "do their best" or when they receive no guidance at all.

People may abandon goals if too hard:

Although goals should be difficult, people must be able to attain or at least approach them; otherwise, they will view the goal as impossible, become discouraged, and may abandon it. An individual is more likely to accept or choose a goal when there is a high expectation of reaching it. If goals are set too high, people may lose their motivating potential.

Participation in setting goals increases commitment and attainment of goals:

Employees are more committed to self-set goals than to goals assigned by a manager. It gives them ownership.

Feedback and goals improve performance:

Information about the outcome of the performance, whether a goal was met or not, should be included. It is also important to include information about how to adjust in order to accomplish the goal better.

Individual differences tend not to affect goal setting:

Goal setting programs are successful regardless of education and position. Production workers, clerical workers, maintenance workers, managers, all can use goal setting successfully. CEO of Wal-Mart claims, "There are no superstars. We're a company of ordinary people overachieving."

Goal-setting in teams deserves special consideration:

Setting difficult individual goals for an interdependent team task will likely result in poorer performance than when a team goal is set or even when there is no team goal at all.

A manager explicitly specifying which goal is more important can achieve cooperation in goal setting. Another to get cooperation is through participative goal setting in the context of a team-building session.

Support of management is critical:

Support for goal-setting programs by all levels of management is crucial to the success. Leaders should maintain optimism by publicizing even small steps forward. Supervisors should be present to encourage the acceptance of goals by employees, help them improve their skills, and give timely feedback on how the goals are being accomplished. Those who accomplish goals should be rewarded, but the rewards need to be applied consistently.

Application Stages:

Based on these features of the goal-setting process, OD practitioners have developed specific approaches to goal setting. The following steps characterize those applications:

1. **Diagnosis.** The first step is a thorough diagnosis of the job or work group; employee needs; and the three context factors, business strategy, workplace technology, and level of employee involvement. This provides information about the nature and difficulty of specific goals, the appropriate types and levels of participation, and the necessary support systems.
2. **Preparation for goal setting.** This step prepares managers and employees to engage in goal setting, typically by increasing interaction and communication between managers and employees, and offering formal training in goal- setting methods. Specific action plans for implementing the program also are made at this time.
3. **Setting of goals.** In this step challenging goals are established and methods for goal measurement are clarified. Employees participate in the process to extent that contextual factors support such involvement and got the extent that they are likely to set higher goals than those assigned by management.
4. **Review.** At this final step the goal-setting process is assessed so that modifications can be made, if necessary. The goal attributes are evaluated to see the goals are energizing and challenging and whether they support he strategy and can be influenced by the employees.

Goal-Setting Model:

A goal setting program in an organization requires careful planning. As shown in the figure, the first three factors in goal-setting process are establishing the goal, achieving goal commitment, and overcoming resistance to goal acceptance.

Goals can be established in a variety of ways. Best way is to set by joint participation between the employee and the supervisor. This method often leads to employee commitment, a crucial ingredient in effective goal setting.

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Goal commitment can be achieved in a variety of ways. Trust in upper management, support by management, and an effective reward and incentive system are all helpful in commitment. Competition between employees may be useful in some cases, but managers should be careful designing competitive situations, especially in interdependent situations. Employees may become so involved in competing with one another, that they lose sight of the goals.

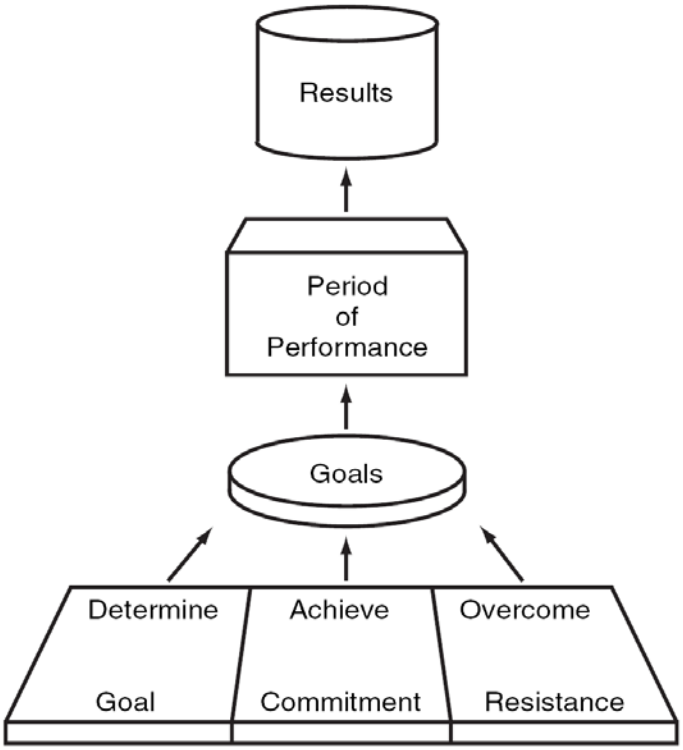
Resistance to goal acceptance can be overcome by several methods, and a combination of methods will likely result in a more successful goal-setting program. Providing special training for employees in new techniques and procedures and providing rewards and incentives can encourage goal acceptance. Participation in setting goals can lead some employees to accept goals.

Goals should be specific, measurable, and compatible with the goals formulated at higher levels of the organization. As an example of goal setting Bell Canada's telephone operators are required to answer calls within 23 seconds and Federal Express customer agents are expected to answer customer questions within 140 seconds. Both goals were considered very difficult when initially set, but employees eventually met and exceeded these goals.

A period of performance follows upon the setting of specific performance goals during this time, managers must be prepared to provide support. To achieve specific goals, employees may require training or additional resources, such as new equipment or information. Managers may need to work with employees in developing action plans. Finally, managers should provide timely and objective feedback when the goal is completed.

The results of the employees' performance can be beneficial or negative. The benefits may incur to the organization or the individual. When individuals successfully meet a goal, they feel competent and successful. Better performance and pride in the achievement of successes can be expected. Employees are more likely to have clearer roles if they more fully realize the performance expected of them. Negative consequences can be expected when the goals are not achieved. This is most problematic in situations where specific and measurable goals could not be set.

Figure 53: Goal Setting



Management by Objectives:

MBO is a specific technique used by organizations to set goals. It is a process aimed at the integration of individual and organization goals. MBO may be defined as a system of management set up to help in planning, organizing, problem-solving, motivating, and other important managerial activities. It involves the participation of subordinates and their managers in setting and clarifying the goals for subordinates. A leading MBO consultant defines it as a process whereby the superior and subordinate managers of an

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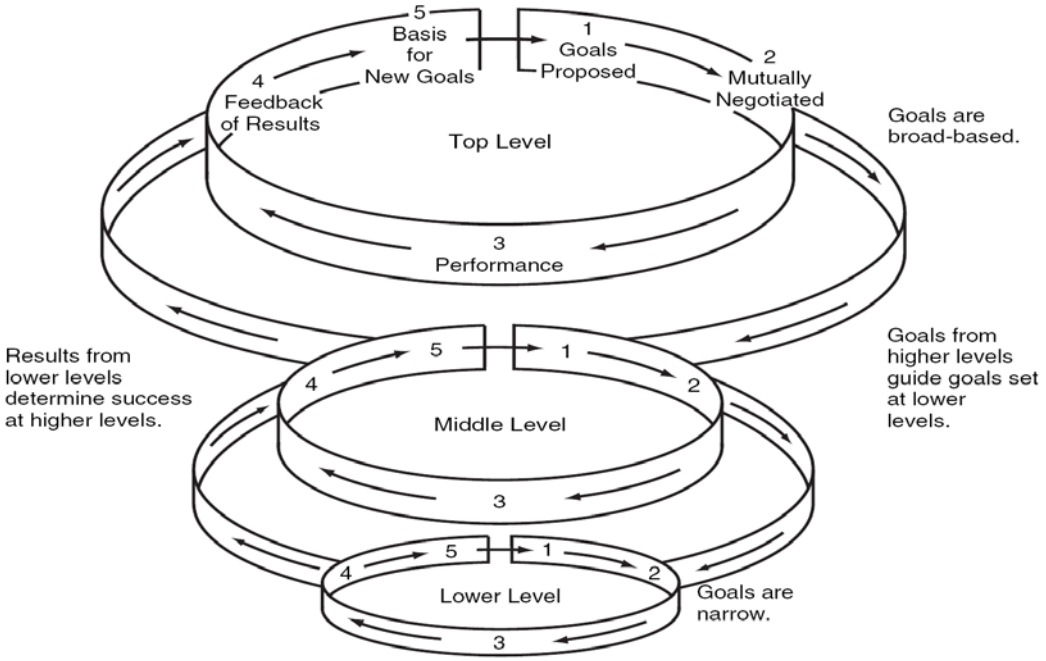
organization jointly identify common goals, define each individual's major areas of responsibility in terms of results expected, and use these measures as guides for operating the unit and assessing the contribution of each of its members. The goals of this approach include improved performance, more communication and participation, higher morale and job satisfaction, and a better understanding of the organization's objectives at all levels.
MBO approaches goal-setting on the assumption that people have higher-level needs for competence and achievement, and want to satisfy these higher-level needs in their work. In addition, people will work harder and perform better if they participate in setting goals they have to achieve.
An MBO program often goes beyond the one-on-one, manager-subordinate relationship to focus on problem-solving discussions involving work teams as well. Setting goals and reviewing individual performance are considered within the larger context of the job. In addition to organizational goals, the MBO process gives attention to individuals' personal and career goals and tries to make those and the organizational goals more complementary. The target-setting procedure allows real subordinate participation in goal setting, with open, problem-centered discussions among team members, supervisors, and subordinates.

Steps in MBO Process:
There are six basic steps in implementing an MBO process.
1. **Work group involvement.** In the first step of MBO, the members of the primary work group define overall group and individual goals and establish action plans for achieving them. If this step is omitted or if organizational goals and strategies are unclear, the effectiveness of an MBO approach may be greatly reduced over time.

2. **Joint manager-subordinate goal setting.** Once the work group's overall goals and responsibilities have been determined, attention is given to the job duties and responsibilities of the individual role incumbents. Roles are carefully examined in light of their interdependence with the roles of others outside the work group.
3. **Establishment of action plans for goals.** The subordinate develops action plans for goal accomplishment, either in a group meeting or in a meeting with the immediate manager. The action plans reflect the individual style of the subordinate, not that of the supervisor.
4. **Establishment of criteria, or yardsticks, of success.** At this point, the manager and subordinate agree on the success criteria for the goals that have been established—criteria that are not limited to easily measurable or quantifiable data. A more important reason for jointly developing the success criteria is to ensure that the manager and subordinate have a common understanding of the task and what is expected of the subordinate. Frequently, the parties involved discover that they have not reached a mutual understanding. The subordinate and the manager may have agreed on a certain task, but in discussing how to measure its success, they find that they have not been communicating clearly. Arriving at joint understanding and agreement on success criteria is the most important step in the entire MBO process.
5. **Review and recycle.** Periodically, the manager reviews work progress, either in the larger group or with the subordinate. There are three stages in this review process. First, the subordinate takes the lead, reviewing progress and discussing achievements and the obstacles faced. Next, the manager discusses work plans and objectives for the future. Last, after the action plans have been made, a more general discussion covers the subordinate's future ambitions and other factors of concern. In this final phase, a great deal of coaching and counseling usually takes place.
6. **Maintenance of records.** In many MBO programs, the working documents of the goals, criteria, yardsticks, priorities, and due dates are forwarded to a third party. Although the evidence is indirect, it is likely that the MBO program, as an OD effort, suffers when the working papers are reviewed regularly by a third party, such as higher management or the personnel department. Experience shows that when the working papers routinely are passed on, they are less likely to reflect open, honest communication within the supervisor-subordinate pair or the work group. Often they represent instead an effort to impress the third party or to comply with institutionalized rules and procedures.

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Figure 54: Steps in the MBO Process



Criticism of MBO:

Implementing MBO is expensive and time-consuming, and usually entails great effort. Because of these factors, the use of MBO has traditionally been limited to managerial and professional employees. Obtaining benefits whose value exceeds the costs is more difficult with employees performing routine work at the lower levels of an organization.

Some MBO programs encounter difficulties because management does not recognize that proper implementation of MBO requires improved managerial skills and competence. Critics question whether joint goal-setting among un-equals is possible, and whether subordinates at lower levels are free to select their objectives. In some application MBO may be too quantitative, and setting objectives as explicitly as possible may not be functional. In other MBO programs, communication may come from the top dictating to the bottom instead of open communication and mutual goal setting. Thus there is also a danger that MBO will focus only on certain aspects of the job (such as sales) and ignore other areas (for example, customer satisfaction).

Performance Appraisal:

Performance appraisal is a feedback system that involves the direct evaluation of individual or work group performance by a supervisor, manager, or peers. Most organizations have some kind of evaluation system that is used for performance feedback, pay administration/and, in some cases, counseling and developing employees. Thus, performance appraisal represents an important link between goal-setting processes and reward systems. One survey of more than five hundred firms found that 90 percent used performance appraisal to determine merit pay increases, 87 percent used it to review performance, and 79 percent used it as the opportunity to set goals for the next period.

Abundant evidence, however, indicates that organizations do a poor job appraising employees. One study found that 32 percent of managers surveyed rated their performance appraisal process as very ineffective. Consequently, a growing number of firms have sought ways to improve performance appraisal. Some innovations have been made in enhancing employee involvement, balancing organizational and employee needs, and increasing the number of raters. These newer forms of appraisal are being used in such organizations as AT&T, Raychem, Levi Strauss, Intel, and Monsanto.

The Performance Appraisal Process:

Table 18 summarizes several common elements of performance appraisal systems. For each element, two contrasting features are presented, representing traditional bureaucratic approaches and newer, high-involvement approaches. Performance appraisals are conducted for a variety of purposes, including affirmative action, pay and promotion decisions, and human resources planning and development. Because each purpose defines what performances are relevant and how they should be measured, separate appraisal

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systems are often used. For example, appraisal methods for pay purposes are often different from systems that assess employee development or promotability. Employees also have a variety of reasons for wanting appraisal, such as receiving feedback for career decisions, getting a raise, and being promoted. Rather than trying to meet these multiple purposes with a few standard appraisal systems, the new appraisal approaches are more tailored to balance the multiple organizational and employee needs. This is accomplished by actively involving the appraisee, co-workers, and managers in assessing the purposes of the appraisal at the time it takes place and adjusting the process to fit that purpose. Thus, at one time the appraisal process might focus on pay decisions, another time on employee development, and still another time on employee promotability. Actively involving all relevant participants can increase the chances that the purpose of the appraisal will be correctly identified and understood and that the appropriate appraisal methods will be applied.

The new methods tend to expand the appraiser role beyond managers to include multiple raters, such as the appraisee, co-workers, and others having direct exposure to the employee's performance. Also known as 360-degree feedback, this broader approach is used more for member development than for compensation purposes. This wider involvement provides a number of different views of the appraisee's performance. It can lead to a more comprehensive assessment of the employee's performance and can increase the likelihood that both organizational and personal needs will be taken into account. The key task is to form an overarching view of the employee's performance that incorporates all of the different appraisals. Thus, the process of working out differences and arriving at an overall assessment is an important aspect of the appraisal process. This improves the appraisal's acceptance, the accuracy of the information, and its focus on activities that are critical to the business strategy.

Table 18

Performance Appraisal Elements		
Elements	Traditional Approaches	High-involvement Approaches
Purpose	Organizational, legal fragmented	Developmental Integrative
Appraiser	Supervisor, managers	Appraise, co-workers and others
Role of appraise	Passive, recipient	Active participant
Measurement	Subjective Concerned with validity	Objective and subjective
Training	Periodic, fixed, administratively driven	Dynamic, timely, employee or work-driven

The newer methods also expand the role of the appraiser. Traditionally, the employee is simply a receiver of feedback. The supervisor unilaterally completes a form concerning performance on predetermined dimensions, usually personality traits, such as initiative or concern for quality, and presents its contents to the appraiser. The newer approaches actively involve appraisers in all phases of the appraisal process. The appraiser joins with superiors and staff personnel in gathering data on performance and identifying training needs. This active involvement increases the likelihood that the content of the performance appraisal will include the employee's views, needs, and criteria, along with those of the organization. This newer role for employees increases their acceptance and understanding of the feedback process.

Performance measurement is typically the source of many problems in appraisal because it is seen as subjective. Traditionally, performance evaluation focused on the consistent use of pre-specified traits or behaviors. To improve consistency and validity of measurement, considerable training is used to help raters (supervisors) make valid assessments. This concern for validity stems largely from legal tests of performance appraisal systems and leads organizations to develop measurement approaches, such as the Behaviorally Anchored Rating Scale (BARS) and its variants. In newer approaches validity is not only a legal or methodological issue but a social issue as well; all appropriate participants are involved in negotiating acceptable ways of measuring and assessing performance. Increased participation in goal setting is a part of this new approach. All participants are trained in methods of measuring and assessing performance. Because it focuses on both objective and subjective measures of performance, the appraisal process is more understood, accepted, and accurate.

The timing of performance an appraisal traditionally is fixed by managers or staff personnel and is based on administrative criteria, such as yearly pay decisions. Newer approaches increase the frequency of feedback. Although it may not be practical to increase the number of formal appraisals, the frequency of informal feedback can increase, especially when strategic objectives change or when the technology is highly uncertain. In those situations, frequent performance feedback is necessary for appropriate adaptations in work behavior. The newer approaches to appraisal increase the timeliness of feedback and give employees more control over their work.

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Application Stages:

The process of implementing a performance appraisal system has received increasing attention. OD practitioners have recommended the following six steps:

1. **Select the right people.** For political and legal reasons, the design process needs to include human resources staff, legal representatives, senior management, and system users. Failure to recognize performance appraisal as part of a complex performance management system is the single most important reason for design problems. Members representing a variety of functions need to be involved in the design process so that the essential strategic and organizational issues are addressed.
2. **Diagnose the current situation.** A clear picture of the current appraisal process is essential to designing a new one. Diagnosis involves assessing the contextual factors (business strategy, workplace technology, and employee involvement), current appraisal practices and satisfaction with them, work design, and the current goal-setting and reward system practices. This information is used to define the current system's strengths and weaknesses.
3. **Establish the system's purposes and objectives.** The ultimate purpose of an appraisal system is to help the organization achieve better performance. Managers, staff, and employees can have more specific views about how the appraisal process can be used. Potential purposes can include serving as a basis for rewards, career planning, human resources planning, and performance improvement or simply giving performance feedback.
4. **Design the performance appraisal system.** Given the agreed-upon purposes of the system and the contextual factors, the appropriate elements of an appraisal system can be established. These should include choices about who performs the appraisal, who is involved in determining performance, how performance is measured, and how often feedback is given. Criteria for designing an effective performance appraisal system include timeliness, accuracy, acceptance, understanding, focus on critical control points, and economic feasibility.

First, the timeliness criterion recognizes the time value of information. Individuals and work groups need to get performance information before evaluation or review. When the information precedes performance evaluation, it can be used to engage in problem-solving behavior that improves performance and satisfaction. Second, the information contained in performance feedback needs to be accurate. Inaccurate data prevent employees from determining whether their performance is above or below the goal targets and discourage problem-solving behavior. Third, the performance feedback must be accepted and owned by the people who use it. Participation in the goal-setting process can help to ensure this commitment to the performance appraisal system. Fourth, information contained in the appraisal system needs to be understood if it is to have problem-solving value. Many organizations use training to help employees understand the operating, financial, and human resources data that will be fed back to them. Fifth, appraisal information should focus on critical control points. The information received by employees must be aligned with important elements of the business strategy, employee performance, and reward system.

For example, if the business strategy requires cost reduction but workers are measured and rewarded on the basis of quality, the performance management system may produce the wrong kinds of behavior. Finally, the economic feasibility criterion suggests that an appraisal system should meet a simple cost-benefit test. If the costs associated with collecting and feeding back performance information exceed the benefits derived from using the information, then a simpler system should be installed.

5. **Experiment with implementation.** The complexity and potential problems associated with performance appraisal processes strongly suggest using a pilot test of the new process to spot, gauge, and correct any flaws in the design before it is implemented system wide.
6. **Evaluate and monitor the system.** Although the experimentation step may have uncovered many initial design flaws, ongoing evaluation of the system once it is implemented is important. User satisfaction, from human resources staff, manager, and employee viewpoints, is an essential input. In addition, the legal defensibility of the system should be tracked by noting the distribution of appraisal scores against age, sex, and ethnic categories.

Reward Systems:

Organizational rewards are powerful incentives for improving employee and work group performance. As pointed out earlier, rewards also can produce high levels of employee satisfaction. OD traditionally has relied on intrinsic rewards, such as enriched jobs and opportunities for decision making, to motivate employee performance. Early quality-of-work-life interventions were based mainly on the intrinsic satisfaction derived from performing challenging, meaningful types of work. More recently, OD practitioners have expanded their focus to include extrinsic rewards: pay; various incentives, such as stock options, bonuses, and gain sharing; promotions; and benefits. They have discovered that both intrinsic and extrinsic rewards can enhance performance and satisfaction.

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OD practitioners increasingly are attending to the design and implementation of reward systems. This recent attention to rewards has derived partly from research in organization design and employee involvement. These perspectives treat rewards as an integral part of organizations. They hold that rewards should be congruent with other organizational systems and practices, such as the organization's structure, top management's human relations philosophy, and work designs. Many features of reward systems contribute to both employee fulfillment and organizational effectiveness. In this section, we describe how rewards affect individual and group performance and then discuss three specific rewards: pay, promotions, and benefits.

How Rewards Affect Performance:

Considerable research has been done on how rewards affect individual and group performance. The most popular model describing this relationship is value expectancy theory. In addition to explaining how performance and rewards are related, it suggests requirements for designing and evaluating reward systems.
The value expectancy model posits that employees will expend effort to achieve performance goals that they believe will lead to outcomes that they value. This effort will result in the desired performance goals if the goals are realistic, if employees fully understand what is expected of them, and if they have the necessary skills and resources. Ongoing motivation depends on the extent to which attaining the desired performance goals actually results in valued outcomes. Consequently, key objectives of reward systems interventions are to identify the intrinsic and extrinsic outcomes (rewards) that are highly valued and to link them to the achievement of desired performance goals.

Based on value expectancy theory, the ability of rewards to motivate desired behavior depends on these six factors:

1. **Availability.** For rewards to reinforce desired performance, they must be not only desired but also available. Too little of a desired reward is no reward at all. For example, pay increases are often highly desired but unavailable. Moreover, pay increases that are below minimally accepted standards may actually produce negative consequences.
2. **Timeliness.** Like effective performance feedback, rewards should be given in a timely manner. A reward's motivating potential is reduced to the extent that it is separated in time from the performance it is intended to reinforce.
3. **Performance contingency.** Rewards should be closely linked with particular performances. If the goal is met, the reward is given; if the target is missed, the reward is reduced or not given. The clearer the linkage between performance and rewards, the better able rewards are to motivate desired behavior. Unfortunately, this criterion often is neglected in practice. Forty percent of employees nationwide believe that there is no linkage between pay and performance. From another perspective, merit increases in 1988 were concentrated between 4 and 5 percent nationwide. That is, almost everyone, regardless of performance level, got about the same raise.
4. **Durability.** Some rewards last longer than others. Intrinsic rewards, such as increased autonomy and pride in workmanship, tend to last longer than extrinsic rewards. Most people who have received a salary increase realize that it gets spent rather quickly.
5. **Equity.** Satisfaction and motivation can be improved when employees believe that the pay policies of the organization are equitable or fair. Internal equity concerns comparison of personal rewards to those holding similar jobs or performing similarly in the organization. Internal inequities typically occur when employees are paid a similar salary or hourly wage regardless of their level of performance. External equity concerns comparison of rewards with those of other organizations in the same labor market. When an organization's reward level does not compare favorably with the level of other organizations, employees are likely to feel inequitably rewarded.
6. **Visibility.** To leverage a reward system, it must be visible. Organization members must be able to see who is getting the rewards. Visible rewards, such as placement on a high-status project, promotion to a new job, and increased authority, send signals to employees that rewards are available, timely, and performance contingent.

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Lesson 40

Developing and Assisting Members

This lecture presents three human resources management interventions concerned with developing and assisting the well-being of organization members. First, organizations have had to adapt their career planning and development processes to a variety of trends. For example, people have different needs and concerns as they progress through their career stages; technological changes have altered organizational structures and systems dramatically; and global competition has forced organizations to redefine how work gets done. These processes and concerns have forced individuals and organizations to redefine the social contract that binds them together. Career planning and development interventions can help deal effectively with these issues. Second, increasing workforce diversity provides an especially challenging environment for human resources management. The mix of genders, ages, value orientations, thinking styles, and ethnic backgrounds represented in the modern workforce is increasingly varied. Management's perspectives, strategic responses, and implementation approaches can help address pressures posed by this diversity. Finally, wellness interventions, such as employee assistance and stress management programs, are addressing several important social trends, such as fitness and health consciousness, drug and alcohol abuse, and work-life balance.

Career Planning and Development Interventions:

Career planning and development have been receiving increased attention in organizations. Growing numbers of managers and professional staff are seeking more control over their work lives. As organizations downsize and restructure, there is less trust in the organization to provide job security. Employees are not willing to have their careers "just happen" and are taking an active role in planning and managing them. This is particularly true for women, mid-career employees, and college recruits, who are increasingly asking for career planning assistance. On the other hand, organizations are becoming more and more reliant on their "intellectual capital." Providing career planning and development opportunities for organization members helps to recruit and retain skilled and knowledgeable workers. Many talented job candidates, especially minorities and women, are showing a preference for employers who offer career advancement opportunities.

Many organizations—General Electric, Xerox, Intel, Ciba-Geigy, Cisco Systems, Quaker Oats, and Novotel UK, among others—have adopted career planning and development programs. These programs have attempted to improve the quality of work life for managers and professionals, to improve their performance, to increase employee retention, and to respond to equal employment and affirmative action legislation. Companies have discovered that organizational growth and effectiveness require career development programs to ensure that needed talent will be available. Competent managers are often the scarcest resource. Many companies also have experienced the high costs of turnover among recent college graduates, including MBAs, which can reach 50 percent after five years. Career planning and development help attract and hold such highly talented employees and can increase the chances that their skills and knowledge will be used.

Organizations are discovering that the career development needs of women and minorities often require special programs and the use of nontraditional methods, such as integrated systems for recruitment, placement, and development. Similarly, age-discrimination laws have led many organizations to set up career programs aimed at older managers and professionals. Thus, career planning and development are increasingly being applied to people at different ages and stages of development—from new recruits to those nearing retirement age.

Finally, career planning and development interventions increasingly have been used in cases of "career halt" where layoffs and job losses have resulted from organization decline, downsizing, reengineering, and restructuring. These abrupt halts to career progress can have severe human consequences, and human resources practices have been developed for helping members cope with these problems.

Career planning is concerned with individuals choosing occupations, organizations, and positions at each stage of their careers. Career development involves helping employees attain career objectives. Although both of these interventions generally are aimed at managerial and professional employees, a growing number of programs are including lower-level employees, particularly those in white-collar jobs.

