

Leading Organizational Development and Change

PRINCIPLES
AND
CONTEXTUAL
PERSPECTIVES

RIANN SINGH
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Leading Organizational Development and Change

Riann Singh • Shalini Ramdeo

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Principles and Contextual Perspectives

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To my parents, whose unwavering support is the best gift anyone could receive.

Riann

To my loving parents, Anjanee and Ramchandar, and my dearest sister Suzette.

Shalini

Preface

Welcome to the first edition of *Leading Organizational Development and Change, Principles and Contextual Perspectives*.

This book takes a macro-level perspective on organizational development and change (ODC). Indeed, OD change plans are developed and implemented at multiple levels within the organizational context: individual levels, group/departmental levels, and organizational levels. The majority of the existing OD books therefore cover the basics as they relate to change management across these three levels.

This book, while acknowledging these multiple levels, focuses in detail on the specifics of organizational-level OD in particular. This macro focus is necessary in an era where organizational change management presents an ongoing challenge to OD practitioners. Indeed, organizational-level OD requires the conceptualization, development, implementation, and evaluation of changes throughout the organization, a pivotal point often overlooked in existing OD books. These areas will be explored in comprehensive detail in this book.

In addition to its detailed approach to covering ODC fundamentals and macro-level ODC in detail, the book features selected International and Caribbean/Latin American OD cases. Teaching Notes to accompany each Case are also provided for instructors to use. While International OD Cases have been featured in existing OD texts, Caribbean/Latin American cases are not featured in any existing OD text. This unique contribution provides a broader contextual basis, which should be appealing to more business schools globally, by including International and Caribbean/Latin American ones. The small-island developing states of the Caribbean and the emerging Latin American business contexts are too often ignored within the existing body of business literature generally, and hence this book takes a step forward by featuring this context of OD, while covering the requirements for the International context as well. Further, International and Caribbean/Latin American examples of OD are provided throughout the text to further strengthen its broader contextual scope.

This book, with its text and cases approach, aims to be a required material for all undergraduate universities/tertiary-level educational institutions with business schools, human resource management (HRM), and organizational psychology departments in the Caribbean/Latin American region, and supplementary materials for international business schools globally in the area of ODC. It targets students who are enrolled in business degrees and/or Human Resource Management Degree Programmes (Majors and Minors) given that organizational development is indeed a core course in most business and all HRM degrees across reputable universities. Course names that the textbook would support include Organizational Development, Management of Change, and Organizational Change Management. It also aims to be background-essential material for graduate business schools across the Caribbean/Latin America. Learning Outcomes, Definitions, Chapter Summaries, Self-Study Discussion Questions, and Group Think-Discuss-Share Questions are all provided to make the book easily accessible to students. The book also intends to shed light on practitioner

perspectives by including a ‘Practitioner’s Toolkit’. By introducing the perspective of the practitioner, the scope of the book acknowledges the need to be aware of practical success factors for OD as well.

This book is structured into six parts:

1. Part I: Overview of Organizational Development

In this part, the field and practice of OD is introduced. Popular individual-level and group-level OD interventions are described, OD models are assessed, and the importance of the OD practitioner and change leadership in the OD process are recognized.

2. Part II: Initiating the Organizational Development Process

This part begins the examination of the organizational development and change process. The key elements of starting organizational-level interventions, the diagnosis of change issues, data collection, data analysis, and feedback processes to kick-start organizational-level change are all evaluated here.

3. Part III: Developing and Implementing Organizational-Level Interventions

The key elements of organizational theories and the most popular organizational-level interventions are evaluated in this part. The development and implementation of techno-structural and strategic organizational interventions are assessed comprehensively here.

4. Part IV: Evaluation and the Way Forward

Subsequent to the implementation of organizational-level development and change, the ongoing nature of OD requires the continuous evaluation of interventions, knowledge of key OD trends, and an understanding of the future of the evolving OD field. These areas are explored in this part.

5. Part V: International and Caribbean/Latin American Case Studies in Organizational Development

Selected International and Caribbean/Latin American cases of OD in practice are presented here. Case questions and teaching notes are also provided for a comprehensive assessment of OD practice.

6. Part VI: The OD Practitioner’s Toolkit

The book closes with an introduction to the OD practitioner’s perspective. A toolkit with useful guidelines for managing organizational development and change are also presented.

Clearly, the book, in its structure, offers a comprehensive assessment of the fundamental principles and contextual perspectives, which relate to organizational development and change.

Our hope is that you find the book readable and relatable with its solid OD principles covering the key fundamentals and the OD process, its comprehensive practical global examples, case studies, teaching notes, and student exercises!

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Abbreviations

AB InBev	Anheuser Bush InBev	FDI	Foreign Direct Investment
ANOVA	Analysis of Variance	FTC	Federal Trade Commission
ARC	Airlines Reporting Corporation		
ATM	Automated Teller Machine	GATE	Government Assistance for Tuition and Expenses Programme
BA	British Airways	GDP	Gross Domestic Product
BAI	Banca di America e di Italia	GE	General Electric
BARS	Behaviourally Anchored Rating Scale	GLOBE	Global Leadership and Organizational Behaviour Effectiveness
BAT	British American Tobacco	HP	Hewlett-Packard
BOS	Behavioural Observation Scale	HRM	Human Resource Management
BPR	Business Process Reengineering	IoT	Internet of Things
		IT	Information Technology
C&W	Cable and Wireless (West Indies) Limited	KFC	Kentucky Fried Chicken
CEO	Chief Executive Officer		
CMIH	CM International Holding Pte. Ltd.	LNG	Liquefied Natural Gas
CNG	Compressed Natural Gas	M&As	Mergers and Acquisitions
CTO	Caribbean Tourism Organization	MBO	Management By Objective
		MCL	Massy Communications Limited
CWU	Communications Workers Union	MSIL	Maruti Suzuki India Limited
EAP	Employee Assistance Programmes	MSMEs	Micro, Small, and Medium Enterprises
EBIT	Earnings Before Interest and Taxes	MSTA	Maruti Suzuki Training Academy
EDP	Energias de Portugal		
EEA	European Economic Area	NEL	National Enterprises Limited
e-mail	Electronic Mail		
ENAMI	National Mining Company of Chile	NGOs	Non-Governmental Organizations
EWCS	European Working Conditions Survey	NOx	Nitrogen Oxide
		NY	New York

OCI	Organizational Culture Inventory	SGID	State Grid International Development Limited
OD	Organizational Development	SMEs	Small and Medium Enterprises
ODC	Organizational Development and Change	SPSS	Statistical Package for Social Sciences
OEI	Organizational Effectiveness Instrument	STS	Socio-Technical Systems
		SWOT	Strengths, Weaknesses, Opportunities, Threats
PMP	Performance Management Plan		
PwC	Price WaterHouse Coopers	TATT	Telecommunication Authority of Trinidad and Tobago
		TQM	Total Quality Management
RBC	Royal Bank of Canada		
RBTT	Royal Bank of Trinidad and Tobago	TSTT	Telecommunications Services of Trinidad and Tobago Limited
RDT	Resource-Dependence Theory		
		TTPOST	Trinidad and Tobago Postal Services
ROI	Return On Investment		
S&C	Sullivan and Cromwell	UK	United Kingdom
SCM	Success Case Method		
SEM	Structural Equation Modelling	WASA	Water and Sewerage Authority

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Introduction to Organizational Development and Change

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Learning Objectives

At the end of this chapter, readers should be able to:

1. Describe and critically assess the key aspects of organizational development (OD).
2. Outline and evaluate the key aspects of the organizational environment which provide the context for OD.
3. Trace the background of OD to understand its history and evolution over time.
4. Differentiate the field and practice of OD from other related disciplines.
5. Describe the different types of OD interventions and assess the importance of organizational-level interventions.
6. Understand the structure and usefulness of this book on organizational development and change (ODC).

1.1 Introduction**1.1.1 Introduction to Organizational Development**

This book on organizational development and change (ODC) examines the system-wide process of using behavioural science tools, techniques, and practices to build the capacity of organizations to develop, implement, evaluate, and manage change plans on a continuous basis. *Organizational development* (OD) takes a planned approach to improve the overall functioning and effectiveness of organizations as open systems within a larger, dynamic business environment. The contemporary environments in which organizations operate are continuously evolving, where *change* is inevitable. Organizations need to adapt their strategies and work designs to maintain their relevance to survive and thrive. An organizational-level focus is becoming increasingly necessary for all organizational members through a work culture and environment that promotes innovation and creativity. To encourage such a strategic approach, the traditional management style of centralized decision-making should be discouraged in most instances. Rather, organizations need to advance a more participative style of management. Therefore, the relevance of OD is of paramount importance in enabling organizations to navigate the ever-changing landscape in which they operate.

OD: OD is the acronym for organizational development. It describes the planned, systematic approaches to manage change within organizations.

Change: Change describes the movement of organizations from one state to another.

Various definitions of OD have been advanced, with slight variations in emphasis, as there are many conceptualizations in the literature. Some of these conceptualizations are outlined below:

- ‘Based on (1) a set of values, largely humanistic; (2) application of the behavioural sciences; and (3) open system theory, organization development is a system-wide process of planned change aimed toward improving overall organization effectiveness by way of enhanced congruence of such key organizational dimensions as external environment, mission, strategy, leadership, culture, structure, information and reward systems, and work policies and procedures’ (Burke and Bradford 2005) [1].
- ‘Organizational Development is a process of fundamental change to the organization’s culture’ (Burke and Noumair 2002) [2].
- ‘Organizational development is the system-wide application and transfer of *behavioural science* knowledge to the planned development, improvement, and reinforcement of the strategies, structures, and processes that lead to organization effectiveness’ (Worley and Cummings 2009) [3].
- ‘Organizational development refers to a long-range effort to improve an organization’s problem-solving capabilities and its ability to cope with changes in its external environment with the help of external or internal behavioural-scientist consultants’ (French 1969) [4].

Behavioural science: Behavioural science describes the systematic analysis and investigation of behaviours using past and present observation and/or data collection.

From these definitions, various key aspects differentiate OD from other disciplines and require further explanation and emphasis. These are as follows:

1. *It is a planned process*: There is a structured approach to the design and implementation of change initiatives. The process follows a plan of phases that are executed over time. It should be noted that this process is adaptive to meet the needs of the organization. Therefore, interventions are modified accordingly as they serve as a guide rather than a blueprint.

2. *It is a long-range effort:* In the design and implementation of interventions, the intent is to align the intervention with the long-term strategic orientation of the organization. After implementation, this should be followed by institutionalization to ensure continuity of the change programme towards increasing organizational efficiency and effectiveness.
3. *It is a system-wide process:* There are changes being applied to an entire system, be it at the individual level, the group level, or the organizational level. Therefore, OD programmes may be directed to the entire system or its subsystems. The interrelatedness of the subsystems must be understood for change plans to be effective.
4. *It is an ongoing activity:* There is the ongoing assessment in the implementation of interventions to determine whether the plan should be adjusted to address unanticipated events or scenarios. These continuous assessments determine whether further interventions are required to achieve the strategic goals and the continued survival of the organization.
5. *It involves the use of behavioural science knowledge:* There is the application and transfer of behavioural science knowledge which includes micro- and macro-concepts. The OD practitioner must be knowledgeable in micro-concepts such as leadership, group dynamics, conflict, employee empowerment, and communication. In addition, macro-concepts such as strategy, organizational structures, organizational design, organizational processes, and the external business environment must also be understood.

1.2 The Organizational Environment: The Context for OD

The *environment* in which businesses operate are increasingly dynamic, requiring managers to be prepared to react and respond to even subtle environmental shifts. The influence of context must be considered as there are various interrelated manifestations that affect business operations [5]. There are two levels of analysis that should be considered with context, that is, the omnibus context and the discrete context. The omnibus context refers to broadly considering the many features or particulars that comprise context, while discrete context refers to the particular contextual/situational variables that shapes attitudes and behaviours. In applying this conceptualization of context to OD, organizations must consider the omnibus context of the external environment that indirectly and directly influence business operations. Further, organizations must also consider the discrete context of the

internal environment. An organization's survival hinges on the organization-situation interaction and its ability to continuously adapt and evolve to such changes. There are various interdependent factors that influence the day-to-day functioning and strategic decisions to navigate these challenges. While organizations are more inclined to a reactive approach to wider social, economic, and environmental trends and uncertainty, more organizations are recognizing that a proactive strategic approach is becoming necessary in anticipating and preparing for future events. In this way, the organizational environment becomes the context within which OD continues to be increasingly relevant. What constitutes the organizational environment?

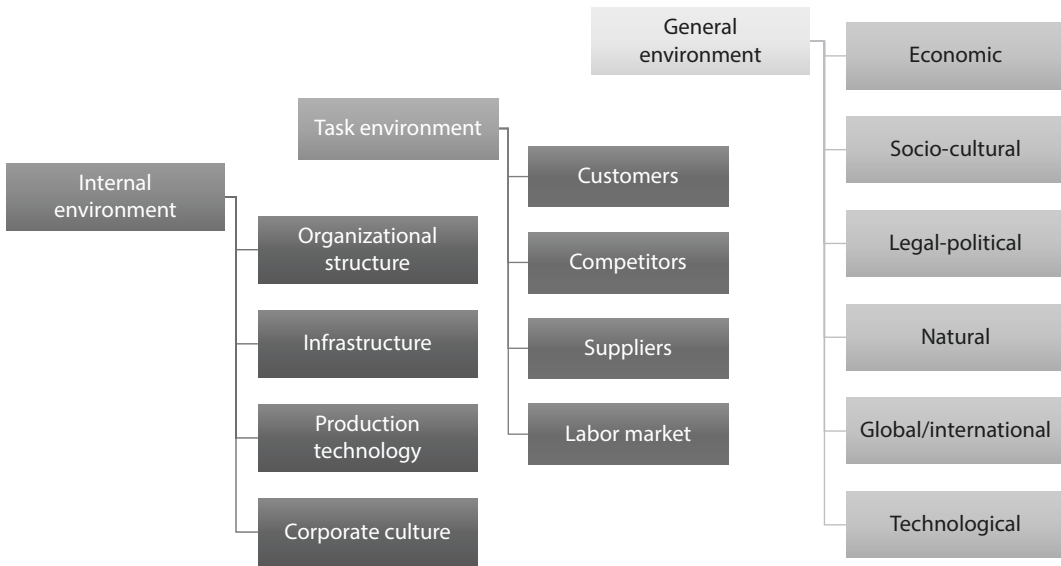
Environment: The environment describes everything happening outside and within organizations that potentially affects its operations in some way. It describes context.

1.2.1 Definition of the Organizational Environment

An organization's environment refers to the components within and external to an organization that have the potential to, directly and indirectly, affect its functioning, effectiveness, efficiency, and overall performance. Interestingly, the external components are the key drivers for change in today's business context, when compared to the internal components. The external environment refers to the external component and is beyond the control of the organization. The internal environment refers to the internal components and directly affects the organization. As these components change, organizations must formulate strategic responses in anticipation of or in reactions to these environmental changes, to continue to grow and develop.

1.2.2 The External Environment

The external environment consists of all factors beyond the organizational boundaries that potentially affect the functioning of businesses. More specifically, the external environment can be subdivided into the general or macro environment and the task or micro environment (see ■ Fig. 1.1). The general environment consists of the wide-ranging factors that affect the organization and its task environment over which the organization has no control. The ability of the organization to adapt to shifts in these factors determines survival and continuity. These include the economic, socio-cultural, legal-



■ **Fig. 1.1** The organization's environment. (Source: Author's Creation)

political, natural, global/international, and technological factors. The task environment consists of those factors that directly influence the operations of the organization and influence short-term decision-making. It affects the organization's ability to acquire inputs for its operations. These factors include customers, competitors, suppliers, and labour markets. By understanding the environment, organizations can proactively navigate the volatile landscape.

External environment: The external environment describes everything happening outside the organization that potentially affects its operations in some way.

Internal environment: The internal environment describes everything happening within the organization that potentially affects its operations in some way.

The general or macro environment consists of the following factors:

- *Economic factors*: These include the global and national economic climate. For example, exchange and interest rates, supply and demand, taxes, labour supply, unemployment rates, and consumer purchasing power.
- *Socio-cultural factors*: These include the trends in the social environment and how individuals behave, that is, their demographic characteristics, norms, beliefs, and values. For

example, an ageing population, generation Z entering the workforce, and an influx of foreign labour.

- *Legal-political factors:* The political factors include the stability of the political climate and government policies. In addition, organizations must be conscious of union power and pressure groups. The legal factors include the legal system, laws, and policies which determine the limits to the business operations.
- *Natural factors:* Organizations must be sensitive to the natural environment. This includes the natural resources and climate. While the environment does not have a voice of its own, environmental concerns have grown over the years with environmental groups advocating for policies and action. Care for renewable resources, issues of non-renewable resources, global warming, natural disasters, and pollution are indeed pertinent areas of interest for organizations.
- *Global/international factors:* The global environment influences the other factors within the external environment as the environment is complex and ever-changing. This is inclusive of country relations that can affect business operations in other countries. For instance, the majority of merger and acquisition activity in the Latin American region is intra-regional, with bigger economies such as Brazil and Mexico being top investors in this region. North America (especially the United States) and Europe (countries such as Spain, the United Kingdom, and France) have led cross-border merger and acquisition activity in Latin America as companies from these mature economies look to invest in developing markets.
- *Technological factors:* This includes access to modern technologies, including digital technology, that can alter the operations of an organization. New technologies can positively impact the organizations in their conversion of inputs into outputs or they can render core business dimensions obsolete.

► Example

An organization which stands out for its change initiatives based on responsiveness to the natural environment in particular is HTC Corporation. HTC Corporation is a Taiwanese smartphone manufacturer that not only focuses on dazzling product designs, but also examines its manufacturing process and all related matters with the same standards. Their factory conforms to the high standards of international green building certification, and the space planning of the office building has won many positives through evaluation, setting a new benchmark for energy saving and carbon reduction in the industry. This green concept also extends to the consumer experience. The HTC mobile phone packaging box is made primarily of sustainable environmentally friendly materials,

bamboo, and bagasse. In 2013, HTC One M7 was the first to complete the ISO/TS 14067 carbon footprint in the world. The company is proud of its certified smartphones. Since then, various products have continued to focus on environmental protection and fulfil their commitment to society and the environment [6]. ◀

The task or micro environment consists of the following factors:

- *Customers*: These are individuals and groups who purchase and/or consume goods and services. The ability of an organization to quickly respond to its customers determines its success. When there are shifts in customers' needs and preferences, these can result in opportunities or threats depending on the ability of the organization to adjust to the changing demands.
- *Competitors*: These include other organizations that produce similar goods or provide similar services. The number of direct and indirect competitors and the rivalry between competitors will determine the strategic approach adopted by management. Higher levels of rivalry will require more innovative approaches to attract and retain customers as there is a greater challenge to maintain profits. Indeed, economies of scale and brand loyalty will act as barriers to entry of new competitors, enabling organizations to maintain their market share.
- *Suppliers*: These are individuals and businesses that provide the resources organizations use as inputs to produce their goods and services. To ensure that the necessary resources are available, the organization needs a constant supply of resources from reliable suppliers. The number of suppliers will determine the bargaining power of the organization as with a smaller number of suppliers, there is limited bargaining power. In such instances, the supplier has the greater bargaining power as it can restrict access to important inputs.
- *Labour market*: Organizations need workers who are qualified with the requisite knowledge, skills, and competencies to perform their job. The quality of the labour force will determine the recruitment and selection approach, the type of employee orientation and training programmes, and employee compensation packages that are required as organizations aim to employ and retain individuals who are aligned with the job and task demands.

Notably, changes in economic, socio-cultural, legal-political, natural, global/international, and technological factors prompts the need for OD in a powerful, yet indirect manner. Changes related to customers, competitors, suppliers, and the labour market prompt the need for OD in a comparatively direct manner.

► Example

This example highlights changes in customers, competitors, suppliers, natural factors, legal-political factors, and technological factors within Digicel's external environment. Digicel Group is a total communications and entertainment provider with operations in 31 markets in the Caribbean, Central America, and the Asia Pacific. After 17 years of operation, total investment stands at over US\$5 billion worldwide. In September 2018, Digicel was selected as the strategic provider of telecommunications and information communication technology (ICT) services to the Government of the Commonwealth of Dominica for a 15-year term. Following a devastating hurricane in 2017, the country shifted its rebuilding efforts on becoming a world-leading climate-resilient nation. This landmark agreement resulted in Digicel working in close partnership with the government to deliver a highly resilient, state-of-the-art network infrastructure and positions Digicel as a monopoly in this market. Digicel will undertake the rebuilding and provisioning of telecommunications, internet, data, cloud, and other ICT services to all the government sites, including every government office, school, community centre, and health centre, across the length and breadth of the island [7]. ◀

1.2.3 The Internal Environment

The internal environment consists of all factors within organizational boundaries that potentially affect the functioning of businesses. These factors have the ability to influence the activities and decisions of the organization as a whole, for groups, or for individuals. More specifically, it includes:

- *Organizational structure*: This is a system that outlines the division of labour into specific tasks and its coordination. It also determines the flow of information, autonomy, control, and communication throughout the organization. The structure ensures that jobs are managed more efficiently as there is a formal flow of operations. There are several methods to departmentalization where organizations tailor their structures to match their strategic orientation as each has its advantages and drawbacks. For instance, structures may be organized according to departments, products, matrix, geographic locations, and customers.
- *Physical facilities/infrastructure*: This involves the physical systems that an organization needs to function efficiently. For instance, its location, the physical building structure, the layout of the offices, amenities, the security systems, and ergonomics. In keeping with the occupational safety and health requirements, all employees should have easy access and be able to perform their duties in a safe and comfortable environment. In recent times, companies are shifting away from the traditional 'brick and mortar' business model to a digital platform. Employees can work remotely, and customers can purchase items from web-based stores.

- *Production technology*: This involves the application of technology to improve business processes such as production methods and management processes. For instance, the use of machinery to manufacture a product can increase production, reduce inputs, or optimize manufacturing costs.
- *Corporate culture*: The corporate culture comprises a key set of values, beliefs, heroes, social networks, rites, and rituals that organizational members share. Each organization has a unique corporate culture where sub-cultures can also exist within departments, divisions, and units. The surface-level aspects of culture are visible, such as slogans, ceremonies, artefacts, and symbols. The deep-level aspects are the invisible assumptions, values, and shared understanding that influences organizational members. A myriad of factors shapes a corporate culture, including the strategic focus of the organization, the people, and the values they possess, and the external environment.

1.2.4 Importance of the Organizational Environment

To be effective, managers must monitor and respond to the environment—they must take an *open-systems* view. There is no room for a *closed-systems* view.

Open system: An open system is one which recognizes the impact of environmental factors on its functioning.

Closed system: A closed system is one which does not recognize the impact of environmental factors on its functioning.

1.2.5 Systems Thinking and Open-Systems View

A *system* is a set of interrelated parts that work as a whole to achieve common goals, objectives, and targets. In 1956 Ludwig von Bertalanffy, a biologist, initially developed the general systems theory.

System: A system refers to a set of interrelated parts that works together to form a whole.

This theory became immediately applicable across all disciplines, including the business field and OD. It defines the con-

cept of a system where an assemblage or combination of parts whose relations make them interdependent, characterizes all systems. Bringing this idea to the organizational context, systems thinking as a management philosophy argues that the organization itself can be seen as a system, where each department, unit, division, level, and position all work together theoretically, to achieve the overarching goals of the organization [8]. Systems thinking philosophy relies on two key principles:

- *Synergy*: The concept of synergy states that the whole is greater than the sum of its parts, that is, ' $2 + 2 = 5$ '. Therefore, the output of the combined subsystems (parts) working together is greater than the output of the individual subsystem (part) working alone. The collaboration among organizational members, departments, or units, for example, across functional teams, will result in greater efficiency and effectiveness.
- *Subsystem interdependence*: The organization comprises interdependent subsystems that collectively accomplish the organizational goals. The interdependence of organizational subsystems requires integration so that all subsystems are working collectively to achieve operational and tactical goals which, in turn, are in alignment with the organizational strategic goals.

Synergy: Synergy refers to the idea that the whole is greater than the sum of all its parts.

Subsystem interdependence: Subsystem interdependence describes the idea that the different parts of a system rely on each other; changes in one part of the organization affect the other parts, and hence the entire organization.

► Example

Most recently, in 2019, the importance of synergy was recognized by Agriness and Cargill, and hence they entered into a partnership to maximize efficiencies in all parts of their organizational systems and drive organizational performance. In Brazil, Agriness provides a unique technology platform used by the majority of the country's swine farmers to manage the performance of their sows and piglets. Cargill, a Minneapolis-based food processor and distributor, and Agriness entered into a partnership in 2019. These companies are in the process of deploying the technology globally, while adapting the data collection and analysis capabilities of Cargill to assist poultry and dairy farmers as well. Through this partnership, the synergy derived has a rippling effect on farmers worldwide [9]. ◀

A system functions by acquiring inputs from the external environment, transforming them in some way, and discharging outputs back to the environment. In a similar way, organizations acquire inputs or resources, such as humans, raw materials, finances, and information, transform them through a sequence of various operational and administrative activities and processes, such as the subsystems (functional departments, divisions, teams, workgroups, logistics), and produce outputs or productivity, such as goods, services, rates of efficiency, and effectiveness [10].

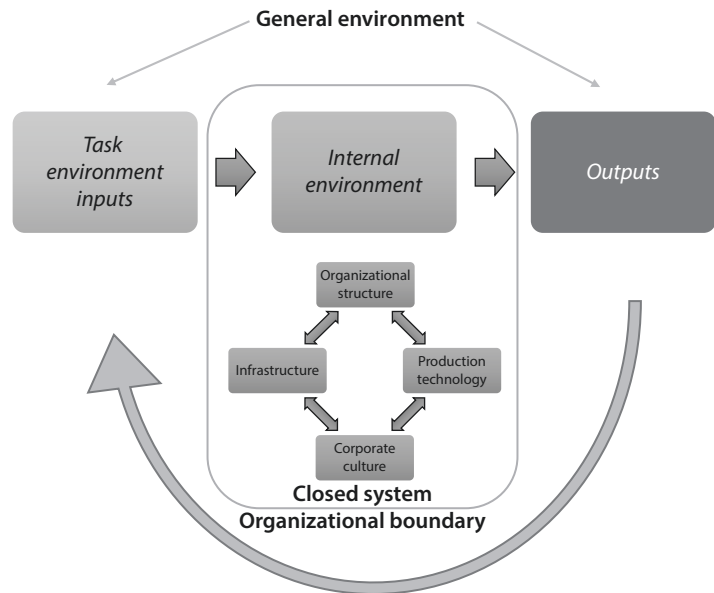
1.2.5.1 How Does All of This Relate to the Field and Practice of OD?

The environment is considered an integral component to an organization's structure. Indeed, this philosophy relates to OD. By considering the various elements and recognizing that the organization is not defined by solid boundaries, the shifting interrelationships of the various components require coadaptation for success. Viewing organizations as open systems recognizes the importance of the organizational environment. In applying the open-systems theory to organizations, it links the relationship between the organization and the environment [11]. This perspective focuses on the organization's ability to adapt to environmental changes as the capacity to process information about their specific environment increases their ability to manage contextual shifts. The input-process-output dynamic reactivates the system due to the exchanges between the environment and the organization. Therefore, when there are changes in the organizational environment, ODC becomes relevant for survival, functioning, and growth. *Open systems* interact with the environment to survive; *closed systems* need not. Classical management philosophies view organizations as closed systems, which assume that the environment is stable and characterized by a high degree of certainty and stability. In reality, contemporary philosophies such as system thinking recognize that all organizations are open systems, operating within an unstable, uncertain environment, and the cost of ignoring such an environment may be failure (see ■ Fig. 1.2).

1.3 OD Background and Its Evolution

1.3.1 History of Organizational Development

The history of OD can be traced to the post-World War II era in the 1940s. Following the War, the shortages in critical manpower and resources faced by public and private organizations stimulated social scientists and managers to search, separately and in cooperation with one another, for different approaches to productively use the existing organizational and individual



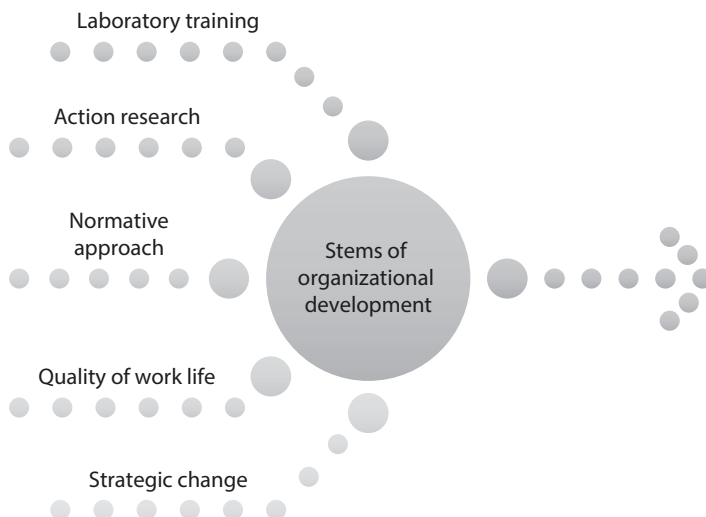
■ Fig. 1.2 The open and closed systems. (Source: Author's Creation)

resources. The approach used by social scientists and managers, together with the support of governmental programmes and policies, contributed to two methods being developed for stretching scarce personnel and the production of resources. These methods include (i) personnel training at all levels, and (ii) long-range organizational planning [12]. Stemming from these events, to maximize individual and organizational effectiveness, these led to the development of individuals in organizations and the development of organizations itself, with *OD practitioners* guiding the process. Such initiatives set the stage for the development of five main stems of OD (see ■ Fig. 1.3):

1. Laboratory training
2. Action research
3. Normative approach
4. Quality of work life
5. Strategic change

OD practitioners: An OD practitioner is also called a change agent, charged with the responsibility of leading and managing planned change interventions.

Laboratory Training This stem originated in 1946 with Kurt Lewin and his colleagues from the Research Centre for Group Dynamics at the Massachusetts Institute of Technology (MIT). Also known as ‘*T-groups*’ or ‘sensitivity training’, the growth of



■ **Fig. 1.3** The stems of organizational development. (Source: Author's Creation)

the National Training Laboratories development of training groups contributed to the evolution of OD. The Connecticut Interracial Commission and the Committee on Community Interrelations of the American Jewish Congress approached Kurt Lewin and his staff to administer leadership training to community leaders. The workshop was developed and administered to the participants where they learned about leadership and discussions were encouraged on the problems they were experiencing. Each day, after the session ended, the researchers privately discussed the observed behaviours and group dynamics of participants. The community leaders requested to be included in the daily feedback sessions and, while reluctant at first, the researchers agreed. This is where the first T-group was formed. At the feedback meetings, participants reacted to data about their own behaviours. Thus, two key conclusions emerged: (1) the group feedback sessions were a rich source of learning, and (2) the 'group building' process and skills learned had the potential to be transferred to a wide variety of community situations back home [13]. As an OD intervention, the T-group has evolved into 'teambuilding'. Teambuilding interventions seek to improve the interpersonal relations between group members to enhance group functioning.

T-groups: T-groups are associated with laboratory training or sensitivity training. They refer to small, unstructured groups in which participants learn from their own interactions and evolving group processes on issues such as interpersonal relations, personal growth, leadership, and group dynamics.

Action Research This stem originated in the 1940s with John Collier, Kurt Lewin, and William Whyte. These researchers found that there needed to be a close link between research and action to manage change. *Action research* involved a collaborative effort between the organizational members and the researchers, who work closely together to collect data on the functions of the organization, analyse the data to identify issues and problems, and suggest solutions to implement. Following implementation, a cyclical process of further data collection, analysis, and implementation occurred. The results from this stem were two-fold: (1) organizational members used the research to guide their actions and change, and (2) this information allowed researchers in the social sciences to apply this new knowledge in other areas. Lester Coch and John French [14] and Kurt Lewin and his students at the Harwood Manufacturing Company [15] conducted some of the pioneering studies in the area of overcoming resistance to change. Upon Kurt Lewin's death in 1947, his staff from the Research Centre for Group Dynamics at MIT moved to join the Survey Research Centre at the University of Michigan. Rensis Likert led the institute and pioneered works in the area of survey attitudes and developing scientific methods to surveys, such as the Likert scale. Action research is an integral part of OD interventions today.

Action research: Action research refers to a model proposed in the 1940s by Kurt Lewin and colleagues. This model asserts research must be closely linked to action if organization members are to use it to manage change.

Normative Approach This stem emphasized that the best approach to managing organizations was through human relations. By integrating people and technology, there needed to be improvements on employees' quality of work life. Much research in this area is attributed to Likert's participative management style [16]. This style of management centred on the involvement of organizational members and their participation in decision-making, and goal-setting. This is accomplished through increased two-way communication between management and employees where higher levels of production and employee satisfaction are achieved.

Quality of Work Life This stem was originally developed in the 1950s in Europe by Eric Trist and his colleagues at the Tavistock Institute of Human Relations, London. The development of work designs was a collaborative process between management and unions to enable work designs that allowed greater autonomy, task variety, and result feedback. The discovery of self-managing work groups is also a key contribution of this stem as

it gave rise to self-directed multi-skilled teams [17]. The quality of work life stem evolved in the 1980s to include a broader array of factors that can affect worker productivity other than work design. These included management styles, workflows, and rewards. Today, quality of working life focuses on enhancing employee involvement and empowerment at work from the perspective of the individual, the organization, and society.

Strategic Change This stem incorporates the larger environment in which the organization operates and focuses on change initiatives at the organizational level. The alignment of the organization to the environment is paramount as changes have the propensity to affect, either directly or indirectly, the operations of the organization. Strategic change interventions seek to improve the internal subsystems of the organization to adapt to external changes. Stemming from Beckhard's pioneering work in 1987, the open-systems perspective builds on the premise that organizations are intertwined with the external environment [18]. Today, strategic change interventions have evolved from an internal focus, such as *culture* change and restructuring, to interventions that enhance the strategic orientation of the organization through mergers, acquisitions, strategic alliances, and network interventions.

Culture: Culture describes the values and beliefs which guide behaviour.

1.3.2 The Evolution of Organizational Development

Organizational development as we know it today is not merely shaped by *laboratory training*, *action research*, *normative approaches*, *quality of work life*, and *strategic change*. Indeed, these perspectives provide the background for OD; however, other emerging factors and trends have continued to shape and impact the field and practice of OD. These include:

- *Environmental factors*: Due to the increasingly volatile external environment, there are various environmental pressures for change. Organizations do not operate in a vacuum and external pressures continue to alter the business landscape. Any factor in the external environment impacts the ability of the organization to achieve its strategic objectives.
- *High demand for OD practitioners*: The application of OD interventions has grown exponentially where there is a wider applicability to institutions such as schools and healthcare. As organizations recognize the need for change initiatives at the individual, group, and organizational levels, the need for experts in the respective areas is expected

to increase. Start-up businesses that do not have the in-house capacity or an internal OD practitioner will seek to outsource this service. Additionally, as knowledge about the importance of OD grows, organizations will proactively pursue OD approaches by designing and implementing interventions to enhance their business efficiency.

- *High demand for professional and academic programmes in OD:* With the layering of organizations, lower-level managers are performing multiple roles. Hence, academic programmes with OD-related courses are in high demand where being knowledgeable in individual- and group-level interventions is considered a managerial asset. Additionally, when organizations do not have the in-house capacity with the specialized behavioural science knowledge and OD skillset, that is, an internal OD consultant, they seek assistance from external OD consultants.
- *Advancement in OD research:* The field of OD is a data-driven process; hence, OD practitioners use information technology to aid the change process. The use of metrics to guide diagnosis and evaluation is critical as misdiagnosis can result in the inappropriate intervention being implemented. Further, more theory-driven research is being undertaken to devise interventions that are in alignment with the changing landscape of business operations and processes.

1.4 OD Versus Human Resource Management

Many perceive OD and human resource management (HRM) as the same concept. In fact, within many organizations, the OD function is often subsumed under the HRM Department/Unit/Division. For instance, some companies assign OD duties to HR personnel. However, are OD and HRM the same? If not, how are they different? What makes OD a distinct and unique field and practice within the organizational context?

HRM: HRM is an acronym for human resource management. It describes the practices used to attract, develop, and maintain an effective workforce.

HRM is an umbrella term, which describes the policies, practices, strategies, and approaches used by organizations to attract, develop, and maintain an effective workforce. Organizations use HR practices such as recruitment and selection, training and development, performance appraisals/performance management, and reward/compensation management to manage the employment process and employment relationships. The over-

arching goal of HRM is the effective and efficient management of people resources and the employment process to align with the corporate strategies. OD focuses on the use of behavioural sciences to transform open organizational systems and foster organizational change, growth, and development. Employees or people resources are at the heart of such organizational systems. In this way, there is indeed some similarity within the fields of study. Even so, OD focuses more on using planned, systematic data, and research approaches to enhance the effectiveness of organizational systems through various human process, human resources, techno-structural, and strategic interventions.

1.4.1 Why Is OD Important?

As organizations grow and adapt to new practices, increasing reliance on technologies, the growth of cross-generational workforces, and an increasing use of cross-functional teams, it is necessary that modern-day organizations acquire the adaptive capacity and response to meet these emerging trends. Pressures for organizational change may be external, internal, or both, which cannot be ignored. Through OD, organizations are equipped with the right tools necessary to facilitate the change process. However, the pace at which change initiatives are developed and implemented can determine success, as failure rates of planned change initiatives are relatively high. On the one hand, if an organization remains static, it will become obsolete and go out of business. However, if the planned change initiative is implemented too rapidly, then there is a greater risk of failure. Should organizations continue to engage in OD initiatives?

OD is important for various reasons. These include:

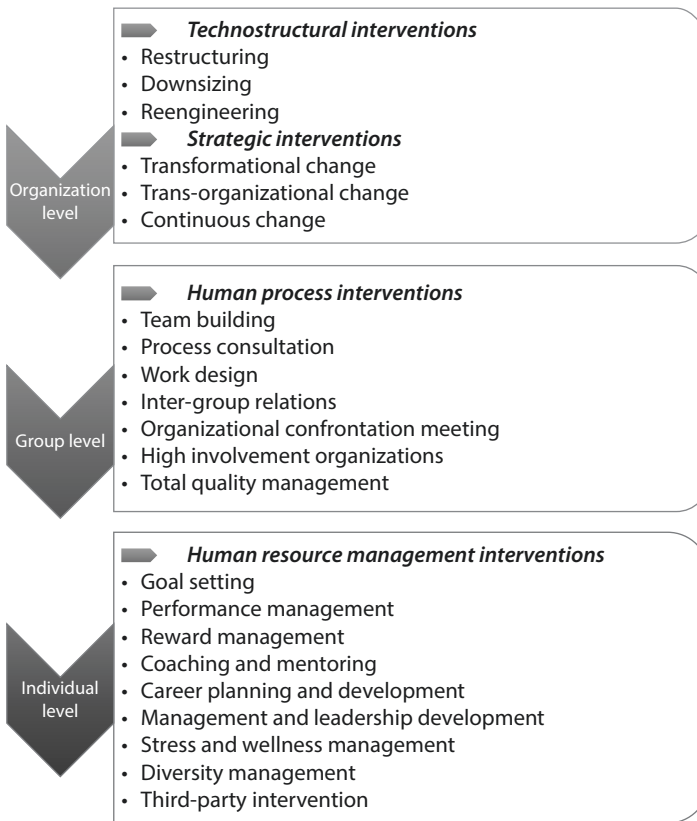
- *Continuous development for economic gain:* Organizations have an obligation to their shareholders/investors to maintain and increase profitability and share prices. For this goal to be achieved, productivity must be at a maximum. Hence, through change initiatives, organizations seek to improve internal functioning for tangible outcomes.
- *Improving organizational efficiency and effectiveness:* Organizations increase shareholder value; in addition, they are complex systems with a strategic direction. There are goals and objectives at the organizational, departmental, and individual levels within the organization which should all align and evolve with the demands of the internal and external environment. Therefore, OD interventions are an integral part of this process for improving efficiency and effectiveness at the organizational level, the group level, and the individual level. Through OD, organizational operations that require change are identified. Each gap or opportunity is analysed, and an action plan is developed.

- *Assess the current state and devise interventions to promote positive change:* In anticipation of trends and opportunities, OD interventions serve as stepping stones to addressing not only problems and issues, but also opportunities. In an assessment of the current state, OD assists organizations to transform and disrupt the status quo to promote positive changes within the organization.

1.5 OD Interventions

OD interventions are the building blocks as they are the planned activities designed to improve the organization's functioning through the participation of the members of the organization. OD interventions are conceptualized as systematic change plans throughout the organization. Interventions are therefore programmes consisting of specific activities designed to effect change in some facet of an organization. Over the years, many interventions have been developed to address different problems or create various results (see ■ Fig. 1.4). The goal of these interventions is to improve the organization through change. Generally, when the strategic aim of organizations is to achieve a high degree of organizational change, they will develop and implement a full range of interventions, for instance, including those that are designed to transform individual and group attitudes and behaviour. Smaller change plans may be initiated within organizations by applying interventions targeted primarily towards operating policies, management structures, worker skills, and personnel policies. Unsurprisingly, OD interventions are typically required, developed, implemented, and managed at the various organizational levels. Change can affect an individual, a group, or an entire organization. Therefore, this aspect must be considered when developing the plan of action as it must be suited to produce the desired outcome of the overall change management process.

OD interventions can be categorized in several ways. One of the popular categorizations includes three broad types of OD interventions, corresponding to the micro individual/employee level, the group/departmental level, and the macro organizational level. This categorization recognizes that organizations comprise multiple, interrelated levels. In addition to facing interrelated issues, organizations function at various levels. Thus, organizational levels are targets of change in OD. Notably, while OD interventions are conceptualized and implemented at particular primary levels, they also have secondary impacts on the other levels as well. OD interventions, therefore, can be applied to specific organizational levels, while addressing the possibility of cross-level effects, and perhaps



■ **Fig. 1.4** Types of organizational development interventions. (Source: Author's Creation)

integrate interventions affecting different levels to achieve overall success.

Individual-Level Interventions Individual-level interventions can be described as planned, systematic approaches to develop, integrate, and support the employees within organizations. Individual-level OD interventions complement the main goal of the field and practice of HRM to develop and maintain an effective workforce.

Group-Level Interventions Group-level interventions can be described as planned, systematic approaches which focus largely on employee groups within organizations and the processes through which they accomplish organizational goals.

Organizational-Level Interventions Organizational-level interventions can be described as planned, systematic approaches that are strategically focused to improve the functioning of an entire system. These interventions seek to align the organizational subsystems to achieve medium-term and long-term strategic objectives.

1.6 Organizational-Level Interventions and the Organizational System

Organizational-level interventions have often been discussed as one of the three main types of OD change plans within the mainstream OD research and literature. It must be noted, however, that if organizations are to be conceptualized as a system, as discussed above (see systems view), managers must recognize that organizational-level plans encompass change initiatives across and within all the different ‘parts’ of the organization. Indeed, all the parts or subsystems work together to support the functioning of the organization. As such, it is important for OD researchers and practitioners alike to recognize that all OD plans at all levels are typically subsumed under organizational-level change to varying degrees. In doing so, various considerations related to the change situation must be taken prior to initiating the OD process [19]. These considerations include:

- *Understanding the need for change:* Organizational leaders must be motivated to change. At the organizational level, performance expectations are more apparent in the form of financial records; however, at the group and individual levels this is less quantifiable. Therefore, organizational leaders must be able to identify the objective signals necessitating change and understand the scope of the change to generate the motivation and commitment to sustain the change initiative and its outcomes.
- *Readiness for change:* When change is occurring at the organizational level, there is the increased possibility of greater resistance from organizational members during the change process and sustaining the change via passive-aggressive resistance. Therefore, a force-field analysis should be conducted. This would guide the approach undertaken on the degree of employee involvement and their authentic participation, appropriate communication strategies [20], and attaining early ‘buy-in’ and support for the intervention.
- *Capabilities of the OD practitioner:* The relevant personnel must possess the knowledge, skills, and competencies to carry out the OD process. Depending on the level of the intervention, the organization may not have the in-house capacity to facilitate this process. At the organizational level, these interventions require practitioners who are equipped to design and implement system-wide changes.
- *Capability to change:* Change interventions require the outlay of financial resources throughout the process. Indeed, for the successful implementation of organization-level interventions, the organization must be committed to investing funds into the plan as the financial benefits are not immediate. Further, in sustaining the change outcomes

financial resources are also needed as lack of resources can contribute to a failed change effort.

► Example

For example, Ford Motors Company has committed US\$11 billion towards its restructuring initiative that it began rolling out since 2017. Diversifying into the electric vehicle market is requiring great financial investments from the onset, with a projected realization of returns in 2022–2023. ◀

- *Organizational culture*: The culture is the deep-rooted assumptions, values, and beliefs that manifest in the attitudes, behaviours, and day-to-day practices for internal integration and external adaptation [21]. A culture that promotes innovation, creativity, open communication, and strong leadership will encourage workers to be more receptive to change initiatives. However, in a culture where maintaining the status quo is paramount, a strong culture may hinder change interventions.
- *The organization as multi-systems*: This perspective of the organization highlights the interdependence of the various subsystems that contribute to the overall organization's functioning and success. There are various interrelated components that drive organizational performance where the structure, technology, and culture affect organizational processes and interactions.
- *Organizational change leadership support*: Successful change management requires commitment from senior executives and management, regardless of the level. The role of the organization's leadership communicates to employees their degree of commitment to the change initiative. This is necessary for affected workers to support the intervention. The support or resistance from the executives and senior-level organizational members can determine the ease at which the intervention is rolled out as they play a powerful role in the intervention's progress.

1.6.1 The OD Process

Within organizational systems, various stages or phases guide OD interventions. In describing these phases, there have been various advances in the field and practice of OD. Some of the contributing models that have been advanced include:

- Lewin's Change Model
- The Action Research Model
- John Kotter's Eight-Step Model
- Positive Model
- General Model of Planned Change

This process can be generalized into several distinct phases. For a detailed discussion on each of these models, refer to ► Chap. 4. This book conceptualizes the OD process as an ongoing process, comprising the following main stages or phases (see ■ Fig. 1.5):

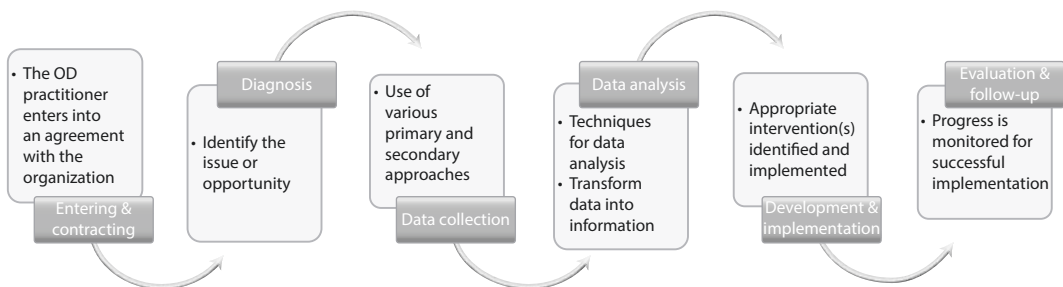
1. Entering into the practice of OD
2. Diagnosis of OD issues
3. Data collection for OD
4. Data analysis tools and feedback
5. Development and implementation of organization-level interventions
6. Evaluation of OD and trends/future of OD

1.7 The Book

1.7.1 About the Book

This Book *Leading Organizational Development and Change, Principles and Contextual Perspectives* presents the fundamentals of Organizational Development and Change theory, while offering a comprehensive, structured, and systematic approach to guide change management strategies at the organizational level, recognizing that development and change at the organizational level require changes at all other levels. Specifically, it provides an in-depth understanding of and the tools necessary for designing, diagnosing, implementing, and evaluating organizational change interventions. It is a balance of behavioural science knowledge and pragmatic insights into this level of change interventions. It adopts a principles and contextual approach, using selected international and Caribbean/Latin American cases of OD, student resources, instructor case notes, and introduces practitioner perspectives.

This book benefits students and practitioners in several ways. First, students will be provided with ‘Student Resources’ in the form of learning outcomes for each Chapter, Definitions, Chapter Summaries, Self-Study Discussion Questions, and Group Think-Discuss-Share Questions. Second, students will be exposed to case studies in OD from selected international and Caribbean/



■ Fig. 1.5 The organizational development process. (Source: Author’s creation)

Latin American organizations to expose them to OD in practice across a broader geographical context. Third, students and practitioners will be exposed to case study learning approaches, which have become essential in business schools globally. Fourth, practitioner perspectives will be introduced with the addition of a ‘Practitioner’s Toolkit’.

Instructors will also benefit from a comprehensive textbook on ODC. It offers Teaching Notes with the Case Study Approach mandated by business schools globally. Case study learning remains the cornerstone of business education. Further, instructors will benefit from an ODC text that offers the advantage of international and Caribbean/Latin American cases, thereby providing international appeal while addressing the needs of students in particular geographical contexts that have been ignored in all other previous books on ODC.

1.7.2 Structure of the Book

This book is presented in six parts:

- Part I: Overview of Organizational Development
- Part II: Initiating the Organizational Development Process
- Part III: Developing and Implementing Organizational-Level Interventions
- Part IV: Evaluation and the Way Forward
- Part V: International and Caribbean/Latin American Case Studies in Organizational Development
- Part VI: The Practitioner’s Toolkit

Part I of the book includes six chapters, which provide an overview of OD. It provides an introduction to OD and assesses the context within which OD becomes relevant, it explores individual- and group-level change interventions, details the key foundation OD models, and discusses general areas relevant to the practice of OD, including the role of the OD practitioner and the importance of organizational change leadership.

Part II of the book includes four chapters, which examine the key considerations when entering into the process of organizational change. It explores the key factors when entering into organizational-level interventions, the diagnostic tools and techniques for OD, and the essentials of data collection and data analysis at the organizational level. It therefore covers Stages 1, 2, 3, and 4 of the OD process.

Part III of the book includes seven chapters, which examine the process of developing and implementing organizational-level change. Organizational-/macro-level theories are first discussed. Further, techno-structural and strategic organizational-level interventions as the key organizational-level interventions are assessed in detail here. The key types of techno-structural change plans are explored in terms of development, implementation,

challenges, and recommendations. The key types of strategic change plans are also evaluated in the same manner. It therefore covers Stage 5 of the OD process.

Part IV of the book includes three chapters, which examine the process of evaluating organizational-level change plans and provide an assessment of key trends in OD, while discussing the future of the field and its practice. It therefore covers Stage 6 of the OD process.

Part V of the book includes three chapters, which present case study teaching and learning and examine cases of OD from the international and Caribbean/Latin American context. Each chapter is further subdivided into three sections to reflect cases related to several types of techno-structural and strategic change plans in practice. Case study questions and instructor resources for the case studies are also presented in this part of the book.

Part VI of the book includes one chapter, which outlines the practitioner's perspective as it relates to OD. More specifically, key success factors for effective organizational development in practice are evaluated here.

1.7.3 The Context

- *The Caribbean and Latin American perspective:* The Caribbean region is unique as its history and the deep-rooted national cultures continue to influence the business landscape. Many islands of the region have been experiencing economic growth and development since gaining independence and are attracting international investments. This text serves as a guide for organizations in this region who are actively pursuing avenues to expand their operations. The region is diverse with entrepreneurs, small and micro-enterprises, multinational and international organizations and is regarded a potential investment opportunity. Latin America poses many business opportunities as well, with some countries being more advanced in their development than others. Countries such as Brazil, Chile, Argentina, Peru, and Mexico are economic powerhouses for intra- and interregional investments. The cases and examples included throughout this text present a developing region perspective to OD and change for regional and international students and practitioners alike.
- *The international perspective:* Internationally, organizations are continuously engaging in organization-level OD practices. Organizations are actively pursuing change initiatives to ensure that they are one step ahead of the market. This is becoming necessary for their survival as

external forces continue to disrupt and alter their operations. Rather than being reactive, organizations are taking a proactive approach, aggressively pursuing their strategic goals through future-oriented pursuits. Globalization has drastically reshaped the international business area. This text serves as a tool for students and practitioners to understand the design and implementation of OD interventions at various multinational corporations, while also using various within-country examples.

► Example

The example of Cargill Inc. illustrates the relevance of examining a more comprehensive business context within the field and practice of OD given the global business context of today. Cargill Inc. is advancing its strategy by targeting the fast-growing economies of Asia Pacific with strategic investments, where populations are growing and diets are shifting. For instance, in China, they opened a new addition to their poultry facilities and commenced constructing a flagship facility for producing premixes and specialty feeds for young animal nutrition with an intent to expand their corn facility and build a food safety and technology centre in collaboration with the local government. Further, they have opened a food and nutrition innovation centre in Singapore and announced planned investments to grow their animal nutrition and agricultural supply chain businesses in the Philippines, as well as advance the seafood and poultry sectors of Thailand. In Vietnam, the company opened their largest feed mill to date in the country. They have commenced construction on a pectin plant in Brazil, purchased a specialty chocolate maker in Belgium, acquired poultry processors in Colombia and Poland, invested in the Israeli cultured meat start-up Aleph Farms, and opened a new protein headquarters in the United States [22]. ◀

Indeed, the context of globalization mandates that a broader perspective be considered within business practice. The OD context is therefore expanded in this book to provide more global perspectives on the field and practice of OD.

1.8 Conclusion

This chapter, the first in the book, provides a general introduction to ODC. The definition of OD, the context within which it is practised, its background and evolution, as well as the key stages of the OD process are introduced and identified. Finally, the structure and relevance of this book is presented in this chapter.

■ Exercises

Student Resources

■ Chapter Outline

- I. Introduction to Organizational Development and Change
- II. The Organizational Environment: The Context for ODC
 - A. Definition of Organizational Environment
 - B. The External Environment
 - C. The Internal Environment
 - D. Importance of Organizational Environment
- III. OD Background and Its Evolution
 - A. History of OD
 - B. Evolution of OD
- IV. OD Versus Human Resource Management (HRM)
 - A. Why OD Is Important?
- V. OD Interventions
 - A. Individual-Level Interventions
 - B. Group-Level Interventions
 - C. Organization-Level Interventions
- VI. Organization-Level Interventions and the Organizational System
 - A. The OD Process
- VII. The Book
 - A. About the Book
 - B. Structure of the Book

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Individual-Level OD Interventions

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Electronic supplementary material The online version of this chapter (https://doi.org/10.1007/978-3-030-39123-2_2) contains supplementary material, which is available to authorized users.

Learning Objectives

At the end of this chapter, readers should be able to:

1. Describe what individual-level OD interventions are.
2. Identify and describe the different types of individual-level OD interventions.
3. Evaluate the usefulness of the different types of individual-level OD interventions.
4. Critically assess the challenges involved in managing and leading individual-level interventions.

2.1 Introduction**2.1.1 Individual-Level OD Interventions**

Organizational development (OD) addresses an entire system, such as individuals, a team, department, or total organization. It also focuses on relationships between a system and its external environment as well as among the different features that comprise a system's design. This system-wide application of OD follows an open-systems approach to organizations. Employees operate within open organizational systems and their development and transformation takes place at the individual or micro level. Therefore, individual-level interventions focus on micro changes and can be described as planned, systematic approaches to develop, integrate, and support the employees within organizations.

Individual-level OD interventions complement the main premise underpinning the field and practice of human resource management (HRM), that is, to attract, develop, and maintain an effective workforce. At the individual level, OD is most aligned with the principles and practices of HRM. OD practitioners, in conceptualizing individual-level interventions, typically focus on the people in organizations, with the view that organizational effectiveness results from improved practices for integrating employees into organizations. It must be noted that while individual-level OD interventions primarily focus on an employee, employees operate within larger groups or units as well. For instance, a department or division is considered a formal group within the organizational structure. As such, some individual-level interventions are also conceptualized in relation to the development and maintenance of employee groups and teams. In other words, some change plans at the individual level are also replicated at the group level to develop, integrate, and support employees within the context of group relationships. Group-level OD interventions are explored in ► Chap. 3.

There are two broad categories for individual-level interventions:

- *Human resource changes*
- *Human process changes*

Human resource changes describe planned changes aimed at facilitating and achieving the main goals of HRM to attract, develop, and maintain an effective workforce. It is the planned systematic approaches aimed at initiating the development, motivation, and growth of employees within the employment relationship with their organizations.

Human process changes describe planned changes aimed at improving communication and other interaction processes between employees within various organizational contexts. It is the planned systematic approaches aimed at improving relationships between employees within the employment relationship.

Human resource and human process changes form the basis of most individual-level OD interventions, with the former providing the basis for the majority of all individual-level OD interventions. More specifically, all OD interventions discussed in this chapter, except for ‘third-party interventions’, focus on human resource changes. Third-party interventions focus on human process changes.

2.2 Rationale for Individual-Level OD Interventions

OD interventions seek to change specific features or parts of organizations. These targets of change are the focus of change interventions within organizational systems. At the individual or micro level, *the key targets of change are the employees within the larger organizational system*. Accordingly, individual-level OD interventions are important in addressing:

- Human resource issues
- Human process issues

2.2.1 Human Resource Issues

Human resource issues are concerned with attracting competent people to the organization, establishing goals for their achievement, appraising and rewarding their performance, and ensuring that they develop their careers, while maintaining a work/life balance to minimize stress. The OD approaches aimed at these issues are referred to as *human resources management interventions*. At this level, OD interventions complement the field and practice of HRM as these interventions align closely with facilitating and achieving the main goals of HRM, that is, to attract, develop, and maintain an effective workforce.

These interventions do not replace the practice of HRM; they complement the HRM practices of recruitment and selection, training and development, performance appraisals, and reward/compensation management. OD interventions that

emphasize employee relations focus on the *employee as the unit of analysis* and are designed as planned approaches to support the execution of HRM practices. For instance, to improve the effectiveness of a performance management system, a goal-setting intervention would be appropriate to ensure that employees and departments have the competencies to write their goals that conform to the requirements of setting goals. In addition, the employees must understand the alignment of the goals to the organization's overall vision, mission, and strategic plan. In maintaining an effective workforce, the equitable allocation of compensation and benefits among employees would reinforce good performance. Therefore, a reward management intervention would be appropriate if there is perceived inequity in the compensation received and the processes for the distribution of individual benefits. While individual-level OD interventions are primarily focused on initiating planned changes in relation to human resource issues, these interventions address human process issues to a varying degree.

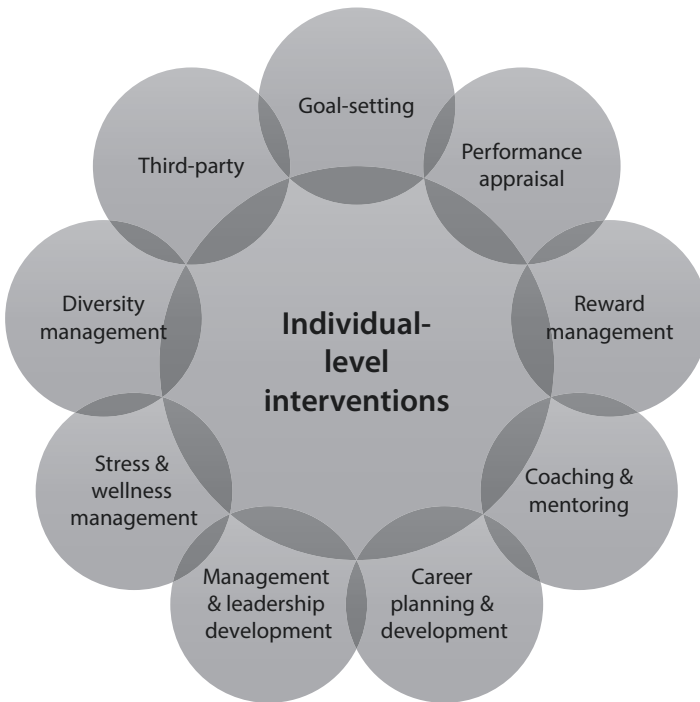
2.2.2 Human Process Issues

Human process issues are concerned with improving social processes occurring among employees such as communication, decision-making, leadership, conflict, and group dynamics. OD methods focusing on such issues are called *human process interventions*; included among them are some of the most common OD techniques, such as conflict resolution strategies (more specifically, third-party interventions as aforementioned) that focus on employee-to-employee relationships. All other human process interventions are primarily group-level OD strategies. For instance, when two employees within the same department or team are experiencing relationship conflict and are unable to resolve the issue on their own, then a third-party intervention would be necessary. The immediate manager acts as the mediator, allowing both parties to arrive at a mutual agreement to resolve the conflict situation.

2.3 Different Types of Individual-Level OD Interventions

Organizations can implement numerous individual-level OD interventions. The subsequent sections present the most popular and widely used individual-level OD interventions. As seen in ■ Fig. 2.1, these include:

- Goal-setting (also conceptualized to improve employee groups)
- Performance appraisals (also conceptualized to improve employee groups)



■ **Fig. 2.1** Individual-level interventions. (Source: Author's creation)

- Reward management (also conceptualized to improve employee groups)
- Coaching and mentoring
- Career planning and development
- Management and leadership development
- Stress and wellness management
- Diversity management (also conceptualized to improve employee groups)
- Third-party intervention (also conceptualized to improve employee groups)

2.3.1 Goal-Setting Interventions

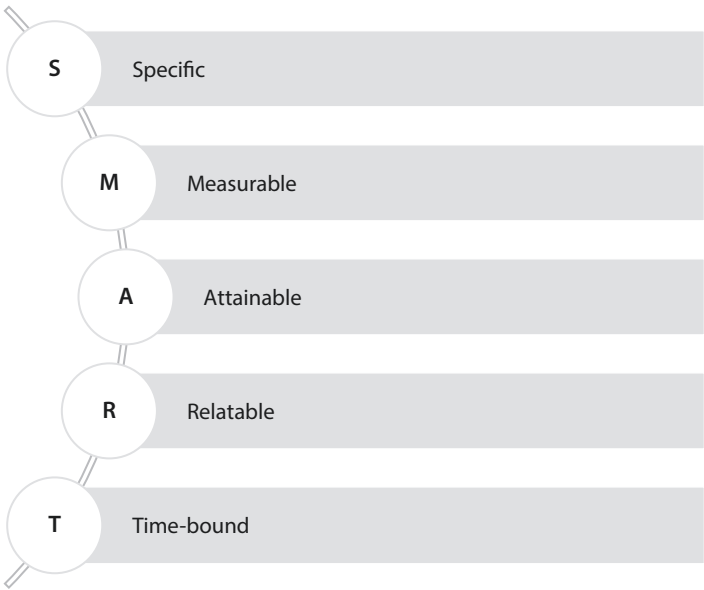
Goal-setting: Goal-setting refers to the process of establishing effective goals to drive performance.

Goal-setting and its importance are linked to motivational theory. Goal-setting interventions are grounded in goal-setting theory and can be used *to manage employee performance*. The goal-setting theory, proposed by Edwin Locke and Gary Latham in 1990, states that there are two cognitive behaviours for an

individual’s overall behaviour, that is, their values and their intentions. Goals are the key linkage between self-satisfaction and performance through their accomplishment [1]. A goal is the aim of an action. The goal-setting approach enhances motivation and acceptable performance. Therefore, there must be some structured approach to translate individual goals into organizational goals. According to goal-setting theory when goals are specific, and difficult but attainable, individuals perform better than when goals are nonspecific and easy. When setting goals, individuals must accept the goals and possess the knowledge, skills, and ability to accomplish the goal, and the organization must provide performance-related feedback. Therefore, goals should be SMART, that is, specific, measurable, attainable, relatable, and time-bound.

2.3.1.1 Importance of Goal-Setting Interventions

In the contemporary workplace as more organizations move towards working in teams, when setting team goals, it should be supplemented with compatible individual goals to increase productivity [2]. Goal-setting affects performance when they (1) serve as a directive function; (2) serve as an energizing function; (3) affect persistence; and (4) affect action indirectly as it leads to arousal, discovery, and task-relevant knowledge and strategies [3]. Goal-setting intervention involves the participation of organizational members and management to set goals, review periodically to assess accomplishments, and adjust accordingly towards goal achievement.



■ Fig. 2.2 SMART goals. (Source: Author’s creation)

2.3.1.2 The Goal-Setting Process in the Context of OD

In setting effective goals, organizations and individuals need to consider various factors. These include:

- (i) *Goal specificity*: The goal should state the exact level of achievement that the individual, unit, or organization must accomplish within a specific period.
- (ii) *Goal challenge*: There should be a balance, as easy or challenging goals will not motivate effective performance. In addition, one must consider the knowledge, skills, and abilities of the worker when determining the extent to which the goal is challenging.
- (iii) *Goal commitment*: High levels of goal commitment have the greatest effects on goal achievement.
- (iv) *Goal feedback*: When goals are specific and challenging, continuous feedback enables organizational members to compare their current performance to the goal. The organization together with the individual makes adjustments and revisions if necessary.

Additionally, individuals prefer different goal orientations that influence performance and the motivational process. These two goal orientations are learning goals (i.e., process-oriented goals) and performance goals (i.e., outcome-oriented goals).

The role of the OD practitioner, therefore, is to diagnose and develop specific approaches for goal-setting. The Management by Objective (MBO) process is a common approach implemented to align personal goals with the business strategy. As an OD intervention, the practitioner conducts a diagnosis to assess individual and group needs. The OD practitioner must explore the level of employee involvement in goal-setting to determine the degree of interaction and communication that is necessary to increase management-worker interaction and reduce conflict. To prepare organizational employees, they need to be knowledgeable in goal-setting methods through training and understand how to move forward with action planning. Employees work together with management to establish personal and team goals that are in alignment with the overall strategic goals of the organization. A number of organizations have adopted the MBO approach to facilitate the goal-setting process.

► Example

Perhaps one of the most well-known examples is Hewlett-Packard (HP). The computer company Hewlett-Packard uses the MBO approach to create a system where objectives are discussed at each managerial level, creating a system of integrated objectives. The organization uses written plans as part of its method, ensuring the objectives and the steps to achieve them are understood by each employee. The MBO model is also widely used at the company

Intel. Like HP, Intel also uses a written model to help clarify the specific aims and targets. Xerox has also adopted this approach within its goal-setting interventions. The organization has established a system where management and subordinates meet regularly to set objectives and to discover solutions to problems and opportunities [4]. ◀

2.3.2 Performance Appraisal Interventions

Performance appraisals: Performance appraisals refer to the process of assessing, evaluating, or measuring performance over a stated time period.

Performance appraisal interventions assume that performance evaluations and hence performance feedback can in fact drive employee performance. Performance management is therefore another individual-level OD intervention used to *manage employee performance*. For a performance management system to be effective, it should aim at motivating employees towards supporting the organization's strategic orientation. Therefore, the measures to assess employee performance must fit with the organizational strategy, processes, goals, and culture. To increase the validity and reliability of performance appraisals, a job analysis is necessary to identify the behaviours and job-specific criteria that are associated with efficient and effective performance. A performance appraisal is the documented review and evaluation of the job performance of an employee or work group. With the traditional approach, the employee's supervisor or manager conducts performance appraisals. In contemporary organizations, co-workers and subordinates perform appraisals; the individual too performs self-appraisals. The performance appraisal should measure whether employees are engaging in behaviours that align their individual work goals to the organization's strategy.

2.3.2.1 Importance of Performance Appraisal Interventions

The performance appraisal enables the organization to identify whether employees are achieving their goal expectations. This serves as a feedback mechanism where the organization takes corrective action if necessary. To achieve its strategic purpose, the organization ensures that there is a link between the appraisal measurements and the organizational goals. The appraisal provides information to guide reward decisions, promotions, dismissal and to identify the strengths and weaknesses

of individuals. The organization then uses this information to determine training and developmental needs as well as future growth needs. Within the performance management system, the performance appraisal is the key linkage between goal-setting and rewards. Organizations conduct appraisals for judgemental or developmental purposes [5]. The judgemental purpose focuses on extrinsic reward or punishment while the developmental purpose focuses on the potential of workers and on identifying their developmental needs.

2.3.2.2 The Performance Appraisal Process in the Context of OD

In designing and implementing an effective performance appraisal system, there are various steps identified by practitioners in the field of OD [6]. These are as follows:

Identify the appraiser The organization identifies reliable sources to collect an employee's performance information, referred to as the appraiser. Therefore, the source of information should understand the job roles and responsibilities. As the sources increase, there is greater reliability as appraisal feedback from multiple sources provides richer performance information. Therefore, there has been a shift away from the traditional approach of appraisal from a single appraiser such as a manager or supervisor, to include information collected from direct managers, co-workers, self-appraisal, and subordinates, referred to as the *360-degree performance appraisal*.

Designing the appraisal instrument In designing performance appraisal instruments, the relevant aspects of performance, that is, aspects related to the employee's job, must be measured. Indeed, the practitioner must consider validity and reliability factors in developing the instruments. Therefore, performance appraisals should not be generic but should be tailored to the job requirements of each employee. The appraisal should also be reliable, that is, the results should be consistent when there is more than one appraiser. For a performance appraisal to be effective there must be acceptance by the individuals who use it. If appraisees, employees being appraised, view the system as being unfair and not a reflection of their performance, then it would not serve its intended purpose of improving employee performance.

Choosing the appraisal method The measurement system must be carefully designed to rate employee performance. Employees can be rated according to their attributes and behaviours. In rating employee attributes, a widely used method is the *graphic rating scale*. This involves a list of traits that rates the appraisee on a graphic rating scale, usually on a Likert scale from, for instance,

1 to 5. In rating employee behaviours, one approach is the *critical incident method*. This involves the manager or supervisor identifying and recording specific incidents of effective or ineffective employee behaviours. Using the feedback employees identify how their behaviours are positively or negatively contributing to their performance. Another approach is the *behaviourally anchored rating scale (BARS)* where behaviours are anchored to numerical ratings according to their performance and behavioural patterns. It provides specific examples that consider performance as excellent, moderate, and poor. A variation of BARS is the *behavioural observation scale (BOS)*, which identifies the key tasks that a job position requires and the behaviours that are necessary for performing effectively. This approach rates the frequency of the behaviour by the appraisee over a specific period.

Designing the appraisal process The right personnel must be involved in designing a performance appraisal system. This is a complex system with legal ramifications for the organization. Therefore, HR personnel, stakeholders such as workers and unions, legal personnel, and management must be included in the discussions. A diagnosis of the current system identifies the existing gaps and the practitioner uses this data to design the performance appraisal system. The elements of the performance appraisal system are determined, that is, who will be conducting the appraisal, how will the performance criteria be determined, and how feedback will be presented to the appraisee. It is important to keep proper records of the strengths and weaknesses of employee performance as well as follow-up actions taken for developmental and judgemental purposes.

In OD practice, a number of companies, small and large, have emerged that are redefining performance appraisals from the ground up to achieve remarkable improvements in employee performance.

► Example

For example, year after year, Facebook tops the list of the world's best places to work. It's easy to attribute this trend to their universally known fun work environment and great employee perks, but if you dig deeper, you can see what actually causes Facebook employees to be more motivated and satisfied. Facebook, like many companies of its size, holds semi-annual reviews that focus on peer-to-peer and employee-to-manager feedback. By zeroing in on peer feedback, Facebook managers get a good picture of how employees collaborate with one another, a value that is crucial to the company's success. Additionally, using internal software, Facebook managers and employees are able to give and receive continuous real-time feedback in between review cycles. Under this system, employees are no longer surprised by their reviews, because feedback is ongoing throughout the year [4]. ◀

► Example

Goldman Sachs stands out as another company that has recognized the importance of reinventing performance appraisals in employee performance. If a company founded in 1869 can transform its outdated and ineffective performance appraisal approach, anyone can. Goldman Sachs' old system focused heavily on annual reviews, stack rankings, and ratings, all of which have been shown to have detrimental effects on the workforce. After various internal surveys indicated employees wanted more continuous feedback, Goldman Sachs adopted their own web-based tool for giving and receiving feedback to increase informal performance conversations [4]. This approach has proven quite effective thus far. ◀

2.3.3 Reward Management Interventions

Reward management: Reward management describes the process of allocating an appropriate mix of rewards or compensation for performance.

Reward management interventions draw on principles of motivation such as equity theory, reinforcement theory, and expectancy theory to *manage employee performance*. They involve the development, implementation, and maintenance of systems that reward workers equitably and consistently. The reward system encompasses the procedures and practices that seek to align the needs of workers and the organization. Therefore, rewards serve as a motivator since they are exchanged for an individual's work performance and influence employee commitment, satisfaction, and engagement [7]. This links behaviours to outcomes as the rewards align to the value that the organization places on the jobs that employees performs. The consistency and fairness in the system's distribution of rewards to workers who hold similar positions is also important. Organizations use their reward system to attract and retain high-performing talented human resources who possess the knowledge, skills, abilities, and other competencies needed to enhance productivity, efficiency, and innovation.

Indeed, organizations need to plan and determine the reward structure for the jobs performed by each worker. A job comprises a number of tasks. The job structure consists of the relative pay for different jobs, and the pay level is the average amount paid for a particular job. The job structure and pay level will determine the pay structure. In developing a reward system, the organization assesses the legal requirements, market forces, labour market quantity and quality, and organizational strategic goals.

2.3.3.1 Importance of Reward Management Interventions

Organizations are recognizing the importance of reward systems. Reward system interventions are necessary to ensure equity, consistency, transparency, and fairness; the system allocates rewards according to an individual's contribution in the organization. OD practitioners should focus on combining intrinsic and extrinsic incentives to develop effective reward systems. A well-designed reward system enhances organizational efficiency and goal achievement by influencing employee motivation and commitment. Total rewards are inclusive of all types of rewards—indirect as well as direct, and intrinsic as well as extrinsic [7]. Therefore, total reward systems combine transactional rewards that are tangible, such as pay, bonus, benefits, and relational rewards that are intangible, such as training and development opportunities and job enrichment. Total reward systems and effective reward management enable organizations to plan their recruitment and retention strategies. Organizations should move beyond merely ensuring that their reward system conform to the legal requirements towards motivating employees to perform behaviours that require extra effort. Organizations should provide and create a supportive environment where workers can use their knowledge, skills, and abilities to do meaningful work.

2.3.3.2 The Reward Management Process in the Context of OD

When designing a reward system, there are various considerations in determining the appropriate reward strategies to maximize employee performance. These considerations are described below.

- *Pay for performance (individual)*: Organizations use a variety of incentive plans to reward individual performance. These include piecework rates, merit pay, standard hour plans, bonuses, and commissions.
 - *Piecework rate* is a wage plan that pays the worker for each unit produced. The straight piecework plan pays the worker the same rate per unit, regardless of the number produced.

► Example

For example, in a garment manufacturing plant, for each completed shirt sewn the worker is paid US\$10. On a given day if the worker completes 120 shirts, the worker is paid US\$1200 (120 shirts at US\$10). The differential piece rate plan pays the worker a higher rate when more units are produced. For example, under this pay plan, for the first 100 shirts sewn, the worker is paid a rate of US\$10, and for each additional shirt, the worker is paid a rate of US\$20 per unit. If on a given day the worker completes 120 shirts, a payment of US\$1400 is received (100 shirts at US\$10, 20 shirts at US\$20). ◀

- *Merit pay* systems link performance appraisal ratings to increases in pay. Merit increase grids are developed as a guide for the performance rating and the compa-ratio.
- *Standard hour* plans are similar to piece rate plans where workers are paid extra for work done in less time than a predetermined standard time.
- *Bonuses* are paid in addition to an individual's base pay. They are linked to performance and can be earned over a specific period or as a one-time reward. For example, bonuses are paid when employees meet a predetermined sales target.
- A *commission* is an incentive based on a percentage of sales.

► Example

For example, an insurance sales agent is paid a 10% commission for each policy sold. ◀

- *Incentive pay*: A design where predefined employee behaviours determine the amount that is paid. For instance, an organization may pay a commission and bonus to workers in addition to their wage and salary.
- *Pay for performance (group)*: An organization may choose to offer group incentives to promote cooperation and knowledge sharing among workers. Some of these incentives include gainsharing, bonus, and rewards. A gainsharing programme measures improvement in productivity and effectiveness and the organization distributes a portion of the gain to employees.

► Example

For example, if workers reduce wastage in a factory and a gain of US\$20,000 is realized, US\$10,000 goes to the company and US\$10,000 is shared among the employees. This financial incentive would motivate the employees to work more efficiently to reduce wastage. Bonuses may be awarded to groups of workers for their performance as a team. This may be for specific reasons such as achieving a goal or increasing output or it may be for general performance measures such as successfully completing a project or meeting a deadline. ◀

- *Pay for organizational performance*: Organizations offer incentive pay to workers that are tied to organizational performance. Organizations measure their performance through their profits and earnings per share. To motivate workers, organizations offer organizational-level incentives in the form of profit sharing and stock ownership.
- *Profit sharing* is a type of incentive payment of the organization's profits that is not a part of the employee's base pay. This is an additional amount paid to each worker and in dividing the profits can be determined by, for

example, the number of hours worked per employee. The timeframe may vary, for instance, quarterly or annually. Further, the terms are negotiated with unions and are included in the work agreements.

- *Stock option* is an incentive plan that gives workers the opportunity to purchase shares at a reduced price.
- *Stock ownership* is an incentive plan in which workers become part owners of the organization. This plan motivates workers to focus on the success of the organization. These are usually in the form of stock ownership plans and stock options.

It must be noted that many organizations unsuccessfully treat goal-setting, performance appraisal systems, and reward management as separate individual-level interventions. There is a need to recognize that all three interventions should be coordinated within a larger performance management system for all individual employees within the organizational system.

Organizations need to ensure that goal-setting, performance appraisal, and reward systems align to the business strategy for their performance management system to be effective. Through OD, it allows for an evaluation of this system and its subsystem with the aim of implementing interventions to improve the functioning of each subsystem. A comprehensive performance management system provides a competitive edge for organizations. Therefore, the assessment and reinforcement of employee behaviours through total reward systems increases motivation and positive outcomes for the worker, the workgroup, and the organization.

► Example

Cargill Inc. is one organization which recognizes the interrelationships between goal-setting, performance appraisals, and reward management within performance management systems. Cargill Inc., a Minneapolis-based food producer and distributor, was struggling to engage and motivate its 155,000 employees worldwide. The performance management plan (PMP) follows the progress of employees and encourages ongoing dialog between employees and managers. In 2012, the PMP tool was revamped where all managers were instructed to have formal discussions at the beginning and at the end of the fiscal year, in addition to regular conversations that speed up decision-making process. The company reported measurable improvements after managers began giving constructive feedback that had a future-oriented outlook, instead of reviewing what had happened in the past [4]. Goals, performance, and rewards were then logically tied together within its PMP. ◀

► Example

Most recently, a Harvard Business Review study noted Kelly Services was the first big professional services firm to drop traditional appraisals, in 2011. PwC (Price WaterHouse Coopers) tried it with a pilot group in 2013 and then discontinued annual reviews for all 200,000-plus employees. Deloitte followed in 2015, and Accenture and KPMG made similar announcements shortly thereafter. Given the sheer size of these firms, and the fact that they offer management advice to thousands of organizations, their choices are having an enormous impact on other companies [8]. Firms that scrap traditional appraisals are also rethinking employee management much more broadly. Such organizations recognize the need for performance management systems and practices that go beyond appraisals alone. Indeed, performance management systems are reinvented to integrate MBO approaches and develop responsive performance evaluations and equitable compensation systems within broader talent management objectives. ◀

2.3.4 Coaching and Mentoring Interventions

Coaching: Coaching refers to the short-term process whereby a content expert, known as the coach, focuses on enhancing and/or building the specific competencies or skills of employees to improve performance.

Mentoring: Mentoring refers to the long-term process of developing employees to improve the talent pool within the organization. This process is driven by mentors, and the recipients are called mentees.

Coaching and *mentoring* interventions are change programmes aimed at developing the talent of employees. These interventions are a specialized form of OD. They focus on using the principles of applied behavioural science to increase the capacity and effectiveness of individuals. Coaching and mentoring interventions are highly personal and generally involve a one-on-one relationship between the employees, where higher-level employees can act as coaches and mentors to develop other employees.

A mentor is someone who offers his or her knowledge, skills, and expertise to someone who is less experienced, referred to as a mentee or protégé. The mentors share their own experiences as well as offer professional advice on, for example, career advancements and building soft skills of the mentee. Often, the mentor is a senior employee who has been with the organization for quite some time and has acquired expertise and experience from their everyday work activities. The mentee is a junior employee who is relatively new to the organization or department. This relationship is ongoing, long-term, and can be informal meetings where the mentor-mentee interaction is based on offering advice, guidance, and support in preparation for career advancement and future positions.

► Example

Time Warner Cable stands out as a company with an established mentoring intervention. Time Warner Cable is a cable telecommunications company with 56,600 employees. Time Warner's programme matches mentors and mentees for a year. Employees at any level can apply to be mentored, and mentors are chosen from manager level and above. Participants receive mentor/mentee training, quarterly meetings with HR executive-level sponsors, and other mentorship programmes throughout the year. The technology company Intel, with 9500 employees, is also known for its programme. Intel runs a long-standing programme that matches employees with mentors (in-person or virtual) and based on the skills and interests of the mentee. Participants must fill out a questionnaire, which is used to match them with other qualifying employees who can teach them the skills they desire to learn [9]. ◀

A coach focuses on establishing and achieving goals for skill development within a specific time. A coach can be a peer or manager who motivates employees, helps them to develop skills, and provides feedback for continued improvement. Coaches assist organizations with specific development areas or issues. Meetings are structured and on a regular basis. Therefore, a coach helps a person to improve awareness of a particular behavioural performance by setting and achieving goals in line with these behavioural performance gaps.

2.3.4.1 Importance of Coaching and Mentoring Interventions

Organizations implement formal mentoring programmes that enable all employees to have access to a mentor. This enables the matching of high-performing employees with more experienced persons in key areas. The mentors selected for the programme should possess interpersonal skills, technical skills, and be trained in the role of a mentor. Coaching is action oriented and seeks to develop the worker's skill set with a futuristic direction. The coach seeks to help the individual understand

their present state and set goals to improve on specific, pre-determined areas.

2.3.4.2 The Coaching and Mentoring Process in the Context of OD

The following provides guidelines for establishing and implement a coaching and mentoring programme:

- *Selecting employees as recipients for coaching and mentoring:* Firstly, conduct an assessment. The OD practitioner uses various assessment tools, such as aptitude and personality tests, surveys, and performance appraisals, to determine the needs of employees. When an organization has a formal coaching and mentoring programme all employees should be able to access it and not be discriminated.
- *Selecting coaches and mentors:* Coaches and mentors should possess the necessary skills, knowledge, and expertise. Individuals who are selected as mentors should be trained to fulfil their role. Coaches should be aware of their skill limitations given their expertise in specific areas.
- *Establishing the goals of the relationships:* The coach and the worker identify from the onset the goals to be achieved. The practitioner conducts a diagnostic assessment and uses the feedback to develop an action plan. As with goal-setting, these are specific, measurable, and time-bound.
- *Developing action plans:* The action plan identifies the specific activities to be engaged in over the period. A timeline is established to re-evaluate goals and the progress made, and feedback is provided to the worker.
- *Executing action plans:* At the structured meetings, the elements of the action plan are executed. The coach assumes a supportive role and learning occurs on the part of the worker.
- *Evaluating results against goals:* At the end of the period, the practitioner conducts a post-assessment to determine whether the goals are achieved.

2.3.5 Career Planning and Development Interventions

Career planning: Career planning generally focuses on managers and professional staff and is seen as a way of improving the quality of their work life by helping them choose career paths and attain career objectives.

Career planning and development interventions are an important tool in developing and retaining an effective workforce. A *career* is broadly defined as ‘the pattern of work-related experi-

ences that span the course of a person's life' [10]. Companies have discovered that organizational growth and effectiveness require career development programmes to ensure that needed talent will be available to meet current and future demands. Career planning and development help attract and retain highly talented people and increase the likelihood of using their skills and knowledge.

Career development is an ongoing process where an individual progresses through a series of stages. One career development activity is career planning. Career planning is a systematic, comprehensive, and deliberate process where an individual becomes aware of oneself, their skill set, choices, and opportunities; the establishment of career-related goals; and engaging in developmental activities to attain specific career goals. With career planning, the skill requirements of the various jobs within the organization must be known in order to match the skill set of workers with career opportunities. An individual actively seeks to understand and take control of their personal work life, with the assistance of supervisors, counsellors, and other persons within and outside the organization.

► Example

Deloitte integrates its mentoring interventions into career planning. Deloitte is a professional services firm offering auditing, consulting, tax, and other financial services, with 225,000 employees. As part of its programme, employees from under-represented populations are paired with mentors from the partner, principal, or director level. These mentors agree to commit at least two years to help shape their careers and navigate Deloitte's professional organization [9]. This approach has proven useful as a career planning initiative for such under-represented employees. ◀

2.3.5.1 Importance of Career Planning and Development Interventions

Careers develop over time. Therefore, ongoing career planning and development interventions are necessary as employees, the organization, and the external environment changes and affect one's career. Further, in characterizing an individual's career, major life events influence aspects of a person's career that cannot be ignored. Career development is an unfolding process as it allows both the individual and the organization to understand the challenges that may arise at a given stage. Traditionally, the individual and the organization jointly pursued careers in stages. However, there is a more contemporary view of career planning as the employment relationship is changing with emerging trends such as globalization, technology, demograph-

ics, and economic conditions. For instance, the *protean career* advanced by Hall and his colleagues states that individuals and not the organization are the drivers of their careers. Since each person's career is unique, the individual reinvents their career over time and are motivated towards careers that are meaningful and self-fulfilling [11]. Today, researchers and practitioners view career development as multidirectional rather than linear. Therefore, OD interventions simultaneously provide guidance to workers in line with their personal career path as well as the talent needs of the organization.

2.3.5.2 The Career Planning and Development Process in the Context of OD

As an OD intervention, a career planning and development programme allows workers to explore their career options within the organization and identify areas for exploration.

- *Setting goals:* The individual sets specific or general career goals stemming from self-awareness and environmental conditions. Goals must be realistic, and the outcome must be clearly defined.
- *Understanding the stages:* When developing a career development programme, training may be necessary for workers to learn about careers and career development. Communication is important at this stage between the worker and the organization. Workers are able to inquire about the various opportunities as it relates to career advancement, developing their skill set, and promotion opportunities. The practitioner should conduct assessment testing, such as personality and aptitude tests, to identify worker strengths, areas for development, and future training needs.
- *Developing plans:* The worker, in some cases together with the career counsellor, develops an action plan strategy towards achieving the established goals. The actions are identified, and timelines are determined.
- *Developing processes to execute plans:* This stage involves the implementation of the strategy. The plan increases the successful achievement of the goals as it specifies the actions to be performed and the timelines for actions to be completed.
- *Evaluation of processes and feedback:* Progress is assessed by obtaining information and feedback from various sources. These can be from within the organization (e.g., supervisor, manager, co-worker) or outside the organization (e.g., family, friends). At this stage, the individual determines whether the goals are achieved and reengages in another cycle of career management activities.