Career Stages:

A career consists of a sequence of work-related positions occupied by a person during the course of a lifetime. Traditionally, careers were judged in terms of advancement and promotion upward in the organizational hierarchy. Today, they are defined in more holistic ways to include a person's attitudes and experiences. For example, a person can remain in the same job, acquiring and developing new skills, and have a successful career without ever getting promoted. Similarly, people may move horizontally through a

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series of jobs in different functional areas of the firm. Although they may not be promoted upward in the hierarchy, their broadened job experiences constitute a successful career.
Considerable research has been devoted to understanding how aging and experience affect people's careers. This research has drawn on the extensive work done on adult growth and development and has adapted that developmental perspective to work experience. Results suggest that employees progress through at least four distinct career stages as they mature and gain experience. Each stage has unique concerns, needs, and challenges.
1. The establishment stage (ages 21-26 years). This phase is the outset of a career when people are generally uncertain about their competence and potential. They are dependent on others, especially bosses and more experienced employees, for guidance, support, and feedback. At this stage, people are making initial choices about committing themselves to a specific career, organization, and job. They are exploring possibilities while learning about their own capabilities.
2**. The advancement stage (ages 26-40 years).** During this phase, employees become independent contributors who are concerned with achieving and advancing in their chosen careers. They have typically learned to perform autonomously and need less guidance from bosses and closer ties with colleagues. This settling-down period also is characterized by attempts to clarify the range of long-term career options.
3. The maintenance stage (ages 40-60 years). This phase involves leveling off and holding on to career successes. Many people at this stage have achieved their greatest advancements and are now concerned with helping less-experienced subordinates. For those who are dissatisfied with their career progress, this period can be conflictual and depressing, as characterized by the term "midlife crisis." People often reappraise their circumstances, search for alternatives, and redirect their career efforts. Success in these endeavors can lead to com inning growth, whereas failure can lead to early decline.
4. The withdrawal stage (ages 60 years and above). This final stage is concerned with leaving a career. It involves letting go of organizational attachments and getting ready for greater leisure time and retirement. The employee's major contributions are imparting knowledge and experience to others. For those people who are generally satisfied with their careers, this period can result in feelings of fulfillment and a willingness to leave the career behind.
The different career stages represent a broad developmental perspective on people's jobs. They provide insight about the personal and career issues that people are likely to face at different career phases. These issues can be potential sources of stress. Employees are likely to go through the phases at different rates, and to experience personal and career issues differently at each stage. For example, one person may experience the maintenance stage as a positive opportunity to develop less-experienced employees; another person may experience the maintenance stage as a stressful leveling off of career success.

Career Planning:
Career planning involves setting individual career objectives. It is highly personalized and generally includes assessing one's interests, capabilities, values, and goals; examining alternative careers; making decisions that may affect the current job; and planning how to progress in the desired direction. This process results in people choosing occupations, organizations, and jobs. It determines, for example, whether individuals will accept or decline promotions and transfers and whether they will stay or leave the company for another job or for retirement.
The four career stages can be used to make career planning more effective. Table 18.1 shows the different career stages and the career planning issues relevant at each phase. Applying the table to a particular employee involves first diagnosing the person's existing career stage—establishment, advancement, maintenance, or withdrawal. Next, available career planning resources are used to help the employee address pertinent issues. Career planning programs include some or all of the following resources:

- Communication about career opportunities and resources available to employees within the organization
- Workshops to encourage employees to assess their interests, abilities, and job situations and to formulate career development plans
- Career counseling by managers or human resources personnel
- Self-development materials, such as books, videotapes, and other media, directed toward identifying life and career issues
- Assessment programs that provide various tests of vocational interests, aptitudes, and abilities relevant to setting career goals.

Application 9 describes the career planning resources available at Pacific Bell. It provides an example of the range of resources that can be provided and how these programs can be implemented flexibly.
According to Table 19, employees who are just becoming established in careers can be stressed by concerns for identifying alternatives, assessing their interests and capabilities, learning how to perform effectively,

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and finding out how they are doing. At this stage, the company should provide considerable communication and counseling about available career paths and the skills and abilities needed to progress in them. Workshops, self-development materials, and assessment techniques should be aimed at helping employees assess their interests, aptitudes, and capabilities and at linking that information to possible careers and jobs. Considerable attention should be directed to giving employees continual feedback about job performance and to counseling them about how to improve it. The supervisor-subordinate relationship is especially important for these feedback and development activities.

People at the advancement stage are mainly concerned with getting ahead, discovering long-term career options, and integrating career choices, such as transfers or promotions, with their personal lives. Here, the company should provide employees with communication and counseling about challenging assignments and

Table 19

Career Stages and Career Planning Issues

Career Stage	Career-Planning Issues
Establishment	What are alternative occupations, organizations and jobs? What are my interests and capabilities? How do I get the work accomplished? Am I performing as expected? Am I developing he necessary skills for advancement?
Advancement	Am I advancing as expected? How can I advance more effectively? What long-term options are available? How do I get more exposure and visibility? How do I develop more effective peer relationship? How do I better integrate career choices with my personal life?
Maintenance	How do I help others become established and advance? Should I reassess myself and my career? Should I redirect my action?
Withdrawal	What are my interests outside of work? What postretirement work options are available to me? How can I be financially secure? How can I continue to help others?

Application 9: Career Planning Centers at Pacific Bell

Pacific Bell, a Pacific Telesis company, provides local telephone products and services to residential and business customers throughout California. The company operates ten career centers, each managed by an on-site career development specialist with at least ten months of intensive on-the-job training. In addition, the company operates two mobile vans that serve the career needs of employees in outlying areas.

Employees come to the center on their own or may be referred by their managers or a medical health services counselor. Their visits are completely confidential.

Each center has a reference library of print, audio, and video resources on career planning, retirement planning, job titles, and corporate culture. Employees have access to the company's job posting systems and computerized, self-guided career-life planning programs. All of the center's resources are linked to the corporate business plan. The center's staff also provides workshops on resume writing, interviewing, group interpretation of career assessments, and career planning.

An employee can make an appointment with the career development specialist who will help him or her examine personal skills, interests, abilities, and values and identify appropriate career choices. The counseling process helps the worker answer the questions, "Who am 1? How am I seen? Where do I want to go? How do I get there?"

The specialist will help employees research career options within the company or outside, if necessary, and to appraise their skills and abilities realistically against the job requirements. Personal issues affecting career options are considered and incorporated into each employee's individualized plan. Specialists also provide ongoing support while employees are making job changes and transitions.

Brian Cowgill, the career counselor who provides clinical supervision to the northern California centers, says that the centers were created in response to Pacific Bell's strategic changes as well as to changes in the work environment and employees' values and needs. "Pacific Bell has changed its corporate mission to be more focused on the customer," says Cowgill. "As a result, job descriptions and job duties have changed

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for many employees. They are challenged to examine their interests and abilities in order to keep up with the changing work environment."
In addition, employee values have shifted. For example, younger employees are challenging old assumptions about work and are feeling the need to explore all the options open to them. Employee loyalty and commitment are low, especially among the newly hired who have highly sought skills and knowledge. A flattening of organizational structures leaves these employees with fewer opportunities for upward advancement, and they are actively making themselves available to the highest bidder. The career centers enable these employees to discover how best to use their skills and abilities.

possibilities for more exposure and demonstration of skills. It should help clarify the range of possible long-term career options and provide members with some idea about where they stand in achieving them. Workshops, developmental materials, and assessment methods should be aimed at helping employees develop wider collegial relationships, join with effective mentors and sponsors, and develop more creativity and innovation. These activities also should help people assess both career and personal life spheres and integrate them more successfully.
At the maintenance stage, individuals are concerned with helping newer employees become established and grow in their careers. This phase also may involve a reassessment of self and career and a possible redirection to something more rewarding. The firm should provide individuals with communications about the broader organization and how their roles fit into it. Workshops, developmental materials, counseling, and assessment techniques should be aimed at helping employees to assess and develop skills in order to train and coach others. For those experiencing a midlife crisis, career planning activities should be directed at helping them to reassess their circumstances and to develop in new directions. Midlife crises generally are caused by perceived threats to people's career or family identities. Career planning should help people deal effectively with identity issues, especially in the context of an ongoing career. This may include workshops and close interpersonal counseling to help people confront identity issues and reorient their thinking about themselves in relation to work and family. These activities also might help employees deal with the emotions evoked by a midlife crisis and develop the skills and confidence to try something new.
Employees who are at the withdrawal stage can experience stress about disengaging from work and establishing a secure leisure life. Here, the company should provide communications and counseling about options for postretirement work and financial security, and it should convey the message that the employee's experience in the organization is still valued. Retirement planning workshops and materials can help employees gain the skills and information necessary to make a successful transition from work to non work life. They can prepare people to shift their attention away from the organization to other interests and activities.
Effective career planning and development requires a comprehensive program integrating both corporate business objectives and employee career needs. This is accomplished through human resources planning aimed at developing and maintaining a workforce to meet business objectives. It includes recruiting new talent, matching people to jobs, helping them develop careers and perform effectively, and preparing them for satisfactory retirement. Career planning activities feed into and support career development and human resources planning activities.

Career Development:

Career development helps individuals achieve their career objectives. It follows closely from career planning and includes organizational practices that help employees implement those plans. These may include skill training, performance feedback and coaching, planned job rotation, mentoring, and continuing education.
Career development can be integrated with people's career needs by linking it to different career stages. As described earlier, employees progress through distinct career stages, each with unique issues relevant to career planning: establishment, advancement, maintenance, arid withdrawal. Career development interventions help members implement these plans. Table 20 identifies career development interventions, lists the career stages to which they are most relevant, and defines their key purposes and intended outcomes. It shows that career development practices may apply to one or more career stages. Performance feedback and coaching, for example, are relevant to both the establishment and advancement stages. Career development interventions also can serve a variety of purposes, such as helping members identify a career path or providing feedback on career progress and work effectiveness. They can contribute to different organizational outcomes such as lowering turnover and costs and enhancing member satisfaction.
Career development interventions traditionally have been applied to younger employees who have a longer time period to contribute to the firm than do older members. Managers often stereotype older employees as being less

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Table 20

Career Development Interventions			
Intervention	**Career Stage**	**Purpose**	**Intended outcomes**
Realistic job preview	Establishment Advancement	to provide members with an accurate expectation of work requirements	Reduce turnover Reduce training costs Increase commitment Increase job satisfaction
Job pathing	Establishment Advancement	To provide members with a sequence of work assignments leading to a career objective	Reduce turnover Build organizational knowledge
Performance feedback and coaching	Establishment Advancement	To provide members with knowledge about their career progress and work effectiveness	Increase productivity Increase job satisfaction Monitor human resources development
Assessment centers	Establishment Advancement	To select and develop members for managerial and technical jobs	Increase person-job fit Identify high-potential candidates
Mentoring	Establishment Advancement Maintenance	To link a less-experienced member with a more-experienced member for member development	Increase job satisfaction Increase member motivation
Developmental training	Establishment Advancement Maintenance	To provide education and training opportunities that help members achieve career goals	Increase organizational capability
Work-life balance planning	Establishment Advancement Maintenance	To help members balance work and personal goals	Improve quality of life Increase productivity
Job rotation and challenging assignments	Advancement Maintenance	To provide members with interesting work	Increase job satisfaction Maintain member motivation
Dual-career accommodations	Advancement Maintenance	To assist members with significant others to find satisfying work assignments	Attract and retain high-quality members Increase job satisfaction
Consultative roles	Maintenance Withdrawal	To help members fill productive roles later in their careers	Increase problem-solving capacity Increase job satisfaction
Phased retirement	Withdrawal	To assist members in moving into retirement	Increase job satisfaction Lower stress during transition

creative, alert, and productive than younger workers and consequently provide them with less career development support.[10] Similarly, Table 20 suggests that the OD field has been relatively lax in developing methods for helping older members cope with the withdrawal stage because only two of the eleven interventions presented there apply to the withdrawal stage—consultative roles and phased retirement. This relative neglect can be expected to change in the near future; however, as the U.S. workforce continues to grey. To sustain a highly committed and motivated workforce, organizations increasingly will have to address the career needs of older employees. They will have to recognize and reward the contributions that older workers make to the company. Workforce diversity interventions, discussed later in this chapter, are a positive step in that direction.

Realistic Job Preview:

This intervention provides organization members with realistic expectations about the job during the recruitment process. It provides recruits with information about whether the job is likely to be consistent

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with their needs and career plans. Such knowledge is especially useful during the establishment stage, when people are most in need of realistic information about organizations and jobs. It also can help employees during the advancement stage, when job changes are likely to occur because of promotion.
Research suggests that people may develop unrealistic expectations about the organization and job. They can suffer from "reality shock" when those expectations are not fulfilled and may leave the organization or stay and become disgruntled and unmotivated. To overcome these problems, organizations such as Texas Instruments, Prudential Insurance, and Johnson & Johnson provide new recruits with information about both the positive and negative aspects of the company and the job. They furnish recruits with booklets, talks, and site visits showing what organizational life is really like. Such information reduces the chances that employees will develop unrealistic job expectations and become disgruntled and leave the company. This can lead to reduced turnover and training costs, and increased organizational commitment and job satisfaction.

Job Pathing:
This intervention provides members with a carefully developed sequence of work assignments leading to a career objective, although the notion of a job path in the new economy is being challenged. It helps members in the establishment and advancement stages of their careers. Job pathing helps employees develop skills, knowledge, and competencies by performing jobs that require new skills and abilities. Research suggests that employees who receive challenging job assignments early in their careers do better in later jobs. Career pathing allows for a gradual stretching of people's talents by moving them through selected jobs of increasing challenge and responsibility. As a person gains experience and demonstrates competence in the job, she or he moves to another job with more advanced skills and knowledge. Performing well on one job increases the chance of being assigned to a more demanding job.
The keys to effective job pathing are to identify the skills an employee needs for a certain target job and then to lay out a sequence of interim jobs that will provide those experiences. The interim jobs should provide enough challenge to stretch a person's learning capacity without overwhelming the employee or withholding the target job too long. Some banks, for example, have used job pathing to provide employees with a specific series of jobs for learning how to become a branch manager. In one Los Angeles bank, the jobs in the path include teller, loan officer, credit manager, and commercial loan manager. Job pathing reduces turnover by offering opportunities for advancement. It also can build organizational knowledge. As employees advance along career paths, they gain skills and experience to resolve organizational problems, to assist in large-scale organization change, and to transfer their accumulated knowledge to new members.

Performance Feedback and Coaching:
One of the most effective interventions during the establishment and advancement phases includes feedback about job performance and coaching to improve performance. Employees need continual feedback about goal achievement as well as necessary support and coaching to improve their performances. Feedback and coaching are particularly relevant when employees are establishing careers. They have concerns about how to perform the work, whether they are performing up to expectations, and whether they are gaining the necessary skills for advancement. A manager can facilitate career establishment by providing feedback on performance, coaching, and on-the-job training. These activities can help

Application 10: Realistic job Preview at Nissan
James Mandelker had two minutes to grab fifty-five nuts, bolts, and washers; assemble them in groups of five; and attach them in order of size to a metal rack. But he fumbled nervously with several pieces and finished the task seconds after his allotted time. "I've got to get a little better at this, don't I?" he frowned, as he pulled the last of the fasteners out of a grimy plastic tray. His tester, Gloria Macaluso, encouraged him: "You're close. For the first night, you're probably doing a little better than normal."
James is trying to get a job at the Nissan Motor Manufacturing Corporation plant in Smyrna, Tennessee. The thirty-one-year-old department-store employee will be devoting seventy hours worth of his nights and weekends during the next few months doing similar exercises. James and about 270 other job seekers are participating in Nissan's preemployment program. In exchange for a shot at highly paid assembly-line jobs and Nissan's promise not to inform their employers, these moonlighters will work as many as 360 hours without being paid. They will be tested and instructed in employment fundamentals by the Japanese automaker. "We hope the process makes it plain to people what the job is," says Thomas P. Groom, Nissan's manager of employment. "It's an indoctrination process as well as a screening tool."
Not all participants are fully satisfied with the program. One candidate who works as a machine adjuster at an envelope factory says the long pre-employment period "worries you, because you get your hopes up." And some candidates bemoan the lack of pay for their time. But many participants feel that the training and experience outweigh the unpaid work required to get hired. For one thing, they get a shot at some of the

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best-paying jobs in the state. If they are not hired, they can take elsewhere the skills they have learned there. Loraine Olsen, a press operator who went through the program, said, "It gave me a chance to see what Nissan expected of me without their having to make a commitment to me or me to them."

Employees get the job done while meeting their career development needs. Companies such as Intel and Monsanto, for example, use performance feedback and coaching for employee career development. They separate the career development aspect of performance appraisal from the salary review component, thus ensuring that employees' career needs receive as much attention as salary issues. Feedback and coaching interventions can increase employee performance and satisfaction, and provide a systematic way to monitor the development of human resources in the firm.

Assessment Centers:

This intervention was traditionally designed to help organizations select and develop employees with high potential for managerial jobs. More recently, assessment centers have been extended to career development and to selection of people to fit new work designs, such as self-managing teams. When used to evaluate managerial capability, assessment centers typically process twelve to fifteen people at a time and require them to spend two to three days on site. Participants are given a comprehensive interview, take several tests of mental ability and knowledge, and participate in individual and group exercises intended to simulate managerial work. An assessment team consisting of experienced managers and human resources specialists observes the behaviors and performance of each candidate. This team arrives at an overall assessment of each participant's managerial potential, including a rating on several items believed to be relevant to managerial success in the organization, and pass the results to management for use in making promotion decisions.

Assessment centers have been applied to career development as well, where the emphasis is on feedback of results to participants. Trained staff helps participants hear and understand feedback about their strong and weak points. They help participants become clearer about career advancement and identify training experiences and job assignments to promote that progress. When used for developmental purposes, assessment centers can provide employees with the support and direction needed for career development. They can demonstrate that the company is a partner rather than an adversary in that process. Although assessment centers can help people's careers at all stages of development, they seem particularly useful at the advancement stage, when employees need to assess their talents and capabilities in light of long-term career commitments. Research suggests that assessment centers can promote career advancement to the extent that participants are willing to work on the center's recommendations for development. When participants develop themselves in such areas as clarity about career motivation and ability to work with others, their probability of promotion increases.

Assessment centers are being used increasingly to select members for new work designs. They provide comprehensive information about how recruits are likely to perform in such settings, which can increase the fit between the employee and the job and consequently lead to higher levels of employee performance and satisfaction. Application 18.4 shows how such centers can be used for selection purposes in a team-based organization. It illustrates how this intervention can help organizations select the right people, shorten training cycles, and improve productivity.

Mentoring:

One of the most useful ways to help employees advance in their careers is sponsorship. This involves establishing a close link between a manager or someone more experienced and another organization member who is less experienced. Mentoring is a powerful intervention that assists members in the establishment, advancement, and maintenance stages of their careers. For those in the establishment stage, a sponsor or mentor takes a personal interest in the employee's career and guides and sponsors it. This ensures that a person's hard work and skill translate into actual opportunities for promotion and advancement. For older employees in the maintenance stage, mentoring provides opportunities to share knowledge and experience with others who are less experienced. Older managers may mentor younger employees who are in the establishment and advancement career stages. Mentors do not have to be the direct supervisors of the younger employees but can be hierarchically or functionally distant from them. Other mentoring opportunities include temporarily assigning veteran managers to newer managers to help them gain managerial skills and knowledge. For example, during the startup of a new manufacturing plant, the plant manager, who was in the advancement career stage, was assisted by a veteran with years of experience in manufacturing management. The veteran was temporarily located at the new plant to help the plant manager develop the skills and knowledge to get the plant operating and to manage it. Once a month, a consultant helped the two managers examine their relationship and set action plans for improving the mentoring process.

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Several of Boeing's divisions have well-developed mentoring processes. High-potential members are identified and paired with a corporate manager who volunteers to be a mentor. The mentor helps the employee gain the skills, experience, and visibility necessary for advancement in the company. Senior executives strongly support the mentoring program and believe that it is necessary for managerial success. They believe that "mentoring improves the pool of talent for management and technical jobs and helps to shape future leaders. It is also an effective vehicle for moving knowledge through the organization from the people who have the most experience.

Application 11: Assessment Center for Employee Selection at Hamilton-Standard

The Hamilton-Standard Commercial Aircraft Electronics Division of United Technologies manufactures environmental and jet engine control systems for commercial aerospace applications. In 1991, the division moved to Colorado Springs when it was awarded a contract on the Boeing 777. To achieve demanding standards of quality, cost, and time, Hamilton-Standard used a high-involvement work design. This design included a relatively flat hierarchy and self-managed work teams composed of members who were certified in a variety of technical, business, and interpersonal skills. The teams were highly flexible and able to follow the product through all areas of production. Although a number of workers, staff members, and managers moved with the division to Colorado Springs, the increased scale of operations needed for the Boeing contract required hiring and training a large number of new team members over the next eighteen to twenty-four months—a daunting task in a new geographic location.

To find the right people for the team-based structure, Hamilton-Standard created an assessment center. It was run by division personnel, including existing team members, staff, and managers, who underwent extensive training to learn how to review resumes, conduct interviews, and assess experiential exercises. The assessment center included a number of activities aimed at evaluating the ability of job applicants to work in teams, make decisions, and learn new skills.

Preliminary assessment began with an information session for candidates who submitted resumes to the division. Groups of about 150 applicants engaged in an interactive, two-hour meeting that addressed the firm's products and expectations for new employees. Candidates also discovered what they could expect from Hamilton-Standard in terms of compensation, benefits, work environment, and developmental opportunities. At the end of the session, participants were invited to complete formal job applications, which subsequently were reviewed to identify high-potential candidates who would be asked to participate in the center's evaluation process.

The assessment center was designed to evaluate sixty-five to seventy candidates in a single day—typically a Saturday, to accommodate recruits who were employed elsewhere. In the week before they attended the center, candidates completed a battery of tests that measured generic work skills, social competence, and mathematical knowledge. These assessments helped Hamilton-Standard identify applicants' strengths and weaknesses and became part of the data subsequently used to accept or reject candidates.

At the assessment center, candidates underwent two interviews—one oriented to technical competence and the other to business knowledge. They also participated in a team-consensus exercise aimed at assessing team skills and decision-making capability. The technical interview presented candidates with a flowchart of the manufacturing process and asked them to identify areas in which they could add value. Their responses enabled interviewers to assess technical depth and breadth, ability to learn, and desire to be cross-functional. The business interview evaluated candidates' understanding of material flow processes, configuration management, computers, finance, and human resources practices. In the consensus exercise, participants worked in small teams to build a model airplane. Their behaviors were observed and assessed on such team-performance criteria as participation, support of the process, interpersonal skills, quality of thought, and flexibility.

At the conclusion of the assessment center activities, results of the tests, interviews, and exercise were entered into a spreadsheet to facilitate comparison among candidates and to help focus selection decisions. Evaluators then met as a team to examine the records, to discuss each candidate, and to make final selections. Consistent with Hamilton-Standard's team-based culture, all hiring decisions were made by group consensus.

The assessment center enabled Hamilton-Standard to recruit extremely capable people who fit well with a team-based work structure. In less than two years, the division was able to hire, train, and retain a talented, cross-functional workforce with certified skills covering more than fifty-two areas. To date, the teams have been effective at improving customer-acceptance rates while lowering costs, thus making Hamilton-Standard a highly competitive supplier of aerospace electronics.

Research suggests that mentoring is relatively prevalent in organizations. A survey of 1,250 top executives showed that about two-thirds had a mentor or sponsor during their early career stages, when learning, growth, and advancement were most prominent. The executives reported that effective mentors were

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willing to share knowledge and experience, were knowledgeable about the company and the use of power, and were good counselors. In contrast to executives who did not have mentors, those having them received slightly more compensation, had more advanced college degrees, had engaged in career planning prior to mentoring, and were more satisfied with their careers and their work.
Although research shows that mentoring can have positive outcomes, artificially creating such relationships when they do not occur naturally is difficult. Some organizations have developed workshops in which managers are trained to become effective mentors. Others, such as IBM and AT&T, include mentoring as a key criterion for paying and promoting managers. In a growing number of cases, companies are creating special mentoring programs for women and minorities who have traditionally had difficulties cultivating developmental relationships.

Developmental Training:
This intervention helps employees gain the skills and knowledge for training and coaching others. It may include workshops and training materials oriented to human relations, communications, active listening, and mentoring. It can also involve substantial investments in education, such as tuition reimbursement programs that assist members in achieving advanced degrees. Developmental training interventions generally are aimed at increasing the organization's reservoir of skills and knowledge. This enhances its capability to implement personal and organizational strategies.
A large number of organizations offer developmental training programs, including Procter & Gamble, Cisco Systems, IBM, and Hewlett-Packard. Many of these efforts are directed at mid-career managers who generally have good technical skills but only rudimentary experience in coaching others. In-house developmental training typically involves preparatory reading, short lectures, experiential exercises, and case studies on such topics as active listening, defensive communication, personal problem solving, and supportive relationships. Participants may be videotaped training and coaching others, and the tapes may be reviewed and critiqued by participants and staff. Classroom learning is often rotated with on-the-job experiences, and there is considerable follow-up and recycling of learning. Numerous consulting firms also offer workshops and structured learning materials on developmental training, and an extensive practical literature exists in this area.

Work-Life Balance Planning:
This relatively new OD intervention helps employees better integrate and balance work and home life. Restructuring, downsizing, and increased global competition have contributed to longer work hours and more stress. Baby-boomers approaching fifty years of age and others are rethinking their priorities and seeking to restore some balance in a work-dominated life. Organizations, such as Corning Glass Works, Hewlett-Packard, Infonet, and the City of Phoenix, are responding to these concerns so they can attract, retain, and motivate the best workforce. More balanced work and family lives can benefit both employees and the company through increased creativity, morale, and effectiveness, and reduced turnover.
Work-life balance planning involves a variety of programs to help members better manage the interface between work and family. These include such organizational practices as flexible hours, job sharing, and day care, as well as interventions to help employees identify and achieve both career and family goals. A popular program is called middlaning, a metaphor for a legitimate, alternative career track that acknowledges choices about living life in the "fast lane Middlaning helps people redesign their work and income-generating activities so that more time and energy are available for family and personal needs. It involves education in work addiction, guilt, anxiety, and perfectionism; skill development in work contract negotiation; examination of alternatives such as changing careers, freelancing, and entrepreneuring; and exploration of options for controlling financial pressures by improving income/expense ratios, limiting "black hole" worries such as college tuition for children and retirement expenses, and replacing financial worrying with financial planning. Because concerns about work-life balance are unlikely to abate and may even increase in the near future, we can expect requisite OD interventions, such as middlaning, to proliferate throughout the public and private sectors.

Job Rotation and Challenging Assignments:
The purpose of these interventions is to provide employees with the experience and visibility needed for career advancement or with the challenge needed to revitalize a stagnant career at the maintenance stage. Unlike job pathing, which specifies a sequence of jobs to reach a career objective, job rotation and challenging assignments are less planned and may not be as oriented to promotion opportunities.

Members in the advancement stage may be moved into new job areas after they have demonstrated competence in a particular work specialty. Companies such as Corning Glass Works, Hewlett-Packard, American Crystal Sugar Company, and Fidelity Investments identify "comers" (managers under forty years

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old with potential for assuming top management positions) and "hipos" (high-potential candidates) and provide them with cross-divisional job experiences during the advancement stage. These job transfers provide managers with a broader range of skills and knowledge as well as opportunities to display their managerial talent to a wider audience of corporate executives. Such exposure helps the organization identify members who are capable of handling senior executive responsibilities; it helps the members decide whether to seek promotion to higher positions or to particular departments. To reduce the risk of transferring employees across divisions or functions, some firms, such as Procter & Gamble, Heublein, and Continental Can, have created "fallback positions. These jobs are identified before the transfer, and employees are guaranteed that they can return to them without negative consequences if the transfers or promotions do not work out. Fallback positions reduce the risk that employees in the advancement stage will become trapped in a new job assignment that is neither challenging nor highly visible in the company.

In the maintenance stage, challenging assignments can help revitalize veteran employees by providing them with new challenges and opportunities for learning and contribution. Research on enriched jobs suggests that people are most responsive to them during the first one to three years on a job, when enriched jobs are likely to be seen as challenging and motivating. People who have leveled off and remain on enriched jobs for three years or more tend to become unresponsive to them. They are no longer motivated and satisfied by jobs that may no longer seem enriched. One way to prevent this loss of job motivation, especially among mid-career employees who are likely to remain on jobs for longer periods of time than people in the establishment and advancement phases, is to rotate workers to new, more challenging jobs at about three-year intervals, or to redesign their jobs at those times. Such job changes would keep employees responsive to challenging jobs and sustain motivation and satisfaction during the maintenance phase.

A growing body of research suggests that "plateaued employees" (those with little chance of further advancement) can have satisfying and productive careers if they accept their new role in the company and are given challenging assignments with high performance standards. Planned rotation to jobs requiring new skills can provide that challenge. However, a firm's business strategy and humans resources philosophy must reinforce lateral (as opposed to strictly vertical) job changes if plateaued employees are to adapt effectively to their new jobs. Firms with business strategies emphasizing stability and efficiency of operations, such as the U.S. Post Office and McDonald's, are likely to have more plateaued employees at the maintenance stage than are companies with strategies promoting development and growth, such as Microsoft and Intel. The human resources systems of firms with stable growth strategies should be especially aimed at helping plateaued employees lower their aspirations for promotion and withdraw from the tournament mobility track. Moreover, such firms should enforce high performance standards so that high-performing plateaued employees (solid citizens) are rewarded, and low performers (deadwood) are encouraged to seek help or to leave the firm.