2.3.6 Management and Leadership Development Interventions

Management and leadership development: Management and leadership development focus on building the competencies needed to lead the organization in the future and include traditional classroom lectures as well as simulations, action learning, and case studies.

Management and leadership development programmes are one of the most popular OD interventions aimed at developing talent and increasing employee retention, in addition to coaching and mentoring and career planning and development interventions. Management development focuses on the functions that a manager is required to perform such as planning, organizing, leading, and controlling. These activities are necessary for accomplishing the day-to-day operations of the business. Management development interventions are especially relevant for new and potential managers and executives. Leadership development focuses on the individual's self-development, and development of humanistic and interpersonal skills. Therefore, individuals in management positions are also required to perform leadership functions. Management and leadership development interventions may be organization driven, consisting of a range of formal interventions to enhance the competencies and skills of persons in managerial positions.

2.3.6.1 Importance of Management and Leadership Development Interventions

Conditions such as rapid changes, increasing unpredictability, and complexity are increasing the need for leadership and management development interventions. Globalization, structural changes, and increasing workforce diversity require a strategic approach. Therefore, individuals who are in managerial positions at the lower levels also need to be leaders, as this function is no longer reserved for those who are higher in the organization's structure. In practice, management and leadership development interventions are implemented to enhance efficiency and effectiveness in a variety of skills related to both management and leadership.

► Example

Genworth Financial Inc. stands out as an international company, which relies on comprehensive management development and leadership change interventions. Genworth Financial Inc. is a financial service company that provides insurance, wealth man-

agement, investment, and financial solutions and operates its business through the following segments: US Life Insurance, US Mortgage Insurance, Canada Mortgage Insurance, Australia Mortgage Insurance, and Runoff. This international financial organization has a Global Learning and Development team that focuses on employee growth and development. In enhancing the organizational capability and employee engagement, they offer interventions in Leadership and Professional Development. The goal is to empower employees to be most effective in their role when creating and executing their development plan [12]. ◀

► Example

General Electric (GE) also has a notable leadership change intervention. GE operates in a number of different industries, including power, transportation, healthcare, and medical devices, with 305,000 employees. GE's Leadership Program is a two-year programme focused on developing managers' sales and marketing skill and it is deemed the best way to develop and expose successful candidates to opportunities in sales and sales support in particular [9]. ◀

2.3.6.2 The Management and Leadership Development Process in the Context of OD

As an ODC (organizational development and change) intervention, the following steps guide the process:

- *Goal-setting:* The knowledge, competencies, and skills to be developed are specified through setting goals. Management and leadership development interventions include a wide range of training and development activities. Therefore, the strategic focus of the organization guides the goals that are established.
- *Determining management and leadership needs:* In performing an individual need assessment, the practitioner collects data from prospective managers and current managers. This would identify the individual's current skills and competencies, and areas for development. The use of interviews, focus groups, and questionnaires would aid in determining the appropriate interventions for the individual. An organizational need assessment should also be performed. This would identify the strategic focus of the organization and determine the type of leadership and management skills that are needed to move the organization towards the achievement of its goals. When interventions are implemented, managers should be given opportunities to transfer their skills and knowledge to the workplace.
- *Developing action plans:* Following the assessment, the action plan is developed. This provides details on the types of activities that are necessary at the individual and organizational levels. The most appropriate approach to execute the interventions is identified. There the respective

intervention should align with the subsystems, where revisions are made as necessary for effective transfer.

- *Executing the action plan:* The interventions are implemented. Targeted individuals are informed, and requests are made to attend the respective interventions. Upon completing the development programme, individuals return to their respective jobs where they are expected to adopt the necessary knowledge, skills, and competencies acquired during the programme.
- *Evaluation of intervention:* The programme is evaluated to determine whether the objectives are achieved. Following the Kirkpatrick model of training evaluation, this will assess the reaction to training, the learning that took place, the behaviours adopted in the workplace that reflect the skills acquired during training, and the results through improvements in efficiency and effectiveness.

2.3.7 Stress and Wellness Management Interventions

Several profound trends are shaping the labour markets of modern organizations. Researchers suggest and managers confirm that contemporary workforce characteristics are radically different from what they were just 20 years ago. Two key trends have emerged in such a context: the *stress* and *wellness* of employees and employee diversity. The subsequent section presents a discussion on stress and wellness interventions.

Stress: Stress can be described as emotional and/or physical tensions, which can be triggered from events/thoughts associated with frustration, nerves, or anger.

Wellness: Wellness can be described as the promotion of healthy behaviour in the workplace to improve the health of workers.

Stress is a psychological reaction caused by a stressor and has the potential to make a person feel tense. The person feels unable to cope with the stressor [13]. Stressors are environmental factors that have the potential to cause stress. The question arises: is all stress bad? At a moderate level, stress can act as an environmental stimulator for individuals. However, at high levels the effects of stress are damaging to the individual as well as the organization. Stress causes attitudinal, behavioural, psychological, physiological reactions. Therefore, organizations engage in *stress management* and wellness programmes.

Stress management: Stress management refers to the process of managing stress within the workplace.

2.3.7.1 Importance of Stress and Wellness Management Interventions

There is growing concern by organizations globally about the consequences of stress and approaches to manage stress. The implications of stress are not confined to the individual as stress affects a worker's health [13], and results in lower productivity, increased absenteeism, and burnout. The Caribbean business context indicates similar trends.

► Example

For example, the chronic stress Caribbean workers are facing lead to the following statistics: at least 60% of doctor visits stem from stress-related complaints and illnesses. Worst of all, such employees simply do not know how to effectively cope with stress: 42% of patients report lying awake for long hours, 36% report overeating or eating unhealthy foods, and 27% skip meals [14]. ◀

Workplace stressors can be subdivided into four main areas. These include:

- *Physical environment*: Stress can be caused by physically unpleasant and dangerous conditions. For instance, if the organization fails to comply with the recommended industry health and safety standards, forcing persons to work in unsafe environments.
- *Individual*: Persons who possess legitimate power due to their position often experiences role overload. Due to the ongoing nature of the job, persons have heavy workloads and are often required to fill multiple roles, which adversely affect their work-life balance. Information technology is also contributing to the increasing demands of managers where persons work '24/7' responding to emails and messages during personal time. Further, their role requires that they make key decisions on a daily basis. These decisions have ramifications for the organization's success and they are accountable and responsible for their actions.
- *Group*: These include factors such as workplace bullying, sexual harassment, and discrimination.
- *Organizational*: In relation to job design, if there are high job demands and workers are not given the autonomy to make decisions or are informed of the task expectations (i.e., role ambiguity), the stress and frustration of workers can increase. Job insecurity, with increasing contract

positions, makes employees uncertain of their employment contract renewals.

2.3.7.2 The Stress and Wellness Management Process in the Context of OD

Stress interventions seek to identify the causes of stress and develop appropriate strategies that reduce or eliminate the stressor. In addition, wellness interventions are geared towards designing and implementing coping strategies. When a stressor adversely affects an employee's work performance, the organization should assist the individual. Two popular stress management strategies include:

Employee assistance programmes (EAP) These are counselling services that assist employees with work and life problems that impact the individual's physical and emotional health and well-being as well as performance. These interventions can assist workers with family and relationship problems, substance abuse, financial problems, and mental health problems. During layoffs and job cuts, organizations can provide counselling services to individuals who are exiting the organization and those who are being retained.

Physical activity interventions [15] Workplace physical activity interventions can improve both physical and mental health. Workers spend about half of their waking hours at the workplace; therefore, a strategic focus on offering physical activity programmes can boost workers' health. Physical programmes can be implemented to keep workers healthy as these interventions seek to assist employees with preventing and managing chronic diseases.

► Example

Companies [16] in the Caribbean have embraced the need for stress and wellness programmes within their workplaces, similar to global trends. For example, companies within the financial services sector in particular have adopted a number of commendable initiatives. Sagicor Life Inc. have implemented a series of initiatives aimed at creating a healthy workplace including peer support (e.g., buddy systems), group goal-setting, health competitions, challenges or games (e.g., fitness and weight loss challenges), and health promotion campaigns; this has been ongoing for more than three years. They have an allocated budget for healthy workplace initiatives and have established a Wellness Committee. Sagicor Life Inc. is a widely held publicly traded company with over 36,000 shareholders, and is listed on the stock exchanges of Barbados, Trinidad and Tobago, and London. Today, operating in 22 countries, including the United States and Latin America, Sagicor has total assets of US\$7.3 billion, and US\$1.135 billion in equity. The Sagicor Group offers a wide range of products and services includ-

ing life insurance, annuities, and group and individual health, and has an insured base in the Caribbean region of 2 million. ◀

2.3.8 Diversity Management Interventions

Diversity: Diversity can be described as all the ways in which employees within the workplace differ from each other.

Managing employee *diversity* is another emerging trend within today's business environment that warrants attention within the field and practice of OD. Globalization, coupled with technology, has created a boundaryless world. Organizations are no longer restricted to a geographic location in recruiting talent, individuals actively seek employment opportunities and are willing to relocate. In addition, access to information is forcing organizations to direct attention to diversity management as a part of their strategic objective. 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.

Diversity management is emerging as a contemporary issue implicating organizations and their operations. Workplace diversity refers to the variety of differences among members in an organization. This is subdivided into surface-level diversity and deep-level diversity [17]. *Surface-level diversity* are differences that are overt and biological, such as age, sex, race/ethnicity, and physical disabilities. *Deep-level diversity* are differences among members' attitudes, beliefs, values, knowledge, and skills. Organizations require diversity interventions to respond to the diverse needs of its workers. Diversity management refers to 'the process of planning, directing, organizing, and applying all the comprehensive managerial attributes for developing an organizational environment, in which all diverse employees irrespective of their similarities and differences, can actively and effectively contribute to the competitive advantage of a company or an organization' [17].

2.3.8.1 Importance of Diversity Management Interventions

Diversity management: Diversity management refers to the process of managing employee differences in the workplace.

In today's business environment, organizations need to be proactive in adapting to the changing trends of the labour market,

■ Table 2.1 Opportunities and challenges of a diverse workforce	
Some of the opportunities include:	Some of the challenges include:
Innovation and creativity: When workgroups are homogeneous, there is the failure to generate learning, innovation, and creativity achieved via the interaction of different individuals [18].	Organizational culture: The existing culture within the organization may act as a hindrance as employees may attempt to preserve the status quo and resist change initiatives that promote diversity. In the workplace, when discriminatory practices are accepted as a part of normal business functioning, then fragmentation would create a hostile work environment.
Reduce turnover: When employees perceive that they are being treated with respect and are not being discriminated against, there is the reduced risk of employee turnover. When organizations actively pursue interventions promoting an inclusive workforce, they benefit from higher worker performance.	Miscommunication: The mental code book, language differences, and dissimilarities can cause miscommunication to occur among employees. If there is ineffective communication between executives, managers, co-workers, then the dissemination and interpretation of information can lead to loss in productivity, conflict, and, if left unaddressed, a toxic work environment.
Increase market share: Organizations with diverse employees are better able to serve diverse customers. Deep-level diversity promotes creativity and innovation as the experiences of individuals vary. Employees are able combine their own unique experiences to understand the needs of customers [18].	No guarantee of talent: While the organization promotes inclusion, it does not necessarily guarantee an increase in the talent pool.
Source: Author's creation	

through *diversity management*. The composition of the workforce is evolving, prompting organizations to recruit more inclusive and diverse workers. Furthermore, the amendments and implementation of new laws and policies are protecting workers from discriminatory practices prompting organizations to devise interventions to promote equity and equality. Therefore, organizations must ensure that their HR policies and procedures attract and retain a productive workforce and the organizational culture should promote inclusiveness and mutual respect for individual differences. There are opportunities and challenges with a diverse workforce, as presented in ■ Table 2.1.

Even in the context of both opportunities and challenges presented by diverse workplaces, a number of companies globally have embraced the idea of diversity.

► Example

The global company Coca-Cola, with more than 123, 200 employees worldwide, stands out for its diversity management interventions. At Coca-Cola, diversity is seen as more than just policies and practices. For instance, in 2017, a new parental benefits policy was implemented, where six weeks of paid leave is now extended to all new parents. This move was championed by ‘Coca-Cola Millennial Voices’, a group of young employees with the goal of ensuring there is a healthy level of employee retention [19]. ◀

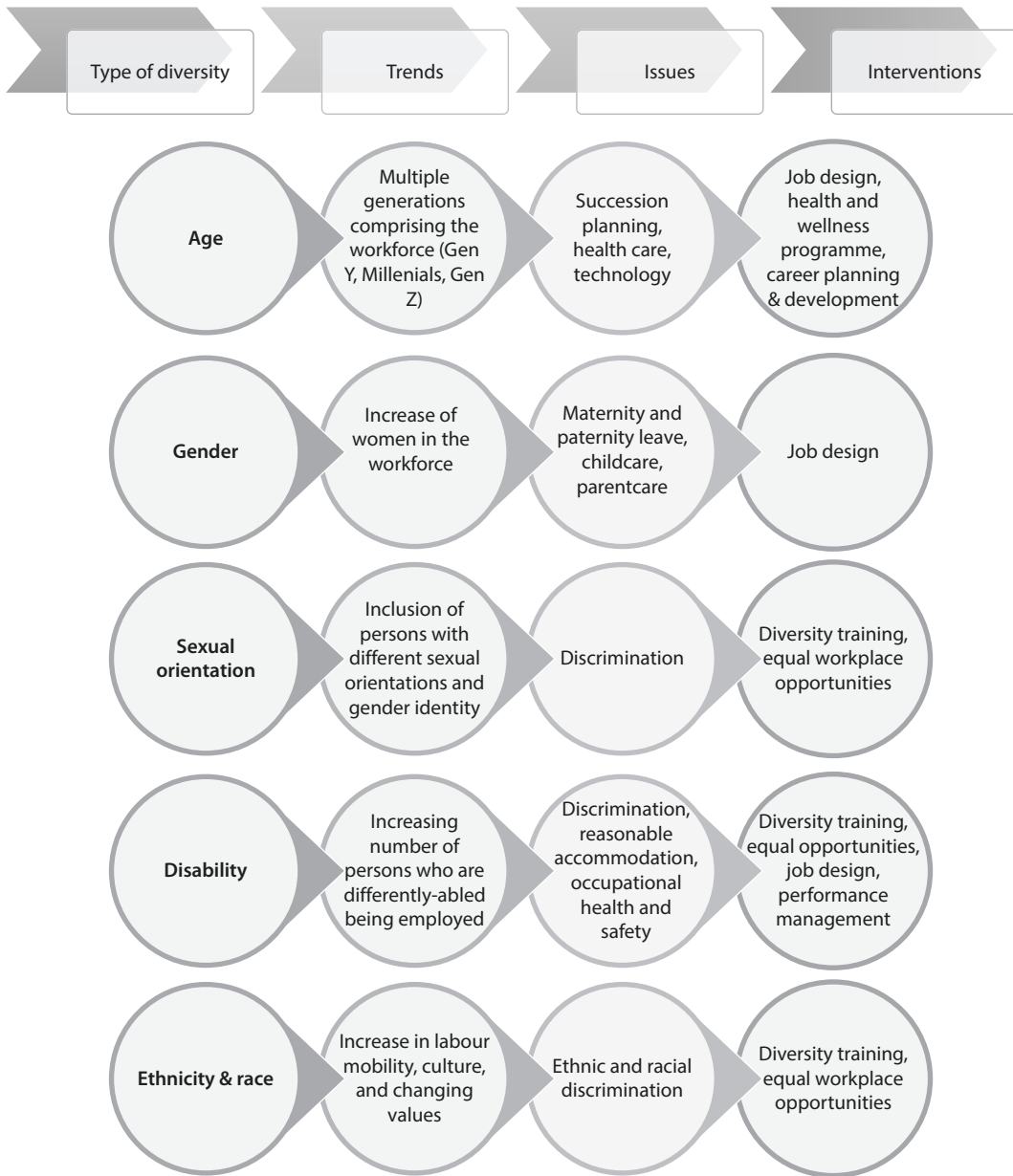
► Example

Another company that distinguishes itself based on diversity is Marriott International, which was named as one of the ‘World’s Best Multinational Workplaces by Great Place to Work’, the world’s largest annual study of workplace excellence. Women-owned business enterprises make up approximately 10% of Marriott’s supply chain. They aim to have 1500 open hotels owned by women and diverse partners by 2020. LGBT inclusion is also a top priority. They received the ‘Best Place to Work for LGBT Equality’ accolade when they earned a perfect score on the HRC’s 2016 Corporate Equality Index, which is a widely recognized benchmark for diversity and inclusion [19]. ◀

2.3.8.2 The Diversity Management Process in the Context of OD

Each dimension of diversity has positive and negative effects as it can be viewed as a ‘double-edged’ sword. The following provides guidelines for establishing and implement diversity management programmes:

- *Identify the diversity dimensions:* Firstly, identify the specific diversity dimension(s) that the organization is seeking to address. Some of the more common areas include age, gender, sexual orientation, disabilities, ethnicity, and race (see ■ Fig. 2.2).
- *Diagnosing the need for diversity management strategies and processes:* A diagnosis is performed to assess the organization’s present status. Primary data is collected from workers on their perceptions of different diversity-related dimensions. Secondary data is collected from employment records, discrimination-related employee complaints, and a review of current workplace practices that support or deter diversity.
- *Developing and implementing diversity management strategies:* After diagnosing the diversity trends within the organization, the next step is to develop and implement appropriate interventions that are in line with the specific diversity dimension(s). An OD intervention that seeks to promote diversity and a culture of inclusion is through diversity training and education. Each dimension has specific interventions that can be implemented. These are as follows:
 - (i) Age-job design, health and wellness programme, career planning, and development
 - (ii) Gender-job design
 - (iii) Sexual orientation-diversity training, equal workplace opportunities
 - (iv) Disability-diversity training, equal workplace opportunities, job design, performance management
 - (v) Ethnicity and race—diversity training, equal workplace opportunities



■ **Fig. 2.3** Different types of diversity dimensions and interventions (Source: Author's Creation)

- *Evaluation of diversity management:* In assessing the effectiveness of a diversity management intervention, an evaluation is conducted on the achievement of the diversity goals. This will determine whether the goals and the necessary action to be taken moving forward have been achieved (■ Fig. 2.3).

2.3.9 Third-Party Interventions

Third-party intervention: Third-party interventions are change plans aimed at managing conflict between employees, with the use of independent, third parties guiding the process.

In comparison to the other individual-level OD interventions which largely focus on human resource changes, *third-party interventions* focus on human process changes at the employee level. Third-party interventions focus on conflicts arising between two or more people within the same organization. A third-party intervention is centred on resolving a dispute or conflict situation that is causing dysfunctional relationships and behaviours within the organization. An independent individual or team is brought in to find a resolution between the two parties who are in conflict. Therefore, conflict arises when one party perceives that his or her interests are being opposed or hindered by another party [20]. Conflict is based on perceptions as individuals hold different points of views and the actions of the other party may or may not be intentional.

Not all conflict is the same. Two types, specifically, constructive conflict and relationship conflict, can distinguish conflicts. Constructive conflict occurs when the issue is at the centre of the discussion and there is mutual respect for the views of the parties involved. This type of conflict encourages the clarification of ideas and making recommendations for improvement purposes. Indeed, high levels of constructive conflict are encouraged since the issue or task is the focus of the conflict. In contrast, relationship conflict focuses on the people rather than the task and there are interpersonal tensions among the individuals. The personal attacks on the individual's credibility, competency, and personality direct attention away from the task. If allowed to escalate, it can cause breakdown in communication and aggression, and can generate strong emotional reactions by the parties involved. Consequently, high levels of relationship conflict are discouraged.

2.3.9.1 Importance of Third-Party Interventions

Third-party interventions are aimed at relationship conflict to resolve or control such conflict situations. These interventions serve as guides since the perceptions of the parties involved are the basis for conflict. Hence, a contingency approach should be used to determine the most appropriate intervention. When there is relationship conflict, it can be detrimental to worker

satisfaction, performance, stress, and the development of team cohesiveness among members.

2.3.9.2 The Third-Party Intervention Process in the Context of OD

Through diagnosis, the source of the conflict is identified. Preliminary interviews would enable the OD practitioner to identify the nature and type of conflict, and the individuals/parties involved. Data gathering seeks to identify the parties who are a part of the conflict episodes.

Sourcing a third party The severity of the conflict situation will determine who is involved in resolving the conflict. For example, a manager would be able to act as a mediator between two workers from the same department who are against each other due to personality clashes (relationship conflict).

Development of strategies by third party to resolve and manage conflict The third party can use negotiation strategies such as mediation and arbitration. Communication is vital to quickly address the problem. This may be in the form of meeting with the parties separately or together to get their view of the situation. A formal agreement may be required on the resolution, depending on the severity of the issue. The third party should possess the skill set of being an active listener and emotional intelligence to maintain objectivity in arriving at a solution. The final decision should also be in line with any formal policies that the organization has adopted. The mediation process usually involves four basic steps:

- (i) **Opening**—The mediator's role and the proposed process to commence the resolution is communicated to all parties. Here, ground rules are established where mutual respect is requested from all parties.
- (ii) **Discovery**—The parties present their points of view where the mediator seeks to clarify any misconceptions and understand the party's position.
- (iii) **Compromise**—Potential solutions to the issue are proposed and evaluated. Through negotiation, an agreement is made with possible concessions.
- (iv) **Close**—The resolution is accepted and perceived as fair by all parties. This may be confirmed through a written or verbal agreement.

When mediation fails, arbitration may be used. Mediation may fail when all parties refuse to accept an compromise. Arbitration ensures that all parties to any conflict situation accepts the recommendations of the arbitrator through a legal agreement.

Evaluation and feedback on effectiveness of third-party interventions: An assessment is conducted on the effectiveness of the resolution. This will determine whether the conflicting par-

ties are conforming to the agreed-upon resolution or whether further mediation is necessary.

2.4 Challenges in Managing and Leading Individual-Level Interventions

Some of the common challenges encountered with individual-level interventions include:

- *OD practitioner's skills, knowledge, competencies*: In many instances, HR personnel design and implement individual-level interventions. However, certain interventions may require individuals with specific expertise and experience that the organization may need to outsource.
- *Resistance to change at the micro level*: Stemming from the democratic philosophy governing OD, OD interventions are designed with the participation and involvement of organizational members. Employees not consulted prior to inclusion in an intervention are increasingly likely to resist the change. Resistance can be subtle, for instance, attending a diversity training programme and not transferring the knowledge acquired into work practices. Persons may openly express their viewpoint by indicating to their supervisor or manager that training is a waste of their time as there are no systems in place or management support following the intervention. When the reasons for the intervention are unclear, and there is misalignment with the personal goals of employees, they perceive the change as unnecessary.
- *Limited alignment to other levels of OD interventions*: Interventions should complement and align with each other for the intended benefits to be derived. For instance, implementing a stress and wellness intervention without understanding the causes for the stress will not produce the intended result. There may be issues of discrimination fuelling the stress of workers.
- *Limited alignment to organizational strategy and superordinate goals*: Employees should be able to understand how their daily activities fit within the overall strategy of the company. If this is lacking, employees may be demotivated to participate in change initiatives.

Indeed, managing and leading individual-level OD interventions continue to be challenged by many issues. Within organizational systems, effective change management mandates the seamless fit of individual-level interventions into larger organizational change plans. With employees as the unit of analysis, the pivotal role of such interventions cannot be ignored. Employees drive organizational efficiency and effectiveness according to the basic tenets of HRM. Consequently, the aforementioned challenges must be addressed as a matter of

priority. Adopting a *humanistic perspective* as a key management philosophy in any action plan to maximize the effectiveness and acceptance of individual-level OD interventions is recommended as a key success factor here. A humanistic perspective is described as a management approach, which recognizes the importance of employees, their needs, and their role in driving organizational productivity. At this micro level, effective individual interventions can provide the foundation for effective organizational development and change.

2.5 Conclusion

This chapter examined individual-level OD interventions within organizational systems. While the book focuses on organizational development and change, notably, individual change interventions are the necessary foundation for changes within organizational systems. The most popular micro interventions were assessed and key considerations when developing them are noted. Challenges were also examined when managing and leading such interventions.

■ Exercises

Student Resources

■ Chapter Outline

- I. Individual-Level OD Interventions
- II. Rationale for Individual-Level OD Interventions
 - A. Human Resource Issues
 - B. Human Process Issues
- III. Different Types of Individual-Level OD Interventions
 - A. Goal-Setting Interventions
 - B. Performance Appraisal Interventions
 - C. Reward Management Interventions
 - D. Coaching and Mentoring Interventions
 - E. Career Planning and Development Interventions
 - F. Management and Leadership Development Interventions
 - G. Stress and Wellness Management Interventions
 - H. Diversity Management Interventions
 - I. Third-Party Interventions
- IV. Challenges Managing and Leading Individual-Level Interventions

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Further Reading

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Group-Level OD Interventions

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Electronic supplementary material The online version of this chapter (https://doi.org/10.1007/978-3-030-39123-2_3) contains supplementary material, which is available to authorized users.

Learning Objectives

At the end of this chapter, readers should be able to:

1. Describe what group-level OD interventions are.
2. Identify and describe the different types of group-level OD interventions.
3. Evaluate the usefulness of the different types of group-level OD interventions.
4. Critically assess the challenges involved in managing and leading group-level interventions.

3.1 Introduction**3.1.1 Group-Level OD Interventions**

Within the context of organizational change, inevitably, there is a high degree of overlap between the levels at which organizational development and change (ODC) interventions are required. This point cannot be sufficiently underscored in relation to the field and practice of ODC. After all, there are *organizational interdependencies* within open organizational systems. The same applies in relation to *group-level OD* (organizational development) interventions.

Organizational interdependencies: Organizational interdependencies describe the extent to which the different levels within organizations are interdependent or rely on each other for the overall functioning of the business.

Group level: Group level describes the unit, group, team, departmental, or divisional areas within an organization.

Group-level OD interventions can be simply described as planned, systematic approaches which focus largely on employee groups within organizations and the processes through which they accomplish organizational goals. Group-level OD interventions draw from an understanding of *human relations* and *group dynamics*. Human relations is a theory of management that emerged in the 1920s during the Industrial Revolution. It describes the idea that individuals or employees desire to be part of a supportive group, unit, or team that facilitates development and growth. Post-World War II, group theorist, Wilfred Bion, was influential in developing theories of groups and organizational dynamics [1].

His theoretical framework advanced that groups operate in two ways, that is, the ‘work-group mentality’ and the ‘basic assumptions mentality’. These two distinct mentalities determine the group’s ability to achieve its intended purpose. The work-group mentality refers to ‘the unanimous expression of the will of the group, contributed to by the individual in ways of which he is unaware, influencing him disagreeably whenever he thinks or behaves in a manner at variance with the basic assumptions’. Therefore, to achieve the intended goal, this mentality serves as the anchor for sophisticated and rational behaviours of the group. In contrast, the basic assumptions mentality describes the underlying tacit or unconscious shift in assumptions that govern the behaviours of the group. It determines the ability of the group to structure itself to guard against certain fears such as fight-flight, dependency, and pairing where they become diverted from their original purpose towards an anti-purpose. With the basic assumption mentality, the group is no longer demonstrating a work-group mentality as there is a shift away from the group’s original purpose. This shift is not deliberate, conscious, or noticed. The unacknowledged issues are considered ‘basic’ as the group avoids addressing them. While the group may operate on the premise that it is pursuing its purpose, unless the emotional fears are addressed, attaining the original purpose is hindered. Importantly, these two mentalities co-exist within groups. Therefore, group-level interventions seek to align and realign the desire and behaviours of employees to promote inclusiveness and intrinsic motivation towards a work-group mentality and achieving its original goal and purpose.

The most popular types of group-level OD interventions include:

- Teambuilding
- Process consultation
- Work design
- Inter-group relations (also conceptualized to improve organizations)
- Organizational confrontation meeting (also conceptualized to improve organizations)
- High-involvement organizations (also conceptualized to improve organizations)
- Total quality management (also conceptualized to improve organizations)

These group-level interventions fall into two broad categories:

- *Human process changes*
- *Techno-structural changes*

Human process changes form the majority of all group-level OD interventions. Human process changes were introduced in

► Chap. 2. Some group-level interventions, however, also focus on techno-structural changes.

Techno-structural changes refer to planned, systematic approaches aimed at improving technological and structural design processes within organizational systems.

Teambuilding, process consultation, inter-group relations, and organizational confrontation meetings focus on human process changes. Work design, high-involvement organizations, and total quality management focus on techno-structural changes.

3.2 Rationale for Group-Level OD Interventions

At the group level, *the key targets of change are the employee groups, work units, teams, and departments within the larger organizational systems*. In *contemporary organizations*, employees operate within groups as work is largely interdependent and interconnected unlike *traditional organizations* where work was independent. As organizations continue to explore approaches to realign their structure to adapt to changes in the external environment, the decentralization of operations has shifted towards a team approach. The team approach to departmentalization focuses on work groups, units, project teams, cross-functional teams, and functional teams.

Contemporary organizations: The term ‘contemporary organizations’ is typically used to describe newer views on management, organizational efficiency, effectiveness, and performance.

Traditional organizations: The term ‘traditional organizations’ is typically used to describe older, more classical views on management, organizational efficiency, effectiveness, and performance.

Accordingly, group-level OD interventions are important in addressing:

- *Human process issues*

Human process issues are concerned with improving social processes between employees and focus on group dynamics. Human process issues are typical in the group context, which is characterized by group work and teamwork. Indeed, within such a group environment with conflicting personalities and conflicting goals, interpersonal and task conflict can become problematic.

- *Techno-structural issues*

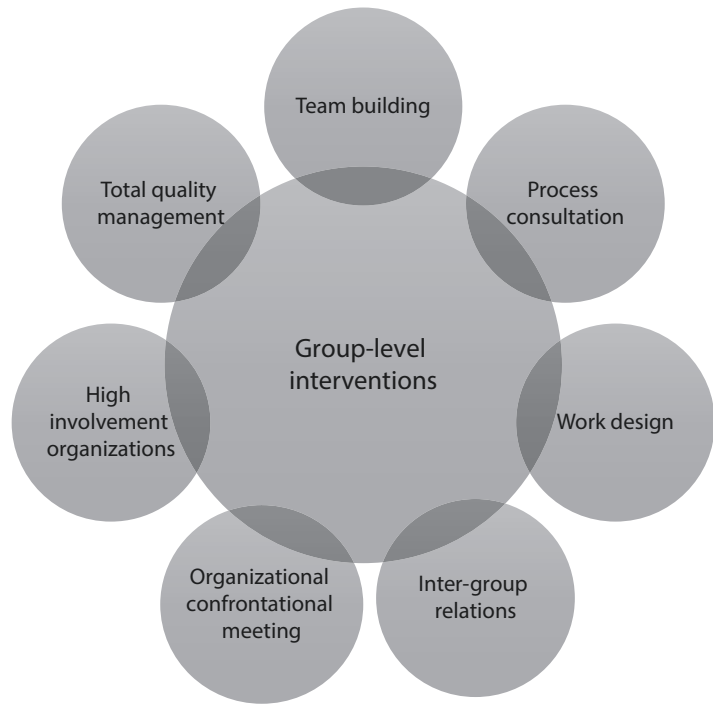
Techno-structural issues are concerned with improving the effectiveness of an organization's technology and structure. These change methods are receiving increasing attention in the field and practice of OD within recent times, especially in light of current concerns relating to recessionary pressures to enhance organizational efficiency and productivity. *Techno-structural interventions* are rooted in the disciplines of engineering, sociology, and psychology and in the applied fields of socio-technical systems and organization design. A socio-technical system is an approach to organizational work design which recognizes the interactions between employees and technology within the workplace. Practitioners generally stress both productivity and human fulfilment and expect that organizational effectiveness will result from appropriate work designs and organization structures. While work design, high-involvement organizations, and total quality management focus on techno-structural changes, in practice these interventions are widely used at the group level, with cross-level organizational effects. At the organizational level, the widely used techno-structural interventions include restructuring, downsizing, and reengineering/reorganizing. These organizational-level techno-structural interventions are exclusively covered in ► Chaps. 12, 13, 14, and 22.

3.3 Different Types of Group-Level OD Interventions

There are numerous group-level OD interventions which cover both human process and techno-structural issues. The most popular and widely used group-level OD interventions are presented, as seen in ■ Fig. 3.1. These include teambuilding, process consultation, work design, inter-group relations, organizational confrontation meeting, high-involvement organizations, and total quality management. While these interventions are directed at the group level, its successful implementation has organizational-level effects.

3.3.1 Teambuilding Interventions

Teams comprise two or more persons working interdependently towards achieving common organizational goals. There are high levels of interaction and interdependence among members, where a supportive climate increases the attachment of members to the group. Team members are mutually accountable for achieving the group goals and collective efficiency is exhibited through the positive evaluation of the group's competency in achieving the goals of the group [2]. The social identity theory proposes that an individual's social identity and the



■ Fig. 3.1 Group-level interventions. (Source: Author's creation)

group's performance are interrelated. Therefore, if the group is successful, the individual experiences a sense of accomplishment and enhances self-esteem. However, if the group is unsuccessful, the individual may experience a sense of failure and reject one's identity of belonging to the group [3]. The nature, composition, and size of teams vary as teams are established in alignment with the corporate, business, and functional strategies of the organization. For instance, there are different types of teams, such as cross-functional, permanent, and project-based. Indeed, organizations must actively take steps to build team cohesiveness. To promote and enhance team functioning, efficiency, and effectiveness, organizations should use team-building.

Teambuilding refers to a broad range of planned activities that improve the way members accomplish tasks, help members enhance their interpersonal and problem-solving skills, and increase team performance.

Teambuilding: Teambuilding describes planned activities aimed at helping work groups become more effective in accomplishing tasks. Teambuilding also helps members diagnose group processes and devise solutions to problems.

Teambuilding interventions are grounded in the theoretical framework of the Teamwork Effectiveness Model. The effectiveness of a team is determined by the benefits to the organization and its members. The key factors for team effectiveness can be grouped according to team composition, team processes, and the organizational and team climate. Team effectiveness is achieved when each factor is positively contributing to the functioning of the team. Teambuilding interventions seek to improve the team's effectiveness by identifying any factor that is misaligned through various activities to enhance the team's performance [4].

3.3.1.1 Importance of Teambuilding Interventions

Teambuilding helps team members in achieving their team goals. Organizations are recognizing the importance of teambuilding, as successful teams enhance the accomplishment of organizational goals and the execution of corporate strategy. Teambuilding enhances the cohesiveness and interdependence of the team where the group is able to attain positive synergy. This also promotes greater accountability by ensuring that all members are mutually accountable for the team's actions and performance. Teambuilding reduces conflict and when teams comprise members possessing skills that are complementary to the other members, performance improves. Teambuilding helps members diagnose group processes and devise solutions to problems. It goes beyond group processes to examine group tasks, team member roles, and team strategies for performing tasks.

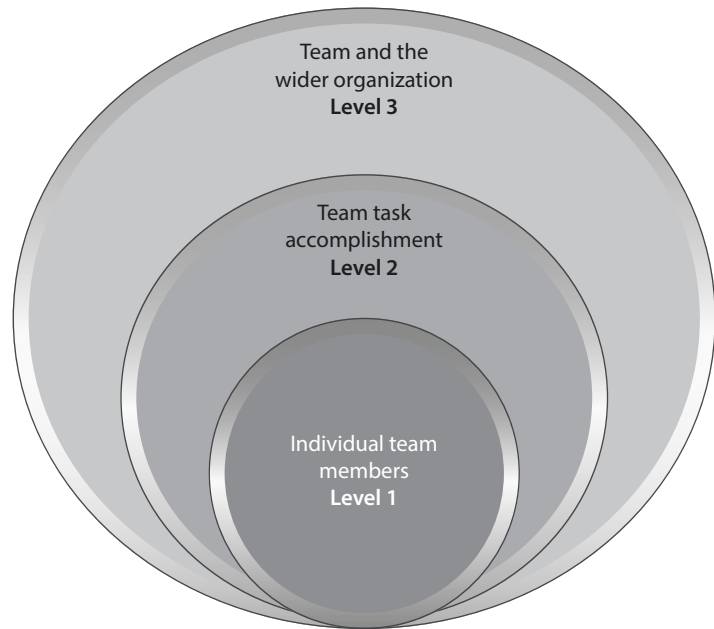
3.3.1.2 The Teambuilding Process in the Context of OD

The steps to building team cohesiveness are as follows:

- *Identify the level of teambuilding activity*: The teambuilding activities can concentrate on
 1. teambuilding within the team (Level 1), that is, focusing on the individual team members, their personalities, and their interaction with each other;
 2. teambuilding for the team's performance (Level 2), that is, focusing on factors affecting task accomplishment; and
 3. teambuilding for the team's interaction with the organization (Level 3), that is, its role and interaction in the wider organizational context and climate.

The level will determine the types of teambuilding activities that are most appropriate to improve the team's functioning. The levels are interdependent where interventions in one level can have a rippling effect on the other levels. The levels of teambuilding activity are illustrated in ■ Fig. 3.2.

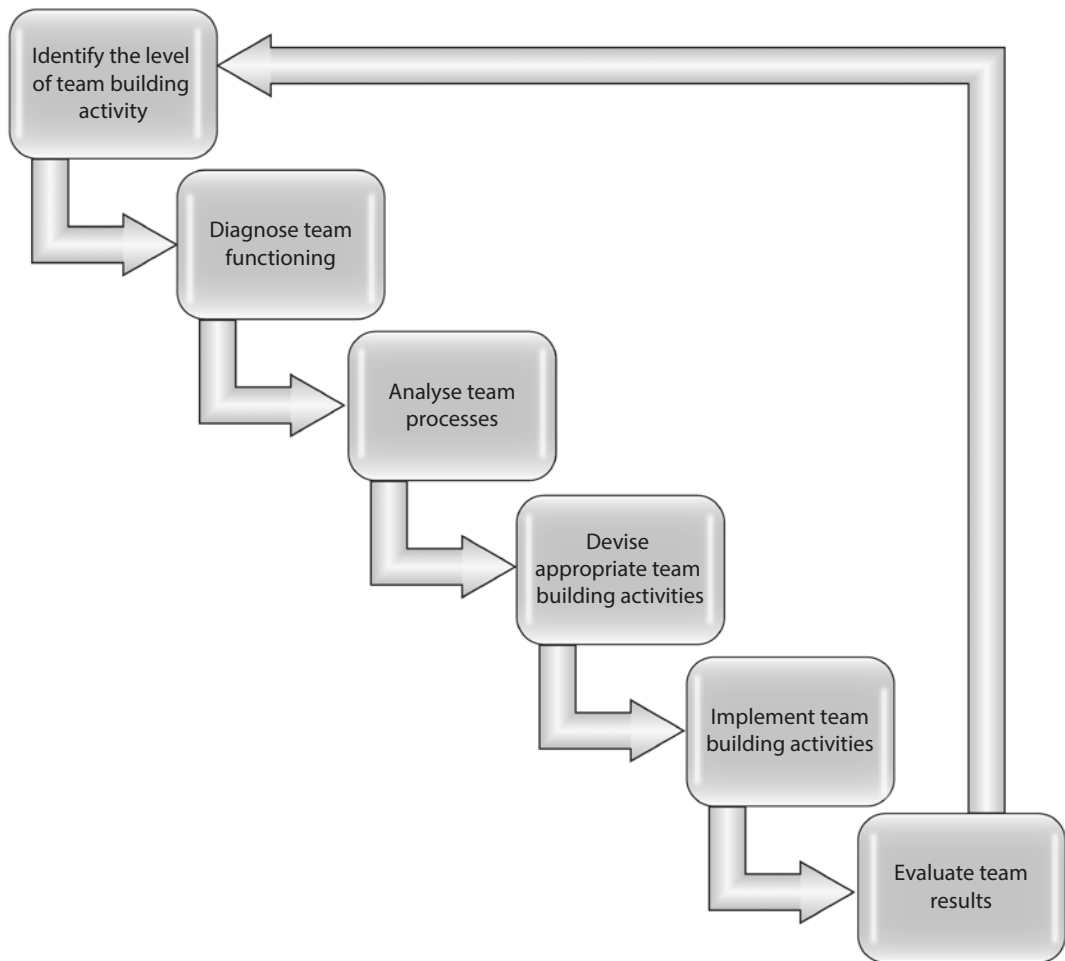
- *Diagnose team functioning* [issues and opportunities]: Upon determining the level of the teambuilding activity, a diagnosis is performed.



■ **Fig. 3.2** Levels of teambuilding activities. (Source: Author's creation)

1. Level 1: For data gathering, team members are administered questionnaires and one-on-one interviews are conducted. This would aid in identifying the individual member needs such as intentions, emotions, belongingness, influence, and inclusion in decision-making. The one-on-one interviews would allow for further probing to understand an individual's perceptions of their role in the team.
 2. Level 2: Data should be gathered using questionnaires, interviews, and observation. The focus should be on understanding how the members communicate with each other, the decision-making process within the group, the culture that exists, how conflict is resolved, interpersonal relationships, as well as other areas that affect the group's performance and functioning. By being a direct observer, the OD practitioner will be able to ascertain how the team functions as this approach provides valuable data.
 3. Level 3: To understand the team's role and function within the organization, the use of questionnaires and interviews would be most appropriate. The focus should be on the team's interactions and interrelatedness with other teams within the organization and the alignment of the team's strategies to that of the corporate-level strategies.
- *Analyse team processes:* The collected data is analysed to determine the opportunities and issues that are present. This will vary depending on the level at which the diagnostic data is collected.

- *Devise appropriate teambuilding activities:* Following the analysis of the team processes, the appropriate teambuilding activities are determined. The decision is reached on whether the organization has the in-house capacity to facilitate the training sessions or if an external facilitator is needed. Teambuilding activities can overlap across the levels as some issues can affect multiple areas. For instance, if two team members are in conflict with each other, this affects the ability of the group to make decisions and creates tension among members. Therefore, teambuilding through third-party involvement to quell the conflict situation between the two members also positively influences decision-making within the group.
 1. Level 1: Teambuilding activities at this level seek to improve attitudes and behaviours of members. These include coaching, teambuilding workshops, and third-party interventions. Coaching enhances the competencies of team members as it focuses on the skills, knowledge, and processes for growth, development, and creativity. Coaching focuses on individuals developing themselves in specific areas identified from the onset. Workshops involve using various teambuilding activities such as games and exercises to improve communication, coordination, groupthink, and problem-solving among other areas. Third-party interventions are necessary when there is conflict among members that cannot be resolved on its own.
 2. Level 2: These activities involve improving the decision-making process, increasing communication effectiveness, clarifying roles of members, and improving group norms. Workshops should be designed to focus on the specific area for improvement.
 3. Level 3: The team functioning and its impact on the wider organization involves activities that improves its output. The contribution of the team should align with the overall strategies of the organization. Therefore, improving coordination and communication among the team and other teams and departments within the organization would improve overall organizational cohesiveness towards attaining the organization's goals.
- *Implement teambuilding intervention:* The necessary resources are directed towards executing the activities. The support, commitment, and involvement of upper management are necessary as members would require time off to attend/participate in the various activities, and the release of funding to see the initiative to fruition.
- *Evaluate team results:* The level and teambuilding activities would determine which evaluation method would be most appropriate. Follow-up questionnaires, interviews, and observations would determine the effectiveness of teambuilding.



■ Fig. 3.3 The teambuilding intervention process. (Source: Author's creation)

The different stages within the teambuilding process are illustrated in ■ Fig. 3.3.

► Example

Many companies are using a number of creative and innovation training approaches to develop and implement teambuilding activities within the process. For instance, 'The Go Game' combines robust mobile technology, skilled programmers, and segmented reality that are used in training and marketing, among other areas, within teams. Companies such as Facebook, Johnson and Johnson, Netflix, Nike, Adobe, and Salesforce have used this training approach to develop creativity and innovation and to promote teamwork among several different levels, ranging from top executives to their sales force [5]. In fact, several companies are using interactive game projects, creativity trainings, and design workshops to enhance their teambuilding processes. ◀

3.3.2 Process Consultation Interventions

Process consultation is a general framework for carrying out helping relationships. Proposed by Edgar Schein in 1987, it assumes that problems within organizations may be solved more effectively if the organization learns to solve the problems itself.

Process consultation: Process consultation is an intervention approach proposed by Edgar Schein in 1987. It is based on the foundation that consultation focuses on a helping relationship.

In OD, a process consultant is a specialized type of consultant who acts as a facilitator to help groups resolve group process issues. The role of the consultant is to help the group help themselves [6]. It is important that the OD practitioner does not assume that the client knows what the real problem or issue is. However, the role of the OD practitioner is not one of a doctor-patient relationship, that is, performing an assessment, diagnosing the situation, and providing a ‘cure’ to the group. Rather, the role of the OD consultant is to assist the client in uncovering the issues, ‘owning the problem’, and enabling the client to propose remedial interventions to address the issue. The client learns how to deal with the issue, and if similar situations arise in the future, the client will be in a better position to remedy the situation. Since the client understands the culture, norms, and practices, the consultant collaborates with the client to make improvements to the process [7].

3.3.2.1 Importance of Process Consultation Interventions

Group process issues directly and indirectly affect how work is accomplished and are prevalent within work groups. To address such process issues, process consultation becomes relevant in such a context. Group process issues include:

- *The nature and style of communication:* Communication is a key interpersonal skill that is necessary for the functioning of a group. For communication to be effective, the information must be received and understood by the individual(s) who the information is originally intended for. Communication can be verbal, where the consultant is interested in the manner in which members speak to each other, their tone, jargon, the length of conversations, and the level of formality in exchanges. Communication can also be nonverbal, such as body language, that is, motions, gestures, and facial expressions, and props and artefacts, such as office layout and decor, and dress codes. Gender difference in communication would also be of interest to the consultant.

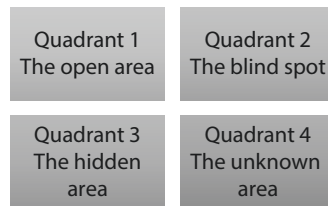
- *Leadership style*: Understanding the leadership style of the group is important as this influences group functioning. Leadership styles determine the communication approach, and the nature of decision-making and problem-solving approaches.
- *Group roles and norms*: Roles are positions within the group where each position has expected behaviours. Roles can be designated or assigned and can vary depending on the type of team. Group norms are the expectations of members on the behaviours of its fellow members. Some norms include reward allocation and performance norms.
- *Decision-making and problem-solving approaches*: Within the group, the consultant must consider factors such as making choices after considering various alternatives, the process involved in arriving at the choice, and the resources such as time, money, and personnel involved. For example, does one person make the final decision or are the suggestions made by other members reviewed and thereafter the most fitting option is selected? Problems are gap perceptions of the current state and a future state. Therefore, the way the group solves problems can be well-structured, where a standardized approach is established to solve problems, such as a rule of thumb, or it can be ill-structured. The consultant will also be interested in such routines of the group.

Process consultation focuses on the resolution of such group process issues where the employee groups are expected to address process issues on their own, with the process consultant primarily facilitating and guiding resolution processes. Schein proposes ten principles upon which the process consultant's actions should be guided [8]. These include:

- Always try to be helpful
- Always stay in touch with the current reality
- Access your ignorance
- Everything you do is an intervention
- It is the client who owns the problem and the solution
- Go with the flow
- Timing is crucial
- Be constructively opportunistic with confrontive interventions
- Everything is a source of data; errors are inevitable—learn from them
- When in doubt, share the problem

3.3.2.2 The Process Consultation Process in the Context of OD

The most popular group process issue addressed by process consultation focuses on group communications. Consultants use the Johari Window model of communication to improve group communication [9]. This is referred to as a feedback/



■ **Fig. 3.4** The Johari Window. (Source: Author's creation based on the Johari Window developed by Joseph Luft and Harry Ingham in 1955)

disclosure model of self-awareness as it enables introspection, self-discovery, and sharing aspects about oneself that are unknown to group members. The Johari Window is a psychological tool developed by Joseph Luft and Harry Ingham in 1955. The focus is on relationships and understanding among members of a group and is used extensively as a tool for improving communication. The Johari Window model comprises four quadrants or windows (see ■ Fig. 3.4):

- Quadrant 1—*open area*: Also referred to as the arena or free area, this is the area that is known to self and known by others. This is the area where good communication and coordination occurs. Therefore, the aim is to expand the open area by understanding a person's attitude, behaviour, feelings, knowledge, skills, and abilities. In expanding this area, other members provide constructive feedback to the individual by reducing the blind spot, or the individual sharing information about himself or herself that is unknown to others, that is, reducing the hidden area.
- Quadrant 2—*blind spot*: This is the area that is unknown to oneself but known to others, also referred to as the area of ignorance. This area is reduced when non-judgemental feedback is given to the individual on their strengths and areas for development that the individual is unaware of. For this to occur, mutual respect and encouraging disclosure should be the norm.
- Quadrant 3—*hidden area*: This is the area that is known to oneself but hidden from others. This represents information, hidden fears, feelings that are unknown to others and are related to performance on the job. By sharing one's feelings, this increases communication and in turn team effectiveness. However, the organizational culture, work environment, and personality of the individual would determine the type and amount of information the individual is willing to share.
- Quadrant 4—*unknown area*: This area is unknown to oneself and unknown to others. Such issues can take a variety of forms as it can range from information, feelings, attitudes, and behaviours, to latent abilities. This area can be explored through introspection and self-discovery or external factors such as observation by others and feedback.

3.3.3 Work Design Interventions

Work design has been researched and applied extensively at the group level within organizations.

3

Work design: Work design is also called job design. It describes one of the core areas of human resource management and covers job descriptions and job specifications. It examines the key requirements/competencies/expertise to perform jobs, as well as the key duties/roles/responsibilities to be executed within jobs.

This intervention focuses on a planned approach to creating jobs and work groups that generate high levels of employee fulfilment, motivation, and productivity. One of the more recognized approaches to work design and job scope takes a motivational theoretical perspective. This motivational theoretical approach to work design is the job characteristics model [10]. The *job characteristics model* is derived from a motivational theory proposed by Hackman and Oldham in 1976 and proposes that work dimensions can drive employee motivation, that is, skills variety, task significance, task identity, autonomy, and feedback. The job characteristics model proposes that there are five core job dimensions or characteristics that cause three psychological effects on workers, which in turn affects various personal and work outcomes.

Job characteristics model: The job characteristics model argues that the following work dimensions can drive employee motivation: skills variety, task significance, task identity, autonomy, and feedback.

These core job characteristics include:

- *Skill variety:* The extent to which an individual is required to use a variety of different activities and the ability to use a variety of skills to perform a job.
- *Task identity:* The extent to which a complete piece of work is produced when the job is done, that is, seeing the job through from beginning to end.
- *Task significance:* The extent to which the job has an impact on others.
- *Autonomy:* The extent to which the job provides freedom to make choices at the discretion of the individual.
- *Feedback from the job:* The extent to which the job provides the individual with pertinent information on the effectiveness of performance.

According to the model, the core job characteristics determine the critical psychological states of individuals. The characteristics affect the experienced meaningfulness of work, the responsibility of work outcomes, and the knowledge of actual results. These, in turn, determine the employee's level of motivation, job satisfaction, performance, absenteeism, and turnover. These relationships are moderated by the individual's knowledge and skill, and growth need strength.

More recently, the *socio-technical systems* (STS) theory has gained popularity in providing the theoretical logic for work design interventions [11].

Socio-technical systems: The socio-technical system is an approach to organizational work design which recognizes the interactions between employees and technology within the workplace.

In OD, this approach to work designs recognizes the interaction of the technical and people aspects of the workplace. The socio-technical system comprises the technical system and the social/psychological system. The design of the system is a combination of these two subsystems and the wider environment. Therefore, joint optimization is achieved when a positive outcome is attained. Another component of this system is boundary management, which is concerned with protecting the system from disruptions from external sources and the management of resources. Therefore, to attain efficiency workers should possess the knowledge and skills, that is, knowledge technology, and production technology to make this design work.

3.3.3.1 Importance of Work Design Interventions

The organization's approach to work design is directed through job enrichment interventions and via social and technical system interventions to improve work systems. Work design interventions improve efficiency, thereby creating work groups where employees experience higher levels of job satisfaction and productivity. Research indicates that achieving such results depends on designing work to match specific factors in the work setting, factors that involve the technology for producing goods and services and employees' personal needs.

When work is designed to fit or match these factors, it is more likely to be both productive and humanly satisfying. The characteristics of the organization determine whether the structure is organic or mechanistic. The social system is reflected in the norms and cultures of the organization and the technical system includes the technology and equipment to produce products and services. The interaction of these systems creates work structures that link people or employees to technology.

3.3.3.2 The Work Design Process in the Context of OD

The motivational approach produces enriched jobs involving high levels of skill variety, task identity, task significance, autonomy, and feedback from the work itself. Enriched jobs achieve good results when the technology is uncertain but do not require high levels of coordination and when employees have high growth needs and low social needs. To determine the core job characteristics, the job description survey can be used as an assessment measure for jobs [12].

The socio-technical systems approach is associated with self-managed teams where the groups are composed of members performing interrelated tasks. Members are provided with opportunities to develop multiple skills, autonomy, and the information necessary to control their own task behaviours with relatively little external control. The dynamic work environment is necessitating organic structures and job characteristics with higher levels of skill variety, task identity, task significance, autonomy, and feedback. The critical psychological states are influenced by the social system and job enrichment should be embedded in the organizational culture. The interdependence of work will determine the degree of interaction among work groups and technical uncertainty will be determined by the decision-making power of employees to complete tasks. Therefore, in designing work, the individual's core competencies and growth needs together with the degree of work interdependence and technical uncertainty should be considered to increase worker satisfaction and productivity.

► Example

In 2017, a comprehensive research was conducted using 33 intervention studies within the working population in advanced industrial democracies (the European Union 15 countries, the United States, Australia, and Japan) to assess the impact of work design interventions. Results support the idea that well-designed work design interventions enhanced employee and group well-being, as well as performance. Notably, it was also suggested that the most effective work design interventions were augmented with relevant and ongoing training [12]. ◀

3.3.4 Inter-Group Relations Interventions

Inter-group relations interventions recognize that within the context of organizations today, organizations are made up of a number of different work groups and hence there should be planned approaches to improve the quality of relationships between work groups as well.

Inter-group relations: Inter-group relations describe the interactions among different groups or departments in organizations.

The aim is to improve the communication and interactions between groups within the organization and to facilitate cooperation and efficiency. This approach is grounded in the social identity theory and the inter-group relations theory. The social identity theory, developed by Henri Tajfel, is based on the premise that social identities affect people's attitudes and behaviours as it relates to their in-group and out-group. It states that the in-group, to enhance their self-image, will discriminate against the out-group [13]. The embedded inter-group relations theory was developed by Clayton Alderfer in the 1980s to investigate groups within a system. According to Alderfer, inter-group relations are characterized by group boundaries, power differences, affective patterns, cognitive formations, and leadership behaviours. In the workplace, different groups, subsystems, or microgroups interact with each other, and are embedded in the wider organizational framework or suprasystem. This embeddedness creates a reciprocal exchange where the subsystems are affected by the suprasystem and the suprasystem is affected by the subsystems [14].

3.3.4.1 Importance of Inter-Group Relations Interventions

The ability to diagnose and understand inter-group relations is important in the context of OD due to three main reasons:

- groups must often work with and through other groups to accomplish their goals;
- groups within the organization often create issues and place demands on each other leading to inter-group conflict; and
- the quality of the relationships between groups can affect organizational effectiveness.

Firstly, to accomplish group goals, a group is often required to interact and work with other work groups or even through work groups. The levels of interdependence for work to be completed will determine the degree of interaction. For example, if one department produces an output that is an input for another department, then there is sequential interdependence among the departments. Therefore, the goal attainment of one department is dependent on another department.

Secondly, according to the theory of inter-group conflict, conflict arises when two or more groups are working towards the same goals, hence competition increases as their interdependence becomes incompatible [15]. The possibility of inter-group conflict increases as the goal attainment of one department may be disrupted because of actions by another

department. This can cause delays and backlogs, resulting in a department being perceived as inefficient. When groups have different goals but depend on other groups to attain those goals, then conflict can arise.

Thirdly, individuals belong to groups, and groups comprise the organization. The overall organizational goals and strategies are the blueprint for the alignment of goals and strategies throughout the organization. When workgroups are cooperating and engaging in friendly competition, it creates a work climate that promotes camaraderie and motivation. However, if there is conflict among groups and intense competition, this can create a hostile and toxic work environment.

3.3.4.2 The Process of Inter-Group Relations in the Context of OD

Two interventions are discussed on inter-group relations:

1. *The use of guiding groups independent of the 'inter-groups' to identify, design, and implement inter-group change plans, and disbandment upon resolution.*

First, the problem affecting the entire system to be addressed is identified. For instance, the human resource department is receiving numerous complaints about workplace bullying throughout the organization. This is adversely affecting job satisfaction and commitment, and is creating a toxic work environment. The HR director is of the view that the severity and repercussions of such incidents require immediate attention.

Second, a guiding group is established, which is independent of any existing microgroups. This group should comprise organizational members who are directly impacted by the issue. Here, the guiding group comprises the HR manager, and all stakeholder groups, such as a representative from each department, the union, and the senior executive.

Third, the guiding group should undergo a teambuilding intervention with the assistance of the OD practitioner. This is necessary to establish team goals and objectives, clarify decision-making processes, increase team cohesiveness as members are from various levels and positions within the organization, and deal with any conflict that may arise from differences in opinions.

Fourth, the inter-group intervention is implemented. Various solutions are implemented to solve the problem. Since this is an organization-wide initiative, communication is important. Information about the initiative is disseminated throughout the organization, where employees are provided with updates, and via meetings with workers. Employees should be given the opportunity to voice their concerns and share their ideas. This will potentially increase trust, support, and 'buy-in' to the solutions. The OD practitioner should collect information pertaining to the issue through surveys and interviews/focus groups. At

this stage, meetings are held with each division to understand their views and perspectives on workplace bullying, workplace bullying surveys are administered to gather quantitative data, and interviews allow for victims to come forward and share their experiences. Using this feedback, the guiding group proposes an action plan of solutions such as a workplace bullying policy, an independent unit to report workplace bullying incidents, and a no-tolerance stance to bullying, be it a supervisor, co-worker, subordinate, or groups of workers. This is communicated to all workers via presentations, and by circulation via the intranet. The employees throughout the organization take ownership of the problem and the solution.

Fifth, the guiding group is disbanded once implementation is complete. A report is completed and submitted to senior management.

2. *The role of the consultant in diagnosing inter-group issues within groups, convening inter-group meetings, engaging groups on problem-solving and decision-making processes and strategies, and addressing the inter-group issues.*

Two groups within an organization may experience issues that adversely affect their interaction and work tasks. The aim is to eliminate the tension by changing the negative perceptions of the groups involved towards each other. The breakdown in communication and escalation of the conflict situation usually creates an unhealthy rivalry between the groups. While disagreement is present, there is the possibility of agreement. As proposed by Blake and Shepard [16], this issue can be formally addressed using the following process:

An external consultant is appointed, with the consent of the two groups, to remedy the situation. An independent third party is encouraged as there is most likely to be a deadlock between the two groups. The two groups are informed, and a meeting is scheduled with the two groups and the external consultant. At the meeting, the objectives are established, that is, improving the relationships between the groups and determining the action plan of how the groups will improve their interaction. This is an opportunity for the groups to better understand each other. For instance, the goals and norms of one group may be in conflict with the goals and norms of another group. Each group is asked to describe their operations and functions, and what they believe the other group does. A representative from each group presents this information. Each group then reflects on the discrepancies identified and within the group formulates possible reasons for such through self-reflection. This is the starting point of discussions to emphasize commonalities between the groups and understand the differences. An action plan is formulated to minimize isolation and build on the commonalities. Non-work activities such as social functions can also contribute to the peaceful coexistence of the groups.

3.3.5 Organizational Confrontation Meeting Interventions

The *organizational confrontation meeting* is among the earliest organization-wide OD approaches proposed by Beckhard [17].

Organizational confrontation meeting: An organizational confrontation meeting describes planned change approaches, which mobilize organization members to identify problems, set action targets, and begin working on problems.

It focuses on mobilizing the problem-solving resources of a major subsystem or whole organization by encouraging organizational members to identify and confront pressing organizational issues. This promotes employee involvement and empowerment.

3.3.5.1 Importance of Organizational Confrontation Meeting Interventions

This OD intervention, while traditionally conceptualized as an organizational-level intervention, is typically executed using a ‘group approach’. The rationale for this approach is based on the premise that groups are formed across the organization to mobilize the total resources of the entity for problem identification and solution. It recognizes that through groups across the organization, the organization can ‘confront’ and address low performance in times of stress, which can become mandatory for survival. In such crisis time, this approach becomes especially relevant.

3.3.5.2 The Process of Organizational Confrontation Meeting in the Context of OD

The following outlines the typical steps for the organizational confrontation meeting:

- A meeting is convened with all relevant members. At the meeting, the aim is to identify the issues that are affecting the work environment. The structure of the organization will determine the relevant persons who will be present. For instance, the meeting can comprise a few departments within the organization, or even a strategic business unit such as a product division.
- The members are separated into groups of six to ten persons, where each group should vary in its composition. For instance, members should be from different departments or divisions.
- Each group is assigned to a table. The gathering should be briefed by the consultant such that persons are encouraged

to openly express and share their views on organizational issues. The consultant should traverse the room during the discussions to remind persons of this.

- The groups are given a set time, for instance, two hours, to engage in meaningful discussions. A member is appointed by the group to present the emerging issues on behalf of the group.
- The consultant should pre-number each table, where, at the end of the allotted time, table numbers are randomly selected to present their issues to everyone.
- At the end of the presentations, each group is required to submit to the consultant a list of the issues.
- The main themes are identified where the problems are categorized.
- Problem-solving groups are formed for each category. The composition of the problem-solving groups should be in line with the issue. Objectives and action plans are developed by the groups where timelines for implementation are established.
- Periodic reviews are conducted to assess progress and take corrective actions where necessary. Formal progress reports can be submitted to upper management to track the progress of the group in addressing the issue.

3.3.6 High-Involvement Organizations Interventions

High-involvement organizations is an approach proposed by Edward Lawler which focuses on the importance of employee involvement.

High-involvement organizations: It involves providing employees with opportunities to make and take decisions within the organization.

These types of organizations provide employees with opportunities to make and take decisions within the organization [18]. Under this type of intervention, high-involvement work practices are used to create high-involvement groups and, by extension, organizations. Employee involvement in the workplace has increased substantially over the past 30 years. Organizations are shifting away from centralized decision-making and top-down management approaches towards increasing employee participation, integration, and decentralized decision-making in conducting their jobs. Depending on the types of decisions being made, a contingency approach may be required as employee involvement is more appropriate for some organizations than for others.

3.3.6.1 Importance of High-Involvement Organizations Interventions

These interventions are unique in the comprehensive nature of the design process. Structure, work design, information and control systems, physical layout, personnel policies, and reward systems are designed jointly by management and workers to promote high levels of involvement and performance. High-involvement work practices have been widely utilized within organizations to create productive employee groups in particular. Such groups have subsequently resulted in productive organizations as well. In building a high-performing work system, Lawler identified four principles to ensure the system's effectiveness to enhance employee engagement. These include power, information, knowledge, and rewards.

- *Power*: Employees are given the autonomy to make decisions that impact their performance. The influence of the power can be low, such as making suggestions, or it can be high, such as assessing the alternatives and making the final decision. Therefore, the level of power assigned will determine the degree of accountability for decisions and the resulting consequences.
- *Information*: Employees are provided with timely and relevant data to make well-informed decisions, for instance, access to costs, revenues, outputs, inputs, and customers. While individuals are perceived as rational beings, the decisions being made are contingent on the situation and the quantity and quality of the information to inform their decision. Managers need to ensure transparency where employees are able to see how their efforts are contributing to the overall success of the organization.

► Example

The importance of transparency in high-involvement organizations is recognized by the CEO of a high-involvement manufacturing company in the Latin American country of Brazil. In this 800-employee firm, the CEO recognizes transparency is essential for employees to see what they are doing that is working and what isn't. CEO Ricardo Semler maintains, 'nothing matters more than those short, frank, frequent reports on how the company is doing'. Employees must be informed on how their work impacts performance [18]. ◀

- *Knowledge*: Employees should possess the knowledge, skills, and abilities to make well-informed decisions. They should also be able to process the information available to them to make decisions. Therefore, training programmes can be designed to address any deficiencies in knowledge and skill set.

► Example

For example, new employees at General Motors' Saturn plant initially receive between 350 and 700 hours of initial training; Saturn sets an organization-wide goal that all employees receive at least 92 hours of additional training each year. On average, Saturn employees have received 148 hours of training each year since 1991 [18]. ◀

- *Rewards:* In aligning power, information, and knowledge, employees should receive an associated reward for their efforts to increase organizational productivity and performance. This ensures that efforts are directed towards the accomplishment of the individual and group goals where employees are empowered to use their discretion. These can include gain-sharing plans, profit-sharing plans, and bonuses.

► Example

To continue the example above on General Motor's use of knowledge within its high-involvement practice, at Saturn, rewards are also seen as critically important. In this organization, base compensation is tied to between 88% and 95% of the industry average; employees can make up the difference by achieving the target of at least 92 hours of training each year for each employee. In addition, workers receive bonuses for achieving negotiated goals for quality, cost, schedule, profitability, and volume. The bonuses have ranged from US\$2017 per employee in 1997 to US\$10,000 per employee in 1995 and 1996 [18]. ◀

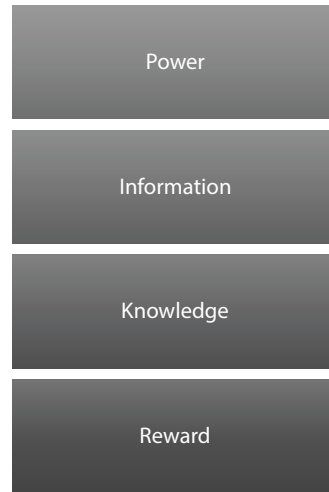
Evidence of the effectiveness of high-involvement work practices has been documented in several research studies. The early studies examined the impact of high-involvement work systems in manufacturing organizations.

► Example

For example, the development of the Saturn Corporation within General Motors constituted a demonstration project for this organizational form. The project has been largely considered a success. For instance, the J.D. Power and Associates statistics on customer satisfaction showed that in 1992 and every year since, Saturn has led all US car lines and all brands worldwide except for Lexus and Infiniti (Acura and Mercedes in 1997 only) in ratings of vehicle quality, reliability, and satisfaction [18]. ◀

- Figure 3.5 illustrates the four key elements of high involvement work systems.

More recently, there have been research studies which suggest that high-involvement work groups can be associated with negative consequences, such as anxiety and short-term absenteeism as well [19]. It is therefore imperative that employee



■ **Fig. 3.5** Four principles for system effectiveness. (Source: Author's creation based on Edward Lawler's high-involvement organization)

groups within high-involvement organizations are willing, open, and motivated for such work practices to maximize benefits.

3.3.6.2 The Process of High-Involvement Organizations in the Context of OD

At present, there is no universally accepted approach to implementing the high-involvement process. The actual implementation process is often specific to the situation at hand. A contingency perspective can be implemented in the context of OD in this instance where management is situational in nature. Therefore, the techniques and approaches to management depend on the complexity of the situation and employees' needs. The creation of a high-involvement organization involves the entire redesign of the organization or work group towards the implementation of employee involvement strategies. An integrative approach is adopted where the focus shifts to employee empowerment and teamwork. Changes in structures, values, and achieving the right mix of power, information, knowledge, and rewards are necessary to achieve the benefits of high-performing organizations. The aim is to promote a contingency management approach as there is no one best way to manage an organization since the actions are contingent upon the external and internal environment and situation. The design of the organization and its subsystems must fit within the environment in which it operates. Therefore, the task and the workgroup must be considered when determining the mix of power, information, knowledge, and rewards. This will determine the design of jobs (job characteristics), structure, information flow, span of control, recruitment and selection, training and development, and rewards.

3.3.7 Total Quality Management Interventions

Total quality management (TQM) is a management philosophy proposed by Edwards Deming in the late 1950s.

Total quality management: Total quality management is commonly known as TQM. It is a management philosophy proposed by Edwards Deming which focuses on the importance of continuous quality improvements throughout the organization.

This OD intervention is also known as ‘continuous process improvement’, ‘continuous quality’, ‘lean organizations’, and ‘six-sigma’. TQM emerged from a manufacturing emphasis on quality control and represents a long-term effort to orient all the activities of an organization around the concept of quality. This is a company-wide effort to continuously improve systems, groups, and people to accomplish organizational objectives. The overall goal is to improve customer satisfaction where the employees together with their customers work together to establish quality standards [20].

3.3.7.1 Importance of Total Quality Management Interventions

TQM increases workers’ knowledge and skills through extensive training, provides relevant information to employees, pushes decision-making power downward in the organization and laterally across groups, and ties rewards to performance. When implemented successfully, TQM is also aligned closely with a firm’s overall business strategy and attempts to direct the entire organization towards continuous quality improvement. TQM approaches have been used with a high degree of success by many organizations to generate continuous improvements within employee groups, and, by extension, the organization.

► Example

Some of the earliest companies implementing TQM include the Ford Motor Company, Motorola, SGL Carbon, Phillips Semiconductor, and Toyota Motor Company [21]. In relation to Toyota in particular, it is often argued that TQM is what it is, on the most part, because of Toyota. Renowned for its lean production system, Toyota Motors is the tenth most important company in the world according to Fortune Global 500 and one of the only companies on the list to directly address TQM. Toyota Motor Company has received various prestigious awards for quality management, including the Deming Application Prize in 1965 and the Japan Quality Control Award in 1970. For Toyota, TQM is based on the concept of ‘customer first’, kaizen meaning continuous improve-

ment, and ‘total participation’, which means the involvement and input of all employees within key groups. Such concepts are at the core of Toyota’s Production System (TPS) and have led to higher quality of products and work, and an improvement in all aspects of workgroups and the organization. ◀

There are four interlocking assumptions for implementing a TQM strategy: quality, people, organizations, and the role of senior management. The feedback from TQM can be (i) subjective, that is, from managers, customers, co-workers, and (ii) objective, that is, from the work systems. The feedback from the work systems are in the form of statistical quality controls. The most commonly used tools are control charts, Pareto analysis, cost-of-quality analysis, flowcharts, and cause-and-effect diagrams.

3.3.7.2 The Process of Total Quality Management in the Context of OD

The organization’s philosophy must be driven by values of continuous improvement for this intervention to be accepted by employee groups. The process is typically driven by four key elements embedded within the core values and ideologies of workgroups and the organization: employee involvement, delivery of customer value, benchmarking, and a work ethic of continuous improvement. These elements within the TQM process are illustrated in ■ Fig. 3.6.

- *Employee involvement*: For a TQM system to be effective, top management support is critical for its successful implementation. It is necessary for top and senior management to engage in training on the philosophy of quality. The organization-wide quality strategy is articulated through an integrative approach where top management and key personnel from the various subsystems are included in the planning committee. In implementing TQM, the principles and tools necessary for the system to achieve the intended benefits require that employees possess the necessary knowledge, skills, and capabilities. Employees will take initiatives to improve the quality of their work, but they must be provided with the tools and training to improve quality. For instance, employees need to know how to interpret and use statistical quality controls to make quality improvements.
- *Delivery of customer value*: TQM seeks to create value for internal and external customers. Internal customers refer to organizational employees, while external customers are individuals who purchase the organization’s good or service. When process-oriented quality improvements are linked to employee compensation, then employees are motivated to continue to find alternative approaches to continuous improvements. In addition, the quality of the interpersonal interactions among employees will promote



■ Fig. 3.6 The Total Quality Management (TQM) process. (Source: Author's creation)

an empowered workforce. It is important to understand what customers want and provide the goods and services that meet their requirements. Through TQM, each external customer should be satisfied by the quality of the good or service they receive and the organizational representatives with whom they interact. The information on customer requirements can be used to improve processes that have the greatest impact on customer satisfaction.

- *Benchmarking*: This is the process of comparing the organization's business practices, processes, and performance metrics to that of the industry best and best practices. There are three primary classifications of benchmarking: internal benchmarking, competitive benchmarking, and strategic benchmarking. With internal benchmarking, the company compares its performance and practices to identify best practices that can be shared throughout the organization. Competitive benchmarking involves evaluating the company's position relative to competitors within the industry. Strategic benchmarking goes beyond the industry best practice by adopting a global approach to provide a strategic direction for the organization.
- *A work ethic of continuous improvement*: Quality improvement is a long-term process which is never-ending. The organization must capitalize on opportunities to develop better methods and approaches; therefore, people should never stop learning. An organization culture of continuous learning needs to be embedded into the day-to-day operations for improvements to be an ongoing activity. Employees should be looking for ways to enhance business processes and improving employee relations through downsizing and reengineering.

3.4 Challenges Managing and Leading Group-Level Interventions

OD practitioners have extensively applied the group-level interventions previously discussed. In fact, these are some of the earliest interventions within the practice of OD and there has been a proliferation in its use by businesses. Since these interventions focus on the behaviours of organizational individuals and their interaction with other organizational members, the application of the different intervention also needs to evolve with the changing business design, strategies, systems, and

processes. Similar to the individual-level OD interventions, the development and implementation of group-level interventions are associated with generally the same types of challenges in the management and leadership process. These challenges are explored below.

- *OD practitioner skills and competencies:* Within groups and teams, members may not be trusting of the OD practitioner. Whether the practitioner is assisting with process consultation, teambuilding, or third-party intervention, the OD practitioner must be able to equip the members with the skills to help themselves. The practitioner must possess the skills and competence to select the appropriate intervention for the situation through a contingency approach and possess the ability to function in a group setting to facilitate open dialogue, through dialogic OD by creating open spaces and reducing anxiety [20]. The contemporary issues encountered by employees warrant a different approach. Therefore, the practitioner must be able to move individuals beyond this and redirect focus on the goal attainment of the respective intervention. With digital technology extensively being used in the day-to-day operations of businesses, OD practitioners need to be able to adapt interventions accordingly.
- *Resistance to change:* The success of change hinges on the practitioner focusing on employee reactions. Many change efforts fail as practitioners underestimate the importance of the cognitive-affective nature of change initiatives. The success of group-level interventions is influenced by employee attitudes, their defence mechanisms, cognitive ability, and emotional intelligence. Further, it is crucial to communicate to all employees within a team the information surrounding the change initiatives to reduce uncertainty and positively influence their reactions. In addition, there are subcultures that exist at the group level, which form the basis for an employee's 'in-group' work identity and unconscious group reactions. Each group is unique and their resistance to change may vary as one group may welcome change interventions, while another may resist.
- *Limited alignment to other levels of OD interventions:* Some individual- and group-level interventions are applied interchangeably, contingent on the situation. Therefore, the practitioner together with the client should be open to applying various interventions to address a situation or explore an opportunity. Therefore, they are applicable to techno-structural and strategic change. As organizations evolve, micro-interventions contribute to the overall organization and its adaptive ability.
- *Limited alignment to organizational strategy:* The functional level strategy should guide the design and implementation of interventions at the group level. The absence of strategic alignment impedes the ability to assess the success of group-

level interventions as a meaningful contribution to the business goals. The intervention's goals should be aligned to the overall corporate-level strategy to ensure that the successful implementation of the intervention is positively moving the organization closer to realizing its goals.

Indeed, managing and leading group-level OD interventions continue to be challenged by many issues. Within organizational systems, effective change management mandates the seamless fit of individual-level interventions and group-level interventions into larger organizational change plans. With groups/teams as the unit of analysis, the pivotal role of such interventions cannot be ignored. Groups and teams contribute to organizational efficiency and effectiveness, as work within the organizational context becomes increasingly interdependent. With *interdependent work*, the aforementioned challenges associated with group-level interventions must be addressed as a matter of priority in today's business context. Adopting a *contingency perspective* as a key management philosophy in any action plan to maximize the effectiveness and acceptance of group-level OD interventions is recommended as a key success factor here. A contingency perspective acknowledges that groups differ within and across organizations. Consequently, there are no universal OD principles that can be applied to all groups, in all organizations, in the same way. Practitioners must adapt group principles and processes to fit the specific needs of each group within their organization. At this group level, effective interventions can strengthen the foundation for effective organizational development and change.

3.5 Conclusion

This chapter examined group-level OD interventions within organizational systems. While the book focuses on organizational development and change, notably, group change interventions strengthen the foundation for changes within organizational systems. The most popular group interventions were assessed and key considerations when developing them are noted. Challenges were also examined when managing and leading such interventions.

■ Exercises

Student Resources

■ Chapter Outline

- I. Group-Level OD Interventions
- II. Rationale for Group-Level OD Interventions
 - A. Human Process Issues
 - B. Techno-Structural Issues
- III. Different Types of Group-Level OD Interventions

- A. Teambuilding Interventions
- B. Process Consultation Interventions
- C. Work Design Interventions
- D. Inter-Group Relations Interventions
- E. Organizational Confrontation Meeting Interventions
- F. High-Involvement Organization Interventions
- G. Total Quality Management Interventions
- IV. Challenges Managing and Leading Group-level OD Interventions

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Foundation Organizational Development and Change (ODC) Models

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Electronic supplementary material The online version of this chapter (https://doi.org/10.1007/978-3-030-39123-2_4) contains supplementary material, which is available to authorized users.

Learning Objectives

At the end of this chapter, readers should be able to:

1. Identify six main models of planned organizational change.
2. Describe the key tenets of each model: Lewin's change model, action research model, positive model, John Kotter's eight-step model, the general model of planned change, and the socio-economic approach to management approach.
3. Evaluate the strengths and weaknesses of each ODC model.
4. Critically analyse the relevance and usefulness of planned organizational change models in the practice of ODC.

4.1 Introduction**4.1.1 Foundation OD Models**

From the early nineteenth century, various planned change models have been proposed to guide the core purpose of the field of organizational development (OD) to plan and implement change to promote organizational effectiveness. Although the existing models may not explain every real-world situation, these models provide the foundation upon which OD practitioners design, plan, develop, implement, and evaluate planned organizational change. Within the last 20 years or so, the use of OD models to guide the OD process has become associated with enhanced organizational effectiveness.

4.1.2 Defining OD Models

ODC models are frameworks which can be used to guide ODC in practice. They are theoretical guidelines which outline how change occurs, why change occurs, and how to initiate and guide change. A *change model* describes a framework made up of planned, systematic stages/steps to guide ODC practice.

Change model: A change model describes a framework made up of planned, systematic stages/steps to guide ODC in practice.

Contemporary and traditional approaches to OD are based on more or less explicit assumptions about (1) the processes

through which organizations change and (2) the types of intervention or implementation approaches that lead to change. Most change theories and models focus on changing and particularly on implementing change. Therefore, conceptually organizational change models are based on two main theories: change process theory and implementation theory [1].

4.1.2.1 Change Process Theory

Change process theory explains the dynamics of the change process. This approach centres on the multiple types of variables involved in the accomplishment of planned change.

Change process theory: Change process theory describes theories of organizational development and change which focus on the process of change itself.

4.1.2.2 Implementation Theory

Implementation theory focuses on activities OD practitioners or change agents must undertake in effecting organizational change. Implementation theories address how actions generate change and what actions can be taken to initiate and guide change.

Implementation theory: Implementation theory describes theories of organizational development and change which focus on how change should be implemented within the organizational context.

Indeed, most organizational change models are influenced by either change process or implementation theories, or some combination of both.

Over the years, a number of ODC models have emerged. Six of the most popular ODC models include:

- Lewin's change model
- Action research model
- John Kotter's eight-step model
- Positive model
- General model of planned change
- Socio-economic approach to management (SEAM) model

Each theory is examined in this chapter. The background of each model and its key aspects are also explored. Finally, the models are analysed and the similarities and differences among the models are highlighted.

4.2 Models of Planned Organizational Change

The models of planned organizational change are now examined. Firstly, Lewin's change model is presented.

4.2.1 Lewin's Change Model

4.2.1.1 Background of Model

Also known as the three-step model of change, this ODC model was proposed by Kurt Lewin in 1947.

Lewin: Lewin is often said to be the main pioneer or father in the field and practice of OD or change management. Kurt Lewin proposed and developed the foundation OD model—the unfreeze-change-refreeze approach—in addition to a number of other approaches and models.

This model is grounded in *field theory*. Field theory is a psychology theory which examines patterns of interaction between individuals and the environment, where the environment is referred to as the 'field'.

Field theory: Field theory was proposed by Kurt Lewin in the 1940s. This theory examined patterns of interaction between the individual and the total field, or environment. This theory argued that employee behaviours are a function of the individual and their environment.

Lewin's field theory can be easily expressed in the following function:

$$B = f(I + E)$$

Where B = Behaviour of individuals, I = individual, and E = environment.

This theory focuses on the conditions/forces that drive or restrain behaviour, and it argues that human behaviour is the result of a dynamic balance of forces working in opposing directions (driving and restraining). Therefore, the theory assumes that a shift in the balance of these forces towards the direction of planned changes can result in the desired changes in behaviour. This assumption forms the basis of force-field analysis [2]. In the context of organizations and ODC, driving forces facilitate change by pushing employees from their current behaviour towards the planned change and restraining forces

hinder change by pushing employees in the opposite direction. The existing behaviour, problem situation, or status quo is referred to as a quasi-stationary equilibrium state. The key to change management, according to this theoretical logic, is to ensure that the driving forces for change overpower the restraining forcing against change to address the problem situation.

General *examples of driving forces* include problems such as decreases in productivity, low job satisfaction, customer dissatisfaction and overall inefficiency, as well as opportunities such as the potential for expansion, new technology, collaboration, and development.

General *examples of restraining forces* include traditional organizational cultures, organizational and employee resistance to change, fear, insufficient resources to manage change processes, and other barriers to change.

► Example

When the Water and Sewerage Authority (WASA) in the Caribbean nation of Trinidad and Tobago experiences persistent inefficiency and customer dissatisfaction in the reliability of water services to customers such issues are *drivers of change*, which motivate the need for planned changes. The strength of protests by local trade unions against change and the mechanistic, traditional culture of this public sector organization are but a few of the *forces restraining or restricting* effective change management in this organization [3]. ◀

4.2.1.2 Key Aspects of Model

According to Lewin's model, successful change management involves three stages, and hence planned change can be conceptualized through these stages as a *three-step linear process* [4]:

- Unfreezing
- Movement
- Refreezing

■ Unfreezing

The first stage, referred to as *unfreezing*, involves reducing the forces which maintain the present status quo, increasing the forces that promote changes away from the present status quo, or some combination of both.

Unfreezing: Unfreezing describes the first step in Lewin's change management model. It uses the analogy of 'ice' to describe the activities to uncover the need for change.

A key aspect of the unfreezing stage is the recognition that there IS a need for change. Therefore, motivating change is critical in this phase.

How can unfreezing occur? Unfreezing can occur in a variety of ways. For example, unfreezing can be initiated by highlighting the costs of not changing, highlighting the benefits of changing, and/or providing empirical evidence to highlight the need to change.

■ Movement

The second step involves moving the organization from its current status quo towards a new level of equilibrium/desired behaviour. Movement therefore involves developing and implementing the desired change plan or interventions.

How can movement occur? Movement can occur in a variety of ways. For example, movement can be facilitated by involving stakeholders in the change process, developing and implementing change plans with the support of employees, and/or managing resistance to change.

■ Refreezing

The third step, referred to as *refreezing*, involves integrating the planned changes into the organizational structures, systems, values, traditions, and culture to stabilize the new quasi-equilibrium state and to minimize regression to the previous state. Refreezing therefore involves institutionalizing the change into the organization.

Refreezing: Refreezing is the last step in Lewin's change management model. It uses the analogy of 'ice' to describe the activities to institutionalize or solidify implemented changes.

How can refreezing occur? Refreezing can occur in a variety of ways. For example, refreezing can be evaluated by examining changes in organizational culture, policies, and practices, and assessing the extent to which the planned changes are accepted within and across the organization. From a practical perspective, many businesses still look to the foundation theoretical underpinnings of Lewin's change model to guide their change management initiatives.

► Example

Japanese automaker Nissan Motor Company, for instance, when faced with possible bankruptcy and falling market share, in recognition of the NEED for change, recruited Carlos Ghosn in 1999 to head the Japanese automaker to manage the challenge of implementing a radical change and turning around its operations. Resistance to change was managed by forming cross-functional teams to develop action plans in different functional areas, the development of a change management strategy, and involving the employees in the process of change management. To refreeze the behavioural change of employees, performance-based pay and an open system

of feedback for guiding and facilitating the employees in accepting the new behaviour patterns at work were used [5]. Clearly, elements of Lewin's foundation model were delineated from Nissan's approach years ago. ◀

4.2.2 The Action Research Model

The second model examined in this chapter is the action research model.

4.2.2.1 Background of Model

The concept of action research is also attributed to Kurt Lewin, as an element of planned change.

According to Lewin (1946), *action research* is an approach to research which is based on a collaborative problem-solving relationship between the researcher and their clients. It aims at both solving a problem and generating new knowledge [6].

Action research: Action research was coined by Kurt Lewin in 1944. It describes a theory of change which uses the simultaneous process of taking action and doing research, linked by critical reflection.

In the context of organizations and OD, action research assumes that organizational problems can be solved with cycles of knowledge, research and information/data gathering, and the implementation of action plans with the engagement and involvement of members of the organization. Action research further assumes that the desired outcomes of research/knowledge in action are solutions to organizational problems and general organizational learning as well.

4.2.2.2 Key Aspects of Model

Action research is a spiral of steps, each of which is composed of a circle of planning for change, action/change, and evaluation and monitoring in relation to the results of the action.

According to the action research model, successful change management involves eight stages, and planned change is conceptualized through these stages as an *eight-step cycle* [7] including:

1. Problem identification
2. Consultation with a behavioural science expert
3. Data gathering and preliminary diagnosis
4. Feedback to clients
5. Joint diagnosis of the problem
6. Joint action planning
7. Action
8. Data gathering after action

■ Problem identification

Problem identification is the first stage in the action research model. This involves the recognition that there is a change situation or problem within the organization that requires attention. Typically, problem identification is initiated by high-ranking executives or influential persons within the organization who recognize there is the need for some change intervention or interventions.

Problem identification mirrors the unfreezing stage of the aforementioned Lewin's change model to varying degrees.

■ Consultation with a behavioural science expert

The second aspect of the action research process involves the organization consulting with a behavioural science expert. The behavioural scientist in the context of ODC is referred to as the OD practitioner. The role of the OD practitioner is covered in ► Chap. 5. OD practitioners can be internal to the organization, external, or some combination of both. During this stage, the organization liaises with such experts to establish a working relationship for the development and implementation of planned change. For example, when Nissan Motor Company recruited Carlos Ghosn in 1999, Carlos acted as a powerful internal OD practitioner to drive and develop the OD change plans back then [8].

■ Data gathering and preliminary diagnosis

The third aspect of the change process is data gathering and preliminary diagnosis. This part of the planned change process involves data collection to clarify the organizational issues or problems which prompt the need for ODC. Here, the OD practitioner can use various data collection methods such as process observation, interviews, questionnaires, and/or organizational performance data to gather appropriate and pertinent information about the organization's structures and/or operations. This information is then analysed to understand precisely how the organization is currently functioning, and to determine the underlying causes and consequences of the problems within the organization.

■ Feedback to clients

Feedback to clients is the fourth aspect of the action research cycle, which follows the data collection stage. Here, the OD practitioner feeds back the findings of the data gathering and preliminary diagnostic exercise to the members of the organization and/or other relevant clients/stakeholder. This feedback loop is not explicit in Lewin's change model, and hence it is a key differentiating feature of this model.

■ Joint diagnosis of the problem

Joint diagnosis of the problem is the fifth aspect of the cycle. At this stage, the focus is on collaboration between the OD

practitioner and the organizational members. The OD practitioner and organization members jointly agree on what the problem and its causes are. This collaboration aims to minimize misdiagnosis as far as possible.

■ Joint action planning

The joint action planning aspect of the cycle also focuses on collaboration. This sixth step precedes the actual action phase and involves the OD practitioner and the organizational members jointly agreeing on the actions or interventions needed to bring about the desired change. The specific action plan agreed upon at this stage usually depends on a host of factors including the diagnosis of the problem, the culture of the organization, and the nature of the intervention/actions.

■ Action

The seventh aspect of the change process is the action phase. Here, the change plan is executed or implemented. This is where the organizations undergo planned changes to bring about desired changes to the overall organization (e.g., changes in strategic mission and goals, structure, processes, and human resources); at the group level (e.g., changes in culture or behaviour of departments or teams); or at the individual level (e.g., changes in job descriptions and tasks).

■ Data gathering after action

The data gathering after action is the last step in the cycle. Here, the OD practitioner gathers data on the effects of the action and feeds this information back to the client and/or organizational members. This may result in rediagnosis and new actions, giving this model its cyclical nature. This last stage indicates that organizational change does not end with the implementation of the change plan or plans. It recognizes that organizational change management should be seen as an ongoing activity, a point not expressed in Lewin's original change model.

4.2.3 Positive Model

The third model examined is the positive model of change.

4.2.3.1 Background of Model

The positive model is also known as the *appreciative inquiry model*. This model was originally proposed by Cooperrider and Srivastva (1987). This model adopts a positive approach to change as an alternative to the problem-centred approach of the models developed by Kurt Lewin.

Appreciative inquiry: Appreciative inquiry is another phrase used to describe the positive model of change. It was coined by Cooperrider and Srivastava in the 1980s. It is a change management approach which focuses on identifying the strengths of the organization or what is working well, assessing why it is working well, and building/improving further in that positive direction.

It is one of the first few change models which presented an alternative view of ODC to the Lewinian paradigm. The appreciative inquiry model draws on narrative OD approaches such as storytelling and benchmarking, to generate new ideas, theories, and images of the future for change within the organizational context [9].

This model is based on the following assumptions:

- The most important force for change is new ideas, and traditional Lewinian models do not generate such ideas.
- ODC is a collective discovery process into the best of what is, what might be, what should be, and what can be for organizations.
- Individuals communicate and behave in different ways that create expectations. When these expectations are positive, individuals become motivated and energized to execute ideas and beliefs, and achieve goals based on the positive expectations.

► Example

The relationship between Tesla Motors and SpaceX, both founded by South African-born entrepreneur Elon Musk in 2003 and 2001, respectively, for example, may be seen as one based on the essence of the positive model. The cross-fertilization of knowledge from auto (Tesla) to the rocket and spacecraft (SpaceX) history back and forth has proven to be quite effective in spurring new ideas, creativity, and innovation in both companies. Musk has been largely spurred by new ideas for expansion and a better future for all his entrepreneurial ventures [10]. ◀

4.2.3.2 Key Aspects of Model

According to the original positive model, organizational change is the result of a four-stage cyclical process including:

- Discovery
- Dream
- Design
- Delivery/destiny

■ Discovery

In this first step of the ODC cycle, an inquiry is initiated into the current ‘best practices’ on what/how the organization is doing in relation to organizational efficiency and effectiveness. Participants’ reflections and discussions on the ‘best of what is’ are explored in this stage. Here, opportunities for the organization are typically the key prompts for change. The following questions are answered in this stage: What are the organizational best practices? Can we improve it?

■ Dream

The second aspect of the cycle according to this model is the dream stage. In this stage, organizational members visualize the organization in an ideal state in relation to the subject of change or the desired change situation. Usually, an attempt is made to identify and symbolize the common aspirations/dreams of organization members for their organizations. The desired future state of the organization is typically envisioned.

■ Design

The third aspect of the cycle is the design stage. The comprehensive change plan is developed to initiate and execute ODC. Plans are specifically designed to move the organization from its current state to the envisioned future state and to bridge the gaps between the current best practices and the ideal future state of the organization.

■ Delivery

The fourth aspect of the cycle is the delivery stage. In this stage, members take actions in line with the design plan, assess the results of their actions, and make the necessary readjustments to move the organization towards the ideal envisioned state. The change plans are executed to achieve ‘what will be’. This cyclical process then continues with a review of the best of ‘what is’, back to Stage 1.

4.2.4 John Kotter’s Eight-Step Model

The fourth change model examined in this chapter is Kotter’s eight-step model of change.

4.2.4.1 Background of Model

Kotter’s eight-step model of change was introduced in 1996 by John Kotter, a Harvard Business School professor and a renowned change expert.

Kotter's eight-step model: Kotter's eight-step model is a change management model proposed by John Kotter in 1996. It is made up of eight overlapping steps including creating an urgency around the need for change, forming a powerful change coalition, creating a vision for change, communicating the vision, removing the obstacles to change, creating short-term wins, building on the changes, and anchoring the changes in the corporate culture.

Stemming from research conducted on 100 organizations, he developed the model. The organizations were going through the process of organizational change where the results showed that major change efforts, unfortunately, do not always have the desired outcome. Kotter found there is only a 30% chance of organizational change success; hence, many organizations implement changes unsuccessfully and fail to achieve the intended result. He identified a number of reasons why ODC efforts fail: complacency as it relates to the need for change, failing to create a powerful guiding coalition for the change, underestimating the power of having a vision for and to change, allowing obstacles to block the change, failing to encourage short-term wins as it relates to change management, declaring victory in relation to ODC too soon, and failing to root the changes into the organizational culture [11].

4.2.4.2 Key Aspects of Model

Kotter's model recognized that employees do not always experience change as something positive. He therefore recommended an eight-step change model to help organizations succeed at implementing change. Kotter placed great emphasis on preparing the organization and its members for ODC in particular to drive success. The first three steps of Kotter's eight-step change model are about creating the right climate for change, Steps 4 to 6 focus on linking the change to the organization, and Steps 7 and 8 are aimed at the implementation and consolidation of the change. The eight steps from the top-down include:

1. Create a sense of urgency
2. Create a guiding coalition
3. Create a vision for change
4. Communicate the vision
5. Remove obstacles
6. Create short-term wins
7. Consolidate improvements
8. Anchor the changes

■ Create a sense of urgency

According to Kotter, the first step in the ODC process, creating a sense of urgency, is the most important step. Employees are made aware of the need to and urgency for change. Kotter

argues that it is through this avenue that support for ODC will be created. This step therefore focuses on open communication and participation between all parties involved in ODC. The following activities are typical at this step:

- Dialogue and discussion to ensure employees and all organizational members are informed of the need for change.
- Soliciting the involvement and support of the key stakeholders on the issue of change.
- Highlighting the potential positive impact and repercussions associated with the need for change.

■ **Create a guiding coalition**

A guiding coalition may be defined as a team or group of individuals who can drive the change forward. This coalition's role is to manage all efforts, to mobilize resources, and to encourage the employees to cooperate and take a constructive approach towards change. Typically, guiding coalitions comprise influential employees from various cross-functional departments and those who identify as change leaders working across different levels within the company.

■ **Create a vision for change**

Formulating a clear vision for change can provide the foundation for a roadmap to change. Concrete ideas are outlined with timelines, and clear strategies linking the vision to ODC goals are developed. An attempt is made to incorporate the ideas of employees into the change vision to increase their support. Indeed, the expectation is that when employees feel involved in the process, their support for ODC can increase.

■ **Communicate the vision**

The most important objective of this step is to create support and acceptance among the employees and relevant clients/stakeholders to the organizational change. The new change vision must be fully adopted across the entire organization. This can be facilitated by:

- Communicating the vision for change frequently, powerfully, and convincingly. This can be done by connecting the change vision with all the crucial aspects of the employment relationship such as performance reviews and training.
- Managing the concerns and issues of employees and stakeholders honestly and with their active involvement in the process.

■ **Remove obstacles**

In this step, Kotter notes that obstacles to change are consistent with resistance to change. In order for change to be accepted at all levels within organizations, it is crucial that obstacles to ODC which can undermine the vision for change are effectively managed. Managing resistance to change is therefore the key

activity in this step of Kotter's model. Involvement, participation, communication, and education are important strategies for managing resistance to change, where rewarding employees for supporting and promoting change can also be used at this step.

■ Create short-term wins

By creating short-term goals, employees can develop a clearer idea on how the change vision is being executed and this can help them evaluate their progress towards the achievement of the ODC vision. When short-term goals are created and achieved, such 'wins' can motivate the drive of employees towards further progress in the future. Further, by acknowledging and rewarding employees who are closely involved in the change process, it will become clearer to all relevant stakeholders that the company is changing course.

■ Consolidate improvements

According to Kotter, many change trajectories fail because victory is declared too early. However, change is a slow-going process and it must be incorporated into the overall corporate culture of the organization. Quick wins are only the beginning of long-term change. An organization therefore needs to keep looking for improvements. Only after multiple successes have been achieved can organizations conclude that the change vision is being realized.

■ Anchor the changes

The last step in Kotter's eight-step change model is anchoring the changes within the organization. Kotter notes that organizational change can become part of the corporate culture only when it has become a part of the core of the organization itself. He argues that planned change does not occur on its own. There must be some alignment between the organizational values and standards with the new change vision and the employees' behaviour. A seamless fit between these three elements would indicate that the changes are anchored or entrenched within the organization. He further notes that employees must continue to support the change and that regular evaluation and discussions about progress can help consolidate the change over time.

► Example

The essence of Kotter's change model has been widely applied to varying degrees by several organizations worldwide. For example, in an examination of organizational changes within the Caribbean, more specifically, in the case of the transformation of the Trinidad and Tobago Postal Services (known as TTPOST), important elements of Kotter's model were explicitly delineated. The post office was labour-intensive, with labour representing over 81% of the total cost in the 1990s. Operating expenditures had consistently been greater than revenues, resulting in the need for increasing

subsidization by the government. The urgency for change was therefore created with a corresponding decrease in public confidence. Change generators within the Ministry, by their actions, selected themselves to be ‘the guiding coalition’, with the support of the Minister. They created and communicated a vision for change to facilitate the transformation of the Postal Services: (1) to outsource some of the services; (2) to enter into a management contract; (3) to use a lease arrangement; (4) to grant a concession; or (5) to invite equity participation. Option 2 was adopted with the vision of a state-of-the-art commercial postal service meeting and exceeding international benchmarks. The major obstacle—resistance to change—was addressed by the government as the key decision-maker and trade union/employee support was gathered with open communication, numerous voluntary separations, and alternative employment options, as well as involvement strategies. Improvements were consolidated over time with continuous and ongoing evaluations within the transformation processes from a public sector entity to privatization. The changes were then anchored with structural, cultural, and behavioural adjustments over time [12]. ◀

4.2.5 General Model of Planned Change

The fifth model examined in this chapter is the general model of planned change.

4.2.5.1 Background of Model

The general model of planned change was proposed by Thomas Cummings and Christopher Worley. This model was developed from a review of Lewin’s change model, the action research model, and the positive model to provide a general framework for guiding the OD consulting process.

General model of planned change: The general model of planned change is a change management model proposed by Cummings and Worley in 2009. It draws on the strengths while addressing the weaknesses of Lewin’s change model, the action research model, and the positive model to present a general model. It is made up of four interrelated steps including entering and contracting, diagnosis, planning and implementing changes, and evaluation and institutionalizing changes.

This ODC model focuses on planned change from a problem-solving perspective, as well as from the perspective of identifying and leveraging best practices within organizations. In this way, the general model recognized the relevance of adopting both perspectives as prompts for planned organizational

change. This model therefore recognizes that problems and opportunities can motivate organizational change. This model also emphasizes not only a participative approach to change, but also an overlapping and nonlinear approach to planned change [13].

4.2.5.2 Key Aspects of Model

According to the general model of planned change, organizational change is the result of a four-stage cyclical process including:

- Entering and contracting
- Diagnosis and feedback
- Planning and implementation
- Evaluating and institutionalizing change

■ Entering and contracting

The first stage of the model describes the initial set of activities that the OD practitioner and the organization must engage in to better understand what needs to be improved or facilitated. This aspect of the model is typically characterized by three key activities:

- First, preliminary data collection to clarify the organizational issues (problems and/or opportunities) prompting the need for organizational change.
- Second, determining who the relevant clients are. Relevant clients are defined as the stakeholders who have the capacity to effect and affect organizational change, and those who have the capacity to be affected by the planned change.
- Third, choosing the OD practitioner or practitioners. Here, expectations are set regarding the role, time, and pay of the OD practitioners, as well as the resources the organization would need to commit to the process of planned change.

■ Diagnosis and feedback

The second stage of the model focuses on the data collection process. Various data collection tools and techniques are utilized to undertake a comprehensive diagnosis of the need for planned change. It involves a set of activities aimed at understanding the current state of the organization (including the causes and consequences of organizational problems or best practices) to clearly identify the intervention activities needed to improve organizational effectiveness. When data is collected, this stage also facilitates the feedback of information to inform change interventions. Three key activities are typical at this stage:

- First, choosing an appropriate diagnostic model for understanding the organization. In order to ensure the data collection exercise is comprehensive in covering all the key aspects of the organization and its functioning, the use of a diagnostic model is recommended at this stage. Diagnostic

models are useful in identifying all of the core levels, systems, and structures within organizations that work together to support or constrain change.

- Second, data collection and data analysis. When data is collected, comprehensive analysis of the data is important to inform and direct the planning and development of the subsequent interventions. Analyses, including qualitative, quantitative, or some combination of both, are typical based on the data collection methods used.
- Third, the conclusions drawn from the data analysis are disseminated through various feedback processes to the organizational members, throughout and within the organization.

■ Planning and implementation

At the third stage of the cyclical process of ODC, organizational members, relevant clients, and the OD practitioner mutually design, develop, and implement action plans or interventions based on the diagnostic results. Depending on the outcomes of the diagnosis, interventions may focus on modifying organizational strategy, structure, technology, human processes, and/or human resources. The nature and scope of the interventions may also depend on organizational factors such as organizational readiness or openness to change, change capability and resources to facilitate change, organizational culture, as well as factors that relate to the OD practitioner such as their own motivation, commitment, skills, and abilities.

Four types of planned change interventions can be developed and implemented across organizational levels: human resource management interventions, human process interventions, techno-structural interventions, strategic interventions, and/or some combination of these to varying degrees. Human resource and human process interventions were introduced in ► Chaps. 2 and 3, while techno-structural and strategic interventions are covered in ► Chaps. 12, 13, 14, 15, 16, and 17.

■ Evaluating and institutionalizing change

In the fourth stage, the OD practitioner collects data on the current state of the organization. This stage follows the implementation of the intervention to assess the effectiveness of the intervention and the extent to which the objectives of the change interventions were achieved. Feedback to organizational members about the impact of the intervention is also a significant activity at this stage. It allows organizational members (particularly the management) to decide whether the changes should be continued, modified, discontinued, or abandoned altogether. When found to be successful, the intervention becomes institutionalized, that is, the change becomes accepted as norm within and across the organization.

4.2.6 Socio-Economic Approach to Management Model

The sixth change model examined in this chapter is the socio-economic approach to management (SEAM) model.

4.2.6.1 Background of Model

The socio-economic approach to management (SEAM) model was proposed by Henri Savall in France 1973 [14]. This model recognizes the smooth operations of the organization and the social attributes, and the economic performance, that is, the ongoing interaction between the organization structure and the employees' behaviour. It focuses on the human side as well as the economic side of the workplace. Stemming from the socio-economic approach to management, the SEAM model was developed as an economic interrelation with sociotechnical systems. When organizational leaders invest in people, they in turn take care of the organization. Therefore, the main premise is that the cause of an employee's poor productivity is due to the way the employee is managed.

The socio-economic approach to management (SEAM) model: The socio-economic approach to management model was proposed by Henri Savall in 1973. The model recognizes the interaction between employees' behaviour and the organization structure, that is, the human side and the economic side of the workplace.

4.2.6.2 Key Aspects of Model

According to the SEAM model, the organization structure includes the physical, demographic, technological, organizational, and mental structures. The internal social and economic events by individuals, departments, various socio-professional categories, affinity groups, and the organization influence the behaviour of actors. These shape the observed behaviour. All actors have informal power that can be utilized to contribute to or detract from the economic performance of the organization. The interactive friction is caused by various dysfunctions that can be classified into six categories, specifically, working conditions, work organization, communication-coordination-operation, time management, job training, and implementation of strategies. These hidden costs can significantly impact the organization's sustainable performance in the short term and the long term.

There are three synchronized types of actions (three axes) that must be implemented for socio-economic performance:

- The transformation process axis (Axis A)
- The socio-economic management tools (Axis B)
- The political and strategic decision axis (Axis C)

■ The transformation process axis

The SEAM consultant enters the organization and performs a preliminary diagnosis. There must be buy-in and support from the organization's leadership. The data is then presented to the top management team using the 'mirror effect'. This is often met with shock and recognition as the hidden costs and missed potential are identified. There is a calculation of the hidden costs and an expert's opinion on the root cause of the dysfunctions. The actor is made aware of the impact of the social factors on economic performance through the diagnosis. Following the diagnosis stage with top management, the participants work on a project that will convert the hidden costs that are identified. Diagnosis also occurs at the lower levels of the organization. This is referred to as the *horivert process*, that is, diagnosis at the horizontal level and at the vertical level. The consultant and actors develop prevention-oriented processes to eliminate the dysfunctions. The consultant works with leaders to identify the change projects that they will work on. Detailed SEAM analysis commences at the other vertical silos following the same process: diagnosis, mirror effect involving the actors at that part of the organization and project(s) they develop, with the goal of reducing hidden costs. There are five indicators of hidden costs that cause these dysfunctions, that is, absenteeism, work accidents, personnel turnover, lack of quality (product and services), and direct productivity losses. The data on hidden costs are collected and analysed to determine the extent to which the hidden costs are present. Organizational members receive detailed feedback from the data collected on the specific losses that have been incurred due to hidden costs. It is implemented where the intention is to reduce hidden costs and enhance hidden potentials. The project is evaluated by analysing the qualitative, quantitative, and financial results.

■ Socio-economic management tool

To reduce the dysfunctions, the six management tools are used to drive the change, that is, the socio-economic management tools:

1. The internal and external strategic plan—it takes into consideration the external and internal resource strategies where the human potential plays a key role in the organization.
2. The priority action plan—all actors are involved in implementing the preventative actions against the possible dysfunctions.
3. The time management tool—there is balance of routine operations and development operations for short-term economic performance which is directed towards long-term value-added creation. This tool further attempts to remove dysfunctional activities, while reinforcing the delegation and coordination of the actions.

- 4. The competency grid—this helps the team develop skills that reduce their vulnerability. This is developed together with the priority action plan. This tool assists with the development of the collaborators’ careers.
- 5. The strategic piloting—each executive controls these indicators to check and measure activities, immediate results and dysfunctions, and the possibility of dysfunctions.
- 6. Periodically negotiated activity—members of the hierarchy negotiate with every subordinate the individual and team objectives and the development indicators of the socio-economic improvement actions.

■ The political and strategic direction axis

Organizations make political decisions and select strategies that are in alignment with their strategic goals and operating rules. Therefore, management decisions and actions seek to prevent organizational dysfunctions. The solutions identified during the operation improvement process, that is, the process axis, are implemented by using the socio-economic tools, that is, the management tools axis. This assists with the policy and strategy decision-making process.

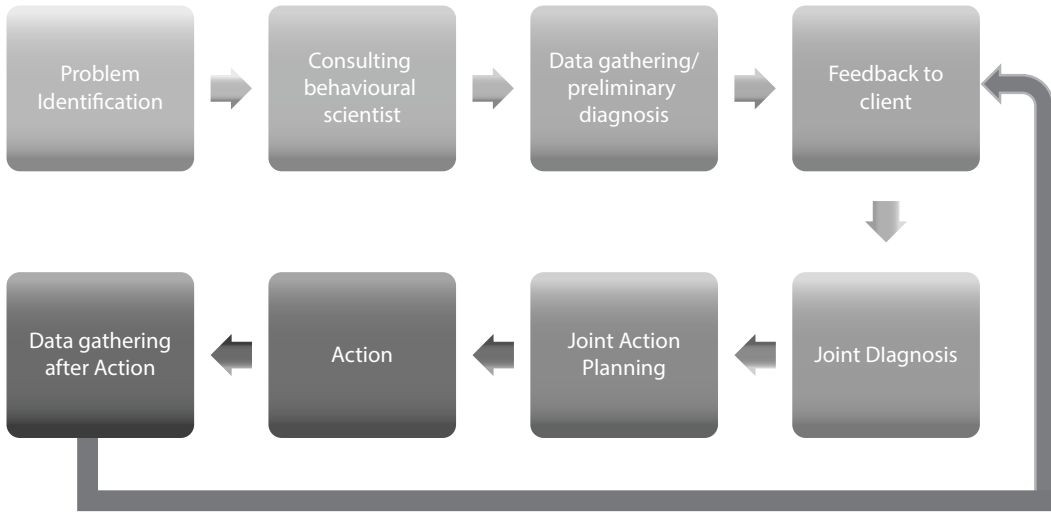
The forces of change progress in an outward spiral from the point of zero where the axes converge. Over time, the socio-economic intervention moves along each of the axes as these constitute the forces of change. This intervention is adapted to each organization’s specific biological rhythm. This ensures that the method progresses and is compatible with the organization and its activities. The SEAM model allows for the hidden costs and performance to determine the return on investment as there is hidden untapped potential in all organizations.

4.3 Critical Analysis of the ODC Models

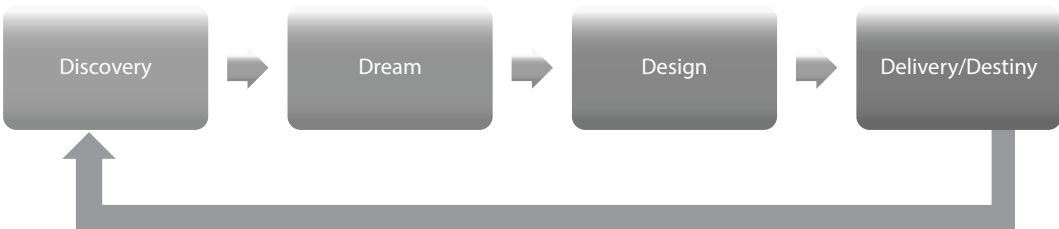
Indeed, numerous ODC models have emerged over time, each attempting to capture the key elements of organizational change management. Lewin’s Model, the Action Research Model, the Positive Model, Kotter’s 8-Step Model, the General Model of Planned Change, and the SEAM model are illustrated in ■ Figs. 4.1, 4.2, 4.3, 4.4, 4.5, and 4.6 for comparative analysis. These models describe the most popular conceptualizations of organizational change management.



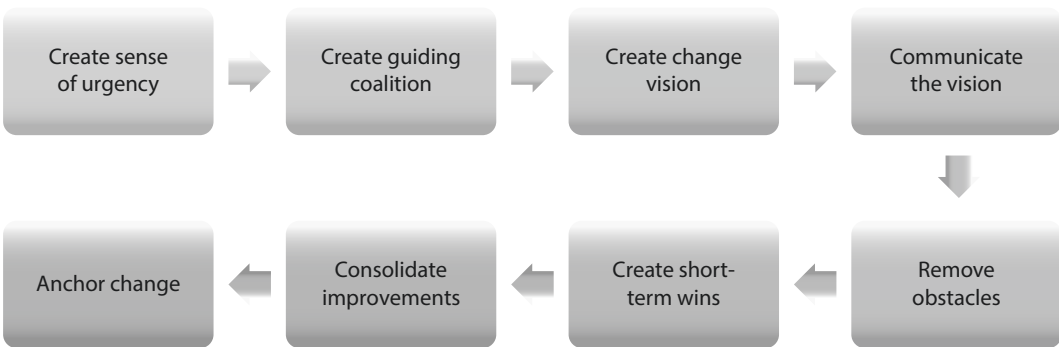
■ Fig. 4.1 Lewin’s change model. (Source: Author’s creation)



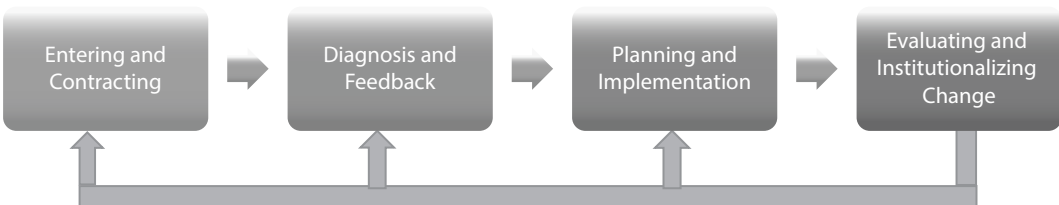
■ Fig. 4.2 Action research model. (Source: Author's creation)



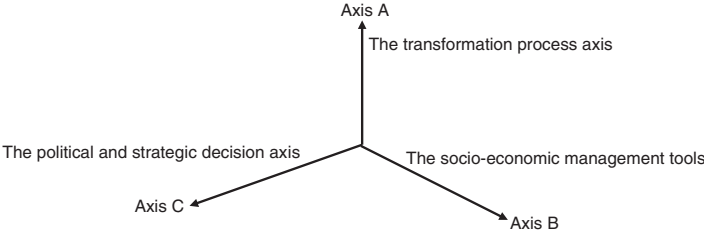
■ Fig. 4.3 Positive model. (Source: Author's creation)



■ Fig. 4.4 John Kotter's eight-step model. (Source: Author's creation)



■ Fig. 4.5 General model of planned change. (Source: Author's creation)



■ Fig. 4.6 The Socio-economic approach to management. (Source: Author’s creation)

■ Table 4.1 Similarities and differences in the ODC models	
Key ODC characteristics	ODC models
Views change as a linear process	Lewin’s model
Views change management as an on-going activity	Positive model, general model of planned change
Views opportunities as primary driver of change	Positive model
Details key management steps to initiate, generate, manage and implement change	Kotter’s 8-step model
Highlights importance of feedback loops in change management	Action research model, general model of planned change, SEAM model
Views problems as primary driver of change	Lewin’s model, action research model, Kotter’s 8-step model, SEAM model
Views problems and opportunities as drivers of change	General model of planned change
Source: Author’s creation	

4.3.1 Illustration of Organizational Development and Change Models

4.3.1.1 Similarities and Differences in Models

These models share similarities and are differentiated through several characteristics as well. ■ Table 4.1 describe the key similarities and differences in the ODC models. The main ODC models are all similar in attempting to offer propositions on the best approach to understand organizational change and its management. Each model further shares similarities and differences on the basis of the following key characteristics:

- Change as a linear process
- Change management as an ongoing activity

- Problems as a primary driver of change
- Opportunities as a primary driver of change
- Problems and opportunities as drivers of change
- Management steps to initiate, generate, manage, and implement change
- Importance of feedback loops in change management

4.3.1.2 The ODC Model Used in This Book

The key elements as well as the similarities and differences among the six ODC models are considered collectively to propose the OD process as an ongoing activity made up of the following main stages or phases, which are covered in this book:

- Entering into the practice of OD
- Diagnosis of OD issues
- Data collection for OD
- Data analysis tools and feedback
- Development and implementation of organizational-level interventions
- Evaluation of OD and trends/future of OD

Clearly, the model used in this book draws from the strengths of the aforementioned models, while addressing its weaknesses.

4.4 Conclusion

This chapter examined the most popular ODC models that have emerged over time within the field and practice of OD. ODC models assist organizations undergoing change management with useful frameworks to understand how change occurs and how to guide its management. While each model has strengths and weaknesses, they provide useful guidelines for practitioners today. In fact, existing models were used to guide the creation of the model which is presented in this book.

■ Exercises

Student Resources

■ Chapter Outline

- I. Foundation ODC Models
- II. Models of Planned Organizational Change
 - A. Lewin's Change Model
 - B. Action Research Model
 - C. Positive Model
 - D. John Kotter's Eight-Step Model
 - E. General Model of Planned Change
 - F. Socio-Economic Approach to Management Model
- III. Critical Analysis of ODC Models

References

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The ODC Practitioner

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Learning Objectives

At the end of this chapter, readers should be able to:

1. Identify and describe who OD practitioners are in the context of organizational-level OD interventions.
2. Differentiate between internal and external OD practitioners.
3. Critically evaluate the usefulness of internal versus external OD practitioners.
4. Describe the key roles in the practice of OD.
5. Identify the key OD competencies required in practice and critically assess the OD practitioner's use of self in the OD process.
6. Evaluate the importance of professional ethics and values in the OD practitioner's role.

5.1 Introduction**5.1.1 The OD Practitioner and Organizational-Level OD Interventions**

The primary goal of organizational development (OD) is to improve organizational effectiveness through organizational transformation to varying degrees. The 'OD practitioner' plays a key role in this process. The term 'OD practitioner' has emerged numerous times in previous chapters, without a formal definition. It should be recognized by now, however, that the term 'change agent' and/or 'behavioural scientist' aligns with who OD practitioners are. It should also be recognized that they are key drivers in the OD process.

Change agent: Change agent is another name for an OD practitioner. Change agents are OD professionals who are internal and external to organizations.

In the 1950s, during the emergence of the Laboratory Training stem of OD, the term 'change agent' emerged. It described a person who facilitates change by intervening in groups and organizations. It has now become a common phrase among change makers and leaders and is used interchangeably with the term 'OD practitioner'. OD practitioners are therefore agents who facilitate positive learning, change, and development within the organizational context.

The most obvious OD practitioners are persons specializing in the OD profession who perform formal OD roles. OD practitioners, however, can be internal and/or external to the

organization. Organizations can also use some combination of both internal and external OD practitioners to drive, facilitate, implement, manage, and evaluate the organizational change process.

Internal OD practitioners within organizations are typically the formal OD professionals, human resource professionals, line managers across departments, professionals holding specialist positions, and top-level executives who informally may perform the OD role.

Internal OD practitioner: Internal OD practitioners are change agents within the organization who manage and lead the OD process.

In practice, most internal OD practitioners today are subsumed within the human resource (HR) function.

► Example

For example, at Walt Disney in the United States, internal OD practitioner groups have been created within the HR area to drive organizational change and to ensure that Disney is responsive to the needs of its rapidly changing organizational environment [1]. Since every aspect of Disney experiences changes, they aim to elevate common principles and practices they could leverage more effectively with such groups. They focus on leaders (and human resources people), as the company relies on them to lead and drive change. ◀

External OD practitioners are typically labelled as ‘external consultants’. They are typically the personnel skilled in the OD profession, recruited from outside the organizational system undergoing organizational development and change (ODC).

External OD practitioner: External OD practitioners are change agents recruited from outside the organization to manage and lead the OD process.

External consultants are primarily recruited when the scope of the organizational change cannot be managed internally alone.

► Example

For example, the McKinsey and Company Group, one of the most well-known consulting firms used by global businesses, provides external consulting services in OD and other areas to businesses worldwide [2]. ◀

Within organizational systems, where changes occur among the many interrelated parts of the organization, a series of *micro changes*, as well as overall *macro changes* or organizational-level changes, occur.

Micro change: Micro change describes changes at the individual or employee level of the organization.

Macro change: Macro change describes changes at the wider, organizational level of the organization.

Examples of micro changes include employee training programmes, employee performance appraisal systems, and employee motivation approaches. Examples of macro changes include restructuring of organizational departments and structure and cultural changes. In the context of ODC within organizational systems, the following question becomes relevant:

Which OD practitioners should be used to drive organizational-level OD interventions?

5.2 Internal Versus External OD Practitioner

An internal OD practitioner is a change agent who is considered an active member of the organization. The relationship of the internal practitioner to the organization is determined usually by their job description, job specifications, various personnel policies, and their specified job position or role within the organization.

The internal practitioner may be OD professionals who perform formal OD roles, top executives, an organizational member who initiates change in his or her work group, or a member of the human resources or organization development department who may perform formal and informal OD roles, as aforementioned. Many large organizations have offices, departments, units, and groups with the specific responsibility of helping the organization implement change programmes.

► Example

In the past few years, a growing number of large organizations such as IBM, General Electric, General Motors, Honeywell, and Union Carbide have created internal OD practitioner groups. These internal practitioners often operate out of the human resources area and report directly to the president of the organization. Hospira was a noted global pharmaceutical and medical device company with headquarters in Lake Forest, Illinois, USA

(spun off from Abbott Laboratories). With approximately 19,000 employees, and founded in 2004, Hospira relied heavily on internal practitioners. Since 2009, more than 12,000 of its employees participated in its change and development interventions managed by the VP of OD and the Chief Talent Officer. As of 2015, Hospira has been acquired by Pfizer [3]. ◀

An external OD practitioner is a change agent who is not an active member of the organization, but recruited by the organization from external sources to support ODC, as aforementioned. The relationship of the external consultant to the organization is typically outlined in letters of agreement between the agent and organization and/or stipulated in legally binding contracts between the change agent and the organization.

Coming from the outside, the external practitioner is expected to perceive change management 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. [4] Research evidence suggests that top managers view external practitioners as having a more positive role in large-scale change programmes than internal practitioners. They usually have a very broad career base and other clients to leverage on and hence a more independent attitude about risk-taking and confrontations with the client system.

So, what then is the role of the OD practitioner, internal and/or external, in the ODC process?

To answer this question, it is important to recall what OD is about (► Chap. 1) and the guiding ODC models (► Chap. 4).

5.3 Role of the OD Practitioner

Recall, OD is a process of planned organizational change. It describes the management of change as a planned, systematic, long-range, ongoing activity, which relies on the use of behavioural science.

ODC models such as Lewin's (1946) action research model [5] and Cummings and Worley's general model of planned change [6] express exclusively and explicitly the role of the OD practitioner in the ODC process. For example, Step 2 of the action research model speaks to 'consultation with a behavioural science expert', and Step 1 of the general model of planned change speaks to 'choosing an OD practitioner' in the 'entering and contracting' stage. It is therefore indisputable that the OD practitioner plays a driving role in the field and practice of ODC. While OD practitioners have most often been seen as 'facilitators' of change (rather than 'leaders'), the com-

plexity of every individual environment in which OD practitioners work demands a more ‘facilitative’ and even ‘educational’ approach to helping the organizational system identify and plan for new ways of functioning, transforming, and developing over time.

The role of the OD practitioner, however, can vary to some extent depending on whether an internal and/or an external practitioner are/is used [7].

5

5.3.1 When to Use an Internal OD Practitioner?

Internal OD practitioners are used when:

- Organizations are undergoing primarily micro changes.
- Organizations have skilled OD professionals in-house.
- In-house OD personnel are viewed as reputable and credible.
- Financial resources are limited.

■ Organizations are undergoing primarily micro changes

Micro changes are typically narrow in scope, focused mainly on individual/groups of employees, and the improvement of their attitudes, behaviours, relationships, skills, and overall performance. Such planned changes may be easily facilitated by internal or in-house OD practitioners given the narrow focus on employee-level/group-level change.

■ Organizations have skilled OD professionals in-house

Most, if not all, large organizations on a global basis have their own HR divisions, units, departments, and centres. The majority of all internal OD professionals operate within the HR functional area. Line managers, other specialist managers, and even executives can also perform the role of internal OD practitioners to varying degrees. The assumption is that in-house personnel should be well-informed about the needs of their employees, the organizational strategies/plans, organizational culture, and should be able to assess whether they can meet the professional requirements of change management as well.

■ In-house OD personnel are viewed as reputable and credible

Internal OD practitioners develop their reputations within organizations based on their expertise, skills, experience, and track record in change management interventions.

► Example

For example, in countries such as China, OD practices and assumptions are adapted to the Chinese culture to maximize usefulness. Businesses in such cultural contexts are more open to using internal personnel given their close-knit culture compared to external practitioners; hence, internal practitioners are viewed as more reputable [8]. ◀

The reputation and credibility of internal OD practitioners largely influence the response of key stakeholders such as employees. Employees are more open to change management strategies when led by credible internal agents. Resistance to change can be effectively managed as well using reputed internal OD practitioners.

■ Financial resources are limited

Restrictions in financial resources or funding for change management interventions typically result in the automatic use of internal practitioners for any needed changes. The fact remains that costs are already allocated to internal agents who fill the role of OD practitioners in their established, designated positions within the organizational structure. As such, no ‘additional’ costs are necessarily incurred since change management may already be practised to varying degrees within designated formal and informal roles. Relying on internal OD practitioners is considerably less expensive than using external consultants. In fact, using internal practitioners can cost around a third to half the costs of external practitioners [9].

5.3.2 When to Use an External OD Practitioner?

External OD practitioners are used when:

- Organizations are undergoing macro changes within organizational systems.
- Organizations may not have the necessary OD personnel in-house with the requisite skills, competencies, and experience.
- Skills, competencies, and experience of external practitioner fit the ODC needs of the organization.
- Financial resources are available.

■ Organizations are undergoing macro changes within organizational systems

While micro changes can be easily facilitated by formal and informal internal practitioners, macro changes and whole-system organizational changes are typically managed and implemented by a team of external consultants. Given the scope of organizational-system change, several organizations have looked to external practitioners in an attempt to leverage their wide array of experience, skills, and competencies in large-scale change.

► Example

For example, large companies operating in smaller and developing countries are more likely to recruit external consultants to manage their mergers, acquisitions, organizational restructuring, and transformational change interventions. In the Latin American market of Brazil, State Grid International Development Limited

(SGID), the overseas investment platform of State Grid Corporation of China (the world's largest electric utility company and #2 company on the Fortune Global 500 list), turned to an external consultant, Sullivan and Cromwell (S&C), for its acquisition of a controlling interest in Brazil's CPFL Energia S.A. This initiative was led by Sergio Galvis and Werner Ahlers, in close collaboration with Brazilian counsel. The external consultants helped their client execute an approximate R\$13 billion transaction, securing a 94.8% stake in CPFL Energia, Brazil's largest non-state-owned electric energy generation and distribution group and the third-largest Brazilian electric utility company. The acquisition remains the largest merger/acquisition deal completed in Latin America as of 2017 [10]. ◀

- **Organizations may not have the necessary OD personnel in-house with the requisite skills, competencies, and experience**

Formal, if not informal, OD practitioners should at least have skills, competencies, and experience in the field and practice of OD. Where such skills do not exist within the organization, the organization is left with the only option of using external change agents. The profession of OD is generally unregulated by state agencies on a global basis; therefore, the background, experience, and reputation of external consultants are important. External consultants typically possess graduate degrees in psychology, organizational behaviour, HRM, business administration, or organizational development. A number of external consultants are, or were, university professors and PhDs in the management and/or psychology areas. Notably, external consultants should also be experienced in budgeting, law, data collection/analysis/feedback, and communication/negotiation as minimum requirements.

- **Skills, competencies, and experience of external practitioner fit the ODC needs of the organization**

When the decision is in fact taken to hire external practitioners, there should be a match between the needs of the client organization and the competencies of the hired consultant.

► Example

For example, when TTPOST in the Caribbean nation of Trinidad and Tobago undertook its transformation starting in 1999 from a public entity into corporatization, the government hired external consultant Transcend (formerly New Zealand Post), a New Zealand company with a wealth of experience in similar transformation processes [11]. In this example, fitting the needs of the client organization (TTPOST) with the required expertise in OD consultancy (Transcend) was the key driver in choosing an external OD practitioner. ◀

■ Financial resources are available

Using external consultants to manage organizational change interventions can be a lengthy and costly process for any organization. In ► Chap. 1, the definition of OD highlighted the process of OD as a long-range effort. Using external practitioners is not only costly in terms of time, but it can cost the organization up to twice the amount of finances associated with using internal practitioners. Using external agents therefore represents a significant investment by organizations engaged in organizational change management.

5.3.3 Analysis of Internal Versus External OD Practitioners

Whether the organization uses an internal or external OD practitioner, there are several advantages and disadvantages associated with each. The advantages and disadvantages associated with using internal practitioners and external practitioners are outlined in ■ Tables 5.1 and 5.2, respectively. ■ Tables 5.1 and 5.2 highlight the fact that choosing between internal versus external OD practitioners is never an easy choice.

The advantages and disadvantages must be weighed against each other, along with the needs of the organization's change situation. The decision should be a strategic one aimed at ensuring that the change process is as seamless as possible, while achieving the objectives of organizational change management.

■ **Table 5.1** Advantages and disadvantages of using internal OD practitioners

Advantages	Disadvantages
1. Cost-effective	1. Internal OD practitioners can be viewed as being politically biased to some members. These agents can fall to peer pressure and political pressure. These issues can affect their objectivity.
2. They are part of the organizational system and should be familiar with the needs of the change situation. Hence, there should be time savings in the diagnostic process.	2. Internal agents can become too involved within the organization and miss important change issues that may be obvious to the 'outside' eye.
3. Familiarity with the organization and its members.	3. Internal agents may lack the experience, skills, and competencies required to lead and manage large-scale organizational change initiatives.
4. They benefit from direct observations as an ongoing diagnostic and evaluation tool.	
5. They may be able to gain the support, trust, and acceptance of the organizational members when viewed as reputable.	

Source: Author's creation

■ Table 5.2 Advantages and disadvantages of using external OD practitioners

Advantages	Disadvantages
1. They can bring diverse change perspectives to the organization.	1. More time-consuming and lengthens the OD process since the external practitioners come from outside the organization, society, and even country.
2. They can challenge the status quo and bring innovative and creative ideas to the organizational climate.	2. The diagnostic process can become very expensive since the external agents may have no previous knowledge of the organization, its members, problems, opportunities, culture, and the general organizational, societal, and national climate.
3. They may be perceived as more objective and less biased.	3. Very expensive.
4. They can gain the support of the organizational members due to their perceived objectivity.	4. External agents can be mistrusted and viewed as ‘outsiders’ who may not understand the organizational members and their issues of concern.
5. They may be able to yield more expert power and use this power to influence organizational members and other stakeholders.	

Source: Author’s creation

5.4 The Way Forward: A Combination Approach

Within the context of ODC, the transformation and development of organizational systems may require some combination approach in practice. A *combination approach* may be defined as the use of both internal and external practitioners within the ODC process.

Combination approach: A combination approach describes the use of both internal and external change agents/OD practitioners to manage and lead the OD process.

The implementation of a large-scale organizational change programme 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 consisting of an external practitioner working directly with an internal practitioner to initiate and facilitate change programmes (known as the external-internal practitioner team). This is probably the most effective approach. 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-time acquaintance with members, and an awareness of system strengths and weaknesses.

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 [12]. The team approach makes it possible to divide the change programme's workload and share in the diagnosis, planning, and strategy.

Another reason for using an external-internal practitioner team is to achieve greater continuity over the entire OD programme. 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 programmes are long-term efforts, the external-internal combination may provide the stimulation and motivation needed to keep the change programme 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 [13]. Can you think of examples of businesses using the combination approach of both internal and external practitioners on organizational change interventions?

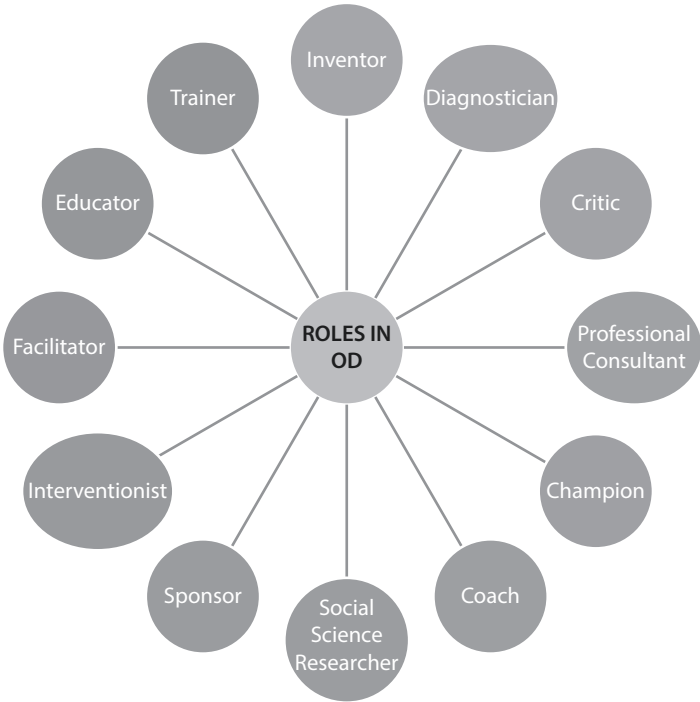
5.5 Key Roles in OD

The OD practitioner invariably plays several roles within the ODC process. The roles of OD practitioners may be viewed from the lens of the position held with the organization, internal or external. Even so, any practitioner may hold the following roles:

- *Inventor*: Develops and understands the technical aspects of the change plan.
- *Diagnostician*: Reads, appreciates, and understands the behavioural dynamics of individuals, teams, organizations, and larger social systems.
- *Critic*: Provides the reality tests on the obstacles and challenges that can emerge over the change process.
- *Professional consultant*: Initiates, negotiates, and maintains a collaborative consulting and organizational change relationship with clients over the life of an engagement.
- *Champion*: Drives the change plans forward and confronts the organizational costs, obstacles, and benefits associated with the change.

- *Coach*: Provides advice and encouragement and supports the development of skills, behaviours, and attitudes necessary for organizational effectiveness.
- *Social science researcher*: Designs and conducts various data-gathering and data-analysis methodologies.
- *Sponsor*: High-level personnel who addresses organizational barriers to change.
- *Interventionist*: Knowledgeable and capable of using a range of participative methods and processes that inspire participative involvement.
- *Facilitator*: Capable of dealing with small and large group dynamics, related to power, authority, leadership, conflict, diversity, and resistance, while keeping clients engaged and on track.
- *Educator*: Creates insight and learning through the teaching of principles, concepts, theories, and perspectives that enable clients to organize and structure thought and make decisions about the way forward.
- *Trainer*: Facilitates the development of skills to address issues, opportunities, and/or concerns.

From ■ Fig. 5.1, it is clear that the OD practitioner serves multiple roles within the field and practice of ODC. Further, OD practitioners must be able to serve in multiple roles simultaneously when leading and managing organizational change.



■ Fig. 5.1 Key roles in OD. (Source: Author’s creation)

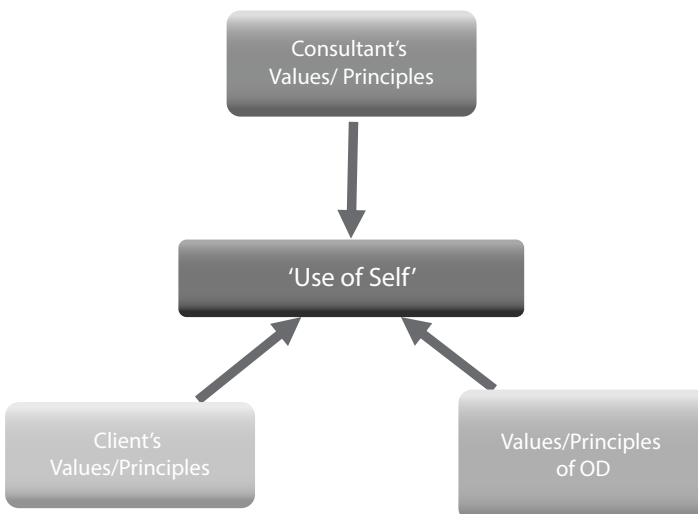
5.6 OD Competencies and the OD Practitioner's Use of 'Self'

The behavioural sciences have long stressed the importance of 'self' and indeed the OD practitioner's *use of self* in the ODC process may be instrumental to their roles. The OD practitioner's ability to fill a wide range of roles depends upon this use of 'self', and therefore it becomes an important competency for OD practitioners as well.

Use of self: 'Use of self' is a phrase which describes the integration of the OD practitioner's values, assumptions, beliefs, biases, and tendencies, the client or organization engaging in the ODC process, and OD values, principles, theory, and practices.

The OD practitioner's use of 'self' can be described as the process of acting upon a complex set of factors related to the consultant, client, and the practice of OD. More specifically, it is the integration of the OD practitioner's values, assumptions, beliefs, biases, and tendencies; the client or organization engaging in the ODC process with integrity and purposeful intent; and OD values, principles, theory, practices. This description is summarized in ■ Fig. 5.2.

Organizational development allows OD practitioners to bring their experience to the client engagement relationship during the ODC process. Even though managing 'self' is required, there is no need for the OD consultant to check parts of who they are at the door. Appropriate use of heart, mind, body, and



■ Fig. 5.2 OD practitioner's use of self. (Source: Author's creation)

spirit is permitted. From this regard, ‘self’ becomes the OD practitioner’s most fundamental resource and tool. Using ‘self’ as an instrument enables the consultant to forge authentic interactions and build trusting relationships within the ODC process.

Through the effective use of ‘self’, the OD practitioner is able to establish rapport and improve the quality of interventions. It is an interpersonal process driven by the genuine and authentic presence of the client that involves the ability of the consultant to listen to her or his own reactions to the client—what is seen, heard, and felt and other subtle and nonverbal cues—and to determine suitable responses and reactions. This process is called ‘reflection in action’ [14]. The OD practitioner’s use of ‘self’ is personal awareness, timely and appropriate communication of that awareness, and sensitivity to the feelings and receptivity of the client.

Two perspectives on the OD practitioner’s use of ‘self’ in the OD process can help to clarify its importance. These perspectives are explored below.

5.6.1 Use of ‘Self’ as a Conscious Choice

The conscious ‘use of self’ in particular is a necessary competency for OD practitioners since they are leading, coaching, and empowering others to facilitate the transformation of organizational systems. Conscious choice allows the OD practitioner to make choices and decisions, based not on habit or pattern, but based on a way of approaching life that leads to an increased awareness of their capacity to influence others [15]. One can too often act automatically from habitual patterns that may not be appropriate for the current situation. Conscious choice is therefore a better option when actions have an important impact, as is the case with OD practitioners.

5.6.2 Use of ‘Self’ from a Gestalt Perspective

‘Use of self’ is partly driven by the level of awareness OD practitioners have as they are working with a client. Such awareness is a core tenet of *Gestalt OD*, whereby practitioners can support the client—individually or collectively—having a more holistic experience.

Gestalt OD: Gestalt OD describes how OD practitioners track and help clients become aware of what is taking place, organize that awareness to recognize what is needed, commit and take action to meet the need, notice the shift and learning, and settle into a new state of being. It is therefore guided by a cycle of experience.

Gestalt OD is an integration of OD, Gestalt psychology, and general systems theory. Guided by the ‘cycle of experience’, OD practitioners track and help clients become aware of what is taking place, organize that awareness to recognize what is needed, commit and take action to meet the need, notice the shift and learning, and settle into a new state of being. The Gestalt practitioner heightens the client’s awareness at each step of the cycle of experience, thereby allowing and, in many ways, forcing the organization to make informed choices about how it wants to be [16]. This emphasis on awareness grows out of the Gestalt principle of the paradoxical theory of change which states that change occurs not when one tries to be something different, but when one becomes fully aware and accepting of who one is.

5.7 Professional Ethics and Values

5.7.1 Importance of Professional Ethics and Values for the OD Practitioner

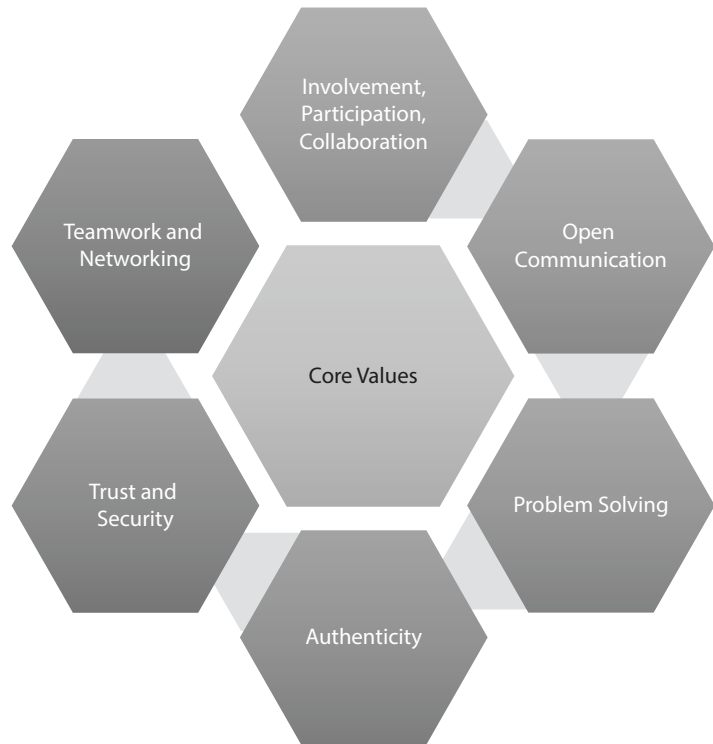
Values play an important role in OD practice. Values can be described as beliefs and manners OD practitioners develop and learn over their lifetime.

Values: Values can be defined as the underlying principles that individuals learn over time that shape their actions and behaviours.

Values can be differentiated from *professional ethics* since ethics are publicly agreed standards for the professional conduct of OD practitioners. However, professional ethics based on values help OD practitioners guide themselves as they move along the paths of their work and lives.

Professional ethics: Professional ethics describes the moral behaviours of OD practitioners.

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 and performance. OD practitioners, therefore, balance the optimization of human/employees needs and organizational/productive needs.



■ Fig. 5.3 Core values of the OD practitioner. (Source: Author's creation)

The judgement of the OD practitioner depends largely on his/her core values. The core values required of the OD practitioner are listed below and illustrated in ■ Fig. 5.3.

- Involvement, participation, and collaboration
- Open communication
- Problem-solving
- Authenticity
- Trust and security
- Teamwork and networking
- Trust and security

It is also important that the values of the OD practitioner and the organization are aligned for maximum effectiveness in achieving organizational transformation. Further, the core values of OD practitioners guide their ethical behaviour and hence their professional ethics as well.

5.7.2 Influence of Values on Professional Ethics of OD Practitioner

Professional ethics has emerged as an area of increasing importance within the field and practice of OD, especially as it relates to the role of the OD practitioner. It must be noted, however,

that the core values of the OD practitioners developed over their lifetime influence their professional conduct.

The professional ethics of OD require practitioners to develop ethical standards in the following areas:

- Responsibility to self
 - To act with authenticity and integrity
 - To advance professional development and competency-building
- Responsibility to clients
 - To act objectively in the best interest of the organization
 - To address the welfare of the organizational stakeholders
- Responsibility to the OD community
 - To share professional knowledge, skills, competencies, and experience in the field
 - To contribute to the professional development of other OD practitioners and the field of OD practice
- Responsibility to society
 - To act with sensitivity to the consequences of the proposed OD intervention for clients and the society
 - To be aware of and sensitive to multinational and multicultural differences and their implications
 - To promote justice for all

Indeed, ethical conduct and hence ethical misconduct can have important implications for the effectiveness of OD practice, the response of organizational members, stakeholders, and the success of the field and practice of OD. Consequently, adhering to ethical standards is of utmost importance.

5.8 Conclusion

This chapter examined the role of the OD practitioner in the change process. More specifically, the choice of internal versus external OD practitioners was assessed and a combination approach was recommended. The key roles and competencies of OD practitioners were described. Finally, the importance of professional ethics and values in the execution of the role of the OD practitioner were also discussed in this chapter. It is proposed that OD practitioners are the key drivers within OD processes.

■ Exercises

Student Resources

■ Chapter Outline

- I. The OD Practitioner and Organizational-Level OD Interventions
- II. Internal Versus External OD Practitioner
 - A. Role of the OD practitioner
 - B. When to use an internal OD Practitioner?

- C. When to use an external OD Practitioner?
- D. The Way Forward: A Combination Approach
- III. Key Roles in OD
- IV. OD Competencies and the OD Practitioner's Use of Self
 - A. Use of Self as a Conscious Choice
 - B. Use of Self as a Gestalt Perspective
- V. Professional Ethics and Values
 - A. Importance of Professional Ethics and Values for the OD Practitioner
 - B. Core Values of the OD Practitioner
 - C. Influence of Values on Professional Ethics of the OD Practitioner

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Further Reading

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Organizational Change Leadership

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Electronic supplementary material The online version of this chapter (https://doi.org/10.1007/978-3-030-39123-2_6) contains supplementary material, which is available to authorized users.

Learning Objectives

At the end of this chapter, readers should be able to:

1. Describe and critically assess the importance of organizational change leadership in whole system organizational change.
2. Assess the roles of communication, education, and involvement in leading organizational change.
3. Identify resistance to change as the key challenge in organizational change leadership and outline the key elements of managing resistance to change.
4. Make recommendations on how to sustain the change momentum.
5. Evaluate a process model for leading organizational change and development.

6.1 Introduction

6.1.1 Organizational Change Leadership in Change Management

The notions of leadership and organizational change have been closely linked and frequently discussed in tandem. However, while much is known about leadership and change, relatively little is known about the integration of the two.

Leadership is often discussed with respect to its impact on organizations in times of change, and the literature on organizational change frequently notes the roles that managers and change agents have as change leaders.

Leadership: Leadership can be described as the art of motivating individuals to achieve stated and/or common goals.

Yet, surprisingly, the impact of leaders on change or ‘organizational change leadership’ has been rarely studied systematically.

Change management focuses on the development and implementation of systematic change interventions within the organizational context. Change is implemented at three different levels (individual, group, and organizational levels) based on various environmental factors and employee, group, and organizational concerns. Organizational change management requires practical steps within an organization to motivate the employees and work groups. Numerous organizations fail at organizational change management as many employees resist change. In such a context, organizational change leadership becomes important. Successful leaders create an environment

to motivate employees towards common change goals and successfully manage change resistance, thereby becoming a key ingredient in successful change management. Successful change management therefore relies heavily upon effective organizational change leadership.

Organizational change leadership may be described as the various approaches, roles, and strategies utilized by organizational leaders to motivate and drive change as they develop, implement, manage, evaluate, and institutionalize organizational change interventions. This broad-based definition will be assessed in detail in this chapter to fully understand the role of leadership in organizational change.

Organizational change leadership: Organizational change leadership can be described as the art of motivating individuals towards organizational change.

6.2 Role of Leadership in Whole System Change

There is much debate on the role of leadership versus the role of management in ‘whole system’ organizational change. Are they the same? Are they different?

Whole system: ‘Whole system’ refers to the entire organization, and acknowledges that the organization is made up of many different parts which work together as one or as a whole.

There is a general consensus in the field of change management that leadership and management are not the same, although they are both important. The biggest difference between managers and leaders is the way they motivate the employees who work with, for, or follow them, and this sets the tone for most other aspects of what they do [1].

6.2.1 The Management of Organizational Change Versus the Leadership of Organizational Change

Good management is essential in all organizations; however, good managers have to be effective leaders as well. Distinctive qualities and approaches are associated with change management and change leadership that provide different strengths for the organization.

Management is associated with qualities focused on tasks and task accomplishment. *Leadership* is associated with qualities focused on relationships and people.

A primary distinction between change management and change leadership is that management promotes order and problem solving within the existing organizational structure and systems. Leadership, on the other hand, promotes vision, creativity, and change. Leadership also involves challenging the status quo so that outdated, unproductive, or socially irresponsible norms can be replaced to meet new challenges [2].

A balance of both management and leadership within whole system organizational change is required for effective organizational development and change (ODC).

6

► Example

For instance, when Yahoo got a new female president in 2007, Susan Decker was expected to possess excellent management skills to improve financial results, oversee operational details, make tough decisions, and work with managers to execute Yahoo's strategy. She was also expected to possess the leadership abilities to create and inspire employees with a vision to help Yahoo emerge from under the shadow of Google, to find the key to recruiting and retaining top-notch talent, and to rebuild the sagging morale inside the company [3]. In other words, a balance of both change management and leadership was expected to drive Yahoo forward. Decker led Yahoo in 2007 and 2008 during Google's ascendancy. However, she thereafter resigned in 2009 as Yahoo continuously declined in share prices under the shadow of Google. ◀

The following questions can then be asked:

- *What is effective leadership?*
- *Who are organizational change leaders?*

6.2.2 Leadership Theories/Approaches

Leadership is conceptualized through a number of different theoretical lenses. Over the years, a number of different theories have emerged to explain leadership and effective leaders within the context of business. These theories of leadership can provide the broad foundation for understanding effective leadership.

The most popular leadership approaches include the great man theory (1840s), trait theory (1930s–1940s), behavioural theories (1940s–1950s), contingency theories (1960s), transactional theories (1970s), transformational theories (1970s), visionary/charismatic leadership, and complexity leadership theory (2007). Popular contemporary theories include servant leadership, level five leadership, authentic leadership, and interactive leadership.

6.2.2.1 The Great Man Theory

The *great man* theory emerged around the mid-nineteenth century in an attempt to explain leadership in the organizational context. Even though no one was able to identify with any scientific certainty which human characteristic or combination of characteristics were responsible for identifying great leaders, this theory recognized, just as the name suggests, that only a man could have the characteristic(s) of a great leader.

‘Great man’: The ‘great man’ approach represents one of the earliest leadership theories. This approach is based on the idea that great leaders are ‘born’ and not made. This idea emerged in the nineteenth century.

The great man theory assumed that the traits of leadership are intrinsic. It asserted that great leaders are born and they are not made. This theory further asserted that great leaders were destined by birth to become a leader and that great leaders will rise when confronted with the appropriate situation.

The trait leadership theory grew out of the great man theory in the 1930s–1940s and further argued that people are either born or made with certain traits or qualities that will make them excel in leadership roles. *Traits* are the distinguishing personal characteristics of a leader, such as intelligence, honesty, self-confidence, and even appearance.

Traits: Traits refer to the underlying predispositions of individuals to act or behave in particular ways.

Therefore, certain qualities such as intelligence, sense of responsibility, creativity, and other values can put anyone in the shoes of a good leader [4].

The trait theory of leadership therefore focused on understanding what is the characteristic or the combination of characteristics that are common among leaders.

6.2.2.2 The Behavioural Theory

In response to the trait leadership theory, the behavioural theories offered a different perspective on leadership, emerging in the 1940s–1950s. It focused on the behaviours of the leaders as opposed to their mental, physical, or social characteristics. This approach asserted that anyone with the right conditioning could become effective leaders. In other words, leaders can be made, and are not necessarily only born leaders.

The behavioural theories first divided leaders into two categories: those concerned with tasks and those concerned with people, referred to as task-oriented behaviours and people-ori-

ented behaviours, respectively. This theory suggested that leaders may exhibit some mix of task-oriented and people-oriented behaviours. It further posited that although they are not the only important leadership behaviours, concern for tasks and concern for people must be shown at some reasonable level.

Important research programmes on leadership behaviour were conducted at Ohio State University, the University of Michigan, and the University of Texas. All three research studies indicated that varying degrees of both a concern for tasks and a concern for people or employees were important leadership behaviours.

6.2.2.3 The Contingency Theory

The contingency leadership theory emerged in the 1960s. This theory posited that there is no single way of leading, and every leadership style should be based on certain situations, which signifies that there are certain people who perform at the maximum level in certain places, but at minimal performance when taken out of their element.

It is generally accepted within the contingency theories that leaders are more likely to express their leadership when they feel their followers will be responsive and that situational factors will determine the leadership approach taken. Three of the most popular contingency theories include Hersey and Blanchard's situational theory, Fiedler's leadership model, and the substitutes-for-leadership model [5].

The situational theory of leadership is an extension of the behavioural theories. Hersey and Blanchard's approach focused on the characteristics of followers in determining appropriate leadership behaviour. It posited that a leader can adopt one of four leadership styles (telling style, selling style, participating style, and delegating style) based on a combination of relationship and task behaviours, and that the appropriate style depends on the readiness level of followers. Fiedler's leadership model starts with assessing the extent to which the leader's style is task oriented or relationship oriented. Fiedler considered a person's leadership style to be relatively fixed, stable, and difficult to change. As such, this theory posited there must be a match of the leader's style with the situation most favourable for his or her effectiveness. The substitutes-for-leadership model argues that situational variables can be powerful and can actually substitute for or neutralize the need for leadership. This approach therefore outlined those organizational settings in which a leadership style is unimportant or unnecessary [6].

6.2.2.4 The Transactional Theory

Transactional theories, also known as exchange theories of leadership, emerged in the 1970s. These theories are characterized by a transaction between the leader and the followers. In fact, the theory values a positive and mutually beneficial relationship between leader and followers.

Transactional theory: The transactional theory is based on a leadership approach which recognizes rewards and punishment as key aspects of achieving compliance by followers.

The transactional theorists argue that individuals in general seek to maximize pleasurable experiences and reduce unpleasurable experiences. This perspective argued that effective leaders must adequately reward (or punish) followers for performing (not performing) leader-assigned tasks. In other words, transactional leaders promote compliance by followers through both rewards and punishments. Through a rewards and punishments system, transactional leaders are able to keep followers motivated for the short term. Transactional leaders look to keep things the same and pay attention to followers' work in order to assess performance versus underperformance and to allocate rewards and punishment. Transactional leaders therefore focus on increasing the efficiency of established routines and procedures and are more concerned with following existing rules than with making changes to the structure of the organization.

6.2.2.5 The Transformational Theory

Transformational leadership was formulated as a theory of leadership in organizations in 1985 and since then to the present, this type of leadership style continues to gain increased attention [7].

Transformational leader: The transformational leader is based on a leadership approach where leaders work with teams to identify the need for change, create a vision for change, and implement change through inspiration.

Transformational leadership has been conceptualized as a relationship between the leader and followers, in which the former directs and inspires the latter's efforts with the main aim of enhancing their awareness of the degree of importance of organizational values and outcomes.

Transformational leaders are distinguished by their ability to bring about innovation and change by recognizing followers' needs and concerns, helping them look at old problems in new ways, and encouraging them to question the status quo. Transformational leaders inspire followers not just to believe in the leader personally, but to believe in their own potential to imagine and create a better future for the organization. Transformational leaders create significant change in both followers and the organization [8].

6.2.2.6 Visionary/Charismatic Leadership

Visionary leadership is based on the idea that the leader has the ability to inspire and motivate people to do more than they would normally do, and hence followers may be willing to put aside their own interests for the sake of the team, department, or organization.

Visionary leadership: The visionary leader is known to inspire others to create a better future and solve problems in new, creative ways. Visionary leaders are also known to be charismatic.

Such leaders motivate followers in a number of ways, including:

- Using a lofty vision of an imagined future that employees identify with
- Demonstrating an ability to understand and empathize with employees
- Empowering and trusting subordinates to accomplish results

Charismatic leaders are skilled in the art of visionary leadership. A vision is an attractive, ideal future that is credible yet not readily attainable. Vision is an important component of both charismatic and transformational leadership. Visionary leaders speak to the hearts of employees, letting them be part of something bigger than themselves. Where others see obstacles or failures, they see possibility and hope. Charismatic leaders typically have a strong vision for the future, almost an obsession, and they can motivate others to help realize it. These leaders have an emotional impact on subordinates because they strongly believe in the vision and can communicate it to others in a way that makes the vision real, personal, and meaningful [9].

6.2.2.7 Complexity Leadership Theory

Complexity leadership theory emerged in 2007, and hence it is seen as one of the more contemporary, newer approaches on leadership. This approach relies on four key ideas:

- Leadership is socially constructed; it emerges from and is embedded within a context, where context refers to the nature of interactions and interdependencies among agents (people, ideas, etc.), hierarchical divisions, organizations, and environments.
- Leadership must be differentiated from leaders, where leadership is an emergent, interactive dynamic that is adaptive over time (known as adaptive leadership), and leaders are individuals who act in ways that influence this dynamic and the adaptive outcomes.
- Leadership must be differentiated from managerial positions or ‘offices’, which is a bureaucratic idea. Leadership

occurs throughout the organization and is not restricted to managerial roles and top-level positions.

- Leadership occurs in the face of adaptive challenges (typical of the Knowledge Era) rather than technical problems (more characteristic of the Industrial Age). Adaptive challenges are problems that require new learning, innovation, and new patterns of behaviour, while technical problems can be solved with existing knowledge and procedures.

This theory therefore posits that leadership is not merely the influential act of an individual or individuals but rather is embedded in a complex interplay of numerous interacting forces.

6.2.2.8 Other Contemporary Leadership Approaches

It is apparent from the aforementioned theories that the concept of leadership evolved as the needs of organizations change over time. Indeed, the environmental context in which leadership is practised influences which approach might be most effective, as well as what kinds of leaders may be required.

In such a context, a number of other contemporary leadership styles also emerged [10], including:

- *Level five leadership* [11]
- *Servant leadership*
- *Authentic leadership*
- *Interactive leadership* [12]

Level five leadership: The level five leader is best known for the idea that great leaders are not necessarily born, but can be made or developed over time. It is a leadership approach which recognizes that over time leaders can be developed through a hierarchy of levels: a highly capable individual, a contributing team member, a competent manager, an effective leader, and, at the highest level, a level 5 executive.

Servant leadership: Servant leadership describes a leadership approach which transcends the self-interest of the leader to serve the interest of others.

Authentic leadership: Authentic leadership is a leadership approach which is based on the following phrase: 'Be true to thyself'. Authentic leaders espouse and act with higher-order ethical values and inspire trust and commitment.

Interactive leadership: Interactive leadership is a leadership approach which emerged out of gender studies/studies of female leaders. The influence of such leaders to drive and motivate others is derived from relationships and interpersonal interactions.

These contemporary leadership theories share the common themes of a focus on employee empowerment, participation, involvement, selflessness, the welfare of employees and organizations, and the development of leadership skills over time.

6

6.2.3 Organizational Change Leadership

Indeed, each of the leadership theories that emerged over time attempted to provide differing perspectives on who are effective leaders. Even so, some leadership approaches are more effective than others to bring about the high levels of commitment and enthusiasm required for ODC.

Visionary/charismatic leadership and transformational leadership in particular align to a significant extent with the requirements of change leadership. For instance, visionary leaders facilitate and guide the process of change management with their lofty visions and their ability to motivate stakeholders towards the achievement of change visions. Transformational leaders can drive the ‘transformation’ of organizational systems with their ability to bring about innovation and change. The elements of employee empowerment, participation, and involvement which are consistent with the more contemporary leadership approaches are also key requirements in change leadership that can assist with managing and minimizing resistance to change. The contextual factors associated with the complexity leadership approach and the contingency perspectives can indeed impact the effectiveness of change initiatives as well. Leaders must be adaptive in order to be responsive to changes within organizational contexts; this is another idea synonymous with the complexity leadership approach that aligns with organizational change leadership. People-oriented behaviours which focus on relationships (derived from behavioural theory) can also be instrumental in managing reactions to organizational change.

It should be apparent that various elements of the different leadership approaches can be integrated to create a *hybrid leadership approach*.

Hybrid leadership approach: Hybrid leadership approaches describe the use of leadership styles which draw on a number of different leadership approaches or principles to suit the specific needs of the situation or organization.

A hybrid leadership approach draws on the relevant characteristics and key tenets of the other leadership approaches to develop a ‘best fit’ strategy to change leadership.

Best fit: The idea of ‘best fit’ is derived from the contingency perspective or philosophy of management. This perspective is based on the idea that organizations are different by virtue of contextual/situational characteristics, and hence they must ‘fit’ or tailor their approaches and practices to their specific situation or needs.

6.2.3.1 Organizational Change Leaders

Organizational change leaders play an important role in the institutionalization of organizations, creating an environment where change can take place, and in shaping the perceptions and attitudes of members within the organization [13].

The key roles played by organizational change leaders are summarized below:

- Leaders help to identify and shape the change issues that lead to innovation, creativity, and positive change; define the organization within the organizational environment; facilitate discussions; and encourage the involvement and participation of organizational members and stakeholders in planned change activities.
- Leaders create guiding coalitions to motivate, drive, support, and manage change.
- Leaders provide rewards and incentives to support and encourage participation in the change process.
- Leaders can act as change sponsors and/or support change sponsors within the organization.
- Leaders can drive the diagnostic process when undergoing organizational change management.
- Leaders develop a vision and shape the culture to initiate, implement, and institutionalize change.

The driving role of organizational change leaders in change management is apparent in several global business cases.

► Example

For example, CEO Satya Nadella's reorganization of Microsoft stands out based on Nadella's leadership skills. After being named CEO in February of 2014, Satya Nadella undertook a major restructuring of the massive company to do away with destructive internal competition. The company was stagnant and rife with turf wars between major business units that viewed each other more as competitors than partners in the same company. As the world moved forward, with Google becoming dominant online and Apple owning the market for mobile products, Microsoft was struggling to keep up. In September 2016, Nadella shook things up again with the merging of the Microsoft Research Group with the Bing, Cortana, and Information Platform Group teams. Throughout these planned changes within Microsoft's organizational system, Nadella developed and shared with employees a new sense of mission and culture: 'To empower every person and every organization on the planet to achieve more'. His strong vision and ability to lead the change with the engagement and participation of employees generated a positive sense of purpose at Microsoft [14]. In these ways, Nadella exhibited the keys aspects of an effective change leader. ◀

6.3 Communication, Education, and Involvement in Leading Change

In leading organizational change, change leaders using hybrid approaches may indeed be effective in the business world from a theoretical perspective. However, many of the efforts of organizational change fail in practice. It is estimated that at least more than half of all the organizational change programmes fail, reach a deadlock, or do not reach the intended results [15]. This failure may be attributed to a number of others reasons related to organizational leadership.

Whole system organizational change requires the use of communication, education, and involvement in leading ODC.

6.3.1 Communication

Communication is vital to the effective implementation of organizational change. The importance of communication during planned change has been empirically demonstrated and generally agreed upon among practitioners [16].

Poorly managed change communication can result in rumours and resistance to change, while exaggerating the negative aspects of the change [17].

Communication: Communication describes the art of passing messages through senders to receivers, where feedback can also be facilitated in the wider context of sending and receiving messages.

Communication can be defined as the process by which information is exchanged and understood by two or more people, usually with the intent to motivate or influence behaviour. Communication is not just sending information. Communication in the field of management is a two-way street that includes listening and other forms of feedback.

Within the context of organizational change, there is the critical need for open-communication policies throughout the organization in relation to change plans. Change plans should not be a secret to stakeholders within the organization. Open, two-way communication channels from the top of the organization, across, and within the organizational levels should be features of organizational systems undergoing change. There is no room for a *closed-door communication policy*. A closed-door communication policy is characterized by little to no feedback and involvement.

Closed-door communication: Closed-door communication is the opposite of open-door communication. It describes the restricted communication channels from the top of the organization, across, and within organizational systems.

Open-door communication policies are important in leading organizational change. An open-door communication policy is characterized by two-way feedback and involvement.

Open-door communication: Open-door communication describes unrestricted, two-way communication channels from the top of the organization, across, and within organizational systems.

6.3.2 Education

Education is closely aligned to communication processes within the context of organizational change leadership. *Education* refers to how informed individuals are within the organizational context.

Education: Education describes how informed employees are on the affairs of/happenings within their organization and organizational functioning in general.

In relation to organizational change leadership, education describes the extent to which organizational stakeholders are highly informed on the specifics of the organizational change plan, its implementation, its potential impact, and its potential consequences. Indeed, employees can vary on their ‘education’ based on the degree of information and transparency that exists in relation to organizational change.

6.3.3 Involvement

Involvement refers to the engagement and participation of organizational members directly in planning, conceptualizing, and implementing organizational change.

Involvement: Involvement describes the extent to which employees are allowed to participate in the affairs of/happenings within their organization and organizational functioning in general.

Involvement can lead to the design of high-quality organizational changes and to overcoming employee and stakeholder resistance to implementing such changes. The involvement of organizational members can encourage a diversity of information and ideas, which can contribute to making innovation changes effective and appropriate to the organizational situation. This collaborative approach can also be useful to identify and manage barriers and challenges to implementation.

Further, involvement in planning the changes increases the likelihood that members’ interests and needs will be accounted for during the organizational change interventions. Moreover, for employees and organizational stakeholders having a strong need for involvement, the act of participation itself can be motivating, leading to greater effort to make the changes work.

6.4 Managing Resistance to Change

6.4.1 Types of Responses to Organizational Change

There are four different types of responses to organizational change [18]. These include:

- **Withdrawal:** Withdrawal behaviours are related to the idea that changes have not occurred and that organizational functioning will always continue as usual.
- **Resistance:** Resistance behaviours are related to the sabotage of organizational changes. This sabotage can take

many different forms, for example, opposing the change directly, delaying the implementation of the change, and refusing to cooperate.

- Acceptance: Acceptance behaviours are related to the submission to and the recognition of the organizational changes.
- Embracing/adoption: Adoption behaviours are related to volunteering for change in order to implement changes within organizational systems, and by looking at new opportunities positively.

6.4.2 Resistance to Change

Of the four aforementioned responses to organizational change, withdrawal and resistance have been noted as the biggest challenges in leading whole system change. Indeed, withdrawal aligns with resistance to change.

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 as to whether their existing skills and contributions will be valued in the future or may have significant questions about whether they can learn to function effectively and achieve benefits in the new situation.

At the organizational level, resistance to change originates from three sources. ‘Technical resistance’ comes from the habit of following common procedures and the consideration of sunk costs invested in the status quo. ‘Political resistance’ can arise when organizational changes threaten powerful stakeholders, such as top executive or staff personnel, or call into question the past decisions of leaders. Organizational change often implies a different allocation of already scarce 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.

Indeed, change can generate deep resistance in people and in organizations, thus making it difficult, if not impossible, to implement organizational improvements. As such, managing resistance to change is a key aspect of organizational change leadership as well. This fact is illustrated in the following example.

► Example

When British Airways (BA) restructured the entire organization starting in the 1980s, effective leadership in this area was apparent. BA was created in 1974 with 215 aircrafts supported by 50,000 employees, a level of staffing which was viewed even then as precariously oversized. The oil crises of the 1970s shrunk the airlines’ customer base, and the company suffered massive financial losses. In that context and over time the company developed a reputation for terrible service. In 1981, BA hired a new chairman, Lord

King, who immediately recognized the company was operating inefficiently and wasting valuable resources. To increase profits, King launched an organizational restructuring exercise, reducing its workforce from 59,000 to 39,000, eliminating unprofitable routes, and modernizing the fleet. Within ten years, the airline reported the highest profits in its industry: US\$284 million. One of the major factors contributing to King's success was his leadership approach which emphasized open communication, transparency, and employee involvement/participation. For instance, before King began announcing layoffs, he explained his reasons for the restructuring to the entire company to prepare them for the upcoming change. Without his transparency, BA could have experienced employee backlash and negative press around all the layoffs. However, King emphasized the importance of open, honest, and frequent communication to manage the change and minimize change resistance as far as possible [19]. ◀

It must be noted that generally many organizations perceive resistance to change negatively and view employees who resist change as being somewhat disobedient and selfish. This negative label associated with resistance, however, can lead to the dismissal of potentially valid employee and stakeholder concerns about the proposed changes. Indeed, employees may resist changes which do not align with their ethical values or when they feel that the interests of the organization and its performance may be threatened in some way. Therefore, what some organizations may view as unfounded opposition and employee/stakeholder resistance may indeed be behavioural responses motivated by their ethical principles or by their desire to protect the organizational interests. Consequently, what may be seen as 'resistance' may in fact be reluctance.

Pederit, in a 2000 study, further recognized that responses to organizational change can be *cognitive*, *emotional*, and/or *intentional*. Cognitive responses can range from strong positive beliefs that the change is essential to strong negative beliefs that the change can damage the organization. Emotional responses can range from strong positive emotions such as happiness with the change to strong negative emotions such as fear or anger. Intentional responses can range from strong positive intentions to support the change to strong negative intentions to oppose or to challenge the change. Given such varying possible responses, the management of resistance to change becomes critically important.

6.4.3 Strategies for Managing Resistance to Change

Communication, education, and involvement are important in leading organizational change and they are key strategies for addressing resistance to change as well. In addition to

these three strategies, a number of other approaches can be used by organizational change leaders to address resistance to change.

6.4.3.1 The Force-Field Analysis

Force-field analysis is a strategy grounded in field theory, which was introduced and explained in ► Chap. 4. This approach focuses on the conditions/forces that drive or restrain behaviour, and it argues that human behaviour is the result of a dynamic balance of forces working in opposing directions (driving and restraining). Therefore, the approach assumes that a shift in the balance of these forces towards the direction of planned changes can result in the desired changes in behaviour. Force-field analysis, theoretically, purports that resistance to change can be managed by addressing the driving forces for change and minimizing/managing the restraining forces against change.

Theoretically, however, force-field analysis does not explain how the driving forces can be addressed and how the restraining forces can be minimized or managed, which are the main limitations of this approach.

6.4.3.2 Other Tactics for Managing Resistance

Other tactics which can be used to manage resistance to change include:

- Top management/political support for change
- Creating a culture for change
- Creating a vision for change
- Training and development to cope with change
- Incentives and benefits to accept change

6.5 Sustaining Change Momentum

Leading organizational system-wide changes continue to be a challenge for the field and practice of ODC, even in a context where resistance to change is effectively managed. Where change plans are developed, its implementation and effectiveness are largely dependent upon the organizational change leader's ability to 'sustain the change momentum'.

Many organizations have been largely unsuccessful in sustaining the *change momentum*.

Change momentum: Change momentum describes the level of energy and commitment to implementing and sustaining change.

The need for change may be apparent and plans may even be developed; however, the lack of momentum to sustain the change can affect implementation and stall the achievement

of change goals. Once organizational changes are under way, explicit attention must be directed to sustaining energy and commitment for implementing them. A strong tendency exists among organizational members to return to old behaviours and well-known processes unless they receive sustained support and reinforcement for carrying the changes through to completion.

Organizational change leaders can engage in and promote a number of activities to sustain the change momentum, including:

- The reinforcement of change behaviours using reward management
- The development of new competencies and skills to sustain change
- A focus on the importance of organizational change throughout organizational systems for survival, growth and development
- The mobilization of continuous support for organizational change leaders

Weibe, Suddaby, and Foster in their 2012 study go on to recognize that change momentum may not be as simplistic as the level of energy towards organizational change, and further, there may be different types of momentum. They distinguish between three types of change momentum:

1. Inherent
2. Exploratory
3. Emergent

These different types of momentum recognize that there is a relationship between change management and time. Indeed, momentum can increase and decrease with time and over time as well. Further, the past can strongly influence change momentum in the present and the future as well.

Inherent momentum is defined as past-oriented momentum. Momentum is assumed to lie within organizational phenomena themselves and any organizational phenomenon as well as the organization as a whole would continue to follow and develop along the path of its initial direction. *Exploratory momentum* is defined as future-oriented momentum. Momentum may be shaped, reshaped, or even terminated by managerial interventions if change goals are not being met within a specified time frame. *Emergent momentum* is defined as present-oriented momentum. Momentum is based on the level of effort and commitment top-level decision-makers or managers are willing to devote to action designed to resolve an issue. Organizations, therefore, respond differently to environmental changes because managers would respond differentially to changes.

Indeed, whether focused on the future or the present, momentum becomes an ongoing, effortful accomplishment by leaders/managers. This is not surprising since both explor-

atory and emergent momentum is constructed through interpretive processes in social contexts. Inherent momentum, like exploratory and emergent momentum, is also shaped by leaders and managers who direct their attention not to the future or the present but to the past. Consequently, whether momentum is inherent, exploratory, and/or emergent, the role of leadership in pushing change forward is quite apparent. Change leaders should therefore recognize the relationship of time to change momentum while striving to sustain momentum over time.

6.6 A Process Model for Leading Organizational Change

In this chapter, the role of organizational change leadership in the ODC process was explored. Based on this exploration, the following *process model* for leading organizational change is proposed in ■ Fig. 6.1.

Process model: A process model refers to various processes that are logically linked together to create a model for understanding various concepts or functions.

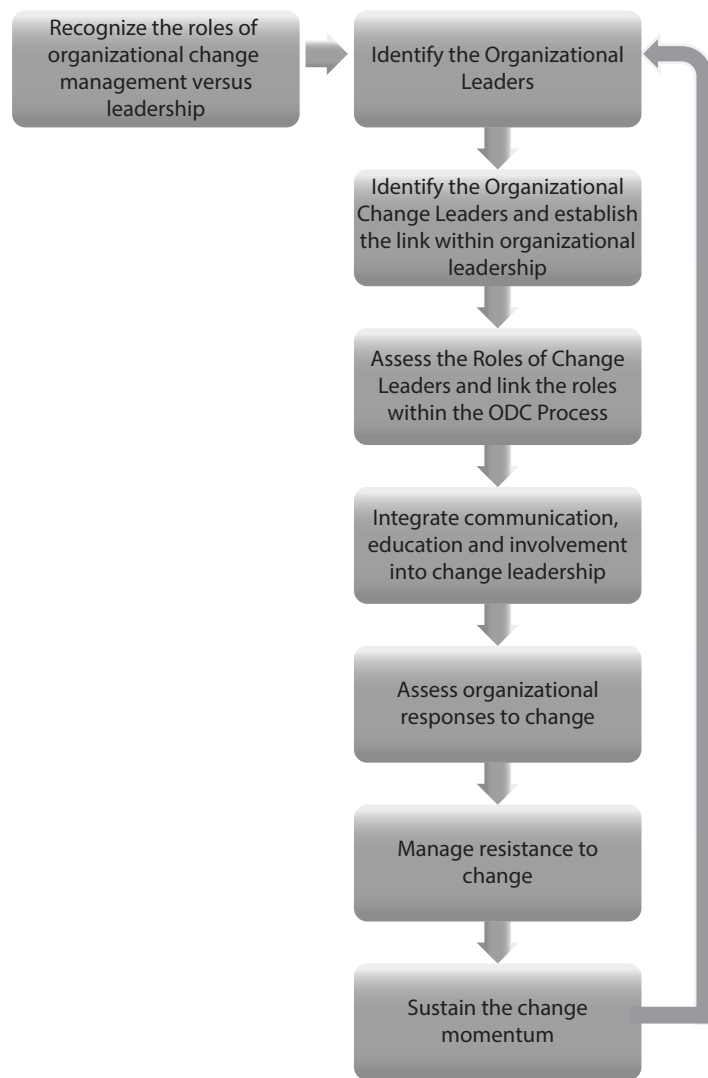
This process model provides a step-by-step approach which can be used to guide organizational change leaders through the change process. Change strategies may be useful in driving such a process model forward. A number of change strategies have emerged over time that may be useful to drive the process model for leading organizational change.