Dual-Career Accommodations:

These are practices for helping employees cope with the problems inherent in "dual careers"—that is, both the employee and a spouse or significant other pursuing full-time careers. Dual careers are becoming more prevalent as women increasingly enter the workforce. The U.S. Department of Labor reports that more than 80 percent of all marriages involve dual careers. Although these interventions can apply to all career stages, they are especially relevant during advancement. One of the biggest problems created by dual careers is job transfers, which are likely to occur during the advancement stage. Transfer to another location usually means that the working partner must also relocate. In many cases, the company employing the partner must either lose the employee or arrange a transfer to the same location. Similar problems can occur in recruiting employees. A recruit may not join an organization if its location does not provide career opportunities for the partner.

Because partners' careers can affect the recruitment and advancement of employees, organizations are devising policies to accommodate dual-career employees. A survey of companies reported the following dual-career accommodations: recognition of problems in dual careers, help with relocation, flexible working hours, counseling for dual-career employees, family daycare centers, improved career planning, and policies making it easier for two members of the same family to work in the same organization or department. Some companies have also established cooperative arrangements with other firms to provide sources of employment for the other partner. General Electric, for example, has created a network with other firms to share information about job opportunities for dual-career couples.

Consultative Roles:

These provide late-career employees with opportunities to apply their wisdom and knowledge to helping others develop in their careers and solve organizational problems. Such roles, which can be structured around specific projects or problems, involve Offering advice and expertise to those responsible for resolving the issues. For example, a large aluminum forging manufacturer was having problems developing

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accurate estimates of the cost of producing new products. The sales and estimating departments lacked the production experience to make accurate bids for potential new business, thus either losing customers or losing money on products. The company temporarily assigned an old-line production manager who was nearing retirement to consult with the salespeople and estimators about bidding on new business. The consultant applied his years of forging experience to help the sales and estimating people make more accurate estimates. In about a year, the sales staff and estimators gained the skills and invaluable knowledge necessary to make more accurate bids. Perhaps equally important, the pre-retirement production manager felt that he had made a significant contribution to the company—something he had not experienced for years.

In contrast to mentoring roles, consultative roles are not focused directly on guiding or sponsoring younger employees' careers. They are directed at helping others deal with complex problems or projects. Similarly, in contrast to managerial positions, consultative roles do not include the performance evaluation and control inherent in being a manager. They are based more on wisdom and experience than on authority. Consequently, consultative roles provide an effective transition for moving pre-retirement managers into more support-staff positions. They free up managerial positions for younger employees while allowing older managers to apply their experience and skills in a more supportive and less threatening way than might be possible from a strictly managerial role.

When implemented well, consultative roles can increase the organization's problem-solving capacity. They enable experienced employees to apply their skills and knowledge to resolving important problems, and can increase members' work satisfaction in the maintenance or withdrawal career stages. They provide senior employees with meaningful work as they begin to move from the workforce to retirement.

Phased Retirement:

This provides older employees with an effective way of withdrawing from the organization and establishing a productive leisure life. It includes various forms of part-time work. Employees gradually devote less of their time to the organization and more time to leisure pursuits (which to some might include developing a new career). Phased retirement allows older employees to make a gradual transition from organizational to leisure life. It enables them to continue contributing to the firm while it gives them time to establish themselves outside of work. For example, people may use the extra time off work to take courses, to gain new skills and knowledge, and to create opportunities for productive leisure. IBM, for example, offers tuition rebates for courses on any topic taken within three years of retirement. Many IBM pre-retirees have used this program to prepare for second careers.

Equally important, phased retirement lessens the reality shock often experienced by those who retire all at once. It helps employees grow accustomed to leisure life and withdraw emotionally from the organization. A growing number of companies have some form of phased retirement.

Organization Decline and Career Halt:

Decreasing and uneven demand for products and services; growing numbers of mergers, acquisitions, divestitures, and failures; and increasing restructurings to operate leaner and more efficiently have resulted in layoffs, reduced job opportunities, and severe career disruptions for a large number of managers and employees.

People inevitably experience a halt in their career development and progression, resulting in dangerous increases in personal stress, financial and family disruption, and loss of self-esteem. Fortunately, a growing number of organizations are managing decline in ways that are effective for both the organization and the employee.

Organizations have also developed human resources practices for managing decline in those situations where layoffs are unavoidable, such as plant closings, divestitures, and business failures. The following methods can help people deal more effectively with layoffs and premature career halts:

- Equitable layoff policies spread throughout organizational ranks, rather than focused on specific levels of employees, such as shop-floor workers or middle managers
- Keeping people informed about organizational problems and possibilities of layoffs so that they can reduce ambiguity and prepare themselves for job changes
- Setting realistic expectations, rather than offering excessive hope and promises, so that employees can plan for the organization's future and for their own
- Generous relocation and transfer policies that help people make the transition to a new work situation
- Helping people find new jobs, including outplacement services and retraining
- Treating people with dignity and respect, rather than belittling or humiliating them because they are unfortunate enough to be in a declining business that can no longer afford to employ them.

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In today's environment, organization decline, downsizing, and restructuring will continue. OD practitioners are likely to become increasingly involved in helping people manage career dislocation and halt.

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Lesson # 41

Developing and Assisting Members

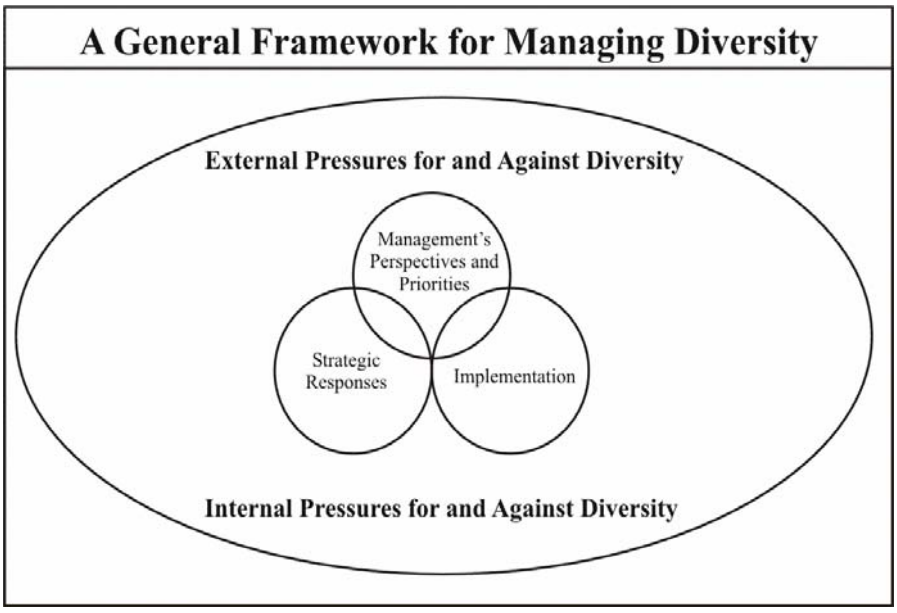
Workforce Diversity Interventions

Several profound trends are shaping the labor markets of modern organizations. Researchers suggest that contemporary workforce characteristics are radically different from what they were just twenty years ago. Employees represent every ethnic background and color; range from highly educated to illiterate; vary in age from eighteen, to eighty; may appear perfectly healthy or may have a terminal illness; may be single parents or part of dual-income, divorced, same-sex, or traditional families; and may be physically or mentally challenged.

Workforce diversity is more than a euphemism for cultural or ethnic differences. Such a definition is too narrow and focuses attention away from the broad range of issues that a diverse workforce poses. Diversity results from people who bring different resources and perspectives to the workplace and who have distinctive needs, preferences, expectations, and lifestyles.[42] Organizations must design human resources systems that account for these differences if they are to attract and retain a productive workforce and if they want to turn diversity into a competitive advantage.

Figure 55 presents a general framework for managing diversity in organizations.

Figure 55



First, the model suggests that an organization's diversity approach is a function of internal and external pressures for and against diversity. Pro-diversity forces argue that organization performance is enhanced when the workforce's diversity is embraced as an opportunity. But diversity is often discouraged by those who fear that too many perspectives, beliefs, values, and attitudes dilute concerted action.

Second, management's perspective and priorities with respect to diversity can range from resistance to active learning and from marginal to strategic. For example, organizations can resist diversity by implementing only legally mandated policies such as affirmative action, equal employment opportunity, or Americans with Disabilities Act requirements. On the other hand, a learning and strategic perspective can lead management to view diversity as a source of competitive advantage. For example, a health-care organization with a diverse customer base can improve perceptions of service quality with physician diversity.

Third, within management's priorities, the organization's strategic responses can range from reactive to proactive. Diversity efforts at Texaco and Denny's had little momentum until a series of embarrassing race-based events forced a response.

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Fourth, the organization's implementation style can range from episodic to systemic. A diversity approach will be most effective when the strategic responses and implementation style fit with management's intent and internal and external pressures.
Unfortunately, organizations have tended to address workforce diversity pressures in a piecemeal fashion; only 5 percent of more than fourteen hundred companies surveyed thought they were doing a "very good job" of managing diversity. As each trend makes itself felt, the organization influences appropriate practices and activities. For example, as the percentage of women in the workforce increased, many organizations simply added maternity leaves to their benefits packages; as the number of physically challenged workers increased and when Congress passed the Americans with Disabilities Act in 1990, organizations changed their physical settings to accommodate wheelchairs. Demographers warn, however, that these trends are not only powerful by themselves but will likely interact with each other to force organizational change. Thus, a growing number of organizations, such as MBNA Corporation, Lockheed Martin, the St. Paul Companies, Levi Strauss, Procter & Gamble, Monsanto, and Wisconsin Electric, are taking bolder steps. They are not only adopting learning perspectives with respect to diversity, but systemically weaving diversity-friendly values and practices into the cultural fabric of the organization.
Many of the QD interventions described in this book can be applied to the strategic responses and implementation of workforce diversity, as shown in Table 21. It summarizes several of the internal and external pressures facing organizations, including age, gender, disability, culture and values, and sexual orientation. The table also reports the major trends characterizing those dimensions, organizational implications and workforce needs, and specific OD interventions that can address those implications.

Age
The average age of the U.S. workforce is rising and changing the distribution of age groups. Between 1998 and 2008, the category of workers aged twenty-five to fifty-four years will grow 5.5 percent and the fifty-five and over age category is expected to increase almost 48 percent. This skewed distribution is mostly the result of the baby boom between 1946 and 1964. As a result, organizations will face a predominantly middle-aged and older workforce. Even now, many organizations are reporting that the average age of their workforce is over forty. Such a distribution will place special demands on the organization.
For example, the personal needs and work motivation of the different cohorts will require differentiated human resources practices. Older workers place heavy demands on health-care services, are less mobile, and will have fewer career advancement opportunities. This situation will require specialized work designs that account for physical capabilities of older workers, career development activities that address and use their experience, and benefit plans that accommodate their medical and psychological needs. Demand for younger workers, on the other hand, will be intense. To attract and retain this more mobile group, jobs will have to be more challenging, advancement opportunities more prevalent, and an enriched quality of work life more common.
Organization development interventions, such as work design, wellness programs (discussed below), career planning and development, and reward systems must be adapted to these different age groups. For the older employee, work designs can reduce the physical components or increase the knowledge and experience components of a job. At Builder's Emporium, a chain of home improvement centers, the store clerk job was redesigned to eliminate heavy lifting by assigning night crews to replenish shelves and emphasizing sales ability instead of strength. Younger workers will likely

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Table 21

Workforce Diversity Dimensions and Intervention			
Work force Difference	**Trends**	**Implications And Needs**	**Interventions**
Age	Median age up distribution of ages changes	Health care mobility security	Wellness program job design Career planning and development reward system
Gender	Percentage of women increases Dual income families	Child Care Maternity/paternity leave single parents	Job design Fringe benefits Rewards
Disability	The number of people with disabilities entering the workforce increasing	Job challenge Job skills Physical space Respect and dignity	Performance management Job design Career planning and development
Culture and Values	Rising proportion of immigrant and minority group workers shift in rewards	Flexible organizational policies Autonomy Affirmation Respect	Career planning and development Employee involvement Reward system
Sexual orientation	Number of single sex households up More liberal Attitude towards sexual orientation	Discrimination	Equal employment Opportunities Fringe benefits Education and training

Require more challenge and autonomy. Wellness programs can be used to address the physical and mental health of both generations. Career planning and development programs will have to recognize the different career stages of each cohort and offer resources tailored to that stage. Finally, reward system interventions may offer increased health benefits, time off, and other perks for the older worker while using promotion, ownership, and pay to attract and motivate the scarcer, younger workforce.

Gender

Another important trend is the increasing percentage of female workers in the labor force. By the year 2008, almost 48 percent of the U.S. workforce will be women, and they will represent more than half of the new entrants between 1998 and 2008. The organizational implications of these trends are sobering. Three-quarters of all working women are in their childbearing years, and more than half of all mothers work. Health-care costs will likely increase at even faster rates, and costs associated with absenteeism and turnover will rise. In addition, demands for child care, maternity and paternity leaves, and flexible working arrangements will place pressure on work systems to maintain productivity and teamwork. From a management perspective, there will be more men and women working together as peers, more women entering the executive ranks, greater diversity of management styles, and changing definitions of managerial success.

Work design, reward systems, and career development are among the more important interventions for addressing issues arising out of the gender trend. For example, jobs can be modified to accommodate the special demands of working mothers. A number of organizations, such as Digital Equipment, Steel case, and Hewlett-Packard, have instituted job sharing, by which two people perform the tasks associated with one job. The firms have done this to allow their female employees to pursue both family and work careers.

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Reward system interventions, especially fringe benefits, can be tailored to offer special leaves to mothers and fathers, child-care options, flexible working hours, and health and wellness benefits. Career development interventions help maintain, develop, and retain a competent and diverse workforce. Organizations such as Polaroid, Hoechst Celanese, and Ameritech have instituted job pathing, challenging assignments, and mentoring programs to retain key female members.

Disability

A third trend is the increasing number of men and women with disabilities entering the workforce. The workforce of the twenty-first century will comprise people with a variety of physical and mental disabilities. For example, the high school dropout rate has remained above 4 percent throughout the 1990s, and approximately 21 percent of the population over age 16 have only rudimentary reading and writing skills. In a world of knowledge work, the lack of education or an inability to learn is a profoundly debilitating condition. More and more organizations will employ physically handicapped people, especially as the number of younger workers declines, creating a great demand for labor. In 1990, the federal Americans with Disabilities Act banned all forms of discrimination on the basis of physical or mental disability in the hiring and promotion process. It also required many organizations to modify physical plants and office buildings to accommodate people with disabilities.

The organizational implications of the disability trend represent both opportunity and adjustment. The productivity of physically and mentally disabled workers often surprises managers, and training is required to increase managers' awareness of this opportunity. Employing disabled workers, however, also means a need for more comprehensive health care, new physical workplace layouts, new attitudes toward working with the disabled and challenging jobs that use a variety of skills.

OD interventions, including work design, career planning and development, and performance management, can be used to integrate the disabled into the workforce. For example, traditional approaches to job design can simplify work to permit physically handicapped workers to complete an assembly task. Career planning and development programs need to focus on making disabled workers aware of career opportunities. Too often, these employees do not know that advancement is possible, and they are left feeling frustrated. Career tracks need to be developed for these workers.

Performance management interventions, including goal setting, monitoring, and coaching performance, aligned with the workforce's characteristics are important. At Blue Cross and Blue Shield of Florida, for example, a supervisor learned sign language to communicate with a deaf employee whose productivity was low but whose quality of work was high. Two other deaf employees were transferred to that supervisor's department, and over a two-year period, the performance of the deaf workers improved 1,000 percent with no loss in quality.

Culture and Values

Cultural diversity has broad organizational implications. Different cultures represent a variety of values, work ethics, and norms of correct behavior. Not all cultures want the same things from work, and simple, piecemeal changes in specific organizational practices will be inadequate if the workforce is culturally diverse. Management practices will have to be aligned with cultural values and support both career and family orientations. English is a second language for many people, and jobs of all types (processing, customer contact, production, and so on) will have to be adjusted accordingly. Finally, the organization will be expected to satisfy both extrinsic and monetary needs, as well as intrinsic and personal growth needs.

Several planned change interventions, including employee involvement, reward systems, and career planning and development, can be used to adapt to cultural diversity. Employee involvement practices can be adapted to the needs for participation in decision making. People from certain cultures, such as Scandinavia, are more likely to expect and respond to high-involvement policies; other cultures, such as Latin America, view participation with reservation. Participation in an organization can take many forms, from suggestion systems and attitude surveys to high-involvement work designs and performance management systems. Organizations can maximize worker productivity by basing the amount of power and information workers have on cultural and value orientations.

Reward systems can focus on increasing flexibility. For example, flexible working hours that permit employees to arrive at and leave work within specified periods enable them to meet personal obligations without sacrificing organizational objectives. Many organizations have implemented this innovation, and most report that the positive benefits outweigh the costs. Work locations also can be varied. Many organizations (e.g., Pacific Telesis, Eddie Bauer, and Marriott) allow workers to spend part of their time telecommuting from home. Other flexible benefits, such as floating holidays, allow people from different cultures to match important religious and family occasions with work schedules.

Child-care and dependent-care assistance also support different lifestyles. For example, at Stride Rite Corporation, the Stride Rite Intergenerational Day Care Center houses fifty-five children between the ages

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of fifteen months and six years as well as twenty-four elders over sixty years old. The center was established after an organizational survey determined that 25 percent of employees provided some sort of elder care and that an additional 13 percent anticipated doing so within five years.
Finally, career planning and development programs can help workers identify advancement opportunities that are in line with their cultural values. Some cultures value technical skills over hierarchical advancement; others see promotion as a prime indicator of self-worth and accomplishment. By matching programs with people, job satisfaction, productivity, and employee retention can be improved.

Sexual Orientation

Finally, diversity in sexual and affectional orientation, including gay, lesbian, and bisexual individuals and couples, increasingly is affecting the way that organizations think about human resources.
The primary organizational implication of sexual orientation diversity is discrimination. People can have strong emotional reactions to sexual orientation. When these feelings interact with the gender, culture, and values trends described above, the likelihood of both overt and unconscious discrimination is high.
Interventions aimed at this dimension of workforce diversity are relatively new in OD and are being developed as organizations encounter sexual orientation issues in the workplace. The most frequent response is education and training. This intervention increases members' awareness of the facts and decreases the likelihood of overt discrimination. Human resources practices having to do with Equal Employment Opportunity (EEO) and fringe benefits also can help to address sexual orientation parity issues. Some organizations have modified their EEO statements to address sexual orientation. Firms such as Advanced Micro Devices, Fujitsu, Ben & Jerry's, and Dow Chemical have communicated strongly to members and outsiders that decisions with respect to hiring, promotion, transfer, and so on cannot (and will not) be made with respect to a person's sexual orientation. Similarly, organizations are increasingly offering domestic-partner benefit plans. Companies such as Microsoft, Apple, Lotus Development Corporation, and Inprise Borland have extended health-care and other benefits to the same-sex partners of their members. A 1992 Newsweek poll found that 78 percent of the respondents favored extending employee benefits to the domestic partners of lesbians and gay men.
Workforce diversity interventions are growing rapidly in OD. A national survey revealed that 75 percent of firms either have, or plan to begin, diversity efforts. Research suggests that diversity interventions are especially prevalent in large organizations with diversity-friendly senior management and human resources policies. Although existing evidence shows that diversity interventions are growing in popularity, there is still ambiguity about the depth of organizational commitment to such practices and their personal and organizational consequences. A great deal more research is needed to understand these newer interventions and their outcomes.

Employee Wellness Interventions

In the past decade, organizations have become increasingly aware of the relationship between employee wellness and productivity. The estimated cost to industry from stress-related ailments is more than $200 billion per year and is an increasingly global phenomenon. In the United Kingdom, stress and stress-related illness cost industry and taxpayers £12 billion each year. **Employee assistance programs** (EAPs) and stress management interventions have grown because organizations are taking more responsibility for the welfare of their employees. Companies such as Johnson & Johnson, Weyerhaeuser, Federal Express, Quaker Oats, GTE, and Abbott Laboratories are sponsoring a wide range of fitness and wellness programs.
In this section, we discuss two important wellness interventions—EAPs and stress management. EAPs are primarily reactive efforts that identify, refer, and treat employee problems (e.g., drug abuse, marital difficulties, or depression) that affect worker performance. Stress management, both proactive and reactive, is concerned with helping employees alleviate or cope with the negative consequences of stress at work.

Employee Assistance Programs

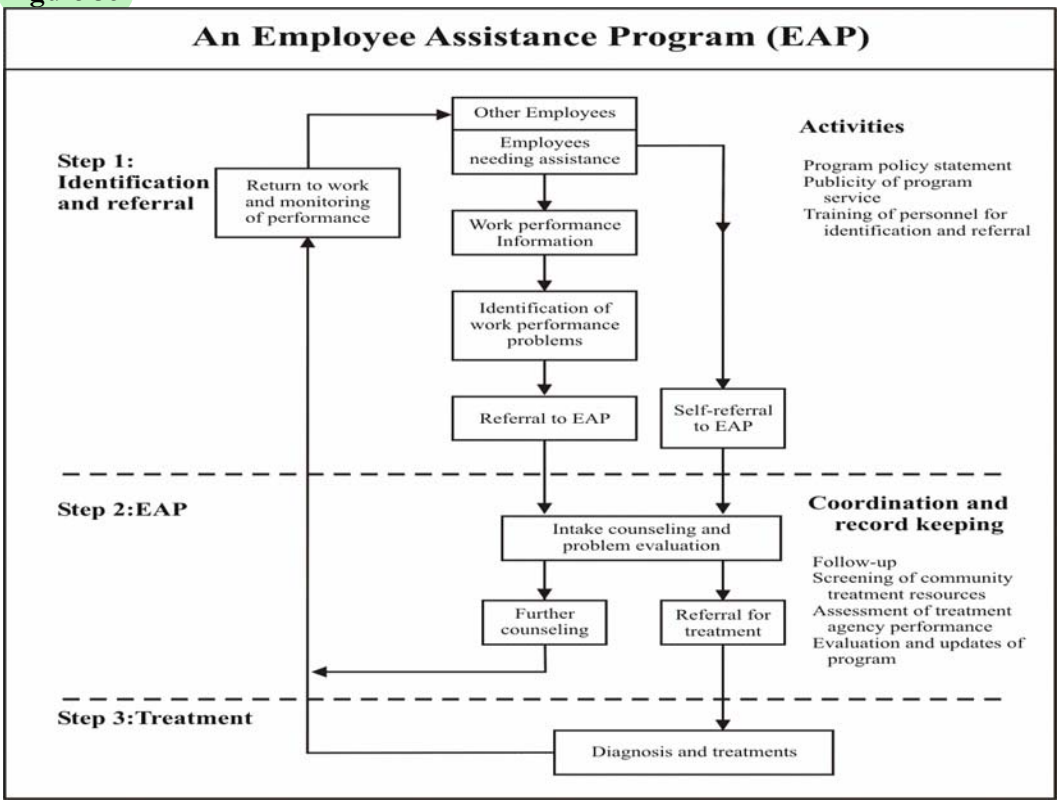
Forces affecting psychological and physical problems at the workplace are increasing. The 1992 National Household Survey on Drug Abuse reported that 66.5 percent of current illicit drug users then 18 years or older were working full- or part-time. Similarly, alcohol and other drug use costs U.S. business an estimated $102 billion per year in lost productivity, accidents, and turnover. Britain's Royal College of Psychiatrists suggested that up to 30 percent of employees in British companies would experience mental health problems and that 115 million workdays were lost each year as a result of depression. Other factors, too, have contributed to increased problems: altered family structures, the growth of single-parent households, the increase in divorce, greater mobility, and changing modes of child rearing are all fairly recent phenomena that have added to the stress experienced by employees. These trends indicate that an increasing number of employees need assistance with personal problems, and the research suggests that EAP use increases during downsizing and restructuring.

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EAPs help identify, refer, and treat workers whose personal problems affect their performance. Initially started in the 1940s to combat alcoholism, these programs have expanded to deal with emotional, family, marital, and financial problems, and, more recently, drug abuse. EAPs can be either broad programs that address a full range of issues or more focused programs dealing with specific problems, such as drug or alcohol abuse.

Central to the philosophy underlying EAPs is the belief that although the organization has no right to interfere in the private lives of its employees, it does have a right to impose certain standards of work performance and to establish sanctions when these are not met. Anyone whose work performance is impaired because of a personal problem is eligible for admission into an EAP program. Successful EAPs have been implemented at General Motors, Johnson & Johnson, Motorola, Burlington Northern Railroad, and Dominion Foundries and Steel Company. Although limited, some research has demonstrated that EAPs can positively affect

Figure 56



Absenteeism, turnover, and job performance. At AT&T, for example, fifty-nine employees who were close to losing their jobs were enrolled in an EAP and successfully returned to work. Hiring and training replacements would have been much more costly than the expense of the EAP.

The Employee Assistance Program Model

Figure 56 displays the components of a typical EAP. They include the identification and referral of employees into the program, management of the EAP process, and problem diagnosis and treatment.

1. **Identification and referral.** The first step in an EAP is entry into the program, through formal or informal referral. In the case of formal referrals, the process involves identifying employees who are having work performance problems and getting them to consider entering the EAP. Identifying these employees is closely related to the performance management process. Performance records need to be maintained and corrective action taken whenever performance falls below an acceptable standard. During action planning to improve performance, managers can point out to appraisers the existence of support services, such as the EAR. A formal referral takes place if the performance of an employee continues to deteriorate and the manager decides that EAP services are required. An informal referral occurs when an employee initiates admission to an EAP even though performance problems may not exist or may not have been detected.

As shown in Figure 56, several organizational activities support this initial step in the EAP process. First, a written policy with clear procedures regarding the EAP is necessary. Second, top management and the human resources department must publicly support the EAP, and publicity about the program should be

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well distributed. Third, training and development programs should equip supervisors to identify and document performance problems effectively, to carry out performance improvement action planning, and to develop appropriate methods for referring employees to the EAP. Finally, the confidentiality of employees using the program must be safeguarded to gain the support of the workforce.

2. **EAP office**. The second component of an EAP is the work performed in the program office, where people with problems are linked with treatment resources. The EAP office accepts an employee into the program, provides problem evaluation and initial counseling, refers the employee to treatment resources and agencies, monitors the employee's progress during treatment, and reintegrates the employee into the workforce. In some EAPs, especially in large organizations, the actual counseling and treatment resources are located in-house. In most EAPs, however, the employee is referred to outside agencies that contract with the organization to perform treatment services. In all cases, a clear procedure for helping the employee return to the workforce is crucial and must be managed to maintain confidentiality.

Good management is required for an effective EAP. For example, the program's relationship to disciplinary procedures must be clear. In some organizations, corrective actions are suspended if the employee seeks EAP help; in others, the two processes are not connected. Maintaining confidential records about treatment also is essential. In-house resources have the disadvantage of appearing to compromise this important program element, but they may offer some cost savings. If external treatment resources are used, care must be taken to screen and qualify those resources.

3. **Treatment**. The third EAP component is the treatment of the employee's problem. Potential resources include inpatient and outpatient care, social services, and self-help groups. The resources tapped by EAPs will vary from program to program.