6.6.1 Change Leadership Strategies

Most successful change interventions require a mix of various change strategies; rarely would a single strategy be sufficient. The most popular change strategies that can be used to lead organizational change include:

- The empirical-rational strategy [20]
- The normative-reeducative strategy [20]
- The power-coercive strategy [20]
- The environmental-adaptive strategy [20]

The *empirical-rational* strategy is based on the idea that employees are rational beings, and hence they will pursue their self-interest. On this basis, successful change leadership must be based on the communication of information and the proffering of incentives.



■ **Fig. 6.1** A process model for leading organizational change. (Source: Author's creation)

The *normative-reeducative* strategy is based on the idea that employees are social beings and will adhere to cultural norms and values. Successful change leadership is therefore based on redefining and reinterpreting existing norms and values, and developing commitments to new ones. This change leadership strategy assumes that for the most part employees do want to 'fit in'.

The *power-coercive* strategy assumes that employees are basically compliant and will generally do what they are told or can be made to do. Successful change is based on the exercise of authority and the imposition of sanctions. Surprisingly, in many situations, people actually want and will readily accept this approach, particularly when all feel threatened and few know what to do.

The *environmental-adaptive* strategy assumes that employees oppose loss and disruption but they adapt readily to new circumstances. Hence, successful change leadership is based on building a new organization and gradually transferring people from the old one to the new one, since employees are often quick to oppose change they view as undesirable, but they are even quicker to adapt to new environments.

Indeed, there is no one best change leadership strategy. The appropriate mix of leadership strategies depends upon a number of factors including the degree of change, the degree of resistance, the time frame for change, and the level of available expertise to manage the organizational changes. For example, radical and transformational changes may require an environmental-adaptive strategy; strong resistance to change may require some combination of the power-coercive and environmental-adaptive strategies; a short time frame may call for a power-coercive strategy, while longer time frames for change may require some mix of rational-empirical, normative-reeducative, and environmental-adaptive strategies; and having the change expertise may call for the use of all four strategies to varying degrees.

An appropriate blend of change leadership strategies can indeed drive the process model for leading organizational change.

6.7 Conclusion

This chapter examined the role of organizational change leadership in the management of whole system organizational change. Organizational change leaders are a critical component of effective change management. In fact, effective change leadership draws key principles from traditional and contemporary leadership approaches. Hybrid leadership approaches are therefore recommended to ‘best fit’ the change needs of each organization. While open-communication policies, educating and involving employees in change processes are recommended as strategies which can be used by change leaders, they are also important elements of managing resistance to change. Managing resistance to change is acknowledged as one of the biggest challenges facing organizational change leadership.

■ Exercises

Student Resources

■ Chapter Outline

- I. Organizational Change Leadership
- II. Role of Leadership in Whole System Change
 - A. The Management of Organizational Change Versus the Leadership of Organizational Change
 - B. Leadership Approaches

- C. Organizational Change Leadership: The Visionary Leader and a Hybrid Leadership Approach
- III. Communication, Education, and Involvement in Leading Change
 - A. Communication
 - B. Education
 - C. Involvement
- IV. Managing Resistance to Change
 - A. Types of Responses to Organizational Change
 - B. Resistance to Change
 - C. Strategies for Managing Resistance to Change
- V. Sustaining Change Momentum
- VI. A Process Model for Leading Organizational Change

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Initiating the Organizational Development Process

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Entering into the Practice of OD

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Learning Objectives

At the end of this chapter, readers should be able to:

1. Describe and critically evaluate the key aspects to be considered when starting or initiating the process of ODC.
2. Assess the importance of clarifying the need for OD when entering into the practice of OD.
3. Evaluate the importance of identifying the relevant stakeholders when entering into the practice of OD.
4. Evaluate the importance of assessing change readiness and planning levels of participation.
5. Describe the process of selecting OD practitioners.

7

7.1 Introduction

7.1.1 Entering into OD Practice

In ► Chaps. 1 and 4, the organizational development (OD) process was introduced and conceptualized as an ongoing process made up of the following main stages or phases:

- *Entering into the Practice of OD*
- Diagnosis of OD issues
- Data collection for OD
- Data analysis tools and feedback
- Development and implementation of organizational-level interventions
- Evaluation of OD and trends/future of OD

Indeed, this OD process draws on, combines, and supplements elements from the most popular foundation ODC (organizational development and change) models to present a comprehensive understanding of how the OD process unfolds over time. In ► Chap. 4, Lewin's change model, the action research model, John Kotter's eight-step model, the positive model, the general model of planned change, and the SEAM model were assessed to develop the model used in this book. Indeed, some elements of unfreezing (from Lewin's model), problem identification and consultation with a behavioural science expert (from the action research model), discovery (from the positive model), creating a sense of urgency (from Kotter's eight-step model), and entering and contracting (from the general model of planned change) can align with Stage 1, entering into the practice of OD.

Indeed, *entering* is the first step in the OD process.

Entering: Entering can be described as the first stage in the OD process. It describes the initial activities when initiating OD.

Entering sets the parameters for carrying out the subsequent stages of diagnosing the organization, data collection, data analysis and feedback, developing and implementing organizational change interventions, evaluating changes, and assessing trends/future of OD. Entering also helps to define the issues which will be addressed by those activities, who will carry them out, and how they will be accomplished.

‘Entering’ more specifically refers to the key activities undertaken within organizational systems to initiate the process of ODC. It involves five key activities:

- Clarifying the need for OD
- Identifying the relevant stakeholders in OD
- Assessing readiness for change
- Planning levels of participation
- Selecting OD practitioners

Notably, the ‘entering’ stage and such activities can vary in complexity, structure, and detail depending on the scope of change required within organizational systems. For instance, in the case of micro-level or individual-level interventions with minimal cross-effects, the ‘entering’ activities are likely to be simple, unstructured, less complex, and less formal. However, for macro-level or organizational-level interventions with multiple cross-effects, ‘entering’ can be complex, structured, formal, and detailed.

► Example

For example, in 2014 and 2015 with the merger of Mexican companies Iusacell and Nextel into the US company AT&T, a structured, detailed, and formal approach was adopted by the American giant in the telecommunications industry to enter into macro-level organizational change plans to acquire the Mexican companies. The ‘entering’ agreement proposed the terms of the acquisition for each of the Mexican companies and the need for a systematic organizational change plan was clarified from the start of the initial negotiations. The key stakeholders in the Mexican telecommunications industry were also identified and plans were developed to take the acquisition/merger agreement forward as part of the ‘entering’ process [1]. ◀

7.2 Key Activities in the Entering Stage of the OD Process

The OD process generally starts when an organizational member(s) recognizes there are some organizational issue(s) that require a systematic, planned response. The organization member may be an executive, line manager, employees in specialist positions, or any other employees in key organizational positions.

Issues are brought through these members to the OD practitioner(s), who are typically internal agents in the initial stages of the ‘entering’ stage. All of the parties that can impact and may be impacted by the issues, that is, the organizational stakeholders, are identified. A determination is then made to move towards the other stages of OD by selecting OD practitioners (internal, external, or some combination approach) to further guide the OD process.

The key activities in this first stage of the OD process are explored below.

7.2.1 Clarifying the Organizational Issue(s)

Organizational issues are the key prompters for ODC.

Organizational issues: Organizational issues, in the context of OD, can be described as any problem and/or opportunity that potentially impacts on organizational efficiency, organizational effectiveness, and hence organizational performance in a direct and/or indirect manner.

Organizational issues can be described as any planned change opportunity and/or organizational change problem that potentially impacts organizational efficiency, organizational effectiveness, and hence organizational performance in a direct and/or indirect manner. These issues may be specific or general as illustrated in the examples below.

► Example

In the early 1990s, American giant retail store Wal-Mart began looking to expand into the Latin American market. To do so, they saw the ‘opportunity’ to partner with Mexican retailer Cifra S.A. to get a foothold in Mexico as a priority issue [2]. They recognized that such a partnership would provide the impetus to facilitate their subsequent expansion in Latin America. ◀

► Example

In 2008, before the Royal Bank of Canada (RBC) proceeded to acquire the Royal Bank of Trinidad and Tobago (RBTT), it was a commercial bank based in Trinidad and Tobago and one of the largest commercial banking corporations in the Caribbean region. An ‘opportunity’ was presented to RBC, described as a ‘transformational opportunity’ to extend their reach into many important markets, notably Trinidad and Tobago, Jamaica, and the Dutch Caribbean, while significantly advancing their strategy to grow outside Canada [3]. ◀

► Example

In 2011, Motorola was struggling to upgrade its older phones. When Google moved to acquire the company for US\$12.5 billion, their goal was to develop top-tier mobile devices. However, Motorola subsequently took a nosedive, which included the release of a series of underwhelming phones and a broken promise to upgrade older Motorola phones already in consumers' hands to the latest Android OS [4]. ◀

The organizational issue(s) that prompt the need for OD; opportunities and problems, are linked to different types of organizational change. There are three main types of change within which organizational issues may be classified:

- *Developmental change issues*: Issues aimed at the improvement of an existing skill, method, performance standard, or condition that for some reason does not measure up to current or future needs.

Developmental change: Development change refers to changes aimed at improving existing skills, methods, or performance where gaps exist between current and desired or future states.

- *Transitional change issues*: Issues aimed not at simply improving what is, but focuses on replacing what is, with something entirely different.

Transitional change: Transitional change focuses on replacing 'what is' within organizations with something entirely different.

- *Transformational change issues*: This is the most complex type of change within which organizational issues emerge for organizations today: transformation. These issues represent a radical shift from one state of being to another, so significant that it requires a shift of culture, behaviour, and mindset to implement successfully and sustain over time [5].

Transformational change: Transformational change describes significant changes from one state to another. This type of change typically requires changes in organizational culture and behaviours to sustain the change momentum over time.

Further, it must be noted that organizational issues which are presented as problems prompt a reactive OD response. Conversely, organizational issues which are presented as opportunities prompt a proactive OD response. In these ways, OD is initiated based on some combination of reactive responses to problems and/or proactive responses to opportunities in practice.

The organizational issues are brought to the attention of key organizational members through various communication channels. In ► Chap. 6, open-door versus closed-door communication policies were introduced. Open-door communication policies within organizational change leadership can facilitate the process of bringing organizational change issues to the forefront.

7.2.1.1 Preliminary Data Collection to Clarify Organization Issues

To bring some degree of clarity to organizational issues, preliminary data collection is typically conducted in the initial stages of OD. Preliminary data collection in this stage can reveal that the initial issue identified may in fact be a symptom of other overarching problems or issues.

A number of techniques can be used at this preliminary stage of the OD process to gather preliminary data. The most popular techniques include:

- Environmental scanning
- SWOT analysis
- Research and development
- Balanced scorecards

Environmental Scanning The environments in which businesses operate are increasingly dynamic, requiring managers to be ready to react and respond to even subtle environmental shifts. Ongoing scans of the organization's external and internal environment can be used to inform organizational change issues that warrant planned systematic responses consistent with ODC.

SWOT Analysis SWOT analysis uncovers the internal strengths and weaknesses as well as the external opportunities and threats that affect organizational performance. Executives acquire information about internal strengths and weaknesses from a variety of reports, including budgets, financial ratios, profit and loss statements, and surveys of employee attitudes and satisfaction. External information about opportunities and threats may be obtained from a variety of sources, including customers, government reports, professional journals, suppliers, friends in other organizations, consultants, or association meetings. Many firms hire special scanning organizations to provide them with

competitive intelligence, analyses of relevant domestic and global trends, and even Internet research to identify opportunities and threats. This information can be used to inform which areas to focus attention on for strategic changes.

Research and Development Structured and systematic research and development initiatives can generate information on various opportunities for the growth and development of organizations.

Balanced Scorecards The balanced scorecard is a comprehensive management control system that uses a combination of financial and operational measures to assess organizational performance and its critical success factors. Performance is measured in terms of financial performance, customer service, internal business processes, and the organization's capacity for learning and growth [6]. This assessment can lead to the emergence of a number of organizational change areas that warrant attention.

► Example

British Airways, for example, measures its performance in key areas of customer service because its strategy is to compete on superior service in an industry dominated by companies that compete on price. Underpinning this strategy is a belief that delivery of excellent service will result in higher levels of customer retention and profitability. Thus, British Airways measures and controls areas of customer service that have the greatest impact on a customer's service experience, including in-flight service, meal rating, baggage claim, and executive club membership [7]. Instead of relying only on financial measures to judge the company's performance, British Airways uses a number of different operational measures to track performance and identify areas that warrant change management. ◀

7.2.2 Identifying the Relevant Stakeholders in OD

When a determination is made that the identified issue(s) warrants some structured, planned OD response, an assessment must be made of all relevant *stakeholders* or client. Most change projects have multiple clients or stakeholders.

Stakeholders: Stakeholders are any and all parties who can affect or impact the OD response and process in some way, positive and/or negative. It also includes all parties who are likely to be affected by the OD response and process.

The relevant stakeholders in most OD processes include employees, customers, shareholders, company boards, regulatory agencies, trade unions, company financiers, and the state/government.

Identifying and, more importantly, involving the relevant stakeholders in the OD process from this initial ‘entering’ stage is of utmost importance.

7.2.2.1 Importance of Involving Relevant Stakeholders

The involvement of all relevant stakeholders in the OD process from the initial stages is important because of several reasons:

- To manage and minimize resistance to change
- To increase their commitment to the change
- To enhance their motivation to accept the change

In ► Chap. 6, ‘involvement’ was explored as a key aspect of leading organizational change. Indeed, all relevant stakeholders should be actively involved in organizational change plans from the earliest stages of the OD process to enhance the success rates of such interventions.

► Example

In 2011, Leo Apotheker, Chairman and CEO at Hewlett Packard (HP), during his brief time in charge, took a number of questionable change management decisions that left key stakeholders baffled and confused. For instance, he backed the company’s US\$11.1 billion acquisition of Autonomy, a European data analytics company. This decision was made without the active involvement of stakeholder groups and in fact it left industry experts baffled as to how the new company would fit into HP’s strategy [8]. Unsurprisingly, Apotheker was subsequently fired for a series of such missteps which added to the company’s losses. ◀

7.2.3 Assessing Readiness for Change

The third issue in the ‘entering’ phase is assessing the readiness for change and the OD process.

Change readiness can be described as a shared psychological state in relation to organizational change.

Change readiness: Change readiness describes the extent to which organizational members feel committed and confident to implementing organizational changes.

This way of thinking about organizational readiness is best suited for examining organizational changes where collective behaviour change is necessary to effectively implement the

change, and, in some instances, for the change to produce anticipated benefits [9]. Change management experts have emphasized the importance of establishing organizational readiness for change as a multi-level, multifaceted construct.

Organizational readiness for change can therefore be described as organizational members' shared resolve to implement a change and their shared belief in their collective capability to do so, where the former is known as *change commitment* and the latter is referred to as *change efficacy*.

Change commitment: Change commitment describes the attitudes towards ODC, which can vary from positive to negative, thereby increasing or decreasing commitment. It describes the resolve of organizational members to implement organizational changes.

Change efficacy: Change efficacy describes the belief of organizational members on their collective capability to implement organizational changes.

Organizational readiness for change therefore varies as a function of change commitment and change efficacy. When organizational readiness for change is higher, organizational members are more likely to initiate change, exert greater effort, exhibit greater persistence, and display more cooperative behaviour. The result is more effective ODC implementation. Conversely, when organizational readiness for change is lower, organizational members are less likely to initiate change, exert lower effort, exhibit less persistence, and display less cooperative behaviour. The result is less effective ODC implementation.

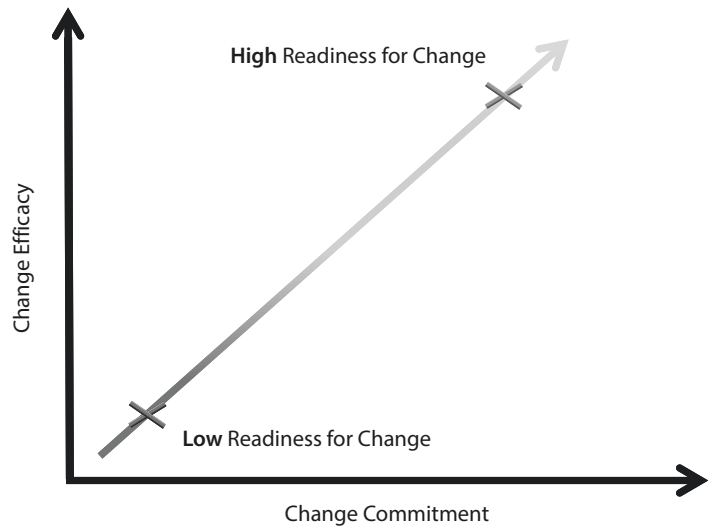
Organizational readiness for change, therefore, may be conceptualized on a continuum. ■ Fig. 7.1 illustrates this conceptualization.

The key challenge for organizations engaged in organizational change is ensuring that readiness for change is at its maximum threshold. Organizational readiness for change can be increased through a number of strategies, including:

- Promoting transparency in the change process
- Highlighting the wins associated with the change process
- Rewarding readiness for change
- Allocating sufficient resources to the change process
- Building a culture that is open to change

7.2.4 Planning Levels of Participation

Participation can be simply described as a process which allows employees to exert some influence over the ODC process and the conditions under which the process is executed



■ Fig. 7.1 Organizational readiness for change. (Source: Author's creation)

[10]. It can also be defined based on levels, with simple interaction and information dissemination at one end and actual power sharing and joint decision-making at the other [11].

Participation: Participation is the process of involving employees, organizational members, and stakeholders in the OD process to varying degrees. Participation can take various forms such as information-sharing, decision-making autonomy, and interactions.

Planning levels of participation in the OD process is an often overlooked aspect within the initial stages of ODC.

In the context of OD, recent literature on participation posits that when planning levels of participation for OD in the 'entering' stage, the following areas must be addressed:

- Participation of stakeholders in relation to the content of the intervention
- Participation of stakeholders in relation to the process of implementing it
- The degree of involvement (direct versus indirect) of stakeholders in the OD process
- The goals of using a participatory approach with stakeholders in the OD process [12–14]

Participation should therefore be planned from the initial stages of OD to incorporate participatory approaches throughout the OD process. Indeed, as noted in ► Chap. 6, 'participation' is an essential element of organizational change leadership as well.

7.2.5 Selecting OD Practitioners

The last activity involved in entering an OD relationship is selecting an OD practitioner who has the expertise and experience to work with members to address the organizational change issue. Unfortunately, little systematic advice is available on how to choose a competent OD professional, whether from inside or outside of the organization.

In ► Chap. 5, the role of the OD practitioner in ODC was comprehensively explored. However, the following question must also be asked at this stage of the ODC process: How to select OD practitioners?

The six-point checklist in ■ Table 7.1 can be used to guide the general selection process.

An important aspect of the selection process is the development of the consulting contract between the organization and the OD practitioner(s). A stable, balanced, and workable contract between the consultant and the client must also be developed and established. A number of steps can be undertaken in the development of such a consulting contract; these steps are assessed below.

■ ■ *Step 1: Personal acknowledgement between the client organization and the OD practitioners.*

Some level of discomfort is likely at the first meeting. Hence, casual conversations can serve as icebreakers to help increase the personal comfort level between the consultant and the client. Block [15] recommends making personal statements regarding feelings about the meeting.

■ ■ *Step 2: Communicate the change problem.*

Clients are usually eager to inform the OD practitioners about the change problem or the general situation. Here, concerns about whether or not the client can be helped and the prob-

■ Table 7.1 Selecting OD practitioners

✓	Examine the OD needs and its scope within the organization
✓	Examine the history, experience, expertise, and competencies of the OD practitioner
✓	Examine the fit of the OD practitioner with the OD needs, within the organization
✓	Examine the fit between the OD practitioner and organizational change leadership
✓	Examine the fit between the OD practitioner and the culture, norms, and values of the organization
✓	Examine the role of the OD practitioner to fit the needs of each stage of the OD process

Source: Author's creation

lem can be solved are usually addressed. The consultant needs to communicate an understanding of the problem in ways that acknowledge the unique aspects of the change situation, respond to the seeming complexity of the change situation, and speak to the client's fear about the change situation being beyond help.

- ■ *Step 3: Recognize the unique aspects of the client's change situation and the OD practitioners should present their perception of the change problem/opportunity.*
- ■ *Step 4: The OD practitioner reassures the clients that that they can develop change solutions to the unique change situations within their organization.*

The reassurance provided by the OD practitioner must be genuine. They should be clear that they can assist with finding solutions and know what steps to take to develop solutions, not that they already know what the change solutions are. At this stage, the OD practitioner can only make a tentative decision to accept the contract since they still don't know specifically what the client wants from them or what support the client is willing to offer to them. Until the specific wants and offers from the client are clear, the OD practitioners may not know whether the change initiative can succeed with their guidance.

- ■ *Step 5: Critically evaluate the client's wants and offers.*

The clients present their specific wants and their offer to the OD practitioner.

- ■ *Step 6: Critically evaluate the OD practitioner's wants and offers.*

The OD practitioner presents their specific wants and their offer to the clients.

- ■ *Step 7: Reaching an agreement.*

After exchanging wants and offers, an agreement may or may not be reached between the clients and OD practitioners; counter-offers can possibly be made at this point. The contracting meeting is not over even when an agreement has been reached. There are still a few more considerations before a stable, balanced contract can be assured. These are detailed in the subsequent steps. If, however, an agreement is not reached, and counter-offers are not accepted, it may be time to end the contracting process. Saying 'no' may be easier for external consultants than internal consultants at this point. Internal consultants may develop a fear of possible victimization by organizational members if their answer is 'no'.

- ■ *Step 8: Provide support.*

Where an agreement is indeed reached, support must be provided on both sides; the client and OD practitioners should pledge their support to the change situation and appropriate change interventions to address the situation. The support needs to be genuine and specific as far as possible.

■ ■ Step 9: Restate action steps.

As a final insurance step, attempts should be made to ensure that the clients and OD practitioners are clear on the next action steps to take the change process forward.

While these steps can provide useful guidelines when contracting OD practitioners, it is important for both client organizations and OD practitioners to uphold all stipulations within the contracting agreement. This remains an essential aspect of ‘Entering into OD Practice’, which can directly impact the other stages of the OD process.

Indeed, at the end of the first stage of the OD process, research questions and/or purpose statements should be presented, assessed, clarified, and, most importantly, agreed upon, to guide the rest of the change project and the other OD stages. Examples of research questions/purpose statements can include: ‘To improve employee satisfaction, motivation and commitment’, ‘To improve team cohesiveness and team functioning to boost productivity’, ‘To improve the efficiency of organizational structures, systems, and performance’, and/or ‘To initiate culture change to transform the functioning of organizational systems’.

7.3 Conclusion

This chapter is the first in Part II of the book. It examined the first aspect when initiating the OD process: ‘entering’. A number of activities must be covered when entering into the practice of OD: clarifying the need for OD, identifying all of the relevant stakeholders in the OD process, assessing the readiness levels of the organization for change, planning levels of participation within the OD process, and selecting the OD practitioners to guide the process. These activities were explored in detail prior to the diagnostic phase, which is examined in the subsequent chapter. Organizations undertaking OD and OD practitioners engaged in the process must navigate through all ‘entering’ activities before moving on to time-consuming diagnostic processes. It provides the foundation for diagnosis.

■ Exercises

Student Resources

■ Chapter Outline

- I. Entering into OD Practice
- II. The Entering Stage of the OD Process
 - A. Clarifying the Organizational Issue(s)
 - B. Identifying the Relevant Stakeholders in OD
 - C. Assessing Readiness for Change
 - D. Planning Levels of Participation
 - E. Selecting OD Practitioners

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Diagnosis of OD Issues

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Electronic supplementary material The online version of this chapter (https://doi.org/10.1007/978-3-030-39123-2_8) contains supplementary material, which is available to authorized users.

Learning Objectives

At the end of this chapter, readers should be able to:

1. Describe the importance of diagnosis in the ODC process.
2. Outline and critically assess the importance of diagnostic models to guide the diagnostic process within the field and practice of OD.
3. Evaluate the interrelationships among diagnostic models at various organizational levels.
4. Describe multi-level organizational diagnostic models and its role in organizational-level change and development.

8.1 Introduction

8.1.1 Diagnosis

Once the decision is made to initiate the OD process (by clarifying the organizational issues, identifying all relevant stakeholders, assessing organizational readiness for change, planning levels of participation, and selecting OD practitioners), diagnosis is then conducted.

Diagnosis can be described as the collaborative process of understanding the functioning of organizational systems; collaborative since it requires the collective effort, involvement, and participation of organizational members.

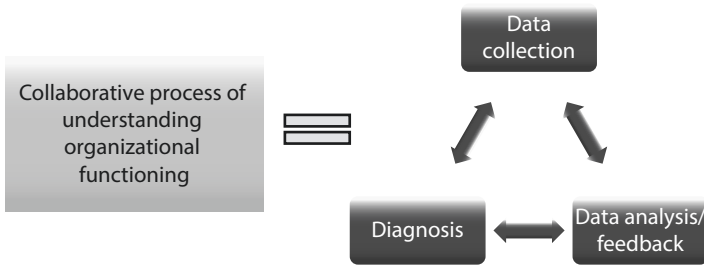
Diagnosis: Diagnosis focuses on assessing the functioning of organizational systems to identify the need for change.

Diagnosis is often equated with data collection and data analysis processes; diagnosis, however, is not a research process. Indeed, data collection and data analysis are accompanying tools and research processes that can be used by organizations to support the diagnostic process. These tools and processes are explored in detail in ► Chaps. 9 and 10, respectively. Diagnosis is more about understanding how organizations are working, with a view to improving the organizational systems through systematic, planned change interventions, while data collection and analysis are supporting processes that inform diagnosis. ■ Fig. 8.1 illustrates the role of diagnosis in the research process.

In recognition of diagnosis as the process of understanding organizational systems, organizations must ask the following question:

— *How to understand the functioning of organizations?*

To answer this question, diagnostic models can be used. Diagnostic models can be described as models or frameworks



■ **Fig. 8.1** Role of diagnosis in the research process. (Source: Author's creation)

which highlight the key areas within organizational systems that affect its functioning in terms of efficiency, effectiveness, and hence performance. This chapter therefore focuses on diagnostics perspectives and models to facilitate the process of diagnosis in organizational development and change (ODC).

8.2 Importance of Diagnosis in OD

Organizational diagnosis is an effective way of looking at an organization to *determine gaps between current and desired performance and how it can achieve its goals*. In practice, the stated purpose of diagnosis is typically to identify problems facing the organization and to determine their causes so that management can plan change solutions. It must be noted, however, that *diagnosis should focus on not only problem identification within organizational systems, but also the recognition of opportunities*. An organizational diagnosis process is therefore a powerful consciousness raising activity in its own right and its main usefulness lies in the action that it induces in initiating appropriate planned changes. In the absence of a rigorous diagnostic approach, consultants and organizational leaders are likely to address the wrong problems and/or choose the wrong solutions [1]. Further, without careful diagnosis, decision-makers may waste effort by failing to attack the root causes of problems [2].

In recent years, organizational diagnosis has evolved from being just a technique used as part of the organizational development process to a major technique in its own right. Indeed, *effective diagnosis should be an organic process*. Diagnosis as an organic process recognizes that when assessing the functioning of organizational systems, solid empirical evidence must be provided to initiate change, and as change plans are developed and implemented, further diagnosis may be needed, and, in fact, the diagnostic process can restart.

Diagnosis should therefore be seen as a cyclical, ongoing activity within organizational systems.

► Example

For instance, in the 1980s when British Airways undertook a massive transformation exercise, assessments were made on organizational performance and customer satisfaction prior to any changes. Such assessments revealed that the company was operating very inefficiently and wasting valuable resources. Subsequently, in 1981, such assessments were used to inform the massive workforce reduction from 59,000 to 39,000, the elimination of unprofitable routes, and the modernization of its fleet. Continuous assessments were undertaken to evaluate employee and customer responses to the planned changes. A new marketing expert was recruited to continue the monitoring process. Within ten years, assessments and monitoring of the organizational changes revealed the highest profits in its industry: US\$284 million [3]. Indeed, diagnosis became an ongoing aspect of organizational life for British Airways. ◀

8

8.3 Diagnostic Perspectives

Over time, a number of perspectives on organizational diagnosis emerged. The most popular classical perspective is the medical-based approach. The most popular contemporary perspective is the evidence-based approach. These perspectives are explored below.

8.3.1 Medical-Based Diagnostic Perspective

There has been a tendency within the field and practice of OD to rely on the traditional medical-based diagnostic perspective. The traditional *medical-based diagnosis* perspective is built upon the basic components of data collection, hypothesis formation, and hypothesis testing. Symptoms are observed, interpretations are formed, hypotheses are proposed, tests of hypotheses are conducted, and final diagnoses are made.

Medical-based diagnosis: Medical-based diagnosis is based on the use of the traditional doctor-patient model as an analogy for the organizational diagnostic process.

Research has discussed the use of this traditional doctor-patient model as an analogy for the organizational diagnostic process. It notes some parallels between the two processes: col-

lecting data to clarify symptoms, interpreting that information by comparing it to existing models, naming the diagnosis, and then prescribing a treatment.

Research, however, also notes fundamental differences. For example, the traditional medical diagnostic process begins with ill-health that prompts a visit to the doctor for a treatment to be prescribed. This implies that the medical diagnostic process is a reactive one and that it ends when a treatment is prescribed [4]. Within the field of OD, it is widely recommended that the OD process should be an ongoing activity, and hence diagnostic processes should be ongoing as well to facilitate and guide the OD process. Diagnosis therefore needs to be an ongoing, proactive activity and not a reactive one as implied in the traditional doctor-patient model of diagnosis. Further, subsequent to prescribing a treatment, organizational diagnosis must be recognized as an ongoing activity. Indeed, organizations do not operate within a vacuum—they operate within a dynamic organizational environment that changes on an ongoing basis; hence the need for diagnosis and change becomes an ongoing activity.

8.3.2 Evidence-Based Diagnostic Perspective

Within the field and practice of OD, the importance of a more scientific, rigorous, and, therefore, an evidence-based perspective to diagnosis is recommended with the goals of:

1. Bringing more scientific rigor to the diagnostic process,
2. Improving the appropriateness of interventions chosen for a given situation, and
3. Contributing to readiness to change among organizational members.

Evidence-based diagnosis can be described as a systematic, scientific approach designed to understand the functioning of an organization by collecting, assembling, and interpreting data/information to a question(s) of fact, and then taking appropriate action(s) based upon the conclusions drawn [5]. This definition recognizes that diagnosis is not data collection and analysis, but they are tools to facilitate diagnosis in order to understand organizational functioning and take corrective actions based on empirical evidence.

Evidence-based diagnosis: Evidence-based diagnosis is based on the idea that diagnosis seeks to understand organizational functioning and take corrective actions based on empirical evidence.

The development of a rigorous, evidence-based diagnostic process takes time and further requires four key conditions:

- An understanding of the causal relationships among change symptoms, causes, and solutions must develop.
- The knowledge of change symptoms, systems, standards, and solutions must grow and become integrated.
- Researchers and practitioners must collaborate to establish evidence-based change practice.
- A systematic process for disseminating relevant change knowledge through formal education, training, and development must be established.

The following question can then be asked:

Which diagnostic perspective should be used to guide the OD process?

Within the general field of management, there has been a trend towards evidence-based perspectives. There is some degree of consensus that while medical-based diagnosis is useful in recognizing that data collection and analysis are important in the development of ‘treatments’ or change plans, evidence-based diagnostic perspectives are much more relevant in recognizing that systematic, long-range, ongoing approaches based on empirical evidence are necessary to complement the very nature of organizational change interventions.

8.4 Diagnostic Models

What are diagnostic models and why are such models important in the field and practice of OD?

Diagnostic models can be described as guiding frameworks or road maps that pinpoint the core areas of organizational systems, which determine and impact its functioning. Diagnostic models, therefore, provide guiding frameworks for the diagnostic process.

Diagnostic models: Diagnostic models describe structured frameworks that pinpoint the core areas of organizational systems that determine their functioning.

Diagnostic models are derived from conceptions about how organizations function, and they outline what areas to examine when diagnosing organizations, departments, groups, or jobs. They serve as a road map for discovering and understanding the current functioning of organizational systems.

Recall, in the ‘entering’ process in ► Chap. 7, one of the key areas was the need to clarify or understand the organizational issue(s) that prompts the need for OD. To further diagnose an organization and its functioning, OD practitioners and organization members need to have a comprehensive understanding of what information to collect and analyse. 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. In this context, diagnostic models become important. They describe the relationships among different features of the organization, as well as 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.

8.4.1 Which Diagnostic Model(s) to Use?

Over the years, a number of models have been proposed to guide the diagnosis of organizational systems within the field and practice of OD. The most notable diagnostic models include:

- Leavitt’s model (1965)
- Open-systems theory (1966)
- Weisbord’s six-box model (1976)
- Congruence model by Nadler-Tushman (1977)
- Tichy’s model (1983)
- Burke-Litwin model (1992)

8.4.2 Leavitt’s Model (1965)

Leavitt’s model views organizations as interdependent systems. The model postulates that diagnosis can only be achieved through a balance of four organizational subsystems:

- Structure: Describes the authority systems, communication systems, and work flow within the organization.
- Technology: Describes the equipment, processes, and machinery required for the accomplishment of tasks.
- Tasks: Describe all the jobs, roles, duties, and responsibilities involved in providing products and services.
- People: Describes the human relation function within the organization responsible for the execution of tasks to support the achievement of organizational goals.

Leavitt notes that changes in any one of the components results in a change in the other three. As such, comprehensive diagnosis requires an understanding of these interdependent components of organizational systems.

8.4.3 Open-Systems Theory (1966)

Among the most popular and widely used models are the *open-systems models*. Open-systems models help practitioners to:

- Choose topics for diagnosis.
- Develop criteria for assessing organizational effectiveness.
- Decide what steps, if any, to help clients solve problems and enhance effectiveness [6].

System models are extremely relevant to the change process in general and to diagnosis in particular. These models generally argue that an open system is composed of interdependent components (inputs, throughput, and outputs), the components interact, effectiveness is a function of organizational adaptation to the environment, and people or employees are a vital system resource.

Research describes the system concept as being applicable to any kind of organization, to all levels of an organization, and supports the use of the systems concept as the basis for diagnostic models within the field and practice of OD [7].

In this book, an open-systems approach is recommended. However, it is recognized that the systems concept, as abstract as it might be, is a fundamental and widely accepted principle among organizational change professionals. To address its abstract nature, it is suggested that the ‘open’ aspect of the concept is emphasized when designing diagnostic models, that is, attention should be given to the environment, when diagnosing organizational functioning. This approach is explored in detail in the subsequent section of this chapter.

8.4.3.1 Weisbord’s Six-Box Model (1976)

Weisbord describes six key areas which directly impact the success of organizations. The model provides a diagnostic tool for identifying the key areas, which include:

- Purpose: Describes the mission, goals, and objectives of the organization.
- Structure: Describes the organization’s levels of power and formal relations between the functional groups within the organization.
- Relations: Describe the individuals, groups, technology, and other functional relationships which work together within the organizational context.
- Rewards: Describe the various reward systems within the organization to support motivation and productivity.
- Leadership: Describes the different approaches and styles used to lead, motivate, and communicate.

- Helpful mechanisms: Describe the methods used to assist organizational members with the coordination of their activities. Examples of such mechanisms include a description of organizational approaches, seminars, notes, reports, or positions which are created with the purpose of developing appropriate relationships between the different parts of the organization.

Weisbord's model is typically used when the OD practitioner does not have as much time as would be desirable for diagnosis. It offers a quick review of the key areas that affect organizational functioning.

8.4.3.2 Congruence Model by Nadler-Tushman (1977)

The congruence model by Nadler-Tushman specifies inputs, throughputs, and outputs as key areas of organizational functioning, which is consistent with open-systems theory. The central idea of this model is that the effectiveness of an organization in achieving its objectives depends on the congruence or fit between the different parts of the model. The absence of congruence between any of these elements results in inadequate performance.

This model assumes:

- Organizations are open social systems within a larger environment.
- Organizations are dynamic entities (i.e., change is possible and occurs).
- Organizational behaviour occurs at the individual, the group, and the systems level.
- Interactions occur between the individual, group, and systems levels of organizational behaviour.

In order to improve the effectiveness of an organization, there is the need to identify areas of non-congruence (lack of fit) and then design corrective measures to improve the fit.

8.4.3.3 Tichy's Model (1983)

Tichy's model is also known as the TPC model. Tichy's technical-political-cultural (TPC) framework is also an open-systems model involving inputs, transformation processes, and outputs. The main assumption of the model is that change can be managed by considering the technical (e.g., production issues, resource allocation, designing management systems), political (e.g., the dynamics between the organization, the environment, and among different parties within the organization), and cultural (e.g., collective beliefs, values, and thought processes exhibited by organizational members) aspects of the environment and the organization.

This model further asserts that:

- The three perspectives (technical, political, and cultural) are intertwined.
- Technical, political, and cultural perspectives must be applied to three managerial tools: mission and strategy, organizational structure, and human resource management.
- Mission and strategy are often considered inputs. For example, economic, political, and cultural forces in the environment may prompt the organization to change its mission and strategy. The organization, in turn, is prompted to change its technical, political, and cultural (TPC) system.
- Organizational structure is about organizational design, considering different functions and how they can best be integrated with one another to produce desired outputs.
- Human resource management relates to human resources, including performance management, compensation and benefits, recruitment, succession planning, and employee and organizational development. For example, the technical aspect requires the examination of systems, including performance appraisal systems and HR policies. The cultural aspect requires an assessment of the factors which shape an effective culture.
- Working on these three tools is essential for transforming the organizational process.

8.4.3.4 Burke-Litwin Model (1992)

This model proposes 12 dimensions which should be used to guide diagnosis: the external environment, mission and strategy, leadership, organizational culture, structure, systems, management practices, work unit climate, tasks and skills, individual values and needs, and individual and overall organizational performance.

This model assumes:

- The most dominant factor that triggers organizational change is the external environment. Changes in the external environment makes an organization change its mission, culture, leadership, and operating strategies.
- Changes in the 12 dimensions, as identified in the Burke-Litwin model, bring about a series of changes in the structure, practices, and systems of the organization.
- The 12 dimensions within the diagnostic model interact with and affect each other. Consequently, understanding the linkage between these dimensions is the key to effective and smoother change.

This model, similar to the open-systems models, recognizes the importance of the environment in triggering and driving the transformation of organizations.

Having reviewed the most popular models, the question remains: *How do organizations choose which diagnostic model(s) to use, following the 'entering' stage of the OD process?* Indeed,

in the ‘entering stage’, the purpose statements or ‘presenting problem, change situation, or opportunity’ to guide the other stages of OD should have been established. Based on the nature of the preliminary research questions/purpose statements, various aspects of different diagnostic models may become more or less appropriate to diagnose organizational functioning. For instance, in Leavitt’s model, the external environment is not represented although tasks, structure, technology, and human processes are seen to be interdependent. In Weisbord’s model, the environment has an influence through organizational inputs and outputs; the fit between the organization and environment is also considered, but there are no explicit interconnections between the elements of the model. In the congruence model, the organizations are seen as dynamic; interactions occur at the individual, group, and systems levels across the internal variables, and the external environment provides feedback related to the inputs and outputs. In Tichy’s model, the environment is included through organizational inputs, outputs, and the feedback loop, and all variables interrelate. In the Burke-Litwin model, the role of the environment in driving change is also noted and all dimensions interrelate as well.

Clearly, many of the models (all, with the exception of Leavitt’s model) rely upon open-systems theory as a basic assumption. Additionally, most of the models incorporate the external environment as a factor in organizational functioning (all, with the exception of Leavitt’s model). The models do differ, however, in the actual factors considered vital to organizational functioning or effectiveness. For example, leadership is considered important to organizational functioning in Weisbord’s and the Burke-Litwin models only. It is therefore imperative that the choice of diagnostic model(s) be based on a clear understanding of the organizational functioning and the key elements which shape change issues at multiple levels within the client organization. Organizations should therefore choose diagnostic models by ensuring that the components of the model adequately address the presenting problem/opportunity at a bare minimum. Using a diagnostic model that does not cover the core aspects of the ‘presenting change situation’ is useless in guiding the OD process.

8.5 The Way Forward: Open-Systems Diagnostic Models

While a number of models have emerged over time, as discussed in the previous section, diagnostic models based on open-systems theory continue to predominate within the field and practice of OD. These models are referred to as ‘open-systems diagnostic models’. The open-systems model is a favoured model due to the fact that the world is constantly evolving and changing at a pace that has become more rapid

over the course of the last decade or two. In order to properly diagnose and support an organization which is constantly changing and having to adapt to their environment and changing customer demands, we must be able to use models of diagnosis which support this flexibility and adaptability. Ignoring external forces may be a sign of a weak organization doomed for crisis or failure because they will not be adequately prepared to deal with changes as they come.

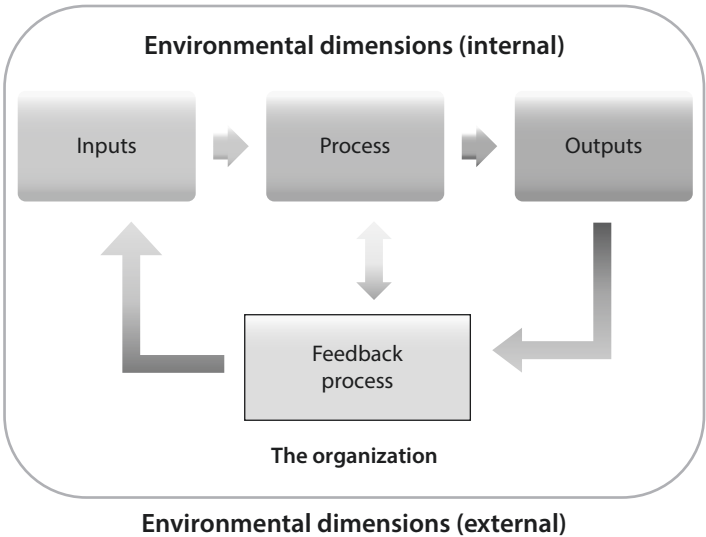
Open-systems diagnostic models: Open-systems diagnostic models describe frameworks for understanding key areas of organizational functioning which focus on the interrelated parts of the organization and its interaction with the environment.

8

Systems theory, as introduced in ► Chap. 1, describes organizations as a set of interrelated parts that work together to determine its overall functioning, using the principles of synergy and subsystem interdependence. When designing diagnostic processes, open-systems principles acknowledge the importance of the following key model elements, which are illustrated in ■ Fig. 8.2.

8.5.1 Elements of Open-Systems Diagnostic Models

When using open-systems diagnostic model, diagnosis should be focused on inputs, processes, outputs, environmental factors,



■ Fig. 8.2 Open-systems diagnostic model. (Source: Author's creation)

and feedback in order to diagnose organizational functioning and the change situation.

8.5.1.1 Inputs

Inputs can be defined as resources consisting of human, financial, technical, and material or any other inputs that drive organizational systems.

Inputs: Inputs describe the key elements that are used in processes to produce desirable results or outcomes.

8.5.1.2 Processes

Processes facilitate the transformation or conversion of resources or inputs into outcomes/outputs. In organizations, the production and operations function generally carries out transformations.

8.5.1.3 Outputs

Outputs can be defined as the outcomes or results of the transformation processes within the organizational system. Thus, resources/inputs that have been transformed represent outcomes/ outputs out of organizational systems.

Outputs: Outputs describe the key results or outcomes of processes.

8.5.1.4 Environmental Factors (External and Internal)

Perhaps one of the more important features of open-systems diagnostic models is the organizational environment within which systems operate.

Organizational external environments can be defined as everything beyond the boundaries of the organizational system that can indirectly or directly prompt the need for change and affect performance and outcomes. Organizational internal environments are defined as those factors within the organizational boundaries that can facilitate the need for change within organizational systems.

8.5.1.5 Feedback

Another key feature of open-systems diagnostic models is the recognition of the importance of *feedback loops*. The prevalence of feedback loops establishes the idea that diagnostic processes must be seen as an ongoing activity, ‘fed by feedback’.

Feedback loops: Feedback loops describe the mechanisms by which outputs are reinvested as inputs to drive processes in a possible ongoing cycle.

8.6 Multi-Level, Open-Systems Organizational Diagnosis

When viewed as open systems, organizations can be diagnosed at three levels. Diagnosis can indeed occur at all three organizational levels, or it may be limited to issues occurring at a particular level. The key to effective diagnosis is recognizing what to look for at each level and, importantly, understanding how the levels affect each other, referred to as *cross-level effects*.

Cross-level effects: Cross-level effects refer to the impact of change plans across the various levels of the organization. They specifically describe the idea that change plans at one level can affect one or more of the other levels of the organization.

Given the prevalence of cross-level effects when it comes to the field and practice of OD, it becomes important to recognize that organizational diagnosis must be multi-level, covering all levels within the organization. *Multi-level organizational diagnosis* can be defined as diagnosis which covers all the interrelated levels of the organization.

Multi-level organizational diagnosis: Multi-level organizational diagnosis describes diagnosis at all three levels of the organization.

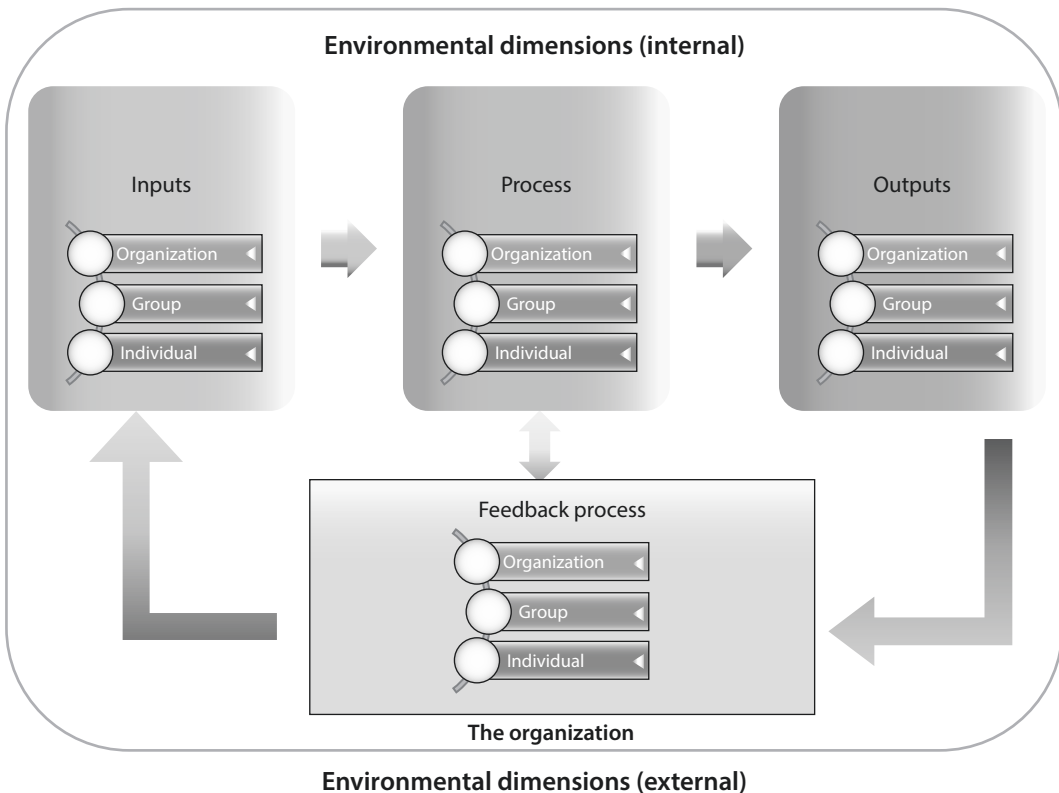
► Example

For instance, when British American Tobacco (BAT) sought to expand its reach into Latin American markets starting with Columbia in 2011 and the takeover of Productora Tabacalera de Colombia, also known as Protabaco [8], using a multi-level diagnostic model to fully assess its own functioning and the strategic role of Protabaco appeared to be logical. Many organizations, however, fail to recognize that organizational change interventions have cross-level effects and hence multi-level diagnosis is important; employees, groups and organizational levels must be assessed. For example, multi-level diagnosis was not systematically undertaken when Jamaican Money Market Brokers of Jamaica entered into a change agreement in 2004 with Intercommercial Bank Ltd. operating in Trinidad [9]. ◀

Further, alignment between all the various organizational levels is important to maximize the probability that all diagnostic areas are adequately explored. ■ Fig. 8.3 illustrates the key elements of multi-level organizational diagnosis.

The key diagnostic areas under multi-level diagnostic models consider organizations operating within a dynamic environment that facilitates feedback processes in relation to:

- Individual inputs, such as organizational design, group design, and personal traits.
- Group inputs, such as organizational design
- Organizational inputs, such as the environment and industry structure
- Individual processes, such as skills variety, task identity, task significance, autonomy, and feedback
- Group processes, such as goal clarity, task structure, team functioning, group composition, and group norms
- Organizational processes, such as technology, strategy, structure, culture, measurement systems, and HR systems
- Individual, group, and organizational outputs, such as individual, group, and organizational effectiveness



■ Fig. 8.3 Multi-level organizational diagnosis. (Source: Author's creation)

Feedback processes facilitate the coordination of information between and among inputs, processes, and outputs to develop a comprehensive understanding of the functioning of organizational systems within its internal and external environment. The information collected in relation to these diagnostic areas should provide an understanding of how all organizational levels are functioning, with a view to addressing the change situations which emerge.

As organizations enter into the process of ODC, organizational diagnosis therefore becomes the key element which directly informs subsequent data collection processes, data analysis/feedback, and the development and evaluation of the appropriate change interventions in particular. For instance, the diagnostic phase informs OD practitioners and relevant clients on the functioning of the organization across levels. It informs the decision and choice of OD intervention or interventions. Diagnosis also informs the evaluation of the effects of OD interventions once developed and implemented.

8.7 Conclusion

This chapter examined diagnosis as the second stage in the OD process. More specifically, diagnosis was established as the process of understanding organizational functioning through diagnostic models. Data collection and analysis were also differentiated as key tools accompanying the diagnostic process. The importance of diagnosis should not be underestimated and it should indeed be seen as an ongoing activity within the field and practice of OD.

■ Exercises

Student Resources

■ Chapter Outline

- I. Diagnosis
- II. Importance of Diagnosis in OD
 - A. Medical-Based Diagnostic Perspective
 - B. Evidence-Based Diagnostic Perspective
- III. Diagnostic Models
 - A. What Are Diagnostic Models and Why Are Such Models Important in the Field and Practice of OD?
 - B. Which Diagnostic Model(s) to Use?
 - C. Open-Systems Diagnostic Models
- IV. Multi-Level Organizational Diagnosis
 - A. Importance of Alignment
 - B. Organizational-Level Diagnosis
 - C. Group-Level Diagnosis
 - D. Individual-Level Diagnosis

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Data Collection for OD

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Learning Objectives

At the end of this chapter, readers should be able to:

1. Critically assess the usefulness and importance of data collection in the process of ODC.
2. Outline and describe the data collection process and its key elements in the context of ODC.
3. Describe and assess the different approaches to sampling, instrumentation, and research designs in data collection.
4. Compare the different types of data collection techniques which can be used to facilitate data collection.
5. Assess the relevance of each data collection technique within the field and practice of ODC.

9.1 Introduction

9.1.1 Data Collection for OD

The field and practice of organizational development (OD) is heavily dependent on the process of organizational diagnosis. As organizations enter into the process of organizational development and change (ODC), organizational diagnosis becomes the key element which directly informs the development and evaluation of the appropriate change interventions in particular. For instance, the diagnostic phase informs OD practitioners and relevant clients on the key areas of organizational functioning across levels. It informs the decision and choice of OD intervention or interventions. Diagnosis also informs the evaluation of the effects of OD interventions once developed and implemented. These points were emphasized in ► Chap. 8.

The act and process of diagnosis in practice depend on data collection processes. Therefore, OD practitioners **MUST** be highly skilled in research methodology to facilitate and drive such processes. Where such skills are lacking, OD practitioners must recruit the expertise and competencies if necessary. OD can be viewed as a data-based change activity; hence data collection is an important aspect of the OD process. The data collected are used to provide information that often leads to insights into ways of improving effectiveness and addressing the change situations identified in the ‘entering’ stage, and clarified in the ‘diagnosis’ stage.

Data can be defined as raw facts that are unorganized and unstructured.

Data: Data refers to raw facts that require processing, organization, and structure to be useful or meaningful.

When data is organized and structured to derive meaningful conclusions, *information* is produced.

Information: Information describes data that has been processed, organized, and structured.

Data collection involves gathering information on specific organizational features that determine the functioning of organizations in terms of efficiency and effectiveness, guided by the diagnostic models. Indeed, diagnostic models are used to identify the areas of organizational functioning and are chosen based on the purpose statement or research questions identified in the entering stage. Hence, such models pinpoint the areas to focus data collection efforts on. For example, if leadership is identified as a key aspect of the purpose statement/research questions in the first stage of OD, it is likely that the diagnostic models used to guide data collection would incorporate leadership as a key diagnostic area. In such an instance, diagnostic models such as the Weisbord's and/or the Burke-Litwin models may be chosen by the organization to guide data collection processes given that they both pay explicit attention to leadership as a key diagnostic area.

Further, it is unlikely that Leavitt's model would be used by many organizations today to guide data collection since it adopts a closed systems view. It does not recognize the role of the dynamic organizational environment in driving organizational development and change. Many organizations in practice are likely to use the open-systems diagnostic model or models which draw on open-systems principles, such as the Weisbord, Congruence, Tichy, or Burke-Litman models given their explicit attention to the organizational environment, which really provides the context for the general field and practice of OD. Indeed, data collection processes will be guided by the diagnostic model chosen in Step 2 of the OD process. In other words, data collection focuses on the key diagnostic areas of organizational systems. Effective data collection should therefore expand the practitioner's and client's knowledge of the change problem/opportunity.

9.1.2 Importance of Data in ODC

Data collection in ODC is important due to four main reasons:

- To obtain valid information about organizational functioning.
- To ensure that organization members and relevant clients/stakeholders provide honest, reliable, and complete information to inform and guide change management.

- To generate energy, commitment, and empirical support for constructive organizational change.
- To develop the collaborative relationship necessary for effecting organizational change between organizational members and the OD practitioners. Data collection typically provides the first point of contact between the parties and it can be the basis for building a longer-term relationship [1].

Data can therefore be seen as the lifeblood of OD processes.

► Example

For instance, as of 2019, the Airlines Reporting Corporation (ARC) has become a data hub for most of the world's major airlines. Each year the ARC settles more than US\$88 billion worth of airfare transactions between airlines, including Delta, American Airlines, British Airways, Alaska Airlines, and travel agencies, such as Expedia. These airlines pay to access data that ARC collects on these transactions to learn more about where travellers are going, when they travel, and how much they are paying in the process for more than 2.2 billion flights each year [2]. ARC captures the data, ingests it into analytics engines, refines it, and builds custom reports for its customers. This information can then filter into change interventions where necessary, for airline companies to improve their customer experience as far as possible. ◀

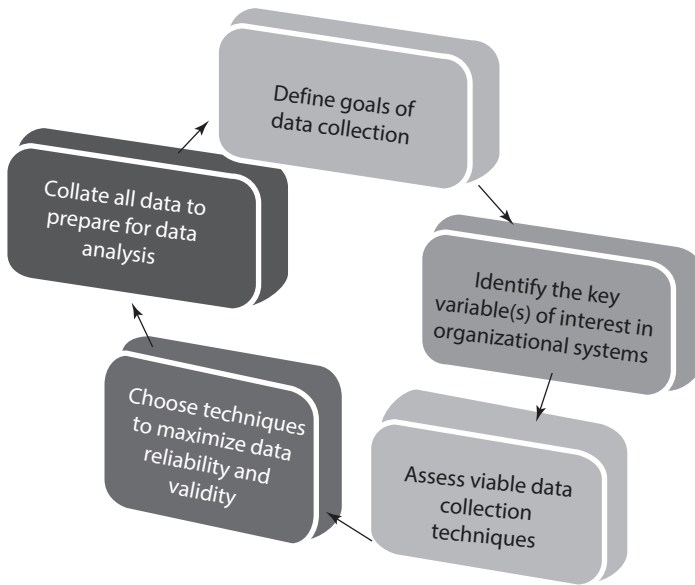
9.2 Data Collection Process

A common problem in the practice of OD is that the data collection processes can be data-rich, but information-poor: lots of data, but little or no information.

► Example

For example, it must be recognized that very few sectors generate more data than the energy industry. But for years, oil giant Shell didn't know where parts were in its various facilities around the world; it didn't know when to restock; and it didn't know when maintenance issues were occurring until parts began failing [2]. Lots of data indeed, but was the data being organized and used as meaningful information within a comprehensive data collection process? ◀

A comprehensive data collection process is therefore recommended for the highly data-driven activity that is ODC. A number of researchers have identified key steps in the data collection process for OD [3]. ■ Fig. 9.1 illustrates the key aspects of this process.



■ **Fig. 9.1** The data collection process. (Source: Author's creation)

9.2.1 Key Aspects of the Data Collection Process in OD

- Define goals of data collection
- Identify the key variable(s) of interest in organizational systems
- Assess viable data collection techniques
- Choose techniques to maximize data reliability and validity
- Collate all data to prepare for data analysis

9.2.1.1 Define Goals of Data Collection

The first and most obvious step in the data collection process is defining the goals or objectives of the organizational change initiatives. A clear understanding of these goals is necessary to determine what data to collect, what information is relevant, and what areas to focus data collection efforts on. Unless the purpose of data collection is clearly defined, it becomes difficult to collect relevant change data.

Here, the OD practitioner plays an important role. The OD practitioner must first obtain enough information to allow a preliminary diagnosis and then decide what further information is required to verify the change situation, problem, or opportunity. Usually, some preliminary data gathering is needed to clarify the problem conditions (usually obtained from the 'entering' step of the OD process) before further large-scale data collection is undertaken. This can also be 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. Diagnostic models must then be assessed and chosen. From here, the goals of data collection can be further clarified and specified.

9.2.1.2 Identify the Key Variable(s) of Interest in Organizational Systems

At this stage, the diagnostic models covered in the previous chapter become important since such models highlight the core areas that affect the functioning of organizational systems, and hence the key variables of interest or key outputs/outcomes within organizations.

Typical variables of interest within organizational systems range from employee turnover, employee dissatisfaction, low employee morale, communication breakdowns, interpersonal conflict, team conflict, to low levels of organizational productivity, low levels of organizational efficiency, low levels of organizational effectiveness, falling profits, rising debt, and concerns of organizational survival. As can be discerned from such variables, problems are typical prompters for changes within organizational systems. Notably, however, variables of interest can also include opportunities. For instance, the potential for the expansion of market share, profits, and collaboration for innovation and creativity are among the most popular opportunities of interest. Such variables of interest can stem from the organizational issues identified in the first stage of the OD process ('clarification of organizational issues' in Step 1 of the OD process), which may be informed by the key areas within diagnostic models ('diagnosis' in Step 2 of the OD process).

Organizations normally generate a considerable amount of data internally as a typical part of their operation and administrative functioning. For example, production reports, budgets, turnover ratio, sales per square foot, sales or profit per employee, and so on, may be useful as indicators of the need for change. This internal data can be compared with organizational goals, competitor's data, and industry averages to make a preliminary assessment of the change situation and the key variables of interest.

The OD practitioners, however, as experts in the field, will recognize the need to increase the range of depth of data beyond what is readily available. This should be done to gain additional insights into other dimensions of the organizational system, particularly those dealing with the quality of relationships between individuals and groups within the organization, which affect systems directly and indirectly. This is where structured data collection must be initiated.

9.2.1.3 Assess Viable Data Collection Techniques

The third step in the data collection process is selecting a method or methods for gathering diagnostic data. Diagnostic data can be primary data and/or secondary data. *Primary data* refers to data originally collected by researchers from first-hand sources such as surveys or interviews for a particular purpose.

Primary data: Primary data is raw data collected from first-hand sources.

Secondary data refers to data collected and stored by one party, such as data warehouses and databases, but used by other parties for some other purpose.

Secondary data: Secondary data is data that is typically archival and originally collected for some other purpose than the current research situation.

There are many different methods of tapping data sources and there is no ‘one best way’ to gather data—the selection of a method or methods depends on the nature of the change problem or opportunity and the availability of resources to facilitate the process. Decisions regarding which is the best method(s) to use for data collection must be linked to the diagnostic areas identified in Stage 2, to also address the purpose statement/research questions identified in Stage 1 of the OD process.

► Example

For instance, global companies such as Facebook are continuously faced with privacy issues. Today, the company’s touchstone is building the trust of the people it serves, because the business relies upon its users being comfortable sharing data with the service. This drives much of the company’s efforts to be responsible data stewards, which involve both complying with the law and going beyond it to best meet user expectations. Facebook serves approximately 2 billion people globally, and the fact that they do not all have the same conception of privacy poses a major challenge. To this end, Facebook has increasingly used *focus groups* as its major data collection technique to assess and address the privacy concerns of consumers and found individuals to have thoughtful, sophisticated, and unique perspectives on privacy, as well as different concerns and reasons for wanting to protect their information [4]. ◀

► Example

Axiom is a 45-year-old data company based in Arkansas, United States, with two main lines of business. First, it collects data from public records and other sources, aggregating it and bringing it to the marketplace, both for marketing and for fraud and risk identification purposes. Second, it hosts sophisticated data warehouses for large clients in consumer industries, including 50 of the top 100 companies. These large clients of Axiom draw on such data warehouses, and therefore rely on *unobtrusive data collection* techniques to inform decisions and planned changes aimed at improving their customer experiences [4]. ◀

The examples of Facebook and Axiom illustrate the use of different data collection techniques, based on different diagnostic needs. The different techniques which can be used are explored in detail below.

9.2.2 Data Collection Techniques

The most popular data collection techniques include:

- Questionnaires/surveys
- Interviews
- Focus groups
- Observations
- Unobtrusive measures [5]

9.2.2.1 Questionnaires/Surveys

Questionnaires are typically paper-based or online, which allows for data collection from a large number of participants within a relatively short time period. A large quantity of data can therefore be collected using some combination of close-ended and open-ended questions. Close-ended questions have predetermined answer options from which participants can choose. Open-ended questions offer participants the opportunity to provide detailed responses of their own. Surveys offer OD practitioners the benefits of lots of data from an objective perspective.

Questionnaire: The questionnaire is designed for the purpose of a survey and/or statistical or quantitative research studies. It includes a range of questions, with options to choose the most appropriate answers.

Surveys are more than tools for gathering information; they are tools for prompting change. Without a commitment to take the results seriously and act on them, an organizational survey that appears to promise change will only deepen any existing cynicism among members when nothing is done with the results.

9.2.2.2 Interviews

Interviews are generally one-on-one meetings, during which OD practitioners speak directly with individual organizational members and/or stakeholders. Interviews can be structured or unstructured, although structured interviews are generally recommended to minimize interpretation errors. Interviews can be time-consuming, but offer the depth of detail where individual stories and the perspectives of organizational members in a personal setting can be used to explore their history, experiences, beliefs, and attitudes in depth.

Interview: The interview is a data collection method designed as a conversation between the interviewer and interviewee where questions are asked and oral answers are provided. The interviewer asks questions, and the interviewees provide answers. Interviews can be structured or unstructured. The interview is designed for qualitative research studies.

Data from interviews are characterized by rich quality and depth of details. Interviews offer OD practitioners the benefits of high-quality data from a subjective perspective.

9.2.2.3 Focus Groups

Focus groups are groups of usually a small number of organizational members facilitated by a consultant who poses questions and then allows for group discussion. Like interviews, focus groups allow the consultant to explore experiences and situations in depth and to follow up on specific areas of interest. Unlike interviews, however, focus groups are rarely appropriate for sensitive change issues. Issues of a general nature, such as how employees feel about the company's benefit plan or what they feel should be done to improve executive communications, can be good candidates for focus groups. In focus groups, participants can build on one another's ideas. They can brainstorm, discuss, and debate [6].

Focus group: A focus group describes a qualitative data collection technique where a group of participants are selected to participate in a planned discussion to elicit information, views, opinions, and perceptions on selected topics, areas, concepts, or questions.

Focus groups offer OD practitioners the benefits of rich details from multiple, diverse perspectives on non-sensitive change issues.

9.2.2.4 Observations

Observations allow the OD practitioners to collect data on actual behaviour rather than reports of people’s behaviour. Self-report data can be erroneous because the information relies on the memory of the person being asked, for example, participants on a survey, in an interview or within a focus group [1]. For several reasons people may report their behaviour in error; they may not be accurate in their perceptions of the behaviour of others or may represent behaviour to give a positive impression. Further observation may be prone to errors as a data collection tool in itself, for example, data gathered through observations are prone to being filtered through the eyes of the observer, which is associated with what is known today as the Hawthorne effect.

Observation: Observations involves the use of senses, perception, and ‘self’ to acquire or collect information.

Observations offer OD practitioners the opportunity to experience organizational behaviour and its context first-hand, but it can be a time-consuming and obtrusive exercise.

9.2.2.5 Unobtrusive Measures

Unobtrusive measures produce data that are generally readily available because they are produced during the ordinary course of organizational activity or may be readily generated and stored in data warehouses. They can usually be gathered in an inconspicuous manner without changing the data itself. While observations can be intrusive, and the very nature of observation can change what is being observed, with unobtrusive measures, the data usually already exist, and gathering the data does not usually change what is being studied.

Unobtrusive measures: Unobtrusive measures do not involve the use of the researcher in the research context. Such measures therefore produce data that reduce the bias that can be introduced with the physical presence or intrusion of the researcher or measurement instrument.

Unobtrusive measures offer OD practitioners readily available data.

■ Table 9.1 presents a summary of the strengths and challenges associated with the use of each of the aforementioned data collection techniques.

Table 9.1 Strengths and challenges of data collection techniques

Strengths	Challenges
Questionnaires/surveys	
A large quantity of data from many individuals can be collected at once. It can take a short time. It allows for a broad range of topics to be addressed. Data can be more objective than other techniques such as interviews.	Data analysis can be intensive. Analysis may require statistical knowledge beyond the capabilities of the consultant. It can be challenging to follow up in detail on a single issue; it allows for limited probing.
Interviews	
It is very personal and allows for significant details to be collected. It provides the opportunity to explore situations in depth. Interviews may reveal new issues.	It can be very time-consuming to conduct. It can be time-consuming to analyse the interview data. It is potentially expensive.
Focus groups	
It provides access to many individuals at a point in time, thus can be efficient at getting a large quantity of information. Groups can build on one another's thoughts, thereby stimulating more thoughts, thinking, opinions, and ideas.	A few members of the group can dominate the discussions in the group. There is the potential for 'groupthink', i.e., agreeing with a point of view simply to avoid or minimize conflict.
Observations	
It allows for real-time data collection. It does not rely on self-report data.	It is difficult to observe multiple instances of behaviours that occur sporadically. The observer can affect the behaviours of the individuals being observed, thereby adding bias to the data collection process.
Unobtrusive measures	
It is not intrusive. It is characterized by a high degree of validity.	It can be difficult to access.
Source: Author's creation	

9.2.3 Data Collection Methods

These data collection techniques can be classified under three broad data collection methods:

- *Quantitative methods*
- *Qualitative methods*
- *Mixed methods*

Qualitative methods: Qualitative methods are research methods which gather non-numerical data.

Quantitative methods: Quantitative methods are research methods which gather numerical data.

Mixed methods: Mixed methods are research methods which gather a combination of non-numerical and numerical data.

Techniques such as questionnaires/surveys are associated with quantitative methods. Quantitative methods yield quantitative data. Quantitative data are numerical in nature, and are measures of values or counts. Techniques such as interviews, focus groups, and observations are associated with qualitative methods. Qualitative methods yield qualitative data. Qualitative data are non-numerical and descriptive in nature, and can be observed and recorded. Unobtrusive measures are associated with quantitative and/or qualitative techniques.

Further, it must be noted that when some mix of quantitative and qualitative techniques are used to collect data, this approach is associated with a mixed methods approach. There is a general consensus within research methodology that data collection should ideally focus on using some combination of methods, rather than any one method of data collection to maximize data reliability and validity.

9.2.3.1 Choose Techniques to Maximize Data Reliability and Validity

Reliable and valid data cannot be generated by relying on any one data gathering method alone.

Mixing methods and triangulating the same issue from different perspectives are necessary to ensure valid conclusions about the trends, factors, and causes of organizational, process, team, and individual performances [7]. In the data collection process, choosing methods to maximize both reliability and validity are of utmost importance.

Data reliability can be simply defined as the internal consistency of the data. Reliability therefore describes the extent to which the data results can be reproduced if the data process is repeated under similar organizational conditions.

Data validity refers to the accuracy of the data. Validity therefore describes the extent to which the data results measure what they are supposed to measure.

Reliability and validity are closely related, but they mean different things. A measurement can be reliable without being valid. However, if a measurement is valid, it is usually also reliable.

► Example

For example, assume an OD practitioner is assessing organizational performance using a questionnaire. Several other practitioners use the same questionnaire to assess performance in the same organization, over the same time period, and get the same organizational diagnoses in relation to organizational performance. This illustrates that the questionnaire may be a reliable measure of organizational performance. Assume further, however, that while the results are reliable, the scores on organizational performance correlate strongly with organizational efficiency. This indicates that the questionnaire may have a low level of validity since the questionnaire may be measuring organizational efficiency and not performance. ◀

9.2.3.2 Collate all Data to Prepare for Data Analysis

Once the data collection options are assessed and the decision is made to choose or use various data collection techniques, the data collection exercise is typically executed.

The next key aspect to be examined is data analysis, which brings data collection to an end within any one cycle of organizational change. Data analysis is examined in detail in ► Chap. 10. Before the data can proceed to data analysis, the data must be saved, stored, and collated by the OD practitioners and the relevant clients who are actively involved in the data collection process.

Data collation involves the sorting and organizing of raw data into an analysis-ready format. Collation further describes the process of tabulating and summarizing the raw data to proceed to data processing in the data analysis process.

9.3 Sampling, Instrumentation, and Research Design

To facilitate the actual data collection process, data collection design issues related to sampling, instrumentation, and research design become important. In fact, these three design issues must be considered in the data collection process **BEFORE** the actual process is executed.

9.3.1 Sampling

A *population* refers to all of the elements or participants within an organization in the case of OD.

Population: A population describes a defined collection of subjects or individuals who share similar characteristics. Due to the typical large sizes of populations, a subset or sample is usually drawn for use in research studies.

A *sample* can be defined as a subset of a population or selected elements or participants within an organization.

Sample: A sample is a subset drawn from a larger population.

Sampling is not considered a major issue in many OD cases, the main reason being OD practitioners typically collect data from all members of the organization or department in question in the case of micro- or individual-level change. In other words, data is typically collected from the entire population of interest. However, sampling becomes an issue in OD when data is collected from selected members, behaviours, 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, behaviours, or records adequately represents the characteristics of the total population. This is typically the case for macro changes, when developing organizational-level OD interventions, or when implementing system-wide organizational change.

► Example

For instance, Digicel's Group CEO Colm Delves announced in 2017 that there will be a 25 % cut in global staff over an 18-month period, a move expected to ultimately affect the Caribbean, Central America, and the Pacific market. To facilitate this, the CEO announced an enhanced voluntary separation programme which opened on 1 March 2017. Digicel is a Caribbean mobile phone network and home entertainment provider operating in 33 markets across the Caribbean, Central America, and Oceania regions. The company is owned by the Irish billionaire Denis O'Brien, is incorporated in Bermuda, and based in Jamaica. It has about 14 million wireless users [8]. The speculation can be made on how many stakeholders were actually involved in this decision regarding such organizational transformation: all stakeholders?, all employees?, selected stakeholders?, executives? In other words, what 'sample' was used to inform such an organizational decision? Such questions must be considered to inform organizational change decisions. ◀

In such a context, the following issues become critically important:

- *Sample representativeness*: Sample representativeness describes the extent to which the sample represents the larger population from which it is drawn. Sample representativeness therefore answers the following question: ‘Are the respondents captured in the sample an accurate representation of the entire organizational system?’
- *Sample size*: The size of the sample can also affect sample representativeness. Over time, a number of guidelines have been developed to assist OD practitioners as research scientists in the process of sample size determination. How many respondents or participants are sufficient to provide a comprehensive diagnostic perspective?

When quantitative data collection techniques are used, sample size considerations vary based on the population size and the numbers of diagnostic areas or variables (inputs, processes, outputs) that are assessed by OD practitioners to maximize validity and reliability; 10–20 participants per area of interest are generally cited as a rule of thumb for quantitative approaches.

When qualitative data collection techniques are used, sample size considerations are largely based on ‘quality’ rather than quantity; 10–30 participants on the research areas of interest have often been cited as a general rule of thumb to sufficiently explore the research areas of interest when interviews are used, for instance, while minimizing data saturation. Saturation occurs when adding more participants to the study does not result in obtaining additional perspectives or information [9, 10].

9.3.1.1 Sampling Approaches

Where sampling is used to facilitate the data collection process in ODC, a number of approaches are available for use by OD practitioners and experts in research methodology, each with its strengths and limitations in practice. Some of the more popular sampling approaches include:

- *Simple random sampling*: With this sampling approach, each participant is chosen entirely by chance and each member of the population has an equal chance, or probability, of being selected. It is a simple method that allows for selection bias to be minimized.
- *Stratified sampling*: Stratified sampling first divides the population into subgroups (or strata) who all share a similar characteristic. This approach is used to maximize representation from all the subgroups and minimize sampling bias.

- *Systematic sampling*: With systematic sampling, participants are selected at regular intervals from the population, and the intervals are chosen to ensure an adequate sample size, while minimizing selection bias.
- *Clustered sampling*: In a clustered sample, subgroups of the population are used as the sampling unit, rather than individuals. The population is divided into subgroups, known as clusters, which are randomly selected to be included in the study.
- *Quota sampling*: With quota sampling, a quota of subjects of a specified type is identified and meeting this quota creates the sample.
- *Judgemental/purposive sampling*: Judgemental sampling is also known as selective/subjective sampling. This technique relies on the judgement of the researchers or OD practitioners when choosing who to ask to participate.
- *Snowball sampling*: Snowball sampling is commonly used in the social sciences when investigating hard-to-reach groups. Existing subjects are asked to nominate further subjects known to them, so the sample increases in size like a rolling snowball.

OD practitioners, when using samples as opposed to collecting data from the entire population or organizational system, typically rely on simple random sampling, stratified sampling, clustered sampling, or judgemental/purposive sampling.

9.3.2 Instrumentation

Instrumentation refers to the research tools or means by which OD practitioners and those engaged in data collection attempt to measure variables or items of interest in the data collection process.

Instrumentation: Instrumentation refers to the process of developing, testing, and using research instruments for use in data collection.

Instrumentation is the process of constructing *research instruments* to be used appropriately in gathering data. Research instruments refer to the devices or methods used to collect data from questionnaires/surveys, interviews, focus groups, observation, and unobtrusive measures.

Research instruments: Research instruments are the tools used to facilitate data collection from participants or respondents.

Instrumentation therefore focuses on the process of creating questionnaires, interview schedules, focus group sessions, observation protocols, and the like.

9.3.2.1 Why Is Instrumentation Important?

Instrumentation is important in the data collection process. If the instruments used to collect data are not comprehensive, complete, reliable, or valid, the data itself will be flawed. Since OD is a data-driven activity as mentioned at the start of this chapter, it is important for the research instruments to meet the criterion of being comprehensive, complete, reliable, and valid.

The development of new research instruments is a complex and difficult process that requires considerable training in educational and psychological measurement. Therefore, it is recommended that those driving data collection make certain no suitable test is available before developing their own. In other words, it is not recommended to create your own instruments for data collection where other validated instruments exist [11].

The creation of instruments is no easy task and where undertaken the process is a lengthy one to test validation, and is typically done by specialists in research methodology. As such, in the field and practice of ODC, it is widely recommended that validated, already existing instruments are used. This approach helps to support reliability and validity of the research instruments.

Using an existing instrument to measure the key areas of diagnostic interest in ODC (inputs, processes, and outputs) has a number of advantages:

- An instrument published in the literature has already been developed, so it saves the time and energy necessary to develop a new instrument.
- Since the instrument has already been validated, less time and energy are necessary to validate the instrument.
- Using an existing instrument connects the data from your organization into the worldwide knowledge base on the organizational variables of interest.

► Example

For example, if an organization identifies ‘organizational effectiveness’ as the key organizational-level output to be assessed with diagnostic data (recall organizational effectiveness as the key organizational output under multi-level organizational diagnosis in ► Chap. 8), the widely established ‘balanced scorecard’ should form the basis of the research instrument. The balanced scorecard is a widely established framework, which captures organizational effectiveness through organizational performance measures or metrics [12]. The performance measures cover the financial perspective, the customer perspective, the internal business process perspective, and the learning and growth perspective. The research instrument will therefore include these perspectives to assess organizational effectiveness.

Further, if the organization needs to collect diagnostic data on individual processes, the OD practitioner can use the job characteristics model as the basis of the research instrument. This model covers core job dimensions of skills variety, task identity, task significance, autonomy, and feedback, which are the core areas of individual processes [13]. ◀

Indeed, existing research instruments have been validated within different organizational contexts and country contexts as well. Therefore, when used to facilitate data collection in the ODC process, *pilot tests* of the research instruments within the organization are highly recommended before the actual data collection exercise.

Pilot tests: A pilot test is a small-scale test or experiment which is conducted to evaluate the feasibility and improve the study design and research instruments.

Pilot tests serve to identify any issues with the research instrument, in terms of interpretation, the wording of questions, and the addition or deletion of particular questions to fit different organizational contexts.

9.3.3 Research Design

Within the context of ODC, there are two broad types of research that must be considered prior to data collection:

- Descriptive research
- Explanatory research

9.3.3.1 Descriptive Research

Descriptive research answers the following question: **What** is going on? (within the organization, groups, and/or with individuals)

Descriptive research: Descriptive research does not answer ‘how’, ‘when’, or ‘why’ questions. It simply describes the characteristics of the population under study.

Although descriptive research is often dismissed as ‘mere description’, good description is fundamental to understanding what is going on within organizational systems. When diagnosing ODC, descriptive research is essential to establish the context and rationale for change. Good description provokes the ‘why’ questions of explanatory research.

9.3.3.2 Explanatory Research

Explanatory research answers the following question: *Why* is it going on? (within the organization, groups, and/or with individuals)

Explanatory research: Explanatory research aims to answer questions of ‘how’, ‘when’, and/or ‘why’.

Explanatory research therefore focuses on developing causal explanations.

In the data collection process for OD, descriptive, explanatory, or some combination of both types of research are typically used. For instance, when OD practitioners seek to explore what are the organizational problems that persist and why the problems occur, they are relying on a mix of both descriptive and explanatory research.

9.3.3.3 Main Types of Research Design

Too often OD practitioners engaged in data collection decide on data collection methods before systematically deciding on the types of research to conduct and the type of *research design* required to address changes within organizational systems.

Research design: Research design describes research methods and research procedures used in the data collection and analysis of specific research problems, research questions, and/or research hypotheses.

Without attending to these research design matters before data collection, the conclusions drawn will normally be weak and unconvincing, and will fail to answer questions related to ODC.

There are many different types of research design that can be used. The most popular designs within the practice of OD include:

- Cross-sectional designs
- Longitudinal designs

Study designs depend greatly on the nature of the research question.

► Example

For example, assume the following two scenarios:

- Scenario 1: OD practitioners want to compare group performance among different employee groups or departments at the same point in time.
- Scenario 2: OD practitioners want to measure group performance over an extended period of time.

Scenario 1 warrants a cross-sectional research study. Scenario 2 requires a longitudinal study. Both the cross-sectional and the longitudinal studies are observational studies. This means that researchers record information about their subjects without manipulating the environment. Cross-sectional designs capture data at one point in time and therefore provide a snapshot of inputs/processes/outputs. Longitudinal designs capture data over an extended period of time to compare and track inputs/processes/outputs. ◀

In summary, sampling, instrumentation, and research design remain key considerations when initiating data collection processes in OD.

9.4 Conclusion

This chapter examined the third step in the OD process: data collection. Data collection remains a driving factor in OD given the fact that OD itself is often referred to as a data-driven activity. The quality of the data and how it is subsequently analysed often determine the accuracy of the organizational change issues. Consequently, its importance in OD should not be underestimated.

■ Exercises

Student Resources

■ Chapter Outline

- I. Data Collection for OD
 - A. Importance of Data in ODC
- II. Data Collection Process
 - A. Key Aspects of the Data Collection Process in OD:
 - Define Goals of Data Collection
 - Identify the Key Variable(s) of Interest in Organizational Systems
 - Assess Viable Data Collection Techniques
 - Choose Techniques to Maximize Data Reliability and Validity
 - Collate All Data to Prepare for Data Analysis
- III. Sampling, Instrumentation, and Research Design
 - A. Sampling
 - B. Instrumentation
 - C. Research Design
 - D. Main Types of Research Design

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Further Reading

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Data Analysis Tools and Feedback

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Learning Objectives

At the end of this chapter, readers should be able to:

1. Describe the key aspects of the data analysis process.
2. Evaluate each of the elements of the data analysis process.
3. Evaluate quantitative data analysis approaches in ODC.
4. Evaluate qualitative data analysis approaches in ODC.
5. Evaluate mixed approaches to data analysis in ODC.
6. Outline and describe new trends in data analysis that may be useful in ODC.
7. Describe and critically analyse the feedback processes that follow data analysis approaches.

10.1 Introduction**10.1.1 Data Analysis and Feedback**

Data analysis in the context of ODC refers to the process by which data gathered through various data collection techniques are converted into meaningful information for decision-making, and the conceptualization and development of organizational change plans.

Data analysis: Data analysis describes the process of transforming or organizing raw data into meaningful information.

Raw data are analysed to provide meaningful answers to ‘how the organization and its interrelated parts are functioning?’ and ‘why organizational systems are functioning the way they are?’ Data analysis therefore provides the foundation for the development of appropriate organizational change interventions. Indeed, it can be said that collected data is meaningless and worthless without proper data analysis approaches. For example, if the presenting change situation in Stage 1 of organizational development (OD) focuses on the organizational structure, a number of diagnostic models may be possible options given that many of them speak to structure as a core diagnostic area (e.g., open-systems model, Burke-Litwin model, Tichy’s model, Weisbord’s model). Assume, however, that a multi-level, open-systems diagnostic model is used since structural issues appear to exist at the macro level, at the departmental level, and also in relation to employee task structure—all diagnostic areas under this model. Assume further that a combination of different data collection techniques are used: surveys to assess employees, interviews to assess top-line managers, focus groups to assess groups and teams, and

archival company reports on structural changes and reorganization. This data can then be used to populate the open-systems, multi-level diagnostic model. Data analysis should next be used to understand the dynamics of the presenting change situation. A combination of qualitative and quantitative data analysis tools should provide a comprehensive analysis of the qualitative and quantitative data. This type of analysis should then lead to where in the model to begin the development of the appropriate intervention(s). Data analysis should therefore highlight what components to focus on to bring about change.

Diagnostic data cannot be used in the field and practice of OD unless data analysis tools are appropriately applied to the diagnostic data. For instance, in ► Chap. 9, it was noted that no industry is characterized by as much data as the energy industry. However, the question remains: is the data being translated into meaningful information in such companies? Shell was not maximizing the benefits of the large quantities of data that was readily available. Through data analytics, Shell built an analytics platform based on software from several vendors to translate the data into meaningful information [1].

How the data is analysed depends largely on the type of diagnostic data collected. Some OD change interventions focus on *quantitative data*, others on *qualitative data*, and many on both types of data (mixed-methods approach), depending on the diagnostic areas identified in the diagnostic models.

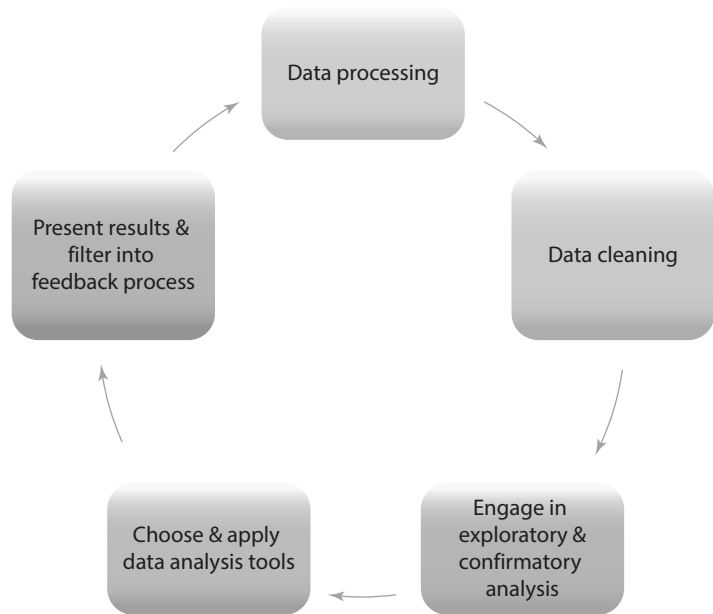
Quantitative data: Quantitative data refers to numerical, ordinal, and/or nominal data collected from quantitative data collection techniques such as surveys/questionnaires.

Qualitative data: Qualitative data refers to descriptive data collected from qualitative data collection techniques such as interviews.

Data analysis tools therefore fall into two broad categories—quantitative and qualitative—with a mix of analysis tools used to assess a combination of both quantitative and qualitative data.

Is data analysis the end of the diagnostic process?

Data analysis is a necessary complement to data collection as tools that can be used to facilitate the diagnostic process, but it does not spell the end of the diagnostic process. The information derived from data analysis approaches must also be shared throughout the organizational system and to the relevant



■ Fig. 10.1 The data analysis process. (Source: Author's creation)

clients to inform organizational system changes and development. This 'sharing process' is also known as the *feedback of diagnostic data*.

The data analysis process, data analysis tools, and feedback processes are now examined.

10.2 Data Analysis Process

The data analysis process is a transformation process. This process follows on from data collection. When data is collated to prepare for analysis, the data analysis process is subsequently initiated (recall the last stage in the data collection process from ► Chap. 9). The data analysis process is illustrated in ■ Fig. 10.1.

10.2.1 Key Aspects of the Data Analysis Process in OD

- Data processing
- Data cleaning
- Engage in exploratory and confirmatory data analysis
- Choose and apply main data analysis tools
- Present results and filter into feedback process

Each of these aspects of the data analysis process is described and evaluated below.

10.2.1.1 Data Processing

Once data is stored and collated, it must then be processed or organized for analysis.

Data processing refers to a series of actions or steps performed on data to organize it in an appropriate output form for subsequent use in data analysis. For instance, OD practitioners and/or research specialists actively engaged in the diagnostic process must first code the raw data. This is the essence of data processing.