Implementing an Employee Assistance Program

EAPs can be flexible and customized to fit various organizational philosophies and employee problems. Practitioners have suggested the following seven steps in establishing an EAP:

1. **Develop an EAP policy and procedure**. Establish specific guidelines concerning the EAP and its availability to employees and their families. Policies concerning confidentiality, disciplinary procedures, communication, training, and overall program philosophy should be included. Use senior management and union involvement (where appropriate) in developing the guidelines to elicit worker commitment.
2. **Select and train a program coordinator.** A person should be designated by the organization as the EAP coordinator. This person is responsible for overall coordination of program activities, such as training, handling program publicity, evaluating program activities, troubleshooting to ensure the quick resolution of problems, and providing ongoing program support.
3. **Obtain employee/union support for the EAR** Program effectiveness demands employee or union support for EAP implementation. Obtaining that support may require meeting with key employee or union representatives to get their input in defining significant features of the EAP, including office location, staffing, participation on an EAP advisory committee, and employee/union attendance at EAP training; to review significant policy and/or procedural components to ensure support; and to share endorsements from other organizations where EAPs have been implemented.
4. **Publicize the program.** Communicating about the EAP's availability and increasing employee awareness of its procedures, resources, and benefits should be a high priority. Both formal and informal referrals to the program assume that managers and employees are aware of its existence. If it is not well publicized or if people do not know how to contact the program office, then participation may be below expected levels.
5. **Establish relationships with health-care providers and insurers.** All applicable health insurance policies should be reviewed to determine coverage for mental health and chemical dependency treatment. Although most policies include this coverage, reimbursement procedures often vary. This information needs to be summarized for EAP users so that all parties are aware of potential costs and responsibilities. EAP staff should be prepared to advise employees seeking treatment about expected insurance coverage and any personal expenses related to treatment. Potential providers of EAP treatment services should be interviewed, screened, and selected, and appropriate procedures should be developed for making referrals and maintaining confidentiality.
6. **Schedule EAP training.** The legal climate surrounding EAPs, referrals, and employee discipline requires that EAP training methods and materials be up-to-date and accurate. Training should include role plays about handling difficult employees as well as methods for referring workers to the program.
7. **Continually administer and manage the plan.** A plan should be developed for reviewing program effectiveness. This typically involves auditing procedures, measuring system-user satisfaction, and determining whether treatment options should be added or deleted. Ongoing training of EAP staff also should occur, emphasizing the changing legal requirements of EAPs, new counseling or treatment options, organizational changes that may affect program use, and behaviors that focus on service quality.

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Stress Management Programs

Concern has been growing in organizations about managing the dysfunction caused by stress. Stress is linked to the following illnesses: hypertension, heart attacks, diabetes, asthma, chronic pain, allergies, headache, backache, various skin disorders, cancer, immune system weakness, and decreases in the number of white blood cells and changes in their function. It can also lead to alcoholism and drug abuse, two problems that are reaching epidemic proportions in organizations and society. For organizations, these personal effects can result in costly health benefits, absenteeism, turnover, and low performance. One study reported that one in three workers said they have thought about quitting because of stress; one in two workers said job stress reduced their productivity; and one in five workers said they took sick leave in the month preceding the survey because of stress. Another study estimates that each employee who suffers from a stress-related illness loses an average of sixteen days of work per year. Finally, the Research Triangle Institute estimated the annual cost to the U.S. economy from stress-related disorders at $187 billion. Other estimates are more conservative, but they invariably run into the billions of dollars.

Like other human resources management interventions, stress management is often facilitated by practitioners with special skills and knowledge—typically psychologists, physicians, and other health professionals specializing in work stress. Recently, some OD practitioners have gained competence in this area, and there has been a growing tendency to include stress management as part of larger OD efforts. The concept of stress is best understood in terms of a model that describes the organizational and personal conditions contributing to the dysfunctional consequences of stress. Two key types of stress management interventions may be used: those aimed at the diagnosis or awareness of stress and its causes, and those directed at changing the causes and helping people cope with stress.

Definition and Model

Stress refers to the reaction of people to their environments. It involves both physiological and psychological responses to environmental conditions, causing people to change or adjust their behaviors. Stress is generally viewed in terms of the fit of people's needs, abilities, and expectations with environmental demands, changes, and opportunities. A good person-environment fit results in positive reactions to stress; a poor fit leads to the negative consequences already described. Stress is generally positive when it occurs at moderate levels and contributes to effective motivation, innovation, and learning. For example, a promotion is a stressful event that is experienced positively by most employees. On the other hand, stress can be dysfunctional when it is excessively high (or low) or persists over a long period of time. It can overpower a person's coping abilities and cause physical and emotional exhaustion. For example, a boss who is excessively demanding and unsupportive can cause subordinates undue tension, anxiety, and dissatisfaction. Those factors, in turn, can lead to withdrawal behaviors, such as absenteeism and turnover; to ailments, such as headaches and high blood pressure; and to lowered performance. Situations in which there is a poor fit between employees and the organization produce negative stress consequences.

A tremendous amount of research has been conducted on the causes and consequences of work stress. Figure 57, a model summarizing stress relationships, identifies specific occupational stressors that may result in dysfunctional consequences. People's individual differences determine the extent to which the stressors are perceived negatively. For example, people with strong social support experience the stressors as less stressful than those who do not have such support. This greater perceived stress can lead to such negative consequences as anxiety, poor decision making, increased blood pressure, and low productivity.

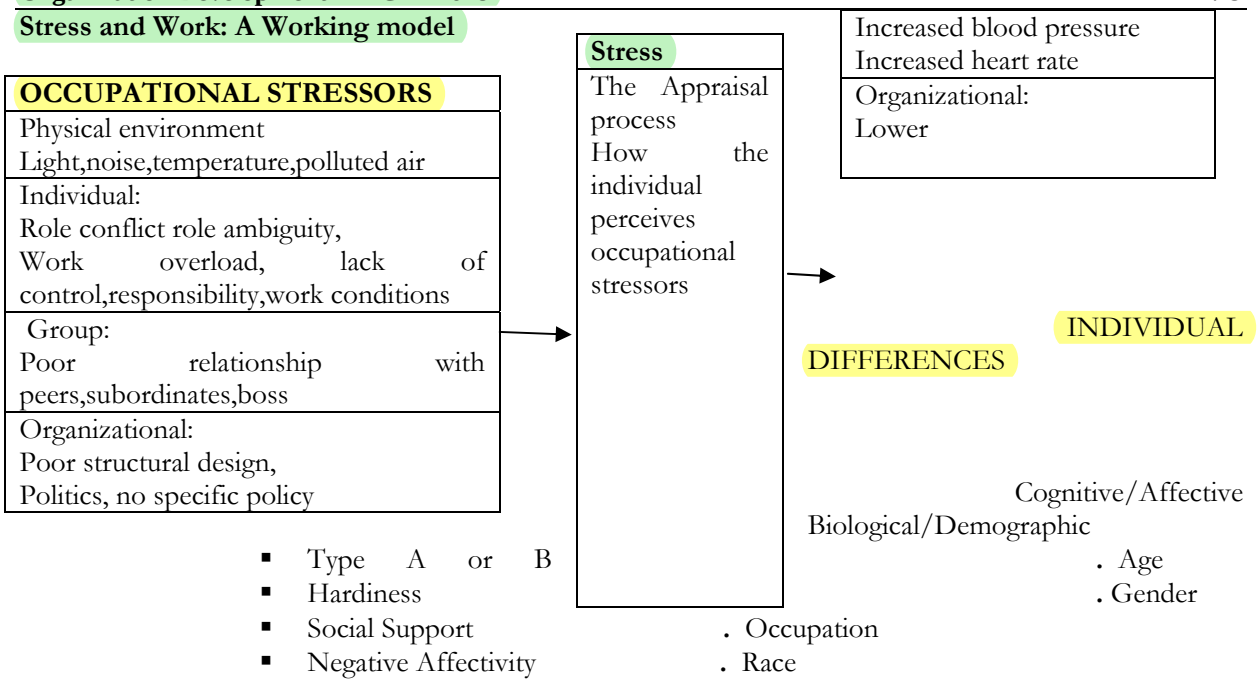
Figure 57

Consequences
Subjective: anxiety apathy
Behavioral Alcoholism Drug abuse Accident proneness
Cognitive Poor concentration Mental blocks burnout
Physiological:

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Stress and Work: A Working model



The stress model shows that almost any dimension of the organization (e.g., working conditions, structure, role, or relationships) can cause negative stress. This suggests that much of the material covered so far in this book provides knowledge about work-related stressors, and implies that virtually all of the OD interventions included in the book can play a role in stress management. Process consultation, third-party intervention, survey feedback, inter-group relations, structural design, employee involvement, work design, goal setting, reward systems, and career planning and development all can help alleviate stressful working conditions. Thus, to some degree stress management has been under discussion throughout this book. Here, the focus is on those occupational stressors and stress-management techniques that are unique to the stress field and that have received the most systematic attention from stress researchers.

Occupational Stressors. Figure 57 identifies several organizational sources of stress, including structure, role on the job, physical environment, and relationships. Extensive research has been done on three key organizational sources of stress: the individual items related to work overload, role conflict, and role ambiguity.

Work overload can be a persistent source of stress, especially among managers and white-collar employees having to process complex information and make difficult decisions. Quantitative overload consists of having too much to do in a given time period. Qualitative overload refers to having work that is too difficult for one's abilities and knowledge. A review of the research suggests that work overload is highly related to managers' needs for achievement and so it may be partly self-inflicted. Research relating workload to stress outcomes reveals that both too much and too little work can have negative consequences. Apparently, when the amount of work is in balance with people's abilities and knowledge, stress has a positive impact on performance and satisfaction, but when workload either exceeds employees' abilities (overload) or fails to challenge them (underload), people experience stress negatively. This negative experience can lead to lowered self-esteem and job dissatisfaction, nervous symptoms, increased absenteeism, and reduced participation in organizational activities.

People's roles at work also can be a source of stress. A role can be defined as the sum total of expectations that the individual and significant others have about how the person should perform a specific job. The employee's relationships with peers, supervisors, vendors, customers, and others can result in diverse expectations about how a particular role should be performed. The employee must be able to integrate these expectations into a meaningful whole to perform the role effectively. Problems arise when there is role ambiguity and the person does not clearly understand what others expect of her or him, or when there is role conflict and the employee receives contradictory expectations that cannot be satisfied at the same time.

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Extensive studies of role ambiguity and conflict suggest that both conditions are prevalent in organizations, especially among managerial jobs where clarity often is lacking and job demands often are contradictory. For example, managerial job descriptions typically are so general that it is difficult to know precisely what is expected on the job. Similarly, managers spend most of their time interacting with people from other departments, and opportunities for conflicting demands abound in these lateral relationships. Role ambiguity and conflict can cause severe stress, resulting in increased tension, dissatisfaction, and withdrawal, and reduced commitment and trust in others. Some evidence suggests that role ambiguity has a more negative impact on managers than does role conflict. In terms of individual differences, people with a low tolerance for ambiguity respond more negatively to role ambiguity than others do; introverts and people who are more flexible react more negatively to role conflict than others do.

Individual Differences. Figure 57 identifies several individual differences affecting how people respond to occupational stressors: hardiness, social support, age, education, occupation, race, negative affectivity, and Type A behavior pattern. Much research has been devoted to the Type A behavior pattern, which is characterized by impatience, competitiveness, and hostility. Type A personalities (in contrast to Type Bs) invest long hours working under tight deadlines. They put themselves under extreme time pressure by trying to do more and more work in less and less time. Type B personalities, on the other hand, are less hurried, aggressive, and hostile than Type As. Extensive research shows that Type A people are especially prone to stress. For example, a longitudinal study of thirty-five hundred men found that Type As had twice as much heart disease, five times as many second heart attacks, and twice as many fatal heart attacks as did Type Bs. Researchers explain Type A susceptibility to stress in terms of an inability to deal with uncertainty, such as might occur with qualitative overload and role ambiguity. To work rapidly and meet pressing deadlines, Type As need to be in control of the situation. They do not allocate enough time for unforeseen disturbances and consequently experience extreme tension and anxiety when faced with unexpected events. Unfortunately, the proportion of Type A managers in organizations may be quite large. One study showed that 60 percent of the managers were clearly Type A and only 12 percent were distinctly Type B. In addition, a short questionnaire measuring Type A behaviors and given to members of several MBA classes and executive programs has found that Type As outnumber Type Bs by about five to one. These results are not totally surprising because many organizations (and business schools) reward aggressive, competitive, workaholic behaviors. Indeed, Type A behaviors can help managers achieve rapid promotion in many companies. Ironically, however, those same behaviors may be detrimental to effective performance at top organizational levels where tasks and decision making require the kind of patience, tolerance for ambiguity, and attention to broad issues often neglected by Type As.

Diagnosis and Awareness of Stress and Its Causes

Stress management is directed at preventing negative stress outcomes either by changing the organizational conditions causing the stress or by enhancing employees' abilities to cope with them. This preventive approach starts from a diagnosis of the current situation, including employees' self-awareness of their own stress and its sources. This diagnosis provides the information needed to develop an appropriate stress management program. Two methods for diagnosing stress are the following:

Charting Stressors. Such charting involves identifying organizational and personal stressors operating in a particular situation. It is guided by a conceptual model like that shown in Figure 18.4, and it measures potential stressors affecting employees negatively. Data can be collected through questionnaires and interviews about environmental and personal stressors. Researchers at the University of Michigan's Institute for Social Research have developed standardized instruments for measuring most of the stressors shown in Figure 57. It is important to obtain perceptual measures because people's cognitive appraisal of the situation makes a stressor stressful. Most organizational surveys measure dimensions potentially stressful to employees, such as work overload, role conflict and ambiguity, promotional issues, opportunities for participation, managerial support, and communication. Similarly, there are specific instruments for measuring the individual differences, such as hardiness, social support, and Type A or B behavior pattern. In addition to perceptions of stressors, it is necessary to measure stress consequences, such as subjective moods, performance, job satisfaction, absenteeism, blood pressure, and cholesterol level. Various instruments and checklists have been developed for obtaining people's perceptions of negative consequences, and these can be supplemented with hard measures taken from company records, medical reports, and physical examinations. Once measures of the stressors and consequences are obtained, the two sets of data must be related to reveal which stressors contribute most to negative stress in the situation under study. For example, a relational analysis might show that qualitative overload and role ambiguity are highly related to employee fatigue, absenteeism, and poor performance, especially for Type A employees. This kind of information points to specific organizational conditions that must be improved to reduce

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stress. Moreover, it identifies the kinds of employees who may need special counseling and training in stress management.

Health Profiling. This method is aimed at identifying stress symptoms so that corrective action can be taken. It starts with a questionnaire asking people for their medical history; personal habits; current health; and vital signs, such as blood pressure, cholesterol level, and triglyceride levels. It also may include a physical examination if some of the information is not readily available. Information from the questionnaire and physical examination is then analyzed, usually by a computer that calculates the individual's health profile. This profile compares the individual's characteristics with those of an average person of the same gender, age, and race. The profile identifies the person's future health prospect, typically by placing her or him in a health-risk category with a known probability of fatal disease, such as cardiovascular risk. The health profile also indicates how the health risks can be reduced by making personal and environmental changes such as dieting, exercising, or traveling.

Alleviating Stressors and Coping with Stress

After diagnosing the presence and causes of stress, the next step in stress management is to do something about it. Interventions for reducing negative stress tend to fall into two groups: those aimed at changing the organizational conditions causing stress and those directed at helping people to cope better with stress. Because stress results from the interaction between people and the environment, both strategies are needed for effective stress management.

This section first presents two methods for alleviating stressful organizational conditions: role clarification and supportive relationships. These efforts are aimed at decreasing role ambiguity and conflict and improving poor relationships, key sources of managerial stress. Then, two interventions aimed at helping people to cope more positively with stress are discussed: stress inoculation training and health and fitness facilities. These can help employees alleviate stress symptoms and prepare themselves for handling stressful situations.

Role Clarification. This involves helping employees better understand the demands of their work roles. A manager's role is embedded in a network of relationships with other managers, each of whom has specific expectations about how the manager should perform the role. Role clarification is a systematic process for revealing others' expectations and arriving at a consensus about the activities constituting a particular role. There are several role clarification methods, among them Job Expectation Technique (JET) and Role Analysis Technique (RAT) and they follow a similar strategy. First, the people relevant to defining a particular role are identified (e.g., members of a managerial team, a boss and subordinate, and members of other departments relating to the role holder) and brought together at a meeting, usually in a location away from the organization.

Second, the role holder discusses her or his perceived job duties and responsibilities and the other participants are encouraged to comment and to agree or disagree with the role holder's perceptions. An OD practitioner may act as a process consultant to facilitate interaction and reduce defensiveness. Third, when everyone has reached consensus on defining the role, the role holder is responsible for writing a description of the activities that are seen now as constituting the role. A copy of the role description is distributed to all participants to ensure that they fully understand and agree with the role definition. Fourth, the participants periodically check to see whether the role is being performed as intended and make modifications if necessary.

Supportive Relationships. This involves establishing trusting and genuinely positive relationships among employees, including bosses, subordinates, and peers. Supportive relations have been a hallmark of organization development and are a major part of such interventions as team building, intergroup relations, employee involvement, work design, goal setting, and career planning and development. Considerable research shows that supportive relationships can buffer people from stress. When people feel that relevant others really care about what happens to them and are willing to help, they can cope with stressful conditions.

Recent research on the boss-subordinate relationship suggests that a supportive boss can provide subordinates with a crucial defense against stress. A study of managers at an AT&T subsidiary undergoing turmoil because of the company's corporate breakup showed that employees who were under considerable stress but felt that their boss was supportive suffered half as much illness, depression, impaired sexual performance, and obesity as employees reporting to an unsupportive boss.

This research suggests that organizations must become more aware of the positive value of supportive relationships in helping employees cope with stress. They may need to build supportive, cohesive work

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groups in situations that are particularly stressful, such as introducing new products, solving emergency problems, and handling customer complaints.

Stress Inoculation Training. Companies have developed programs to help employees acquire the skills and knowledge to cope more positively with stressors. Participants are first taught to understand stress warning signals, such as difficulty in making decisions, disruption in sleeping and eating habits, and greater frequencies of headaches and backaches. Then they are encouraged to admit that they are overstressed (or understressed) and to develop a concrete plan for coping with the situation. One strategy is to develop and use a coping self-statement procedure. Participants verbalize a series of questions or statements each time they experience negative stress. The following sample questions or statements are addressed to the four stages of the stress-coping cycle:

- Preparation (What am I going to do about these stressors?)
- Confrontation (I must relax and stay in control.)
- Coping (I must focus on the present set of stressors.)
- Self-reinforcement (I handled it well.)

Stress inoculation training is aimed at helping employees cope with stress rather than at changing the stressors themselves. Its major value is sensitizing people to the presence of stress and preparing them to take personal action. Self-appraisal and self-regulation of stress can free people from total reliance on others for stress management. Given the multitude of organizational conditions that can cause stress, such self-control is a valuable adjunct to interventions aimed at changing the conditions themselves.

Health Facilities. A growing number of organizations are providing facilities for helping employees cope with stress. Elaborate exercise facilities are maintained by such firms as Xerox, Weyerhaeuser, and PepsiCo. Similarly, more than five hundred companies (e.g., Exxon, Mobil, and Chase Manhattan Bank) operate corporate cardiovascular fitness programs.

In addition to exercise facilities, some companies, such as McDonald's and Equitable Life Assurance Society, provide biofeedback facilities in which managers take relaxation breaks using biofeedback devices to monitor respiration and heart rate. Feedback of such data helps managers lower their respiration and heart rates. Some companies provide time for employees to meditate, and other firms have stay-well programs that encourage healthy diets and lifestyles.

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Organization and Environment Relationships

Organizations are open systems and must relate to their environments. They must acquire the resources and information needed to function; they must deliver products or services that are valued by customers. An organization's strategy—how it acquires resources and delivers outputs—is shaped by particular aspects, and features of the environment.

Thus, organizations can devise a number of responses for managing environmental interfaces, from internal administrative responses, such as creating special units to scan the environment, to external collective responses, such as forming strategic alliances with other organizations.

Organization and Environment Framework

This section provides a framework for understanding how environments affect organizations and, in turn, how organizations can affect environments. The framework is based on the concept that organizations and their subunits are open systems existing in environmental contexts. Environments can be described in two ways. First, there are different types of environments that consist of specific components or forces. To survive and grow, organizations must understand these different environments, select appropriate parts to respond to, and develop effective relationships with them. A manufacturing firm, for example, must understand raw materials markets, labor markets, customer segments, and production technology alternatives. It then must select from a range of raw material suppliers, applicants for employment, customer demographics, and production technologies to achieve desired outcomes effectively. Organizations are thus dependent on their environments. They need to manage external constraints and contingencies and take advantage of external opportunities. They also need to influence the environment in favorable directions through such methods as political lobbying, advertising, and public relations.

Second, several useful dimensions capture the nature of organizational environments. Some environments are rapidly changing and complex, and so require different organizational responses than do environments that are stable and simple. For example, chewing gum manufacturers face a stable market and use well-understood production technologies. Their strategy and organization design issues are radically different from those of software developers who face product life cycles measured in months instead of years, where labor skills are rare and hard to find, and where demand can change drastically overnight.

In this section, first we describe different types of environments that can affect organizations. Then we identify environmental dimensions that influence organizational responses to external forces. Finally, we review the different ways that organizations can respond to their environments. This material provides an introductory context for describing interventions that concern organization and environment relationships: integrated strategic change, trans-organizational development, and mergers and acquisitions.

Environmental Types

Organizational environments are everything beyond the boundaries of organizations that can directly or indirectly affect performance and outcomes. That includes external agents that directly affect the organization, such as suppliers, customers, regulators, and competitors, as well as indirect influences in the wider cultural, political, and economic context. These two classes of environments are called the task environment and the general environment, respectively. We will also describe the enacted environment, which reflects members' perceptions of the general and task environments.

The general environment consists of all external forces that can influence an organization. It can be categorized into technological, legal and regulatory, political, economic, social, and ecological components. Each of these forces can affect the organization in both direct and indirect ways. For example, economic recessions can directly impact demand for a company's product. The general environment also can affect organizations indirectly by virtue of the linkages between external agents. For example, an organization may have trouble obtaining raw materials from a supplier because the supplier is embroiled in a labor dispute with a national union, a lawsuit with a government regulator, or a boycott by a consumer group. Thus, components of the general environment can affect the organization without having any direct connection to it.

The task environment consists of the specific individuals and organizations that interact directly with the organization and can affect goal achievement: customers, suppliers, competitors, producers of substitute products or services, labor unions, financial institutions, and so on. These direct relationships are the medium through which organizations and environments mutually influence one another. Customers, for example, can demand changes in the organization's products, and the organization can try to influence customers' tastes and desires through advertising.

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The enacted environment consists of the organization's perception and representation of its general and task environments. Environments must be perceived before they can influence decisions about how to respond to them. Organization members must actively observe, register, and make sense of the environment before it can affect their decisions about what actions to take. Thus, only the enacted environment can affect which organizational responses are chosen. The general and task environments, however, can influence whether those responses are successful or ineffective. For example, members may perceive customers as relatively satisfied with their products and may decide to make only token efforts at developing new products. If those perceptions are wrong and customers are dissatisfied with the products, the meager product development efforts can have disastrous organizational consequences. As a result, an organization's enacted environment should accurately reflect its general and task environments if members' decisions and actions are to be effective.

Environmental Dimensions

Environments can also be characterized along dimensions that describe the organization's context and influence its responses. One perspective views environments as information flows and suggests that organizations need to process information to discover how to relate to their environments. The key dimension of the environment affecting information processing is information uncertainty, or the degree to which environmental information is ambiguous. Organizations seek to remove uncertainty from the environment so that they know best how to transact with it. For example, organizations may try to discern customer needs through focus groups and surveys and attempt to understand competitor strategies through press releases, sales force behaviors, and knowledge of key personnel. The greater the uncertainty, the more information processing is required to learn about the environment. This is particularly evident when environments are complex and rapidly changing. These kinds of environments pose difficult information processing problems for organizations. For example, global competition, technological change, and financial markets have created highly uncertain and complex environments for many multinational firms and have severely strained their information processing capacity.

Another perspective views environments as consisting of resources for which organizations compete. The key environmental dimension is resource dependence, or the degree to which an organization relies on other organizations for resources. Organizations seek to manage critical sources of resource dependence while remaining as autonomous as possible. For example, firms may contract with several suppliers of the same raw material so that they are not overly dependent on one vendor. Resource dependence is extremely high for an organization when other organizations control critical resources that cannot be obtained easily elsewhere. Resource criticality and availability determine the extent to which an organization is dependent on the environment and must respond to its demands. An example is the tight labor market for information systems experts experienced by many firms in the late 1990s.

These two environmental dimensions—information uncertainty and resource dependence—can be combined to show the degree to which organizations are constrained by their environments and consequently must be responsive to their demands. As shown in Figure 58, organizations have the most freedom from external forces when information uncertainty and resource dependence are both low. In such situations, organizations do not need to respond to their environments and can behave relatively independently of them. U.S. automotive manufacturers faced these conditions in the 1950s and operated with relatively little external constraint or threat. Organizations are more constrained and must be more responsive to external demands as information uncertainty and resource dependence increase. They must perceive the environment accurately and respond to it appropriately. Organizations such as financial institutions, high-technology firms, and health-care facilities are facing unprecedented amounts of environmental uncertainty and resource dependence. Their existence depends on recognizing external challenges and responding quickly and appropriately to them.

Organizational Responses

Organizations must have the capacity to monitor and make sense of their environments if they are to respond appropriately. They must identify and attend to those environmental factors and features that are highly related to goal achievement and performance. Moreover, they must have the internal

capacity to develop effective responses. Organizations employ a number of methods to influence and respond to their environments, to buffer their technology from external disruptions, and to link themselves to sources of information and resources. These responses are generally designed by senior executives responsible for setting corporate strategy and managing external relationships. Three classes of responses are described below: administrative, competitive, and collective.

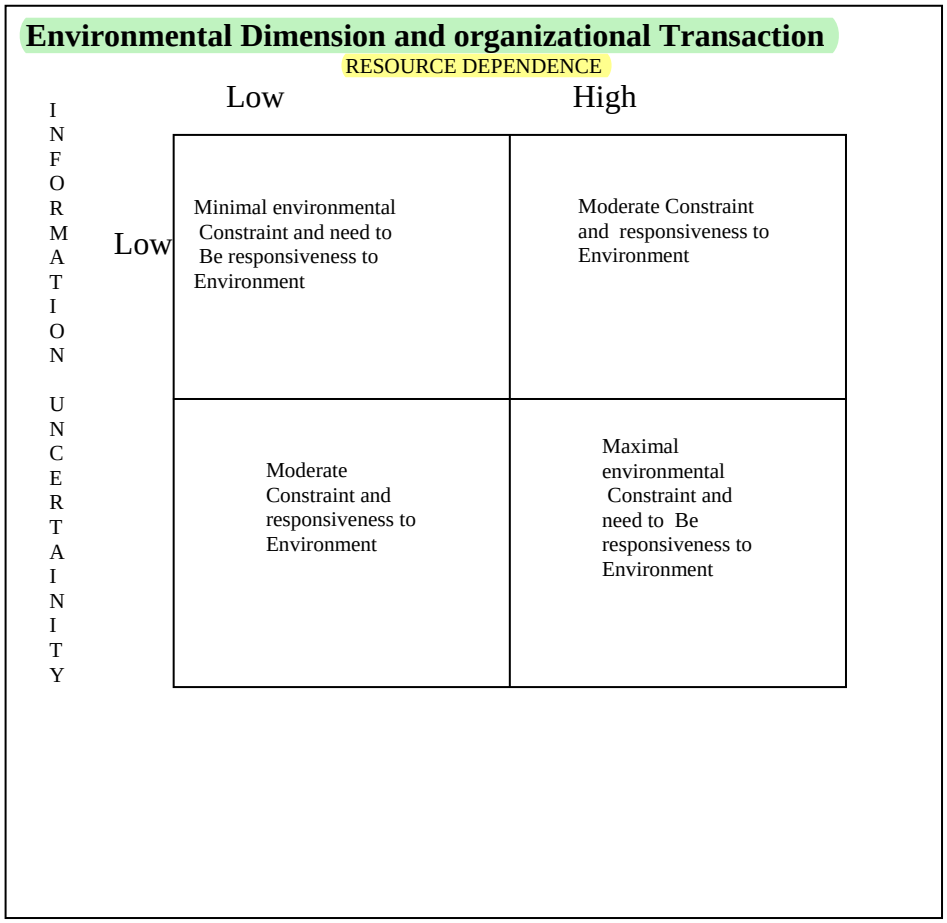
Administrative Responses

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The most common organizational responses to the environment are administrative, including the formation or clarification of the organization's mission; the development of objectives, policies, and budgets; or the creation of scanning units. These responses can be either proactive or reactive and are aimed at defining the organization's purpose and key tasks in relationship to particular environments. As discussed earlier, an organization's mission describes its long-term purpose, including the products or services to be offered and the markets to be served. An effective mission clearly differentiates the organization from others in its competitive environment. For example, 3M's core purpose is to solve unsolved problems innovatively. 3M is distinguished from its competitors by its attention to unsolved problems and its core competence of innovation. Similarly, an organization's objectives, policies, and budgets signal which parts of the environment are important. They allocate and direct resources to particular environmental relationships. Intel's new product development objectives and allocation of more than 20 percent of revenues to research and development signal the importance of its linkage to the technological environment. Finally, organizations may create scanning units, such as market research and regulatory relations departments, to respond administratively to the environment. These units scan particular parts or aspects of the environment, interpret relevant information, and communicate it to decision makers who develop appropriate responses. Scanning units generally include specialists with expertise in a particular segment of the environment. For example, market researchers provide information to marketing executives about customer tastes and preferences. Such information guides choices about product development, pricing, and advertising.