Data processing: Data processing describes the process of preparing the raw data in an appropriate form to facilitate subsequent data analysis.

Data coding involves the use of various approaches to transform the data into a useable format to produce outputs in quantitative analysis, qualitative analysis, and mixed analysis.

Data coding: Data coding is the process of assigning meaning to the raw data to facilitate interpretation when conducting data analysis.

When processing quantitative data, numerical tags may be assigned to Likert scale options. The numerical tags/codes are then used to interpret and analyse the statistical outputs which are subsequently produced in the analysis process.

► Example

Assume OD practitioners collect data on the efficiency of organizational structures, using a number of different measures. The data from each measure can then be processed by assigning numbers ranging from 1 (i.e., not at all efficient) to 5 (i.e., highly efficient). ◀

When processing qualitative data for analysis, ‘significant statements’ are identified and key words’ are extracted for subsequent grouping under themes. Subsequent to data processing are data cleaning exercises.

10.2.1.2 Data Cleaning

Data quality is one of the most important problems in data management, since ‘dirty data’ often leads to inaccurate data analytics results.

Dirty data: Dirty data describes raw data fraught with errors and omissions.

Once processed and organized, the data may be incomplete, contain duplicates, or contain errors. The need for data cleaning may arise from problems in the way that data are entered and stored. In fact, research scientists spend 80 % of their time cleaning and manipulating data and only 20 % of their time actually analysing it [2]. *Data cleaning* is the process of preventing and correcting these errors.

Data cleaning: Data cleaning is the process of managing data by correcting for data errors and omissions.

Data cleaning exercises often consist of two phases:

- Error detection
- Error repairing

There are a number of different data cleaning techniques which can be used depending on whether the data is quantitative, qualitative, or some mix.

Quantitative error detection techniques often involve statistical methods to identify and correct errors. When dealing with quantitative data, the following data cleaning techniques are typically used:

- *Outlier assessment*: *Outliers* are data values that differ significantly from other observations.

Outlier: Outliers are extreme values in a data set.

There are ‘good’ outliers that provide useful information that can lead to the discovery of new knowledge and ‘bad’ outliers that include noisy or erroneous data.

► Example

For example, ‘good outliers’ in OD data sets can indicate possible niches, which provide opportunities for expansion. ‘Bad outliers’ in OD data sets can indicate that the OD practitioners incurred some error in the data entry/collection process. ◀

Outliers can be treated in four possible ways: they can be rejected as erroneous, identified as important, tolerated within the analysis, or incorporated into the analysis [3].

- *Missing data assessment:* *Missing data* arise when participants knowingly or unknowingly fail to answer a question or questions on the survey or questionnaire for instance.

Missing data: Missing data describe values that are missing or may have been omitted in any one data set.

If more than 10 % of the data is missing, missing data can add error to the data analysis process [4].

- *Normality tests:* *Normality* describes the extent to which a sample has been drawn from a normally distributed population. Deviations from normality, called non-normality, render statistical tests and analyses inaccurate.

Normality: Normality describes the extent to which data values follow a normal distribution. A normal distribution assumes that the averages of samples of observations of random variables independently drawn from the same distribution become normally distributed when the number of observations is sufficiently large. Normality is an important assumption in quantitative analysis.

- *Response bias analysis:* *Response bias* describes the tendency for participants to respond inaccurately or falsely to questions.

Response bias: Response bias describes the tendency for participants to respond inaccurately or falsely to questions during the data collection process.

These biases are prevalent when self-report data collection techniques are used, such as surveys and even structured interviews [5]. Such bias must therefore be assessed when analysing the accuracy of data.

► Example

For example, when stakeholder groups to organizational change are identified in Stage 1 and are surveyed in Stage 2, the fact that any group(s) can report false information is real. In the Caribbean country

of Trinidad and Tobago, newspaper reports shed light on trade unions questioning the accuracy and validity of the information used at the Water and Sewerage Authority (WASA) to justify potential organizational change aimed at corporate restructuring [6]. ◀

- *Reliability and validity tests*: Reliability and validity were introduced in ► Chap. 9, as key aspects to be considered when choosing data collection techniques. Even after doing so, reliability and validity analyses must be conducted on the collected data to maximize the probability of information accuracy. These tests are readily available in most statistical software packages.

Qualitative error detection techniques rely on descriptive approaches to specify patterns and hence identify data that violate those patterns as errors. When dealing with quantitative data, the following data cleaning techniques are typically used:

- Checks for *data Authenticity* and *Truth-worthiness*: Authenticity and truth-worthiness are the qualitative equivalents of reliability and validity.

Data authenticity: Data authenticity refers to the data not being corrupted after data processing and data cleaning exercises so that the integrity is maintained.

Data truth-worthiness: Data truth-worthiness describes the extent to which qualitative data is credible, that is, the data represents the truth of the research study's findings.

10.2.1.3 Engage in Exploratory and Confirmatory Data Analysis

Exploratory and/or confirmatory data analysis becomes a key aspect of the data analysis process primarily in the case of quantitative data.

In an *exploratory analysis*, no clear *research questions* or *hypotheses* are stated before analysing the data. The data is searched to explore possible explanations that describe the data well.

Exploratory analysis: Exploratory data analysis describes the analysis of data to explore possible explanations that describe the data well. An exploratory analysis is used to find explanations.

Research questions: Research questions are questions which are answered with qualitative data analysis.

Hypotheses: Hypotheses are propositions which are tested with quantitative data analysis.

In the context of organizational development and change (ODC), an exploratory data analysis can be conducted to explore organizational systems to develop explanations for their functioning based on the data.

In a *confirmatory analysis*, clear research questions or hypotheses about the data are tested.

Confirmatory analysis: Confirmatory data analysis describes the analysis of data to assess, evaluate, or test the extent to which explanations are or are not supported by data. A confirmatory analysis is used to test explanations.

A confirmatory analysis is used to assess, evaluate, or test the extent to which explanations are or are not supported by data. In the context of ODC, a confirmatory data analysis can be conducted to assess and evaluate the extent to which organizational systems are functioning as expected based on the data.

10.2.1.4 Choose and Apply Main Data Analysis Tools

There are two main data analysis tools: quantitative and qualitative tools. In practice, a mixed approach to data analysis is typically adopted in response to mixed data collection approaches.

Quantitative data, that is, data collected through quantitative methods such as surveys/questionnaire, are analysed using quantitative data analysis tools. Qualitative data, that is, data collected through qualitative methods such as interviews, are analysed using qualitative data analysis tools. Logically, therefore, where a mix of data collection methods are used, quantitative and qualitative data analysis tools are used to transform the organizational data into meaningful change information.

Methods for analysing quantitative data range from simple descriptive statistics of the data covering the areas of organizational interest, to more advanced multivariate analysis of the relationships between and among the organizational areas of interest.

The most popular quantitative data analysis tools in the practice of ODC ranging from most basic to advanced include *descriptive statistics* covering means, standard deviations, and frequencies; *correlations* and *scatterplots*; *ANOVA* (analysis of variance) and *t-tests*; and *regression analysis* and *SEM* (structural equation modelling).

Descriptive statistics: Descriptive statistics refer to the means, standard deviations, and frequencies for variables in any one data set.

Correlations: Correlations describe the strength of the bivariate relationships between variables of organizational interest.

Scatterplots: Scatterplots provide a visual illustration of the relationship between any two variables of organizational interest at any one point in time.

ANOVA: ANOVA is a statistical method used to test differences between two or more groups of means; it is a statistical test comparing means.

t-Tests: A *t*-test is a type of inferential statistic used to determine if there is a significant difference between the means of two groups, which may be related in certain features.

Regression analysis: Regression analysis describes a set of statistical processes for estimating the relationships among independent variables and a dependent variable.

SEM: Structural equation modelling describes a multivariate data analysis which uses an iterative modelling process to achieve the best fit between an estimated model and the sample data.

The most popular qualitative data analysis tools in the practice of ODC include content/thematic analysis, force-field analysis, and *narrative analysis*.

Narrative analysis: A narrative describes the use of field texts, such as stories, autobiography, journals, field notes, letters, conversations, interviews, family stories, photos (and other artefacts), and life experience, as the units of analysis.

The data analysis tools are described and evaluated in the next section of the chapter.

10.2.1.5 Present Results and Filter into Feedback Process

The final stage of the data analysis process in any one *data cycle* is the presentation of the results derived from the data analysis tools. A data cycle refers to any one data collection process in the ongoing diagnostic process.

Data cycle: Data cycle describes data processes, including data collection, analysis, and feedback/evaluation, as ongoing activities.

When the results are derived, this information must then be discussed and disseminated through feedback processes to guide decisions related to the development and implementation of various change interventions. There are many different approaches that can be used to facilitate the feedback process. These approaches are also described and evaluated later in the chapter.

It must be noted that after feedback at this stage, the diagnostic process can become iterative. In other words, if feedback reveals the need for further data analysis or even additional data collection, the ongoing nature of the diagnostic process can become apparent.

10.3 Quantitative Analysis

The quantitative data analysis tools introduced in the previous section are explored here.

10.3.1 Basic Quantitative Analysis Tools

10.3.1.1 Descriptive Statistics: Means, Standard Deviations, and Frequencies

Means describe the average score of respondents who participated in data collection, on the variables or areas of interest in ODC.

Standard deviations describe the spread or variability of the responses on the areas of interest.

Frequencies describe the actual count or the number of times a particular response was given on each variable or area of interest in ODC.

► Example

For example, assume that in a company undertaking data analysis to assess the satisfaction of employees across the organization, the mean for employee satisfaction is 4.5. Satisfaction is assessed on a five-point Likert scale, where higher values indicate higher satisfaction. Assume further that 55 employees out of a sample of 80 had a mean of 4.5. Does such statistics indicate that employees are more satisfied with their job? Perhaps, it does? However, what does the standard deviation indicate? Notably, when the standard deviation on a variable of interest is high, this means there is considerable disagreement over the organizational issue; if the standard deviation is small, this indicates there is some level of agreement among respondents in relation to variables of interest. Assume further that the standard deviation is high. Such statistics therefore indicate that while satisfaction is generally high on the basis of the mean and the frequency, there is a high level of disagreement among employees in relation to their satisfaction. ◀

10

Usefulness of descriptive statistics: While means, standard deviations, and frequencies are widely used as basic data analysis tools, individually they are not reliable indicators. For instance, the mean only describes the average value and the frequencies give the count value but these figures provide no information on the distribution of the responses. Different patterns of responses can produce the same mean score. Therefore, means and frequencies should be examined along with standard deviations to illustrate the variances in the pattern of responses.

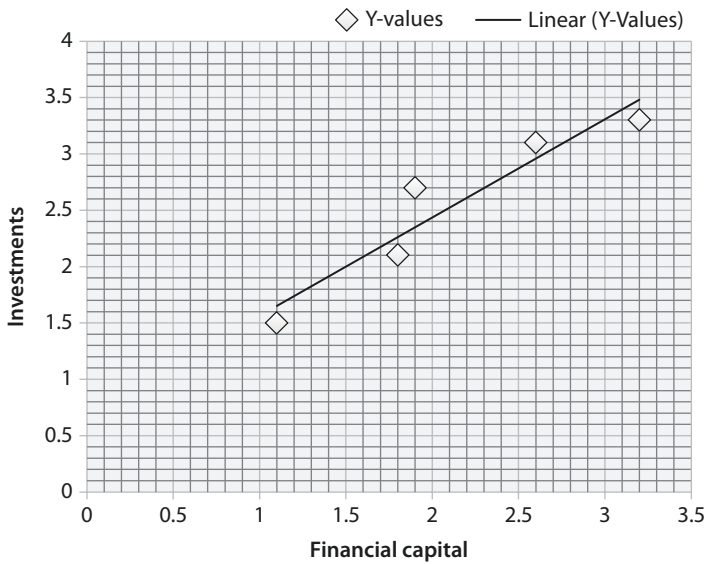
10.3.1.2 Correlations and Scatterplots

Correlations describe the strength of the *bivariate relationships* between variables of organizational interest. Bivariate relationships refer to relationships between any two concepts or variables of interest. Correlations can be positive, negative, or no correlations can exist between concepts.

Bivariate relationship: A bivariate relationship refers to the analysis of relationships between two variables of interest at any one point in time.

► Example

Consider organizations such as Singapore-based CM International Holding Pte. Ltd. (CMIH) and Sirius International Insurance Group; they completed an organizational change acquisition arrangement in 2016. CMIH is a Singapore-based investment hold-



■ **Fig. 10.2** Example of a sample scatterplot in quantitative data analysis. (Source: Author's creation)

ing company, owned by private investors, and the Sirius Group writes worldwide property and casualty reinsurance and insurance [7]. This arrangement was partly based on the correlations between investments (CMIH) and financial capital (Sirius). A strong, significant correlation between these variables of organizational interest was one of the factors which prompted this organizational change intervention in the form of an acquisition arrangement. ◀

Scatterplots provide a visual illustration of the correlation relationship between any two variables of organizational interest at any one point in time. ■ Fig. 10.2 provides a visual representation of a sample scatterplot.

In this sample scatterplot, it is apparent that a positive, linear relationship exists between investments and financial capital, such that as investments increase, financial capital appears to increase. If the points were scattered with no evidence of linearity, this is an indication of no possible correlations.

Usefulness of correlations and scatterplots: OD practitioners and organizations undergoing ODC may find these statistics to be relevant in understanding the extent to which different aspects of organizational systems and/or different attitudes/behaviours within organizations and groups may be related or not, and the strength and directions of possible relationships.

10.3.2 Advanced Quantitative Analysis Tools

10.3.2.1 ANOVA and t-Tests

ANOVA is a statistical method used to test differences between two or more groups of means; it is a statistical test comparing

means. In these tests, inferences about means are made by analysing variances or differences between them.

A *t*-test is a type of inferential statistic used to determine if there is a significant difference between the means of two groups, which may be related in certain features. To conduct a test with three or more variables, ANOVA is used.

Usefulness of ANOVA and t-Tests: OD practitioners may find ANOVA and *t*-tests useful to assess attitudes, intentions, and behaviours related to change among different groups of employees, or even between different organizations in the case of interorganizational changes.

10.3.2.2 Regression Analysis and SEM

In statistical modelling, regression analysis is a set of statistical processes for estimating the relationships among variables. It includes many techniques for modelling and analysing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables (or ‘predictors’). More specifically, regression analysis helps organizations understand how the typical value of the dependent variable (or ‘criterion variable’) changes when any one of the independent variables is varied, while the other independent variables are held fixed [4]. Examples of independent variables in OD can include typical organizational inputs or processes derived from diagnostic models. Examples of dependent variables in OD can include typical organizational outputs derived from diagnostic models.

► Example

To illustrate the use of regression analysis in the OD stage of data analysis, assume that an organization seeks to assess the change relationship between employee personality (individual input) and organizational performance (organizational output). Subsequent to data analysis on these variables of organizational interest, ■ Table 10.1 was produced.

From ■ Table 10.1, the regression results indicate that the beta coefficient (β), which assessed the relationship between employee personality and organizational performance, was posi-

■ Table 10.1 Example of a sample regression analysis results		
Independent variable	Organizational performance (dependent variable)	
Employee personality	$\Delta R.Sq.$ 0.17	β 0.34 ^a
Total <i>R.Sq.</i> value		0.32 ^a
Source: Author’s creation		
^a Significant value; <i>R.Sq.</i> , <i>R</i> -squared; β , beta coefficient		

tive and significant (0.34). This demonstrates a significant, positive relationship, such that employee personality significantly affected organizational performance in this company. Further, the analysis shows that personality accounts for 32% (R^2 of 0.32) of the variance on organizational performance, and therefore it explains a significant amount of organizational performance. ◀

Structural equation modelling (SEM) is a form of causal modelling widely used in behavioural sciences, which attempts to fit networks of constructs or variables of organizational interest constructed in the form of a model to the actual organizational data. It is an iterative modelling process that attempts to achieve the best fit between the proposed model and the organizational data. SEM allows OD practitioners to assess multiple areas of interest at one time. For instance, if an organization is interested in determining which aspects of organizational functioning are contributing significantly, or, conversely, what aspects of organizational functioning are not contributing significantly to organizational performance, SEM can be utilized. Therefore, if we are to reconsider the regression example above, SEM can be used to assess what other factors, in addition to employee personality, contribute to organizational performance in one model [4]. Those other factors must be identified within a model of organizational performance, and, finally, an assessment will be made on the significance of the model.

Usefulness of regression analysis and SEM: OD practitioners may find regression analysis and SEM useful to analyse or test the significance of relationships between different organizational inputs, processes, and outputs.

10.4 Qualitative Analysis

The qualitative data analysis tools introduced earlier in the data analysis process are explored here.

10.4.1 Popular Qualitative Analysis Tools

10.4.1.1 Content Analysis

Content analysis is a research tool used to determine the presence of certain words, themes, or concepts within a given set of qualitative data. Using content analysis, researchers and OD practitioners engaged in the exercise can quantify and analyse the presence, meanings, and relationships of words, themes, or concepts.

There are two main types of content analysis: conceptual analysis and relational analysis. Conceptual analysis determines the existence and frequency of concepts in data.

Relational analysis develops the conceptual analysis by further examining the relationships among concepts within the data. Each type of analysis may lead to different results, conclusions, interpretations, and meanings [2].

► Example

For instance, when OD practitioners interview various organizational stakeholders, the interview data can be stored in a number of ways. The data can be recorded using traditional note-taking or it can be digitally recorded for ease of reference and accuracy. After the data is processed and cleaned, content analysis involves the process of first extracting ‘significant statements’. Once extracted, a thematic approach can be adopted to group or categorize the significant statements into meaningful themes. This phase is synonymous with conceptual analysis. Themes are then examined to search for possible inter-theme relationships and they are also assessed in relation to the goals of the interview. This approach aligns to relational analysis. ◀

Usefulness of content analysis: Content analysis is one of the primary data analysis techniques used to transform interview data into meaningful information. Rich details based on the opinions of organizational stakeholders to changes within organizational systems are solicited with content analysis. The process, however, relies heavily on the subjective interpretation of OD practitioners, which emerges as a possible challenge.

10.4.1.2 Force-Field Analysis

Force-field analysis, identified earlier in ► Chaps. 4 and 6, also serves as a popular data analysis technique when transforming qualitative data into meaningful information to guide change management.

In the context of data analysis, information pertaining to organizational change is classified into two major categories: forces for change and forces resisting change. Based on data collected from observations, unobtrusive measures, and/or interviews, a list of all the forces promoting change and those resisting change is created. Stemming from the OD practitioner’s personal belief and/or input from members of the client organization, a determination is made on 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 to develop an understanding of various aspects of the organization, its current capacity, and the need for change.

Usefulness of force-field analysis: Force-field analysis is the sole data analysis technique firmly grounded within the field and practice of ODC. It was proposed by the father of change management and, therefore, unlike the other analysis techniques, it is a unique approach based on principles to change management.

10.4.1.3 Narrative Analysis

Narrative analysis uses field texts, such as stories, autobiography, journals, field notes, letters, conversations, interviews, family stories, photos (and other artefacts), and life experience, as the units of analysis to assess and understand the way employees and groups create meaning in their organizational lives as *narratives*.

It is a qualitative approach data that is concerned with understanding how and why people talk about their lives as a story or a series of stories.

Usefulness of narrative analysis: Narrative analysis may be used in OD to develop an understanding of how stakeholders view organizational life from a personal perspective. Such narratives can be useful in developing a personal relationship between stakeholders and OD practitioners.

10.5 New Trends in Data Analysis

As it relates to data analysis approaches within the context of ODC, a number of trends have emerged in fairly recent times. The more popular trends are outlined below:

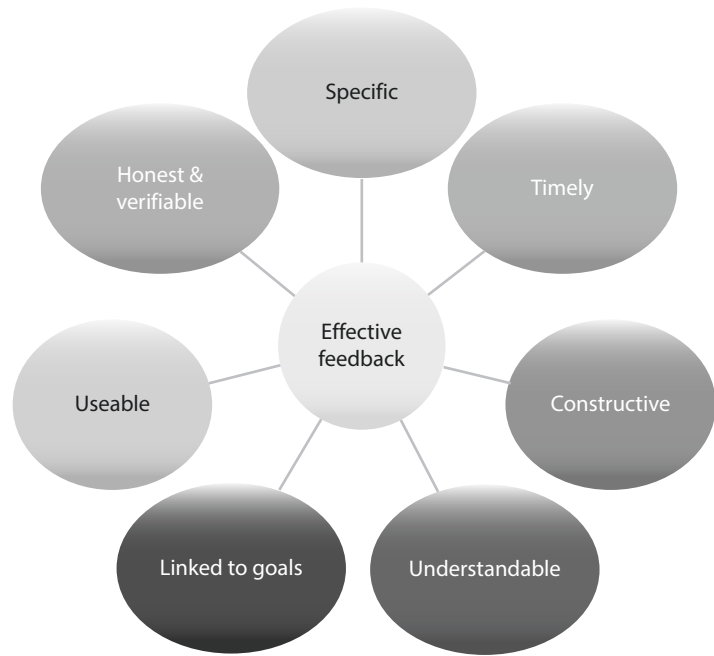
- Mixing data analysis approaches (quantitative and qualitative)
- Using statistical modelling on qualitative data
- Using statistical software packages to analyse qualitative data
- Trend towards *R* programming language to analyse quantitative data

Such trends represent innovations that have emerged to enhance the accuracy and ease of data analysis in the OD research process.

10.6 Feedback Processes

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 often organizes and presents them to the client. Properly analysed 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 feedback is to be sure that the client has ownership of the data. This is facilitated through various aspects of the feedback process.

In going through the feedback process, it is important to understand the key characteristics of feedback and the different types of feedback as well.



■ Fig. 10.3 Characteristics of effective feedback. (Source: Author's creation)

10.6.1 Key Characteristics of Feedback

Effective feedback is:

- Specific
- Timely
- Constructive
- Understandable
- Linked to key goals/targets/strategies/objectives
- Useable
- Honest and verifiable

Feedback may even be characterized by such features yet have little to no impact on organizational systems. If the feedback is not used to inform planned, systematic organizational change responses, it may not prove useful for OD practitioners (■ Fig. 10.3).

10.6.2 Different Types of Feedback

There are many different types of feedback that can be provided, all of which should be constructive in nature. Some of the more popular types include:

- *Negative feedback*: This type of feedback is based on corrective comments about past employee/group/organizational behaviours (in terms of inputs/processes/outputs). It focuses on behaviours that should not be

repeated based on a lack of success. For example, negative feedback can reveal that organizational structures are hierarchical, and can stifle employee autonomy and productivity.

- *Positive feedback:* Positive feedback is based on affirming comments about past employee/group/organizational behaviours (in terms of inputs/processes/outputs). It focuses on behaviours that should be repeated based on success. For example, positive feedback can reveal that work groups are cohesive, motivated, and productive, and hence should be maintained.
- *Negative feed-forward:* This type of feedback is based on corrective comments about future employee/group/organizational behaviours (in terms of inputs/processes/outputs). It focuses on behaviours that should be avoided in the future. For example, negative feed-forward can reveal that organizational cultures must change in the future since they are too mechanistic and resistant to change.
- *Positive feed-forward:* Positive feed-forward is based on affirming comments about future employee/group/organizational behaviours (in terms of inputs/processes/outputs). It focuses on behaviours which can improve performance in the future. For example, positive feed-forward can reveal that organizational capacity should be expanded further and be positively synergized through expansion initiatives, perhaps through alliances and partnerships with other organizations.

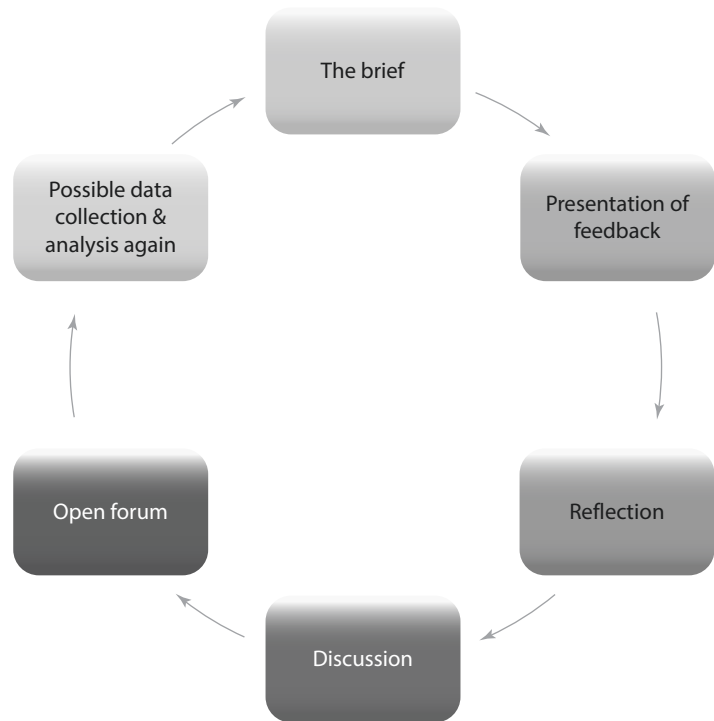
10.6.3 Key Aspects of the Feedback Process in OD

The key aspects of any feedback process in OD, regardless of the type of feedback provided, include:

- The brief
- The presentation of feedback
- Reflection
- Discussion
- Open forum
- Possible data collection and analysis again

These aspects are illustrated in ■ Fig. 10.4.

At the brief, organizational stakeholders are notified that the data analysis process has been completed, and are briefed on the presentation of the details. Constructive feedback is then presented in detail to all stakeholder groups. All organizational members, stakeholders, and OD practitioners reflect on the feedback and its implications. Reflective sessions are designed to solicit deep internal thoughts; it is typically associated with internalization of the feedback. Subsequent discussions are intended to clarify the findings and the impact on all stakeholder groups.



■ Fig. 10.4 The feedback process. (Source: Author's creation)

Discussions with open forums are even more powerful in facilitating further questions and answers that stakeholder groups may have on the feedback. This is where further data collection and analysis may be warranted to provide answers to questions that may arise. This aspect of the feedback process highlights its ongoing nature within OD diagnosis.

It must be noted that within research, there has been a heavy focus on survey feedback in particular. Survey feedback describes the dissemination of feedback from quantitative data analysis. A number of basic principles for conducting survey feedback interventions have emerged over time. The most popular principles include:

- The participation of organization members in data collection is vital.
- Participation in the process of analysing feedback data should take place to reduce resistance and to reinforce action based on reflective sessions using feedback data.
- Feedback should involve the feeding back of quantitative and objective data about the organization itself, new information, and possibly provide directions for or alternative ways of achieving positive change.

Indeed, feedback filters directly into the need for possible further data collection and analysis to adequately cover diagnostic

areas or emergent areas that require further diagnosis. Alternatively, feedback can filter directly into the development of appropriate OD interventions. Either way, feedback becomes an important driving factor to move the organization from diagnosis and the research processes of data collection and analysis, into the action phases of OD.

10.7 Conclusion

This chapter examined the fourth stage of the OD process: data analysis. Data analysis facilitates the transformation of raw data into meaningful information. It is the process of ‘making sense of the data’. Data analysis is the ‘sense-making’ arm of the diagnostic process. It transforms all the work from the diagnostic and data collection processes into meaningful information to facilitate meaningful organizational change where necessary. Further, data analysis filters directly into the development and implementation of organizational change interventions through feedback processes. Therefore, the importance of data analysis in the OD process should not be underestimated. It is a key driver in the OD process.

■ Exercises

Student Resources

■ Chapter Outline

- I. Data Analysis and Feedback
- II. Data Analysis Process
 - A. Key Aspects of the Data Analysis Process in OD
 - Data Processing
 - Data Cleaning
 - Engage in Exploratory and Confirmatory Data Analysis
 - Choose and Apply Main Data Analysis Tools
 - Present Results and filter into Feedback process
- III. Quantitative Analysis
 - A. Basic Quantitative Analysis Tools
 - Descriptive Statistics: Means, Standard Deviations, and Frequencies
 - Correlations and Scatterplots
 - B. Advanced Quantitative Analysis Tools
 - ANOVA and *t*-Tests
 - Regression Analysis and SEM
- IV. Qualitative Analysis
 - A. Popular Qualitative Analysis Tools
 - Content Analysis
 - Force-Field Analysis

— Narrative Analysis

V. New Trends in Data Analysis

VI. Feedback Processes

A. Key Characteristics of Feedback

B. Different Types of Feedback

C. Key Aspects of the Feedback Process in OD

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Developing and Implementing Organizational-Level Interventions

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Organizational-Level Theories

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Electronic supplementary material The online version of this chapter (https://doi.org/10.1007/978-3-030-39123-2_11) contains supplementary material, which is available to authorized users.

Learning Objectives

At the end of this chapter, readers should be able to:

1. Identify and describe the different types of macro-level organizational theories.
2. Evaluate the role of macro-level theories in the development and implementation of organizational-level interventions.
3. Describe the different types of organizational-level interventions and assess the goals of these interventions in the context of OD.

11.1 Introduction**11.1.1 Organizational Theories**

The development and implementation of change interventions represent another pivotal stage in the OD (organizational development) process. While many OD models have been developed over time to explain how organizational changes occur and the keys aspects of the organizational change management process (these are covered in ► Chap. 4), an understanding of organizational theories are of utmost importance to guide the overall development and implementation of organizational-level interventions in particular.

With roots in management and sociology, organizational theories have been used to explain phenomena in many fields of study. *Organizational theories* describe, explain, and predict the complex interaction between organizations and their external environments. Thus, these theories have the potential to ground investigations and the development and implementation of planned organizational interventions. Indeed, organizational interventions are based heavily on planned organizational responses to organizational environments; hence, the use of organizational theories becomes relevant.

Organizational theories: Organizational theories explain the interaction between organizations and their external environments.

Even under optimal internal organizational conditions, the development and implementation of OD interventions can be affected by changes in organizations' external environments, such as fluctuations in funding, new technology, new legislation, or other environmental shifts. Internal organizational conditions are increasingly reflected in implementation frameworks, but nuanced explanations of how organizations' external environments influence implementation success are needed

within OD research. Organizational theories provide OD practitioners engaged in the development and implementation of organizational-level interventions with a host of existing, highly relevant, and heretofore largely untapped explanations of the complex interaction between organizations and their environment [1].

There are many different types of organizational theories, both classical and contemporary. The most popular organizational theories include:

- Resource dependence theory (political economy approach/exchange perspective)
- Ecological theory (population ecology perspective/natural selection model)
- Institutional theory
- Contingency theory

In this chapter, these organizational theories are explored in detail.

11.2 Different Types of Organizational Theories

11.2.1 Resource Dependence Theory

11.2.1.1 Key Tenets

The resource dependence theory (RDT) is also known as the political economy approach and the exchange perspective. Since its emergence in 1978 thanks to Pfeffer and Salancik, RDT has become one of the most influential theories in organizational theory and strategic management.

Resource dependency: Resource dependency is an organizational theory which recognizes that the structure and operation of organizations are linked to the nature of power relations that exist between two or more organizations.

RDT recognizes the influence of external factors on organizational behaviour and, although constrained by their context, managers can act to reduce environmental uncertainty and dependence [2]. The key underlying tenet of this theory is *power*. Power describes the ability of the organization to control vital resources [3].

Power: Power is the key concept underlying the resource dependency organizational theory.

According to this perspective, the structure and operation of organizations are linked to the nature of power relations that exist between two or more organizations.

The theory asserts that organizations are driven by two key objectives in order to increase their power [4]:

1. The need to acquire control over resources which minimizes the dependence on other organizations.
2. The need to acquire control over resources which maximizes the dependence of other organizations on themselves.

This theory assumes that an organization can act to minimize its dependence on other organizations, and/or it may also act to maximize other organizations' dependence on it. In doing so, power increases. Organizations can minimize their dependence on other organizations by acquiring valuable resources essential to organizational survival and reducing uncertainty as far as possible in resource acquisition. An organization can maximize the dependence of other organizations on itself by controlling scarce and valuable resources. This model recognizes that the environment can indeed pose a challenge to organizations attempting to increase their power in this manner.

Within the last ten years or so, it has been proposed that organizations can take several actions to minimize environmental dependencies, including mergers, acquisitions, joint venture/partnership arrangements, strategic alliances, and other interorganizational arrangements [5]. In this regard, the RDT provides a sound rationale for many organizational change interventions that are strategic in nature. RDT recognizes that a partnership orientation, as opposed to an adversarial orientation, may be warranted in this instance. As environments change, organizations must alter appropriate organizational features to realign their fit to environmental demands.

► Example

For example, when global companies such as Hewlett-Packard (HP) and Microsoft develop long-standing strategic alliances, the resource dependence theory provides a theoretical justification for such planned organizational change interventions. The HP and Microsoft global strategic alliance is one of the longest standing alliances of its kind in the industry, with more than 25 years of combined marketplace leadership focused on helping customers and channel partners around the world improve productivity through the use of innovative technologies. Branded the HP and Microsoft Frontline Partnership, the companies share technology, engineering, and marketing resources to create and promote solutions based on industry-standard computing platforms that help solve some of the most challenging IT problems. HP and Microsoft have jointly engineered solutions that deploy smoothly and seamlessly and deliver competitive advantage [6]. ◀

11.2.2 Ecological Theory

11.2.2.1 Key Tenets

The ecological theory is also known as the population ecology perspective and the natural selection model. Although *population ecology* theory is most often used in the biological sciences, many of its principles lend well to organizational analysis.

Population ecology: Population ecology is an organizational theory which examines the environment in which organizations compete and how a process like natural selection occurs. It is concerned with the capacity of the environment to support organizations and the rate of growth and decline of organizations within the environment. ◀

The first explicit formulation of a theory of population ecology was provided by Michael T. Hannan and the late John H. Freeman in their 1977 *American Journal of Sociology* piece ‘The Population Ecology of Organizations’ and later refined in their 1989 book *Organizational Ecology* [7].

Organizational ecologists seek to explain how social, economic, and political conditions affect the relative abundance and diversity of organizations and attempt to account for their changing composition over time [8]. While power is the key tenet of the resource dependence perspective, *selection* is the key concept in the ecological theory.

Selection: Selection is the key concept underlying the population ecology organizational theory.

This theory is based on three main assumptions:

- Diversity is a property of aggregates of organizations that has no analogue at the level of the individual organization.
- Organizations often have difficulty devising and executing changes fast enough to meet the demands of uncertain, changing environments.
- The community of organizations is rarely stable—organizations arise and disappear continually [9].

Therefore, it examines the environment in which organizations compete and how a process like natural selection occurs: the death of organizations, the birth of new organizations, as well as organizational growth and change. This model is concerned with the capacity of the environment to support organizations and the rate of growth and decline of organizations within the environment. It implies that existing organizations frequently have difficulty changing strategy and structure quickly enough

to keep pace with the demands of uncertain, changing environments and that major organizational innovations often occur early in the life of organizations and populations (a set of similar organizations in terms of activities and utilization of resources). Organizational change and variability therefore reflect primarily relatively inert (i.e., inflexible) organizations replacing each other over time. In this way, the ecological organizational theory provides a rationale for organizational change and development by suggesting that organizational change is a necessary part of natural selection in the life of organizations.

11.2.3 Institutional Theory

11.2.3.1 Key Tenets

In the 1940s, the *institutional theory* entered the field of organizations with the appearance of the first organizational institutionalists: Selznick, March, and Simon. In the second half of the twentieth century, neo-institutionalists emerged in organizational theory.

Institutional theory: Institutional theory is an organizational theory which asserts that the organizations should put institutions at the core of the analysis of their design and conduct.

The central argument of the organizational, institutional theory is that the structuring and functioning of organizations in an economic sector or a sector of society is determined by *institutions* [10]. The institutional theory of organizations puts institutions at the core of the analysis of organizations' design and conduct.

Institutions: Institutions are those beliefs, rules, roles, and symbolic elements capable of affecting organizational forms.

Institutions are those beliefs, rules, roles, and symbolic elements capable of affecting organizational forms independent of resource flows and technical requirements [11]. The beliefs, rules, roles, and symbolic elements can be of different forms including:

- Regulative (i.e., required/enforced by law)
- Normative (i.e., enforced by a shared sense of what is appropriate)
- Cognitive (i.e., taken-for-granted, mental models of how work should be done, as is the case with most routinized behaviour in organizations) [12]

Economists interested in institutions focus on regulative institutions, while organizational scholars focus on normative and cognitive beliefs or institutions as drivers of organizational action. The essence of the institutional theory of organizations is that the structuring and functioning of all the organizations within a sector are performed according to the institutionalized pattern created in the said sector and imposed on all the organizations within it.

This perspective further assumes that:

1. Organizations do not operate in a vacuum. They must deal with a multitude of external influences, such as cultural differences, legal requirements, conventions, and norms, and with the demands raised by a diversity of actors including suppliers, customers, regulatory agencies, non-governmental organizations (NGOs), or trade unions.
2. The resulting beliefs, rules, and persisting expectations or institutions explain choices in formal structures and organizational practices.

The institutional theory has a number of important implications for organizational structures and its associated organizational practices in particular. In fact, this organizational theory provides a solid rationale for many organizational change interventions that are techno-structural in nature. For instance, the institutions that emerge from external influences can result in the need for structural redesign and the redesign of organizational practices; this point is acknowledged by the institutional theory of organizations.

► Example

For example, a large number of structural redesign programmes have been implemented with increasing frequency in the last five years. Institutional theory can be used to rationalize this trend. Economic factors within the organizational environment have led to the emergence of institutions which justify leaner organizational structures for survival. Unsurprisingly, 2018 globally has seen Toshiba cutting 2000 jobs, Ford cutting 24,000 jobs, Deutsche cutting 7000 jobs, HP cutting 5000 jobs, and Kimberly-Clark cutting 3500 jobs, just to name a few [13]. In the Caribbean/Latin America, the trend has been similar. One of the largest cannabis companies in the world, Canadian Canopy Growth, restructured its overseas operations by laying off 15 % of its workforce in Latin America, reflecting the slow pace at which revenue-generating opportunities and regulatory structures are evolving in the region [14]. Unilever Caribbean Limited (UCL) is currently engaging with trade unions and employees with regard to the future of the company in the spirit of securing its long-term operations. Employees are expected to be cut this year after the review of its operations in the context of a weak domestic economy and a challenging global environment [15]. ◀

11.2.4 Contingency Theory

11.2.4.1 Key Tenets

The contingency theory is an organizational theory which is based on *contingency perspectives*.

Contingency perspectives: Contingency perspectives describe organizational theories which assert there is no best way to organize a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon contextual or situational factors.

This theory postulates that the optimal course of action for organization is *contingent* (dependent) upon the internal and external situation, since there are no universal best practices on how to manage. *Contingencies* are the core concepts underlying the contingency theory. It notes there are many external and internal constraints that alter what is the best way to manage organizations in a given situation. In other words, it all depends upon the situation at hand as to what will be the best course of action for organizations.

The contingency theory of organizations is a major theoretical lens used to view organizations. It yields many insights and has substantial empirical support since its emergence in the 1970s through one of its pioneers, Fred Fiedler.

The main ideas underlying contingency theory include:

1. Organizations are open systems that need careful management to satisfy and balance internal needs and to adapt to environmental circumstances.
2. There is no one best way of organizing. The appropriate form depends on the kind of task or environment within which the organization is operating.
3. Management must be concerned, above all else, with achieving alignment and good fit, that is, fit between the organization and its environment.
4. Different types of organizations are needed in different types of environments [16].

This theory argues that managers change and redesign their organizations primarily to adapt to changes in the internal and external environment. Therefore, organizational environments and processes are often sources of change. In the context of OD, indeed, changes in the organizational environment are often noted as one of the key drivers of organizational-level change. In fact, the changing environment provides the context for the field and practice of OD. In these ways, this organizational theory provides a sound rationale for OD.

11.3 Role of Organizational Theories in Developing and Implementing Organizational-Level Interventions

Organizational theories provide general guiding frameworks for understanding organizational-environmental relationships, and thereby establish the underlying premise when developing and implementing organizational interventions.

As discussed in the previous section of the chapter, there are several organizational theories. However, the resource dependence, ecological, institutional, and contingency theories are among the most popular organizational theories, which provide solid theoretical groundings for the development and implementation of organizational-level change interventions within the field and practice of OD.

■ Table 11.1 describes the direct linkage between the aforementioned organizational theories and OD. The resource

■ **Table 11.1** Linkages between organizational theories and OD

Organizational theory	Link to OD
1. Resource dependence theory	This theory specifically speaks to the idea that organizations involved in ODC can increase their power and strength in various ways. One such way is to reduce environmental dependencies by adopting change interventions which focus on mergers, acquisitions, joint venture/partnership arrangements, strategic alliances, and the like.
2. Ecological theory	This theory specifically speaks to the capacity of the environment to support organizations and the rate of growth and decline of organizations within the environment through natural selection. In this context, organizational changes reflect the replacement of inflexible organizations over time. In other words, the development and implementation of organizational change is a necessary part of organizational life.
3. Institutional theory	This theory specifically speaks to the structuring and functioning of organizations based on the beliefs, rules/institutions that develop over time in dealing with a multitude of external influences. In this context, organizational changes focus on changes in organizational structures over time as institutions change.
4. Contingency theory	This theory specifically speaks to the idea that situational factors within the organization's environment determine the best course of action for organizations. In this context, managers change and redesign their organizations in order to adapt to changes in the environment, internal and external. The environment becomes the source of change for organizations.

Source: Author's creation

dependency theory acknowledges strategic changes, the institutional theory acknowledges techno-structural changes, and the ecological and contingency theories both acknowledge the role of general organizational changes within changing environments.

In the context of these organizational theories, the following question becomes important: *How do you choose a theory or theories to frame and guide the OD process?* OD practitioners and organizations involved in the process of organizational development and change (ODC) must recognize that there is a role for each of these theories to guide the development and implementation of appropriate OD interventions. Indeed, the OD process itself is highly reliant upon a number of theoretical models and frameworks. For instance, OD change models explain the change management process and outline how to manage change throughout the process from various perspectives (► Chap. 4); diagnostic models explain different areas of organizational functioning (► Chap. 8); and the organizational theories in this chapter describe different ways in which the environment impacts the organization.

It is obvious that all of the organizational theories (resource dependency, institutional, ecological, and contingency), in recognizing the importance of organizational-environmental relationships, follow the principle of open-systems theory. This theme is similar to the open-systems diagnostic models which recognize the importance of understanding organizational functioning within a dynamic environment. Even so, each organizational theory approaches the need for organizational change from the perspective of different change situations or change requirements within the organizational environment. For example, the institutional theory recognizes that the interaction between the organization and its environment can create conditions which require changes in the organizational structures and technology; the resource dependency theory recognizes, however, that the interaction between the organization and its environment can create the need for interorganizational partnerships and collaboration to survive and grow; and the contingency theory recognizes that organizational contexts differ and hence different organizations operating within different contextual environments may need different OD interventions. Indeed, different organizational theories may be more or less appropriate in explaining organizational-environmental dependencies based on the presenting problem in Stage 1 and the diagnostic data which is collected, analysed, and fed back in Stages 2, 3, and 4. In turn, these stages should shape the components of ODC in the form of different OD interventions (Stage 5).

11.4 Desirable Outcomes of Organizational-Level Interventions

11.4.1 Different Types of Organizational-Level Interventions

It was noted in ► Chap. 1 that within organizational systems, changes occur at multiple levels: individual, group, and organizational. ► Chaps. 2 and 3 further explored individual and group-level interventions, respectively. Such interventions are developed and implemented primarily in response to human resource and human process issues.

Organizational-level change interventions are developed and implemented primarily in response to two main types of issues:

- *Techno-structural issues*
- *Strategic issues*

Techno-structural changes: Techno-structural changes were previously introduced in ► Chap. 3. Indeed, techno-structural issues can emerge at the group level, a point noted in ► Chap. 3. This is not surprising given that organizations operating as open systems recognize the interrelationships between and among the various organizational levels. The cross-level effects of the different types of ODC interventions are therefore not surprising within open organizational systems.

Techno-structural issues predominate at the organizational level in particular, as changes occur within organizational environments. Techno-structural issues relate to the technological and structural changes at the macro levels. Organizations must decide how to divide work into departments and then how to coordinate among those departments to support strategic directions. They must also make decisions about how to deliver products or services and how to link people to tasks at the macro level. OD methods for dealing with these structural and technological issues are called *techno-structural interventions* and include OD activities relating to downsizing, restructuring, and reengineering at the organizational level. Downsizing, restructuring, and reengineering organizational interventions are explored in ► Chaps. 12, 13, and 14, respectively.

Strategic changes: Strategic changes are concerned with initiating planned changes, which determine the long-term direction of organizations. Strategic changes are important in forecasting, planning, and the subsequent execution of the long-range development and growth of organizations.

Organizations need to decide how to transform their values and beliefs to keep pace with changing conditions within a dynamic macro-organizational environment, what and how

to provide products/services within expanding organizational markets, the markets in which they will compete through various expansion techniques, and how to relate to the environments through continuous learning processes. These strategic issues are among the most critical ones 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 culture change, mergers/acquisitions and alliance/network development, and organization learning. Culture change, mergers/acquisitions and alliance/network development, and organization learning as organizational interventions are explored in ► Chaps. 15, 16, and 17.

11.4.2 Goals of Organizational-Level Interventions

Indeed, intervention design must create change methods appropriate to the organizational issues identified in the diagnostic, data collection, data analysis, and feedback stages of the OD process. Moreover, because the organizational issues are themselves linked together, OD interventions similarly need to be integrated with one another to achieve the goals of organizational-level interventions [17].

The three main goals of organizational-level interventions are identified and summarized in ► Box 11.1.

Box 11.1 Goals of organizational-level interventions

1. The integration of change plans across organizational levels to support organizational strategies, goals, and objectives.
2. To improve the organization's technology (such as the task methods and job design) as well as its structure (e.g., division of labour and hierarchy). These goals are becoming popular in OD because of the growing problems relating to productivity and organizational effectiveness.
3. To link the internal functioning of the organization to the larger environment and transform the organization to keep pace with changing conditions. This linkage aims to bring about a fit between business strategy, structure, culture, and the larger environment to improve development and competitiveness over time.

Source: Author's creation

11.5 Conclusion

This chapter examined organizational theories that inform the development and implementation of organizational-level change interventions. While many OD models have been developed over time to explain how organizational changes occur and the keys aspects of the organizational change management process (these were covered in ► Chap. 4), an understanding of organizational theories are of utmost importance to guide the overall development and implementation of organizational-level interventions in particular. Organizational theories provide overarching guidelines for understanding the interactions between organizations and the external environments within which they operate. Such an understanding is critically important given that organizational interventions are largely aimed at developing and implementing planned change responses to environmental shifts.

■ Exercises

Student Resources

■ Chapter Outline

- I. Organizational Theories
- II. Different Types of Organizational Theories
 - A. Resource Dependence Theory
 - B. Ecological Theory
 - C. Institutional Theory
 - D. Contingency Perspectives
- III. Role of Organizational Theories in Developing and Implementing Organizational-Level Interventions
- IV. Desirable Outcomes of Organizational-Level Interventions
 - A. Different Types of Organizational-Level Interventions
 - B. Goals of Organizational-Level Interventions

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Techno-Structural Interventions: Restructuring

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Learning Objectives

At the end of this chapter, readers should be able to:

1. Describe restructuring as a key organizational-level intervention and evaluate its relevance and importance in the field and practice of OD.
2. Evaluate the different types of structural design and assess the need for redesign or change.
3. Identify and analyse the different aspects of the restructuring process.
4. Assess the challenges that emerge in the restructuring process and evaluate various aspects of its implementation within the organizational context.

12.1 Introduction

12.1.1 Restructuring

As organizations move through the entering stage of OD (Stage 1), diagnosis (Stage 2), data collection (Stage 3), data analysis and feedback (Stage 4), these processes inform the development and implementation of appropriate change interventions (Stage 5). Stage 5, therefore, addresses the various change situations presented in Stage 1 and clarified in Stages 2 to 4.

Stage 5, which examines the development and implementation of the OD process used in this book, mirrors a number of other stages in other popular change models. For example, it mirrors the ‘movement’ stage of Lewin’s model, the ‘design’ stage of the positive model, and the ‘planning and implementing’ stage of the general model of planned change, just to name a few.

Indeed, micro-level and some group-level change issues such as low employee motivation, team cohesion, employee productivity, and team productivity can be addressed with appropriate individual-level and group-level OD interventions (as covered in ► Chaps. 2 and 3). Macro-level or organizational-level change issues, however, must be addressed with organizational-level OD interventions, as informed by the first four stages in the OD process.

Techno-structural change programmes are organizational-level interventions which broadly focus on the technology and structure of organizations. There are three main types of organizational-level techno-structural interventions:

- Restructuring
- Downsizing
- Reengineering

Restructuring is often cited as the most popular techno-structural intervention. Indeed, the other two types of techno-

structural interventions—downsizing and reengineering—are natural extensions of the restructuring process (covered in the next two chapters).

► Example

Results from the European Working Conditions Survey (EWCS) in 2015 found that 30 % of all workers had experienced restructuring in the past three years [1]. A survey of 1600 executives in 35 countries globally conducted by the Boston Consulting Group found that over 90 % of companies with more than 1000 employees had engaged in restructuring as of 2012 [2]. The need to restructure is also set to rise in the Asia-Pacific region, according to 93 % of respondents in a 2015 survey. The respondents stemmed from a wide geographical distribution in the Asia-Pacific region, with 26 % in the Greater China region, 24 % in Southeast Asia, 20 % from Japan, and 10 % from India [3]. A survey of 3400 organizations in Australia revealed that 54 % of Australian employers in 2019 were restructuring their department or organization to keep up with changing business needs, up from 52 % last year [4]. In the Caribbean, as of October 2019, in the world's most tourism-dependent region, the Caribbean Tourism Organization (CTO) announced the closure of its New York (NY) and United Kingdom (UK) offices in its latest restructuring exercise [5]. These cases are but a few examples of the increasing reliance on restructuring change interventions. ◀

12

Restructuring can be described as the process of reorganizing or initiating changes in the structure of organizations with the overarching goal of enhancing the efficiency and effectiveness of organizational productivity.

Restructuring: Restructuring can be defined as the process of reorganizing or initiating changes in organizational structures.

Restructuring usually involves a major change in organizational structure by reducing management levels, jobs, positions, units, and possibly changing components of the organization through various reorganization options. While downsizing and reengineering are parts of the restructuring process, restructuring focuses largely on the *structural design* of organizations.

Structural design: Structural design describes the structure of the organization.

Structural design describes how the overall work of the organization is divided into jobs, positions, divisions, departments, groups, teams, and subunits and how these subunits are coor-

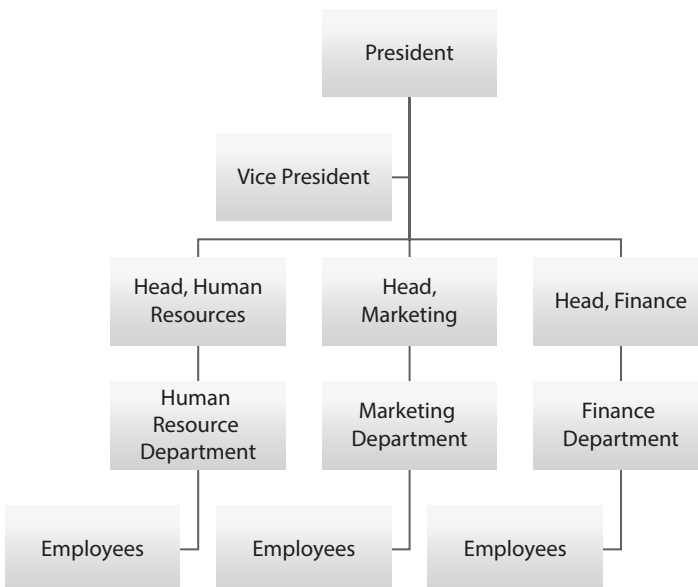
minated to accomplish the tasks, goals, and objectives of the organization. The structural design of organizations can be simply illustrated in the *organizational charts*.

Organizational charts: Organizational charts provide a visual representation of the structure of the organization.

Organizational charts provide a visual representation of structural design. The purpose is to illustrate the reporting relationships and hierarchy within the organization. Departments/units/divisions/teams, job titles, and/or job positions are generally depicted in boxes or circles with lines linking them to other employees and departments. By looking at the organizational chart, a quick understanding of how the organization is designed, its number of levels, and where each employee fits into the organization can be delineated.

Organizational charts should not be viewed as static pictures of structural design. They should be viewed as a real-time resource in structural design and redesign where and when needed. ■ Fig. 12.1 provides an illustration of a sample organizational chart.

This pictorial representation of structure, as captured in organizational charts, offers a practical snapshot of structural design. When there is some degree of misalignment between organizational structures, strategies, goals, and objectives, as well as changes in the organizational environment, the need for changes or *structural redesign* is often recommended.



■ Fig. 12.1 Sample organizational chart. (Source: Author's creation)

Structural redesign: Structural redesign describes changes in the structure of the organization. Structural redesign is another term used to describe the process of restructuring.

In such a context, restructuring becomes a popular option as an organizational-level change intervention. The most popular reasons for restructuring are discussed below.

12.2 Rationale for Restructuring as an Organizational-Level Intervention

The planned changes in structural design, most commonly known as restructuring, are widely used due to a number of reasons. The most popular reasons for the development and implementation of structural redesign include:

1. Innovations in work methods
2. Innovations in the nature of business
3. Innovations in management methods
4. Technological innovations
5. Changes in the strategic direction of business
6. Economic motives
7. Changes in other environmental dimensions

When the presenting change situations/problems/opportunities focus on structural issues, misalignment between organizational structures, strategies, goals, and objectives, and changes in the organizational environment, the need for the development and implementation of restructuring interventions often emerges from the entering, diagnosis, data collection, and data analysis/feedback processes of OD, which are outlined in the previous section of the book.

12.2.1 Innovations in Work Methods

As work methods evolved over time, so too the need for changes in work structures. Traditional work methods focused largely on work specialization and structured ‘8 a.m.–4 p.m.’ jobs.

Newer methods of work, such as outsourcing, teamwork/project work, telecommuting, flexible work arrangements, part-time work systems, temporary work arrangements, contract labour, and virtual work groups/teams/units, require new systems, policies, and structures in place, and such requirements can trigger the need for organizational restructuring.

► Example

For example, Google, the tech giant headquartered in Mountain View, California, has been taking advantage of outsourced staff for a number of years. Whether it includes IT specialists, developers, as well as virtual assistant types of work, Google is a strong implementer of outsourced work to take care of the many projects they continuously deploy and work on [6]. Accordingly, Google's structure reflects the fluidity offered by the outsourcing of key projects. ◀

12.2.2 Innovations in the Nature of Business

Businesses that refuse to change with market trends and market demand face the risk of their product lines, service offerings, and general lines of business becoming obsolete. Accordingly, businesses must innovate and experiment with new products and new services, explore new markets domestically and internationally/globally, and reach out to new groups of customers on a continuous basis. Businesses seek to diversify into new areas and new markets to increase sales, optimize their capacity, and also shed off divisions that do not add much value, to concentrate on core competencies instead. Such innovations trigger the need for restructuring to varying degrees.

► Example

For example, Netflix recognized the need to grow globally to reach new markets and customers. By 2017 it was operating in over 190 countries, and close to 73 million of its some 130 million subscribers are now from markets outside the United States. In the second quarter of 2018, its international streaming revenues exceeded domestic streaming revenues for the first time. Over this global growth, Netflix gained expertise in the content customers prefer in different markets, the marketing they respond to, and how the company needed to reorganize or restructure itself to meet the demands of global growth [7]. ◀

12.2.3 Innovations in Management Methods

Traditional management methods are typically characterized by highly centralized operations, and hierarchical top-down management methods, styles, and approaches. As management methods change over time, structural redesign becomes mandatory with a shift towards more elements of contemporary methods.

Management methods are continuously evolving towards flatter organizations with wider roles and responsibilities for each member of the team. Job flexibility, enlargement, and

enrichment are key features of such new structures, but successful implementation requires changes in the communication and reporting structures of the organization as well. While new organizations can start with such new paradigms, old organizations have to restructure themselves to keep up with these best practices to remain competitive.

12.2.4 Technological Innovations

Innovations in technology that impact on work processes, work arrangements, work structures, and other technological factors that influence business units may indeed require some degree of organizational restructuring to keep up with the times.

► Example

For instance, within the Caribbean region, in the banking sector, Scotiabank was the first bank to offer mobile banking services to customers in many countries across the region, and the first to offer a mobile app for iPhone and Blackberry devices. Even as this occurred, Scotiabank began selling non-core businesses within the region in smaller Caribbean countries, such as Antigua and Barbuda and Grenada in recent times, while focusing its international operations on the Pacific Alliance trading bloc of Peru, Mexico, Chile, and Columbia, which now accounts for around a quarter of its revenue as of 2019 [8]. Scotia is focusing on redesigning its operations with technological innovation used to streamline its processes and structure to enhance efficiency. ◀

12.2.5 Changes in the Strategic Direction of Business

In today's corporate world where organizations are characterized by ongoing changes, expansion into global markets, competitive pressures, and 'survival of the fittest', they must be open to changing their strategic direction and goals. Increasingly, organizations are moving towards a 'collaboration orientation' and away from an 'adversarial orientation'.

A *collaboration orientation* can be described as a strategic approach which focuses on building partnerships, relationships, and networking within and between organizations to support overarching strategic goals and objectives. An *adversarial orientation* can be described as a more traditional strategic approach where other organizations are seen more as competitors than as potential partners.

'Collaboration orientation': A 'collaborative orientation' describes the tendency of organizations to focus on partnerships, collaborative relationships, and relationship-building.

‘Adversarial orientation’: An ‘adversarial orientation’ describes the tendency of organizations to avoid partnerships, collaborative relationships, and relationship-building. It is the opposite of the ‘collaborative orientation’.

With changes towards a more collaborative strategic approach, organizations are using partnerships/joint ventures, mergers, acquisitions, strategic alliances, and other such strategic arrangements as survival strategies and to facilitate strategic growth and development. Such strategic approaches are explored in detail under Strategic Interventions in ► Chaps. 15, 16, and 17. In this context, however, facilitating such changes comes at the cost of structural redesign.

12.2.6 Economic Motives

Organizations are driven largely by the overarching ‘profit motive’. The profit motive simply describes the ultimate goal of business organizations to maximize profit levels, above all else.

‘Profit motive’: The ‘profit motive’ describes the drive to maximize profits.

As organizations strive to maximize their profit, in a wider economic environment characterized by recessionary pressures in particular, they are increasingly forced to streamline operations, increase efficiency as far as possible, and spin off non-key processes and functions. Such factors can also force organizations to shed excess ‘flab’, such as workforce, land, or other non-core resources, sell sinking business lines to raise cash, and become lean and mean, to attract bailouts or even minimize the potential for bankruptcy. With such motives and tight economic factors, organizational restructuring is typically used as an organizational-level change intervention to facilitate the ‘cutting’ and redesigning processes.

12.2.7 Changes in Other Environmental Dimensions

Indeed, the organizational environment and its importance in driving the overall field and practice of organizational development and change (ODC) were highlighted in ► Chap. 1. Indeed, changes in other environmental factors, such as competitors, legal-political, and international dimensions, can also spur the need for organizational restructuring in particular.

12.3 Structural Design

Organizations are characterized by a number of different types of organizational structures or structural designs, which form the basis of restructuring.

The various types of structural designs are differentiated, however, on the basis of a number of structural design elements. The most common elements include:

- *The degree of centralization/decentralization:* *Centralization/decentralization* describes where the decision-making authority is held within organizations. In highly centralized structures, decision-making authority is held at the top or higher levels of the organization. In decentralized structures, decision-making authority is pushed down to lower levels, and across the organization.

Centralization: Centralization describes the extent to which decision-making and authority is held at the top or higher levels of the organization.

Decentralization: Decentralization describes the extent to which decision-making and authority is pushed down to lower levels and across the organization.

- *The chain of command:* The *chain of command* describes the authority structure of the organization. In structures where the chain of command is more rigid/ strict, those at the top of the organization are the holders of power and authority.

Chain of command: Chain of command describes authority and who reports to whom.

- *The span of control:* The *span of control* describes the number of employees who report to any one supervisor or manager within organizations. In structures where the span of control is narrow, there are fewer employees reporting to any one supervisor, thereby allowing for more control over the employees. In structures where the span of control is wide, there are more employees reporting to any one supervisor, thereby allowing for less control over employees.

Span of control: Span of control describes the number of employees reporting to a supervisor. This characteristic of structure determines how closely a supervisor monitors subordinates.

- *The degree of work specialization:* *Work specialization* describes the division of labour within organizations. In structures where work is highly specialized, the organization divides individual tasks into a greater number of smaller, separate jobs.

Work specialization: Work specialization is also called division of labour and describes the degree to which organizational tasks are subdivided into separate jobs.

When structures are characterized by a higher degree of centralization, a more rigid/strict chain of command, a narrower span of control, and/or a higher degree of work specialization, organizations are classified as having a more traditional structural design. Conversely, when structures are characterized by a higher degree of decentralization, a less rigid/strict chain of command, a wider span of control, and/or a lower degree of work specialization, organizations are classified as having a more contemporary structural design.

Generally, organizations with more elements of a traditional structural design are characterized by more control over employees, while those with more elements of the contemporary design are characterized by more employee empowerment.

► Example

For example, public sector or government-operated organizations in the Caribbean region are still largely characterized by more elements of traditional structures, although there have been some recent attempts to incorporate elements of the contemporary approach as well. The multinational corporations in the region, however, are differentiated based on more contemporary structural elements [9]. ◀

12.3.1 Different Types of Structural Design

Indeed, there are many different types of structural design. Five of the more popular approaches include:

1. The functional structure
2. The divisional structure
3. The matrix structure
4. The team structure
5. The network structure

The *functional*, *divisional*, and *matrix* structures are typically categorized as more traditional types of structural design that rely on the chain of command to define structures, and where reporting relationships are defined along the hierarchy. The *team* and *network structures*, however, are categorized as more contemporary types of structural design, which have emerged

to meet changing organizational needs in a turbulent global environment. Each type of structural design is explored below.

Functional structure: Functional structure describes organizational structures where positions are grouped into departments based on similar skills, expertise, work activities, and resource use.

Divisional structure: Divisional structure describes organizational structures where departments are grouped together based on similar organizational outputs.

Matrix structure: Matrix structure describes organizational structures which combine elements of both the functional and divisional structures simultaneously within the organization.

Team structure: Team structures offer managers a way to delegate authority, to push responsibility to lower levels, and to be more flexible and responsive in the competitive global environment.

Network structure: Network structure describes an organizational structure where most of its major functions are subcontracted to separate companies and their activities are typically coordinated from a small headquarters organization.

- *Functional structure:* This type of structure focuses on the grouping of work/job positions into departments based on each type of functional activity within the organization, for example, accounting, human resources, engineering, and manufacturing, research and development, and marketing. Employees, facilities, and other resources representing a common function are grouped into a single department, which are coordinated using top-down management structures.

The functional structure follows a strong vertical design. Information flows up and down the vertical hierarchy, and the chain of command converges at the top of the organization [10]. In a functional structure, employees within a department communicate primarily with others in the same department to coordinate work and accomplish tasks or implement decisions that

are passed down the hierarchy. Typically, rules and procedures govern the duties and responsibilities of each employee, and employees at lower hierarchical levels accept the authority of those higher in the hierarchy to make decisions and issue orders.

► Example

For many years, the company General Electric (GE), known globally as a company with annual sales of US\$14 billion and employing about 400,000 people in the 1970s, in scores of diverse businesses, used a functional structure. For decades, despite the diversity of its businesses, GE used one basic structure throughout its organization: five functional managers reporting to one general manager [11]. ◀

- *Divisional structure:* This type of organizational structure focuses on the grouping of departments based on similar organizational outputs. Diverse departments are brought together as a division to produce a single organizational output, whether it is products, programmes, or services to customers.

Most large corporations have separate divisions that perform different tasks, use different technologies, or serve different customers. When a huge organization produces products for different markets, the divisional structure works because each division is an autonomous business. Each division has its own functional departments. Information also flows up and down the vertical hierarchy, and the chain of command converges at the top of the organization.

- *Matrix structure:* The matrix organizational structure combines aspects of both the functional and the divisional structures simultaneously in the same organization. The matrix structure evolved as a way to improve horizontal coordination and information sharing. One unique feature of the matrix is that it has dual lines of authority, where the functional hierarchy of authority runs vertically, and the divisional hierarchy of authority runs horizontally within the organizational structure. The vertical structure provides traditional control within functional departments, and the horizontal structure provides coordination across departments.

As a result of this dual structure under the matrix approach, some employees actually report to two supervisors simultaneously: the functional and the divisional bosses. This is one of the key features of the matrix structure that differentiates it from the pure functional and divisional structures [12].

► Example

In 1976, GE turned to the matrix structure, moving away from the pure functional structure, which groups, divisions, and departments found to be cumbersome at that time. Other major corporations, in diverse activities, such as Bechtel, Citibank, Dow Chemical, Shell

Oil, and Texas Instruments, also turned to the matrix structure at that time. The main logic for a switch to the matrix structure was its advantage over the functional approach in facilitating quicker management responses to changing market and technical requirements [11]. This was the main argument put forward by such organizations using the matrix approach in the 1970s. ◀

- *Team structure:* The team approach gives managers a way to delegate authority, push responsibility to lower levels, and be more flexible and responsive in the competitive global environment. The team structure follows a horizontal or lateral structural design, with open communication channels. This approach is the most popular recent trend in structural design.

There are many different types of teams that operate within team structures: cross-functional teams, special-purpose teams/project teams, virtual teams, and global teams are the most popular types in practice. Cross-functional teams are made up of employees from different functional areas and functions as a team to achieve goals and objectives. Special-purpose teams function as project teams, charged with the responsibility of organizing resources to achieve stated goals or objectives. Virtual teams function to achieve common goals, where communication takes place ‘virtually’ using internet technology. Global teams operate as virtual teams in many instances, where team members are geographically dispersed globally.

Regardless of the type of team(s) used within the team structure, which can be permanent teams or temporary teams, teams replace structured departments and the entire organization is made up of horizontal teams that coordinate their work and work directly with customers to accomplish the organization’s goals.

- *Network structure:* The virtual network structure is another recent trend in structural design. Under this type of structure, the firm subcontracts most of its major functions to separate companies and coordinates their activities from a small headquarters organization. *Subcontracting* is used to extend the boundaries of the organization using loosely interconnected groups of companies with permeable boundaries [13].

Subcontracting: Subcontracting is another term used for the outsourcing of business functions to separate companies.

In a variety of industries, vertically integrated, hierarchical organizations are giving way to loosely interconnected groups of companies with permeable boundaries within networks. The organization may be viewed as a central hub surrounded by a network of outside specialists.

Rather than being housed under one roof, functional areas such as accounting, design, manufacturing, and distribution

Table 12.1 Strengths and challenges associated with different types of organizational structures

Type of structure	Strengths	Challenges
Functional	<ol style="list-style-type: none"> 1. Top management control 2. Skills specialization in functional areas 	<ol style="list-style-type: none"> 1. Limited communication across functional departments 2. Slow response to environmental changes
Divisional	<ol style="list-style-type: none"> 1. Coordination across functional departments 	<ol style="list-style-type: none"> 1. Limited coordination across divisions 2. Possible duplication of resources across divisions with multiple functional departments within each division
Matrix	<ol style="list-style-type: none"> 1. Interdisciplinary cooperation 2. Expertise available to all divisions 	<ol style="list-style-type: none"> 1. Possible conflicts of interest with dual chain of command
Team	<ol style="list-style-type: none"> 1. Employee morale from employee involvement 2. Employee empowerment 3. Flexibility 	<ol style="list-style-type: none"> 1. Time spent on decision-making can increase due to consensus-building
Network	<ol style="list-style-type: none"> 1. Little overhead costs 2. Flexibility 3. Expertise and strengths can be leveraged worldwide 	<ol style="list-style-type: none"> 1. Little control 2. Lower employee loyalty due to little/no organizational boundaries

Source: Author's creation

are outsourced to separate organizations that are connected electronically to the headquarters. The network structure is typically coordinated virtually; hence it is also known as the virtual network approach in some organizational contexts.

Table 12.1 summarizes the key strengths and challenges associated with the use of each type of structure.

12.3.2 Structural Redesign

Many companies are recognizing the limits of traditional vertical organization structures in a fast-shifting environment. In general, the trend is towards breaking down barriers between departments, and many companies are moving towards horizontal structures based on work processes rather than depart-

mental functions. Regardless of the type of structure, every organization needs mechanisms for horizontal integration and coordination. The structure of an organization is not complete without designing the horizontal, as well as the vertical dimensions of structure.

In fact, in practice, most organizations use hybrid organizational structures. *Hybrid organizational structures* draw on various elements of the different types of organizational structures to support their strategic goals and objectives.

Hybrid organizational structure: A hybrid organizational structure describes structures which draw on elements of the different types of organizational structures to fit the goals and objectives of the organization.

► Example

To continue the example of GE cited earlier, it is interesting to note that as of 2018 this company was noted as using more of a hybrid organizational structure. For instance, its current structure is characterized by business-type divisions, where GE considers its subsidiaries as operating segments or divisions that represent the different businesses of the company. This characteristic of the structure prioritizes the needs of business divisions (power, renewable energy, oil/gas, aviation, healthcare, transportation, energy connections/lighting, and capital) based on specific market conditions. GE also uses organization-wide corporate teams to implement strategies for the entire conglomerate. These corporate teams ensure coherence among all business divisions to maintain a strong and stable conglomerate. The company also uses five geographical divisions (Unites States, Europe, Asia, Americas, and Middle East and Africa) in analysing and reporting business data. This element of GE's structure considers geographical differences among markets [14]. It is apparent therefore that GE leverages elements of the different organizational structures. The example illustrates clear elements of the divisional structure, some elements of the matrix structure, and elements of the team approach as well. Even so, most if not all organizations are still grounded in elements of the classical vertical functional structure with the bridge between CEOs/directors/presidents and the rest of the organization. ◀

As organizations grow and evolve, in addition to the many factors that shape or motivate the need for restructuring, three things happen naturally:

- First, new positions, units, divisions, teams, and/or departments are added to deal with factors in the external environment or to address new strategic needs.
- Second, existing positions, units, divisions, teams, and/or departments are removed to deal with factors in the external environment or to address new strategic needs.

- Third, senior managers have to find a way to tie all these changes together within the organizational structures. The organizations need systems to process information and enable communication among people in different departments and at different levels.

In such a context, structural redesign becomes relevant and in fact necessary. Accordingly, the restructuring process is typically used to achieve a supportive organizational structure that facilitates the changing needs of the organization.

12.4 The Restructuring Process

12.4.1 Key Components of Restructuring

Indeed, the essence of restructuring focuses on some degree of changes within the existing organizational structures of businesses, also termed redesign.

As organizational structures change, or are redesigned, downsizing and reengineering become critical supportive organizational-level interventions. In fact, when organizations are restructured, downsizing and reengineering interventions are subsequently required. Downsizing refers to the systematic reduction in the workforce, and is associated with headcount reduction. Reengineering refers to the systematic redesign of business processes to ensure the functioning of businesses over time. While these interventions are explored in ► Chaps. 13 and 14, they are important areas following the main stages/phases of developing and implementing structural redesign.

12.4.2 Stages/Phases When Developing and Implementing Structural Redesign

When developing and implementing structural redesign, the following application stages may be considered:

1. *Identify and evaluate the extent to which organizational structures are effectively supporting organizational goals and strategies.*

Organizations must recognize that existing organizational structures should be aligned to the achievement of organizational goals and objectives to maximize organizational performance. This is where the organizing management function must be linked to strategic planning. As such, when restructuring, evaluating the degree of fit or lack thereof between existing organizational structures and the achievement of organizational goals is an important first step.

2. *Evaluate the linkage between organizational strategies and the goals of structural redesign.*

Where there is a 'misfit' between elements of the organizational structure and the achievement of organizational goals, the case for structural redesign becomes apparent. This is where the objectives of structural redesign become important. The objectives must be clearly outlined, aligned to organizational goals, and communicated to all relevant stakeholders.

3. *Assess redesign choices/changes and forecast organizational responses to structural redesign.*

The redesign options should be assessed at this point in terms of the specific elements for structural change (different elements of functional, divisional, matrix, team, and/or network approaches), which fit with the goals of redesign and support organizational goals. It is important for OD practitioners involved in this change plan to also evaluate and forecast how open or resistant the organization and its members are to redesign options.

4. *Ensure alignment between goals of structural redesign and other related change interventions at individual, group, and organizational levels.*

Structural redesign must also be aligned to other change interventions within the organization. Redesign does not occur within a vacuum; it occurs within the larger context of the organization and its dynamic environment. Consequently, the cross-level effects of redesign must not be ignored.

5. *Develop, evaluate, and then implement the structural redesign change plans.*
6. *Address the needs of all organizational stakeholders.*

With the implementation of redesign plan, the needs of all organizational stakeholders must be addressed. For instance, redesign can result in changes in existing jobs (job enrichment and job enlargement, for example), and hence training, development, and competency building programmes must be undertaken. Redesign can also create teams to replace hierarchical departments, and this may require cultural training and communication changes for organizational members to cope with and adjust to the redesign. Indeed, redesign can create several new experiences for organizational members, and hence the needs of all members must be systematically recognized. The failure to do so can result in very strong resistance to the change plan.

7. *Continue growth plans for the organization around the implementation of structural redesign change plan.*

The implementation of structural redesign does not spell the end of the restructuring process or the organizational change process. With OD being an ongoing activity, the growth and development plans of the organization must continue around the restructuring interventions.

12.5 Challenges in the Development and Implementation of Restructuring Change Interventions

12.5.1 Restructuring Results

With changes in the business environment accelerating, restructuring interventions are becoming more and more common. Companies today are being disrupted on an ongoing basis, and hence frequently reorganize to keep up with the incredible pace of change [15].

At the same time, however, few restructuring interventions are entirely successful.

► Example

According to a survey conducted by the McKinsey Consulting Group with 1800 executives, more than 80 % of restructuring change plans failed to deliver the expected value in the time planned, and 10 % caused damage to the company with miserable experiences for employees. Research also suggests that structural redesign—and the uncertainty it provokes about the future of the organization and employees—can cause greater stress and anxiety than layoffs, leading to noticeably reduced productivity in about 60 % of cases [15]. ◀

► Example

Within the last few years, the case of Nokia is often cited globally as ‘the cautionary tale of restructuring gone wrong’ [16]. Nokia’s demise after the breakout success of its mobile phone business offers a cautionary tale of the many problems that often lead to—and result from—corporate restructuring. When explosive growth threatened to overwhelm Nokia’s supply chain in the mid-1990s, management commissioned a resource planning system that enabled it to scale up production faster than competitors. Nokia replaced Motorola as the market leader, and mobile phone revenues increased by 503 % between 1997 and 2000. However, this inward, operational focus marked a drastic change from the innovative and entrepreneurial approach that had powered the company’s success during the early 1990s. By 2004, the CEO initiated a major ► **reorganization** in an attempt to restore the entrepreneurial drive that had allowed Nokia to shape the industry only a decade earlier. The restructuring only made problems worse: key team members left, and collaboration across business units collapsed. Even so, Nokia attempted three additional redesign programmes before finally selling its mobile phone business to Microsoft in 2013 [16]. ◀

12.5.2 Restructuring: Is It All a Negative Picture?

It is clear that all corporate restructuring interventions bring about change, often transforming jobs and the people in them and, indeed, there are many more cases of failures than successes when it comes to structural redesign across the business world. Even so, there are restructuring interventions that have been successful as well.

► Example

The most recent restructuring case of Tesla in 2018 appears to be reaping some degree of success. Manufacturer of electric cars, solar-powered batteries, and spaceships, Tesla has earned a reputation for innovation and rapid growth since its founding in 2003. Tesla's CEO Elon Musk announced a major reorganization and cost-cutting initiative in 2017/2018, citing the need to achieve a flatter organizational structure and improve communication between teams. Facing pressure from investors to increase cash flow and speed up new car production, Tesla also laid off 3000 employees, or 9 % of its workforce, as part of the redesign. It must be noted that most of the employees who were directly affected were salaried, rather than production workers, thereby demonstrating the company's willingness to make cuts in areas other than frontline production. In Tesla's case, early signs suggest that the company's restructuring is having a positive effect. Its share price is recovering and market analysts are now predicting the company will soon meet production and cash flow goals [17]. ◀

► Example

Within the Caribbean region, one of the few cases of restructuring which has experienced some degree of success upon its initial implementation remains the transformation of the Trinidad and Tobago Postal Services over the period 1993–2000 [18]. This intervention involved massive organizational transformation through the privatization of a public entity and is still being evaluated on an ongoing basis to address weaknesses, while maximizing some structural benefits. ◀

Generally, challenges continue to emerge for organizations engaged in varying degrees of corporate restructuring. A few key success factors have been identified from the successful cases thus far. These challenges and key success factors are explored below.

12.5.3 Restructuring Challenges and Key Success Factors

Businesses need to take a more systematic approach if restructuring interventions are to deliver on their potential.

Many interventions fail to achieve their stated outcomes due to a number of reasons. The most popular reasons include:

- Employees and even leaders can actively resist structural changes because of the insecurity associated with such changes.
- The organizational chart changes with restructuring, but the way people work in many instances stays the same.
- Where changes are made with redesign in the ways people work, employees may find it difficult to cope with the scope of the change.
- Employees leave because of the restructuring, voluntarily and involuntarily.
- Insufficient resources—people, time, money—may be devoted to the effort, since structural redesign can take time to implement, manage, and evaluate over time [15].

Based on a number of restructuring interventions conducted across the Americas, Europe, the Middle East, Asia, and Africa, consultants and researchers have suggested the following key success factors when developing and implementing such interventions [15]:

- *Weigh the costs and benefits of structural redesign.*

Costs do not only include those associated with employees, stakeholders, and OD consultants involved in the restructuring; they also include the human cost of change and the disruption it creates in the business. All likely costs must be assessed quantitatively and qualitatively. Both the objectives and benefits of the intervention and the process for implementing it should be fair, transparent, reasonable, and communicated throughout the organization as well. Such approaches can be effective in enhancing openness to and acceptance of the redesign plans.

- *Assess the current strengths and weaknesses of the organization and relate them to the restructuring needs.*

Businesses must take the time to diagnose before embarking on major redesign plans. Diagnosis must be facilitated by some degree of data collection to capture a company-wide range of inputs. Such inputs can then be used to reinforce what structural elements to retain, and what to change, using empirical evidence.

- *Consider multiple restructuring or redesign options.*

Businesses considering structural redesign must evaluate and choose from a number of options on exactly how to restructure organizations. All options have their strengths and challenges; only by weighing alternatives will businesses achieve a greater degree of fit between the needs of the organization and assess what can be gained and/or lost from the various options.

- *Get the details of the reorganization and the transition plan right.*

This step is possibly the most challenging for OD practitioners and managers involved in structural redesign. The key to success at this stage depends largely upon specifying the elements that need to change and planning the changes in the right sequence. Missing any area of the detailed design—structural changes, processes and systems, or people—can halt or disrupt the entire restructuring process.

- *Launch the restructuring plan, learn as it unfolds, and be prepared to make changes and corrections as it progresses.*

No matter how much thought, planning, and preparation are put into restructuring interventions, it is unrealistic to expect it will work perfectly from the beginning. Organizations must be willing, ready, and able to make corrections and changes as the plan unfolds over time to ensure the change goals are being achieved.

Based on these success factors, it is apparent that a systematic, rigorous process is mandatory to maximize the possibility of achieving some degree of success when restructuring.

12.6 Conclusion

This chapter examined one of three techno-structural organizational interventions: restructuring. Restructuring has emerged as a popular change intervention with some successful cases. Although some failures have been cited in business practice, the need for restructuring in today's business environment mandates that organizations address the challenges and prioritize the success factors to minimize the possibility of failure. Restructuring has become a reality that all organizations cannot ignore.

■ Exercises

Student Resources

■ Chapter Outline

- I. Restructuring
- II. Rationale for Restructuring as an Organizational-level Intervention
 - A. Innovations in Work Methods
 - B. Innovations in the Nature of Business
 - C. Innovations in Management Methods
 - D. Technological Innovations
 - E. Changes in Strategic Direction of Business
 - F. Economic Motives
 - G. Changes in other Environmental Dimensions
- III. Structural Design
 - A. Different Types of Structural Design
 - B. Structural Redesign

- IV. The Restructuring Process
 - A. Key Components of Restructuring
 - B. Stages/Phases When Developing and Implementing Structural Redesign
- V. Challenges in the Development and Implementation of Restructuring Change Intervention
 - A. Restructuring Results
 - B. Restructuring Challenges and Key Success Factors

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Further Reading

Heidari-Robinson, S., S. Heywood, and S. 2016. Managing organizations: Getting reorgs right. *Harvard Business Review*: 84–89.

Techno-Structural Interventions: Downsizing

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Electronic supplementary material The online version of this chapter (https://doi.org/10.1007/978-3-030-39123-2_13) contains supplementary material, which is available to authorized users.

Learning Objectives

At the end of this chapter, readers should be able to:

1. Describe downsizing as a key organizational-level intervention and evaluate its relevance and importance in the field and practice of OD.
2. Evaluate the different downsizing tactics/strategies.
3. Identify and analyse the different aspects of the downsizing process.
4. Assess the challenges that emerge in the downsizing process and evaluate the key aspects of its implementation within the organizational context.

13.1 Introduction**13.1.1 Downsizing**

Downsizing is another widely used organizational-level change intervention in practice on a global scale. Downsizing generally accompanies restructuring, usually as a consequence of restructuring interventions. Since companies frequently lose a significant amount of employees when engaging in structural redesign, downsizing typically occurs as well.

As a major trend among US businesses in particular, downsizing began in the 1980s and continued through the 1990s largely unabated and even growing.

► Example

During this time, many of the country's largest corporations engaged in downsizing change plans, including General Motors, AT&T, Delta Airlines, Eastman Kodak, IBM, and Sears, Roebuck and Company [1]. In the twenty-first century, downsizing continued after a sharp decline in the stock market early in the century, followed by continued pressure on corporate earnings in the aftermath of the September 11, 2002, terrorist attacks. As downsizing continued, the largest downsizing plans in terms of corporate layoffs, within the last two decades, were noted. These include: IBM in 1993 with 61,000 job cuts, Citigroup in 2008 with 51,000, General Motors in 2009 with 47,000, Ford Motor Co. in 2002 with 35,000, Kmart in 2003 with 35,000, Circuit City Stores in 2009 with 34,000 layoffs, and Hewlett-Packard with 33,000 cuts in 2015, just to name a few [2]. Clearly, from such statistics, downsizing affects most sectors of the labour market.

More recently, in the first quarter of 2019, total announced job cuts hit 190,410, a 35.6 % jump from the same period a year ago. The level was the worst period overall since the third quarter of 2015 and the highest level for a first quarter since 2009 when the US economy was still mired in the financial crisis [3]. By July 2019, employers in the United States went on to announce 330,987 job

cuts thus far for the year—the most in the first half of any year since 2009 [4]. ◀

Downsizing trends have been similar in most non-US economies as well.

► Example

For instance, in the Caribbean country of Jamaica, Air Jamaica cut 15% of its workforce in an effort to trim expenses and anticipated revenue shortfalls in 2009, and Trinidad and Tobago's Caribbean Airlines (known as British West Indian Airways then) led in 2002 with its cutting of pilots and other downsizing initiatives [5], the Caribbean Broadcasting Network in Barbados cut 95 employees in 2018 [6], over 800 public servants were cut from the Barbados public service over 2018 [7], and, most recently, in September of 2019, controversy arose over a 285 job-cut announcement at Unilever in Trinidad and Tobago, just to name a few. Globally, banks have announced the cutting of 58,200 jobs so far this year. The biggest layoffs are in Europe, where 52,424 jobs, or 90% of the total layoffs, are being slashed, as the European banking sector continues to struggle with profitability. Moreover, 2769 workers in North America are being let go, as are 2487 in the Middle East and Africa and 513 in the Asia Pacific region [8]. ◀

Organizational Downsizing can be defined in many different ways. Organizational downsizing can be defined as management's efforts to reduce their organization's use of human and capital resources to correct misalignment and improve performance [9]. Organizational downsizing involves the systematic reduction of a workforce through an intentionally instituted set of activities through which organizations aim to improve efficiency and performance [10]. Research also defines organizational downsizing as activities undertaken by management to improve organizational efficiency, productivity, and/or competitiveness. It is a planned change strategy implemented by organizations that affects the size of the firm's workforce, its costs, and the work processes [11]. Other researchers define downsizing as the planned elimination of positions or jobs, also referred to as corporate layoffs [12].

Organizational downsizing: Organizational downsizing is typically associated with reducing the headcount within organizations with the objective of enhancing efficiency and effectiveness.

The definitions outlined above all indicate that downsizing can be considered as a planned and systematic approach, focused on workforce reduction, one that is designed to improve the efficiency and effectiveness of the organization. Downsizing also affects work procedures and processes within the organizations.

Since the 1980s, globalization has provided the main rationale for mass downsizing of traditional corporations on a global level. The main argument for organizational downsizing is that global competition necessitates continuous cost reduction and productivity increases, and that downsizing is the way to achieve those goals. The 1980s until present, organizational downsizing has gained momentum and popularity as an organizational-level intervention. Indeed, downsizing takes place at the individual and group levels, but organizational-level downsizing has become predominant.

13.2 Rationale for Downsizing as an Organizational-Level Intervention

Since the 1980s, 1990s, and continuing into the twenty-first century, intensive environmental changes continue to influence employees and organizational functioning on a global level. Factors such as globalization, transformation to a knowledge economy, adjusting to changing conditions, and national and international crises have all prompted organizations to seek more flexible, increasingly dynamic, efficient, and leaner workforces.

Within this changing environment, organizations must develop strategic alternatives to adapt to new internal and external conditions and to use all available resources effectively. The strategy of organizational downsizing is one of the popular alternatives. It must be noted at this point that organizational downsizing often emerges from diagnostic and data collection/analysis processes which recognize that HR systems and strategies need adjusting due to economic factors and inefficiency in particular. For example, overstaffing and inefficiency within HR approaches and systems are typical presenting problems and change situations within the associated 'Entering' Stage of such an OD process.

Even so, the most popular practical reasons for organizational downsizing include the following:

1. Economic motive
2. Structural redesign
3. Mergers and acquisitions
4. Technological innovation
5. Cultural orientation

13.2.1 Economic Motive

In order to retain a competitive advantage and even for survival, organizations may prefer to implement downsizing during recession or crisis periods as a cost-cutting mechanism. In this way, downsizing may be viewed as a reactive, tactical response to economic pressures. Many organizations have looked at and continue to look at organizational downsizing as

a means of survival during recessionary times, or from an economic perspective. This does not, however, imply that downsizing is a cost-cutting strategy that is implemented only in cases of economic crises or recessions.

Downsizing can also be used to enhance efficiency and development. Workforce reduction, which is synonymous with organizational downsizing, can be undertaken to sustain and facilitate possible development and growth under a leaner organization. In this way, downsizing is undertaken for developmental purposes. For instance, downsizing can serve to create flexible and nimble systems which can facilitate development, in response to environmental uncertainty and complexity [13].

► Example

Cisco Systems is an example of a company that has changed its workforce strategy in recent years. It laid off 20 % of its workforce in 2001 due to tough times. In 2008, however, the firm implemented employment downsizing only as a last resort, after deploying several other alternatives aimed at achieving development, flexibility, and efficiency. The new, measured approach was more consistent with Cisco's long-term talent management strategy of building internal talent rather than buying it in the external labour market [14]. ◀

Downsizing as a cost-cutting strategy to survive recessionary pressures and tight economic climates, however, is the most frequently offered explanation for the great popularity of organizational downsizing.

► Example

For example, in 2014, Scotiabank head office in Canada announced its intention to close 35 of its 200 branches, largely in Mexico and the Caribbean, in a bid to save CAN\$120 million annually. The bank also stated that they would be cutting-off 1500 full-time employees, including 500 from its international operations, due to prolonged economic recovery and the continued uncertain outlook in the global economic environment [15]. ◀

The economic perspective goes on to argue that downsizing is motivated by the financial benefits that managers anticipate will flow from it. However, since the majority of studies on the economic effects of downsizing suggest that there is no causal connection between cutting jobs and financial improvement, the economic perspective alone seems insufficient to fully explain the rationale for organizational downsizing [16].

13.2.2 Structural Redesign

Downsizing was previously noted in ► Chap. 12 as being closely related to structural redesign or restructuring. It is not surprising that in order to achieve or facilitate structural redesign;

downsizing is often prompted as a necessary part of restructuring interventions.

As organizations undergo structural changes, job, departments, units, divisions, and organizational levels may be changed to varying degrees and some structural elements may even be eliminated altogether. When such structural changes occur, organizational downsizing occurs simultaneously to varying degrees as well. For instance, downsizing can occur when organizations implement elements of any one, or some combination of the organizational structures described in ► Chap. 12.

13.2.3 Mergers and Acquisitions

Organizational downsizing is increasingly associated with the growth of mergers and acquisitions. Mergers and acquisitions are strategic organizational interventions, which are covered in ► Chap. 16.

Mergers can be briefly defined as the legal combination of two or more organizations into a single entity. When organizations integrate or combine its operation through merger arrangements, and the merged entities attempt to streamline their structures, goals, and strategies, organizational downsizing simultaneously occurs to varying degrees. Based on the legal stipulations of the merger agreement and the strategic direction of merged entities, jobs, units, and departments can be eliminated. As such eliminations occur, organizational downsizing becomes a reality.

Acquisitions have also prompted organizational downsizing in the past, and this trend is expected to continue into the future. Acquisitions can be briefly defined as organizational ‘buy-outs’, where the acquirers are the dominant parties. When organizations are acquired, although existing employees may be merged into the new company or allowed to remain with the previous company under new owners, in many instances acquirers can replace company executives, boards, and directors with their own executive teams; operations can also be restructured to align with the vision of the acquirers.

► Example

For example, in July 2017, Coach, a leading New York-based house of modern luxury accessories and lifestyle brands completed the acquisition of Kate Spade & Company for a total transaction value of US\$2.4 billion. The combination of Coach and Kate Spade & Company creates a leading luxury lifestyle company with a more diverse multibrand portfolio supported by significant expertise in handbag design, merchandising, supply chain, and retail operations as well as solid financial acumen [17]. It is expected that this acquisition will result in employees from both companies being retained and merged into the new operations to

varying degrees, and also that some executives and employees may be replaced going through the acquisition arrangement. ◀

13.2.4 Technological Innovation

Changes in technology and innovative solutions within business processes have initiated the redesign of business processes, associated with reengineering. The reengineering of business processes is examined exclusively in ► Chap. 14.

Reengineering can be briefly described as the redesign of important business processes to enhance organizational efficiency and effectiveness. Business processes describe the range of systematic, structured activities involved in the conceptualization, development and delivery of products and/or services or to accomplish various goals/objectives at all organizational levels.

As business processes are being redesigned to enhance organizational efficiencies and to harness the competitive advantage that technological innovations offer in terms of efficiency, speed, and quality improvements, organizations may be prompted to initiate reductions in its size. In such a context, headcount reduction associated with downsizing can be initiated as organizations harness the benefits of technological innovation within business processes.

13.2.5 Cultural Orientation

Cultural differences can be explained by understanding the concept of cultural orientations. The work of Geert Hofstede on national culture differences is important here. In his studies, he observed patterns of thinking, feeling, and behaving of people across different cultures in different countries. A *cultural orientation* is an inclination to think, feel, or act in a way that is culturally determined [18].

Cultural orientation: Cultural orientation refers to the values, beliefs, and norms that guide behaviours within various national country contexts.

National culture plays a key role in the adoption of new forms of work organizations, and indeed many organizational cultures are largely derived from national culture differences [19]. In many country markets, there are strong cultural convictions that organizations should be leaner and more flexible. Leaner organizational structures/forms are associated with some degree of corporate downsizing in order to facilitate transformation processes. This trend has been largely seen in many North-American and U.K. countries and organizations [20].

This rationale for downsizing as an organizational-level intervention is, however, often questioned since it can lead to what is called ‘corporate anorexia’ [21].

Corporate anorexia: ‘Corporate anorexia’ is a term used to describe the tendency of organizations to cut costs or employees to the point of endangering the survival of the business.

Corporate anorexia is associated with the chronic and persistent cutting of employees to achieve leaner structures, which if uncontrolled, without thinking about future growth, can be devastating for organizations. 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.

► Example

PetroCan and Shell Canada in the mid-1990s are but a few of the many examples of organizations who fell into the anorexia trap [21]. It has also been claimed that downsizing begets downsizing. For instance, Kodak downsized four times between 1982 and 1992. Similarly, Honeywell, IBM, Xerox, and Digital Equipment all experienced multiple and significant employee cutbacks in the 1990s [12]. ◀

In such situations, it is questionable whether downsizing is developmental as defined in OD.

13.3 Downsizing Process

13.3.1 Downsizing Tactics or Downsizing Strategies

The most extensive empirical studies on workforce downsizing [16, 22] have identified three distinct forms of downsizing [23]. The three (3) main downsizing strategies or tactics that can be used to facilitate the downsizing process include the following:

1. Workforce reduction
2. Work redesign
3. Systemic approach

Workforce Reduction: One of the most popular downsizing strategies is workforce reduction. This strategy involves terminating employment contracts and generally reducing the headcount or number of employees in the organization.

It encompasses activities, such as layoffs, retrenchments, natural attritions, early retirements, hiring freezes, and buyout packages. This strategy is frequently implemented in a reactive

manner as a cost-cutting measure and often serves as a short-term response to declining profits and recessionary economic pressures [24].

Work Redesign: The redesign strategy focuses upon the elimination of work, rather than reducing the number of employees [25]. It encompasses activities, such as eliminating functions, groups, divisions, units and products, eliminating hierarchical levels, redesigning tasks, consolidating and merging units, and reducing overall work hours.

Organization redesign strategies are difficult to implement quickly since doing so requires some advanced analysis of the areas concerned. The redesign strategy therefore takes time.

Systemic Approach: This strategy is fundamentally different from the other two downsizing strategies in that it takes a more holistic and macro view of organizational change. It asserts that downsizing ought to be more comprehensive and wide ranging [26]. This approach acknowledges that downsizing should embrace all dimensions and aspects of the organization, including suppliers, customer relations, production methods, design processes, and inventories [11]. The systemic strategy focuses upon changing the organization's intrinsic culture, the attitudes and values of its employees, and organizational life [25] in general. In this regard, downsizing is viewed as an ongoing, continuous, and incremental process [11]. Within this approach, employees are not the primary targets, but they are considered key resources to generate and incorporate downsizing ideas across the organization [11].

It must be noted that a multiyear case study research determining and comparing the use of downsizing implementation strategies found that workforce reduction strategies were the most commonly utilized downsizing strategies of the three aforementioned tactics [26]. This finding has been consistently supported in subsequent and more recent research studies.

13.3.2 Stages/Phases When Developing and Implementing Downsizing

When developing and implementing downsizing, the following application stages may be considered:

1. *Evaluate the linkage between organizational goals and strategies and downsizing goals.*

A critical first step in the development and implementation of downsizing change interventions is ensuring some degree of alignment between the change plans and the strategic direction or goals of the organization. In fact, strategic fit is important when examining the rationale and need for any organizational change intervention. Indeed, strategies and goals can change over time as the needs of the organization evolve. As this occurs, downsizing can logically emerge as part of organizational strategies. More specifically, global

and national economic factors can strongly impact strategic goals and the need for organizational downsizing.

2. *Ensure alignment between downsizing goals and other related change interventions: individual-, group-, and organizational levels.*

Many organizations fail to recognize the interconnectivity within businesses. In recognition of such interconnections, OD practitioners must also align downsizing plans to other change interventions. For example, when engaging in downsizing, structural changes automatically occur, communication and conflict or human process issues can emerge, and employee or human resources issues such as decreasing motivation are highly likely. Such examples highlight the idea that downsizing interventions relate to other organizational, group, and individual-level change plans. Consequently, aligning downsizing plans with other change plans is an important step in the implementation of such interventions. Cross-level effects of downsizing cannot also be ignored.

3. *Assess downsizing options and forecast organizational responses to downsizing.*

The downsizing options must also be assessed and decisions made on which strategy will align best with organizational strategies and other organizational change plans. In this assessment, OD practitioners must be sure to evaluate how the organization and its stakeholders are likely to respond to the proposed downsizing strategy. This forecasting can be used as an initial strategy to manage possible resistance to change.

4. *Develop, evaluate, and then implement the downsizing change plans.*

5. *Address the needs of all organizational stakeholders, survivors, leavers, and newbies.*

Addressing the needs of organizational stakeholders is one of the main strategies for managing resistance to organizational downsizing. The importance of addressing stakeholder needs was critically evaluated in ► Chap. 7. When managing downsizing interventions in particular, three (3) important employee groups must receive special attention: the survivors, the leavers, and the newbies.

‘Survivors’ can be simply described as the employees, groups, departments, units, or levels that are retained following the implementation of the downsizing change plans. ‘Leavers’ can be defined as the employees, groups, departments, units, or levels that are eliminated following the implementation of the downsizing change plans. ‘Newbies’ are employees, groups, departments, units, or levels that are hired or created following the implementation of the downsizing change plans.

Survivors: Survivors describe employees who are retained or kept by the organization subsequent to a downsizing exercise.

Leavers: Leavers describe employees who are cut by the organization subsequent to a downsizing exercise.

Newbies: Newbies describe employees who are brought in or hired by the organization subsequent to a downsizing exercise.

All three employee categories are important in determining the effectiveness of downsizing change interventions in different ways. Indeed, organizational downsizing can be a very hard process for all stakeholder groups which are likely to be affected by the change. However, even when employee groups survive the process, their motivation, morale, and commitment can be negatively affected, seeing their peers leave the organization. This is often referred to as the ‘*survivor syndrome*’.

Survivor syndrome: The ‘Survivor syndrome’ is used to describe the tendency of ‘survivors’ or employees who are retained by the organization to exhibit withdrawal and possibly negative behaviours towards the organization.

The direct and indirect costs of dealing with survivors are often overlooked, but it can have a detrimental effect on the organization. Instead, more attention is given to the ‘leavers’ to ensure that employee unions are satisfied that their members are adequately compensated and are provided with suitable and acceptable separation packages and options, following the downsizing process. The needs of the newcomer employee groups are also often ignored within the implementation of downsizing plans. There is a tendency to associate downsizing primarily with workforce reduction, and not the hiring of new employees or groups. Recognizing that newcomer groups can be created with downsizing is needed to streamline downsizing into reengineering change plans (► Chap. 14), from restructuring interventions (► Chap. 12).

6. *Streamline organizational structures (restructuring) and organizational processes (reengineering) within the downsizing change plan.*
7. *Continue growth plans for the organization around the implementation of downsizing change plan.*

The implementation of downsizing change plans is not the end of OD. It is but one part of the ongoing change management process. As such, growth plans for the organization, subsequent to organizational downsizing, is necessary for continuous organizational development.

13.4 Challenges in the Development and Implementation of Downsizing Change Interventions

13.4.1 Downsizing Results

Organizational downsizing has become a fact of organizational life as companies struggle to cut costs and adapt to changing market demands.

► Example

In both Canada and the United States, stories abound of organizations in distress as a result of the underperforming global economy. In Canada, thousands of jobs have disappeared, especially in manufacturing and construction. In the United States, where the picture is even bleaker, the number of impacted employees has increased substantially compared to Canada [27]. American firms alone laid off more than eight million workers from the end of 2008 to the middle of 2010 [28]. More recently, high-profile firms continue to downsize, as demonstrated by recent announcements in 2017/2018 by Victoria's Secret, Lowe's, and PepsiCo. [28]. Of course, this is a global phenomenon that is being mirrored in Europe, where whole economies have crashed (e.g., Iceland) or are on the verge of crashing. The Caribbean and Latin American region have also followed this global trend. ◀

Reducing numbers to remain competitive in these difficult times has been a common tactic, adopted by management ostensibly to reduce costs, demonstrate increased flexibility, reduce bureaucratic structures, increase efficiency regarding decision-making, improve communication, and cultivate entrepreneurship. But, is it a knee-jerk response and does organizational downsizing actually deliver the benefit(s) that are expected in practice?

Many studies have tracked the performance of downsizing firms versus non-downsizing firms over time and have consistently found that the downsizers never outperform the non-downsizers. For instance, noted academics have concluded that downsizing seldom works and is often done incorrectly. It has a negative effect on corporate memory and employee morale, disrupts social networks, causes a loss of knowledge, and disrupts learning networks. As a result, downsizing risks handicapping and damaging the learning capacity of organizations [29].

► Example

More recently, in a 2017 study to assess the effects of corporate downsizing, 2010 data from 4710 publicly traded firms were assessed to determine whether they declared bankruptcy in the subsequent five-year period. These firms spanned 83 different

industries, including the service, high technology, and manufacturing industries. This ground-breaking study found that downsizing firms were twice as likely to declare bankruptcy as firms that did not downsize. While downsizing may be capable of producing positive outcomes, such as saving money in the short term, it puts firms on a negative path that makes bankruptcy more likely. Therefore, while not always fatal, downsizing does increase the chances that a firm will declare bankruptcy in the future [28]. ◀

Companies that simply reduce headcounts, without making other changes, rarely achieve the long-term success they desire. In contrast, stable employers do everything they can to retain their employees.

► Example

For example, 81 % of the top 100 companies in Fortune's 2009 list of 'Best Employers to Work For' had no layoffs that year [28]. Further, successful organizations invest in their human and social capital. Over the past decade, and even during the current recession, a number of companies have resisted the downsizing fad and made alternative arrangements (e.g., Nucor, Southwest Airlines). These alternatives typically exploit the skills and expertise of their employees, instead of placing increased pressure on the survivors of downsizing, by asking them to take on the responsibilities of dismissed employees. ◀

The fact remains that employee responses due to the experience of downsizing are often associated with a wide range of negative psychological responses [30]. Employees' negative psychological responses to downsizing are linked to intention to turnover, a decline in job performance, organizational commitment, and job satisfaction; survivors become confused about the organization's future plans due to massive changes in culture, business mission, and strategy, and negative staff morale and increased turnover rates.

13.4.2 Downsizing: Is it all a Negative Picture?

While the vast majority of results and consequences associated with organizational downsizing paint a bleak picture, the following issues must be acknowledged:

1. Disappointing and negative results may be a function of the way organizational downsizing was implemented.
2. An appropriate mix of quantitative and qualitative indicators of success must be used when evaluating organizational downsizing.

Even so, it must be noted that there have been a few noted successful cases of downsizing in business practice.

► Example

The case of Boeing remains the most widely cited successful case of downsizing within the twenty-first century. The company downsized approximately 55,000 people over a five-year period, between 1997 and 2002, due to decreased airline orders and military spending. However, the company went on to work with colleges, the local community, and the government to create Reemployment Centers that helped retrain laid-off workers for new jobs and to help them cope with transitions into other employment areas. This approach was quite effective in minimizing the economic and psychological hardships for both workers who were cut and the community within which the company operated [31]. Boeing was able to successfully execute their downsizing strategy by recognizing that the process must be carefully managed to take into account the sensitive needs of all parties involved. ◀

This global example draws attention to the fact that OD practitioners must indeed pay attention to the way in which downsizing is implemented. Downsizing should not just be a workforce reduction strategy, but should be supported by other approaches to ensure that the needs of important stakeholder groups are adequately addressed.

13.4.3 Downsizing Challenges and Key Success Factors

As a strategic managerial tool, downsizing has changed tens of thousands of companies and governmental agencies and the lives of millions of blue-collar and white-collar workers around the world, in one way or the other.

Employment downsizing is most often implemented during economic downturns as a reactive, tactical action. The most successful organizations, however, use downsizing more strategically as part of an overall workforce strategy. Workforce reduction must become just one tool in a portfolio of alternatives to improve firm performance. Management may view this as an opportunity to enhance the organization's medium- and long-term agility through well-planned and targeted coaching, change and career management interventions.

As organizations continue to struggle to maximize the use and benefits of organizational downsizing, the following challenges must be addressed:

- A lack of alignment between downsizing, organizational strategies, and other planned OD interventions;
- Viewing layoffs as a stopgap short-term policy to reduce wage bill, rather than viewing OD as a long-range developmental tool;
- Ignoring and failing to address the effects/impact on all relevant stakeholders; and

- Using downsizing as a first response to economic pressure, rather than a last resort.

In addition to addressing these challenges, and based on a number of downsizing interventions globally, the following key success factors when developing and implementing such interventions are suggested:

- *Address the ‘Survivor Syndrome’.*

The ‘survivor syndrome’ was noted earlier in the chapter as a challenge that emerges within the stages of developing and implementing downsizing change plans. It describes the negative effects on employee motivation, morale, and commitments, seeing their peers leave the organization. OD practitioners and organizations engaged in downsizing should systematically consider providing survivors with reasons to stay and new hires a reason to join.

- *Promote fairness and transparency in the downsizing process.*

Organizational change leaders and practitioners must ensure that the procedures used to make downsizing decisions are perceived as just, fair, and strategic. To do so, they should strive to be as transparent as possible about the current conditions facing the organization and the potential impact of all downsizing plans on the workforce. Communication and employee involvement/participation are important in facilitating perceptions of transparency.

- *Conduct a comprehensive impact analysis.*

The impact of employment downsizing, not only on organizational stakeholders, but on all human resource, human process, and organizational systems, should also be conducted. The impact on the latter is often underestimated and ignored. Indeed, organizational stakeholders are important, but the human resources, human processes, and the organizational systems facilitate the functioning of stakeholders. As such, a more comprehensive impact analysis must be conducted on an ongoing basis while downsizing plans are being developed and implemented.

Based on these success factors, it is apparent that a systematic, rigorous process is mandatory to maximize the possibility of achieving some degree of success when downsizing.

13.5 Conclusion

In this chapter, the second organizational techno-structural intervention is explored: downsizing. Downsizing has emerged as a popular change intervention with some successful cases. Although some failures have been cited in business practice, the rationale for downsizing in today’s business environment mandates that organizations address the challenges and prioritize the success factors to minimize the possibility of failure. Downsizing has become a reality in business practice that all organizations cannot ignore.

■ Exercises

Student Resources

■ Chapter Outline

- I. Downsizing
- II. Rationale for Downsizing as an Organizational-Level Intervention
 - A. Practical Reasons for Organizational Downsizing
 - Economic Perspective/Cost-Cutting
 - Structural Redesign
 - Mergers and Acquisitions
 - Technological Innovation and Reengineering
 - Changes in Organizational Philosophies
- III. Downsizing Process
 - A. Downsizing Tactics or Downsizing Strategies
 - B. Stages/Phases when Developing and Implementing Downsizing
- IV. Challenges in the Development and Implementation of Downsizing Change Interventions
 - A. Downsizing Results
 - B. Downsizing: Is it All a Negative Picture?
 - C. Downsizing Challenges and Key Success Factors

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Techno-Structural Interventions: Reengineering

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Electronic supplementary material The online version of this chapter (https://doi.org/10.1007/978-3-030-39123-2_14) contains supplementary material, which is available to authorized users.

Learning Objectives

At the end of this chapter, readers should be able to:

1. Describe reengineering as a key organizational-level intervention and evaluate its relevance and importance in the field and practice of OD.
2. Identify and evaluate the key principles of reengineering.
3. Identify and analyse the different aspects of the reengineering process.
4. Assess the challenges that emerge in the reengineering process and evaluate the key aspects of its implementation within the organizational context.

14.1 Introduction

14.1.1 Reengineering

Reengineering is another organizational-level intervention that gained prominence in the 1990s within organizational practice. The concept of reengineering traces its roots back to management theories developed in the early nineteenth century, and Frederick Taylor suggested it as far back as the 1860s. However, in 1990, the idea of reengineering was first formally propounded in an article in the *Harvard Business Review* by Michael Hammer. The concept was popularly referred to as business process reengineering (BPR), and was traditionally based on an examination of the various ways information technology can affect business processes. Early reengineering efforts emphasized identifying which business processes to reengineer with technology. 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.

Many business approaches rise and fall in popularity and reengineering may be classified as one such approach. Publicized and promoted in the early 1990s, its fundamental premise was that too much of the work done in companies was of no real value, and that companies should therefore change how they did things. Since then, the popularity of business process reengineering has fluctuated, although it has retained die-hard fans and equally diehard critics [1].

► Example

Many companies like Ford Motors, GTE, and Bell Atlantic used reengineering in the 1990s to reshuffle their operations. The reengineering process they adopted made a substantial difference to them, dramatically cutting down their expenses and making them more effective against increasing competition [2]. Many of the companies which used reengineering then were losing business clout because customer expectation was growing while they were still stuck with the traditional ways

of doing things. More recently, and over the years, telecommunication companies, multinational banks, automobile manufacturers, aviation companies, and other big corporate institutions within global markets have also used reengineering to varying degrees [3]. ◀

Reengineering focuses on planned, systematic changes to business processes.

Reengineering: Reengineering can be described as the planned, systematic changes to business processes. It is the radical redesign of such processes to drive organizational efficiency and effectiveness.

According to early reengineering proponent, Thomas H. Davenport (1990), a business process is a set of logically related tasks performed to achieve defined and clearly outlined business outcomes. Business processes describe all the activities undertaken by organizations to get its products and/or services to the customer. Reengineering can therefore be described as the fundamental rethinking and the radical redesign of business processes to achieve dramatic improvements in business outcomes such as performance, productivity, and overall effectiveness.

Reengineering aims to streamline work processes to make them faster and more flexible; so that organizations can become more responsive to changes in competitive conditions, customer demands, product life cycles, and technologies. Reengineering also seeks to leverage information technology when large-scale business processes, such as supply chain logistics, change radically. These complex systems can help organizations to break out of traditional ways of thinking about work and embrace entirely new ways of producing and delivering products. Therefore, it focuses on the transformation of how organizations traditionally produce and deliver goods and services.

There is a considerable degree of overlap between restructuring, downsizing, and reengineering as organizational-level change interventions. For instance, when organizations redesign their structures and their work, successful reengineering requires an almost-revolutionary change in how organizations redesign their business processes around new structures. It identifies and questions the often-unexamined assumptions underlying how organizations perform work and why they do it in a particular way. This effort typically results in radical changes in thinking and work methods—a shift from specialized jobs, tasks, and structures to integrated processes that deliver value to customers, and a shift from functional to flatter structures as well. Reengineering can also result in production and delivery processes that require fewer people and fewer layers of management, leading to corporate downsizing. Furthermore, downsizing 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, which is counter to the developmental goals of organizational-level OD interventions. In such instances, reengineering may be required to continue business functioning. Although these three change interventions have different conceptual and applied backgrounds, they do overlap considerably in practice.

14.2 Rationale for Reengineering as an Organizational-Level Intervention

The globalization of the economy and the liberalization of the trade markets have formulated new conditions in the market place which are characterized by instability and intensive competition in the business environment. Competition is continuously increasing with respect to price, quality, and selection, service and promptness of delivery. Technological innovation is one of the main drivers of competition within the context of globalization. All these changes impose the need for organizational transformation, where the entire processes must be changed.

Importantly, inefficient business processes are the typical presenting change situation in the Entering Stage of OD that leads to the development and implementation of reengineering OD interventions in Stage 5 of the OD process. Diagnostic and the accompanying research processes of data collection and data analysis/feedback may reveal that the organizational environment is changing at such a pace that technological innovation in particular must be incorporated into business processes to address presenting problems associated with inefficiency. Such an analysis can directly require reengineering organizational interventions.

It must be noted that generally technological innovation within organizational environments, since the introduction of reengineering into business practice, remains the main driver of this organizational change intervention. Even so, organizations may develop and implement reengineering organizational-level interventions due to a number of reasons. The most popular practical reasons for organizational reengineering include the following:

1. Technological innovation
2. Competition and changing customer needs
3. Restructuring
4. Downsizing

14.2.1 Technological Innovations

While technological advancements do indeed influence the need, development, and implementation of most OD interventions at multiple organizational levels, it is perhaps the most influential

factor in the case of reengineering change interventions in particular. Technological innovations enable and support the reengineering of business processes at the organizational level.

The principal aim of reengineering is to design techniques to allow, simulate, and check different sets of processes that could be used to improve its own organization [4]. Reengineering therefore shares a close relationship with technological innovations, since it means making radical changes to one or more business processes affecting the whole organization, and it requires a cross-functional effort, usually involving innovative applications of technology. It is really an attempt to change the way work is performed through innovative solutions by simultaneously addressing all the aspects of work that impact performance.

► Example

In the early 1990s, Ford Motor Company stood out as one of the major global organizations undergoing reengineering. The American automotive industry was in a depression in the 1980s and technological innovations were emerging, with the promise of innovating and cutting costs within the already-depressed industry. With technological advancements and the use of emerging computer systems, Ford first focused on its Accounts Payable department, which was plagued by inefficiency, errors, and overstaffing. Using advancements in computer systems, Ford issued ‘invoiceless processing’ with an online database used for entering all purchase orders. This move transformed this department from using purchase orders where the accounting department had to match (14) data points between receipts records, purchase orders, and paper invoices before vendors received payment, to a reengineered approach spurred by technology where the online system facilitated the matching process. Ford was able to achieve a 75 % reduction in employee headcount and enhanced efficiency with the reengineered approach [5]. ◀

14.2.2 Competition and Changing Customer Needs

In today’s business world with rapid change and global expansion, the trends are also changing. Companies are shifting from *product-centered approaches* to a more *customer-oriented approach* in a bid to enhance competitiveness and meet the needs of customers.

Product-centered approach: A product-centered approach describes the focus of organizations on the products it brings to the market, rather than the customers that buy those products.

Customer-oriented approach: A customer-oriented approach describes the focus of organizations on the customer, providing a positive customer experience to drive profits and gain a competitive advantage.

Customer-centered approaches focus on being responsive to the changing needs and wants of customers, within highly competitive markets. Product-centered approaches in contrast focus on the product/services organizations deliver to their markets, rather than the customer that buys the products/services.

Therefore, priorities are also changing and companies are trying to satisfy their customers to deliver what they want in terms of values. Thus, to meet customer needs and expectations and to develop sustainable competitive advantages, the need to change existent business processes arises. In such a business context, companies need to identify the tasks and business processes that are unnecessary and inefficient, and hence identify areas and jobs that can be reengineered with the help of developed and up-to-date technology to meet customer needs. Delivering customer value is fast becoming a priority for competitive organizations globally.

► Example

For example, within the last ten years within the Caribbean regions, as customer needs for convenient online and electronic banking services emerged, several banks across the Caribbean have been responsive to the need to incorporate technological solutions within its business processes to provide commercial banking services to customers at their fingertips 24 hours a day. Accordingly, customer service processes were redesigned to incorporate integrated electronic banking platforms with supportive security features and user-friendly interfaces to provide convenient services to customers [6]. ◀

14.2.3 Restructuring

Reengineering has been repeatedly, directly, and indirectly linked to the transformation of organizational structures and work design. Indeed, reengineering and structural redesign are both popular organizational-level change interventions, and they interrelate in more ways than one as aforementioned.

The redesign of organizational structures and reengineering in its focus on enhancing the efficiency of business or work processes appears to be natural extensions of each other. As structural redesign helps to break down the vertical orientation of functional and divisional organizations, reengineering interventions identify and assess core business processes and redesign work to account for key task interdependencies running through them. It typically results in new jobs or teams that emphasize multifunctional tasks, results-oriented feedback,

and employee empowerment. In these ways, restructuring initiatives prompt the need for reengineering.

14.2.4 Downsizing

Similar to restructuring, reengineering has also been repeatedly linked to downsizing change interventions.

As workforce reductions take place under the downsizing process, organizational functioning must continue if organizations are to survive and subsequently grow subsequent to downsizing change interventions. In this context, the redesign of business processes around the reduced workforce becomes relevant for the continuity of business functioning.

It must be noted that while downsizing can prompt the need for reengineering, reengineering can also prompt the need for downsizing as was noted earlier in the chapter. The relationship between these interventions can therefore be described as a two-way relationship.

14.3 Principles of Reengineering

A number of reengineering principles have emerged over time to guide the process of reengineering. The most widely cited principles include [7] the following:

- *Organize business processes around outcomes, not tasks.*
When processes are being changed, redefined, and/or created, it is important that the goals or outcomes of change are clearly articulated and accepted around the reengineering process.
- *Have those who use the output of the process perform the process.*
Involvement and participation were previously noted as important aspects when entering into the practice of OD and in managing resistance to change. In the case of reengineering interventions, it is even more important to ensure that employees, stakeholder groups, and all other users of the business processes engage in, practice, and go through the processes undergoing changes. This principle of reengineering can be used to highlight training and development needs of the users, which is an important aspect of managing resistance to reengineering changes as well.
- *Put the decision point where the work is performed, and build control into the process.*
Within changing business processes, it is important that issues of organizational structure and decision-making authority are also addressed to maximize the efficiency of redesigned processes. For instance, some degree of empowerment may be required while building control and accountability into redesigned processes. Processes designed to enhance efficiency and effectiveness in performance can be handicapped if sufficient control and autonomy are not built into the system where and if required.

- *Recognize the central role of technological innovation in the process of change management.*

Notably, technological innovation and advancement have been noted as drivers of all organizational change interventions. It is however, the main driver of reengineering in particular. Indeed it is technology that fuels the redesign of business processes directly.

- *Manage the people or employees around the new processes in terms of change resistance.*

Managing resistance to change has emerged as a contemporary principle of reengineering that was not specifically addressed in its original conceptualizations. Employees must be managed and motivated as users of the new processes to maximize the benefits of efficient reengineered processes.

14.3.1 Reengineering Process

When examining reengineering as an organizational-level change intervention, it is important to dissect its foundation definition. Recall that reengineering involves the *fundamental* and *radical redesign* of business processes in order to achieve *dramatic improvements* in performance. These key elements of the definition capture the essence of the reengineering process.

- Firstly, in reengineering, change agents or OD practitioners must ask the most fundamental questions about their organizations and how they operate: ‘Why do we do what we do? And why do we do it the way we do?’
- Secondly, the focus of reengineering on radical redesign means that such change interventions are focused on getting to the root of things, not making superficial changes or fiddling with what is already in place, but throwing away the old.
- Thirdly, the focus on processes makes reengineering different from, though related to, other organizational-level interventions. Most organizations are not process-oriented; they are focused on tasks, on jobs, on people, and on structures, but not on processes.
- Fourthly, the focus on dramatic improvements means that reengineering isn’t about making marginal or incremental improvements, but about achieving performance improvements.

14.3.2 Stages/Phases when Developing and Implementing Reengineering

When developing and implementing reengineering, the following application stages may be further considered:

1. *Establish and communicate the need for reengineering within the organizational context, while generating the necessary support for reengineering plans.*

The case and support for reengineering change plans, given its focus on processes, must be clearly articulated and managed from the initial stages of the reengineering process.

► Example

For example, at Banca d'America e d'Italia (BAI) in the 1990s, new management was brought in to make the bank competitive with other European banks. The new CEO demonstrated his strong commitment to the reengineering project by placing his best people on the redesign team, making significant investments in information technology and new skill training, managing by decree when necessary, and giving the team adequate time to effect fundamental change [8]. ◀

2. *Prepare the organization for reengineering with adequate training, development, and resources.*

Investments in skills training and development must complement all reengineering efforts. In fact, this investment was identified earlier as a key principle of reengineering change plans.

3. *Systematically review all work processes to inform the development of relevant reengineering where necessary.*

Managers must identify the activities to include in the process being redesigned that are critical for value creation in the overall business unit, units, and/or systems. Notably, a process can be as narrowly defined as a single activity in a single function or as broadly defined as the entire business system for the business unit.

4. *Develop reengineering plans around effective goals and measurable objectives.*

While the reengineering of single activities, functions, or systems can be important to companies with limited problems, a narrow approach to redesign cannot produce the kind of widespread results that many companies are looking for. Consequently, the reengineering plan of action must be appropriately matched to or fit with effective and realistic goals for the process.

► Example

A *Harvard Business Review* research study notes that a European commercial bank's reengineering efforts focused on redesigning some of its back-office processes and the bank expected to reduce process costs by as much as 23 % due to such changes. However, the actual cost reduction, when measured in terms of total business-unit costs, was only 5 %, earnings before interest and taxes (EBIT). The fact remained that the bank overlooked many back-office processes in planning the redesign; and hence the plans were too narrowly defined to fit the desired objectives [9]. ◀

5. *Ensure alignment of reengineering plans with broader organizational strategies.*

6. *Ensure alignment between reengineering goals and other related change interventions, at individual, group, and organizational levels.*
7. *Implement a pilot of the new processes before actual implementation.*

A pilot describes the test trial of business process reengineering. Pilots can be useful in identifying initial implementation and acceptance issues that would otherwise have been gone unnoticed without test trials. Given that changing business processes represents a significant investment that can fundamentally affect the entire organization, pilot tests are recommended.

8. *Streamline new organizational processes (reengineering) within organizational structures, and the organizational workforce.*

The streamlining process recognizes that reengineering processes can also directly impact organizational redesign and further workforce reduction as well. Indeed, it must be reiterated that the organizational change plans interrelate.

9. *Continuously assess responses to reengineered processes and recognize that reengineering focuses on continuous improvement.*

Since reengineering focuses on continuous improvement, it is mandatory to continuously assess responses to the reengineered processes.

14.4 Challenges in the Development and Implementation of Reengineering Change Interventions

14.4.1 Reengineering Results

► Example

Indeed, a new era started when high-profile corporations such as IBM Credit Corporation and Taco Bell came up with an amazing solution to improve their existing conditions: the reengineering of its business processes. Such initiatives were followed by others such as Hallmark, which completely reengineered its new-product process and Kodak's reengineering of its black-and-white film manufacturing process cut the firm's response time to new orders in half [10]. ◀

Reengineering, since then proved to be a novel approach in relation to corporate change, and has continued in its popularity over the years with some degree of success. Even so, there have been some mixed results in relation to its effectiveness and success.

► Example

A 2000 study of organizational reengineering in the United Kingdom and Brazilian companies revealed that in both countries firms lacked a basic understanding of reengineering concepts, which led to the birth of many unanticipated problems and issues. The reengineered processes focused more on short-term objectives rather than a long-term orientation. Reengineering efforts were largely ineffective due to a lack of basic awareness and ignorance of understanding the process flow and poor communication of the need for reengineering [11]. ◀

It is interesting to examine the success and failure of reengineering efforts in Singapore since Singapore has been ranked very high on the basis of technology use and is one of the most competitive countries in the world.

► Example

A Singapore study revealed that approximately 50% of all firms used reengineering interventions, and 29% had strong intentions of utilizing process reengineering in the near future. Furthermore, the major motives behind reengineering in Singapore were: to improve efficiency, customer service improvement, cost reduction, and, lastly, increase profitability. A number of problems, however, negatively affected the success of reengineering efforts: lack of adequate human and financial resource, poor IT expertise, lack of support, lack of reengineering champions or leaders, poor supportive structures, and a lack of vision [12]. ◀

► Example

Another study polled 497 companies in the United States and 1245 companies in Europe where it was found that 60 % of US firms and 75 % of European firms had engaged in at least one reengineering project. However, 85 % of the firms reported little or no gain from the reengineering efforts. ◀

14.4.2 Reengineering: Is It All a Negative Picture?

The promise of reengineering is not all empty: it can actually deliver revolutionary process improvements, and major reengineering efforts have been conducted around the world with some degree of success.

As far back as 1993, successful reengineering projects in diverse industries and locations demonstrate how companies can expand the dimensions of their reengineering projects.

► Example

Senior executives at Banca d'America e d'Italia (BAI), AT&T, and Siemens Nixdorf Service, for example, set broad goals, from creating a paperless bank at BAI to becoming the most customer-responsive

and skilled computer-servicing company at Siemens Nixdorf. They then completely restructured all organizational elements—from the layout of BAI's branch offices to the skills required of AT&T's salespeople—in order to implement the new designs successfully [13]. Ford Motors also stand out as a classic case of successful reengineering in the early days of the 1990s. Ford automated and computerized its invoicing systems from a manual system, which resulted in reduced errors, reduced mismatches, enhanced efficiency from company to vendors, and an overall reduction in headcount by over 70%, with higher-than-expected overall cost-savings [14]. More recently, within the Caribbean region, the telecommunications industry and the commercial banking sector have undergone and are continuing to undergo radical redesigns in its business processes with some degree of success. Customer responses have been quite positive, although some employees within the banking industry in particular have been laid off or reassigned to other operations following the redesign process. ◀

14.4.3 Reengineering Challenges and Key Success Factors

In today's ever-changing world, the business environment globally is also going through continuous and rapid changes. Increasingly driven by consumers, change, and competition, companies are now vigorously looking for new ways to make their organizations and businesses more efficient and competitive. They are continuously analysing and evaluating their current systems, processes, and goals and are trying to find new solutions to their business problems. Such trends provide the basis for many reengineering change interventions across global organizations.

As organizations continue to use reengineering change interventions, they also continue to be faced with challenges in the process that inhibits its effectiveness. The most popular challenges within the reengineering process relate to the following:

- *The breadth of reengineering change plans*

Narrow approaches to redesign cannot produce the kind of widespread results that many companies are looking for. Process breadth is important for at least two main reasons. Firstly, if more activities are included in the process, the improvements are more likely to extend throughout the entire business unit, division, or system. Secondly, if a process includes interrelated activities, businesses may identify incremental opportunities that may not surface in single-function performance-improvement efforts. The fact, however, remains that many reengineering efforts fail because of insufficient process breadth [15]. Still other reengineering efforts fail because of a *too*-broad, indiscriminate approach. Indeed, the diagnostic process is critical to a company's ability to deliver value to its

customers and the bottom line by identifying which processes should be targets of redesign.

— *The narrow depth of reengineering change plans*

The successful redesign of processes requires the complete restructuring of the key drivers of behaviour so that actual results measure up to the redesign plan. Reengineering change plans that suffer from a lack of depth can handicap the expected results and outcomes of such change plans. Starting from scratch, companies can plan and build the new infrastructure with sufficient depth to realize the new design, for example, by including comprehensive training and skill development plans; performance measurement systems that track how well the organization is meeting its targets and how employees should be rewarded based on those objectives; and communication programs that help employees understand why and how their behaviour must change. Such elements can add much needed depth to ensure that there is alignment between the plans and expected outcomes.

In addition to addressing such challenges and based on a number of reengineering interventions globally, the following key success factors when developing and implementing such interventions are further suggested:

— *Information technology support, education, and training*

A number of studies have noted that reengineering processes can be handicapped when there is inadequate technical support. Indeed, reengineering is largely fuelled by technological innovation and hence a supportive technological infrastructure with adequate education, training, and development is an important driver of success [16].

— *Top management commitment/leadership*

Numerous researchers and practitioners believe that top management commitment is another important factor for successful reengineering change interventions [17]. Reengineering never occurs from the bottom up, and a reengineered process alone will not change the way people work. It is clear that strong leadership approaches are essential during a reengineering process, because leaders play a critical role in affecting process outcomes. It has long been known that leaders can literally ‘make or break’ reengineering plans. Otherwise, lack of leadership can frequently impact the high failure rate of business process projects [18]. Reengineering exacts extraordinary effort at all levels of an organization. Without strong leadership from top management, the psychological and political disruptions that accompany such radical change can sabotage the project. Inevitably, managers and employees may feel that their turf, jobs, and organizational equilibrium are under attack. But opposition to the new design can be overcome if top-level managers approach reengineering as a painful but necessary disruption of the status quo.

— *Supportive business process architecture*

The business process architecture must be a supportive one which recognizes that reengineering is an ongoing process focused on continuous improvement. Reengineering does not start or end with redesigned business processes. It focuses on continuous, dramatic improvements in business process performance.

Based on these factors, it is apparent that a systematic, rigorous process is mandatory to maximize the possibility of achieving some degree of success when reengineering.

14.5 Conclusion

This chapter examined the third organizational techno-structural intervention: reengineering. Reengineering has emerged as a popular change intervention with some successful cases. Although many failures have been cited in business practice, the rationale for reengineering in today's business environment mandates that organizations address the challenges and prioritize the success factors to minimize the possibility of failure.

■ Exercises

Student Resources

■ Chapter Outline

- I. Reengineering
- II. Rationale for Reengineering as an Organizational-Level Intervention
 - A. Technological Innovation
 - B. Competition and Changing Customer Needs
 - C. Restructuring
 - D. Downsizing
- III. Reengineering Process
 - A. Reengineering Strategies/Principles
 - B. Stages/Phases when Developing and Implementing Reengineering
- IV. Challenges in the Development and Implementation of Reengineering Change Interventions
 - A. Reengineering Results
 - B. Reengineering Challenges and Key Success Factors

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Further Reading

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Strategic Interventions: Transformational Change

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Electronic supplementary material The online version of this chapter (https://doi.org/10.1007/978-3-030-39123-2_15) contains supplementary material, which is available to authorized users.

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Learning Objectives

At the end of this chapter, readers should be able to:

1. Evaluate the relevance and importance of transformational change to the field and practice of OD.
2. Evaluate organizational design and culture change as key organizational-level interventions.
3. Describe and analyse the different aspects of the organizational design process and the culture change process.
4. Assess the challenges that emerge in the transformational change process.

15.1 Introduction

15.1.1 Strategic Interventions

Strategic interventions create change within the organization and its relationship with the external environment.

Strategic intervention: A strategic intervention describes any OD methods aimed at initiating transformational, trans-organizational, and continuous changes within and across organizations.

It describes any OD methods aimed at initiating transformational, trans-organizational, and continuous changes within and across organizations. These changes contribute to the alignment of the organization with the environment. For the three broad categories of strategic interventions, the following presents an outline of the interventions discussed in the present and subsequent chapters.

- *Transformational change*: organizational design and culture change (discussed in this chapter)
- *Trans-organizational change*: mergers and acquisitions, strategic alliances, and networks (see ► Chap. 16)
- *Continuous change*: self-designing organizations, learning organizations, and built-to-change organizations (see ► Chap. 17).

15.1.2 Transformational Change

Transformational change is broadly focused on a fundamental change that is beyond incremental changes. It requires a new paradigm and way of thinking by organizational members as there is a fundamental change to the business core or substance. As leaders continue to engage in strategic planning for the future, transformational efforts also seek to create new growth. In doing so, management needs to focus on the ‘people issues’ by fostering collaboration between organizational leaders and

employees for success. The role of leadership is critical to such an organization-level change initiative as there is a revolution in the way the organization operates and functions.

This chapter focuses on two popular transformational change interventions:

- Organization design
- Culture change

As companies continue to face a volatile external environment, some are using the opportunity to engage in transformational initiatives that change the fundamental core of their operations.

► Example

For instance, in 2012, Danish Oil and Natural Gas, the largest energy company in Denmark, was facing a financial crisis as gas prices fell by 90 % over the preceding years due to increases in global production. As the company's debt increased, and a negative credit rating, the new CEO saw this as an opportunity for fundamental change. A transformational plan was developed for radical transformation to build a new core business and explore new areas for strategic growth. The company shifted its focus to climate change, that is, away from 'black' (oil, gas, and coal) towards 'green' (renewable utility). In 2013, its new strategic goal was to divest non-core assets and invest its earning from upstream oil and gas into offshore wind and biomass by 2020. The company was renamed Ørsted, infusing a greater sense of purpose as it was named after a Danish scientist who discovered electromagnetism. Over the following years, the company built three new offshore windfarms in the United Kingdom and acquired a company in the United States to pioneer its North American offshore waters. The company's net profits surged to US\$3 billion over a five-year period, and as of 2019 it is the world's largest offshore wind company [1, 2]. ◀

In driving transformational change, McKinsey Global Survey 2015 found that (i) when senior managers communicate effectively, company-wide efforts are 12.4 times more likely to succeed; (ii) top management sponsorship is the most important factor in transformational change being successful; (iii) when senior managers and executives model the behaviours they are requesting employees to make, the transformation is 5.3 times more likely to succeed; and (iv) leaders who were held accountable for their transformation work in annual evaluations are 3.9 times more likely than others to report a successful transformation [3].

15.2 Rationale for Transformational Change as an Organizational-Level Intervention

Today, for an organization to survive and thrive it must be compatible with the external environment. More organizations are engaging in transformational change as they respond

to environmental changes that are often beyond their control. Organizations that are unable to quickly react to maintain their legitimacy and acquire the resources they need either experience decline and death (cease to exist) or become absorbed into other organizations via mergers and acquisitions. There are various reasons for transformational change interventions. Some of the more common reasons for designing and implementing transformational change include the following:

1. Change in environmental factors
2. Change in internal factors
3. Towards attaining a competitive advantage
4. Leadership-driven change

15.2.1 Change in Environmental Factors

Businesses encounter an ever-changing general and task environment. External opportunities and threats require businesses to anticipate shifts that would motivate them to engage in transformational change. These can include shifts in customer tastes and preferences, the life cycle of products, and even shifts in the economy. As seen in the Ørsted example, the drastic decrease in gas prices resulted in the transformation of the organization and its core business.

15.2.2 Change in Internal Factors

The internal business processes, strategy, structure, and leadership are key drivers to transformational change. As companies identify their strengths and weaknesses, they may engage in transformational change to continue to grow or as an opportunity to address its shortcoming and inefficiencies. For instance, when a new CEO or president is appointed, this individual may undertake a transformational change initiative to chart a new direction for the company.

15.2.3 Towards Attaining a Competitive Advantage

Organizations adopt an active approach to enhance their competitive advantage and improve their performance. The competitive advantage sets the company apart from others and establishes a distinctive edge. The uniqueness of the company can be in its resources and processes. When the uniqueness of the company is difficult to duplicate by other organizations, they are able to capitalize on this competitive edge. Active steps are taken to protect its distinctive competence.

15.2.4 Leadership-Driven Change

The organization's leaders may recognize the need to engage in a transformational change initiative towards a new strategic direction. The leaders take an active role to drive this change initiative as they are the ones who chart the strategy for the company. Further, organizational leaders ensure that the change initiative is not stagnated but rather the momentum is sustained towards institutionalization.

Companies have been engaging in transformational change initiatives to also create new growth opportunities through new products, services, and even business models and processes.

► Example

This is evidenced at McDonalds, a fast-food company in the United States. Under the leadership of John Skinner, CEO, in 2004 McDonald's Corporation engaged in a transformational change initiative to reposition itself in the market after suffering its first quarterly loss in 2002. Following job cuts, closing outlets, increasing competition, and a falling share price, the company was also facing backlash from public-driven campaigns against obesity and junk food. The company commenced a culture change intervention, focused on offering healthier menu choices for customers, and even physically transforming the look of its stores. The 'Plan to Win' strategy shifted focus to being customer-centric and -driven, which resulted in a turnaround of the company to once again being profitable. This strategy focused on improving its existing locations rather than expanding to new locations. The intent was to achieve "faster, friendlier service; tastier food; a more appealing ambiance; better value; and sharper marketing." This new strategic direction saw an increase in McDonald's total sales: US\$70.1 billion in 2008 [4, 5]. ◀

15.3 Organizational Design Interventions

As organizations anticipate changes in external market trends on a global scale, organizational CEOs recognize the need to change their *organizational design* to stay ahead of these trends.

Organizational design: Organizational design describes the core elements necessary for organizational functioning, such as, structure, work design, human resources practices, and management and information systems.

Further, as organizations become more complex, actions must be taken to manage the complexity by simplifying the organizational design. Such a transformational undertaking requires an

organizational leader who is prepared to successfully redesign the company in an effective and seamless way. As the strategic focus of the organization continues to evolve, a different kind of organization is needed to match this evolution. The strategic decisions made at the organizational level has a rippling effect throughout the organization. Changes to roles, processes, and structures have implications for all organizational members. Therefore, the elements at the different levels must be considered, that is, the design of the overall organization, the design of divisions and departments, and the design of individual jobs and roles.

15.3.1 The Rationale for Organizational Design

Organizational design addresses the *structure*, *work design*, *human resources practices*, and *management and information systems* within organizations. This change intervention is largely driven by a change in the strategic direction of the company. It focuses on aligning the organizational design to the new strategy as this requires a shift in the functions and behaviours of organizational members.

Structure: Structure describes how tasks, roles, and positions are allocated within the organization to achieve organizational goals and objectives.

Work design: Work design describes the requirements of the job in terms of roles, duties, responsibilities, as well as the requirements of the job holder in terms of competencies, experience, skills, and expertise.

Human resource practices: Human resource practices refer to the functions used to attract, develop, and maintain an effective workforce. It includes functions such as, recruitment/selection, training/development, reward/compensation management, and performance appraisals/performance management.

Management and information systems: Management and information systems describe the approaches used for decision-making, coordination, analysis, control, use, and dissemination of information within an organization to support organizational goals and objectives.

15.3.2 Key Components of the Organizational Design Process

The key components of the organizational design process are identified and discussed below.

- *Strategy*

This is the plan of action that determines the allocation of resources and activities for dealing with achieving a competitive advantage, anticipating and dealing with environmental changes and achieving the overall strategic goals. The grand overall strategy guides the corporate-level strategy, business-level strategy, and functional-level strategy. The strategy formulated, when implemented requires a fundamental shift in thinking, acting, and internal processes and subsystems.

- *Organizational Design*

As discussed in ► Chap. 12, the structural design determines the way in which people, tasks, and work are organized. There are various elements that need to be considered. These include the degree of centralization, the chain of command, span of control, and degree of work specialization. More traditional structures are divided along the functional areas, where companies are redesigning their structures to more adaptive and flexible structures and work flows.

- *Work Design and Technology*

This specifies the tasks to be completed and the jobs that need to be performed to complete the tasks. These can be in the form of individual jobs or teamwork.

- *Human Resources*

Human resource management focuses on the practices, processes, and systems to attract, develop, and maintain an effective workforce. Strategic human resource management seeks to align the HR function with the overall strategy of the organization by recruiting and selecting persons with the knowledge, skills, and capabilities that contribute to achieving the organizational goals, developing employees through training and development activities to meet present skill and knowledge needs and future needs and to maintain an effective workforce through compensation and positive reinforcements.

- *Leadership and Management*

Leadership is the ability to influence others towards achieving the organizational goals. Management is attaining the organizational goals in an efficient manner through planning, organizing, leading, and controlling. Therefore, strategic management involves developing a strategic vision, formulating and implementing strategies, evaluating and taking correction action where necessary to reach the intended strategic goal. The main intent is to gain a competitive advantage and to survive changes in the business environment.

In simplifying the organization when assessing the key components of the organizational design process there are three perspectives that should be considered [6]. These include the following:

- (i) The *functional perspective*, which focuses on the relationship between structural design and the functions of the organization;
- (ii) The *information processing perspective*, which focuses on the flow of information and work processes and the formal structure; and
- (iii) The *stratification perspective*, which focuses on the vertical reporting relationships in the organization and the formal structure.

15.3.3 Stages/Phases when Developing and Implementing Organizational Design

The organizational design can be for a new organization commencing with a new canvas. It can also be for an existing business where a team of OD practitioners work closely with the executives of the organization. The process should be guided by the change models and the diagnostic approaches previously discussed as the following stages serve as a guide.

1. *Clarify the organization's strategy.*

The organization does an assessment to determine its present strategy, and objectives. The guidelines for conducting a diagnosis should be followed. This corporate self-reflection helps the organization with clarifying questions such as the following: What is your purpose? What differentiates you from your competitors now and in the future? How will you have an effect on customers, employees, and investors? The aim is to move forward from the existing design and focus on the new strategy. A determination is made on the resources and capabilities that are necessary to achieve them. This informs the way forward as the assessment determines gaps that exist and are negatively affecting the attainment of the organizational strategy.

2. *Design the plan.*

An outline is prepared on the design that would align to the strategy and objectives of the organization. A diagnosis is performed where the data collected is used to inform this process. The information serves as the rationale for a change to the organizational design, where a preliminary plan is prepared. At this phase it is important to ensure that too many interventions are not being implemented at the same time as this can cause unnecessary implications. The necessary elements should be prioritized to reduce the complexity of the

process. Senior executives are involved at this step to design the outline. Discussions are held where the wider organizational membership becomes involved. Organizational members are able to share their concerns, provide recommendations, and feel included in the change process where their input is valued. An overall design is then developed that focuses on the entire organization, its processes, and structure. Once the plan is finalized, it is implemented.

3. *Implement the plan.*

In implementing the new design plan, there are various individual and group interventions that can be used to facilitate the process, for instance goal setting, performance management, reward management, team building, process consultation, and work design (refer to ► Chaps. 2 and 3 for a discussion of the different interventions). The new design is rolled out, and since this is an organization-level intervention, the availability of resources and top management support are critical to see the transformation process through. Implementation occurs in phases where implementation evaluation informs the process and the adjustments that are necessary. The organizational chart is developed and designed to communicate the new structure to members of the organization. It visually conveys the reporting hierarchy and structure by detailing the divisions, departments, job positions, and relationships among individuals and groups.

In designing and implementing an organizational redesign intervention, companies and OD practitioners need to consider the timing so as not to disrupt operations during peak periods, communicating with employees who are directly impacted, and continuously evaluating the key performance indicators throughout the process using metrics for short-term and long-term successes.

15.4 Culture Change Interventions

Changing an organization's culture is a very difficult leadership challenge [7]. *Organizational culture* refers to the *values*, *norms*, *beliefs*, and *assumptions* that are shared by organizational members.

Values: Values describe principles of behaviour within the organizational context.

Norms: Norms describes standards of acceptable behaviour within the organizational context.

Assumptions: Assumptions are the source of values in organizational culture and what causes actions within the organization.

The culture interlocks the goals, roles, values, norms, attitudes, assumptions, communication practices, and behaviours that reinforce the overall system within organizations. This combination preserves the long-lasting traditions and impact of cultures and prevents change attempts; such deeply embedded features cannot be transformed by a singular fix. Cultures are viewed as a long-standing and relatively stable characteristic that serves as a foundation for organizational members to recognize change and implement adaptations within the context of that particular organization. A strong organizational culture serves as an important competitive advantage when there is an alignment of the internal culture and strategic plan to fit with the external environment. This creates a high-performing organization. The learned pattern of behaviours is illustrated at the surface level which can be seen (artefacts) and the deep level via the values, beliefs, and understanding that are shared by members.

Aspects of culture:

- Deep assumptions
- Values
- Norm
- Artefacts

Elements of culture:

- Ceremonies, rites, rituals
- Stories and legends
- Language and jargon
- Communication
- Ethics, values, and moral standards
- Decision-making style
- Group norms
- Philosophy

Edger Schien defines the culture of a group as “a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” [8]. For the existing culture to be successful and reinforced, the values, beliefs, and deep assumptions should lead to shared actions among members towards accomplishing the organizational goals. Within larger organizational cultures, subcultures can exist.

15.4.1 Rationale for Culture Change

For organizations to enhance its competitiveness and sustain its operations, a strong organizational culture is not enough to ensure survival. An *adaptive culture*, which facilitates *culture change*, encourages continuous adaptation to the external environment [9].

Culture change: Culture change describes the fundamental shifts in the underlying values, beliefs, and norms within organizations.

The opportunities and threats that organizations encounter require the infrastructure, capabilities, and the ability to change [10]. An adaptive organizational culture is a pattern of shared beliefs, values, and behaviours indicating the organization's awareness and concern about external changes and oriented towards agile and flexible action to address such changes [11]. An adaptive culture supports a positive psychological environment that provides employees with the ability to manage stress in a turbulent business environment. Since culture shapes the behaviours of organizational members, this can greatly impact the attainment of the organizational goals and realization of their strategic plan. Companies must be able to anticipate changes to their customer needs, future trends, and environmental shifts; therefore, the organization should emphasize a culture of anticipation and forward thinking. Openness to change is another key driver as the culture must promote sharing ideas and exploring various solutions to problems if organizations want to cultivate openness to change and adaptability. Organizations must also have the internal capacity to adapt which is rooted in the systems, processes, and operations, and members should possess the knowledge, skills, and ability to reconfigure and revolutionize the organization.

► Example

For example, the 2018 Gartner CIO Survey found that CIOs agreed that culture change is important for organizations. It is a high priority concern, however only 37 % of the 460 business leaders surveyed indicated that a deep culture change was needed by 2020. When the companies that were engaged in a digital transformation initiative were compared with those that don't, the proportion in need of culture change rose to 42 %. According to Mark Riskino, vice president and Gartner Fellow "These survey results show that if a company has a digital initiative, then the recognized need for culture change is higher. The most important types of cultural change that CEOs intend to make include making the culture more proactive, collaborative, innovative, empowered and

customer-centric. They also highly rate a move to a more digital and tech-centric culture” [12]. ◀

15.4.2 Key Components of the Culture Change Process

Culture change is a large-scale operation which requires a structured approach. This is critical to the successful design and implementation of such an organization-level change intervention. Three (3) key components include the following:

1. Changing mindsets;
2. Understanding the levels of culture; and
3. Diagnosing an organization’s culture.

15.4.3 Changing Mindsets

Charles Demming proposed the model of Organizational Tools for Changing Minds [13]. These include three tools, with leadership being at the top and power tools being a last resort.

- Inspiration → Leadership tools: vision, storytelling, conversations, role-modelling, persuasion
- Information → Management tools: tradition, rituals, measurement systems
- Intimidation → Power tools: coercion, threats, punishments, fiat

The leadership and management tools are necessary for negotiation, strategic planning, decision-making, and learning. The management and power tools are necessary for control systems, role definitions, incentive systems, hiring, firing, promotion, training, disincentives, and operating procedures.

15.4.4 Understanding the Levels of Culture

According to Edger Schein’s model of organizational culture, culture can be seen at different levels [14]:

- The visible artefacts (i.e., the physical environment, technology, manner of dress, behaviour patterns, stories);
- The explicit values that govern behaviours and shape the artefacts; and
- The underlying assumptions which may be unconscious but determine how group members perceive, think, and feel. This is where there are values and beliefs on areas such as the nature of reality and truth; on what it means to be human; on the nature of human activity and relationships; and on how human relate to the environment. These are the taken-for-granted values and tend to require a concerted effort and focused inquiry to bring them back to awareness.

In transforming the cultures of organizations, there is the tendency to focus on the artefacts and values, with little attempts on questioning or changing the deep-rooted assumptions.

15.4.5 Diagnosing an Organization's Culture

There are three popular approaches to diagnosing the culture of an organization. These include diagnosing (i) behaviours, (ii) competing values, and (iii) deep assumptions. For the guidelines on diagnosis, refer to ► Chaps. 8, 9, and 10.

Diagnosing Behaviours: In diagnosing behaviours, focus is placed on the surface level, that is, the visible artefacts. It is considered one of the more practical approaches to culture change. Since the behaviours are associated with surface level change, these aspects of culture are easier to observe and diagnose as focus is on the way tasks are performed and relationships are managed. The behavioural approach also enables the assessment of cultural risk associated with attempting to implement organization-level change interventions. For instance, the existing culture can support or hinder change plans and may require adjustments to the present culture. Organizational design changes may also require culture change for its successful implementation and institutionalization.

The *Organizational Culture Inventory* [15, 16] (OCI) is used to measure the attributes of organizational cultures that are aligned to the performance and behaviours of organizational members. As a diagnostic tool, it provides an understanding of the way in which work is currently done and the norms that guide interaction, problem-solving, and task performance. It provides management with a view of the behavioural norms that currently exist (measured using the OCI), the desired future (measured using the OCI-Ideal) and determining a plan of action to get to the desired stage. The responses to the OCI are combined and profiled on Human Synergistics Circumplex to show the relative strength of Constructive, Passive/Defensive, and Aggressive/Defensive norms within the organization. Responses from the OCI-Ideal identifies the preferred culture and the expected behaviours that leaders and members should possess for the organization to reach its goals. The report guides the OD practitioner and organizational leaders on planning and implementing the intervention to transform the behavioural aspects of the current culture.

Another diagnostic tool is the *Organizational Effectiveness Instrument* [17, 18] (OEI), which is used to measure individual, group, and organizational effectiveness and the cultural impact of the internal practices on effectiveness. Feedback entails experience and perceptions of influencing factors, and areas for improvement, the organization's culture and its performance. It also provides the outcomes of the culture for individuals (such

as their engagement), groups (teamwork), and the organization (adaptability and overall quality of products/services).

Diagnosing Competing Values: When organizations face value dilemmas, one diagnostic approach to assess the organization's culture to deal with these dilemmas is via the Competing Values Framework [19, 20]. This framework identifies four classifications or quadrants of an organization's culture: clan, hierarchical, adhocracy, and market. It indicates how companies operate, the collaborative environment among employees, and the organizational values. The competing values correspond with the four types of culture, representing the basic values, assumptions, and beliefs. Every organization has its unique mix which constitutes the organizational culture. Further, the culture of the organization can be assessed by two value pairs: (i) flexibility and discretion versus stability and control, and (ii) internal focus and integration versus external focus and differentiation. This is a descriptive model where there is no 'best' culture. Rather, organizations are able to assess what people value with the accompanying activities, and better align their activities to its values. From this 2x2 matrix, the four cultural types are as follows:

- The *clan culture* has an internal focus and there is a high degree of flexibility (the human relations perspective). These organizations are people centred, with high levels of cooperation, loyalty, and relationships. Human resources are at the centre, with a family-type atmosphere where participation and teamwork are valued. Managers serve as mentors and are team players. The clan culture is common in family businesses and small organizations.
- The *hierarchical culture* is internally focused, with a high degree of stability (the internal-process perspective). This is characterized by maintaining order, procedures guiding employee actions, and a structured environment. The work environment is highly formal, with rules and policies guiding decisions and actions for high levels of efficiency. This type of culture is common in government offices.
- The *adhocracy culture* is externally focused and highly flexible (the open-system perspective). The culture is one of innovation and creativity, where employees are encouraged to create new ideas. The organization adapts to changes in the external environment and are trendsetters in the market. Managers are risk-takers as the focus is on growth where employees are encouraged with higher levels of autonomy and freedom to pursue initiatives. An entrepreneurial spirit is promoted among workers. This type of culture is common in advertising, fashion industry, software development, electronics, and finance.
- The *market culture* is externally focused and stable (the rational goal perspective). This culture is results oriented, with productivity-driving profits. Competitors are assessed when determining the strategic focus of the company.

Maintaining the company's image towards customers and suppliers is very important as the aim is to exceed customer expectations. Employees are therefore encouraged to build positive relationships with external stakeholders to promote the company's appearance to the outside world.

Diagnostic data is collected to assess the organization's current position on the value dimensions. There can also be subcultures existing within an organization. This tool is helpful as it provides a foundation upon which the approach to culture change is designed and implemented.

Diagnosing Deep Assumptions: This level of culture is the most challenging to diagnose. Since this aspect is at the unconscious level, persons act without reflecting on the reasons or influences for their actions. Further, within large organizations, there are numerous subcultures. These cultures differ across groups, varying in their assumptions, values, and beliefs. When diagnosing deep assumptions, the OD practitioner must consider the size of the organization and the various subcultures. Two popular approaches used include iterative interviewing process and culture workshops.

- *Iterative interviewing* [21]: the joint exploration methodology through iterative interviewing by Schein enables for the deep assumptions to be brought to the surface. Individuals both internal and external to the organization are included in the iterative interviews. The external party or outsider is brought into the organization and observe the functioning and operations. This is then shared with the internal organizational members. The meanings are explored to identify the underlying assumptions that determine the values and norms that exist.
- *Culture workshop* [22]: At the culture workshop, culture circles are used to foster dialogue and discussion among the attendees. The attendees include a cross-section of internal stakeholders who can provide insights about the organization and its functioning. The composition of the attendees will be determined by the nature of the problem to be solved. For instance, homogeneous groups would be from entire department or division while heterogeneous groups would include subsets from a cross-section of departments throughout the organization. Participants should be provided with an overview of culture, and an understanding of how culture manifests within organizations. Each group identifies the organization's existing artefacts (elements) that are at the surface level of culture which are observable and easier to discern. The values and norms that underly or drive the artefacts are determined. These are explicitly stated and further explored to determine whether there are underlying assumptions with hidden cultural values. These can be aligned to the goals of

the organization by linking the values and norms to achieving the organizational goals. Upon identifying the web of artefacts, values, and norms, the deep assumptions that explain the source of these aspects in the organizational culture are identified. A consensus is reached on the main shared assumptions and their implications within the organization. A discussion ensues on the role of the deep assumptions in aiding or hindering the advancement of the organization. The data gathered from this exercise determines the way forward to drive the development of a plan of action. For instance, a deep assumption that employee satisfaction and engagement positively enhance the organization's functioning, can translate into values of high-quality interpersonal relationships, and knowledge sharing. These are evident in training opportunities and an open-door policy by management.

These diagnostic approaches provide the OD practitioner with an understanding of the current organizational culture to determine initial intervention strategies.

15.4.6 Stages/Phases when Developing and Implementing Culture Change Process

Culture change can occur at different levels. While debate continues about what constitutes culture change and its difficulty, OD practitioners are able to manage change at the surface level. Large-scale culture change at the deeper level may be necessary when alternatives fail to achieve desired results.

There are various steps that guide this process. These are as follows:

1. *Create a vision*

A strategic vision is formulated that guides the culture change process. It should align to the overall strategic direction of the company. It establishes why a change in the culture is necessary and the way forward.

2. *Commitment and support from top management*

A top-down approach to culture change must be adopted. Top-level management must be committed to the new cultural approaches and encourage others to adopt the new way. The new culture must be communicated by top management through their actions.

3. *Diagnosis*

The groups to be included in the interviews and workshops are identified by the managers/leader and the OD practitioner. As previously outlined, there are various diagnostic levels to assess culture, each with varying techniques and approaches.

4. *Develop plan*

The plan of action is developed. In developing the plan, the practitioner must work closely with the client to ensure that there all areas are included. This should be detailed to ensure that there are no ambiguities in implementation.

5. *Implement by modifying the organization to support the culture change*

In implementing the culture change, modifications to other aspects of the system are done to support this change. Members are informed of the benefits to be derived from adopting the new way and encouraged to continue practicing changes in behaviours that support the new culture. Reinforcements are key drivers of reinforcing change.

6. *Sustain momentum by introducing newcomers and terminating resistant workers*

The orientation of new workers should align to the new culture. Employees who are resistant to practicing the new culture may be subjected to punishment and in some instances, terminated.

Indeed, this issue of punishing and/or terminating employees who are resistant to the new culture remains a controversial issue when implementing culture change interventions.

15.5 Transformational Change: Key Success Factors and Challenges

15.5.1 Transformational Change Results

The motive to engage in strategic transformational change is imperative for organizations to thrive. In the past there have been rare cases of successful transformations; however, more companies are recognizing the need to reinvent themselves in response to global trends, a financial crisis, threats from disruptive competitors, or strategic planning for the future. The radical transformations and new growth opportunities are fueling the drive for sustainable growth.

► Example

For example, in 2019, 52 companies were identified as making substantial progress towards transformation. These were based on three categories: new growth, repositioning the core, and financials. The four major transformation themes of the top 20 companies include digital transformation, combating climate change, transforming healthcare, and fintech-enabled business models [23]. The role of leaders is the key driver when embarking on transformative initiatives. The leaders who are spearheading the transformation journey of their companies have exhibited five core behaviors: creating a higher-purpose mission, not afraid to let

go of the past, when entering new markets they leverage a core capability, they use digital opportunities such as new platforms and business models, and innovation is a strategic capability that is, and organization-wide effort [24]. ◀

15.5.2 Transformational Change: It Is All a Positive Picture?

Reports indicate that about 70 % of organizational transformations fail [25]. One may ask the question, why is this so? While one company is successfully engaging in transformation efforts, another company in the same line of business may be filing for bankruptcy. For instance, the tale of two photographic film companies illustrate this point.

► Example

Eastman Kodak, a 131-year film pioneer, filed for bankruptcy in 2012 [26], while Fujifilm Holdings has been successful by expanding its scope of business to healthcare products and medical imaging. ◀

Transformational change interventions completely alter the current structure, with changes being made to the processes, people, and technology. Transformational change initiatives can be a daunting task as the results are not realized in the short term.

15.5.3 Transformational Change Challenges and Key Success Factors

Transformational change interventions are challenged due to a number of reasons. Some of the most popular reasons include the following:

1. *Organizational change fatigue*

Change fatigue may be due to several factors, including: the failure of past change plans, arduous and poorly focused change processes, and exorbitant costs overruns beyond projected budgets. Organizational members may become discouraged as increasing external demands for change, coupled with the limited internal capacity can derail change efforts [27, 28].

2. *Lack of vision and focus*

The resistance to change is strengthened when there is a lack of clarity as to ‘why’ the transformational initiative is being initiated and employees are uncertain of tasks that need to be accomplished. Everyone should have a clear sense of where the organization is heading.

3. *Poorly executed change effort*

While employees may be motivated and on board to engage in the change initiative, when the plan is being

implemented there are unforeseen factors and demands that may emerge as well as employee resistance. If leaders are sluggish in providing employees with the resources and support required to execute the plan, they may easily slip back into the ‘old way’. Indeed, when issues arise and implementation evaluations are lacking, resistance can begin to regenerate. If left unchecked, the change initiative can easily turn into a downward spiral.

At the same time, there are critical success factors that sustain the momentum to deliver the intended benefits. These are as follows [29–31]:

1. *Commitment from Active Executive Sponsorship*

All leaders and managers within the organization must be committed to the transformational change initiative. They are catalysts for transformational initiatives to succeed. The success of this initiative depends on their willingness to actively participate by modelling behaviours, reinforcing their commitment towards the initiative, actively establishing parameters, and overseeing the deployment of resources. Sponsors may be unclear as to what is expected of them during the transformation process. This can result in a contradiction in what they say and what they do. Therefore, the OD practitioner needs to identify the key personnel in the organization and get their commitment. One approach is the sponsor-contracting process where the practitioner and sponsor engages in dialogue to establish the actions that are expected from the individual. This includes what the sponsor should say, do, and act. The most successful sponsors (i) are capable of building commitment and communicating effectively (ii) adept at identifying and building organizational and individual capabilities required by the change; and (iii) understanding of the need to be a role model of the required behavioural change, and to maintain focus on the change post institutionalization where the change is adopted as the new ‘normal’. For instance, having the executive team become the face of the transformational change initiative by openly communicating their commitment and support would reduce and eliminate doubts that organizational members may have.

2. *Change overload*

There are various interventions that are implemented simultaneously, causing employees to feel saturated. Since organizations are faced with the dilemma of limited resources, they must ensure that the initiatives undertaken are able to realize greater rewards in not only the short term, but the medium- and long term as well. When transformational change occurs, there are various change initiatives being implemented at the same time. Therefore, it is

important to have a clear outline of all the initiatives by developing and keeping track of a heatmap.

3. *Power and governance*

The OD practitioner must assure organizational authorities who may be losing some of their positional legitimate power and authority the rationale for doing so. When such power is shifted away from an individual, it erodes their ego and can cause greater levels of resistance to the change initiative. Transformational change initiatives may entail flatter organizational structures where middle management is no longer necessary. The altering of job positions would also be complemented with changes to the job that individuals perform, including a shift in power to positions lower in the hierarchy. Therefore, it is important from the onset to provide reassurance to individuals on their major concerns. By adopting a proactive approach, this would reduce or eliminate delays in making decisions and implementing changes. Further, a clear governance model is needed to guide the process. Due to the complexity of the transformation change, the aim is to minimize business disruption, ensure a smooth implementation process, and reduce the level of risk. Therefore, having a detailed plan encourages prioritization, sequencing, and encourage good decision-making.

4. *Stakeholder buy-in and support*

Two key stakeholder groups include employees and internal managers and supervisors who oversee the day-to-day operations of the organization. Managers and supervisors can influence changes required in skills, capabilities, processes, and behaviours across the organization. They are also able to reduce the resistance to change by frontline employees. Managers and supervisors are able to maintain the energy among employees who make the ultimate decision on whether the change is worthwhile. When leaders take the time to ensure that frontline employees feel a sense of ownership, these employees drive the change initiative.

Based on these factors, it is apparent that a systematic, rigorous process is mandatory to maximize the possibility of achieving some degree of success when engaging in transformational change interventions.

15.6 Conclusion

This chapter examined the first of three strategic interventions: transformational change. Transformational change has emerged as a popular change intervention with some successful cases. Although failures have been cited in business practice, the rationale for changes in organizational design and culture in today's business environment mandates that organizations

address the challenges and prioritize the success factors to minimize the possibility of failure.

■ Exercises

Student Resources

■ Chapter Outline

- I. Transformational Change
- II. Rationale for Transformational Change as an Organizational-Level Intervention
- III. Organizational Design
 - A. The Rationale for Organizational Design
 - B. Key Components of the Organizational Design Process
 - C. Stages/Phases when Developing and Implementing Organizational Design
- IV. Culture Change
 - A. The Rationale for Culture Change
 - B. Key Components of the Culture Change Process
 - C. Stages/Phases when Developing and Implementing Culture Change
- V. Transformational Change Key Success Factors and Challenges

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Strategic Interventions: Trans-Organizational Change

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Electronic supplementary material The online version of this chapter (https://doi.org/10.1007/978-3-030-39123-2_16) contains supplementary material, which is available to authorized users.

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Learning Objectives

At the end of this chapter, readers should be able to:

1. Describe mergers and acquisitions, strategic alliances, and networks as key organizational-level strategic interventions and evaluate its relevance and importance in the field and practice of OD.
2. Evaluate the different trans-organizational strategies.
3. Identify and analyze the different aspects of the merger and acquisition process, the strategic alliance process, and the network process.
4. Assess the challenges that emerge in the trans-organizational change process and evaluate the key aspects of its implementation within the organizational context.

16.1 Introduction

16.1.1 Trans-Organizational Change

Trans-organizational change interventions move beyond a single organization. This planned change is concerned with creating an inter-organizational system where organizations agree to work together to accomplish tasks and expand operations. The OD practitioner straddles the boundaries of more than one organization to facilitate and apply structure to the often highly unorganized and uncertain process. These strategic approaches can provide organizations with opportunities to tap into resources that are too difficult, complicated, or costly for a single organization to achieve on its own or to increase its market share. Companies worldwide engage in these types of transactions to outsource business activities and grow their business portfolio.

► Example

For instance, in 2018, there were about 49,000 merger and acquisition deals globally amounting to US\$3.8 trillion [1]. ◀

Organizational leaders need a trans-organizational mindset as they must look beyond their organizational boundaries to expand their networks. This requires a paradigm shift, that is, understanding the importance and potential for building connections and networking. Therefore, organizational executives and leaders must recognize the synergies to be derived for organizations to progress towards achieving their collective goals.

This chapter focuses on three trans-organizational change interventions:

- Mergers and acquisitions
- Strategic alliances
- Networks

16.1.2 Characteristics of Trans-Organizational Change

There are various rationales and benefits to be derived from trans-organizational approaches that have been discussed over the years. These include:

- *Efficiencies*

The synergies to be gained will reduce overall costs in operations. Synergies are a consequence of financial and operational economies of scale. Further, the companies are also able to leverage expenses.

- *Achieving a competitive edge*

The combined resources and talent pool will boost the human capital advantage as well as competitiveness.

- *Diversification*

A company may seek to develop and expand its portfolio by merging with or acquiring companies that offer similar product lines (horizontal integration), different products in similar market (product extension merger), a supplier or customer (vertical integration), or different product areas in different markets (conglomerate). Here, companies have an opportunity to enter new markets by reducing the risk of setting up a business from scratch.

Diversification: Diversification can be defined as the process of broadening or varying the business offering, approaches, or range of products/services by organizations.

- *A drive to increase market share or customer base*

This is an effective approach to enter new markets. For instance, when a financially strong company acquires a relative distressed company, the improvements to operations and performance increase its competitiveness. This can increase market share as the acquiring company is able to invest resources into the acquired entity and expand into new markets.

- *Shareholder value*

The shareholder value of the company is expected to increase, for instance, following mergers and acquisitions. Therefore, shareholders are in a more favourable position after the combination than they would have been with the parent company.

- *Ability to expand into international markets*

Through mergers, acquisitions, alliances, and networks, companies can use these trans-organizational approaches to expand into international markets by joining forces with an entity already established and operational in another country.

16.2 Mergers and Acquisition Interventions

The rapid rate of innovation in today's business environment is driving companies to engage in strategic ventures. Mergers and acquisitions (M&As) are increasingly common among businesses globally.

► Example

Globally, during the first nine months of 2019 there were 25,754 M&A deals valued at US\$3.05 trillion. Global cross-border transactions for the same period stood at US\$771.8 billion with 5855 deals. The United States was the most popular target and acquiring nation, with the United Kingdom being the second largest target nation for cross-border activity [2]. ◀

The M&A process varies by country as there are various factors that must be considered by the parties involved. The laws, regulations, taxes, codes of practice, as well as international bodies can directly affect the successful completion of the transaction to finalize deals. In a general sense, M&As involve the combination of two companies. This can occur via mutual agreement or a hostile takeover. While there is no set formula that guarantees the success of a merger or an acquisition, organizations need to take a structured approach to facilitate the rather complex process. Organizations must devote sufficient resources and conduct proper due diligence analyses to understand the risks involved at the early stage. They must be aware of their merger control obligations in the deal making process as well. As companies continue to diversify their products and services, effective due diligence, and integration are needed for projected revenues to be materialized.

16.2.1 Rationale for Mergers and Acquisitions as an Organization-Level Intervention

A *merger* is an agreement between two or more companies to join their operations to become a new entity.

Merger: A merger refers to the legal combination of two or more organizations into a single entity.

With a merger, a new company is formed. Following the merger, the two companies become one entity and is jointly owned.

When two companies are about the same size, it is referred to as a ‘merger of equals.’ While an acquisition is similar to a merger, there are identifiable differences. With an *acquisition* the acquiring company, referred to as the acquirer, purchases a major portion or all of the other company, referred to as the target until acquired, to gain control.

Acquisition: An acquisition describes the corporate buyout or takeover of one organization by another.

In most instances, the acquisition is via purchasing more than 50% of the shares and other assets which would enable the acquirer to make decisions without including other shareholders. The acquirer can also gain 100% ownership. Following the acquisition, the acquired firm ceases to exist and is absorbed into the acquiring company. M&As are corporate strategies used by companies to expand their market share, increase their competitive advantage, and enter new markets and is one of the more popular trans-organizational change approaches used by companies. There is no ‘one size fits all’ approach to the process, as each M&A has its unique strategic objectives to be achieved. Throughout the process, the importance of communication is critical as managers and external advisors need to work together throughout the planning and implementation phases.

16.2.2 Key Components of Mergers and Acquisitions

Some of the key components of a M&A deal include:

- *Accurately evaluating potential target companies*

A business assessment is performed of the target company. The assessment focuses on the financial costs and overall benefits to be derived as this would pre-empt possible issues that may arise. Data is gathered that would inform the decision moving forward. Therefore, a structured and detailed approach to data collection is necessary to gather relevant information on the human resources, business strategy, information technology, finances, and regulatory requirements. While the company may be limited in the amount of information that is readily available to inform its decision, time should be taken to perform this task as this lays the foundation upon which the M&A is built. For instance, companies may have partnered with each other in the past to work on projects where the favourable experience can initiate M&A discussions.

— *The alignment of cultures*

When companies are performing their analysis to determine fit, there is the need to consider the organizational culture within companies. Human resources provide a rich source of data on the internal operations of the business and the day-to-day activities. The values, beliefs, deep assumptions, behaviours, and ethical practices need to be assessed to determine the fit. If employees are unable to work together due to conflicting beliefs and ways, then there is the potential for teamwork issues, conflict situations, and an ‘us versus them’ approach. When the two cultures are very different this can pose substantial challenges that can hamper the achievement of the intended synergies. There are higher levels of resistance to change which can lead to M&A failure.

— *Supportive leadership and incentives*

The leadership styles and approaches can determine the levels of resistance by employees to this organization-level change. The degree of communication and alleviating the fears of employees are influenced by the type of leadership that exists. Also, contributions by the organization’s executive and their support are necessary to facilitate the process. Further, organizations must ensure that there is a balance in the retention packages to all organizational employees. Many companies focus on earn-outs and retention packages for key talent in acquired companies, but often overlook their own M&A teams [3].

— *Regulatory and legal assessments*

Mergers and acquisitions can be scrutinized and even blocked by merger control authorities who protect competitive markets. These authorities can block or impose restrictions that alter the viability of the deal.

► Example

There are over 150 global merger control regimes; therefore, transactions routinely trigger multiple filing obligations around the world. In 2018, more than 29 deals valued at an estimated €46.3billion in the United States, European Union, and China were influenced by antitrust authorities. Of these, 7 were formally blocked, with 22 being abandoned due concerns from the antitrust authorities [4]. ◀

As the business landscape continues to evolve, shifting geopolitical and technological advances are requiring a change in merger controls. For instance, more powerful technological giants are acquiring small start-ups in digital mergers. However, these digital mergers do not conform to the existing traditional requirements of antitrust authorities making it challenging to block or impose remedies. Some examples of antitrust authorities include the Competition Bureau in Canada, the United Kingdom Competition and Markets Authority, the Competition

Regulatory Authority of Angola, the Economic and Monetary Community of Central Africa, the Competition Commission of India, the Competition Council in Morocco, the Philippine Competition Commission, the Thai Office of Trade Competition Commission, the United States Federal Trade Commission, the Chilean Competition Agency, the Federal Economic Competition Commission of Mexico, and the Australian Competition and Consumer Commission.

► Example

In the United States, the Department of Justice challenged the vertical integration merger of Times Warner, a media conglomerate, and AT&T, a telecom giant. The case went to the District Court and the Appellate Court. In both instances, the rulings were in favour of the companies as facts presented by the antitrust lawyers did not support the arguments against the merger. The federal judge in his ruling in July of 2018 rejected the arguments by the Department of Justice lawyers that the acquisition deal of US\$85 billion would harm competition and hurt customers. It has been over four decades since such a case was brought before the Federal Court in the United States. Stemming from this ruling, there are far-reaching consequences for mergers and acquisitions across industries [5]. However, such success stories are not always the case. In January 2017, a US federal judge in the US District Court blocked Aetna Inc.'s, a health insurer, proposed US\$34 billion acquisition of Humana Inc., a smaller health insurer. The United States Department of Justice was victorious in its case against the acquisition citing that the deal would lead to higher prices as there would be less competition in the healthcare market. This court ruling blocking the acquisition resulted in Aetna paying Humana a US\$1 billion break-up fee [6]. ◀

16.2.3 Stages/Phases in Mergers and Acquisitions

If the organization does not have an internal OD consultant with the requisite skillset to execute the M&A process, and external consultant is contracted. The organization and the consultant engage in negotiations to clarify the issue, determine the terms of the contract, and the deliverables. The consultant provides guidance to the organization throughout the process. The OD consultant is guided by the following stages/phases.

■ Planning for an M&A

The planning stage is the most complex aspect of the merger process. When there is thorough planning, it preempts many potential hurdles that may occur, where proactive measures can be implemented early. This stage entails the analysis, action

plan, and negotiations between the involved parties. Companies must ensure that they conform to the requirements by the regulatory authorities as these vary by country. The following outlines the general steps to guide the process [7].

Step 1—Formulate a strategy: Companies need to set clear and specific objectives in a data-driven manner. Various factors should be considered when deciding on the potential business. These include financial standing, geographic location, market share, and financial synergies to be derived. The significance and sequencing priorities would guide the organization's strategy development.

Step 2—Search for a potential target: Having developed the strategic plan of action, the financial and operational analysis should guide the search for a suitable target. When a suitable target has been identified, the company initiates merger negotiations with the target company. With an acquisition, negotiations may not necessarily take place. The *letter of intent* is prepared detailing the objectives of the M&A, and specific details about the interested company such as assets, business units, and equity positions. By signing the letter of intent, negotiations commence between the two parties.

Step 3—Establish a joint M&A advisor team: An advisor team is established comprising personnel from both companies. This team is responsible for performing the due-diligence assessment and creating the integration plan. Further, the advisor team is responsible for examining the strengths, weaknesses, opportunities, and threats of the proposed merger. The team comprises company executives and persons who possess expert knowledge and skills that are key to the M&A. In composing the team, the membership should equally represent the respective organizations.

Step 4—A due-diligence assessment is performed: Prior to a definitive agreement, all aspects of the target should be reviewed, including tangible and intangible assets, customers, competitors, suppliers, market segments, human resources, and culture. The due-diligence team should ensure that a thorough review is done on the financial and operational (production, industrial relations, purchasing, engineering and research, legal, marketing, organization, and public relations) aspects of the target entity. Guidelines can be established for the exchange of information between the parties. There should be structured input from all relevant stakeholders including organizational members, unions, and shareholders. The input would aid in identifying compatibility issues that may delay the integration process. At this stage in planning, the team should also consider the corporate and tax laws that must be adhered to, as well as the regulatory approval and filing requirements. This would enable the team to navigate potential roadblocks that may delay the process and frustrate the realization of the integration strategy.

Step 5—Pre-merger negotiation: Once there has been a commitment from the companies, the negotiations begin. The deal is finalized following meetings with the deal team, senior management, and the negotiating team. The information collected is analysed to develop the implementation plan. Strategies are formulated which includes the price, performance, people, legal, and governance aspects. It is important to consider the tax objectives of the deal as the tax profiles of each company must be explored. Therefore, a legal and tax due-diligence investigation should be conducted and prepared by legal counsel. Aspects such as tax considerations, the employment law requirements, asset transfer, and pre-integration share transfer would be determined. Timelines are established and the share exchange ratio conditions are determined. Consultations between management and advisors will determine which entities will remain and which will be eliminated. With mergers, the type of transaction is also discussed and determined, that is, through the formation of a new company or merger through integration. This action plan serves as a guide for the integration and implementation phases and is revised and expanded as negotiations continue. A comprehensive list detailing the steps, timelines of activities for integration, and the persons responsible for completing tasks are identified. Key stakeholders and relevant personnel should review the plan and provide input. For instance, persons from a specific functional area may be able to flag an issue or provide a recommendation that was previously overlooked in the overall plan. When the parties are settled on the terms, the deal is finalized.