Figure 58

Environmental Dimension and organizational Transaction



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Competitive Responses

Competitive responses to the environment typically are associated with for-profit firms but can also apply to nonprofit and governmental organizations. Such actions seek to enhance the organization's performance by establishing a competitive advantage over its rivals. To sustain competitive advantage, organizations must achieve an external position vis-à-vis their competitors or perform internally in ways that are unique, valuable, and difficult to imitate.

Uniqueness. An organization first must identify the bundle of resources and processes that make it distinct from other firms. These can include financial resources, such as access to low-cost capital; reputational resources, such as brand image or a history of product quality; technological resources, such as patents or a strong research and development department; and human resources, such as excellent labor-management relationships or scarce and valuable skill sets. Based on this list, the organization then determines how the resources apply to key organizational processes—regular patterns of organizational activity that involve a sequence of tasks performed by individuals. For example, a software development process combines computer resources, software programs, typing skills, knowledge of computer languages, and customer requirements. Other organizational processes include new product development, strategic planning, appraising member performance, making sales calls, fulfilling customer orders, and the like. Processes and capabilities that are unique to the organization are called distinctive competencies and represent the cornerstone of competitive advantage.

Value. Organizations achieve competitive advantage when their resources and processes deliver outputs that either warrant a higher-than-average price or are exceptionally low in cost. Both advantages are valuable according to a performance/ price criterion. Products and services with highly desirable features or capabilities, although expensive, are valuable because of their ability to satisfy customer demands for high quality or some other performance dimension. Mercedes automobiles are valuable because the perceived benefits of ownership, including engineering performance, reliability, and prestige, exceed the price paid. On the other hand, outputs that cost little to produce are valuable because of their ability to satisfy customer demands at a low price. Chevrolet automobiles are valuable because they provide basic transportation at a low price. Mercedes and Chevrolet are both profitable, but achieve that outcome through different value propositions.

Imitability. Finally, sustainable competitive advantage is achieved when unique and valuable resources and processes are difficult to mimic or duplicate by other organizations. For example, organizations can protect their competitive advantage by making it difficult for other firms to identify their distinctive competence. Disclosing unimportant information at trade shows or forgoing superior profits can make it difficult for competitors to identify an organization's strengths. Organizations can aggressively pursue a range of opportunities, thus raising the cost for competitors who try to replicate their success. Organizations can seek to retain key human resources through attractive compensation and reward practices, thereby making it more difficult and costly for competitors to attract such talent.

Collective Responses

Organizations can cope with problems of environmental dependence and uncertainty through increased coordination with other organizations. Collective responses help control interdependencies among organizations and include such methods as bargaining; contracting; coopting; and creating joint ventures, federations, strategic alliances, and consortia. Contemporary organizations increasingly are turning to joint ventures and partnerships with other organizations to manage environmental uncertainty and perform tasks that are too costly and complicated for single organizations to perform. These multiorganization arrangements are being used as a means of sharing resources for large-scale research and development, for spreading the risks of innovation, for applying diverse expertise to complex problems and tasks, and for overcoming barriers to entry into foreign markets. For example, pharmaceutical firms are forming strategic alliances to distribute noncompeting medications and avoid the high costs of establishing sales organizations; firms from different countries are forming joint ventures to overcome restrictive trade barriers; and high-technology firms are forming research consortia to undertake significant and costly research and development for their industries.

Major barriers to collective responses in the United States are organizations' drive to act autonomously and government policies discouraging coordination among organizations, especially in the same industry. On the other hand, Japanese industrial and economic policies promote cooperation among organizations, thus giving them a competitive advantage in responding to complex and dynamic global environments. For example, the Japanese government traditionally has provided financial assistance and support to

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cooperative research efforts among Japanese consumer product manufacturers. The resulting technological developments enabled such firms as Matsushita, Canon, and Sony to reduce American competitors' market shares dramatically.
The three interventions discussed here derive from this organization and environment framework. They help organizations assess their environments and make appropriate responses to them. The first intervention, integrated strategic change, focuses on how to coordinate administrative and competitive responses for a single organization or strategic business unit. The next two interventions, transorganization development and mergers and acquisitions, broaden the scope from single to multiple organizations. These interventions endeavor to coordinate administrative, competitive, and collective responses.

Integrated Strategic Change

Integrated Strategic Change (ISC) is a recent intervention that brings an OD perspective to traditional strategic planning. It was developed in response to managers' complaints that good business strategies often are not implemented. The research suggested that too little attention was being given to the change process and human resources issues necessary to execute the strategy. For example, the predominant paradigm in strategic planning and implementation artificially separates strategic thinking from operational arid tactical actions; it ignores the contributions that planned change processes can make to implementation. In the traditional process, senior managers and strategic planning staff prepare economic forecasts, competitor analyses, and market studies. They discuss these studies and rationally align the firm's strengths and weaknesses with the environmental opportunities and threats to form the organization's strategy. Implementation occurs as middle managers, supervisors, and employees hear about the new strategy through memos, restructuring announcements, changes in job responsibilities, or new departmental objectives. Consequently, because participation has been limited to top management, there is little understanding of the need for change and little ownership of the new behaviors, initiatives, and tactics required to achieve the announced objectives.

Key Features

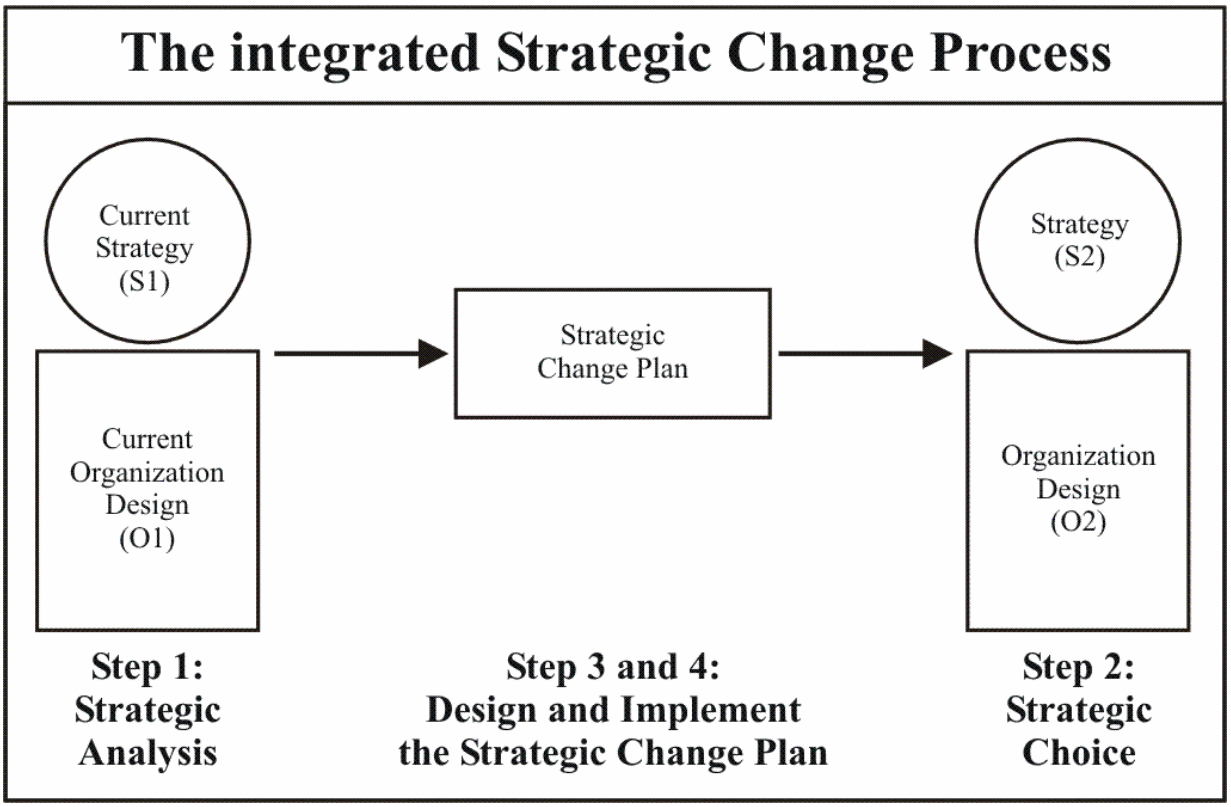
ISC, in contrast, was designed to be a highly participative process. It has three key features:
1. The relevant unit of analysis is the organization's strategic orientation comprising its strategy and organization design. Strategy and the design that supports it must be considered as an integrated whole.
2. Creating the strategic plan, gaining commitment and support for it, planning its implementation, and executing it are treated as one integrated process. The ability to repeat such a process quickly and effectively when conditions warrant represents a sustainable competitive advantage.
3. Individuals and groups throughout the organization are integrated into the analysis, planning, and implementation process to create a more achievable plan, to maintain the firm's strategic focus, to direct attention and resources on the organization's key competencies, to improve coordination and integration within the organization, and to create higher levels of shared ownership and commitment.

Application Stages

The ISC process is applied in four phases: performing a strategic analysis, exercising strategic choice, designing a strategic change plan, and implementing the plan. The four steps are discussed sequentially here but actually unfold in overlapping and integrated ways. Figure 59 displays the steps in the ISC process and its change components. An organization's existing strategic orientation, identified as its current strategy (SI) and organization design (OI), are linked to its future strategic orientation (S2/O2) by the strategic change plan.

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Figure 59



1. Performing the strategic analysis. The ISC process begins with a diagnosis of the organization's readiness for change and its current strategy and organization (S1/O1). The most important indicator of readiness is senior management's willingness and ability to carry out strategic change. Organizations whose leaders are not willing to lead and whose senior managers are not willing and able to support the new strategic direction when necessary should consider team-building processes to ensure their commitment.

The second stage in strategic analysis is understanding the current strategy and organization design. The process begins with an examination of the organization's industry as well as its current financial performance and effectiveness. This information provides the necessary context to assess the current strategic orientation's viability. Next, the current strategic orientation is described to explain current levels of performance and human outcomes. Several models for guiding this diagnosis exist. For example, the strategy is represented by the organization's mission, goals and objectives, intent, and business policies. The organization design is described by the structure, work, information, and human resource systems. Other models for understanding the organization's strategic orientation include the competitive positioning model and other typologies. These frameworks assist in assessing customer satisfaction; product and service offerings; financial health; technological capabilities; and organizational culture, structure, and systems.

Strategic analysis actively involves organization members in the process. Search conferences; employee focus groups; interviews with salespeople, customers, purchasing agents; and other methods allow a variety of employees and managers to participate in the diagnosis and increase the amount and relevance of the data collected. This builds commitment to and ownership of the analysis; should a strategic change effort result, members are more likely to understand why and be supportive of it.

2. Exercising strategic choice. Once the existing strategic orientation is understood, a new one must be designed. For example, the strategic analysis may reveal misfits among the organization's environment, strategic orientation, and performance. These misfits can be used as inputs to workshops where the future strategy and organization design are crafted. Based on this analysis, senior management formulates visions for the future and broadly defines two or three alternative sets of objectives and strategies for achieving those visions. Market forecasts, employees' readiness and willingness to change, competitor analyses, and other projections can be used to develop the alternative future scenarios. The different sets of objectives and strategies also include projections about the organizational design changes that will be necessary to support each alternative. Although participation from other organizational stakeholders is important in the alternative generation phase, choosing the appropriate strategic orientation ultimately rests with top

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management and cannot easily be delegated. Senior executives are in the unique position of viewing strategy from a general management position. When major strategic decisions are given to lower-level managers, the risk of focusing too narrowly on a product, market, or technology increases.
This step determines the content or "what" of strategic change. The desired strategy (S2) defines the products or services to offer, the markets to be served, and the way these outputs will be produced and positioned. The desired organization design (O2) specifies the organizational structures and processes necessary to support the new strategy. Aligning an organization's design with a particular strategy can be a major source of superior performance and competitive advantage.

3. **Designing the strategic change plan.** The strategic change plan is a comprehensive agenda for moving the organization from its current strategy and organization design to the desired future strategic orientation. It represents the process or "how" of strategic change. The change plan describes the types, magnitude, and schedule of change activities, as well as the costs associated with them. It also specifies how the changes will be implemented, given power and political issues, the nature of the organizational culture, and the current ability of the organization to implement change.

4. **Implementing the strategic change plan**. The final step in the ISC process is the actual implementation of the strategic change plan. This draws heavily on knowledge of motivation, group dynamics, and change processes. It deals continuously with such issues as alignment, adaptability, teamwork, and organizational and personal learning. Implementation requires senior managers to champion the different elements of the change plan. They can, for example, initiate action and allocate resources to particular activities, set high but achievable goals, and provide feedback on accomplishments. In addition, leaders must hold people accountable to the change objectives, institutionalize each change that occurs, and be prepared to solve problems as they arise. This final point recognizes that no strategic change plan can account for all of the contingencies that emerge. There must be a willingness to adjust the plan as implementation unfolds to address unforeseen and unpredictable events and to take advantage of new opportunities.

Transorganizational Development

Transorganizational development (TD) is a form of planned change aimed at helping organizations develop collective and collaborative strategies with other organizations. Many of the tasks, problems, and issues facing organizations today are too complex and multifaceted to be addressed by a single organization. Multiorganization strategies and arrangements are increasing rapidly in today's highly competitive, global environment. In the private sector, research and development consortia allow companies to share resources and risks associated with large-scale research efforts. For example, Sematech involved many large organizations, such as Intel, AT&T, IBM, Xerox, and Motorola, that joined together to improve the competitiveness of the U.S. semiconductor industry. Joint ventures, such as Fuji-Xerox, between domestic and foreign firms can help overcome trade barriers and facilitate technology transfer across nations. The New United Motor Manufacturing, Inc., in Fremont, California, for example, is a joint venture between General Motors and Toyota to produce automobiles using Japanese teamwork methods.

Transorganizational Systems and their Problems

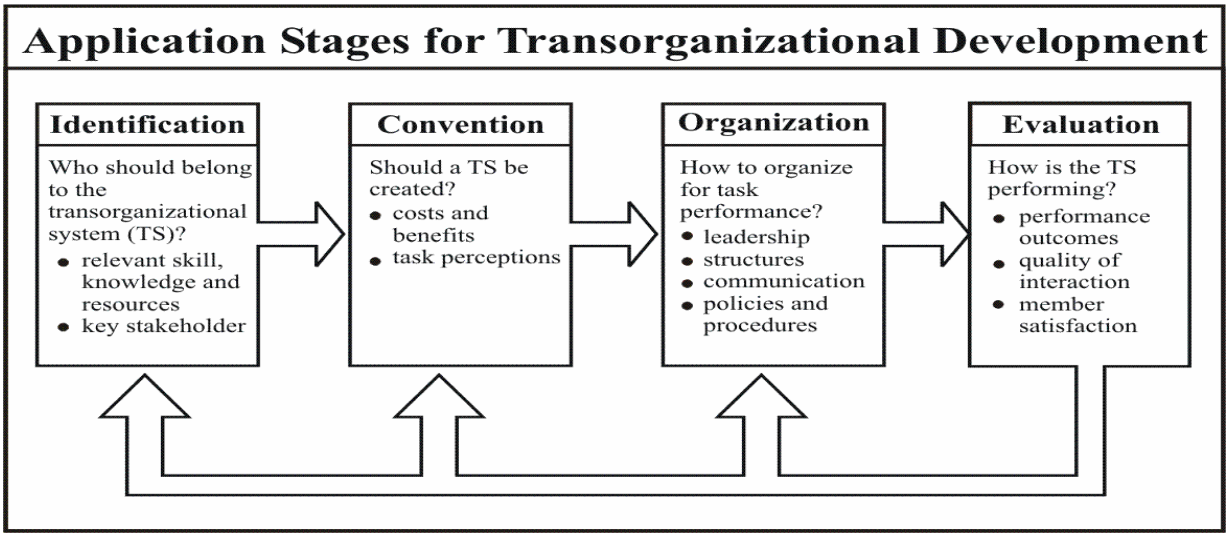
Transorganizational systems (TSs) are groups of organizations that have joined together for a common purpose. TSs include a range of collective responses, including licensing agreements, strategic alliances, joint ventures, and public-private partnerships. They are functional social systems existing intermediately between single organizations and societal systems. TSs make decisions and perform tasks on behalf of their member organizations, although members maintain their separate organizational identities and goals. This separation distinguishes them from mergers and acquisitions. In contrast to most organizations, TSs tend to be under organized: relationships among member organizations are loosely coupled; leadership and power are dispersed among autonomous organizations, rather than hierarchically centralized; and commitment and membership are tenuous as member organizations act to maintain their autonomy while jointly performing.
These characteristics make creating and managing TSs difficult. Potential member organizations may not perceive the need to join with other organizations. They may be concerned with maintaining their autonomy or have trouble identifying potential partners. U.S. firms, for example, are traditionally "rugged individualists" preferring to work alone rather than to join with other organizations. Even if organizations decide to join together, they may have problems managing their relationships and controlling joint performances. Because members typically are accustomed to hierarchical forms of control, they may have difficulty managing lateral relations among independent organizations. They also may have difficulty managing different levels of commitment and motivation among members and sustaining membership over time.

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Application Stages

Given these problems, trans-organizational development has evolved as a unique form of planned change aimed at creating TSs and improving their effectiveness. The four stages are shown in Figure 60, along with key issues that need to be addressed at each stage.

Figure 60



The stages and issues are described below.

1. Identification stage. This initial stage of TD involves identifying potential member organizations of the TS. For example, in the case of a strategic alliance or joint venture, this stage involves identifying the potential partners best suited to achieving the organization's objectives. Identifying potential members can be difficult because organizations may not perceive the need to join together or may not know enough about each other to make membership choices. These problems are typical when trying to create a new TS. Relationships among potential members may be loosely coupled or nonexistent; thus, even if organizations see the need to form a TS, they may be unsure about who should be included.

The identification stage is generally carried out by one or a few organizations interested in exploring the possibility of creating a TS. Change agents work with these initiating organizations to clarify their own goals, such as product or technology exchange, learning, or market access; to explore alternatives to collaboration, including internal development, purchasing skills or resources, or making an acquisition; and understanding the tradeoff between the loss of autonomy and the value of collaboration. OD practitioners also help specify criteria for membership in the TS and identify organizations meeting those standards. Because TSs are intended to perform specific tasks, a practical criterion for membership is how much organizations can contribute to task performance. Potential members can be identified and judged in terms of the skills, knowledge, and resources that they bring to bear on the TS task. TD practitioners warn, however, that identifying potential members also should take into account the political realities of the situation. Consequently, key stakeholders who can affect the creation and subsequent performance of the TS are identified as possible members.

During the early stages of creating a TS, there may be insufficient leadership and cohesion among participants to choose potential members. In these situations, participants may contract with an outside change agent who can help them achieve sufficient agreement on TS membership. In several cases of TD, change agents helped members to create a special leadership group that could make decisions on behalf of the participants. This leadership group comprised a small cadre of committed members and was able to develop enough cohesion among members to carry out the identification stage.

2. Convention stage. Once potential members of the TS are identified, the convention stage is concerned with bringing them together to assess whether creating a TS is desirable and feasible. This face-to-face meeting enables potential members to explore mutually their motivations for joining and their perceptions of the joint task. They work to establish sufficient levels of motivation and of task consensus to form the TS.

Like the identification stage, this phase of TD generally requires considerable direction and facilitation by change agents. Existing stakeholders may not have the legitimacy or skills to perform the convening function, and change agents can serve as conveners if they are perceived as legitimate and credible by the attending organizations. In many TD cases, conveners came from research centers or universities with reputations for neutrality and expertise in TD. Because participating organizations tend to have diverse motives and views and limited means for resolving differences, change agents may need to structure and

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manage interactions to facilitate airing of differences and arriving at consensus about forming the TS. They may need to help organizations work through differences and reconcile self-interests with those of the larger TS.

3. Organization stage. When the convention stage results in a decision to create a TS, members then begin to organize themselves for task performance. This involves establishing structures and mechanisms that promote communication and interaction among members and that direct joint efforts to the task at hand. For example, members may create a coordinating council to manage the TS, and they might assign a powerful leader to head that group. They might choose to formalize exchanges among members by developing rules, policies, and formal operating procedures. When members are required to invest large amounts of resources in the TS, such as might occur in an industry-based research consortium, the organizing stage typically includes voluminous contracting and negotiating about members' contributions and returns. Here, corporate lawyers and financial analysts play key roles in structuring the TS. They determine how costs and benefits will be allocated among member organizations as well as the legal obligations, decision-making responsibilities, and contractual rights of members.

In the case of strategic alliances and joint ventures, explicit strategies must be created for how the TS will perform its work. Change agents can help members define competitive advantage for the TS as well as the structural requirements necessary to support achievement of its goals.

4. Evaluation stage. This final stage of TD involves assessing how the TS is performing. Members need feedback so that they can identify problems and begin to resolve them. Feedback data generally include performance outcomes and member satisfactions, as well as indicators of how well members are interacting jointly. Change agents, for example, can periodically interview or survey member organizations about various outcomes and features of the TS and feed that data back to TS leaders. Such information will enable leaders to make necessary operational modifications and adjustments. It may signal the need to return to previous stages of TD to make necessary corrections, as shown by the feedback arrows in Figure 60.

Roles and Skills of the Change Agent

Trans-organizational development is a relatively new application of planned change, and practitioners are still exploring appropriate roles and skills. They are discovering the complexities of working with under organized systems comprising multiple organizations. This contrasts sharply with OD, which has traditionally been applied in single organizations that are heavily organized. Consequently, the roles and skills relevant to OD need to be modified and supplemented when applied to TD.

The major role demands of TD derive from the two prominent features of TSs: their under organization and their multi-organization composition. Because TSs are under organized, change agents need to play activist roles in creating and developing them. They need to bring structure to a group of autonomous organizations that may not see the need to join together or may not know how to form an alliance. The activist role requires a good deal of leadership and direction, particularly during the initial stages of TD. For example, change agents may need to educate potential TS members about the benefits of joining together. They may need to structure face-to-face encounters aimed at sharing information and exploring interaction possibilities.

Because TSs are composed of multiple organizations, change agents need to maintain a neutral role, treating all members alike. They need to be seen by members as working on behalf of the total system, rather than as being aligned with particular members or views. When change agents are perceived as neutral, TS members are more likely to share information with them and to listen to their inputs. Such neutrality can enhance change agents' ability to mediate conflicts among members. It can help them uncover diverse views and interests and forge agreements among stakeholders. Change agents, for example, can act as mediators, ensuring that members' views receive a fair hearing and that disputes are equitably resolved. They can help to bridge the different views and interests and achieve integrative solutions.

Given these role demands, the skills needed to practice TD include political and networking abilities. Political competence is needed to understand and resolve the conflicts of interest and value dilemmas inherent in systems made up of multiple organizations, each seeking to maintain autonomy while jointly interacting.

Political savvy can help change agents manage their own roles and values in respect to those power dynamics. It can help them to avoid being coopted by certain TS members and thus losing their neutrality.

Networking skills are also indispensable to TD practitioners. These include the ability to manage lateral relations among autonomous organizations in the relative absence of hierarchical control. Change agents must be able to span the boundaries of diverse organizations, link them together, and facilitate exchanges among them. They must be able to form linkages where none existed and to transform networks into operational systems capable of joint task performance.

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Defining the roles and skills of TD practitioners is still in a formative stage. Our knowledge in this area will continue to develop as more experience is gained with TSs. Change agents are discovering, for example, that the complexity of TSs requires a team consulting approach, involving practitioners with different skills and approaches working together to promote TS effectiveness. Initial reports of TD practice suggest that such change projects are large scale and long term, typically involving multiple, simultaneous interventions aimed at both the total TS and its constituent members. The stages of TD application are protracted, requiring considerable time and effort to identify relevant organizations, to convene them, and to organize them for task performance.

Mergers and Acquisitions

Mergers and acquisitions (M&As) involve the combination of two organizations. The term merger refers to the integration of two previously independent organizations into a completely new organization; acquisition involves the purchase of one organization by another for integration into the acquiring organization. M&As are distinct from TSs, such as alliances and joint ventures, because at least one of the organizations ceases to exist.

M&A Rationale

Organizations have a number of reasons for wanting to acquire or merge with other firms, including diversification or vertical integration; gaining access to global markets, technology, or other resources; and achieving operational efficiencies, improved innovation, or resource sharing. As a result, M&As have become a preferred method for rapid growth and strategic change.

M&A interventions typically are preceded by an examination of corporate and business strategy. Corporate strategy describes the range of businesses within which the firm will participate, and business strategy specifies how the organization will compete in any particular business. Organizations must decide whether their corporate and strategic goals should be achieved through administrative or competitive responses, such as ISC, or through collective responses, such as TD or M&As. Mergers and acquisitions are preferred when internal development is too slow, or when alliances or joint ventures do not offer sufficient control over key resources to meet the firm's objectives.
M&As are complex strategic changes that involve various legal and financial requirements beyond the scope of this text.

Application Stages

Mergers and acquisitions involve three major phases as shown in Table 23: pre-combination, legal combination, and operational combination. OD practitioners can make substantive contributions to the pre-combination and operational combination phases as described below.

Pre-combination Phase

This first phase consists of planning activities designed to ensure the success of the combined organizations. The organization that initiates the strategic change must identify a candidate organization; work with it to gather information about each other, and plan the implementation and integration activities. The evidence is growing that pre-combination phase activities are critical to M&A success.

1. Search for and select candidate. This involves developing screening criteria to assess and narrow the field of candidate organizations, agreeing on a first-choice candidate, assessing regulatory compliance, establishing initial contacts, and formulating a letter of intent. Criteria for choosing an M&A partner can include leadership and management characteristics, market access resources, technical or financial capabilities, physical facilities, and so on. OD practitioners can add value at this stage of the process by encouraging screening criteria that include managerial, organizational, and cultural components as well as technical and financial aspects. In practice, financial issues tend to receive greater attention at this stage, with the goal of maximizing shareholder value. Failure to attend to cultural and organizational issues, however, can result in diminished shareholder value during the operational combination phase.
Identifying potential candidates, narrowing the field, agreeing on a first choice, and checking regulatory compliance are relatively straightforward activities. They generally involve investment brokers and other outside parties who have access to databases of organizational, financial, and technical information. The final two activities, making initial contacts and creating a letter of intent, are aimed at determining the candidate's interest in the proposed merger or acquisition.

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Table 23

Major Phases and Activates in Merger and Acquisitions		
Major M &A phases	**Key Steps**	**OD And Change Management Issues**
Precombination	• Search for and select candidate. • Create M & A team. • Establish business case. • Perform due diligence assessment. • Develop merger integration plan.	• Ensure that candidates are screened for cultural as well as functional technical, physical asset criteria. • Define clear leadership structure. • Establish a clear strategic vision competitive strategy and system integration potential. • Specify the desirable organization design features. • Specify an integration action plan.
Legal combination	• Complete financial negotiations. • Close deal. • Announce the combination.	
Operational combination	• Day I activities. • Organizational and technical integration activities. • Cultural integration activities.	• Implement change quickly. • Communications. • Solve problem together and focus on customer. • Conduct an evaluation to learn and identify further areas of integration planning.

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2. Create an M&A team. Once there is initial agreement between the two organizations to pursue a merger or acquisition, senior leaders from the respective organizations appoint an M&A team to establish the business case, to oversee the due diligence process, and to develop a merger integration plan. This team typically comprises senior executives and experts in such areas as business valuation, technology, organization, and marketing. OD practitioners can facilitate formation of this team through human process interventions, such as team building and process consultation, and help the team establish clear goals and action strategies. They also can help members define a clear leadership structure, apply relevant skills and knowledge, and ensure that both organizations are represented appropriately. The group's leadership structure, or who will be accountable for the team's accomplishments, is especially critical. In an acquisition, an executive from the acquiring firm is typically the team's leader. In a merger of equals, the choice of a single individual to lead the team is more difficult, but must be made. The outcome of this decision and the process used to make it form the first outward symbol of how this strategic change will be conducted.

3. Establish the business case. The purpose of this activity is to develop a prima facie case that combining the two organizations will result in a competitive advantage that exceeds their separate advantages. It includes specifying the strategic vision, competitive strategy, and systems integration potential for the M&A. OD practitioners can facilitate this discussion to ensure that each issue is fully

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explored. If the business case cannot be justified on strategic, financial, and operational grounds, the M&A should be revisited, terminated, or another candidate should be sought.
Strategic vision represents the organizations' combined capabilities. It synthesizes the strengths of the two organizations into a viable new organization.
Competitive strategy describes the business model for how the combined organization will add value in a particular product market or segment of the value chain, how that value proposition is best performed by the combined organization (compared with competitors), and how that proposition will be difficult to imitate. The purpose of this activity is to force the two organizations to go beyond the rhetoric of "these two organizations should merge because it's a good fit.
Systems integration specifies how the two organizations will be combined. It addresses how and if they can work together. It includes such key questions as Will one firm be acquired and operated as a wholly owned subsidiary? Does the transaction imply a merger of equals? Are layoffs implied, and if so, where? On what basis can promised synergies or cost savings be achieved?

4. Perform a due diligence assessment. This involves evaluating whether the two organizations actually have the managerial, technical, and financial resources that each assumes the other possesses. It includes a comprehensive review of each organization's articles of incorporation, stock option plans, organization charts, and so on. Financial, human resources, operational, technical, and logistical inventories are evaluated along with other legally binding issues. The discovery of previously unknown or unfavorable information can stop the M&A process from going forward.
Although due diligence assessment traditionally emphasizes the financial aspects of M&As, this focus is increasingly being challenged by evidence that culture clashes between two organizations can ruin expected financial gains. Thus, attention to the cultural features of M&As is becoming more prevalent in due diligence assessment.
The scope and detail of due diligence assessment depend on knowledge of the candidate's business, the complexity of its industry, the relative size and risk of the transaction, and the available resources. Due diligence activities must reflect symbolically the vision and values of the combined organizations. An overly zealous assessment, for example, can contradict promises of openness and trust made earlier in the transaction. Missteps at this stage can lower or destroy opportunities for synergy, cost savings, and improved shareholder value.

5. Develop merger integration plans. This stage specifies how the two organizations will be combined. It defines integration objectives; the scope and timing of integration activities; organization design criteria; Day 1 requirements; and who does what, where, and when. The scope of these plans depends on how integrated the organizations will be. If the candidate organization will operate as an independent subsidiary with an "arm's-length" relationship to the parent, merger integration planning need only specify those systems that will be common to both organizations. A full integration of the two organizations requires a more extensive plan.
Merger integration planning starts with the business ease conducted earlier and involves more detailed analyses of the strategic vision, competitive strategy, and systems integration for the M&A. For example, assessment of the organizations' markets and suppliers can reveal opportunities to serve customers better and to capture purchasing economies of scale, examination of business processes can identify best operating practices; which physical facilities should be combined, left alone, or shutdown; and which systems and procedures are redundant. Capital budget analysis can show which investments should be continued or dropped. Typically, the M&A team appoints subgroups composed of members from both organizations to perform these analyses. OI) practitioners can conduct team building and process consultation interventions to improve how those groups function.
Next, plans for designing the combined organization are developed. They include the organization's structure, reporting relationships, human resource's policies, information and control systems, operating logistics, work designs, and customer-focused activities.
The final task of integration planning involves developing an action plan for implementing the M&A. This specifies tasks to be performed, decision-making authority and responsibility, and timelines for achievement. It also includes a process for addressing conflicts and problems that will invariably arise during the implementation process.

Legal Combination Phase

This phase of the M&A process involves the legal and financial aspects of the transaction. The two organizations settle on the terms of the deal, register the transaction with and gain approval from appropriate regulatory agencies, communicate with and gain approval from shareholders, and file appropriate legal documents. In some cases, an OD practitioner can provide advice on negotiating a fair agreement, but this phase generally requires knowledge and expertise beyond that typically found in OD practice.

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Operational Combination Phase

This final phase involves implementing the merger integration plan. In practice, it begins during due diligence assessment and may continue for months or years following the legal combination phase. M&A implementation includes the three kinds of activities described below.

1. **Day 1 activities**. These include communications and actions that officially start the implementation process. For example, announcements may be made about key executives of the combined organization, the location of corporate headquarters, the structure of tasks, and areas and functions where layoffs will occur. M&A practitioners pay special attention to sending important symbolic messages to organization members, investors, and regulators about the soundness of the merger plans and those changes that are critical to accomplishing strategic and operational objectives.
2. **Operational and technical integration activities**. These involve the physical moves, structural changes, work designs, and procedures that will be implemented to accomplish the strategic objectives and expected cost savings of the M&A. The merger integration plan lists these activities, which can be large in number and range in scope from seemingly trivial to quite critical. For example, American Airlines' acquisition of Reno Air involved changing Reno's employee uniforms, the signage at all airports, marketing and public relations campaigns, repainting airplanes, and integrating the route structures, among others. When these integration activities are not executed properly, the M&A process can be set back. American's poor job of clarifying the wage and benefit programs caused an unauthorized pilot "sickout" that cancelled many flights and left thousands of travelers stranded. Finally, integrating the reservation, scheduling, and pricing systems was a critical activity. Failure to execute this task quickly could have caused tremendous logistical problems, increased safety risks, and further alienated customers.
3. **Cultural integration activities.** These tasks are aimed at building new values and norms in the organization. Successful implementation melds both the technical and cultural aspects of the combined organization. For example, members from both organizations can be encouraged to solve business problems together, thus addressing operational and cultural integration issues simultaneously.

The M&A literature contains several practical suggestions for managing the operational combination phase. First, the merger integration plan should be implemented sooner rather than later, and quickly rather than slowly. Integration of two organizations generally involves aggressive financial targets, short timelines, and intense public scrutiny. Moreover, the change process is often plagued by culture clashes and political fighting. Consequently, organizations need to make as many changes as possible in the first one hundred days following the legal combination phase. Quick movement in key areas has several advantages: it preempts unanticipated organization changes that might thwart momentum in the desired direction, it reduces organization members' uncertainty about when things will happen, and it reduces the anxiety of the activity's impact on the individual's situation. All three of these conditions can prevent desired collaboration and other benefits from occurring.

Second, integration activities must be communicated clearly and in a timely fashion to a variety of stakeholders, including shareholders, regulators, customers, and organization members. M&As can increase uncertainty and anxiety about the future, especially for members of the involved organizations who often inquire, "Will I have a job? Will my job change? Will I have a new boss?" These kinds of questions can dominate conversations, reduce productive work, and spoil opportunities for collaboration. To reduce ambiguity, organizations can provide concrete answers through a variety of channels including company newsletters, email and intranet postings, press releases, video and in-person presentations, one-on-one interaction with managers, and so on.

Third, members from both organizations need to work together to solve implementation problems and to address customer needs. Such coordinated tasks can clarify work roles and relationships; they can contribute to member commitment and motivation. Moreover, when coordinated activity is directed at customer service, it can assure customers that their interests will be considered and satisfied during the merger.

Fourth, organizations need to assess the implementation process continually to identify integration problems and needs. The following questions can guide the assessment process:

- Have savings estimated during pre-combination planning been confirmed or exceeded?
- Has the new entity identified and implemented shared strategies or opportunities?
- Has the new organization been implemented without loss of key personnel?
- Was the merger and integration process seen as fair and objective?
- Is the combined company operating efficiently?
- Have major problems with stakeholders been avoided?

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• Did the process proceed according to schedule?
• Were substantive integration issues resolved?
• Are people highly motivated (more so than before)?

Mergers and acquisitions are among the most complex and challenging interventions facing organizations and OD practitioners. Application 12 describes the M&A process at Daimler-Benz and Chrysler. It clearly demonstrates the importance of cultural issues in mergers and the role that organization development can play in the process.

Application 12: M&A process at Daimler-Benz and Chrysler

On November 17, 1998, Daimler-Benz, Germany's most revered brand name, and Chrysler, America's number-three car company, merged to become the world's fifth-largest car maker. The $40.5 billion merger in the history of the automobile manufacturing business.

The process began in the early 1990s when Daimler executives began asking the question. Their question led to the conclusion that Mercedes automobiles were reaching the limits of their market. Daimler's marquis name brand made it difficult to enter emerging and other high-volume markets. Moreover, if Mercedes remained in a specialized niche, they might not be able to benefit quickly from new techonoligies.innvators would have little incentive to license their advanced technology to a small market player. As a result, Daimler began looking for a partner who could increase its scope of operations.

The process heated up during the mid-1990s because of overcapacity in the global automotive industry. Chrysler was the top candidate because of its complementary product line and geographical distribution. The two companies began the first of three rounds of talks in 1995.their first attempt at working together was an ill-fated Latin American joint venture.

Wall Street gave the merger an instant blessing. The business case looked very good along product, geography, and financial lines, but there were concerns about the differences in culture. First, there was very little product overlap.

Second, each company had a strong geographical presence where the other was weak. The combination allowed both firms to make a strong entry into the Latin American market. Third both organizations had healthy balance sheets.

However, strong reservations emerged concerning the cultural fit, organizationally, Chrysler was a lean, centralized, low-cost, producer; Mercedes was a high-quality, bureaucratic, and staid organization. Cultural artifacts were easy to identify.

Still, the two organizations saw great opportunities in cost savings, especially in logistics, purchasing, and finance. Subsequent announcements promised savings of $1.4 billion in the year of operations. executive vice president of global procurement and supply, the new organization would be able to optimize worldwide capacity, enjoy increased purchasing power with suppliers, and capitalize on cost savings derived from shared techonoligy.he suggested that it would take between three and five tears to consolidate purchasing for the two companies an aggressive target. Combining manufacturing would take much longer.

Prior to the formal close of the transaction, the integration team announced the structure and principles for the post merger consolidation process. First, Thomas Stallkamp, Chrysler's president, was announced as head of the integration effort. Second, issue resolution teams were established to help address key concerns. The first five teams were banded under the category of global automotive integration, which included product development, volume production, global sales and marketing, raw materials and part sourcing, and global automotive srategizing.others were grouped under companywide functions such as finance, human resources etc.third,the integration process was to be shaped by eight basic principles.

Shortly after the merger was finalized in November, Schrempp and Eaton named the senior executives for the new organization as well as the key structural features. The organization was to have dual headquarters. In addition, initial consolidation and integration would occur in the finance, purchasing, and other staff organizations.

Daimler Chrysler has withstood a number of challenges, almost all of which can be seen as originating in the different cultures.

Perhaps the most symbolic of the problems Daimler Chrysler faced in its execution of the post merger integration was the September 1999 announcement that Stallkamp, the head of the integration team, was leaving the organization.

Then in October 1999, Shrempp announced a restructuring of the organization into three groups: Chrysler, Mercedes, and commercial products. this structure gave considerable autonomy to the north American organization, in effect putting further integration efforts on hold and raising concerns over whether the new organization would be able to deliver on its promised $1.4 billion in cost saving.

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In fact, integration effort had run into several snags.stallkamp's integration team had identified about five hundred potential changes with the top ninety-eight changes expected to produce the promised savings.

A related problem the organization had to face was the different human resources practices, most importantly compensation. In addition, there were big differences between European and American union contracts, including benefits and vacation time that were driven by different cultural assumptions.

With respect to the compensation problem, the new board had to approve drastic changes in pay packages to put German executives on an equal footing with their American counterparts. This made realizing the promised cost savings more difficult.

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Organization Transformation

The distinguishing features of the revolutionary change efforts are:

- Change is Triggered by Environmental and Internal Disruptions
- Change is Systemic and Revolutionary
- Change Demands a New Organizing Paradigm
- Change is Driven by Senior Executives and Line Management.
- Continuous Learning and Change.

Organization transformations can occur in response to or in anticipation of major changes in the organization's environment or technology.

In addition, these changes often are associated with significant alterations in the firm's business strategy, which, in turn, may require modifying corporate culture as well as internal structures and processes to support the new direction. Such fundamental change entails a new paradigm for organizing and managing organizations. It involves qualitatively different ways of perceiving, thinking, and behaving in organizations. Movement toward this new way of operating requires top managers to take an active leadership role. The change process is characterized by considerable innovation and learning and continues almost indefinitely as organization members discover new ways of improving the organization and adapting it to changing conditions.

Organization transformation is a recent advance in organization development, and there is some confusion about its meaning and definition.

Characteristics of Transformational Change

In the past decade, a large number of organizations radically altered how they operate and relate to their environments. Increased foreign competition forced many industries to downsize and become leaner, more efficient, and flexible. Deregulation pushed organizations in the financial services, telecommunications, and airline industries to rethink business strategies and reshape how they operate. Public demand for less government and lowered deficits forced public sector agencies to streamline operations and to deliver more for less. Rapid changes in technologies rendered many organizational practices obsolete, pushing firms to be continually innovative and nimble.

Organization transformation implies radical changes in how members perceive, think, and behave at work. These changes go far beyond making the existing organization better or fine-tuning the status quo. They are concerned with fundamentally altering the organizational assumptions about its functioning and how it relates to the environment.

Changing these assumptions entails significant shifts in corporate philosophy and values and in the numerous structures and organizational arrangements that shape members' behaviors. Not only is the magnitude of change greater, but the change fundamentally alters the qualitative nature of the organization.

Examination of the rapidly growing literature on the topic suggests, however, the following distinguishing features of these revolutionary change efforts.

Change is Triggered by Environmental and Internal Disruptions

Organizations are unlikely to undertake transformational change unless significant reasons to do so emerge. Power, and expertise are vested in the existing organizational arrangements, and when faced with problems, members are more likely to fine-tune those structures than to alter them drastically. Thus, in most cases, organizations must experience or anticipate a severe threat to survival before they will be motivated to undertake transformational change. Such threats arise when environmental and internal changes render existing organizational strategies and designs obsolete. The changes threaten the very existence of the organization as it presently is constituted.

Transformational change occurs in response to at least three kinds of disruption:

1. **Industry discontinuities**—sharp changes in legal, political, economic, and technological conditions that shift the basis for competition within industries

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2. **Product life cycle shifts**—changes in product life cycle that require different business strategies
3. **Internal company dynamics**—changes in size, corporate portfolio strategy, executive turnover, and the like.

These disruptions severely jolt organizations and push them to alter business strategy and, in turn, their mission, values, structure, systems, and procedures.

Change is Systemic and Revolutionary

Transformational change involves reshaping the organization's culture and design elements. These changes can be characterized as systemic and revolutionary because the entire nature of the organization is altered fundamentally.

Typically driven by senior executives, change may occur rapidly so that it does not get mired in politics, individual resistance, and other forms of organizational inertia. This is particularly pertinent to changing the different features of the organization, such as structure, information systems, human resources practices, and work design. These features tend to reinforce one another, thus making it difficult to change them in a piecemeal manner. They need to be changed together and in a coordinated fashion so that they can mutually support each other and the new cultural values and assumptions. Transformational change, however, is distinguished from other types of strategic change by its attention to the people side of the organization. For a change to be labeled transformational, a majority of individuals in an organization must change their behavior.

Long-term studies of organizational evolution underscore the revolutionary nature of transformational change. They suggest that organizations typically move through relatively long periods of smooth growth and operation. These periods of convergence or evolution are characterized by incremental changes. At times, however, most organizations experience severe external or internal disruptions that render existing organizational arrangements ineffective. Successful firms respond to these threats to survival by transforming themselves to fit the new conditions. These periods of total system and quantum changes represent abrupt shifts in the organization's structure, culture, and processes. If successful, the shifts enable the organization to experience another long period of smooth functioning until the next disruption signals the need for drastic change.

These studies of organization evolution and revolution point to the benefits of implementing transformational change as rapidly as possible. The faster the organization can respond to disruptions, the quicker it can attain the benefits of operating in a new way. Rapid change enables the organization to reach a period of smooth growth and functioning sooner, thus providing it with a competitive advantage over those firms that change more slowly.

Change Demands a New Organizing Paradigm

Organizations undertaking transformational change are, by definition, involved in second-order or gamma types of change. Gamma change involves discontinuous shifts in mental or organizational frameworks. Creative metaphors, such as "organization learning" or "continuous improvement," often are used to help members visualize the new paradigm. During the 1980s, increases in technological change, concern for quality, and worker participation led to at least one shift in organizing paradigm. Characterized as the transition from a "control-based" to a "commitment-based" organization, the features of the new paradigm included leaner, more flexible structures; information and decision making pushed down to the lowest levels; decentralized teams and business units accountable for specific products, services, or customers; and participative management and teamwork. This new organizing paradigm is well suited to changing conditions.

Change is Driven by Senior Executives and Line Management

A key feature of organization transformation is the active role of senior executives and line managers in all phases of the change process. They are responsible for the strategic direction and operation of the organization and actively lead the transformation. They decide when to initiate transformational change, what the change should be, how it should be implemented, and who should be responsible for directing it. Because existing executives may lack the talent, energy, and commitment to undertake these tasks, they may be replaced by outsiders who are recruited to lead the change. Research on transformational change suggests that externally recruited executives are three times more likely to initiate such change than are existing executive teams.

The critical role of executive leadership in transformational change is clearly emerging. Three key roles for executive leadership of such change are:

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1. Envisioning. Executives must articulate a clear and credible vision of the new strategic orientation. They also must set new and difficult standards for performance, and generate pride in past accomplishments and enthusiasm for the new strategy.

Executives must:

- articulate a clear and credible vision of the new strategic orientation,
- set new and difficult standards for performance,
- generate pride in past accomplishments, and
- enthusiasm for the new strategy.

Sharing the Vision

The development of a vision is an important element in organizational and cultural change. Many management theorists feel that vision is the very essence of leadership. Any attempt at changing a culture should begin with a clear vision of the new strategy and what it will take to make it work. Organizations are driven by a vision, not by directives from the chain of command.

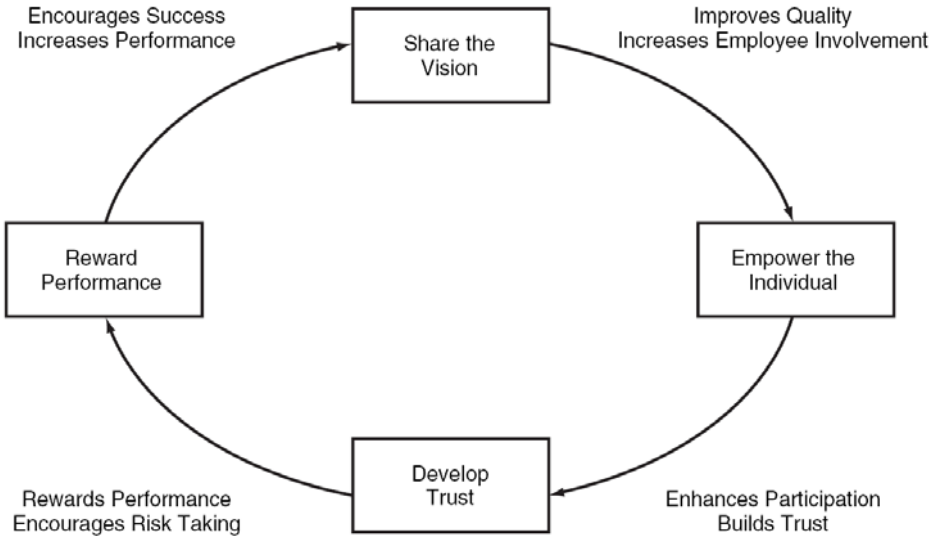
Vision is "a mental image of a possible and desirable future of the organization… that articulates a view of a realistic, credible, attractive future for the organization. An effective vision should be challenging, inspiring, and aimed at empowering people at all levels.

The fact of the matter is that the fast food employee flipping burgers and waiting on the customer is the one who ultimately carries out the vision, not the owner and management team at the headquarters.

Developing a shared vision involves several stages:

- **Share the vision.** People will buy into a clear challenging vision that has meaning for them and will improve society.
- **Empower the individual.** People need to feel they have a stake in the outcome and have participated in defining the vision. The idea is to have individual purposes congruent with the organization's vision.
- **Develop Trust.** An effective vision must set goals for challenging performance, but must allow people to "buy in" to the vision and provide feedback on performance.
- **Reward performance**. High performers need to be recognized. This element also includes support for taking risk, providing the freedom to fail, and pushing decision-making information downward to the lower levels.

Figure 55



2. Energizing. Executives must demonstrate personal excitement for the changes and model the behaviors that are expected of others. They must communicate examples of early success to mobilize energy for change.

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3. Enabling. Executives must provide the resources necessary for undertaking significant change and use rewards to reinforce new behaviors. Leaders also must build an effective top-management team to manage the new organization and develop management practices to support the change process.

If the system rewards the old culture, old practices, then it won't make sense for people to change. This, of course, includes pay and promotion, but other incentives as well.
For example, a TV manufacturing company rewards top performers by putting them on an "elite badge" project team. At a computer company, awards & recognition were used to gain employee involvement, and people were willing to work extra hours to bring out products. They wore T-shirts with mottos that celebrated their dedication, like "working ninety hours a week and loving it."

Leaders also must build an effective top-management team to manage the new organization and develop management practices to support the change process.

Continuous Learning and Change

Transformational change requires considerable innovation and learning. Organizational members must learn how to enact the new behaviors required to implement new strategic directions. This typically is a continuous learning process of trying new behaviors, assessing their consequences, and modifying them if necessary. Because members usually must learn qualitatively different ways of perceiving, thinking, and behaving, the learning process is likely to be substantial and to involve much unlearning. It is directed by a vision of the future organization and by the values and norms needed to support it. Learning occurs at all levels of the organization, from senior executives to lower-level employees.
Because the environment itself is likely to be changing during the change process, transformational change rarely has a delimited timeframe but is likely to persist as long as the firm needs to adapt to change. Learning how to manage change in a continuous manner can help the organization keep pace with a dynamic environment. It can provide the built-in capacity to fit the organization continually to its environment.

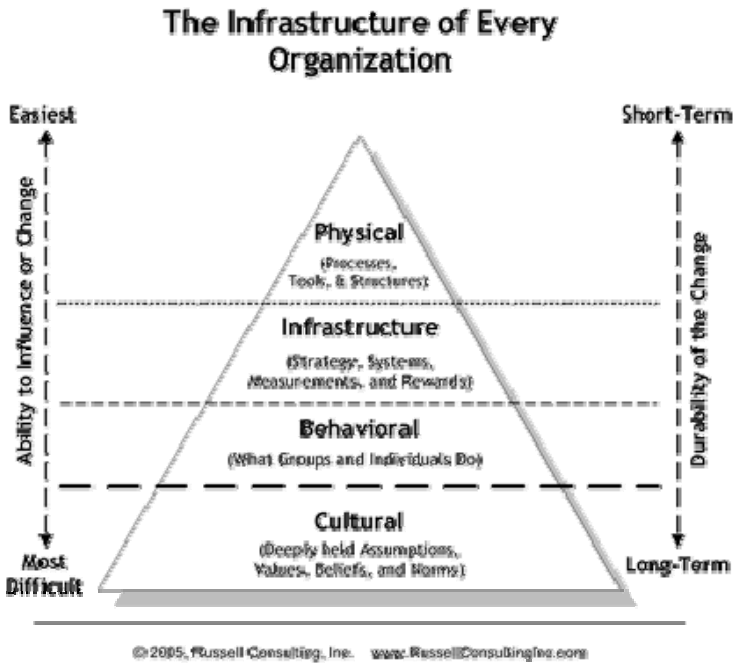
Three kinds of Interventions

1. Culture change
2. Self-design
3. Organization learning and knowledge management.

It describes activities directed at changing the basic character or culture of the organization.

Culture Change

Figure 56



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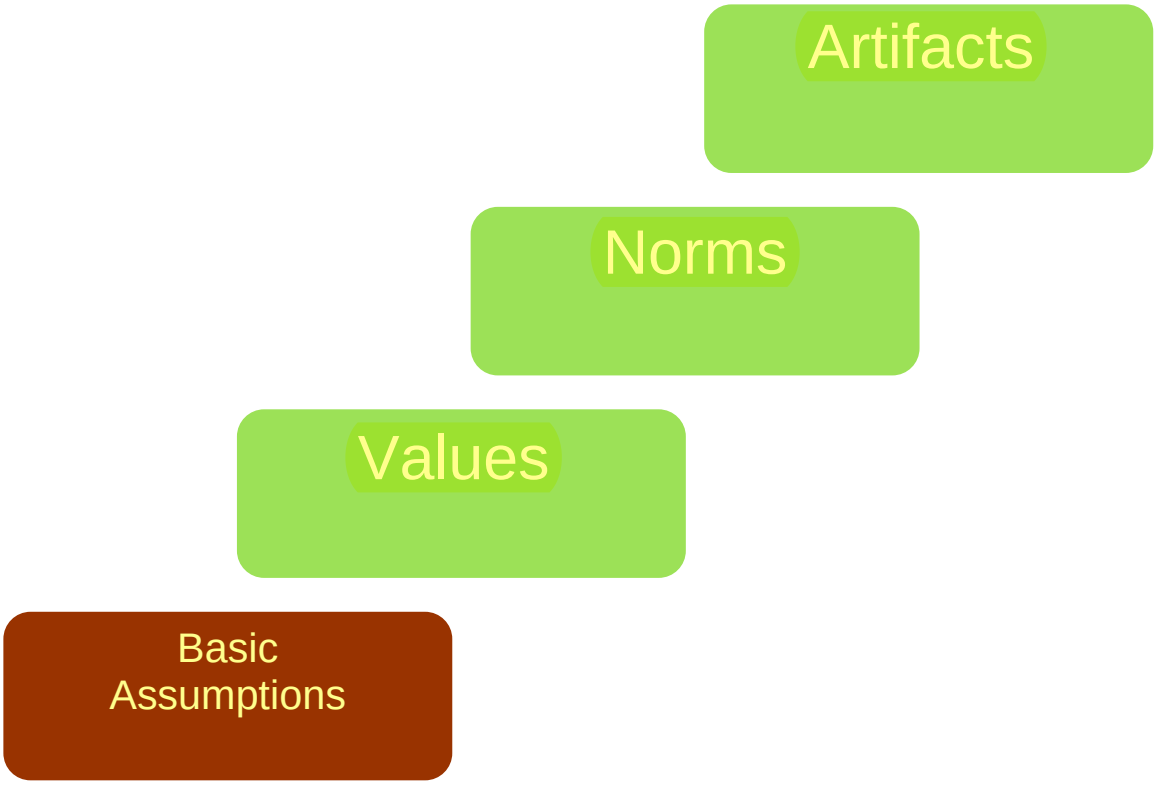
Despite the increased attention and research devoted to corporate culture, there is still some confusion about what the term culture really means when applied to organizations. Examination of the different definitions suggests that organization culture is the pattern of basic assumptions, values, norms, and artifacts shared by organization members. These shared meanings help members make sense out of everyday life in the organization. The meanings signal how work is to be done and evaluated, and how employees are to relate to each other and to significant others, such as customers, suppliers, and government agencies.

Levels of Organizational Culture

As shown below, organization culture includes four major elements existing at different levels of awareness:

1. Artifacts.
2. Norms
3. Values
4. Basic Assumptions

Figure 57



Case: The Action Company

The "Action Company" is a rapidly growing high high-technology manufacturing concern with low turnover and intense history. A visitor to the Company would note the open landscape architecture; a high degree of informality; frenetic activity all around; an obvious lack of status symbol, such as parking spaces or executive dinning rooms; and a sense of high energy and emotional evolvement of people staying late and expressing excitement about the importance of their work.

If one asks about the various norms, one is told that the company is in a rapidly growing high-technology field where hard work, innovation, and rapid solutions to things are important and where it is essential for everyone to contribute at their maximum capacity. New employees are carefully screened; and when an employee fails, he or she is simply assigned to another task, not fired or punished in any personal way.