Step 6—The merger integration plan is developed: At this stage, there is the finalization of how the companies will be combined. The contract details the rights and obligations of each party. The integration plan is very detailed and specifies the responsibilities of the parties. This document guides the process and track the progress of key personnel. Management and the advisors are in frequent communication to ensure that the execution of the various activities is within the identified timelines and the plan has not stagnated.

■ Legal Requirements and Tax Issues

For the deal to be legalized, there is a jurisdictional government and there are tax clearances that are required. These formalities can delay the integration process. The statutory waiting periods should be identified and factored in when preparing timelines and the companies need to ensure that the paperwork is submitted on time to eliminate further delays. The relevant accounting entries are completed such as updating legal books and records, and any post-integration legal filings. Once the legal requirements are met, the M&A deal is complete. A formal announcement is made to the public usually via a press release or media conference.

■ Post-Integration Implementation

Once the deal has finalized, the operational plan is implemented. The practical implementation determines how quickly the plan can be implemented and the time frame upon which the synergies can be realized.

Post-integration implementation should consider operational and technical integration activities and cultural integration issues.

Operational and technical integration activities—At this stage, there is the combination of the systems, structures, processes, and work design. The merger integration plan guides this process as it details the activities to be carried out for each of the various functions. Therefore, earlier in the planning phase the M&A team should have commenced designing the operating model for post-integration. The faster the execution of these integration activities, there is the reduced risk of failure to accomplish the strategic and tactical objectives and realize synergy targets.

Cultural integration—All employees should be strongly engaged throughout the process, and there must be top-level commitment to the cultural effort. The deep assumptions, values, beliefs, and artefacts communicate the way of life within organizations. Post-integration, cultural integration activities should be done simultaneously with operational and technical integration activities. A cultural diagnosis of both organizations should be conducted to allow for data-driven decisions on the cultural integration approach. In understanding the existing cultures, leaders can determine areas of priority to build a high-performing organization. The expected behaviours and management practices are determined and documented. Since behaviours translate into actions, the *culture integration plan* should include identifying and monitoring key performance indicators to institutionalize the expected behaviours. Artefacts are revised accordingly to signpost and encourage the practice of the desired behaviours. Therefore, leaders must communicate and model behaviours where employees become aware of what is expected from them. Human process interventions can be used to ‘break-the-ice’ among members, encouraging the exchange and interaction among persons. Further, in mergers organizations should invest in integration leadership readiness by enhancing their technical (e.g., integration planning, transforming business support functions, and capturing value) and leadership skills (e.g., leading change, steering larger and newly integrated teams, and navigating a more complex matrix) to navigate the integration [8].

Having a *communication plan* which is executed throughout the planning, and post-integration phases would help to reduce the uncertainty that organizational members and other stakeholders (including unions, customers, shareholders, potential investors) often experience with change. When workers are well informed and are provided with avenues to voice their concerns, it would eliminate their anxieties and fears. Following an M&A, workers are often fearful of losing their jobs, as job

positions may become redundant. While there are discussions and agreements on the employment legal requirements where, in some cases, all employees are retained, this may not hold in the long term. For instance, a change in organizational leadership and restructuring initiatives can result in a shift in the business's strategic direction where downsizing is necessary. Therefore, the company needs to reduce ambiguities and rumours by providing factual correspondence to workers. By adopting a structured approach to integrating the cultures by reinforcing desired behaviours, this would encourage the new culture to become the normal way of doing things [9].

The M&A planning and integration should be a rigorous one to allow for a smooth transition. The complex nature of M&A initiatives requires participation of all organizational members, from executives cascading down to frontline employees.

Over the years within OD practice, a number of companies have been both successful and unsuccessful in its merger and acquisition arrangements. A few examples are illustrated here.

► Example

Acquisition Success: Anheuser Busch InBev and Grupo Modelo

In 2013, Anheuser Busch InBev (AB InBev), headquartered in Belgium and the world's largest brewer, announced the completion of the acquisition of Grupo Modelo, a Mexican brewer. For AB InBev, this acquisition deal was valued at US\$20.1 billion. Grupo Modelo was founded in 1922, and became one of the industry's top performers after several of its lager products such as *Corona* and *Modelo* became global hits. After witnessing Grupo Modelo's industry success, Anheuser Busch InBev focused their attention on acquiring the Mexican giant, in order to strengthen their already-colossal empire. Indeed, this is an example where a mega organization in this sector was able to strengthen its existing portfolio [10]. ◀

► Example

Failed Attempt at a Merger: Staples and Office Depot

In 2016, the US-based company Staples attempted to acquire 100 % ownership of Office Depot via a buyout. While the US\$5.5 billion deal was perceived to be lucrative for Staples by increasing its market share and dominance, acquisition attempt failed after antitrust issues surfaced, and the Federal Trade Commission (FTC) denied the companies the option. The FTC stated that there was a likelihood that the partnership would lead to higher prices and lower competition. This resulted in Staples having to pay Office Depot US\$250 million in break-up fees. This is an indication of the importance of doing a thorough review of not only the target, but also the implications for the market and regulatory bodies who must approve the venture. ◀

► Example

Acquisition Gone Wrong: Microsoft's Acquisition of Nokia

In 2013, Microsoft Corporation, under the leadership of CEO Steve Ballmer saw an opportunity to acquire Nokia Corporation, a Finnish phone company. Microsoft was a late entry into the mobile industry and fell behind the market leaders, Apple and Android. Nokia was losing grounds to competitors and Microsoft saw an opportunity to increase its mobile presence and enhance its distribution channels. The acquisition deal was finalized in 2014 at a cost of US\$7 billion to Microsoft. As part of the deal, Microsoft acquired Nokia's assets in Finland, its manufacturing capacity in Asia as well as its 25,000 employees. However, this attempt to revolutionize its market position in the mobile industry did not reap the expected benefits. Under the new CEO Satya Nadella, restructuring initiatives and layoffs included 15,000 Nokia employees being sent home. In 2016, the acquisition was written down for US\$7.6 billion [11]. ◀

16.3 Strategic Alliance Interventions

Strategic alliances can be a highly effective way to build businesses and expand into new markets. Strategic alliances allow for greater flexibility by the parties involved as it is less rigid. There are various forms of strategic alliances with collaboration between two or more entities. These alliances are usually between non-competing businesses that target the same market. These variations in partnership agreements include franchise, joint venture, and licensing agreements.

16.3.1 The Rationale for Strategic Alliances as an Organizational-Level Intervention

A *strategic alliance*, also referred to as a strategic partnership, is an agreement between two companies to work towards a common goal while retaining their independence. Throughout the alliance, the parties maintain their separate identities.

Strategic alliance: A strategic alliance can be defined as an agreement between two companies to achieve common goals, while each retaining their independence and separate identities.

Both companies derive some benefit from this arrangement as there is the combination of resources, talent, capabilities, and core competencies to attain or generate a mutual interest. It allows for the sharing of resources to undertake mutually beneficial projects where the companies can achieve a faster growth

rate than if they acted alone. The strategic alliance can be horizontal where the partner organization operates in the same industry or area of business. The companies can benefit from economic of scale, utilizing the same markets and networks, as well as logistic costs. The strategic alliance can also be vertical, that is, between a downstream or upstream organization in the value chain [12]. There are various approaches and typologies to entering a strategic alliance.

Some of the categories of strategic alliances include [13]: (i) *equity joint venture*—a new and separate legal entity is formed where two or more participating organization contribute equity and share resources, costs, and controls to achieve certain objectives for a one-time project or a continuing venture. This form of alliance provides the best opportunity to acquire tacit knowledge and other knowledge-based resources for the partner organization; (ii) *minority equity alliance*—one or more organizations acquire an equity stake in the other by becoming shareholders as well as stakeholders. They are able to passively influence business decisions where each organization retain decision-making power; and (iii) *non-equity alliances*—the entities remain independent where there is no new entity created or sharing of equity. They agree to share property-based resources such as distribution channels, property, plants, patents, and copyrights to create a competitive edge. This unilateral contract-based alliance includes licensing, subcontracting, and distribution agreements.

► Example

In 2014, Spotify and Uber established a partnership where passengers of Uber, a hired taxi service, upon entering the vehicle will be welcomed by their favourite personalized playlists from Spotify, a digital music service. For Uber, it provided an exclusive service, added value to the passenger travelling experience, and gave them a competitive edge in the transport sector. For Spotify, this encouraged users to upgrade to their premium package as it now offered a unique feature which their competitors did not offer to their subscribers [14]. ◀

16.3.2 Key Components of the Strategic Alliances Process

— *Selecting the right partner*

It is important to perform structured research to understand the partnering company. The form of strategic alliance will determine the level of risk. Joint ventures and equity alliances have higher levels of risk, while non-equity alliances are less formal and there is less risk to the parties. The benefits to be derived can vary as one party may experience greater benefits. Companies must also consider

the differences in national culture when partnering with a company from another country. Further, the cultures of the companies may also serve as a barrier that may negatively impact the alliance.

— *Establishing goals*

From the onset, there is the need to establish the goals to be achieved. Both parties should engage in discussions, negotiate the terms of the alliance, and come to an agreement on the way forward. The resource-based benefits to be derived by the companies would influence the self-serving objectives of each organization. For instance, tapping into the knowledge-based resources are considered more valuable than property-based resources.

Some of the strategic reasoning for an alliance include [15] the following:

- It is critical to the success of a core business goal or objective.
- It is critical to the development or maintenance of a core competency or other source of competitive advantage.
- It blocks a competitive threat.
- It creates or maintains strategic choices for the firm.
- It mitigates a significant risk to the business.

The example of Wealth Minerals illustrates the key aspects of strategic alliances.

► **Example**

Wealth Minerals is a leading mineral resource company with a focus on lithium projects in South America. In March 2018, they entered into an agreement with the fully state-owned National Mining Company of Chile (ENAMI). Chile is the world's second largest producer of lithium, accounting for 35 % of the total global production. Their aim is to develop and commercialize the projects in Salar de Atacama and Laduna Verde. Over a 24-month period the companies intend to assess the project portfolio towards entering into a definitive agreement that will govern the formation of a joint venture for exploring, developing, and mining at the sites. The agreement stipulates that the alliance will take the form of an incorporated joint venture company where ENAMI will own 10 % of the venture and have a 10 % free-carried interest. Wealth Minerals will own 90 % [16]. ◀

16.3.3 Stages/Phases in Strategic Alliances

If the organization does not have an internal OD consultant with the requisite skillset to execute the strategic alliance process, external consultant is contracted. The organization and the consultant engage in negotiations to clarify the issue, deter-

mine the terms of the contract, and the deliverables. Once both parties are in agreement, the contract is confirmed. The consultant provides guidance to the organization throughout the process. The OD consultant is guided by the following stages/phases. The strategic alliance process involves various steps which serve as a guide.

Step 1—Formulation of Strategy: The company formulates a strategy to determine the goal of the alliance and the benefits to be derived. The company needs to determine the reason for the alliance as it should be in alignment with the business's strategy. Alliance managers should focus on the internal environment of partner firms. A firm's competitive advantage is built upon their unique resources and resource combinations. Strategic alliances are formed to achieve superior resource combinations that single firms cannot. Therefore, the managers need to understand how resources affect alliance formation, structure, and performance [17].

Step 2—Research Potential Partners and Select: Similar to a merger and acquisition, the process should be data-driven to select among the alternatives. The more information generated allows for a more informed choice to be made. The aim of the alliance is to select a company where the benefits are greater than the costs. The goal is to forge an alliance with a company that would realize the gains and advantages of the relationship. These include enhancing the competitive advantage, and synergies. The company must also consider the leadership style, company culture, human capital, and talent to ensure that there is a level of alignment to the business and its operations. A due-diligence assessment is performed on the potential partner, regulatory and legal requirements are assessed, and a *letter of intent* is submitted to the potential partner. A plan is developed to guide the implementation of activities and timelines are established.

Step 3—Determine Structure of the Alliance: Once the parties have agreed to enter into the alliance, they work together to establish the goals to be achieved and accomplished. The parties must be trusting of each other, where trust is built on the reputation, financial standing, resources, and previous successes of the other party. This lays the foundation upon which the alliance is established. The governance structure is determined, that is, whether the parties will enter into an equity joint venture, a minority equity alliance, or a non-equity alliance. The form of the alliance will be guided by the benefits to be derived for each party. Further details are included in the plan where the timeline for activities to be completed are specified. Both parties review the plan, and once there is mutual agreement and trust among the parties, the alliance is formed.

Step 4—Commence Alliance: The plan is implemented where a team comprising persons from the partnering organizations are appointed to oversee the interactions. The OD practitioner can assist with building trust, respect, and open communication among the parties. Human process interventions can be designed and implemented at this phase to enable teambuilding and managing conflict.

Step 5—Review and Adjust as Needed: Implementation evaluation and overall evaluations are conducted on a continuous basis where adjustments are made as needed. Individual- and group-level interventions can also be developed and implemented to improve the relationship between the entities and its members. Measures should also be established to monitor and evaluate successes, while addressing failures. The OD practitioner can assist with helping the parties in determining the benefits that are realized, the contributions made to the alliance, and the knowledge gained. In OD practice, there have been successful and unsuccessful strategic alliances. Two popular examples are illustrated here.

► Example

Successful Strategic Alliance: Apple and IBM [18]

In July of 2014, Apple and IBM announced that they were entering into a partnership. This build on the market-leading strength of each company, that is, IBM's big data and analytics capabilities to Apple's iPhone, iPad and the Apple watch via a new class of business apps. Under the deal, both companies have worked together to develop the enterprise apps which combine IBM's ability to integrate business applications with Apple's hardware expertise. According to a statement from the companies, "The new IBM MobileFirst for iOS solutions was built in an exclusive collaboration that draws on the distinct strengths of each company: IBM's big data and analytics capabilities, with the power of more than 100,000 IBM industry and domain consultants and software developers behind it, fused with Apple's legendary consumer experience, hardware and software integration and developer platform." In 2016, the UK pharmacy and beauty chain, Boots, was the first company to roll out a new retail sale assist app, 'World first', stemming from this partnership deal in its 2300 stores. ◀

► Example

Be clear on what you want to share: A failed attempt at an alliance [19]

In 2009, Germany's Volkswagen and China's Suzuki Motors, two leading auto manufacturers, entered into a partnership. The main aim of this alliance was to collaborate on technology. Volkswagen bought a 19 % share in Suzuki for €1.7 billion and Suzuki received a 1.5 % stake in Volkswagen in return. However,

due to unclear specifications on the extent of the resources to be shared, the alliance was unsuccessful due to a lack of transparency and trust between the parties. For instance, Volkswagen did not share innovation with Suzuki, and Suzuki accused Volkswagen of trying to control it. In 2011, Suzuki ordered new diesel motors from Italian carmaker Fiat rather than Volkswagen which created friction between the two entities. According to a Volkswagen spokesperson, “Volkswagen AG did not allow Suzuki access to Volkswagen AG’s core technology and it also became clear that there were differences between Suzuki and Volkswagen in the understanding of ‘independence’. Suzuki could not therefore establish a relationship of mutual trust which is the basis for collaboration between the two parties.” The four-year dispute ended when the International Chamber of Commerce in London was brought in as an arbitrator and in 2015 ruled that Volkswagen should sell its 19.9 % stake in Suzuki back to the company. ◀

16.4 Network Interventions

This type of trans-organizational change is aimed at creating business networks. It is a unique type of intervention as a company engages in a planned process to establishing a *network*.

Network: A network can be described as a planned process by organizations to work independently or interdependently towards achieving a common goal.

Collaboration and the intensity of competition among organizations would determine the entities included in the network that is supported by high level of trust among members. The members can work independently or interdependently towards achieving a common goal. In today’s competitive business environment, resource dependency is driving collaborative such initiatives among organizations. For instance, there are networks in finance, transportation, supply, and retail.

16.4.1 The Rationale for Networks as an Organizational-Level Intervention

The network approach involves organizations partnering for a common purpose. Well-structured multi-organizational networks provide an avenue for superior economic gains for members who belong to the network. The network comprises several organizations who share a common interest collaborating to share information and knowledge that are beneficial to all entities, while remaining independent. There

is the increased efficiency in the access to and transfer of knowledge capabilities among members [20]. Such collaboration is quite common among non-profit, private, and public sectors [21].

16.4.2 Key Components of the Network Intervention Process

— *Creating a network*

In creating the network, the role of the OD Practitioner is to maintain neutrality, focusing on the overall goal of the network. Potential members will have diverse backgrounds and since there are more than two entities involved, conflict and politics are expected to arise. The OD practitioner must create platforms for communication and interaction among potential members, garnering leadership support, and building trusting relationships among these companies.

— *Governance structure*

The organizations core area of operations that belong to the network will determine the most appropriate governance structure. A centralized governance structure allows for the dissemination of existing knowledge, for instance a franchise network. A decentralized governance structure allows for the creation of knowledge and innovation, and governed by an administrative board, for instance a research and development network [22]. Further, a highly decentralized structure can give rise to a 'free rider' syndrome where some entities benefit from the knowledge and resources of other network members while not meaningfully contributing towards the advancement of the network.

— *Linkage among network entities*

There are various structural approaches that the network may adopt. For instance: (i) a tacit agreement, where the entities within the network work independently with little or no coordination and are guided by a common interest or goal; (ii) a coordinating unit, where the entities agree to establish a separate unit to coordinate some of their activities towards achieving a common interest or goal; (iii) a consortium, where the organizations form a new entity for the purpose of increasing their pool of resources, usually for a short-term joint project; (iv) a coalition, where a temporary alliance is formed to achieve a specific goal, enabling members to pool resources and become more powerful as a unit than if they acted alone; (v) a union, where two or more entities unite, such as mergers and acquisitions among organizations [23].

16.4.3 Stages/Phases When Developing a New Network

When the organization does not have an internal OD consultant with the requisite skillset to execute setting up a network, an external consultant is contracted. The organization and the consultant engage in negotiations to clarify the issue, determine the terms of the contract, and the deliverables. Once the contract has been finalized, the consultant provides guidance to the organization throughout the process. There are various stages that generally guide the establishment and maintenance of the network. The structural approach and the common goal for establishing the network would guide the process. These are as follows [24]:

■ Establishing the Network

- *Identify the potential members to include in the network:* The decision on network members should be informed by data collected on potential entities. The OD practitioner works with the company to identify potential entities who would be beneficial to include in the network. As with the other trans-organizational change approaches, leadership is important in facilitating the process. The OD practitioner works with the respective organizational leaders to identify the goals to be achieved and the benefits to be derived from joining the network.
- *Set up meetings with all potential members:* The potential members are brought together for face-to-face interactions. Here, potential members are able to share their motive and drive for being a part of the network, assess fit, and determine whether they would like to formalize the agreement. The role of the OD practitioner is to remain neutral, reassuring members that the focus is on the total system. Potential members would decide on whether they want to be included in the network. Some of the factors that would inform their decision includes the diverging perspectives and commitment to the goal, level of trust, the degree of autonomy lost, accountability, and organizational cultures. A decision is made on whether to create the network and the membership is finalized.
- *Organize:* Once there has been agreement, the network is formed. Structures are established, and the role of each member in the network is determined. A control system is set up to monitor members, and avenues for communication is determined. Rules, policies, and operating procedures are also established. Cost and benefit allocations are determined as some members may be contributing a greater amount of resources, that is, knowledge-based resources and physical resources. Conflict situations may arise among members where the OD practitioner would be expected to step in.

The practitioner must assure all members that the main aim is ensuring that the total network is working towards the achievement of the common goal and gaining competitive advantages for members collectively. Politics among members must be addressed by OD practitioners as it is often caused by conflicting goals, differing values, power relations, members seeking to advance their own goal.

- *Evaluate*: The performance of the network is assessed. The effectiveness can be determined by the achievement of the goals and objectives, and the positive outcomes and synergies derived by members. This feedback guides members with identifying what areas worked well, the areas that didn't, and the areas for improvement. Therefore, the OD practitioner can use various evaluation techniques and approaches to gather pertinent information from members on the realized benefits, areas for improvement, the structure and quality of relationships.
- **Maintain the Network**
- The feedback reports are used to make modifications and adjustments to the network, its structure, and functioning. This ensures that the network remains relevant, especially those that are established for the long term.

► Example

In retail, for example, there are two types of networks, one that is affiliated with a specific brand and one that sell goods from multiple manufacturers. The former is either owned and operated by the brand itself or franchised to third-party operators, for instance McDonalds and Kentucky Fried Chicken (KFC) are well-known examples of retail franchises with exclusive brand affiliations. In the financial sector, there are also different types of networks. For instance, some networks permit printed money and checks to flow between individuals and banks via Automated Teller Machine (ATM) networks among a consortium of banks, while others enable electronic transfer of funds [25]. ◀

16.5 Factors Influencing the Success of Trans-Organizational Change Interventions

16.5.1 Trans-Organizational Change Results

There are mixed results for trans-organizational change interventions. The various collaborative deals continue to generate value for organizations. Mergers and acquisitions are one of the more popular trans-organizational approaches to expanding operations as organizations are able to enter new

markets in different geographic locations, partner with governments, and diversify their portfolios.

► Example

During 2018, US-targeted M&A volume reached a total of US\$1.74 trillion, via 7791 deals. United States outbound cross-border activity valued US\$233.3 billion with 1476 deals. For US firms, India was the second highest targeted region valued US\$17.9 billion via 63 deals in 2018. The biggest deal was the acquisition of Flipkart, an Indian e-commerce company, Walmart Inc. (US\$16.0 billion). There were also mega deals in the Oil and Gas sector including Andeavor Corp's acquisition by Marathon Petroleum Corp (US\$35.8 billion) and Energy Transfer Partners LP's acquisition by Energy Transfer Equity LP (US\$57.5 billion). European industries also saw some mega deals in the pharmaceutical industry with Japan's Takeda Pharmaceutical's acquisition of Shire plc for US\$81.4 billion and GlaxoSmithKline's buy-out of its consumer health joint venture with Novartis AG for US\$13 billion. China also saw mega deals with Three Gorges power company US\$27.5 billion acquisition of Energias de Portugal (EDP), a Portuguese electric utilities company [26]. ◀

► Example

Latin America and the Caribbean offers niche capabilities for M&A opportunities. In the Caribbean, there has been an increase in M&A deals over the past four decades. For instance, between 1981 and 2009 there have been 1812 M&A deals, valued at US\$195 million by Caribbean firms. There has been a steady increase over the years with 3 in 1981 to 152 in 2009. The modest total is largely due to the vast majority of entities throughout the Caribbean being family-owned and small businesses. Caribbean countries such as Trinidad and Tobago, Jamaica, and Puerto Rico are taking steps to develop its financial sectors, formalize its processes, and increase its attractiveness for trans-organizational business opportunities. In Latin America, countries such as Brazil and Argentina companies have been engaging in such opportunities with Mexico, Chile, Colombia, and El Salvador also continuing to improve their credentials. As Latin American and Caribbean economies and their financial sectors continue to develop, foreign investors from outside the region are investing through M&A deals to enter these relatively untapped and attractive markets [27]. The competitive landscape is ever-changing. Globally, organizations are continuously engaging in trans-organizational initiatives as part of their strategic orientation as well. ◀

► Example

Strategic alliances and networks are also increasing as companies are teaming up in various sectors. Some recent alliance examples are as follows: in December 2019, Apache Corporation, an oil and gas exploration and production US-based company and Total

S.A., a French multinational integrated oil and gas company, have formed a joint venture to develop a project off Suriname [28]; Vodafone's broadband services' joint venture with Hutchison Telecommunications (Australia) Ltd. has partnered with Nokia to roll out 5G services in Australia [29]; and US ride-hailing company Uber Technologies Inc. and South Korean automaker Hyundai Motor plan to jointly develop electric air taxis, for flying cars to ease urban congestion [30]. These alliances are across borders, where organizations are able to realize synergies that they would otherwise be unable to explore on their own. There are networks that have been in existence for quite some time to facilitate the successful movement of physical goods as well as people. There are package distribution networks such as DHL, FedEx, and UPS, and airlines that transport people to a network of destinations [31]. ◀

16.5.2 Trans-Organizational Change: Is It All a Positive Picture?

There is no guarantee that trans-organizational initiatives will be successful. The failure rates of mergers and acquisitions are between 70 % and 90 % [32]. There are various factors that can contribute to the initiatives not realizing the benefits where internal organizational factors hinder the smooth transition and collaboration after the legal aspects are complete. In many instances, M&As and strategic alliances have not realized the envisioned goals and synergies. For instance, following a merger, even when employees are not affected, there is a 23 % increase in disengaged employees, and it takes about three years for engagement to return to pre-merger levels [33]. This draws attention to the social impact of trans-organizational initiatives. While engaged companies focus on the operational details, they must also direct attention to the employees. Therefore, such initiatives should be supported by other interventions to ensure that the needs of all stakeholders are met.

16.5.3 Trans-Organizational Change Challenges and Key Success Factors

As organizations continue to engage in trans-organizational initiatives as a strategic approach to expand their operations, there are various factors that they need to consider when undertaking such a venture. Organizations often encounter the following challenges that must be addressed:

- A lack of communication by senior-level management to employees who are directly and indirectly impacted by the strategic move.
- Culture compatibility issues often arise, resulting in culture disparities and clash in leadership, as there are different

values, belief, work ethics, systems, and processes that govern the behaviors of employees within an organization.

- Companies engaging in M&As continue to overestimate the revenue synergies to be derived and fail to account for revenue dis-synergies [34].
- Limited or no involvement of Human Resources (HR) and line managers in the initial stages.
- Regulatory and legal requirements may hinder or challenge the initiative, for instance merger control regimes and government protection agencies.

The case of Anheuser Busch InBev provides an example of legal/regulatory challenges that can emerge for organizations engaged in trans-organizational change interventions.

► Example

In 2012, when Anheuser Busch InBev announced its intention to purchase the remaining 50 % of Mexican brewery, Grupo Modelo for complete ownership, the United States' Department of Justice intervened immediately, raising a number of concerns about the buyout. As per the Department of Justice's concerns, they argued that the proposed business deal between the two companies would have harsh effects within the lager/spirits industry, including harm to customers, higher prices and finally, deterred competition. The lawsuit which was served to Anheuser Busch InBev was based on the grounds that if Grupo Modelo was acquired, an independent competitor was removed from the industry. Therefore, they would now be able to charge higher prices for their products and this move could threaten the entire balance of the lager/spirits industry [35]. ◀

In addition to addressing these challenges, some of the key success factors when developing and implementing such interventions are suggested:

- *Conduct frequent portfolio reviews.*

Companies should continue to actively explore opportunities to enter into trans-organizational ventures to diversify their portfolio.

► Example

According to a McKinsey survey in 2015 on M&A practices and capabilities, high-performing organizations are much more likely than the low performers to report that their companies evaluate their portfolios for acquisition, joint venture, and divestiture opportunities multiple times per year, as opposed to once every one or two years [36]. ◀

- *Establish a strategic plan.*

The organization must establish a value-creating plan that is aligned to its strategic goals and objectives. The business strategy will determine the key performance indicators and

establish clear and achievable deliverables. This will assist in deciding on the partnering entity upon completing the due-diligence assessment. As the relationship progresses, the value-creating plan would aid in evaluating whether the benefits are being achieved. For instance, when a larger firm is acquiring a smaller firm, senior executives need to assess all aspects of the acquiring entity and determine fit. They need to be aware that they cannot force the acquired entity to automatically fit into their mold and adopt its ‘way of doing things’.

- *Conduct a thorough due-diligence assessment.*

A successful transition will depend on an effective due-diligence process. Organizations must ensure that they adopt a methodological approach to inform their decisions at each step. Together with the OD practitioner, the organization needs to thoroughly investigate potential entities before entering into any form of partnership. Here, the potential entity’s assets, capabilities, financial position, assets, taxes, strategic fit, and organizational culture amongst other areas are thoroughly assessed to inform the final decision. The complexity and costs associated with these agreements require a structured due-diligence approach to inform the decision. An agreement between the organizations may be necessary to determine the extent of the information shared. The involvement of HR is important in determining and assessing talent. With M&As, HR input is necessary for compensation plans, benefits plans and liabilities, employee contracts, and managing layoffs that may result. Further, including key line managers improve the quality of estimates in determining revenue synergies and building support for post-integration activities.

- *Evaluate the regulatory and legislative requirements.*

Organizations must ensure that they conform to the regulatory and legislative requirements to finalize and formalize their partnerships. To prevent delays in the process, organizations need to factor in the amount of time that is necessary for gaining approvals and making necessary adjustments to their operations to conform to the requirements of the respective country’s control authorities. In some instances, the alliance may be challenged by the control authorities which can result in further delays. Organizations, in developing their plan of action, should establish contingencies for addressing such issues.

16.6 Conclusion

In this chapter, trans-organizational change interventions were examined. These include mergers and acquisitions, strategic alliances, and networks. Organizations use change interventions to enter into new markets, gain synergies, and expand their operations. While there are issues that can emerge, organizations must carefully select the organization(s) that they are

interested. Therefore, organizations need to address the challenges to minimize failure, while benefiting from opportunities that they would be unable to achieve on their own.

■ Exercises

Student Resources

■ Chapter Outline

- I. Trans-Organizational Change
 - A. Characteristics of Trans-Organizational Change
- II. Mergers and Acquisitions Interventions
 - A. Rationale for Mergers and Acquisitions as an Organization-Level Intervention
 - B. Key Components of Mergers and Acquisitions
 - C. Stages/Phases in Mergers and Acquisitions (M&A)
 - Planning for an M&A
 - Legal Requirements and Tax Issues
 - Post-Integration Implementation
- III. Strategic Alliance Interventions
 - A. The Rationale for Strategic Alliances as an Organizational-Level Intervention
 - B. Key Components of the Strategic Alliances Process
 - C. Stages/Phases in Strategic Alliances
 - Step 1: Formulation of strategy
 - Step 2: Research potential partners and select
 - Step 3: Determine structure of the alliance:
 - Step 4: Commence alliance
 - Step 5: Review and adjust as needed
- IV. Network Interventions
 - A. The Rationale for Networks as an Organizational-Level Intervention
 - B. Key Components of the Network Intervention Process
 - Establishing the Network
 - Maintain the Network
- V. Factors influencing the success of a Trans-Organizational Initiative

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Further Reading

- "A Practical Guide to Mergers, Acquisitions, and Divestitures." 2009. Delta Publishing Company. <https://www.apexcpe.com/%5Cpublications%5C171025.pdf>

Strategic Interventions: Continuous Change

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Electronic supplementary material The online version of this chapter (https://doi.org/10.1007/978-3-030-39123-2_17) contains supplementary material, which is available to authorized users.

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Learning Objectives

At the end of this chapter, readers should be able to:

1. Evaluate the relevance and importance of continuous change to the field and practice of OD.
2. Describe and evaluate self-designing organizations, learning organizations, and built-to-change organizations as key organizational-level interventions.
3. Describe and analyse the different aspects of the self-designing process, the learning process, and the built-to-change process.
4. Assess the challenges that emerge in the continuous change process.

17.1 Introduction**17.1.1 Continuous Change**

Continuous change refers to different types of organizational changes that “tends to be ongoing, evolving, and cumulative” [1].

Continuous change: Continuous change is an ongoing, continual process where the organization actively engages in revising its strategy, structure, and approaches. Continuous change is an extension of transformational change. Continuity implies change and change implies continuity.

It is an extension of transformational change and is a continual process where the organization actively engages in revising its strategy, structure, and approaches. With continuous change, there are small continuous adjustments that occur simultaneously across the organizational units, which cumulatively results in substantial change [2]. Further, when organizations engage in trans-organizational diversification initiatives such as mergers, acquisitions, and strategic alliances (as discussed in ► Chap. 16), these can be considered continuous change activities. Therefore, continuity implies change and change implies continuity as organizations engage in both continuous and discontinuous change activities to learn, grow, and adapt [3]. For instance, change can be viewed as occurring in a continuous manner, and it can be viewed as pre- and post-change stages where successful institutionalization is determined by pre-change comparisons. Further, an organization may engage in discontinuous change, such as process reengineering, which can also be considered part of continuous change. As digital technologies continue to transform the global economy, organizations are recognizing that digital technologies are making it easier for organizations to self-design and avoid delays as they can operate their organizations at lower costs and greater speeds [4].

There are three popular types of continuous change interventions that are discussed in this chapter. These include:

- Self-designing organizations
- Learning organizations
- Build-to-change organizations

17.2 Rationale for Continuous Change

As organizations continue to manage and expand their operations, continuous change is increasingly important for survival. For instance, entrepreneurial businesses such as Facebook, Google, and Microsoft engaged in continuous strategic change to grow into mega corporations. Continuous change organizations are those built on improvisation, translation, and learning [5]. Improvisation relates to self-organizing groups that continuously modify work practices and the ways in relating. Translation relates to continuous adoption and editing of ideas that move beyond planned change where their impact is realized when there is fit to the present situation and chance. In repeating these ideas, they become useful artifacts to addressing the situation at hand. Learning relates to altering and strengthening the range of knowledge and skills as change is not just a response to one specific situation. The skills and knowledge learned are applied to other settings in the day-to-day operations of the organization. There is continuous diagnosis within the organization to identify areas for improvement and opportunities for advancement.

Organizations may develop and implement continuous change interventions due to a number of reasons. The most practical reasons for continuous change include the following:

1. Changes in the strategic direction of the business
2. Navigating the unfamiliar
3. Innovation
4. Relevance

17.2.1 Changes in the Strategic Direction of the Business

When organizations engage in continuous change initiatives, individual-, group-, and organizational-level changes occur simultaneously. Processes, systems, structures, and behaviours are discontinued, and a new approach is adopted, or organizations continue to make changes to the same processes, systems, structures, and behaviours that evolve over time. Therefore, to continuously change, it requires ‘incremental learning’, unlearning, and ‘new-learning’. A number of companies have recognized the importance of continuous change in this regard.

► Example

For instance, when Michael Kors, a global fashion luxury brand, acquired Jimmy Choo PLC, a premier global luxury footwear and accessory brand in 2017, this move by Michael Kors can be considered a continuous change initiative at the organizational level [6]. ◀

17.2.2 Navigating the Unfamiliar

In some instances, the organization may anticipate a familiar event or situation where decision-making is standardized. In other instances, when faced with the unfamiliar, the organization must engage in learning and experimentation to guide decision-making as events unfold. Therefore, continuous change processes enable organizations to be more flexible in executing change plans and become more resilient to anomalies and ambiguities.

17.2.3 Innovation

When companies grow to a certain size, they become ‘comfortable’ and innovation tends to plateau. This is often due to leaders becoming less entrepreneurial, employees being punished for ‘innovative projects gone wrong’, and investors being more conservative. Leaders need to be change agents ready to engage in dialogue and to develop radical innovation in-house using a bottom-up, people-centric approach. Organizations often have groups of people who are adjusting to the new environment. Therefore, continuous change requires improvisation that prompts continuous innovation and thinking ‘outside-the-box’ throughout the organization. Within recent times, organizations are engaging in intrapreneurship. Gifford Pinchot III, coined the term ‘intrapreneur’ in 1978, defining it as “employees who do for corporate innovation what an entrepreneur does for his or her start-up.” [7]

► Example

For example, companies such as Google, 3 M, Shutterstock, and Facebook are driving innovation with hack-a-ton events, and allotted time to pursue personal projects. ◀

17.2.4 Relevance

For organizations to remain open, they must remain relevant. Organizations are faced with a choice of either maintaining the status quo or proactively revising their strategy for relevancy. When companies choose the former, over time they become irrelevant due to a lack of innovation. Fostering an innovative and

collaborative culture creates an environment where employees are able to pursue ‘out-of-the-box’ ventures.

► Example

For example, Blockbuster, once a home movie and video game rental services giant in the United States filed for bankruptcy protection in 2010 and closed its final store in 2014. In 2000, Blockbuster was approached by Netflix to enter into a partnership or to purchase Netflix for US\$50 million. However, the offer was turned down. Today, Netflix has over 151 million paid subscribers in over 190 countries worldwide [8]. Other company examples that fell into the success trap include Polaroid Corporation, an instant film and cameras company declared bankrupt in 2001, and Pan American World Airways, an international air carrier in the United States that filed for bankruptcy in 1991. ◀

17.3 Self-Designing Organizations Interventions

Self-designing organizations have the capacity to engage in continuous transformation.

Self-designing organization: Self-designing organizations are organizations that have a built-in capacity to achieve high performance by tailoring changes to fit the organization and adapt to the changing conditions. These organizations engage in continuous transformation as well.

This type of organization has a built-in capacity to achieve high performance by tailoring changes to fit the organization and adapt to the fluctuating conditions. Organizations must be able to tolerate ambiguity. Therefore, the organization must have the built-in capacity to sustain the momentum of continuous change. Collaboration among members across divisions and departments foster organizational learning. A top-down approach can be adopted to monitor the overall performance of the organization or a bottom-up approach can be implemented to monitor the performance of a unit or division where change initiatives are implemented accordingly.

► Example

Companies such as Microsoft, Google, Apple, and General Electric are continuously engaging in change as a strategic approach to enhance their business portfolio and operations. Organizational members are able to translate the organizational values into the processes, structures, systems, and behaviours to match the situation that they are experiencing. ◀

17.3.1 The Rationale for Self-Designing Organizations as an OD Intervention

There is a demand for adaptive change where organizations are capable to change at a fundamental and on a continuous basis. The self-design organizational model assists organizations with translating general areas for improvement into change interventions that are relevant to the situation [9]. Organizational leaders should be able to identify which external pressures and opportunities they are interested in pursuing. To inform their decision, they will assess the resources that are available, the key areas for pursuit are identified. Therefore, the organizational architecture such as the structure, business processes, human resource management, reward system, technology, and culture should sustain and complement the business strategy of continuous change.

The organization must promote and support a learning environment where internal stakeholders can improve and acquire new knowledge and skills that are transferred to their jobs. Through organizational learning, employees are able to transform the organization on a continuous basis. There are endless uncontrollable factors in the external environment that directly or indirectly impact the daily, routine activities of any organization. These can be at the macro or micro levels. In anticipation of these opportunities and challenges, companies formulate and revise their strategies to create and maintain a competitive edge and survive. Organizations must think strategically about the integrating mechanisms that are needed. The uncertainty map provides a useful framework to assess the leadership and team characteristics that are most appropriate for the situation and devise appropriate strategies. It positions the organization in a quadrant for self-design: the degree of uncertainty about the output and the degree of uncertainty about the approach to use. Therefore, when organizations can mirror the external changes with internal adjustments simultaneously, they are in a more favourable position [10]. As firms continue to adapt to technological changes, using innovation teams, cross-functional task forces, and problem-solving groups are key tools in organizational learning where they are able to understand technology and markets, being able to redesign themselves and adapt their structures to these demands.

17.3.2 Key Components of the Self-Designing Organization Intervention Process

There are two (2) key components of the self-designing organization intervention process. These components are discussed below.

— *Leadership and management support*

Since this type of change initiative requires a fundamental shift in thinking, behaviours, and way in which the organization functions and operates, support from executives and management is necessary throughout the process. This is a reiterative process as the organization must be able to reinvent itself as the situation arises. Therefore, the senior executives must have a clear understanding of self-designing organizations. To have the built-in capacity to continually appraise and revise itself, sustaining a self-designing organization requires various strategies rolled out throughout the organization to continue to support and foster internal efficiencies.

— *Organizational learning*

Some of the key elements to a learning organization include the following: (i) supportive leaders who are committed to learning by creating a clear vision, goals, and strategy on organizational learning, and are role models; (ii) a continuous learning culture where there is a commitment to measuring the results, and the use of reinforcements; (iii) a well-defined learning structure which details the process to capture, store, and share knowledge; (iv) embedding learning processes into the daily workflows. This is discussed further under learning organizations.

17.3.3 Stages/Phases when Developing and Implementing Self-Designing Organization Intervention

The self-designing change strategy requires one or more organizational members who are able to perform certain tasks. The activities in establishing a self-sustaining organization are outlined below. These can be performed simultaneously over time as they interact in continually transforming the organization. These include [11]:

■ **Preparing the Organization**

Organizational members are provided with information about self-designing organizations since this is continuous and they are expected to adopt as the ‘new normal’. There are some key activities that are necessary to lay the foundation in preparing the organization: (i) the senior executive or established team should acquire knowledge on self-designing organizations; (ii) determine the performance outcomes and conditions that would be needed for this strategy; and (iii) perform a diagnosis of the current organization to determine the areas that would need to change.

A performance threshold is established to determine when reorganization may be considered. These should be observable key performance indicators that are used to measure the per-

formance itself. Therefore, monitoring performance will indicate whether or when change is necessary. The various divisions and subunits perform this diagnosis to identify the areas that need to be considered in designing the organization.

■ Design

Overall parameters are established, with tailored strategies cascading throughout the organization. With this approach, the levels and groups provide the details that align with the overall parameters. The organizational structures are redesigned to match the current or a projected future state. This involves the restructuring of the organization via transformational and trans-organizational change interventions (as discussed in ► Chaps. 15 and 16). The subsystems are changed for continuity or discontinued, with a new approach being implemented to increase efficiency and effectiveness emerging.

■ Evaluate and Select

An evaluation is performed on the possible alternatives that have been proposed using the performance measures, including the current structure. The structure chosen is the one with the structure that is projected to yield the highest performance is selected.

■ Implement

The selected structure is implemented to improve performance while preserving the problem-solving capabilities of the organization. This is a continuous process as feedback during implementation is filtered into making modifications, and changes to the structure and behaviours. This is an iterative process which provides the organization with the capabilities to continuously improve its internal functioning to meet external demands.

17.4 Learning Organizations Interventions

Learning organizations also referred to as ‘knowledge creating companies’ are in tune with the organizational goals where organizational members are able to expand their capabilities on a continuous basis to achieve desired goals [12].

Learning organization: A learning organization can be described as an organization that focuses on the creation of knowledge on a continuous basis. They are organizations where people continually expand their capacity to create the results they truly desire in line with the goals of the organization.

The organization purposefully constructs organizational strategies and structures for organizational learning. According to the learning organization pioneer, Peter Senge, for companies

to succeed and survive, they must create learning organizations rather than focusing on their traditional structure. He defines learning organizations as “organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together” [13]. The learning strategy should be linked to the human resource development strategy of the organization. In addition, this intervention accompanies a self-designing organization. There continuous learning is fostered among organizational members where new ways of thinking are nurtured, and collective learning and collaboration is encouraged. Structural and cultural aspects facilitate the development of a learning organization, where revisions and adjustments are made accordingly.

In learning organizations, there is the free sharing and flow of information across all levels as communication is open and widespread. Organizational members are engaged in continuous training where the team approach promotes collaboration and discussion for information sharing and the ability to learn and improve. It should be noted that individual learning is not the same as learning organizations. It is possible for individual members to learn but not the organization since individual members may choose to withhold their knowledge from other organizational members. With learning organizations, learning is embedded in the structure and not the individual member. Therefore, when members change, learning continues. Learning occurs throughout the organizations, that is, at the organizational, group, inter-group, and individual levels where the consensus on the vision of the desired future serves as the ‘glue’ in learning organizations. A continuous learning culture exists that emphasizes a high value for learning, where incentives reinforce learning, and the results are measured.

► Example

Companies such as Cognizant Technology Solutions, University Health System, The Aerospace Corporation, Verizon, Walgreens, and IBM Corporations have learning as an enterprise-wide role, which is embedded in the organizational culture, and learning is linked to individual and organizational performance, where investment is made in learning and performance initiatives [14]. ◀

17.4.1 The Rationale for Learning Organization as an OD Intervention

As organizations attempt to respond to the demands of the external environment, they must be in a position to engage in not only adaptive learning, that is, reaction to events, but also

generative learning, that is, in anticipation of possible future events. By using different methods and approaches, organizations can adapt more quickly to these events when they occur. There are various reasons why an organization seeks to develop a learning culture. These include the following:

1. *Self-designing organizations require continuous learning to succeed.*

Self-designing organizations require a continuous learning culture to manage the spiral of events that occurs with time. Therefore, when reorganization is necessary, organization members must be prepared through their knowledge, skills, and competencies to anticipate the event and design and implement the appropriate intervention.

2. *Learning organizations have a competitive advantage.*

Learning organizations set themselves apart from their competitors. Through continuous learning, companies are able to think and act ahead of their competitors and respond faster to market opportunities and even challenges.

3. *Learning fosters innovation.*

Companies that engage in a structured approach to learning and development enhance the cognitive-adaptive ability and talent of their employees. Sound learning processes and practices, for example, technology platforms, are enabling organizations to store and transfer knowledge easily to nurture a learning environment and culture. Organizations can also perform reviews of their past successes and failures, also known as a ‘post-mortem’, as a learning opportunity. This learning strategy enables organizations to conduct the analysis and produce a more successful good or service.

17.4.2 The Key Principles of the Learning Organization

There are five key principles of learning organizations [15]. These include the following:

— *Building a shared vision*

In learning organizations, there are forward-thinking leaders. Organizational leaders must articulate and communicate throughout the organization the vision of the desired future state. Therefore, the enthusiasm and dedication begin at the top with organizational authorities such as senior executives, managers, and supervisors who are committed to the process and shared vision. The leader should be able to cultivate buy-in by engage in dialogue with organizational members to generate excitement, enthusiasm, and inspiration towards achieving this vision. When a personal connection is established, there is an intensified drive towards achieving the vision by members. Further, they should allow staff to make mistakes that build on real-

world experience and discuss possible alternatives so that the mistake is not repeated in the future.

- *A systems-thinking approach*

The organization is viewed as a complex entity comprising various subsystems that are interconnected, like a puzzle. Everyone's role is a critical piece in the overall framework. Therefore, for the system to be transformed towards one of continuous learning, each learner must understand the system and their role in it. The subsystems must work in unison where team learning is fostered. In a learning culture, there is mutual respect among members where differing viewpoints and constructive criticism encourages innovation and creativity as each voice carries equal weighting.

- *Developing mental models*

The organization must be able to develop the capacity to learn new skills and implement institutional innovations. Key decision-makers must understand the business issues to devise appropriate actions. Therefore, senior executives and management must be motivated to learn what is needed for their business context, such as business and interpersonal skills. This will enable individuals to challenge their mental models on a continuous basis and not limited to circumstances that require rethinking. One approach to manage mental models throughout the organization include having regular meetings with all levels of management to engage in discussions for decisions where, for instance, managers can consider their management approaches to alternative future paths [16].

- *Team learning*

This involves team members being able to learn from the experiences of their fellow team members. It causes a relatively permanent change to the knowledge and skills of team members as a collective unity. Via team learning, learners explore ideas, openly discuss differing views, and explore different perspectives. As team members interact over time, cohesiveness and mutual agreement emerge. Learners work together towards achieving a common goal that contributes to collaboration among members [17].

- *Personal mastery*

Organizational learning requires a forward-thinking mindset. Therefore, learners must be willing to engage in continuous life-long learning and self-improvement. They should be motivated to focus their energy on actively acquiring new knowledge that they can apply to real-world environments and real-time decision-making. Individuals must be able to pursue their personal learning goals, while achieving the organizational goals.

17.4.3 Types of Learning

There are three main types of organizational learning, where each type requires a different process. These include the following:

- *Adaptive or single-loop learning or Level I learning*

This type of learning is aimed at correcting errors that have been detected. The learning activities add to the existing knowledge or competencies and routines of the organization. The policies, processes, and goals remain unchanged as there is no altering of the fundamental nature of the activities within the organization [18].

- *Generative or double-loop learning*

This type of learning is aimed at changing existing assumptions, norms, procedures, and policies within adaptive learning. There are changes to the competence of the organization and routines, as the status quo is radically altered. Here, the organization broadens its objectives to understand its environment [19].

- *Deutero learning or Level II learning*

This type of learning is aimed at the organization being aware that learning must occur, that is, learning how to learn. The organization learns how to improve both adaptive learning and generative learning synchronously by identifying organizational learning styles and the processes and structures needed to promote learning. Therefore, individuals not only learn what they are supposed to learn, but they also learn how and why things occur the way they do [20].

According to one of the early pioneers in organizational learning, Bateson's learning theory distinguishes between portfolio learning (*Level I learning*) and deuteron learning (*Level II learning*). He defines Level II learning as "change in the process of Learning I, e.g., a corrective change in the set of alternatives from which choice is made, or it is a change in how the sequence of experience is punctuated". Therefore, adaptive learning (*Level I*) involves accepting change without questioning the underlying assumptions and core beliefs. Generative and deuteron learning (*Level II*) involves deeper-level learning by exploring the how and why to change the organization.

17.4.4 Stages/Phases when Developing and Implementing the Organization Learning Interventions

The aim of learning interventions is to move the organization from an adaptive/Level I learning to deutero/Level II learning. Individuals who wish to gain credibility must learn the new skills, and must internalize a new set of values, while those who

pretend will eventually be discovered [21]. It should be noted that the learning activities occur simultaneously in its application and practice and does not necessarily follow a step approach. These are as follows:

■ Determine the Mental Models in Use

Having internal models of the external world assist individuals with making predictions and inferences about the external world [22]. By helping organizational members uncover their mental models, the practitioner can understand gaps and common misconceptions in learning. Therefore, the OD practitioner assists organizational members in discovering their mental models that guide their behaviours. Various activities can be used to generate data to understand the underlying assumptions. Some of the popular techniques that practitioners use include action mapping, dialogue, and ladder of inference.

- *Action mapping* [23]: The OD practitioner conducts interviews with organizational members on different recurring issues, probing why they occur, the suggested approaches to deal with the issue, and the resulting outcomes from the behaviours.

Action map: An action map describes a visual plan which captures and shares knowledge, values, and ideas; it focuses the shared knowledge on improvement or change actions, and creates progress towards organizational goals and objectives.

Using this acquired information, an action map is constructed to streamline the process by analysing the underlying values and assumptions, determining appropriate action strategies, and resulting consequences. This is then presented to individuals where they can review the maps, assess their mental model where its effectiveness would help them to determine how this contributes to functional and dysfunctional organizational learning.

- *Dialogue* [24]: Organizational members openly share their approaches to interacting with each other, addressing problems, and decision-making. The free and open dialogue assists with dispelling assumptions about others.

Dialogue: Dialogue refers to organizational members openly sharing information, such as, their approaches to interacting with each other, addressing problems, and decision-making to ensure clarity and comprehension.

By understanding their own mental models and the mental models of others, individuals have a clearer understanding of

the present way of thinking and are able to identify faults in the assumptions they hold.

- *The ladder of inference* [25]: This is used to demonstrate how people form and sustain mental models, as formulating assumptions on some information to arrive at a conclusion is necessary in our daily lives.

Ladder of inference: The ladder of inference refers to the thinking process that individuals go through to move from facts to decisions or actions. The various thinking stages represent each step on the ladder. The ladder demonstrates how people form and sustain mental models, as formulating assumptions on information to arrive at a conclusion is necessary in our daily lives.

Individuals must acknowledge that their assumptions could be incorrect, especially when assumptions are made about the intentions or beliefs of others.

■ Invent and Produce Mental Models

The discoveries from determining the mental models in use would assist the practitioner in helping individuals identify and create mental models that are in line with Level II learning. The aim is to move individuals out of their existing mindset to behaviours and actions that are consistent with the new mental model. Dialogue can be used for individuals to share the challenges that are preventing them with adopting the new model. The open discussion assists individuals in uncovering their ability to change to the new mental model. They are also thought systems thinking where they are able to see how the parts function as a whole system. There are various exercises and tools used by practitioners to assist individuals in making this radical shift. Some of these include gamification and experimental exercises, and computerized microworlds for experimental learning [26].

■ Evaluate and Improve

The aim of this intervention is to shift individuals' mental models from Level I learning to deuteron learning. Periodic assessments are performed to understand how the process and structures are functioning and contributing to realizing the organizational learning strategies. Organizational members must possess the capacity to engage in deutero learning and continuously and openly question the effectiveness of their learning strategies and the wider organizational framework.

► Example

Cognizant is a global technology solutions company in the United States with more than 170,000 employees, and thrives on the use of organizational learning interventions. For instance, tal-

ent development is a strategic driver in achieving business goals. All employees, including new entrants to mid-level managers, have an individualized development plan that supports their long-term career goals, and for senior leadership, there is a customized initiative. In 2013, the global workforce clocked over 180 million learning hours. Cognizant's learning strategy is to develop organization-wide business-aligned capabilities to respond to the organization's growth needs. Learning goals are aligned to performance goals that aim to produce higher job impact. The company has various initiatives such as the Cognizant Career Architecture program, which is a multidimensional career framework where employees choose career tracks that match their interests and capabilities. To measure learning efforts, there is the Center for Talent Reporting, and the Cognizant Academy seeks to balance the needs of the business and sustainable learning and development practices [27]. ◀

17.5 Built-to-Change Organizations Interventions

The *built-to-change organization* was pioneered by Lawler and Worley (2006) and is one of the newer continuous change interventions.

Built-to-change organization: Built-to-change organizations can be described as organizations that design themselves for change to adapt quickly to a dynamic external environment.

Organizations are designed for stability and sustaining a competitive advantage which poses a challenge to change efforts. In a rapidly changing environment, this built-in stability can cause failure as the organization's design and management practice is against change. Therefore, built-to-change interventions prepare the organization for change.

17.5.1 The Rationale for Built-to-Change Organizations as an OD Intervention

The built-to-change intervention helps organizations design themselves for change. It is directed to organizations having problems in adapting quickly to external changes. Organizations that respond to environmental demands and proactively create opportunities are in a better position to act more responsibly [28]. The responsible progress approach, through the core processes can achieve organizational effectiveness.

► Example

For instance, Da Vita is building itself for change. At DaVita, a leading dialysis firm, their core values reflect a holistic team approach, “All for one and one for all!” where they all work together sharing a common purpose, culture, and goal. Care and support are not exclusive to patients but also their employees. The company has an internal focus on its employees, and an external focus on serving the global community. They consider themselves as community first and company second where they have created effective environmental programs that enable them to operate responsibly in the communities. In caring for their employees, there are open communication channels, leadership programs, and financial assistance programs [29]. They are adopting this approach as they build themselves for change. ◀

17.5.2 Key Components of the Built-to-Change Organization Intervention Process

To transform into built-to-change organizations, there are basic assumptions that need to be revisited [30]. These are as follows:

1. *Managing talent*

In managing talent, organizations should encourage individuals to find out what needs to be done, rather than using fixed job descriptions that are rigid. While job descriptions can be updated, this activity is unable to keep up with the changing demands of the workplace. By engaging in frequent goal-setting reviews, individuals and teams are able to identify the tasks to be accomplished in the near future. In recruiting, the organization should target and select persons who favour change and are quick learners.

2. *Reward structure*

When seniority is the basis for pay, other reward structure change is restricted. Built-to-change organizations encourage current performance and change as there are various reward practices. Companies should offer pay and rewards that reinforce the culture of growth and personal development.

3. *Organizational structure*

Built-to-change organizations have flatter organizational structures that are flexible and reconfigurable. Employees should be included in monitoring and reporting on the external environment trends as well. The structure should connect as many employees with the external environment as employees have a greater focus on the external environment and they are able to acquire critical information to use in the jobs. This outward focus enables all employees to move together when there is a felt need for change as there is common understanding.

4. *Leadership*

In built-to-change organizations, there is shared leadership. Shared leadership promotes autonomy, develops leadership and management skills among many employees, and, by having leaders at all levels, increases the ability to spot trends more quickly.

5. *Decision-making and information flow*

In built-to-change organizations, information needs to be up-to-date and transparent. Therefore, using performance-based information systems would provide current information on how the organization is performing. Employees would be motivated and empowered as they are able to implement the best real-time decision.

17.5.3 Stages/Phases when Developing and Implementing Built-to-Change Organization Intervention

Lawler and Worley proposed several principles that govern built-to-change organizations [31]. While this approach should not be adopted by all organizations, they can benefit from some aspects. The steps are as follows:

■ **Create a Change-Friendly Identity**

The core values, norms, beliefs, and assumptions shared by organizational members create a sense of organizational identity. This identity can promote or hinder change efforts. Therefore, as organizations move towards a change-friendly identity, the existing core ideologies are examined. Stakeholders engage in dialogue to share about the current identity. This aids in formulating the new change-friendly identity. The identity should be centred on doing well over the long term by engaging persons who communicate and share the identity with stakeholders. The perceptions of stakeholders should align with the organization's identity.

■ **Pursue Proximity**

Rather than being predictive about the future, the organization uses various scenario-planning methods. The aim is to develop possible scenarios of future states and identify how the organization will achieve this desired future state with its existing capabilities and competencies.

■ **Build and Orchestrate Capability**

The organization implements the strategy at this stage. The various events and decisions in executing the strategy is determined, and any new competencies needed are developed. The organization then proceeds to build the change capacity by hiring and training individuals with the requisite knowledge and

skills and to create an organizational effectiveness function, and employees learn by engaging in organizational changes and reflecting on the experience where they ‘learn by doing’.

■ Establish Strategic Adjustment as A Normal Condition

In responding to shifting environmental demands, organizations must continuously adjust its strategy in light of these demands. The adjusted strategy should be accepted as a normal part of its operations. This can be achieved by disseminating decision-making authority to the lower levels of the organization, adopting a bottom-up approach. Therefore, individuals must possess the knowledge and skills to engage in such activities and are rewarded accordingly.

■ Seek Virtuous Spirals

The virtual spiral emerges over time in built-to-change organizations. Since the organization’s success hinges on identifying future opportunities and doing the necessary groundwork to prepare in advance, they are in an advantageous position when the opportunity arises. The organization continually modify its structure, processes, and capabilities as the source of the advantage is for a short period. They then move on to the next opportunity that emerges from the external environment.

17.6 The Challenges in the Development and Implementation of Continuous Change Interventions

17.6.1 Continuous Change Results

As organizations face turbulent environments, they must be able to build a culture that promotes continuous learning and expertise to deal with anomalies that arise. The digital age has given rise to organizations assessing opportunities, developing and producing goods and services, and interacting with customers digitally. Digitally based technologies are increasing the economic and social impacts of organizations as they are now facing increasing competition, collaboration opportunities, and increasing pressures to develop their internal capabilities and transform their cultures [32].

Technology companies have been leading the charge in creating cultures that nurture an entrepreneurial spirit, where there is less rigidity as roles are loosely defined and the structures and processes permit continuous innovation. People are dedicated to learning where they are expected to contribute their ideas, as new ideas often create a stronger, more nimble company. Leadership adopts a top-down, bottom-up, and even sideways approach that fosters open communication and collaboration [33].

► Example

For instance, tech companies such as Facebook, Google, Snapchat, and Pinterest are designed for change as they expect it to happen. Indeed, companies have been successful in adopting continuous change approaches. The success for Google can be measured in its profits that have increased from US\$5.168 billion in the first quarter of 2008 to US\$40.344 billion in the third quarter of 2019 [34]. ◀

Digital disruptions are also creating a mark in manufacturing companies where innovation through advanced analytics and automation are steadily increasing. In anticipating shifting market trends, organizations are engaging in innovative projects using robot technologies in risky ventures.

► Example

For example, in 2017 Adidas, a German sports-goods company, created its Speedfactory, which allowed for designing shoes digitally, first at its facility in Germany and another in the United States. This drastically cut lead-time on trainer model designs and anticipated design issues before they reached to physical manufacturing stage. In November of 2019, the company announced that it will discontinue production as these two Speedfactories in April of 2020 and the technology developed in this project will be used at two suppliers of sneakers in Asia. With this shift in the location of their production facilities, Adidas is able to take advantage of lower production costs, coupled with the knowledge gained from the technologies [35]. ◀

► Example

Another example is Nokia Corporation. In the 1990s, the company engaged in various initiatives to transform from a multi-branch firm of electronics, information systems, paper, rubber, mobile phones, and telecommunications to a focused telecommunications company. The company relies on a strong corporate culture and the company's values of customer satisfaction, respect for the individual, continuous learning, and achievement. This is the foundation upon which Nokia built its strength through continuous learning. The company grew from making losses to net sales in 2003 of US\$30 billion and a workforce of 50, 000 strong. Further, Nokia expanded its operations to move from a national to a global organization [36]. ◀

17.6.2 Continuous Change: It Is All a Positive Picture?

As organizations continue to encounter threats, opportunities, and increasing uncertainties, those that are shifting towards continuous change approaches are in a more favourable posi-

tion to cope with and anticipate the ever-changing demands of the volatile business landscape. Many companies that were once household names and mega businesses have filed for bankruptcy over the last two decades. This is an indication that the rigid, bureaucratic business model may no longer be relevant in many industries due to both internal operational and social factors and ‘shocks’ in the external environment. For instance, the financial crisis in the United States in 2008 saw the closure of some mega companies.

► Example

One example is Lehman Brothers Holdings Inc. Prior to filing for bankruptcy in September of 2008, they were the fourth-largest investment bank in the United States with 26,200 workers and assets valued at US\$691,063,000,000. Their involvement in mortgage orientation plummeted during the mortgage crisis in 2008 [37]. Further, with digital technology advancements revolutionizing the global landscape, organizations that get too comfortable will be left behind. ◀

17.6.3 Continuous Change Challenges and Key Success Factors

As organizations face turbulent environmental conditions, they must continuously engage in change initiatives to survive and thrive. Generally, when organizations engage in any of the three continuous change approaches discussed, that is, in self-designing organizations, learning organizations, and built-to-change organizations, some of the common challenges often encountered include the following:

1. *Shifting the mindsets of individuals*

Continuous change hinges on individuals’ willingness and ability to continuously unlearn and acquire new knowledge to improve. Employees may resist as their mental models are challenged. Further, the expectations from employees can be overwhelming as they have greater power and authority, higher levels of trust, facing the unknown, and taking ownership for their actions. In distributing decision-making authority throughout the structure, it can cause ambiguity among employees when there is a lack of clarity. In creating an organization-wide ‘team’, decisions may be clouded by ‘group-think’. Further, organizational leaders and managers are constantly facing anxiety-laden triggers and real-time decision-making situations. The greater the complexity and uncertainty, leaders and managers may perceive that their sense of status, power, autonomy, and fairness are being threatened as many managers thrive in predictable and controlled environments [38].

2. *Lacking a 'systems approach'*

The successful design of continuous change approaches requires a systems approach as the entire framework of the organization is altered. Continuous change interventions can suffer when certain aspects of the system are prioritized, and other areas are neglected. Failure to recognize the interconnected web of the systems, structures, and processes can cause greater ambiguity and uncertainty for workers when external demands arise.

In addition to addressing these challenges, the following key success factors when developing and implementing continuous change interventions are suggested:

1. *Promote a continuous change culture*

The organizational culture should be transformed to fundamentally change as continuous change hinges on the capacity to change. Both the operational and social aspects of the organization need to be considered in continuous change approaches that support excellence in innovation. The values, behavioural tendencies, and expectations among workers should be one that emphasizes change.

2. *The role of leadership*

Leaders are the cornerstone to change initiatives. In self-designing organizations, learning organizations, and built-to-change organizations, organizational leaders must be clear on their role as change agents. Dialogic OD is an interpretivist thinking about the ways language creates social realities and self-organizing. Leaders and practitioners can support change initiatives by encouraging the disruptions and stimulate new organizational conversations and narratives [39]. Further, continuous change is system-wide; therefore, strategies should encompass all areas of the business operations, including the human capital, where there is a strong alignment of the structure with the culture to gain a competitive advantage. To achieve such, organizational leaders should be open to sharing information through collaboration and communication with persons throughout the organization. When leaders encourage open dialogue and create an environment where individuals are able to share their innovative ideas, this would motivate workers to strive for excellence.

3. *Developing new capabilities*

Employees must possess the ability to learn as this is critical for continuously acquiring new knowledge and using it to make adjustments and changes to the workplace. Therefore, HR should serve as a partner in strategy development to ensure that there is person–organization fit. With integration of HR in the planning stages, they would formulate strategies to attract and develop talent that are in alignment with the strategic direction of the overall company. New and existing personnel should be able to function effectively in the non-bureaucratic, open, and innovative organizational environment.

4. *Digital technologies*

Technology is a way of getting work done. Digital technologies are revolutionizing the internal and external functioning of organizations as it enables the discovery, preservation, and transmission of large amounts of information. It is transforming the way work is performed as it is becoming increasingly digital. Organizations can use digital technologies to supplement continuous change approaches.

► Example

For instance, to increase collaboration among all organizational members and external stakeholders, companies are using digital platforms such as Twitter, and Facebook's 'Workplace' which is a work collaboration tool. ◀

Based on this discussion, it is apparent that a systematic, rigorous process is mandatory to maximize the possibility of achieving some degree of success when engaging in continuous change interventions.

17.7 Conclusion

This chapter examined the last of three strategic interventions: continuous change. Continuous change has emerged as a popular change intervention with some successful cases. Although failures have been cited in business practice, the rationale for self-designing organizations, learning organizations, and built-to-change organizations in today's business environment mandates that organizations address the challenges and prioritize the success factors to minimize the possibility of failure.

■ Resources

Student Resources

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 - Establish strategic adjustment as a normal condition
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Evaluation and the Way Forward

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Evaluation of Organizational Development

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Learning Objectives

At the end of this chapter, readers should be able to:

1. Describe the importance of evaluating organizational change interventions.
2. Critically assess the usefulness of evaluation models in the process of evaluating the effectiveness of organizational change interventions.
3. Evaluate the importance of feedback in relation to the implementation of organizational change interventions.
4. Evaluate the importance of sustaining the planned changes in relation to the implementation of organizational change interventions.

18.1 Introduction**18.1.1 Evaluation of OD Interventions**

Within the Organizational Development (OD) process, *evaluation* can be described as the process of assessing the extent to which the desired goals, objectives, and targets are achieved from the implementation of various change interventions.

Evaluation: Evaluation can be described as the process of assessing, appraising, and reviewing the extent to which desired goals, objectives, and targets are achieved.

Indeed, the process of conceptualizing, developing, managing, and implementing OD interventions is a lengthy, time-consuming, and costly venture for any organization. Traditionally, the evaluation of OD interventions occurred after implementation in the change management and development cycle. However, evaluative research is conducted throughout the intervention process to inform decision-making. Therefore, evaluation is an ongoing activity to guide the OD practitioner and the client on the next step towards achieving the intended goal.

Large-scale organization-level interventions target the entire organization, that is, the entire system, its subsystem, processes, structure, and behaviours. This often results in many change efforts being unsuccessful due to cost overruns, change saturation, and stagnation. Organizational leaders and members must therefore be committed throughout the various stages of the change process. As such, it is imperative to assess the extent to which OD interventions are achieving its stated goals by developing an evaluation strategy. As organizations aim to maximize their returns when undertaking OD initia-

tives, they need to effectively use the many evaluation tools available to measure the short-term, medium-term, and long-term results. While evaluating OD interventions continue to be a challenge, the advancements in tools such as data analytics have improved the accuracy during this phase in the OD process. However, to increase the accuracy of the evaluation, the design of the evaluation would need to be more rigorous, which can be quite costly and time consuming [1]. Therefore, a major determinant of the evaluation strategy is money, as those designing and implementing the intervention may not have the expertise to conduct the evaluation. In realizing the returns from the change initiative, continuous evaluation becomes important to facilitate the assessment process. The results of the evaluation can be used to make important resource allocation decisions about OD, such as whether to continue to support the change programme, to modify or alter it, or to terminate it and try something different.

► Example

For example, a firm can use its net returns as one approach to evaluate an intervention's success. Transformation interventions undertaken by Netflix, a firm in the entertainment/internet industry, in 2012, saw its revenue increase from US\$3.6 billion to US\$15.8 billion in 2018, a 887.6% increase. Net income also increased from US\$17 million to US\$1.2 billion over the same period. ◀

Notably as well, many OD interventions have failed over time to achieve the desired results. As the debate among practitioners continues regarding the difficulty of evaluating OD interventions, and being viewed as a 'hopeless quest', continuous evaluation provides valuable information to inform the process. When the OD intervention has already been implemented, evaluation is often seen as an afterthought. However, in the volatile economic and general environments that businesses operate in today, an organization-level intervention plan developed at the initial stage may be rendered obsolete due to an unanticipated event. For instance, there are tangible aspects that can be easily seen by the OD practitioner, and there are intangible or emergent issues that cannot be ignored. Therefore, the evaluation assists with providing relevant and helpful feedback that serves the interest of the client where corrective action can be taken as necessary. There continues to be high failure rates of organization-level interventions.

► Example

For instance, 70 % of organizational transformations fail [2], mergers and acquisitions have a failure rate of between 70 % and 90 % [3], more than 80 % of restructuring change plans fails to deliver the expected value in the time planned [4], many firms going bankrupt after downsizing interventions [5], and firms reported little or no gain from the reengineering efforts. ◀

Such statistics bring to the fore the need for continuous evaluation to maximize the probability of success and minimize the probability of failure. Evaluation mirrors to a large extent the diagnostic stage of the OD process in that evaluation focuses on understanding the functioning of the organization with the implementation of organizational change interventions. Further, evaluation requires the collection, analysis, and feedback of information, similar to the diagnostic stage.

18.2 Importance of Evaluation

18.2.1 Importance of Evaluation in OD

Within the field and practice of OD, evaluating the effectiveness and results associated with the implementation of organizational change interventions is of utmost importance. Evaluation is a necessary phase in the OD process as continuous feedback and the overall impact provides the client and the OD practitioner with avenues for continuous improvement and provide the accountability necessary for further funding. The lack of standards to objectively measure progress can cause misunderstandings in expectations. According to Kurt Lewin [6]:

- » In a field that lacks objective standards of achievement, no learning can take place. If we cannot judge whether an action has led forward or backward, if we have no criteria for evaluating the relation between effort and achievement, there is nothing to prevent us from making the wrong conclusion and to encourage the wrong work habits. Realistic fact-finding and evaluation is a prerequisite for any learning.

Therefore, assessing the return on investment is pivotal in determining whether the goals and objectives that were established at the entering stage of the OD process have been achieved. The main arguments for evaluation in OD are presented below.

— Prove: The ‘Prove’ Argument

OD professionals find themselves defending interventions, proving that the interventions added value to the organization and had the intended impact. The need for proof is about accountability for results, while making the business case to the skeptics [1]. Since OD is considered to be grounded on the softer behavioural sciences, the role of evaluation can be undervalued and oversimplified. There is no single qualitative or quantitative measure or formula to fully capture the scope of an intervention’s impact on employees. For example, it is easier to measure an individu-

al's blood pressure (medical science; a hard science) than an employee's attitude towards reengineered business processes (organizational development; a soft behavioural science).

— **Improve: The 'Improve' Argument**

One of the core values of OD is to evaluate change interventions for the sake of learning, improving the intervention and leveraging its strengths. In other words, evaluation is also conducted in order to improve the intervention and the organization for the future. This future focus is based on the desire to understand how interventions worked, identify the relatively important elements of the intervention, advance theories, and create more robust interventions in the future. In some cases, an accurate evaluation is necessary to determine whether the intervention should be continued or scaled for other settings [7].

— **Self-Awareness: The 'Self-Awareness' Argument**

The process of evaluating interventions seeks to determine whether the current path of the organization has been the most appropriate and effective strategy that is being executed for the achieving efficiency in the organizational system. In turn, this will influence how organizations move into the future. The fundamental premise of a good evaluation is therefore *self-awareness* on a large scale.

Self-awareness: Self-awareness describes the capacity of individuals and organizations to introspect and recognize who they are in comparison to others and the environment within which they exist or operate. Self-awareness in OD serves as the starting point of energizing organizational systems; to be able to figure out the future path, organizational stakeholders, key employees and the whole organizational system must be aware of themselves.

Self-awareness serves as the starting point of energizing the organizational systems [8]; to be able to figure out the future path, organizational stakeholders, key employees, and the entire organizational system must be aware of themselves. Likewise, as in the notion of collective consciousness, organizational, group, and individual awareness can act as a unifying force for taking ownership in determining how to move forward together [9]. In providing the system with a better understanding of itself through rigorous evaluations, the system will change its thinking paradigm and move towards an intentional way of self-organizing [10]. When the system begins to change its thinking paradigm, the learning has begun and “action learning” occurs. The fundamental shift in thinking and learning is required for new organizational habits that result in long-term sustainability.

18.2.2 Different Types of Evaluation

Within the field and practice of OD, there is a tendency to view evaluation primarily as a post-implementation activity within the OD process.

Is this a valid perspective on the evaluation stage of the OD process?

A post-implementation view of evaluation, when properly conducted, provides a comprehensive understanding of the effectiveness and efficiency of implemented organizational change interventions. Indeed, it is important to assess how organizational systems are functioning subsequent to the implementation of planned change. However, it must be recognized by OD practitioners that evaluation can be useful **before**, **during** the implementation of organizational change interventions, and not limited to only **after** its implementation. Therefore, evaluation is a continuous activity throughout the OD Process. As can be seen throughout the diagnostic stage (refer to ► Chaps. 8, 9, and 10), evaluations are integrated into the various diagnostic approaches used by practitioners.

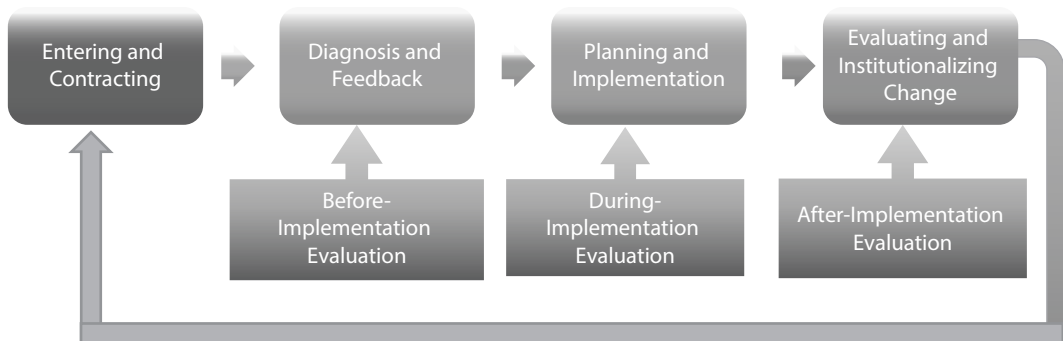
Accordingly, there are three (3) distinct types of OD evaluation that must be acknowledged (see ■ Fig. 18.1):

1. Before-implementation evaluation
2. During-implementation evaluation
3. After-implementation evaluation

18.2.2.1 Before-Implementation Evaluation

Before-implementation evaluation is synonymous with the process of diagnosing organizational systems, data collection, data analysis, and feedback prior to the development and implementation of organizational change interventions.

Before-implementation evaluation: ‘Before-implementation evaluation’ in OD refers to the assessment of organizational systems prior to the development and implementation of organizational change interventions.



■ Fig. 18.1 The OD process and evaluation. (Source: Author’s creation)

The main aim of before-implementation evaluation is to develop a comprehensive understanding of organizational functioning. Given that this type of evaluation was already covered earlier in the book, emphasis will be placed on the other two types of evaluation in this chapter.

18.2.2.2 During-Implementation Evaluation

During-implementation evaluation is also referred to as '*implementation feedback*'.

Implementation feedback: Implementation feedback describes the information which is collected and disseminated about the different features of the implemented intervention, the immediate effects, and the progress of the intervention during the implementation stage. It is feedback derived from 'during-implementation evaluations'.

The main aim of during-implementation evaluation is to guide the implementation of change interventions.

In most cases, when the decision is made to develop and implement various organizational change interventions, general guidelines for implementing interventions are provided for relevant stakeholders and organizational members based on before-implementation evaluations. Implementation feedback informs these general guidelines by supplying data about the various features of the intervention itself and data about the immediate effects of the intervention. Implementation feedback is collected repeatedly at short intervals, and it provides a series of snapshots about how the intervention is progressing. Organization members can then use the information from this type of evaluation to:

- Gain a more comprehensive understanding of the intervention (the kinds of behaviours and procedures required to implement it).
- Plan for the next implementation steps. This feedback cycle might proceed over several iterations with each providing members with knowledge about the intervention, its progress, the need for adjustments, areas of strengths and weaknesses, and responses to adjustments over time.

18.2.2.3 After-Implementation Evaluation

After-implementation evaluation is also referred to as '*evaluation feedback*'.

After-implementation evaluation: 'After-implementation evaluation' in OD refers to the assessment of organizational systems after the development and implementation of organizational change interventions.

Evaluation feedback: Evaluation feedback describes the information which is collected and disseminated about the overall impact of change interventions subsequent to implementation. It is feedback derived from ‘after-implementation evaluations’.

The main aim of after-implementation evaluation is to assess the overall impact of change interventions. When during-implementation feedback informs organizational members that the intervention is sufficiently in place, evaluation feedback begins. In contrast to implementation feedback, evaluation feedback is concerned with the overall impact of the intervention and with whether resources should continue to be allocated to it or to other possible change interventions. Evaluation feedback takes longer to gather and interpret than does implementation feedback. This is largely related to whether the evaluation feedback is negative or positive.

Negative evaluations can be an indicator of serious problems with the before-implementation evaluations; the diagnostic data may have been inaccurate, the change intervention(s) may have been resisted by organizational stakeholder, or the incorrect intervention(s) may have been conceptualized from flawed diagnostic processes. For instance, a survey administered to employees may not be valid as the variables assessed are not relevant. The data collected would be considered inaccurate, and this in turn would result in an intervention being designed and implemented which is not relevant to the problem or issue.

Positive evaluations, on the other hand, can be an indicator of effective change interventions and therefore effective OD processes. Such evaluations can prompt a search for ways to institutionalize the changes, making them a permanent part of the organizations normal functioning.

► Example

For example, Tencent Holdings is a Chinese internet-based company. From 2011 to 2019, it made a series of investments in not only technology companies but also launching its own products in online education and cloud computing. The company also invested in various start-up companies in fintech, ride-sharing, entertainment, and autonomous vehicles. As the company has achieved its transformation goal of being an all-round technology company, revenues from non-core businesses grew by 80 % in 2018 and their core business continued to grow. By institutionalizing their transformational change initiative, the company has positioned itself as a mega organization in the technology industry, generating revenues of US\$46.9 billion in 2018 [11]. ◀

18.3 Evaluation Models

Over the years, a number of different evaluation models have emerged to assist managers in general with the assessment of various initiatives undertaken within the organizational context. These evaluation models are focused on during-implementation and after-implementation evaluation or feedback. These models therefore contrast to the open-systems diagnostic models covered in ► Chap. 8 which focused on before-implementation evaluation.

18.3.1 Evaluation Models

Evaluation Models can be described as guiding structures designed to produce an unbiased appraisal of an intervention's impact.

Evaluation models: Evaluation models describe theoretical frameworks which can be used to guide the practice of evaluation. There are many different evaluation models available for use by OD practitioners today.

Many evaluation models have emerged over the years to guide the assessment of various organizational programmes. Assessing training, development, and learning within organizational contexts have relied heavily on evaluation models. Consequently, most evaluation models have been labelled as training and learning evaluation frameworks.

As it relates to the field and practice of OD, preference has been given to the following models to generally guide evaluation activities:

1. Kirkpatrick's Training Evaluation Model
2. Kaufman's Training Evaluation Model
3. Anderson's Value of Learning Model
4. Brinkerhoff's Success Case Method
5. Phillip's Learning Evaluation Model

18.3.1.1 Kirkpatrick's Training Evaluation Model

The most commonly applied theory of evaluation that helps inform the design of evaluation for any change or intervention, is Kirkpatrick's Training Evaluation Model [12]. Kirkpatrick's model allows for the measurement of potential effects from an intervention at four different levels (immediate to future-focused):

- Employees'/organization's reaction to the intervention (Level 1): the degree to which the participant reacts favourably to the training.

- Employees'/organization's learning from the intervention (Level 2): the degree to which the participant acquired the intended knowledge and skill from the training.
- Employees'/organization's change in behaviour from the intervention (Level 3): the degree to which the participant applies that which was learnt at Level 2 to their jobs.
- The result/return on investment of the intervention on the organization as an outcome of the behavioural changes. (Level 4): the degree to which the objectives were achieved as a result of the training.

This model emphasizes the importance of measuring effects at all four levels so organizations, OD practitioners, and organizational stakeholders can assess the effectiveness of each and/or assess further development needs.

18.3.1.2 Kaufman's Training Evaluation Model

Subsequent to Kirkpatrick's model, several models emerged which build on or react to this pioneering evaluation framework. One such model is Kaufman's Model of Learning Evaluation [13]. He makes two significant changes from Kirkpatrick. These changes are detailed below:

- Kaufman splits Kirkpatrick's level 1 into "input" and "process". *Input*, in this instance, refers to the learning materials and resources available to participants within organizational change systems. *Process*, in this instance, relates to the actual delivery of the learning experience.
- Kaufman adds a fifth level above organizational benefits to look at the benefits to society as a whole or to a business' clients.

Kaufman's model emphasizes the importance of evaluating learning resources separately from delivery as these are distinct and should be evaluated as such. However, it has been challenging to collect data on the impact of organizational change interventions on business metrics, let alone assessing the impact on society as a whole. The impact on customers is certainly important, but this is normally already included as part of the business metrics.

18.3.1.3 Anderson's Value of Learning Model

Anderson's Value of Learning Model encourages OD practitioners to focus evaluation on the alignment between the goals of the organizational change interventions and the strategic goals of the organization. Once the goals are aligned, the success of the organizational change interventions can then be evaluated in meeting those goals. The Value of Learning Model emphasizes the importance of aligning the organizational change interventions with the organization's strategic priorities. This model outlines a three-stage learning evaluation cycle applicable at the organization level, rather than for specific, individual interventions [14].

The three-stage cycle focuses on the following:

- Determining the current alignment of change interventions against strategic priorities.
- Using a range of methods to assess and evaluate the contribution of learning.
- Establishing the most relevant approaches for the organization and determining what measures to use. Some of the more common measures include return on investment, return on expectation, benchmark and capacity measures, and learning function measures.

18.3.1.4 Brinkerhoff's Success Case Method

Brinkerhoff's Success Case Method focuses on evaluating change interventions based on qualitative data and qualitative analysis and is not restricted to organizational learning. It can be used to analyse any major business change, such as the purchase of new equipment or implementation of a new process, and hence it is also widely used to evaluate individual change interventions. In some instance, learning programmes are resounding successes, and at other times they are total flops. Most of the times, they are somewhere in the middle. However successful the programme may be as a whole, there will always be organizational stakeholder for whom it was successful and there will be those for whom the change interventions did not work. Brinkerhoff's Success Case Method (SCM) involves identifying the most and least successful cases within the organizational change systems based on qualitative feedback and studying them in detail. By comparing the successes to the failures, organizations can learn what to change to ensure success in future endeavours [15]. When it comes to evaluating particularly important or innovative programmes, this model can help OD practitioners dig deeper, learn lessons, and shout about successes. It is seldom used for system-wide organizational change and often used for evaluating individual change interventions.

18.3.1.5 Phillips Learning Evaluation Model

Phillips Learning Evaluation Model focuses on how to:

- Collect data: pre-programme data is collected to establish a baseline to compare before and after training metrics. Post-programme data is collected upon completion of the training.
- Isolate the impact of organizational change interventions versus the impact of other factors.
- Account for more intangible benefits of organizational change interventions by translating those impacts into quantitative terms [16].

One of the most frequently quoted aspects of Phillips' model is the addition of a fifth level of evaluation to Kirkpatrick's Learning Evaluation Model, which is *return on investment (ROI)*.

ROI: ROI is the acronym for ‘Return on Investment’. It describes the ratio of net profits to the cost of investment. Higher ROIs indicate higher investment gains in comparison to its costs. Conversely, lower ROIs indicate lower investment gains in comparison to its costs. It is a quantitative measure.

Phillip’s model states that after determining the business impact of the organizational change interventions at Kirkpatrick’s Level 4, organizations should then translate that impact into monetary terms and compare it to the total cost of the system-wide organizational change interventions to calculate ROI. These costs include development and delivery of interventions, plus the labour cost of time for organizational members going through the interventions, where;

$$ROI\% = [(BENEFITS\ OF\ TRAINING - COST\ OF\ TRAINING) / COST\ OF\ TRAINING] \times 100.$$

A common critique of ROI calculations is that it is typically applied after the organizational change intervention has been implemented. If organizations calculate ROI and determine that the cost was more than the value it delivered, ROI is of little use as an indicator of success since the money has already been spent. Equally, if the programme was a success in terms of ROI, how does knowing that ROI figure help the business—especially if you already know the programme was a success from the Level 4 metrics? ROI, however, can be extremely useful when planning organizational change interventions, rather than subsequent to its implementation. As business goals and budgets are being developed, that data can be used to determine ROI and decide whether to go ahead with the interventions or revise the plan.

18.3.2 Which Evaluation Model/Models to Use?

As can be seen from the ■ Table 18.1, there are strengths and challenges associated with the use of each evaluation model.

Kirkpatrick’s model serves as a useful starting point for evaluation, which is improved by Kaufman’s split of level 1 into input and process. Anderson’s model is applied at a higher level than Kirkpatrick to evaluate the goals set for the organizational change interventions in the first place, and Brinkerhoff’s method is useful to dive deeper into specific change interventions once they are complete and is a more cost-effective approach than the other evaluation models. Each evaluation model provides useful concepts and approaches to evaluation. Since evaluation is continuous throughout the OD process, that is, before-implementation evaluation, during-implementation evaluation, and after-implementation evaluation, various models may be used throughout the process. Organization-level

Table 18.1 The strengths and limitations of evaluation models

Strengths	Limitations
Kirkpatrick's training evaluation model	
<ol style="list-style-type: none"> 1. Provides a structured approach to assess training at each level to identify learner needs, and areas for improvement 2. Presents an overall perspective of the training programme 	<ol style="list-style-type: none"> 1. Linking business results with a specific training intervention is very difficult 2. Does not collect enough data to improve training as this is limited to whether the training is being put to practical use 3. Focuses on the individual training programme and not on the overall impact of the training on the organization
Kaufman's training evaluation model	
<ol style="list-style-type: none"> 1. Evaluates the course process acceptability and the training material at level 1 which is necessary to understand the learner's abilities. 	<ol style="list-style-type: none"> 1. Less practical as it is difficult to evaluate societal and customer benefits at level 5. 2. The acquisition level (level 2) focuses on both acquisition and transfer of knowledge which can be difficult to evaluate since there are different reasons that can affect both aspects.
Anderson's value of learning model	
<ol style="list-style-type: none"> 1. The training strategy is aligned with the strategic priorities of the organization, focusing on the overall learning strategy 2. Focuses on evaluating the overall training strategy rather than individual training programmes 3. The overall value of the training programme is assessed 	<ol style="list-style-type: none"> 1. The model lacks depth as it provides an overall evaluation of the entire training strategy and not the success rate of individual training programmes 2. Does not provide detailed information on individual training programmes that worked well and areas for improvement
Brinkerhoff's success case method	
<ol style="list-style-type: none"> 1. A greater focus on performance, that is, understanding the reasons surrounding the best and worst performers. 2. Adopts a systems view as there are other factors in addition to the training programme that can impact the outcome of the training 3. Continuous improvement is embedded throughout the process as purposeful data is collected to understand specific outlier participants 	<ol style="list-style-type: none"> 1. Does not evaluate the overall success of the intervention as focus is on the outliers 2. Designed for a one-time study and not ongoing data analytics collection and analysis
Phillip's learning evaluation model	
<ol style="list-style-type: none"> 1. Data is collected at level 3 on both application of training and its implementation which provides valuable information to organizations 2. Focuses on the impact of training on the organization, recognizing that there are other factors that can influence the training programme 	<ol style="list-style-type: none"> 1. The timing in calculating the ROI as this is done after the training is completed, making the ROI irrelevant since changes cannot be made 2. The ROI may not contribute any additional benefits as the success of the training is already determined at level 4

Source: Author's creation

interventions are medium to long term in its implementation; therefore, different evaluation models may be more appropriate at different phases using various tools.