The next-deeper level of awareness includes values about what ought to be in organizations. Values tell members what is important in the organization and what deserves their attention.

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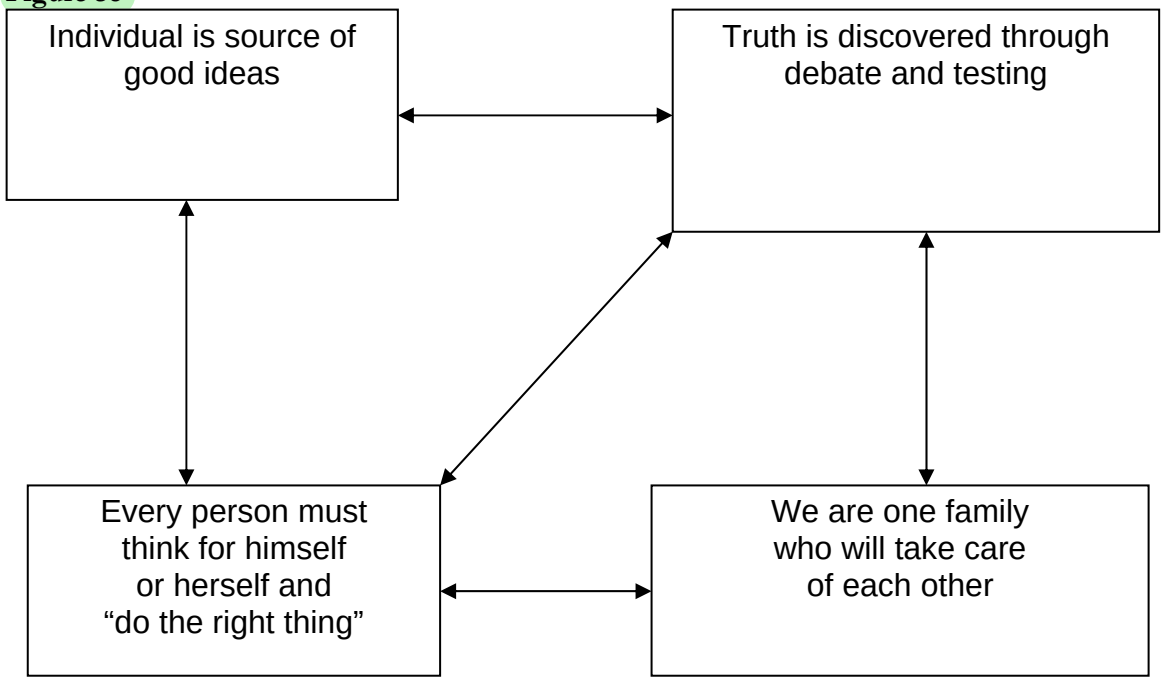
An organization's culture may be described by a set of core values that include:

- **Individual autonomy**. The degree of responsibility, independence, and opportunities for exercising initiative for members of the organization.
- **Sensitivity to the needs of customers and employees**. The degree of responsiveness to changing needs.
- **Support**. The degree of assistance provided by managers.
- **Interest in having employees initiate new ideas**. The degree to which employees are encouraged and empowered to come up with better quality and productivity suggestions.
- **Openness of available communication channel**. The degree of freedom of communication between members and teams and levels.
- **Risk behavior**. The degree to which members are encouraged to be aggressive, innovative, and risk-taking.

By combining these values a composite picture of the organization's culture is formed. The culture becomes the basis for the shared understanding that members have about the organization, how things are done, and the way they are supposed to behave.

The company operates on several critical and coordinated basic assumptions: (a) Individuals are assumed to be the source of all innovation and productivity. (b) It is assumed that truth can only be determined by pitting fully involved individuals against each other to debate ideas until only one idea survives; and it is further assumed that ideas will not be implemented unless everyone involved in implementation has been convinced through the debate of the validity of the idea; (c) Paradoxically, it is also assumed that every individual must think for himself or herself and "do the right thing" even if that means disobeying one's boss or violating a policy. (d) What makes it possible for people to live in this high conflict environment is the assumption that the company members are one big family who will take care of each other and protect each other even if some members make mistakes or have bad ideas.

Figure 58



Cultural Context

Researchers have proposed that applying OD in different countries requires a "context-based" approach to planned change. This involves fitting the change process to the organization's cultural context, including the values held by members in the particular country or region. These beliefs inform people about which behaviors are important and acceptable in their culture. Cultural values play a major role in shaping the customs and practices that occur within organizations as well, influencing how members react to phenomena having to do with power, conflict, ambiguity, time, and change.

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There is a growing body of knowledge about cultural diversity and its effect on organizational and management practices. Researchers have identified five key values that describe national cultures and influence organizational customs: context orientation, power distance, uncertainty avoidance, achievement orientation, and individualism (Table 24).

Context Orientation

This value describes how information is conveyed and time is valued in a culture. In low-context cultures, such as Scandinavia and the United States, information is communicated in words and phrases. By using more specific words, more meaning is expressed. In addition, time is viewed as discrete and linear—as something that can be spent, used, saved, or wasted.

In high-context cultures, on the other hand, the communication "medium reflects the message more than the words, and time is a fluid and flexible concept. For example, social cues in Japan and Venezuela provide as much, if not more, information about a particular situation than do words alone.

Organizations in high-context cultures emphasize ceremony and ritual. How one behaves is an important signal of support and compliance with the way things are done. Structures are less formal in high-context cultures; there are few written policies and procedures to guide behavior.

Because high-context cultures view time as fluid, punctuality for appointments is less a priority than is maintaining relationships.

Table 24

Power

Cultural Values and Organization Customs

VALUE	DEFINITION	ORGANIZATION CUSTOMS WHEN THE VALUE IS AT ONE EXTREME	REPRESENTATIVE COUNTRIES
Context	The extent to which words carry the meaning of a message; how time is viewed	Ceremony and routines are common. Structure is less formal; fewer written policies exist. People are often late for appointments.	*High:* Asian and Latin American countries *Low:* Scandinavian countries, United States
Power distance	The extent to which members of a society accept that power is distributed unequally in an organization	Decision making is autocratic. Superiors consider subordinates as part of a different class. Subordinates are closely supervised. Employees are not likely to disagree. Powerful people are entitled to privileges.	*High:* Latin American and Eastern European countries *Low:* Scandinavian countries
Uncertainty avoidance	The extent to which members of an organization tolerate the unfamiliar and unpredictable	Experts have status/authority. Clear roles are preferred. Conflict is undesirable. Change is resisted. Conservative practices are preferred.	*High:* Asian countries *Low:* European countries
Achievement orientation	The extent to which organization members value assertiveness and the acquisition of material goods	Achievement is reflected in wealth and recognition. Decisiveness is valued. Larger and faster are better. Gender roles are clearly differentiated.	*High:* Asian and Latin American countries, South Africa *Low:* Scandinavian countries
Individualism	The extent to which people believe they should be responsible for themselves and their immediate families	Personal initiative is encouraged. Time is valuable to individuals. Competitiveness is accepted. Autonomy is highly valued.	*High:* United States *Low:* Latin American and Eastern European countries

Distance

This value concerns the way people view authority, status differences, and influence patterns. People in high power distance regions, such as Latin America and Eastern Europe, tend to favor unequal distributions of power and influence, and consequently autocratic and paternalistic decision-making practices are accepted. Organizations in high power distance cultures tend to be highly centralized with several hierarchical levels and a large proportion of supervisory personnel. Subordinates in these organizations represent a lower social class. They expect to be supervised closely and believe that power holders are entitled to special privileges. Such practices would be inappropriate in low power distance regions, such as Scandinavia, where participative decision making and egalitarian methods prevail.

Uncertainty Avoidance

This value reflects a preference for conservative practices and familiar and predictable situations. People in high uncertainty avoidance regions, such as Asia, prefer stable routines, resist change, and act to maintain

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the status quo. They do not like conflict and believe that company rules should not be broken. In regions where uncertainty avoidance is low, such as in many European countries, ambiguity is less threatening. Organizations in these cultures tend to favor fewer rules, higher levels of participation in decision making, more organic structures, and more risk taking.

Achievement Orientation

This value concerns the extent to which the culture favors the acquisition of power and resources. Employees from achievement-oriented cultures, such as Asia and Latin America, place a high value on career advancement, freedom, and salary growth. Organizations in these cultures pursue aggressive goals and have high levels of stress and conflict. Organizational success is measured in terms of size, growth, and speed. On the other hand, workers in cultures where achievement is less of a driving value, such as those in Scandinavia, prize the social aspects of work including working conditions and supervision, and typically favor opportunities to learn and grow at work.

Individualism

This value is concerned with looking out for oneself as opposed to one's group or organization. In high individualism cultures, such as the United States and Canada, personal initiative and competitiveness are valued strongly. Organizations in individualistic cultures often have high turnover rates and individual rather than group decision-making processes. Employee empowerment is supported when members believe that it improves the probability of personal gain. These cultures encourage personal initiative, competitiveness, and individual autonomy. Conversely, in low individualism countries, such as Taiwan, Japan, and Peru, allegiance to one's group is paramount. Organizations operating in these cultures tend to favor cooperation among employees and loyalty to the company.

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The Behavioral Approach

This method of diagnosis emphasizes the surface level of organization culture—the pattern of behaviors that produce business results. It is among the more practical approaches to culture diagnosis because it assesses key work behaviors that can be observed. The behavioral approach provides specific descriptions about how tasks are performed and how relationships are managed in an organization. For example, Table 25 summarizes the organization culture of an international banking division as perceived by its managers. The data were obtained from a series of individual and group interviews asking managers to describe "the way the game is played," as if they were coaching a new organization member. Managers were asked to give their impressions in regard to four key relationships—companywide, boss-subordinate, peer, and interdepartmental—and in terms of six managerial tasks—innovating, decision making, communicating, organizing, monitoring, and appraising/rewarding. These perceptions revealed a number of implicit norms for how tasks are performed and relationships managed at the division.

Cultural diagnosis derived from a behavioral approach can also be used to assess the cultural risk of trying to implement organizational changes needed to support a new strategy. Significant cultural risks result when changes that are highly important to implementing a new strategy are incompatible with the existing patterns of behavior. Knowledge of such risks can help managers determine whether implementation plans should be changed to manage around the existing culture, whether the culture should be changed, or whether the strategy itself should be modified or abandoned.

The Competing Values Approach

This perspective assesses an organization's culture in terms of how it resolves a set of value dilemmas. The approach suggests that an organization's culture can be understood in terms of two important "value pairs"; each pair consists of contradictory values placed at opposite ends of a continuum, as shown in Figure 59. The two value pairs are (1) internal focus and integration versus external focus and differentiation and (2) flexibility and discretion versus stability and control. Organizations continually struggle to satisfy the conflicting demands placed on them by these competing values. For example, when faced with the competing values of internal versus external focus, organizations must choose between attending to the integration problems of internal operations or the competitive issues in the external environment. Too much emphasis on the environment can result in neglect of internal efficiencies. Conversely, too much attention to the internal aspects of organizations can result in missing important changes in the competitive environment.

The competing values approach commonly collects diagnostic data about the competing values with a survey designed specifically for that purpose. It provides measures of where an organization's existing values fall along each of the dimensions. When taken together, these data identify an organization's culture as falling into one of the four quadrants shown in Figure 59: clan culture, adhocracy culture, hierarchical culture, and market culture. For example, if an organization's values are focused on internal integration issues and emphasize innovation and flexibility, it manifests a clan culture. On the other hand, a market culture characterizes values that are externally focused and emphasize stability and control.

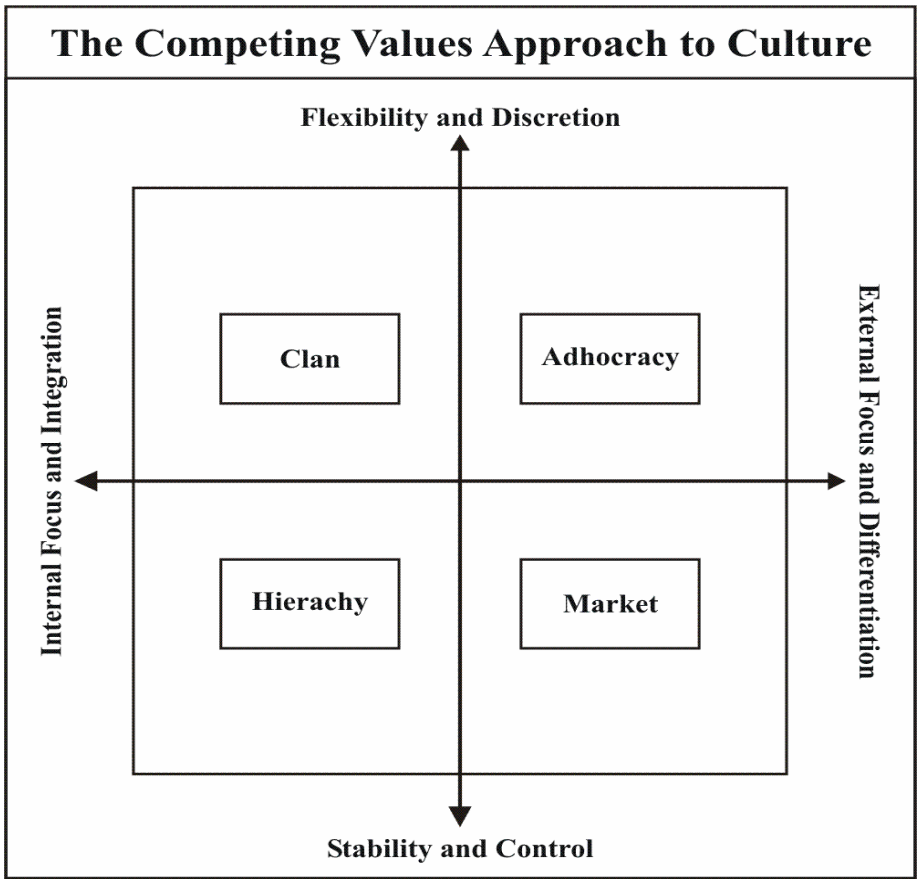
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Table 25

Summary of Corporate Culture at an International Banking Division

RELATIONSHIPS	CULTURE SUMMARY
Companywide	Preserve your autonomy. Allow area managers to run the business as long as they keep the profit budget.
Boss–subordinate	Avoid confrontations. Smooth over disagreements. Support the boss.
Peer	Guard information; it is power. Be a gentleman or lady.
Interdepartment	Protec your department's bottom line. Form alliances around specific issues. Guard your turf.
TASKS	**CULTURE SUMMARY**
Innovating	Consider it risky. Be a quick second.
Decision making	Handle each deal on its own merits. Gain consensus. Require many sign-offs. Involve the right people. Seize the opportunity.
Communicating	Withhold information to control adversaries. Avoid confrontation. Be a gentleman or lady.
Organizing	Centralize power. Be autocratic.
Monitoring	Meet short-term profit goals.
Appraising and rewarding	Reward the faithful. Choose the best bankers as managers. Seek safe jobs.

Figure 59



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The Deep Assumptions Approach

This final diagnostic approach emphasizes the deepest levels of organization culture—the generally unexamined, but tacit and shared assumptions that guide member behavior and that often have a powerful impact on organization effectiveness. Diagnosing culture from this perspective typically begins with the most tangible level of awareness and then works down to the deep assumptions.

Diagnosing organization culture at the deep assumptions level poses at least three difficult problems for collecting pertinent information. First, culture reflects shared assumptions about what is important, how things are done, and how people should behave in organizations. People generally take cultural assumptions for granted and rarely speak of them directly. Rather, the company's culture is implied in concrete behavioral examples, such as daily routines, stories, rituals, and language. This means that considerable time and effort must be spent observing, sifting through, and asking people about these cultural outcroppings to understand their deeper significance for organization members. Second, some values and beliefs that people espouse have little to do with the ones they really hold and follow. People are reluctant to admit this discrepancy, yet somehow the real assumptions underlying idealized portrayals of culture must be discovered. Third, large, diverse organizations are likely to have several subcultures, including countercultures going against the grain of the wider organization culture. Assumptions may not be shared widely and may differ across groups in the organization. This means that focusing on limited parts of the organization or on a few select individuals may provide a distorted view of the organization's culture and subcultures. All relevant groups in the organization must be discovered and their cultural assumptions sampled. Only then can practitioners judge the extent to which assumptions are shared widely.

OD practitioners emphasizing the deep assumptions approach have developed a number of useful techniques for assessing organization culture. One method involves an iterative interviewing process involving both outsiders and insiders. Outsiders help members uncover cultural elements through joint exploration. The outsider enters the organization and experiences surprises and puzzles that are different from what was expected. The outsider shares these observations with insiders, and the two parties jointly explore their meaning. This process involves several iterations of experiencing surprises, checking for meaning, and formulating hypotheses about the culture. It results in a formal written description of the assumptions underlying an organizational culture.

A second method for identifying the organization's basic assumptions brings together a group of people for a culture workshop—for example, a senior management team or a cross section of managers, old and new members, labor leaders, and staff. The group first brainstorms a large number of artifacts, such as behaviors, symbols, language, and physical space arrangements. From this list, the values and norms that would produce such artifacts are deduced. In addition, the values espoused in formal planning documents are listed. Finally, the group attempts to identify the assumptions that would explain the constellation of values, norms, and artifacts. Because they generally are taken for granted, they are difficult to articulate. A great deal of process consultation skill is required to help organization members see the underlying assumptions.

Application Stages

There is considerable debate over whether changing something as deep-seated as organization culture is possible. Those advocating culture change generally focus on the more superficial elements of culture, such as norms and artifacts. These elements are more changeable than the deeper elements of values and basic assumptions. They offer OD practitioners a more manageable set of action levers for changing organizational behaviors. Some would argue, however, that unless the deeper values and assumptions are changed, organizations have not really changed the culture.

Those arguing that implementing culture change is extremely difficult, if not impossible, typically focus on the deeper elements of culture (values and basic assumptions). Because these deeper elements represent assumptions about organizational life, members do not question them and have a difficult time envisioning anything else. Moreover, members may not want to change their cultural assumptions. The culture provides a strong defense against external uncertainties and threats. It represents past solutions to difficult problems. Members also may have vested interests in maintaining the culture. They may have developed personal stakes, pride, and power in the culture and may strongly resist attempts to change it. Finally, cultures that provide firms with a competitive advantage may be difficult to imitate, thus making it hard for less successful firms to change their cultures to approximate the more successful ones.

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Given the problems with cultural change, most practitioners in this area suggest that changes in corporate culture should be considered only after other, less difficult and less costly solutions have been applied or ruled out. Attempts to overcome cultural risks when strategic changes are incompatible with culture might include ways to manage around the existing culture. Consider, for example, a single-product organization with a functional focus and a history of centralized control that is considering an ambitious product-diversification strategy. The firm might manage around its existing culture by using business teams to coordinate functional specialists around each new product. Another alternative to changing culture is to modify strategy to bring it more in line with culture. The single-product organization just mentioned might decide to undertake a less ambitious strategy of product diversification.

Despite problems in changing corporate culture, large-scale cultural change may be necessary in certain situations: if the firm's culture does not fit a changing environment; if the industry is extremely competitive and changes rapidly; if the company is mediocre or worse; if the firm is about to become a very large company; or if the company is smaller and growing rapidly. Organizations facing these conditions need to change their cultures to adapt to the situation or to operate at higher levels of effectiveness. They may have to supplement attempts at cultural change with other approaches, such as managing around the existing culture and modifying strategy.

Although knowledge about changing corporate culture is in a formative stage, the following practical advice can serve as guidelines for cultural change:

1. Formulate a clear strategic vision. Effective cultural change should start from a clear vision of the firm's new strategy and of the shared values and behaviors needed to make it work. This vision provides the purpose and direction for cultural change. It serves as a yardstick for defining the firm's existing culture and for deciding whether proposed changes are consistent with core values of the organization. A useful approach to providing clear strategic vision is development of a statement of corporate purpose, listing in straightforward terms the firm's core values. For example, Johnson & Johnson calls its guiding principles "Our Credo." It describes several basic values that guide the firm, including, "We believe our first responsibility is to the doctors, nurses and patients, to mothers and all others who use our products and services"; "Our suppliers and distributors must have an opportunity to make a fair profit"; "We must respect [employees'] dignity and recognize their merit"; and "We must maintain in good order the property we are privileged to use, protecting the environment and natural resources."

2. Display top-management commitment. Cultural change must be managed from the top of the organization. Senior managers and administrators have to be strongly committed to the new values and need to create constant pressures for change. They must have the staying power to see the changes through. For example, Jack Welch, CEO at General Electric, has enthusiastically pushed a policy of cost cutting, improved productivity, customer focus, and bureaucracy busting for more than ten years to every plant, division, group, and sector in his organization. His efforts were rewarded with a Fortune cover story lauding his organization for creating more than $52 billion in shareholder value during his tenure.

3. Model culture change at the highest levels. Senior executives must communicate the new culture through their own actions. Their behaviors need to symbolize the kinds of values and behaviors being sought. In the few publicized cases of successful culture change, corporate leaders have shown an almost missionary zeal for the new values; their actions have symbolized the values forcefully. For example, Jim Treybig, CEO of Tandem, the computer manufacturer, decided not to fire an employee whose performance had slipped until he could investigate the reason for the employee's poor performance. It turned out that the employee was having family problems, and therefore Treybig gave him another chance. To the people at Tandem, the story symbolized the importance of consideration in leading people.

4. Modify the organization to support organizational change. Cultural change generally requires supporting modifications in organizational structure, human resources systems, information and control systems, and management styles. These organizational features can help to orient people's behaviors to the new culture. They can make people aware of the behaviors required to get things done in the new culture and can encourage performance of those behaviors. For example, Phil Condit and Harry Stonecipher of Boeing realized that more than culture change in the commercial aircraft division was necessary to turn around the organization's poor performance in 1997 and 1998. To alter the "warm and fuzzy" culture of the division radically, they initiated workforce reductions, fired key executives, made changes in the production standards, and initiated continuous improvement processes in production. These changes reinforced and symbolized the importance of financial performance, accountability, and global leadership in the industry.

5. Select and socialize newcomers and terminate deviants. One of the most effective methods for changing corporate culture is to change organizational membership. People can be selected and terminated in terms of their fit with the new culture. This is especially important in key leadership positions, where

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people's actions can significantly promote or hinder new values and behaviors. For example, Gould, in trying to change from an auto parts and battery company to a leader in electronics, replaced about two-thirds of its senior executives with people more in tune with the new strategy and culture. Jan Carlzon of Scandinavian Airlines (SAS) replaced thirteen out of fifteen top executives in his turnaround of the airline. Another approach is to socialize newly hired people into the new culture. People are most open to organizational influences during the entry stage, when they can be effectively indoctrinated into the culture. For example, companies with strong cultures like Samsung, Procter & Gamble, and 3M attach great importance to socializing new members into the company's values.

6. Develop ethical and legal sensitivity. Cultural change can raise significant tensions between organization and individual interests, resulting in ethical and legal problems for practitioners. This is particularly pertinent when organizations are trying to implement cultural values promoting employee integrity, control, equitable treatment, and job security—values often included in cultural change efforts. Statements about such values provide employees with certain expectations about their rights and about how they will be treated in the organization. If the organization does not follow through with behaviors and procedures supporting and protecting these implied rights, it may breach ethical principles and, in some cases, legal employment contracts. Recommendations for reducing the chances of such ethical and legal problems include setting realistic values for culture change and not promising what the organization cannot deliver; encouraging input from throughout the organization in setting cultural values; providing mechanisms for member dissent and diversity, such as internal review procedures; and educating managers about the legal and ethical pitfalls inherent in cultural change and helping them develop guidelines for resolving such issues.

Self-Designing Organizations

A growing number of researchers and practitioners have called for self-designing organizations that have the built-in capacity to transform themselves to achieve high performance in today's competitive and changing environment. Mohrman and Cummings have developed a self-design change strategy that involves an ongoing series of designing and implementing activities carried out by managers and employees at all levels of the firm. The approach helps members translate corporate values and general prescriptions for change into specific structures, processes, and behaviors suited to their situations. It enables them to tailor changes to fit the organization and helps them continually to adjust the organization to changing conditions.

The Demands of Transformational Change

Mohrman and Cummings developed the self-design strategy in response to a number of demands facing organizations engaged in transformational change. These demands strongly suggest the need for self-design, in contrast to more traditional approaches to organization change that emphasize ready-made programs and quick fixes. Although organizations prefer the control and certainty inherent in programmed change, the five requirements for organizational transformation reviewed below argue against this strategy:

1. Transformational change generally involves altering most features of the organization and achieving a fit among them and with the firm's strategy. This suggests the need for a systemic change process that accounts for these multiple features and relationships.
2. Transformational change generally occurs in situations experiencing heavy change and uncertainty. This means that changing is never totally finished, as new structures and processes will continually have to be modified to fit changing conditions. Thus, the change process needs to be dynamic and iterative, with organizations continually changing themselves.
3. Current knowledge about transforming organizations provides only general prescriptions for change. Organizations need to learn how to translate that information into specific structures, processes, and behaviors appropriate to their situations. This generally requires considerable on-site innovation and learning as members learn by doing—trying out new structures and behaviors, assessing their effectiveness, and modifying them if necessary. Transformational change needs to facilitate this organizational learning.
4. Transformational change invariably affects many organization stakeholders, including owners, managers, employees, and customers. These different stakeholders are likely to have different goals and interests related to the change process. Unless the differences are revealed and reconciled, enthusiastic support for change may be difficult to achieve. Consequently, the change process must attend to the interests of multiple stakeholders.
5. Transformational change needs to occur at multiple levels of the organization if new strategies are to result in changed behaviors throughout the firm. Top executives must formulate a corporate strategy and clarify a vision of what the organization needs to look like to support it. Middle and lower levels of the organization need to put those broad parameters into operation by creating structures, procedures, and behaviors to implement the strategy.

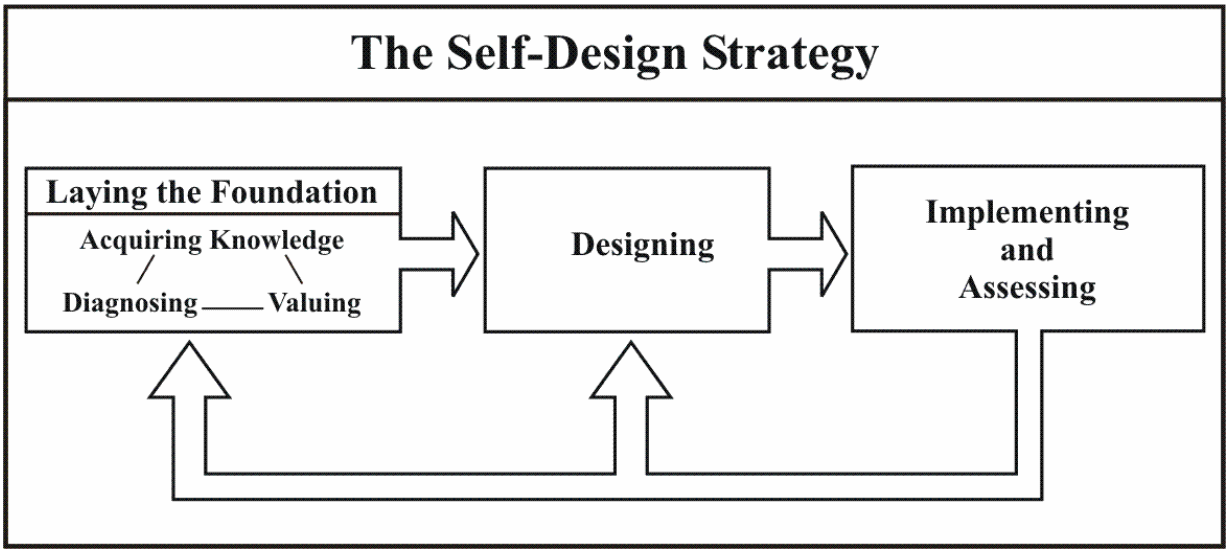
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Application Stages

The self-design strategy accounts for these demands of organization transformation. It focuses on all features of the organization (for example, structure, human resources practices, and technology) and designs them to support the business strategy mutually. It is a dynamic and an iterative process aimed at providing organizations with the built-in capacity to change and redesign themselves continually as the circumstances demand. The approach promotes organizational learning among multiple stakeholders- at all levels of the firm, providing them with the knowledge and skills needed to transform the organization and continually to improve it.

Figure 60 outlines the self-design approach. Although the process is described in three stages, in practice the stages merge and interact iteratively over time. Each stage is described below:

Figure 60. The Self-Design Strategy



1. Laying the foundation. This initial stage provides organization members with the basic knowledge and information needed to get started with organization transformation. It involves three kinds of activities. The first is acquiring knowledge about how organizations function, about organizing principles for achieving high performance, and about the self-design process. This information is generally gained through reading relevant material, attending in-house workshops, and visiting other organizations that successfully have transformed themselves. This learning typically starts with senior executives or with those managing the transformation process and cascades to lower organizational levels if a decision is made to proceed with self-design. The second activity in laying the foundation involves valuing—determining the corporate

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values that will guide the transformation process. These values represent those performance outcomes and organizational conditions that will be needed to implement the corporate strategy. They are typically written in a values statement that is discussed and negotiated among multiple stakeholders at all levels of the organization. The third activity is diagnosing the current organization to determine what needs to be changed to enact the corporate strategy and values. Organization members generally assess the different features of the organization, including its performance. They look for incongruities between its functioning and its valued performances and conditions. In the case of an entirely new organization, members diagnose constraints and contingencies in the situation that need to be taken into account in designing the organization.

2. **Designing.** In this second stage of self-design, organization designs and innovations are generated to support corporate strategy and values. Only the broad parameters of a new organization are specified; the details are left to be tailored to the levels and groupings within the organization. Referred to as minimum specification design, this process recognizes that designs need to be refined and modified as they are implemented throughout the firm.

3. **Implementing and assessing.** This last stage involves implementing the designed organization changes. It includes an ongoing cycle of action research: changing structures and behaviors, assessing progress, and making necessary modifications. Information about how well implementation is progressing and how well the new organizational design is working is collected and used to clarify design and implementation issues and to make necessary adjustments. This learning process continues not only during implementation but indefinitely as members periodically assess and improve the design and alter it to fit changing conditions. The feedback loops shown in Figure 20.3 suggest that the implementing and assessing activities may lead back to affect subsequent designing, diagnosing, valuing, and acquiring knowledge activities. This iterative sequence of activities provides organizations with the capacity to transform and improve themselves continually.

The self-design strategy is applicable to existing organizations needing to transform themselves, as well as to new organizations just starting out. It is also applicable to changing the total organization or subunits. The way self-design is managed and unfolds can also differ. In some cases, it follows the existing organization structure, starting with the senior executive team and cascading downward across organizational levels. In other cases, the process is managed by special design teams that are sanctioned to set broad parameters for valuing and designing for the rest of the organization. The outputs of these teams then are implemented across departments and work units, with considerable local refinement and modification.

The Learning Organization

Organization Learning interventions address how organizations can be designed to promote effective learning processes and how those learning processes themselves can be improved.

The learning organization builds on a number of ideas. It has its roots in OD and uses the ideas and philosophies of action research, systems approach, organizational culture, continuous problem-solving, self-managed work teams, collaboration, participative leadership, and interpersonal relations. The learning organization is a system-wide change program that emphasizes the reduction of organizational layers and the involvement of every body in the organization in continuous self-directing learning that will lead toward positive change and growth in the individual, team, and organization.

According to Peter Senge, "Leaders in learning organizations are responsible for building organizations where individuals continually expand their capabilities to shape their future. Leaders are responsible for fostering learning and are themselves learners." Learning in organizations means the continuous testing of experience and the transformation of that experience into knowledge accessible to the whole organization and relevant to its core purpose.

Learning organizations emphasize creating "knowledge for action" and not "knowledge for its own sake." They focus on acquiring knowledge, sharing it across the organization, and using it to achieve organizational goals. Participants must liberate themselves from such mental traps as blaming the competition, the economy, or other factors beyond their control. Learning organization realize that they are part of a larger system over which they have little or no control. Instead of complaining, they seek out opportunities and "ride the wave."

Core Values

A strong set of core values is normally present in learning organizations:

- Value different kinds of knowledge and learning styles.

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- Encourage communication between people with different perspectives and ideas.
- Develop creative thinking.
- Remain nonjudgmental of others and their ideas.
- Break down traditional barriers in the organization.
- Develop leadership throughout organization. Everyone is a leader.
- Reduce distinctions between organization members. (Management vs. non-management, line vs. staff, doers vs. thinkers, professional vs. nonprofessional, & so on.)
- Believe that every member of the organization has untapped human potential.

Becoming a learning organization increases the size of the organization's "brain." The employees throughout the organization participate in all thinking activities. The boundaries between the parts of the organization are broken down.

Characteristics of a Learning Organization

Four characteristics define a learning organization:

1. **Constant Readiness**: The organization exists in constant readiness for change. By staying in tune with its environment, the organization is ready to take advantage of new opportunities.
2. **Continuous Planning**: Instead of a few top executives formulating fixed plans, the learning organization creates flexible plans that are fully known and accepted by the entire organization. The plans are constantly reexamined by those involved with their implementation – not just top management. The old adage that "the top thinks and the bottom acts" has given way to the need for "integrated thinking and acting at all levels."
3. **Improvised Implementation**. The learning organization improvises. Instead of rigidly implementing plans, it encourages experimentation. Coordination and collaboration of everyone involved is required in the implementation. Successes are identified and institutionalized within the organization.
4. **Action Learning**. Change is reevaluated continually and not just at annual planning sessions. Instead the learning organization is constantly taking action, reflecting, and making adjustments.

In short, learning organizations do not wait for problems to arise. They are constantly undergoing a reexamination that questions and tests assumptions.

Organization Learning Processes

These processes consist of four interrelated activities:

1. Discovery: Learning starts with discovery when errors or gaps between desired and actual conditions are detected. For example, sales managers may discover that sales are falling below projected levels and set out to solve the problem.

2. Invention is aimed at devising solutions to close the gap between desired and current conditions, and includes diagnosing the causes of the gap and creating appropriate solutions to reduce it. The sales managers may learn that poor advertising is contributing to the sales problem and may devise a new sales campaign to improve sales.

3. Production processes involve implementing solutions. For instance, the new advertising program would be implemented.

4. Generalization includes drawing conclusions about the effects of the solutions, if successful, and extending that knowledge, to other relevant situations. The managers might use variations of it with other product lines. Thus, these four learning processes enable members to generate the knowledge necessary to change and improve the organization.

Levels of Learning

Inferring from the learning processes, we can identify two levels of learning.

The lowest level is called single-loop learning or adaptive learning and is focused on learning how to improve the status quo. This is the most prevalent form of learning in organizations and enables members to reduce errors or gaps between desired and existing conditions. It can produce incremental change in how organizations function. The sales managers described above engaged in single-loop learning when they looked for ways to reduce the difference between current and desired levels of sales.

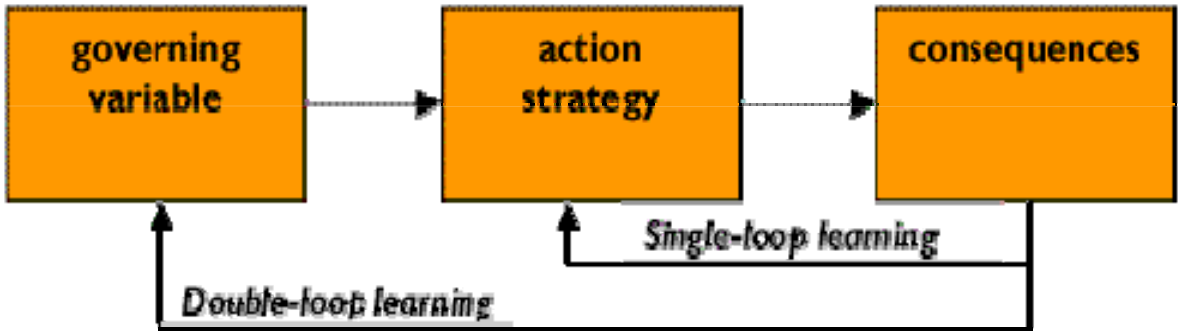
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Single-loop learning is like a thermostat that learns when it is too hot or too cold and turns the heat on or off. The thermostat can perform this task because it can receive information (the temperature of the room) and take corrective action.

Double-loop learning or generative learning is aimed at changing the status quo. It operates at a more abstract level than does single-loop learning because members learn how to change the existing assumptions and conditions within which single-loop learning operates. This level of learning can lead to transformational change, where the status quo itself is radically altered. For example, the sales managers may learn that sales projections are based on faulty assumptions and models about future market conditions. This knowledge may result in an entirely new conception of future markets with corresponding changes in sales projections and product development plans. It may lead the managers to drop some products that had previously appeared promising, develop new ones that were not considered before, and alter advertising and promotional campaigns to fit the new conditions.

Figure 61



In Single-loop learning the emphasis is on "techniques and making techniques more efficient".

Double-loop learning is more creative and reflexive. Reflection here is more fundamental: the basic assumptions behind ideas or policies are confronted. Hypotheses are publicly tested.

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Seven Practices of Successful Organizations

Seven dimensions that seem to characterize most if not all of the successful organizations are:

1. Employment security

Most research on the effects of management systems has incorporated security as a critical element of high-performance management systems. One of the most widely accepted propositions is that innovations in work practices or other forms of worker-management cooperation or productivity improvement are not likely to be sustained over time when workers fear that they will be out of their jobs.

This was recognized long ago by Lincoln Electric, the successful arc welding and electric motor manufacturer that has dominated its markets for decades. Years ago, it began offering guaranteed employment to workers after two (and now three) years on the job. It has not had a layoff since 1948. Nor is it the case that this is just because the company has never faced hard times. In the early 1980's, a recession and high interest rates caused the company domestic sales to fall about 40 percent over an eighteen-month period. Nevertheless, it did not resort to layoffs. One thing the company did to avoid laying off people was to redeploy them. Factory workers who made Lincoln's products were put in the field with the tasks of selling them, which increased its market share and penetration Over the years, Lincoln has enjoyed gains in productivity that are far above those for manufacturing as a whole, and its managers believe that the assurance workers have that innovations in methods will not cost them or their colleagues their jobs has significantly contributed to these excellent results.

Many additional benefits follow from employment assurances besides worker's free contribution of knowledge and other efforts to enhance productivity. One advantage to firms is the decreased likelihood that they will lay off employees during downturns. How is this a benefit to the firm? In the absence of some way of building commitment to retaining the work force – either through pledges about employment security or through employment obligations contractually negotiated with a union - firms may lay off employees too quickly and too readily at the first sign of financial difficulty. This constitutes a cost for the firm that has done a good selecting, training and developing their work force. Layoffs put important strategic assets on the streets for the competitor to employ. The Vice President for People at Southwest Airlines said that she had never had a layoff. She views people as strategic assets rather than as costs. "Why would we want to put our best assets, our people, in the arms of the competition?" she said. Southwest has pursued a careful growth strategy that avoided overexpansion and subsequent cuts in personnel.

Employee security policies will also lead to more careful and leaner hiring because the firm knows that it cannot simply let people go quickly if it has overestimated its labor demand. Leaner staffing can make the work force more productive, with fewer people doing more work. The people are often happy to be more productive because they know they are helping to ensure a result that benefits them – having a long-term job and a career. Furthermore, employment security maintained overtimes helps to build trust between people and their employer, which can lead to more cooperation, forbearance in pressing for wage increases, and better spirit in the company.

The CEO of Southwest has written:

"Our most important tools for building employee partnership are job security and a stimulating environment… This has helped to keep our labor force smaller and more productive than our competitors."

When you look at the complaints from the executives of "finding difficulty in recruiting qualified personnel", you find that these very same firms laid off engineers, technicians, and other skilled workers, years ago – before subsequently complaining about labor scarcity.

By hiring when times are poor and developing a set of policies, including assurance that people will be retained, a firm can become an employer of choice, and the organization will not have to enter the labor market at its very peak to acquire the necessary work force.

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Employment security can confer yet another benefit, in that it encourages people to take a longer-term perspective on their jobs and organization performance. In a study of the financial performance of 192 banks, it has been observed that "The greater the employment security given to a loan officer, the greater the returns to banks." In a bank that hires and lays off loan officers quickly to match economic fluctuations, the typical loan officer will worry only about booking loans. With employment security and a longer-term perspective on the job, the bank officer may be more inclined to worry about the repayment prospects of the loan and about building customer relationships by providing high level of service.

The idea of employment security does not mean that the organization retains people who don't perform or work effectively with others – that is, performance does matter. Lincoln Electric has very high turnover for employees in their first few months on the job, as those who don't fit the company culture and work environment leave. Southwest will fire people who don't provide the level of customer service the firm is well-known for delivering and don't want to improve. Employment security means that employees are not quickly put on the streets for things, such as economic downtown or strategic mistakes of the senior management, over which they have no control. The policy focuses on maintaining total employment, not on protecting individuals from the consequences of their individual behavior on the job.

Employment security is fundamental to the implementation of most other high performance management practices such as selective hiring, extensive training, information sharing and delegation. Companies are unlikely to invest the resources in careful screening and training of new people if these are not expected to be with the firm long enough to recoup these investments. Similarly, delegation of operating authority and the sharing of sensitive performance and strategic information requires trust, and that trust is much more likely to emerge in a system of mutual, long-term commitments.

2. Selective hiring

Good organizations ensure that they recruit the right people in the first place. This requires several things.

First, the organization needs to have a large applicant pool from which to select. For example, in 1993, Southwest Airlines received about 98000 applications, interviewed 16000 and hired 2700.

Some organizations see processing this many job inquiries as an unnecessary expense. Southwest sees it as the first step toward ensuring that it has a large applicant pool from which to select its people.

Singapore Airlines is extremely careful and selective in its recruiting practices. Flights attendants are an important point of contact with the customer. Consequently, senior management becomes personally involved in the flight attendant selection. From an initial pool of candidates, about 10% are short-listed and only 2% (one out of 50) are selected.

Second, the organization needs to be clear about what are the most critical skills and attributes needed in its applicant pool. The notion of trying to find "good employees" is not very helpful - organizations need to be as specific as possible about the precise attributes they are seeking. At Southwest Airlines, applicants for flight attendants are evaluated on the basis of initiative, judgment, adaptability and their ability to learn. These attributes are assessed in part from interviews employing questions evoking specific instances of these attributes. For instance, to assess adaptability, interviewers ask, "Give an example of working with a difficult coworker. How would you handle it?" To measure initiative, one question asked is, "Describe a time when a co-worker failed to deliver and what you did about it."

Third, the skills and abilities hired needed to be carefully considered and consistent with the particular job requirements and the organization's approach to its market. Simply hiring "the best and the brightest" may not make sense in all circumstances. Enterprise Rent-A-Car is today the largest car rental company in the US. It has grown by pursuing a high customer strategy and emphasizing sales of rental car services to repair garage customers. In a low wage, low employee skill industry, virtually all of the Enterprise's people are college graduates. But these people are hired primarily for their sales skills and personality and for their willingness to provide good service, not their academic performance.

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Fourth, organization should screen primarily on important attributes that are difficult to change through training and should emphasize qualities that actually differentiate among those in the applicant pool.

An important insight on the selection process comes from those organizations that tend to hire more on the basis of basic ability and attitudes than on applicants' specific technical skills, which are much more easily acquired. This has been the practice of Japanese organizations for some time. "Japanese recruitment seeks to find the individual with the 'proper character whom it can train.' Instead of searching for the skills for the job, the focus is on social background, temperament, and character references."

At Southwest Airlines, a top pilot working for another airline who actually did stunt work for movie studios was rejected because he was rude to a receptionist. Southwest believes that technical skills are easier to acquire than a teamwork and service attitude. Ironically, many firms select for specific, job-relevant skills that, while important, are easily acquired. Meanwhile, they fail to find people with the right attitudes, values, and cultural fit – attributes that are harder to train or change and that are quite predictive of turnover and performance. To avoid having to retrain or re-socialize people that have acquired bad habits at their previous employers, some companies prefer to hire individuals without previous industry experience. Many prefer to hire individuals who are eager to prove themselves and who don't know what can't be done. (For them everything is possible)

Stanford Business School has a class of about 370 MBAs, selected from a pool of over 6,000 applicants. These are obviously talented, motivated, and very intelligent individuals. Distinguishing among them on those criteria would be difficult, if not impossible. But many firms seek to do the impossible – they try to get around the school's policy of not releasing grades in an effort to figure out who are the smartest students and to assess differences in ability among a set of applicants through interviewing techniques such as giving them problems or cases to solve.

One MBA job applicant reported that, in interviews with a company, the company asked very little about personal or academic background and focused on whether the person is team oriented or an individual achiever. Questions asked were: "Do you have a personal mission statement. If you don't, what would it be if you were to write today?"

A great deal of research evidence shows that the degree of cultural fit and value congruence between job applicants and their organizations significantly predicts both subsequent turnover and job performance.

Firms serious about selection put applicants through several rounds of interviews and a rigorous selection procedure. A manufacturing company in the US could take as long as six months or more. Such a lengthy selection process has several outcomes. First, it ensures that those who survive it have been carefully scrutinized. Second, it ensures that those eventually hired into the firm develop commitment. Third, this type of process promotes the feeling on the part of those who are finally selected that they are part of an elite and special group, a feeling that causes them to enter the organization with a high level of motivation and spirit.

Rigorous selection requires a method, refined and developed over time through feedback and learning, to ensure that the firm can identify the skills it is seeking from the applicant pool. At Southwest Airlines, the company tracks who has interviewed job applicants. When someone does especially poorly, the organization can actually try to assess what the interviewers saw or missed, and why. It is puzzling that organizations will ensure the quality of their manufacturing or service delivery process by closing the loop on that process through feedback, while almost no organizations attempt to do the same thing with their recruiting process. Sources of applicants, scores on tests or interview ratings, and other selection mechanisms must be validated against the subsequent performance of the people selected if there is to be any hope of improving the effectiveness of the process over time.

3. Self-Managed Teams and Decentralization as Basic Elements of Organizational Design

Organizing people into self-managed teams is a critical component of virtually all high performance management systems.

Workers in self-managed teams enjoy greater autonomy and discretion, and this effect translates into intrinsic rewards and job satisfaction;

Teams offer several advantages:

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First, teams substitute peer-based for hierarchical control of work. "Instead of management devoting time and energy to controlling the work force directly workers control themselves." Peer control is frequently more effective than hierarchical supervision. Someone may disappoint his or her supervisor, but the individual is much less likely to let down his or her mates.
As a consequence, "all the difficulties of one person's absence fall on those in daily contact with the absentee – the co-workers and immediate supervisor – producing enormous peer pressure against absenteeism." Team-based organizations also are largely successful in having all of the people in the firm feel accountable and responsible for the operation and success of the enterprise, not just a few people in senior management positions. This increased sense of responsibility stimulates more initiative and effort on the part of everyone involved.

World Food Markets, a food chain store in the US, has a team-oriented philosophy, which works as follows:
Each store is a profit center and has about ten self-managed teams in it, with team leaders and clear performance targets. Moreover, "the team leaders in each store are a team, store leaders in each region are a team, and the company's six regional presidents are a team." Although store leaders recommend new hires, teams must approve hires for full-time jobs, and it takes a two-thirds vote of the team members to do so, normally after a thirty-day trial period. Through an elaborate system of peer store reviews, Whole Foods encourages people to learn from each other. By sharing performance information widely, the company encourages peer competition. "At Whole Foods, pressure for performance comes from peers rather than from headquarters, and it comes in the form of internal competition."

Second, teams permit employees to pool their ideas to come up with better and more creative solutions to problems. The idea, similar to brain storming or group problem solving, involves pooling ideas and expertise to increase the likelihood of that at least one member of the group will come up with a way of addressing the problem. In the group setting, each participant can build on the others' ideas, particularly if the members are trained in effective group process and problem solving.

Third, and perhaps most importantly, by substituting peer for hierarchical control, teams permit removal of layers of hierarchy and absorption of administrative tasks previously performed by specialists, avoiding the enormous costs of having people whose sole job is to watch people who watch other people do the work. Administrative overhead is costly because management is typically well-paid. Eliminating layers of management by instituting self-managing teams saves money.

The AES Corporation is a global power plant developer. The company "has never formed corporate departments or assigned officers to oversee project finance, operations, purchasing, human resources, or public relations. Instead, such functions are handled at the plant level, where plant managers assign them to volunteer teams." Front-line people develop expertise in these various task domains, including finance, and receive responsibility and authority for carrying them out. They do so effectively. Of course mistakes get made, but learning follows. The AES structure saves on the cost of management – the organization has only five levels – and it economizes on specialized staff. The company developed a $400 million plant with a team of just ten people. Normally project of this size requires hundreds of workers.

4. High Compensation Contingent on Organizational Performance.

Although labor markets are far from perfectly efficient, it is nonetheless the case that some relationship exists between what a firm pays and the quality of the work force it attracts. It is amusing to see firms announce simultaneously that first, they compete on the basis of their people and that their goal is to have the very best work force in their industry, and second, that they intend to pat at (or sometimes slightly below) the median wage for comparable people in the industry. The level of salaries sends a message to the firm's work force – they are truly valued or they are not.

When John Whitney assumed the leadership of Pathmark, a large grocery store chain in the US, the company had 90 days to live according to the banks and was in desperate final shape. He looked at the situation and found out that 120 store mangers were paid terribly. One of the first things he did was to give them a substantial raise – about 40 to 50%. The subsequent success of the chain was because the store managers could now focus on improving performance instead of worrying and complaining about their pay. Furthermore, in a difficult financial situation, the substantial raise ensured that talent would not be leaving for better jobs elsewhere, thereby making a turnaround more difficult.

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Contingent compensation figures importantly in most high performance work systems. Such compensation can take a number of different forms, including gainsharing, stock ownership, pay for skill, or various forms of individual or team incentives.
Many successful companies encourage share ownership. When the employees are owners, they act and think like owners.

Paying for skill acquisition encourages people to learn different jobs and thereby to become more flexible. Gainsharing differs from profit sharing in that it is based on incremental improvements in the performance of a specific unit. If a plant becomes more efficient in its use of labor and materials, the people share in the economic gains, even if profits in the firm as a whole are down. Why should employees in a plant in which they have achieved efficiency gains be penalized for problems in the general economy that have adversely affected sales or, for that matter, by the performance of other parts of the organization over which they have no control.

Contingent compensation helps to motivate effort, because people know they will share in the results of their work. At Whole Foods, a gainsharing program "ties bonuses directly to team performance – specifically, sales per hour, the most important productivity measurement."

Managers sometimes ask how to prevent employment security into something resembling the civil service, with people just marking time. The answer is by coupling employment security with some form of group-based incentive, such as profit or gainsharing or share ownership. The organization thus unleashes the power of the team, whose economic interests are aligned with the higher levels of economic performance.

5. Training

Virtually all descriptions of high-performance management practices emphasize training, and the amount of training provided by commitment as opposed to control-oriented management systems is substantial. Training is an essential component of high-performance work systems because these systems rely on front-line employee skill and initiative to identify and resolve problems, to initiate changes in work methods, and to take responsibility for quality. All of this requires a skilled and motivated work force that has the knowledge and capability to perform the requisite tasks.

The difference in training reflects the different views of people held by different firms and their corresponding production systems.
Japanese appear to train a lot because they rely heavily on flexible production. The US owned plants train very little because they follow traditional mass production practices and philosophies.

The difference in training levels also reflects differences in time horizon - the Japanese intend to keep their people longer therefore it makes sense for them to invest more in developing them.
Studies of firms in the US and the UK consistently provide evidence of inadequate levels of training and training focused on the wrong things: special skills rather than generalist competence and organizational culture.
Training can be a source of competitive advantage in numerous industries for firms with the wisdom to use it. Successful firms that emphasize training do so almost as a matter of faith and because of their belief in the connection between people and profits.
Taco Inc., for instance, a privately owned manufacturer of pumps and valves, with annual sales of under $100 millions, offers its employees "astonishing educational opportunities – more than six dozen courses in all." In an on-site learning center. It cost the company $ 250,000 to build the center and annual direct expenses and lost production cost about $300,000. When asked to put a monetary value on the return from operating the centre, the CEO said. "It comes back in the form of attitude".

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Table

TABLE 1
Amount of Training for Production Workers in Automobile Assembly Plants

Source: John Paul MacDuffie and Thomas A. Kochan, "Do U.S. Firms Invest Less in Human Resources? Training in the World Auto Industry." *Industrial Relations* 34 (1995): 156.

Ownership/ Location	Hours of Training in the First Six Months for New Workers	Hours per Year for Those with > 1 Year Experience
Japanese/Japan	364	76
Japanese/North America	225	52
U.S./North America	42	31
U.S./Europe	43	34
European/Europe	178	52
Newly industrialized countries	260	46
Australia	40	15

6:

Reduction of Status Differences

High-performance management systems can perform only when they are able to tap the ideas, skills, and efforts of all of their people. One way to do this is to organize people in team works. But neither individuals nor teams will feel comfortable or encouraged to contribute if they feel that they are neither valuable nor valued. In order to help make all organizational members feel important and committed, one has to reduce the status distinctions that separate individuals and groups and cause some to feel less valued.

This is accomplished in two principal ways - symbolically, through the use of language and labels, physical space, and dress, and substantively, in the reduction of the organization's degree of wage inequality, particularly across levels. Subaru-Isuzu, everyone from the company president down was called an Associate. The Company's literature stated "SIA is not hiring workers; it is hiring Associates … who work as a team to accomplish a task."

At Kingston technology, a private firm manufacturing add-on memory modules for personal computers, with 1994 sales of $2.7 million per each of its 300 people (a higher level of revenue per employee than Exxon, Intel, or Microsoft), the two co-founders sit in open cubicles and do no have private secretaries.

The reduction of status differences encourages open communication, necessary in an organization in which learning and adaptation are encouraged. Status differences are reduced and a sense of common fate is developed by limiting the difference between senior management and other employees.

The CEO of Southwest Airlines who has been on the cover of Fortune earned about $500,000 per year. When the company negotiated a five year wage freeze with its pilots, he agreed to fix his basic salary at $395000 a year for 4 years.

Practices that reduce status differences are consistent with rewards contingent on performance - as long as these contingent rewards are applied on a group or organizational level so that the benefits of the performance of the many are not awarded to the few. Reducing wage inequality does limit the organization's ability to use individual incentives to the extent that the application of individual rewards increases the dispersion of wages. But this is not necessarily a bad thing. Many managers and human

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resource executives mistakenly believe that placing individual pay at risk increases overall motivation and performance, when it is actually the contingency of the reward itself, not the level at which it is applied (individual, group, or organizational) that has the impact. Contingent rewards provided at the group or organizational level are at least as effective, if not more so, than individual incentives and, moreover, they avoid many of the problems inherent in individual merit or incentive pay.

6. Sharing Information

Information sharing is an essential component of high-performance work systems for two reasons:

First, the sharing of information on things such as financial performance, strategy, and operational measures conveys to the organization's people that they are trusted.

The CEO of Whole Foods Markets has stated, "If you are trying to create a high trust organization …. an organization where people are all-for-one and one-for-all, you can't have secrets." The company shares detailed financial and performance information with every employee.

Second, even motivated and trained people cannot contribute to enhancing organizational performance if they don't have information on important dimensions of performance and, in addition, training on how to use and interpret that information.

The famous case is of a CEO who purchased an old harvester plant worth $100000 and a debt of $8.9 million. He knew that if the plant was to succeed, every one had to do their best and share all his wisdom and ideas for enhance the plant performance. He came up with a system called "open book management". The philosophy underlying this system states that:

"Don't use information to control or manipulate people. Use it to teach people how to work together to achieve common goals and thereby gain control over their lives. Cost control happens at the individual level. The best way to control costs is to enlist everyone in the list. This means provide people with the tools that allow them to make the right decisions."

Implementing this system involved:

First, making sure that all of the people generated daily numbers reflecting their work performance and productions costs.

Second, it involved sharing this information with all the people of the company. Third, it involved extensive training how to use and interpret the numbers - how to understand balance sheet, cash flow and income statements. Understanding the financials came to be the part of everyone's job.

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