► Example

In reviewing the GRI Sustainability reports of large European and US companies which published the training metrics for 2018, that is, the average hours of training, an analysis was conducted to determine the annual training for each worker. This sample included a total of 60 companies across industries, 32 based in Finland, 13 in the United States, 7 in the United Kingdom, 3 in Germany, and 1 in both Denmark and France. Stemming from the analysis, they found that top companies offer two to three times more training for employees than the rest. Of the 60 companies for each employee, 14 offered less than 12 hours of training per year, 31 offered between 12 and 32 hours per year, and 15 offered more than 32 hours per year. While this is based on a single metric, training hours, it is an indication of the learning strategy and human capital investment of these organizations [17]. ◀

18.3.3 Feedback

During-implementation and after-implementation evaluation and feedback, while following the evaluation models outlined in this chapter, the data collection, data analysis methods and tools, and the feedback processes remain the same as those used with before-implementation assessments.

As you can recall from ► Chap. 9, the most popular data collection techniques include the following:

- Questionnaires/surveys;
- Interviews;
- Focus groups;
- Observations; and
- Unobtrusive measures.

The techniques used in evaluation should maximize data reliability and validity. Consideration must also be given to the sample size and approach as well as the instrumentation. When data collection is complete, the data must be analysed, as discussed in ► Chap. 10. The data analysis approach is dependent on the data collection technique used as different analytic tools are used for qualitative and quantitative data. The interpretation of the data and feedback reports generated would be used to evaluate the during-implementation and after-implementation. After-implementation feedback provides an overall evaluation of the intervention and once acknowledged as being successful and effective, then the change is sustained and institutionalized.

18.4 Sustaining the Change

Once it is determined that changes have been implemented and are effective, attention is directed at sustaining the changes, that is, maintaining them as a normal part of the organization's functioning for an appropriate period of time. Indeed, sustaining change does not mean that it remains forever; rather, it is most suitable that moment when considering the external and internal factors driving the change. While processes have changed, the attitudes, knowledge, and way of thinking has also been fundamentally altered. Therefore, organizations need to maintain the progress made and continue to evolve without reverting to the previous ways, that is, 'initiative decay' where new practices are abandoned. The profile of the change under consideration, that is, the context and time will determine whether change is sustained. Further, it involves a combination of observation, objective calculation, and subjective judgement [18]. The process of sustaining change is dependent on an interplay of multiple factors at different levels of analysis and timeframes. Three issues that are of significance include the substance of the change (whether the change is central or peripheral to the organization's performance), the implementation process, and the temporal dimensions (timing, sequencing, and pacing) of the process [18]. Therefore, the sustenance or decay of change initiatives are affected by internal and external factors that are beyond the direct control of management.

Sustaining organizational change is the key outcome or goal of the evaluation stage of the OD process. Indeed, organizations operate within dynamic environments that are constantly evolving; hence, OD is the planned change efforts of the organization to ensure that it remains relevant where sustenance is maintained in the people who are capable of replicating and evolving to the changing world. Even so, the implementation of organizational change interventions must be followed by some degree of sustaining the changes as the key indicator of a successful OD process. As you can recall from ► Chap. 4, the various OD change models include components of sustaining the change. These include the following:

1. Lewin's Change Model: the refreezing stage.
2. Action Research Model: the data gathering after action stage.
3. John Kotter's Eight-Step Model: the delivery/destiny stage.
4. Positive Model: the anchor change stage.
5. General Model of Planned Change: the evaluating and institutionalizing change stage.
6. The Socio-Economic Approach to Management Model (SEAM): periodically negotiated activities tool.

18.4.1 Key Indicators of Sustained Change

Following the implementation of interventions, there are various key indicators that organizational changes are sustained. The extent to which each of these indicators is present will determine the degree of institutionalization. The most common indicators are outlined and described below.

— *Agreement on Appropriateness of Change*

All stakeholders within and outside the organization who are impacted by the change initiative must be in agreement with the action taken to ensure that the momentum is sustained after implementation. Therefore, focus should be on the rational case for the change and the emotional implications. There must be ‘strong ownership’ of the change initiative being undertaken by stakeholders, including employees, from the onset, where they are partners throughout the process. Appealing to the emotional drive of employees and coupling this with support and recognition of adaptation will propel and sustain the change. Therefore, involving stakeholders in the planning phase, the decision-making, and implementation generates the momentum for sustenance. Here, feedback after diagnosis is important for persons to understand why the intervention selected is considered appropriate for the problem or issue. If workers perceive that there is a misalignment and the intervention is not going to resolve the issue, then the goal of the intervention will not be materialized to changes in attitudes and behaviours.

— *Value/Culture Changes*

When interventions are implemented at the organization level, there is a fundamental shift in thinking. The values and beliefs evolve to the ‘new way’. This is seen at the surface level and at the deep level of culture. This is a necessary part of interventions becoming institutionalized as the values and beliefs of workers are in alignment with the new way. The role of various stakeholders in determining best practice is important as there is an interaction between political inputs and personal values that stimulates the adoption of best practices.

— *Performance Changes*

Organization-level change benefits are realized in the long term. Therefore, performance measurement system, as part of the performance management system, should be implemented to monitor performance throughout the process. Key performance indicators as well as a baseline should be established to benchmark improvements in performance and evaluate at various intervals. There are two basic types of performance measures: result-oriented measures (i.e., outputs or outcomes such as competitiveness or financial performance) and determinants of the results (i.e., inputs such as quality, flexibility, resource utilization, and innovation).

— *Attitude and Behavioural Changes*

Organizational and individual factors will determine the change in attitudes and behaviours. For instance, the degree of managerial support and the acceptance, commitment, emotions, and expectations by employees of the change will shape attitudes and behavioural intentions. Employees must be willing to disrupt the status quo by changing their attitudes accordingly. For this to occur, the organization must build trusting relationships and support employees throughout the process as there needs to be agreement, adoption, and adherence to the change. When the OD practitioner is present, employees are motivated to maintain the change; however, when such individuals are no longer around, persons may revert to the 'old way'.

18.4.2 Ensuring Changes Are Sustained

There are a number of approaches that can be used by organizations to ensure that organizational changes are sustained following implementation. Embedding new practices as 'normal' work is a key factor in sustaining change. The aim is to ensure initiative decay does not occur or that persons experience 'improvement evaporation effect'. The most common approaches are outlined and described below.

— *Allocating Rewards to Reinforce Attitudes/Behaviours/Changes*

In line with the reinforcement theory, a reward structure should be developed in advance and implemented throughout to continue to promote attitudes and behaviours that support the change initiative. This would reinforce positive behaviours, and negative behaviours should be discouraged. Therefore, the performance management system should be altered to align with the change initiative and provide the means through which the rewards are formally allocated.

— *Generating Commitment to Changes*

When employees are involved in and are a part of the process, they take ownership of not only the implementation of the intervention but also the outcome. Organizations should have a central team/task force to guide the OD process while also incorporating employees' inputs. By using change heat maps and organization heat maps, the team can identify who, when, where, and how, individuals and groups would be affected by the change. Those who will be most affected should be targeted to get their commitment to the initiative from the onset. Before, during and after-implementation evaluation would allow the organization to assess the views of employees and take action where/as necessary.

— *Communication and Socialization Processes*

Communication is key! Past and current events and experiences influence current and future thinking. The current perceptions of key stakeholders on organizational change are conditioned by past events. Management must ensure that the momentum is maintained through open lines of communication and the way they legitimize the change initiative. When they have gained consent, there is greater compliance that advances institutionalization and sustainability. They must ensure that all employees are on the same page and are moving forward as a cohesive unit.

OD is indeed an ongoing process that takes time. Its effectiveness however, is largely dependent not only upon how the process is implemented, addressing the challenges at each stage, and adopting the key success factors. Its success is also shaped by the extent to which the change is sustained within the organizational context.

18.5 Conclusion

This chapter examined evaluation as a recurring activity throughout the OD process. Indeed, it is primarily through evaluation processes and approaches that organizations are able to develop, adjust, and appraise its change interventions. The relevance of this OD activity should not therefore be underestimated by organizations and OD practitioners. Evaluation largely determines the effectiveness of all OD interventions.

■ Exercises

Student Resources

■ Chapter Outline

- I. Evaluation of OD Interventions
- II. Importance of Evaluation
 - A. Importance of Evaluation in OD
 - B. Different Types of Evaluation
- III. Evaluation Models
 - A. Different Types of Evaluation Models
 - Kirkpatrick's Training Evaluation Model
 - Kaufman's Training Evaluation Model
 - Anderson's Value of Learning Model
 - Brinkerhoff's Success Case Method
 - Phillip's Learning Evaluation Model
 - B. Feedback
- IV. Sustaining the Change
 - A. Key Indicators of Sustained Change
 - B. Ensuring Changes are Sustained

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Further Reading

- Nielsen, K., and J.S. Abildgaard. 2013. Organizational Interventions: A research-based framework for the evaluation of both process and effects. *Work & Stress* 27 (3): 278–297.

Trends in OD

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Learning Objectives

At the end of this chapter, readers should be able to:

1. Identify and describe the most recent global trends within the field and practice of OD.
2. Critically evaluate how the changing nature of work continues to impact the field and practice of OD.
3. Analyse the relationship between technology and the field and practice of OD.
4. Assess the importance of understanding the relationship between the global economy and the field and practice of OD.
5. Describe the importance of and assessing how to balance flexibility and speed with critical thinking and involvement in OD in today's context.
6. Identify and describe challenges facing OD in the context of current and emerging trends.
7. Identify and assess the OD trends within the Caribbean/Latin American business context.

19.1 Introduction

OD is evolving as new *trends* are emerging that is requiring new strategies and approaches to organizational interventions.

Trends: Trends can be described as pattern of changes detected over a stated period of time based on verifiable and credible data/information.

The general direction into which the field of OD is shifting is necessitating revised approaches. It is important to note that trends are patterns that have '*staying power*' and they have the potential to change entire organizations and industries. Trends are the opposite of *fads*, which can suddenly appear and vanish just as quickly.

'Staying power': 'Staying power' is a phrase typically used to differentiate trends from fads. It describes the longevity or patterns associated with trends.

Fads: Fads do not have 'staying power'. They can appear all of sudden and vanish just as quickly.

19.1.1 Importance of Identifying Trends in OD

The only constant in organizational development is change—and being unprepared for changing trends is a part of why many OD initiatives fail. Therefore, external trends are affecting internal processes. Trends emerge over time as changes occur within organizational environments in all fields of business. Organizations that fail to identify and, more importantly, respond to trends that has the potential to affect them face the risk of lagging behind, losing competitiveness, decreasing productivity, and even the entire shutdown of businesses. Within the field and practice of OD in particular, organizations are experiencing change at rates never seen before [1]. In the context of organizations, the rate and complexity of change and the implications of those changes are accelerating at a similarly exponential pace. As this occurs, organizations are faced with the challenge of responding with systematic planned approaches to largely unplanned changes. *Trend Analysis* describes the pattern of changes detected over a stated period of time based on verifiable and credible data/information.

Trend analysis: Trend analysis describes the analysis or tracking of patterns of changes detected over a stated period of time.

Such analyses can be quite useful in guiding OD responses using a scientific basis to respond to trends.

19.2 Key Global OD Trends

In the OD environment, there are several major drivers in the external organizational environment that are shaping current and future trends for organizations and the practice of OD globally.

The most widely cited global OD trends include the following:

1. The changing nature of work in the workplace
2. The changing nature of the workforce
3. Evolving technology and the ‘Internet of Things’
4. The global economy and competitive pressures

These global OD trends will each be discussed in this chapter in detail.

19.2.1 The Changing Nature of Work in the Workplace

The changing nature of work can be described as all the ways in which organizations are organizing themselves. For example, the ‘changing nature of work’ includes the way boundaries are set around companies, functions, teams, and jobs, and it also describes definitions of how employees within the organization conduct their day-to-day activities and connect in various organizational social systems [1–4]. Within the context of organizations today, the nature of work has changed dramatically, quickly, and in a number of ways. Changes in the content and structure of work are shaped by environmental trends including the following:

- Changes in markets,
- Technologies, and
- Workforce demographics.

Although these forces affect the content and structure of work directly, they also have indirect effects by creating pressures for organizational restructuring, downsizing, changes in employment and organizational relationships, and culture changes. The content and structure of work, in turn, both dictate the kinds of knowledge, skills, and abilities that employees are likely to require and also affect important outcomes, such as the quantity, quality, and efficiency of work; the performance of organizations; and the psychological, social, and economic rewards people achieve through work. The days of work being characterized by independent work units, hierarchical reporting and communication structures, clearly outlined rules and procedures, stability, and some degree of certainty are quickly becoming characteristics of work in the ‘old’ workplace. Interestingly, while the organizational bureaucracy is synonymous to high degrees of formality and procedures, organizations with a bureaucratic culture benefits from a certain level of professionalism as it relates to work-related responsibilities, work hours, personal space, and lines of communication.

As the 8 am to 4 pm, five-day workweek and cubicles are disappearing in favour of flexible work schedules and telecommuting, the key to the non-traditional practices is flexibility in the organizational culture. Therefore, organizations are engaging in practices that are more accommodating to employees which, in many instances, are driven by advancements in technology. The trend of work in the changing ‘newer’ workplace is characterized by a number of contrasting features to the traditional nature of work. The most popular trends in relation to the changing nature of work include the following:

- *Reduced hierarchical structure*—The bureaucratic nature of hierarchies with many layers are cumbersome, limiting the response rates of organizations to changes in market demands, for instance increasing productivity by reducing cycle time and a culture of continuous innovation. Hierarchies are being replaced by cross-unit organizational groupings with fewer layers and more decentralized decision-making. This delayering is causing organizations to engage in restructuring interventions which are often coupled with techno-structural interventions.

► Example

For example, at Ford Motor Company, its restructuring initiative that commenced in 2017 saw the delayering of the organization from 14 levels to 9 in 2019. Over the two-year period, downsizing via worker layoffs have also occurred at locations globally. ◀

- *Blurred boundaries and innovation in work arrangements*—Organizations are becoming more laterally structured, where different parts need to work more effectively together to attain synergies. Boundaries between departments are eroding as subsystems within the organization are necessitating greater interaction. The blurring of boundaries is also occurring with job categories where the focus is on completing tasks and sharing knowledge. As the interconnectedness among departments grow, different approaches to management are also emerging. Boundaries determine the quality of interaction between diverse groups in any organization. Since perceptions of boundaries in organizations are subjective, the mastery of boundary management skills is deficient. For instance, organizations are now required to redefine boundaries to manage changes. The traditional clear and rigid job descriptions are becoming less relevant since in the contemporary workplace, organizations require workers who are adaptable. That is, skill set requirements are changing; therefore, workers are required to keep up with the demands of the job. Having blurred boundaries with less rigid job descriptions provide managers with the flexibility to accomplish the task, as job descriptions are not updated in a timely manner to match the required duties.

Furthermore, flexible and virtual work arrangements are also emerging [5]. Flexible work arrangements give employees greater scheduling freedom in fulfilling their work obligations. This can take various forms, such as flexitime, compressed work week, job-sharing, and

work-sharing. Additionally, virtual work arrangements via telecommuting is also gaining momentum as technology advancements provide more avenues to facilitate this growing trend.

- Flexitime: workers are able to assume and end duties from a range of hours, for example 7 am to 3 pm, 9 am to 5 pm. The peak/core work hours are covered within these ranges.
 - Compressed work week: the standard five-day work week is compressed into shorter periods, for example working four 10-hour days and getting one day off.
 - Job-sharing: with this approach, two employees agree to share the duties and responsibilities of a job-position. The salary and benefits for the position are prorated between the individuals.
 - Work-sharing: this approach is used by companies who do not want to lay off workers. Rather, the workforce is maintained by reducing the number of working hours or salary of workers.
 - Telecommuting: employees are able to work from an off-site location through virtual platforms. The use of the internet and a computer are necessary for this approach to be effective.
- *Teams as basic building blocks*—In continually improving work processes, and the increasing pressures for more efficient and shorter decision-making processes, there is a move towards a team-based organizational structure. For instance, cross-functional work team collaborations which comprises persons with diverse knowledge, experience, different skill sets, and from all organizational levels are becoming more prevalent, where the team is working towards accomplishing a goal. Collaboration is a natural part of a team as it is necessary within departments and functional areas. The changing landscape requires collaboration beyond such, as cross-team collaborations are critical to improving business performance. The leader is not necessarily a manager, or in some instances where there is no leader, each member is equally responsible and accountable for the activities of the group. Such cross-team collaborations are becoming necessary to create hubs for innovation, creation, coordination, and speed.

► Example

Software company Google has gravitated towards cross-team collaborations; as such, teams bring a dynamic perspective to work. In understanding the success of team collaboration, Project Aristotle at Google was launched to find out, “What makes a team effective at Google?” The Google researchers found that how the members of the team interact, how the work is structured, and

how the members view their contribution are key to a successful team, not who was in the team. Specifically, five key dynamics were identified: psychological safety, dependability, structure and clarity, meaning of work, and impact of work [6]. ◀

- New management perspective—Strategic management is refocusing attention towards commitment to the organizational mission and goals. Therefore, complying with rules and order are receiving less importance as organizational roles are also being affected by the blurring of boundaries. Managers are assuming the role of coaches, rather than maintaining the ‘pecking order’, to provide social support when greater autonomy and power are given to proficient and competent employees. Organizations are recognizing that managers, together with the list of traits and skills, must also possess the ability to coach and be able to develop others. Therefore, managers should actively engage in coaching activities with their staff. Creating a coaching culture amplifies collaboration, agreement, and alignment, as the focus is on having meaningful interactions in everyday conversations. This is requiring organizations to train their managers to become effective coaches to understand why they must engage in coaching and the specific actions that they need to take. The main premise of a coaching culture is focusing on better conversations between individuals. For instance, managers should refrain from structuring questions with ‘yes/no’ answers, thereby forcing respondents to exchange their understanding and thinking. By developing a coaching mindset, the organizational leaders convey an open two-way communication approach towards understanding the viewpoint and intentions of others [7]. Some key skills for effective coaching include building the relationship, providing assessment, challenging thinking and assumptions, supporting and encouraging, and driving results [8].
- Continuous change—Organizational changes are continuous as feedback from the system and the environment provides the organization with opportunities to grow and develop. Since change can take place at the individual/job, group/team, and organizational levels, it can be small changes directed to one person or large changes directed to the entire organization, with intermittent periods of stability. Kling and Zmuidzinas identify four types of change that can occur [9]:
 - Metamorphosis: this is a fundamental change with significant restructuring of work from one form to another, for example organizational restructuring, which occurs at the organizational level.

- Migration: there are noticeable shifts from one form of work to another, however, unlike metamorphosis, the change occurs within some areas of the organization. Over time, through persistent efforts migration may become metamorphosis. For example, a clerical officer being provided with job enhancement opportunities through job rotation to acquire new skills and knowledge will increase the worker's motivation and positively impact productivity as there is greater skill diversity.
- Elaboration and Reinforcement: these changes enhance, elaborate, or reinforce the existing forms of work within the organization, for example linking employee rewards with feedback from performance appraisals. This positively reinforces behaviours that contribute to the organization's performance.
- Stability: there is little or no substantial change in the current functioning of the organization.

Therefore, work transformation is an ongoing process of elaboration, migration, and metamorphosis.

► Example

The way work is performed, the shape of company structures and the expectations of our employees have indeed undergone a fundamental shift in the twenty-first century and is expected to change on a continuous basis. One organization that has successfully implemented this non-traditional workplace culture is Google Inc. ◀

19.2.2 The Changing Nature of the Workforce

The Changing Nature of the Workforce can be described as all the ways in which the workforce is changing from the shifting ethnic and generational demographics, to the values structures, expectations, and social responsibility requirements of the new workforce [10]. The days of the workforce being characterized by strict adherence to rules and procedures with a strong respect for authority are quickly becoming characteristics of the 'old' and 'traditional' workplace.

Within the context of organizations today, the nature of the workforce has also changed in a number of ways. The most popular trends within the workforce include the following:

- *A More Diverse Workforce*: There has been a significant shift in the demographic composition of the workforce. Globalization has significantly affected the diversity of various nationalities in the workforce. It is no longer uncommon for workers of various nationalities working together. Multinational and global organizations are fuelling diverse nationalities working together at various sites around

the globe. In addition, there is greater gender diversity with more women entering the workforce and being promoted to managerial and executive positions. Furthermore, the number of persons with disabilities, the differently abled, who are willing and able to work have also increased in the workplace. National legislations have positively impacted on greater employment opportunities for minority groups. For instance, the Americans with Disabilities Act (1990) protects the rights of persons with disabilities. Human rights campaigns have promoted greater acceptance and equality of gay, lesbian, bisexual, and transgender issues, with gay marriages being legalized in some countries. The shifts over time have led to a more diverse workforce where younger workers are more inclusive as they interact and collaborate with individuals of varying backgrounds.

► Example

One example of a company that has adopted a strategic approach to diversity and inclusion is Unilever. Unilever is considered a global company with operations in countries throughout the world including Latin American countries and the Caribbean. Their Diversity and Inclusion strategy focuses on three key points [11]:

- Improving the representation of women in management, with a goal of gender balance
- Enabling the inclusion of disabled employees and lesbian, gay, bisexual, and transgender (LGBT+) employees
- Challenging harmful social norms and stereotypes in our workplaces and beyond

The company has a Global Diversity Board, which establishes overall goals and targets on diversity and inclusion. Stemming from these goals, each country and individual business function has its own targets. Through this strategic approach, Unilever saw an 8% increase in the number of female factory managers and directors in 2018 when compared to 12% in 2016. In addition, of its 155,000 workforce at the end of 2018, 35% were females. In 2017, they introduced the Global Maternal Well-being Standard, which has been rolled out to every country in which they operate by the end of 2018 allowing mothers flexibility when returning to work and facilities to nurse their babies. ◀

- *A More Educated Workforce:* Organizations can now hire individuals from a highly educated and skilled talent pool, thereby attracting and selecting individuals who are in alignment with the strategic direction of the organization. This increases the organizations productivity and competitiveness through its human capital. Global literacy rates have been increasing, with secondary and tertiary education growing drastically worldwide. After World

War II, the expansion of education became a global phenomenon. Today, the demand-and-supply dynamics and economic conditions determine differences in wages across countries [12].

► Example

For instance, in Trinidad and Tobago, in 2005 the then government introduced the Government Assistance for Tuition and Expenses Programme (GATE). Through this initiative for all nationals, tertiary education tuition at the degree level would be 100% funded, and at the graduate level would be 50% funded. This resulted in an increase in student enrolments at various internationally affiliated institutions as well as the University of the West Indies. This took effect in 2006 and by 2009 there were thousands of individuals entering the workforce with college degrees. The government also introduced an incentive where graduates who attained a first-class honours degree (the highest class of degree awarded) would automatically qualify for a graduate scholarship to finance their studies. Over the years, this initiative has churned out highly qualified individuals. This has increased the competitiveness for jobs and employers now have a wider pool of applicants at their disposal. ◀

- *An Increasingly Ageing Population:* Global ageing is much more than demographics as it is projected that countries will experience rapid growths of their 65 and over population driven by declining birth rates and longer lifespans. Older workers are continuing to work longer than their predecessors by spending more time on the job. Persons are continuing to work past the traditional retirement age of 60 because they want to continue to contribute to society and create a sense of self-fulfilment in their personal life. They see it as an opportunity to stay mentally sharp and sharing their knowledge through mentorship.

► Example

For example, in the United States, employees who are at or even beyond the retirement age outnumber teenagers in the workforce. This is an opportunity for organizations and governments to recognize the productivity potential of older workers. However, older workers experience ageism and the negative perceptions that exist among employers are the primary barriers faced by older people to re-enter or remain on the workforce [13]. For instance, Costa Rica is considered an ageing society where by 2045 21% of the population will reach the age of 65 or older [14]. ◀

- *Generational Differences:* The working environment has undergone a transformation over the last decade. The composition of the workforce includes five generations, the traditionalists (born before 1945), baby boomers

(1946–1964), Generation X (1965–1976), and Generation Y or Millennials (1977–1997), with Generation Z (born after 1997) also entering the workplace. Today's multigenerational workforce presents opportunities and challenges to organizations. This is requiring organizations to adjust their workplace culture to match the needs of its workforce, given the diverse composition. With five generations working side by side, the key is to understand the differences in values and expectations of each generation. This cultural challenge requires a conscious effort by management to maintain a balanced perspective to ensure that the needs of its employees are being met. The role of managers is to provide a collaborate space and culture where employees have mutual respect for each other, recognizing that they each have a distinct set of skills, knowledge, and experience, among other attributes that they bring to the table. Therefore, it is important to understand each generation to develop approaches to keep them motivated. Some of the key attributes of each generation follows [15, 16]:

- Traditionalists: these workers have a strong work ethic and are loyal to the organization. They are grounded in the hierarchical style of management and have greater difficulty in adapting to changes in workplace technology.
- Baby boomers: these workers are work-centric exhibiting characteristics of being extremely hard-work and motivated by perks and benefits. They are more reserved in their communication style, with an emphasis on equal opportunity and structural fairness.
- Generation X: these workers have a strong entrepreneurial spirit, viewing change as a vehicle for opportunity. They also prefer a more participative management approach and are willing to come to a compromise in conflict situations.
- Generation Youth (Generation Y), also called the Millennial generation: this is the first generation born into the wave of technology, hence highly qualified in digital knowledge and can quickly acquire skills to use new tools and techniques in information technology. They are more accepting of change and plan for the medium rather than long term. The virtual space is their main form of communication with a strong online presence. They are motivated to advancing and being successful, with money and success being their main motivational tools. They prefer a coaching and mentoring management approach. They value collaboration and are focused on the overall organizational goal attainment, that is, their contribution and role in the 'big picture'. Their focus is on career development [17].

- Generation Z: this generation was born into a highly developed technological era. They are therefore technology-centric, as the online environment is a necessary part of their life, with socialization being a challenge. They are intelligent, practical, and willing to take the lead and would turn to the internet to solve problems. They too focus on career development and work–life balance [17].
- *Highly Stressed Managers and Employees:* Workplace stress accounts for a significant part of the mental health crisis. Stress, depression, and anxiety are becoming a part of modern human condition [18]. Stress at work has physiological, psychological, attitudinal, and behavioural consequences for employees. The perceptions of having little control with lots of demands are driving this phenomenon that has escalated progressively over the years. This phenomenon can be classified as (i) acute stressors, where the circumstance occurs just once and causes stress or trauma, and (ii) chronic stressors (risk factors), where it is becoming a part of one's daily life, including the so-called daily hassles. An individual's personal history and the present context influence an individual's perception and subjective interpretation of stressors. Therefore, organizations need to focus attention on coping mechanisms, revising work to reduce stress, and implement policies and practices that support workers who are feeling overwhelmed on the job. There are job-related factors, personal factors and situational factors that cause stress. Some job-related factors include increases in task and role demands, blurring of boundaries because of technology and accessing employees beyond work hours, higher levels of employment uncertainty, conflict, and communication issues. Among managers time pressures and a heavy workload are contributing to increasing stress [19]. When managers feel stressed, they project it unto their employees, creating a contagious effect. Personal factors related to life changes are also adversely affecting individuals.

► Example

For instance, in 2019, 83% of the American workforce reported experiencing stress at their workplace with businesses losing up to US\$300 billion annually. Over one million workers miss work every day due to stress, with an annual healthcare cost of US\$190 billion [20]. Worldwide, the stress levels of the Sandwich Generation (those between the ages of 35 and 49) are increasing as these individuals are caring for their parents as well as their families. Given that this group is the core talent group in businesses, their general well-being will impact business operations [21]. ◀

- *More Emphasis on Employee Work–life Balance and Employee Wellness:* Increasing levels of stress among workers are necessitating employers to place greater emphasis on employee work–life-balance and wellness. Rather than being reactive, organizations need to adopt a proactive approach to reduce stress, depression, and anxiety among its employees at all levels. Therefore, employers should design jobs that are suited to the individuals' capabilities and the resources available to complete the task, ensuring that roles and responsibilities are clearly defined. There should be a clear leadership structure and open communication. Procedures to mitigate relationship conflict should also be implemented; however, this is not always the case.

► Example

Findings from 23 countries show that only half of the employees who experience stress receive support from their employer, and of these, half felt that the support was inadequate [22]. ◀

Within the contemporary workplace, in recruiting and retaining talent, the quality of the employee wellness program will determine a top employer. Initiatives that promote a healthy body and mind requires a culture shift within organizations as the consequences are far-reaching. By providing such initiatives, the organization communicates a level of empathy and support for workers, thereby increasing worker satisfaction.

- *Importance of Ethics, Fairness, and Justice in the Workplace:* Today, employees have greater access to information about best practices in the industry and are able to make more informed judgements. Ethics relates to doing what is right. It is a moral code that governs human behaviour. Individuals are faced with ethical issues where their actions can benefit or harm others. Workers are demanding fair or impartial treatment, where they are treated with respect and not discriminated against. Organizations are subjected to lawsuits filed against them by employees who perceive that their rights are being violated. For instance, lawsuits against businesses are based on allegations of wrongful termination, discrimination (race, sex, age, disability), harassment, and retaliation.

► Example

In the United States, over one million employment discrimination complaints have been filed with the government since 2010 [23]. Employees expect that their employers will ensure that their rights are protected. This is communicated through the procedures, practices, and organizational agents, and outcomes, shaping the employee's organizational justice perceptions. Employees are sensitive to the decisions and actions of employers on a daily basis. ◀

- *Contemporary Leadership and Followership Styles:* As the needs of organizations change, the concept of leadership evolves. Leadership is a dynamic relationship and is reciprocal in nature. It can be defined as the ability to influence others towards attaining a common goal. There are four contemporary approaches and theories of leadership that builds on the more traditional approaches that are relevant to today's turbulent environment. These contemporary approaches include the Level 5 leadership [24], servant leadership [25, 26], authentic leadership [27, 28], and interactive leadership [29, 30]. These approaches were introduced earlier in ► Chap. 6. The turbulent and uncertain environments coupled with different generations comprising the workforce require a different management and leadership approach. The transformational leader is able to bring out innovation, creativity, and change for both the individual and the organization. They possess the ability to lead organizational change at the strategic level by building relationships, creating a shared vision, and include followers in the process. This strategy reduces resistance and increases support. Research has shown that this type of leadership has a positive impact on the follower's development and performance. Additionally, the qualities that define a good leader also define a good follower. While searching for good leaders, organizations must also search for good followers as subordinates are not necessarily good followers. The follower styles can be grouped into five types [31]. The styles are categorized according to two dimensions, that is, critical/independent thinking versus uncritical/dependent thinking, and active versus passive behaviour. The five types include the alienated followers, the effective followers, the sheep, the yes people, and the survivors.

19.2.3 Evolving Technology and the 'Internet of Things'

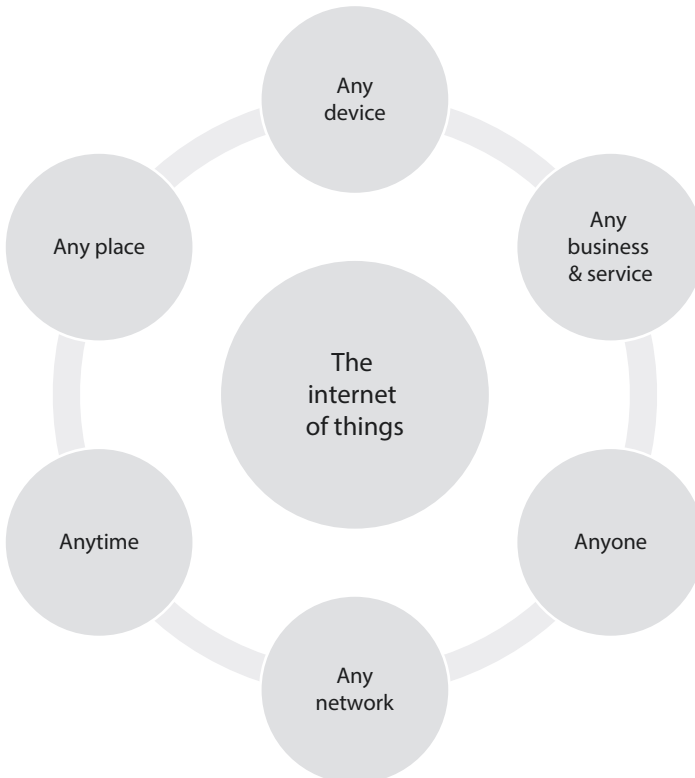
Within the field and practice of OD, the relationship with evolving technology and 'the internet of things' have emerged as one of the key trends driving OD forward. According to Klaus Schweb, the world is on the brink of the Fourth Industrial Revolution, as technology is fundamentally changing the way in which individuals live, work, and relate to one another. It is fostering greater collaboration and opportunities across geographies, sectors, and disciplines. Further, it is revolutionizing the way in which we live and work. Broadband internet is becoming more widely available, the cost of connecting is decreasing, more devices are being created with Wi-Fi capabili-

ties and sensors built into them, technology costs are going down, and smartphone penetration is sky rocketing. All of these trends have created the context within which technology and ‘*the internet of things*’ have gained momentum within organizational practices.

‘Internet of things’: The ‘internet of things’ can be simply described as anything that can be connected to the internet.

‘The Internet of Things’ (IoT) can be simply described as anything that can be connected to the internet with an on/off switch [32]. Therefore, a network of connected objects will be able to collect and exchange data. As different segments emerge which caters to the needs of varying groups of persons, the IoT continues to contribute significantly to digital business initiatives across businesses. The internet has become embedded into all facets of life, including the workplace (see ■ Fig. 19.1).

As the move towards the digital organization continues to be a driving force for change, evolving technology within the organizational context and the ease of internet connectivity has transformed:



■ Fig. 19.1 The internet of things. (Source: Author’s creation)

- *The way in which work is done:* The internet facilitates information exchange, the ability to create content, communicate with each other, and access to information on a global scale. It has revolutionized the working style where there is the blurring of professional boundaries and completing tasks. Workers can have access to greater volumes of information via search engines to inform decisions and solve work-related problems, thereby increasing productivity. There are more opportunities for innovation and creativity, as workers have many digital tools to facilitate their thinking. Organizations are able to store and back up large amounts of information that is easily accessible, eliminating physical storage spaces and paper wastage. Misuse of the internet by workers for non-work-related activities within official work hours are a contemporary issue that organizations must address. To manage this issue, employers are using various tactics to prevent any loss in productivity by implementing strict monitoring mechanisms [33]. Some measures include ethical codes for the use of smartphones and the internet, compliance with internet use policy, managing the content that employees can access, and preventing workplace cyberbullying.
- *The way in which organizations are structured:* As organizations are becoming more digitally oriented, they are engaging in restructuring initiatives to alter their structures. The increasing interconnectedness through central databases are making positions and processes redundant. Through reengineering interventions, redesigning processes for greater efficiency is incorporating the use of technology and the internet.
- *Relationships/collaboration with other organizations:* In this virtual network era, communication has no boundaries, allowing persons across cultures, languages, companies, and countries to collaborate and build relationships. Such relationships and collaborations foster synergy where companies are able to form strategic alliances. These partnerships enable the sharing of knowledge and expert skills being facilitated via the internet.
- *Communication and interaction processes within and across organizations:* The proliferation of information and communication technology has contributed to a knowledge society where workers are privy to real-time information, increasing their efficiency and effectiveness at work [34]. The communication landscape has been revolutionized as electronic mail (e-mail) is the primary form of communication among organizational members. Through computer-aided networks, management functions and practices have also been altered as managers can easily communicate with subordinates without having face-to-face group meetings.

► Example

For instance, organizations can subscribe to online platforms such as Google, Facebook's Workplace, and Zoom. Information can be quickly disseminated to all employees via mass emails where everyone is informed and policies can be easily accessible via intranets, such as Oracle. ◀

- *Data collection, analysis, evaluation, and feedback processes:* The technological advancements in digital analytics and software are changing the way in which data is collected and used. For instance, when collecting primary data, surveys can be administered via the internet and intranet to external and internal stakeholders, eliminating the need for physical paper-based distribution. This has enhanced the data collection and analysis techniques available to OD practitioners for diagnosis and gathering feedback throughout the OD process. In addition, feedback reports are more easily generated and shared with the relevant individuals to initiate change processes.

► Example

For instance, technology enables the analysis of large amounts of quantitative and qualitative data with specialized software, such as, the Statistical Package for Social Sciences (SPSS), Stata, R Studio, and Nvivo. ◀

- *HR processes:* Companies are relying heavily on the internet and networks to attract, develop, and maintain an effective workforce. For instance, the internet is a medium to recruit personnel by advertising job vacancies online, increasing their market reach. When individuals are selected to join the organization, orientation sessions include videos and online databases to access job-related information. Training can be facilitated online using e-learning modules and a blended learning format, from any location. Performance management tools are available online where the systems allow for the analysis of data from performance evaluations, compare goals with performance, easily deploy performance reviews, and used to identify training and developmental needs.
- *Culture Change:* When introduced into the workplace, employees were required to learn how to use the hardware and software. If employees want to remain relevant, they must constantly engage in continuous learning to enhance their skills. This has created a learning culture within organizations. Further, with greater levels of uncertainty, organic cultures have emerged for companies to remain competitive.

- *Overall OD interventions:* The need for OD is increasing in significance as disruptive changes are constantly occurring in the way business operate. The internet is being used in the four areas of OD interventions, that is human process, HR management, technostuctural, and strategic. Through the internet, companies can access a wide variety of tools to include when designing and implementing interventions. These internet-based tools are becoming a necessary component used by OD practitioners which are being customized to serve the needs of the organization. For instance, in human process interventions, the internet provides tools for communication, and collaboration; in HR management interventions, the internet provides performance management system tools that align individual goals with the overall goals of the organization, process performance appraisals, and generate reports [35].

19.2.4 The Global Economy and OD Practice

The *global economy* can be described as all the economies of the world integrated into a single unit.

Global economy: The Global Economy refers to the international exchange of goods and services across the world.

This concept describes the interdependence of countries, creating a boundaryless world. The economic activities between countries are considered intertwined which can positively and negatively affect the economies of individual countries.

There are three key aspects of globalization:

- The interconnectedness of regional economies by trading goods and services, moving capital and technological knowledge.
- Market integration: the open access to worldwide markets is driving global market integration. Through market integration, the separate markets for the same product become a single market.
- Emergence of international institutions to regulate these economic exchanges across country borders. To maintain and ensure a healthy and a fair-trading system for countries trading internationally, three major economic institutions were formed, that is, the World Trade Organization, the World Bank, and the International Monetary Fund.

For instance, free trade areas permit international trade without tariffs and restrictions on goods.

► Example

One example is the Pacific Alliance. The Pacific Alliance was formed in 2011 between Chile, Colombia, Mexico, and Peru. As of 2019, the Pacific Alliance has a combined population of 225 million, per capita GDP of US\$18,921,000 and accounts for 38% of the region's foreign direct investment [36]. ◀

The initial steps toward globalization from an economic perspective, referred to as economic globalization, have fuelled real price decreases in many consumer products, provided employment for people in less-developed nations, and driven revenue growth in a variety of industries through economic connectivity. More and more companies are operating at an international level with growing scale of cross-border trade of commodities and services, the rapid spread of technologies and the flow of international capital. Foreign countries can provide business with large customer markets and cheaper access to resources. Trade agreements among countries are also facilitating international trade.

At the same time, however, in the twenty-first century, global recessionary and competitive pressures have created a context for OD characterized by the following:

- Downsizing and restructuring to cut costs: The competitive landscape has evolved to a global level necessitating organization to engage in downsizing and restructuring activities to maintain their competitiveness.
- Collaboration, partnerships, and alliances to survive and grow: This strategy is being adopted by more and more organizations to enter new product markets, new countries, and expand operations on a global scale.
- Cross-border and cross-cultural organizational arrangements: Organizational structures are evolving to organize work according to the cross-border operations. Multinational and global organizations organize their structures according to regional divisions and subdivisions. Each regional division is responsible for the decision-making and its operations.
- A Global Workforce: As organizations operate globally, their workers will be citizens of different countries. When operating away from the parent country, the company must decide on whether they will hire parent-country nationals, the host-country nationals, or third-country nationals. Therefore, a global organization requires a transnational HRM system that features decision-making from a global perspective, managers from various countries, and a variety of ideas and perspectives contributed by people from many cultures.

19.3 Challenges in OD in the Context of OD Trends

19.3.1 Achieving Balance

One of the key challenges for OD practitioners and organizational members engaged in the process of OD, in the context of current and emerging trends, is the need to balance flexibility and speed with critical thinking and involvement. As organizations continue to engage in change initiatives, they need to be aware of the implications of too much change occurring at the same time. Organizations should seek to achieve the optimal balance between their internal and external focus. If an organization is externally focused, then the change interventions that are implemented are reactive in nature and may not be considered OD. OD is planned change where the organizations is proactive in addressing issues and exploring opportunities for growth and development; therefore, there needs to be an internal focus as well. Organizations need to be one step ahead of the game by making necessary strategic decisions to sustain performance and their competitive advantage.

19.3.2 Cultural Clashes and Conflict

19.3.2.1 Within-Organizational Clashes and Cross-Organizational Clashes

When organizations engage in mergers and acquisitions, there is the increased likelihood for *within-organization clashes*. *Cross-organizational clashes* can also occur when organizations enter into strategic partnerships.

Within-organizational clashes: Within-organizational clashes describe diversity challenges within any one organization among employees.

Cross-organizational clashes: Cross-organizational clashes describe diversity challenges between organizations who may be engaged in some collaborative partnership.

The differences in processes, practices, organizational cultures, work ethic, and general way of organizational functioning may cause conflict. Workers become frustrated and affect the productivity of the organization as well as the well-being of employees. For instance, employees from the acquired organi-

zation may feel threatened and uncertain of their future as job cuts may arise. When there is a merger, such clashes may also occur as both organizations cease to exist and a new organization is formed. If not managed, employees may be more resistant in adopting the new practices and expectations.

► Example

In August 2005, Sprint acquired a majority stake in Nextel Communications in a US\$35 billion stock purchase. Soon after, because of culture differences and incompatibility, many Nextel executives and mid-managers resigned. Sprint was a traditional bureaucratic organization with a poor customer service reputation with the highest churn rate in the communication industry. On the other hand, Nextel was an entrepreneurial organization with a great customer service reputation. Here, cultural clashes hindered a smooth integration [37]. ◀

19.3.2.2 National Culture Differences

National culture: National culture describes the norms, values, behaviours, beliefs, and customs that exist within a particular country market.

Researchers have acknowledged that applying OD in different countries requires a ‘context-based’ approach to planned change, which presents a challenge within OD practice as organizations respond to the trend of the need to collaborate with other organizations across national boundaries as well. Driven by competitive pressures, lowered trade barriers, and advances in information technologies, the number of companies offering products and services in multiple countries is increasing rapidly. The organizational growth and complexity associated with managing worldwide operations is challenging. Executives must choose appropriate strategic orientations for operating across cultures and geographical locations and under diverse governmental and environmental requirements. They must be able to adapt corporate policies and procedures to a range of local conditions. Moreover, the tasks of controlling and coordinating operations in different nations place heavy demands on information and control systems and on managerial skills and knowledge.

In response, OD practitioners encounter the challenge of fitting the change process to the organization’s cultural context. Indeed, the organization’s culture is influenced by the values held by members in the particular country or region. These beliefs inform people about behaviours that 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.

There is a growing body of knowledge about cultural diversity and its effect on organizational and management practices. National culture frameworks such as *Hofstede's Cultural Framework* [38] and the Global Leadership and Organizational Behavior Effectiveness (GLOBE) Project enable organizations to gain an understanding of how values in the workplace are influenced by culture and variations in national cultures across different dimensions.

Hofstede's Cultural Framework: Hofstede's Cultural Framework describes a theoretical model proposed by Geert Hofstede to understand national culture differences across different country markets.

This in turn assists with the development of policies, practices, and interventions that are tailored to the national values, concepts, and beliefs of citizens of a country. As companies continue to expand their operations, they must consider their staffing options, that is, hire persons from their home country, the host country, or a third country. In designing, developing, and implementing interventions, OD practitioners must be culturally sensitive to the variations among the employees to whom the intervention is directed.

► Example

For instance, in comparing the Hofstede's cultural dimensions for two islands in the Caribbean, Trinidad and Tobago and Jamaica, for the dimension of uncertainty avoidance there were notable differences. According to the report, Jamaica scores 13 on this dimension and thus has a low preference for avoiding uncertainty. Low uncertainty avoidance societies maintain a more relaxed attitude in which practice counts more than principles and deviance from the norm is more easily tolerated. In societies exhibiting low uncertainty avoidance, people believe there should be no more rules than are necessary, and if they are ambiguous or do not work, they should be abandoned or changed. Schedules are flexible, hard work is undertaken when necessary but not for its own sake, precision and punctuality do not come naturally, innovation is not seen as threatening. Trinidad and Tobago scores an intermediate score of 55 on this dimension. Therefore, persons more threatened by ambiguous or unknown situations [39]. Employed nationals of Jamaica would be more open to change initiatives than nationals employed in Trinidad and Tobago. ◀

Indeed, OD practitioners should possess some degree of cultural intelligence where they are able to exhibit behaviours in line with the internal attitudes, beliefs, and values of others.

19.3.3 Move Towards the Digital Organization

Digital transformation has radically changed the world as the digital wave has infiltrated most sectors on a global scale. As companies continue to embrace digital transformation, it is beyond purchasing the most up-to-date technology. Companies that fail to adapt struggle to survive. A key lever to be successful requires a systematic, comprehensive approach to change management. This must be coupled with changes to the culture and organizational systems. Prior to undertaking a digital transformation, organizations need to assess the business and informational technology readiness. Organizational leaders must be committed to the digital vision and at all levels must have the technical, functional, and leadership capabilities to operate a digital organization. Organizations need to determine the optimal business model that allows for agility, a redefined structure, the talent and skillset required, and the accompanying changes in cultural mind-sets. Further, with the Fourth Industrial Revolution, there is the concern that inequalities in institutional systems may grow. The rise of artificial intelligence places a risk on current jobs of low-skilled, uneducated workers, and the high-end but increasingly critical technology is currently only accessible to those who can afford it. Indeed, OD practitioners must enhance their competencies to design and implement interventions to assist organizations as they face the digital reality for them to capitalize on this digitalization wave.

► Example

For example, in the financial sector, brick-and-mortar institutions are quickly becoming obsolete with a preference for online and mobile banking options. Banks that are able to digitally transform to remain relevant will be better prepared to gain a competitive edge in the digital wave. Findings from Deloitte's global digital banking survey of 17,100 customers across 17 countries on their digital banking behaviors and channel usage suggest that banks should continue to invest in making online banking a high-quality customer experience as it remains a key channel of customer interactions [40]. ◀

19.4 Caribbean/Latin American OD Environment

The Caribbean and Latin America have grown substantially with globalization. Multinational, international, and global organizations recognize the growth potential of this region with a population of approximately 650 million, accounting for

8.42% of the world population. The unique history of countries throughout the region has shaped the deep-rooted national cultures and organizational cultures. To aid in their development and economic advancements, countries offer lucrative incentives for foreign companies to set up operations. The aim is to promote economic growth, increase foreign direct investment, and transfer knowledge and skills to the local workforce.

► Example

In Latin America, McDonald's was recognized by Great Place to Work in 2011 as one of the best companies to work for in Argentina, Brazil, Colombia, Mexico, Peru, Uruguay, Venezuela, Panama, and Costa Rica. This result in Latin America contributed to McDonald's being highlighted as one of the top ten multinational companies to work in the world—as first announced in 2011, after surveys with more than 2.5 million employees in 5500 companies worldwide [41]. ◀

From an OD perspective, there are several emerging trends:

- *Highly skilled workforce:* Countries are recognizing the importance of investing in its citizens to produce a higher-quality labour supply. While some countries are more economically advanced than others, various countries are offering incentives to students to pursue tertiary education at a reduced cost and, in some instances, free of charge. Programmes in the area of management studies are incorporating components of OD into their curriculum. Therefore, as students graduate, they are more knowledgeable in OD practices and are transferring their knowledge and skills to the workplace. This is changing the landscape of business operations as employees are more open to change initiatives being undertaken and recognizing its importance.
- *Workforce Diversity:* The region has seen an increase in women entering the workforce. Previously, women were predominantly homemakers; however, this is quickly changing. Women are moving up the corporate ladder, breaking the glass ceiling, and holding top positions in companies. Countries and companies are being challenged to address issues such as sexual harassment claims, and discrimination based on gender, and the differently abled. Additionally, work–life balance initiatives are also being advanced as dual-income homes are requiring organizations to adopt innovative strategies to meet the needs of workers. Therefore, culture change interventions are becoming necessary to transform organizational cultures that promote equality for all.

► Example

For instance, the Bank of America's Global Ambassadors Program in Mexico sought to build an international community of social and business leaders to strengthen women's economic

empowerment. The mentoring program and training received engaged participants in strengthening their understanding of best practices and factors that can empower women. The one-on-one mentoring paired women business leaders from Latin America with senior women executives serving as global ambassadors. In Brazil, this programme created a 'Business Women's Network' for women business leaders to women entrepreneurs where they are able to share their business leadership experiences in a structured forum [42]. ◀

- *Mergers, acquisitions, and partnerships:* Companies are increasing their market share by engaging in strategic change initiatives. As they seek to expand their operations, companies are venturing into mergers and acquisitions to expand their operations. There have been both intra-regional and interregional mergers and acquisitions.

► Example

For instance, Latin America merger and acquisition deal in-flow totalled 1621 deals worth US\$95.7 billion between January 1, 2015, and April 25, 2016. Majority of M&A deals in Latin America during 2016 were intra-regional in industries such as financial services, consumer business, and energy and resources attracted many large investments in the region. The US market was the second largest investor during 2015–2016 in merger and acquisition activities [43]. ◀

- *Organizational restructuring:* Companies are recognizing the importance of revisiting their business model to revitalize its overall business and increase competitiveness. Multinational and international firms that set up operations throughout these regions are also shaping the business landscapes through foreign direct investments. When such organizations are engaging in transformational change initiatives, this can result in them discontinuing or shifting their operations to other locations. Further, companies are engaging in downsizing initiatives to rightsize its organization. As companies in the Caribbean basin and Latin America continue to grow, internal and external factors are driving such restructuring initiatives.

Indeed, within the region, to aid in their development and economic advancements, Caribbean and Latin American countries offer incentives for foreign companies to set up operations. Accordingly, in addition to the unique aspects of this environment, global OD trends have also impacted on its OD practice.

19.5 Conclusion

This chapter examined the key emerging trends within the global OD environment. Trends within the Caribbean/Latin American OD environment were also introduced. Indeed, such trends shape organizational practice, and organizations must also be responsive to what is happening in its environment. Indisputably, the most effective organizational interventions recognize the importance of being responsive to its larger environment and its trends that shape and impact OD practice.

■ Exercises

Student Resources

■ Chapter Outline

- I. Global OD Trends
 - A. Importance of Identifying Trends in OD
 - B. Key Global OD Trends
- II. Key Trends in OD:
 - A. The Changing Nature of Work in the Workplace
 - B. The Changing Nature of the Workforce
 - C. Evolving Technology and OD
 - D. The Global Economy and OD Practice
- III. Key Challenge in OD in the Context of OD Trends: Achieving Balance
- IV. Other Challenges in the Context of OD Trends
 - A. Cultural Clashes and Conflict
 - Within-Organizational Clashes and Cross-Organizational Clashes
 - National Cultural Differences
- V. Caribbean/Latin American OD Environment

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The Future of OD

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Learning Objectives

At the end of this chapter, readers should be able to:

1. Describe the linkages between the current trends in OD and the future practice within the field.
2. Critically assess the key characteristics of the field and practice of OD expected in the future.
3. Evaluate the role of and the competencies required by OD practitioners for the future.

20.1 Introduction

20.1.1 The Future of OD

» OD as a field has a bright future... The point is that OD, or whatever it may be labelled in the distant future, is here to stay. (Warner Burke [1])

The field of OD continues to grow, develop, and evolve. New methods and interventions are being applied, more complex and rigorous research is being conducted, and organizations from more diverse countries and cultures are becoming involved. Because so much change has occurred in a relatively brief period, predicting the future of OD is risky if not foolhardy. On the other hand, the field is also maturing, and it is necessary to explore the forces influencing how OD is likely to evolve in order to assess the future of the field. As organizations engage in restructuring, and flattening their organizational structures to meet market demands, leading organizations envision continuous never-ending change to the way they operate and function. Given the trends discussed in Chap. 19, the immediate *future of OD practice* may depend largely on the organizational, workforce, technology, and economic trends as change is a constant phenomenon. While researchers and practitioners alike understands this, without a fundamental shift in the values of organizational members to a mindset of continuous change and the cognitive ability to adapt, changing structures, processes, and systems would not reap the intended benefits. Successful organizations are seeking new and innovative approaches to adapt to change by being ‘proactive’ rather than ‘reactive’ [2]. Therefore, OD presents the technology to achieve this ‘proactive’ orientation. In addition to the impact of trends on the future of OD, the field and practice is expected to be defined by the following characteristics:

1. More virtual/digital organizational designs/structures
2. More advanced data analytics
3. More emphasis on talent management and knowledge management

4. More cross-cultural and cross-border OD philosophies and practices
5. The development of OD approaches beyond the typical 'large-firm context'

As the field and practice of OD continue to evolve over time into a future defined by virtual designs, digital organizations, advanced data analytics, a talent management perspective, cross-cultural/border philosophies and practices, and the expansion of OD into non-typical organizational contexts, organizations must be able to respond to such an expected future. In mounting a response, the following question also becomes relevant:

What is the role of the OD practitioner in the field and practice of OD in such an expected future?

Exploring the answer to such a question becomes relevant in the future of the field. After all, the role of the OD practitioner has been noted as a key driving force within the OD process (See 'Role of the OD Practitioner' in Chap. 5). As such, exploring its role, if any, in the future of OD cannot be ignored.

20.2 Potential Impact of Current Trends on the Future of OD

The current OD trends discussed in Chap. 19, the changing nature of work, the changing nature of the workforce, technology, and economic trends, can indisputably impact the future of the field, in a direct way and in indirect ways as well. Shifting trends are occurring in the organization's external and internal environments, necessitating organizations to be proactive rather than reactive. Rigid and bureaucratic structures are hindering organizations from changing to match the shifting trends occurring around them and being able to make real-time decisions. So too, OD is an ongoing process where the end of one change process leads to another process in the never-ending cycle of development. Organizations are experiencing change at an unprecedented rate where organizations need to act today in anticipation of tomorrow.

20.2.1 Potential Impact of Work Trends

As the nature of work continues to evolve, it is expected that the boundaries of work, work structures, and organizations will become increasingly blurred, and continuous change will become a fact of organizational life. In such a context, the field of future OD must become one that is much more proactive and much more *fluid*. The extent to which the field develops in such a context depends upon the need to recognize that plan-

ning approaches must be reconceptualized entirely with continuous change. The following question must then be answered within the field: What planning approaches, if any, will now be effective? After all, the fundamental definition of OD recognizes the role of *planned* change approaches. This will therefore be an important question to be answered within the field and practice of future OD; How will planning approaches need to evolve in the future as the nature of work changes?

20.2.2 Potential Impact of Workforce Trends

As the nature of the workforce also continues to evolve, workforce diversity is expected to continue as one of the most powerful features driving the workforce of the future. As globalization and cross-cultural business integration continue, the workforce is becoming more knowledgeable and skilled, with greater diversity and inclusion. In such a context, human resource and process interventions are expected to gain momentum within organizations along with organizational strategic interventions in particular. Extensions within these change plans are expected to address the dynamics of diversity. For instance, as new areas emerge the relevance of technostuctural interventions such as OD practitioners engaging in continuous change interventions are becoming necessary as organizations operate at an international, multinational, and global scale. Promoting equality for all organizational members requires continuing cycles of interventions to change attitudes and perceptions.

20.2.3 Potential Impact of Technology Trends

Technological advancements are undoubtedly expected to continue its impact on the organization in a number of ways as highlighted in Chap. 19. As it relates to the future of OD, however, the continuing development of technology with internet portals, wireless networks, video-conferencing, virtual communication tools, and the continuing evolution of ‘the internet of things’ will no doubt influence how OD practitioners communicate with, develop, and motivate organizational members, facilitate teams, and manage overall future change. Collaboration and productivity applications abound with technological development, thereby giving organizations a slew of options for managing activities. OD experts can even use such applications to help implement and guide change in their organizations. For example, team collaboration apps can be useful for communicating and enacting both organization-wide and subsystem changes quickly. These applications can even be used to collect data on overall progress towards change goals—such as incremental improvements in productivity or the percentage of employees who have completed a specific online training course.

20.2.4 Potential Impact of Economic Trends

Globalization of the world's economy is expected to create an even wider gap between regional winners and losers than exists today, markets are expected to be characterized by chronic volatility and a widening economic divide, thereby deepening economic stagnation, political instability, and cultural alienation. In such a wider economic environment, the implications for future OD and the relevance of the field are expected to be far-reaching. The role of techno-structural and strategic interventions is expected to be most important and the introduction of change plans that spin-off from the philosophies of such interventions may very well gain momentum. As organizations continue to delay their operations, restructuring coupled with downsizing and reengineering interventions are becoming key strategic approaches to adapting to the shifts in the external environment. Furthermore, forward thinking organizations will seek opportunities to diversify their portfolio through mergers and acquisitions to increase their market share, enter new markets, and benefit from economies of scale and scope.

► Example

According to the Institute of Mergers, Acquisitions and Alliances, worldwide there has been over 43,745 mergers and acquisitions from 2006 to 2018. The United States of America is currently experiencing its 7th wave of mergers and acquisitions from 2012 to the present. In 2017, there were 15, 100 merger and acquisition deals, reflecting a 12% increase from 2016. This upward trend is projected to continue. In Latin America, Brazil saw a drastic increase from 2006 with 8227 M&As over the period to 2018. Between 2006 and 2018, Chile recorded an upward trend as well with 2277 and Colombia with 1677 over the same period [3]. Therefore, OD interventions will be a vital component in facilitating these techno-structural changes. ◀

20.3 Key Characteristics of the Future of OD within a Changing Business Environment

The following characteristics were identified earlier in the Introduction as key characteristics shaping the future of OD:

- More Virtual/Digital Organizational Designs/Structures
- More Advanced Data Analytics
- More Emphasis on Talent Management and Knowledge Management
- More Cross-Cultural and Cross-Border OD philosophies and practices
- The Development of OD approaches beyond the typical 'large-firm context'.

Each of these characteristics are explored in the discussion below.

20.3.1 More Digital-First/Virtual Organizational Designs/Structures

With organizations oriented towards becoming digital-first, many are focused on implementing digital technologies rather than creating a holistic digital organization. A comprehensive organizational strategy should be aligned with changing the processes, people, and structure to create an optimal digital organization. In the digital world, to maximize performance, organizations are transforming into digital-first organizations. They are rethinking their business model, leadership, processes, and culture as it requires a fundamental shift in the way businesses operate. A *Digital Model* of organizations can be described as a shift in focus away from a more mechanistic way of doing business by changing the culture and organizational structure to align with a digital strategic approach. Digital approaches also rely on the use of technological advancement.

As technology becomes increasingly integrated into our lives, the need for agility and speed in the way businesses respond to information demands that they adopt a digital mind-set and set of processes. A digital model involves integrating digital technology across all of one's existing processes (e.g., people, culture, and structure) as well as building new capabilities and infrastructure which have never existed before in their business models [4]. OD practitioners need to continue to embrace systems thinking and digital technologies. This means building new capabilities and skills in the digital marketplace by translating traditional interventions where possible into this new medium. As companies move to platform models, approaches such as Total Quality Management becomes less relevant. There is a fundamental shift in the way people work, the organization's level of customer involvement, and the way the organization presents itself to the external environment. Interestingly, Burke (2018) notes that as this digital transformation rapidly evolves into the future, the digital model is again forcing organizations to think and operate at the *systems level* [5]. This philosophy of thought is aligned to the essence of systems thinking philosophy, upon which the field and practice of OD is grounded.

The *Virtual Organization* can be described as a flexible network of independent entities linked by telecommunication, internet and computing technologies to share skills, knowledge and access to expertise in non-traditional ways. It is a form of cooperation involving companies, institutions and/or individuals delivering a product or service on the basis of a common business understanding, as there is a network, not an office [6].

Virtual organization: A virtual organization can be described as a network of entities linked by telecommunication, internet and computing technologies to share skills, knowledge and access to expertise.

The future of organizations is heading towards the use of more *virtual organizational designs* or structures in offering their goods and services.

Virtual Organizational Design: A virtual organizational design refers to the use of internet technologies to link work units, divisions, departments, positions and/or employees to facilitate work functions, processes and communication within geographically dispersed areas, both within and across countries globally.

For instance, companies are developing *portals*, a type of web-based platform what combines information from different sources that the user can access. These are expanding across industries such as banking and insurance portals, patient portals, government portals, student and faculty portals, and intranets, extranets, and employee portals [7].

► Example

In 2011, Volkswagen Group France, a subsidiary of Volkswagen AG, decided to overhaul their intranet and extranet to improve employee satisfaction and satisfaction. The new portals support existing applications and provide new needed features. Volkswagen's intranet portal supports five sites for each of the Group's brands and provides various internal services, document access, internal news, and a vehicle repository. The extranet portal supports a network of dealerships and repairers, managing applications and documents for day-to-day business and information access [8]. ◀

Virtual organizations can be distinguished by two forms: (i) geographic dispersion (i.e., individuals, groups, departments, or whole businesses) and (ii) engineering, specifically product engineering and process engineering, that is, electronic linkages of product and production processes [9, 10]. Information technology advances require learning organizations to keep up with the changes taking place in the field and revising their approaches accordingly. This need for continuous improvement is a driver for future OD efforts. There are various benefits and challenges of virtual organizations.

20.3.1.1 Advantages of a Digital-First Design

- *Reduced Overhead Costs:* The virtual world eliminates and reduces the need for the traditional ‘brick and mortar’ business building and office space, significantly decreasing the cost factor for virtual organizations.

► Example

Scopic Software is the world’s largest totally virtual organization with a 230 team of designers, developers, engineers and project managers in over 30 countries worldwide. They specialize in quality, economical custom solutions for web, mobile, and desktop and are dedicated to building unique applications for their clients [11]. Other companies have taken advantage of this opportunity as well. Aetna, an American healthcare company, was able to shed 2.7 million square feet of office space and save US\$78 million due to a shift towards virtual teams and remote work. American Express, an American multinational financial services corporation, also enjoyed lower overhead costs to the tune of nearly US\$15 million thanks to a focus on hiring remote workers. ◀

- *Improved Employee Satisfaction, Productivity, and Retention:* Working from home boosts employee productivity and satisfaction, while reducing turnover rates. Remote employees get more work done without the transactions of the office, for instance the time used for commuting is put to productive use. Employees that are happier in their work are more likely to stick around. With competitive salaries, remote workers are less likely to leave their jobs.

► Example

An experiment conducted at Ctrip, a Chinese travel website, allowed half of their staff to volunteer for remote work. The results revealed that the stay-at-home employees were happier, more productive, and less likely to quit, when compared to their office counterparts. The data collected from this experiment was used to convince sceptical managers of the benefits to be derived from remote work [12]. ◀

- *Improved Scalability and Growth Potential:* By reducing or eliminating the overhead costs of maintaining an office space, furniture, and fewer investments in supplies, companies can alternatively invest the capital to improve their scalability and growth potential. Remote teams are simply more agile.
- *Access to a Wider Talent Pool:* Companies are no longer confined to limiting their staffing needs to a defined geographical area. They are able to advertise positions internationally and hire persons with the knowledge,

skills, and abilities that they want. Therefore, organizations can be selective in their choices and hire the very best in the field.

► Example

For example, Appen is a speech and technology service company headquartered in Australia. Their human resources and recruiting teams identify talent from around the globe for both full-time and independent contractor roles. Workers can work from anywhere with flexible roles depending on the project [13, 14]. ◀

- *Market Opportunities:* Virtual organizations can be motivated by specific market opportunities that have value potential through partnerships and strategic alliances. These new market opportunities allow for synergy. Upon completion of a project, the virtual organization can easily move on to another partnership. Further, companies have access to product markets beyond their industry potential as they have greater networking opportunities.

20.3.1.2 Challenges of a Digital-First Design

- *Difficulties Instituting a Company Culture:* Within the workplace, the organization's culture is shaped by surface-level and deep-level aspects. The rooted values, beliefs, and principles that are guides and are passed on through the attitudes and behaviours of organizational members are more challenging to communicate. The reduced face-to-face interaction and remote work can lead to a fragmented organization. Once institutionalized, culture change is difficult.
- *Lack of Camaraderie:* Remote workers rarely speak face to face. While companies utilize video chat options, the camaraderie that is achieved from face-to-face interaction is not fully realized. The office environment creates an atmosphere of trust, interconnectedness, direct communication, and impromptu conversations. Virtual organizations lessen the benefits of informal groups and learning about team members beyond the work environment. Therefore, organizations with remote teams must engage in trust management and enhancing team cohesiveness.
- *A Need for Increased Focus on Communication:* Establishing a communication network is a key driver in virtual organizations. Since members of the virtual team are limited to the virtual platform to interact, they must be provided with the tools and policies to guide their online interactions. The organization should brief individuals on the protocols to communicate and the various mediums through which this process is facilitated.

► Example

For instance, Google Workspace and Slack are becoming very common tools used by virtual organizations to get work done. This increases the possibility of workplace cyberbullying and organizations actively monitoring their networks for these adverse behaviours. Therefore, communication plays a key role in the success of virtual organizations. ◀

- *Security Management Issues:* All organizational members working in virtual organizations are responsible for the security of the data as they must protect the system against damage, threats, and risk. Security management should guarantee protection in the legal, technical, and organizational aspects of a virtual organization. The goal is to ensure data safety and integrity as working remotely means passing a lot of data back and forth. In some industries, for instance health, and finance, it may be risky to use a virtual organizational design.

20.3.2 More Advanced Data Analytics

The use of computing as a utility has been gaining prominence since the 1990s. *Data Analytics* can be described as the process of examining information from data sets to draw conclusion using specialized software and systems.

Data Analytics: Data analytics describe the processing of data sets with the aid of specialized software and systems to produce meaningful information.

It is used by researchers and scientists to test hypotheses and scientific models. Data analytics techniques and approaches are used for an assortment of applications, for instance online analytical processing, advanced analytics. This is also used by businesses to make more informed decisions, referred to as business analytics [15].

Cloud computing environments are changing the landscape in storing and processing large amounts of data. As organizations move towards more virtual designs and digital models in the future, such newer types of organizational forms are automatically producing large volumes of data. While the use of data is nothing new in organizations, the expectations for how data is harnessed and used is changing dramatically. Advanced analytics provides intelligence to improve real-time decision-making by discovering greater insights and making recommendations.

In fact, the combination of the digital transformation and the need to generate insights from the massive amounts of data being generated comes together in the '*Big Data phenomena*' [16, 17]. This is where the science of analytics meets business strategy, statistical modelling, and workforce planning.

Big data phenomenon: The 'Big Data' phenomenon describes the combination of the digital transformation and the need to analyse massive amounts of data being generated in today's organizational context.

While organizational reliance on data within the OD process is nothing new, what is in fact new is the sheer volume, variety, veracity, and velocity of the data available to mine, and the resulting technology infrastructure and capabilities required to appropriately model and leverage it into meaningful insights.

► Example

According to a study conducted by MIT Sloan Management Review in partnership with IBM Institute for Business Value with 3000 executives, managers, and analysts working across more than 30 industries and 100 countries, top-performing organizations use analytics five times more than low performers where analytics have been equated with value [18]. This is requiring a shift from historic trend analysis and forecasting to data visualization, simulations, and scenario development. ◀

There is a critical need on the part of current OD practitioners to be skilled in analysing large amounts of data, find the relevant and actionable insights, and weave them into a compelling story for the organization. Indeed, diagnosis and hence data collection, analysis, and feedback have always been key aspects of the OD process. In the future, however, OD professionals must be professionally skilled in advanced data analytics to remain relevant within the 'big data phenomenon'. They must develop skills at deep analytics and modelling for 'big data applications'. Therefore, practitioners must become research scientists capable of managing 'big data'. The vast majority of OD practitioners today may be poorly equipped to remain current in the Big Data digital world. OD practitioners need to be experienced in developing better ways to collect, incorporate, and act on the analytics. This is an area where OD practitioners need to step up their game now, as well as ensure professional doctoral and masters programmes in the field lay the appropriate groundwork for future entrants before it is too late.

20.3.3 More Emphasis on Talent Management

The field and practice of OD has deep roots traditionally in the development and growth of individuals, groups, and organizations. It is expected in the future, however, that organizations will increasingly shift towards *talent management* beyond a subsystem perspective (part of the system) to a systems perspective (the entire organization) [19].

Talent management: Talent management describes the process of understanding the human capital needs of an organization and planning to support or meet those needs.

Strategic talent management refers to the job analysis activities to identify the key positions that contribute to the firm's competitive advantage, to devise strategies to attract this high-potential and high-performing talent pool and to maintain the acquired talent to ensure commitment to the organization [20]. Four approaches to talent management include the following: (i) talent management is an investment where some positions are better to be filled from outside the organization; (ii) shorter development programmes and developing an organization-wide talent pool allow companies flexibility to deal with uncertainty in talent demands and adapt accordingly; (iii) realize the return on investment from developing talent by having employees complete voluntary stretch assignments; (iv) ongoing development opportunities to deter talented employees from wanting to leave by engaging employees in satisfying their developmental needs [21]. With talent management approaches being dated, a new alternative paradigm is needed for the highly uncertain contemporary business environment, which is, planning for the entire system. Further, the ability of organizations to manage their knowledge is becoming increasingly crucial.

Knowledge management is the systematic approach to observe, capture, sort, disseminate, and optimize on the knowledge base of the organization.

Knowledge management: Knowledge management describes the process of creating, sharing, and using the knowledge and information of an organization.

It refers to “the deliberate and systematic coordination of an organization's people, technology, processes, and organizational structure in order to add value through reuse and innovation. This coordination is achieved through creating, sharing, and applying knowledge as well as through feeding the valu-

able lessons learned and best practices into corporate memory in order to foster continued organizational learning” [22]. A strategic approach to knowledge management is necessary for organizations to capitalize on their knowledge assets as a source of competitive advantage. In a context characterized by a continuing emphasis on efficiency and a limited organizational resource base, to ensure that limited resources are applied to the ‘right groups’, it is expected that funds and resources will be more directed towards the identification and classification of employees into high-potential and non-high-potential categories for decision-making. OD practitioners therefore need to fully understand the ways in which OD tools can and cannot be used and how to perhaps integrate talent and knowledge management into OD processes. Are there any innovation approaches or interventions that can be developed to address talent management? Or, is it that the focus of talent management is at odds with the goals and core tenets of OD. These are questions that must be answered by OD professional moving into the future.

20.4 More Cross-Cultural and Cross-Border OD Philosophies and Practices

OD has been around since the 1950s and draws from many academic disciplines and fields. As organizations continue to expand cross-culturally and across geographical borders, OD interventions are evolving to remain relevant and aligned to organizational goals of expansion in the wider organizational context. There are four primary value philosophies that govern OD [23]:

1. *A humanistic philosophy*: OD promotes a human orientation as organizations should empower workers to increase its effectiveness.
2. *Democratic principles*: Decision-making and direction setting is broadly delineated where there is wider participation and dialogue.
3. *Client-centered consulting*: Client’s change effort is self-directed with the practitioner serving as a third-party change agent.
4. *An evolving social-ecological systems orientation*: The practice of OD should consider the wider social, environmental, and economic implications where the end should not justify the means.

There continues to be a need for developing innovative extensions to interventions and/or new plans to support such goals. It is not a ‘one-size-fits-all’ as practitioners must adapt their approaches to match the national culture and organizational culture and subcultures as the knowledge, ideas, values, and behaviours of organizational members significantly influence

an intervention's success. Therefore, greater emphasis must be placed on the social system within a broader social, economic, and environmental systems. No longer are organizations limited to recruiting OD practitioners from their home country as they can advertise on a global scale. There are a wider variety of OD practitioners with specialized knowledge, skills, expertise, and experience and are located worldwide. Therefore, OD practitioners must recognize the differences that exist across countries in philosophies, styles, and approaches. The OD philosophies and practices should be flexible to suit the context.

► Example

For instance, in 2018, the Government of Trinidad and Tobago issued a Terms of Reference for the transformation of the Trinidad and Tobago Postal Corporation, a state enterprise. Qualified local and international firms or individuals with postal sector project experience were able to submit their proposal for the consultancy. The consultant must therefore be capable in adjusting interventions at the individual and group levels to successfully implement an organizational-level transformation in the unique cultural setting of Trinidad and Tobago. ◀

There are variations in the emphasis on the application of OD interventions by companies worldwide.

► Example

For instance, the total training expenditure of US firms in 2018 amounted to US\$86.7 billion. Training payroll accounted for US\$47 billion, and outside spending was US\$11 billion. In large companies, the average training expenditure increased from US\$17 million in 2017 to US\$19.7 million in 2018, and medium firms also increased their average expenditure from US\$600,000 to US\$2.1 million [24]. In countries such as Costa Rica, India, China, Ireland, Poland, and Africa, conglomerates are investing and the economics are progressing and evolving from traditional to more experimental approaches. ◀

20.4.1 Development of OD Approaches beyond the Typical 'Large-Firm Context'

OD philosophies, models, and interventions have largely been developed and applied across the '*large-firm*' context. This refers to the traditional for-profit organizations that enjoy economies of scale.

Large-firm context: The 'large-firm' context describes the tendency of research to focus on large organizations, without taking into consideration, micro, small, and medium-sized organization as well and their diverse and often unique situations.

However, there has been the proliferation of other types of organizations, such as small and medium enterprises (SMEs) and not-for profit organizations, which provide avenues for the field of OD to expand and alter interventions to match the needs of such organizations.

The general characteristics of a ‘large-firm’ includes the following:

- A substantial amount of consolidated revenue and profits earned in a financial year;
- A substantial amount of consolidated gross assets;
- A substantial portion of the market share, benefitting from economies of scale and scope;
- A large number of employees.

► Example

For instance, Walmart has approximately 2.3 million employees worldwide, China National Petroleum Corporation has 1.5 million employees, and the United Kingdom’s Compass Group (a food service company) has approximately 527,180 employees [25]. ◀

The characteristics of such large firms contrast to other forms of business like SMEs and not-for-profit organizations.

20.4.1.1 Small and Medium Enterprises (SMEs)

Small and micro enterprises play a major role in the economies of developing countries. The size threshold for defining small and micro enterprises varies by countries and, in some instances, industries.

► Example

In the Caribbean Region, the primary business model is the SME as this is seminal to the economies for job creation, fostering innovation and creativity and promoting economic growth. According to the CARICOM Secretariat, SMEs contribute about 40% to the region’s GDP and some 70% of the jobs, given that the majority of firms in the region can be considered SMEs by global standards. The Central Statistical Office of Trinidad and Tobago defines a small business in Trinidad and Tobago as having a staff complement of between 6 and 25 employees, an asset base of TT\$250,000 to 1.5 million (excluding real estate) and sales of TT\$250,000 to \$5 Million. SMEs in Trinidad and Tobago are estimated at 16,547 as of February 2019 [26]. In Jamaica, there are three categorizations or micro, small and medium enterprises (MSMEs): micro enterprises with a total annual sales of less than or equal to J\$15 million and less than or equal to 5 employees; small enterprise with a total annual sale of greater than J\$15 million and less than or equal to J\$75 million and between 6 and 20 employees; and medium enterprise with total annual sales of greater than J\$75 million and less than J\$425 million and between 21 and 50 employees. MSMEs account for 97.6% of all classified and registered enterprises in Jamaica together with over 412,000 own-account

workers [27]. In Latin America, 99.5% of firms are SMEs, where 9 out of 10 are classified as microenterprises. In this region, SMEs represent 60% of formal productive employment [28]. Therefore, SMEs are one of the main economic drivers in this region which presents OD practitioners with a different business model. ◀

20.4.1.2 Not-for-Profit Organizations

These types of organizations are not profit oriented. The money earned or acquired are through donations and are used in fund the organizations initiatives and to keep it in operation. These organizations, in many cases, are exempted from paying taxes to the government. Their main aim is to provide services that are charitable, educational, and religious in nature where their work advances the social welfare of people and society as a whole. These organizations may also receive grants from governments to fund their operations and are usually registered with the government. The business models of non-profit organizations are constantly evolving in response to external events and the life stages where leaders are engaging in restructuring activities to transform.

► Example

In the United States, according to the National Center for Charitable Statistics, as of 2015 there were 1.56 million registered non-profit organizations, increasing by 10.4% from 2005 [29]. In the England and Wales, there were 167,972 registered non-profit organizations [30]. In India, as of 2012, there were 1.86 million registered societies located in rural areas and 1.31 million located in urban areas with social services, education, and research and culture and recreation being the top three societies registered [31]. ◀

OD interventions at the organizational level should be adjusted to match the need of this non-profit-oriented business model in transforming its revenue mix, capital structure, infrastructure, and programme costs.

20.5 The Role of the OD Practitioner in the Future of OD

OD practitioners have been making inroads with the evolution of the field. Information technology has drastically altered the business landscape, where OD practitioners have also been keeping pace with the trends and adapting their approaches and interventions to align with the contemporary organization and the external environment [2]. The most prominent changing roles are described below:

OD practitioners as ‘situational partners’: The role of the OD practitioner is gravitating away from the title of ‘expert’ to one of a ‘situational partner’. While it has been understood for some time now that the OD practitioner’s role is not to solve the problem of the client but to work with the client to help them help themselves, a philosophy of ‘ignorance is bliss’ should now follow. In novel situations, practitioners should be able to admit to the client when they do not know how to in situations. The practitioner must be able willing to engage in continuous learning.

OD practitioners as ‘tech-savvy pioneers’: OD practitioners should possess skills in using software to transform data into usable information to inform decisions. Also, practitioners should possess simple coding and algorithm skills to develop applications which can be used in OD interventions. In partnership with technologists, practitioners can assist with the implementation of their programmes within organizations by applying OD skills for its successful adaptation and acceptance by organizational members. Therefore, having some background skill and knowledge of the IT field is becoming an asset for practitioners.

OD practitioners as ‘an independent worker’: For OD to remain independent, practitioners should ensure that OD and HRM remain independent functions within organizations. As the *integrative* approach proposed by Burke suggests, OD and change are integrated into all aspects of HR [32]. However, there has been an upsurge in the blurring of boundaries of these two fields. OD practitioners need to remain independent in their function rather than a supporter of the status quo and becoming enveloped in the organizational hierarchy. Therefore, the *strategy* approach proposes directly reporting to the CEO or top executives where OD is an essential part of the strategic planning function.

OD practitioners as ‘a waiter/waitress’: Mass customization of interventions enable OD practitioner to provide options for employees within a certain set of boundaries [33]. This approach would increase employee involvement throughout the process and devising interventions where they are able to choose among the alternatives the options that best match their individual job position and requirements. There needs to be a shift away from standardization to one of customization.

Indeed, the role of the OD practitioner must change with the future. OD practitioners must be well equipped with the competencies, skills, and expertise to navigate through its future.

20.6 Conclusion

This chapter acknowledged that OD is indeed an evolving field. The future of the field and practice of OD will indisputably be affected by current and newer emerging trends. As OD evolves into the future, organizations and OD practitioners must adapt to the key features of the future. Organizations that fail to do so run the risk of lagging behind. It is therefore imperative that organizations engaged in organizational change embrace the future to respond to its challenges and opportunities.

■ Exercises

Student Resources

■ Chapter Outline

- I. The Future of OD
- II. What Is the Role of the OD Practitioner in the Field and Practice of OD in Such an Expected Future?
 - A. The Potential Impact of Current Trends on the Future of OD
 - B. Potential Impact of Work Trends
 - C. Potential Impact of Workforce Trends
 - D. Potential Impact of Technology Trends
 - E. Potential Impact of Economic Trends
- III. Key Characteristics of the Future of OD within a Change Business Environment
 - A. More Digital/Virtual Organizational Designs/Structures
 - B. More Advanced Data Analytics
 - C. More Emphasis on Talent Management
 - D. More Cross-Cultural and Cross-Border OD philosophies and practices
 - E. Development of OD Approaches beyond the Typical ‘Large-Firm Context’.
- IV. The Role of the OD Practitioner in the Future of OD

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Case Study Teaching and Learning

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Learning Objectives

At the end of this chapter, readers should be able to:

1. Describe the case method approach.
2. Discuss the importance of the case method in teaching and learning OD.
3. Describe the case method approach: useful guidelines and tips for students.

21.1 Introduction

The case study pedagogy is a student-centered teaching strategy that provides students with an informative narrative to make a decision on an issue or solve a problem. Outside of traditional lectures, the case teaching method is the most used approach in management education and development as it initiates insightful learning. This method comprises two key components: the case and the case discussion. The student is able to use the real-world information to analyse, evaluate, synthesize, and formulate possible decision outcomes and judgements using relevant theories and models. The interrelation of theory and practice draws on research-informed action through which there is a balance between theory and practice. The case method is a tool for learning through practical experience as the complex real-world problems allow the student to reach a deeper understanding of theory and connecting the theory to its application. Cases challenge learners to make practical suggestions to issues that they may encounter and allows for active learning. Indeed, the case teaching method has progressed from the practical to the more evidence-based, theoretical, and empirically informed approach to learning.

21.2 The Case Method Approach

Case method pedagogy: a student-centered teaching strategy that provides students with an informative narrative to make a decision on an issue or solve a problem.

The *case method* is “a depiction (in words or video) of a situation, specifically written for development purposes, which exists or existed within an organization. Learners read (or watch on video/film) and analyze what has happened. Subsequently they present, debate, defend, discuss and critique the analysis, with tutors and fellow learners, in a variety of ways, such as interaction in peers, groups or full plenary ses-

sions” [1]. Using the case method, the case study pedagogy is a learning strategy with the goal of developing critical thinking skills of students. The case method comprises two aspects: the case elements and the case discussion.

A *case* is a written description of a situation that is created with a specific objective.

Case: A case is a written description of a situation that is created with a specific objective.

This narrative provides a unique learning experience as it ends before concluding the story where the student is expected to propose possible recommendations and solutions [2]. The case study is “an intensive study of a single unit for the purpose of understanding a larger class of (similar) units” [3]. Here, the unit refers to a bounded phenomenon at one point in time or over a period. Further, the case is a detailed narrative which provides the reader with information but no analysis and through the process of reason and critical analysis, a solution is proposed.

The event is presented to in a descriptive manner with factual information where a decision must be made by the learner. While many cases are based on real-life scenarios, here the learner is required to evaluate the alternatives and decide on the best solution. The problems, issues, or opportunities may not be easily identifiable. The aim is to provide students with situations to make decisions that are similar to real-world situations. The case method of study therefore seeks to facilitate learning by working on business challenges that are faced by real managers, and supervisors in the workplace. Students have an opportunity to propose alternatives and view the problem from different perspectives. Two persons who are presented with the same information will formulate different conclusions. The case approach to learning enables students to understand the need to consider the views of others in making decisions and to apply their theoretical knowledge, and the influence of past experiences in the workplace brings to the table a multitude of possibilities to addressing a problem.

21.2.1 The Case Method in Teaching and Learning

The case method has been considered a successful pedagogy via the problem-solving approach [4]. Through case studies, a type of context-dependent knowledge is produced that enables the student to develop their situational analytic skills. Case study pedagogy applies and incorporates theory to practical

situations, requiring students to engage in critical thinking in arriving at possible solutions.

21.2.1.1 Case Method in Teaching

The case teaching strategy should align with developing and improving the tacit knowledge of students and relating the strategy to the theories that apply to the relevant work setting, that is, designing and implementing OD interventions. Case teachers should also consider the objectives/learning outcomes to be achieved, the context, the learning method and approaches, and the theories/models [5]. The case teacher is able to probe students' responses and guide them in establishing the linkages with the theoretical underpinnings. Further, a circular approach to knowledge generation emerges where students move beyond acquiring subject matter knowledge as they are able to develop skill competencies such as communication: reading, writing, and presenting/responding skills; critical thinking: analysing, problem-solving, interpretation, and evaluation; and functional literacies: information search, learning, and resource use [6]. The case teacher should be able to manage spontaneity as the discussion-based approach of cases may generate discussions beyond the intended cope. Therefore, it is important to 'set the tone' by creating a classroom culture of participation which promotes active learning.

21.2.1.2 Case Method in Learning

This is a method of learning in which the student is able to move beyond theoretical knowledge by using the content and facts of the case study to make assessments. The case study approach develops the competence of students and is a central tenant to learning in the classroom. In developing critical thinking skills, students can develop their active thinking and independent thinking ability as they are able to integrate their previously acquired knowledge from other courses and life experiences. Students are exposed to various viewpoints from fellow colleagues who may make suggestions that the student did not consider. The collaborative and teamwork approach to the case study pedagogy generates more meaningful discussions as students engage with each other, facilitating active learning. In developing students' skill sets, in keeping with Bloom's taxonomy for critical thinking, the case method seeks to enhance the cognitive skill levels from knowledge, comprehension, and application to the more advanced skill levels of analysis, synthesis, and evaluation [7].

21.2.2 The Business Case

The teaching case presents an ambiguous situation with the aim of generating discussion, critical thinking, and generating discussions and may not necessarily have a single outcome. The

business case is a narrative based on a problem or situation based on an organizational setting. There are various types of cases that a student may encounter in the case method learning experiences. Four of the more popular cases include the incident case, the background case, the personal experience case, and the researched case [8]:

- *Decision/Incident Case*: This type of case presents the student with an incident that has occurred. It is in the form of a short paragraph with an aim of asking students what they would do if they are faced with such a situation.
- *Background Case*: This type of case provides descriptive information to the student about the organization. The information is acquired from open access sources, providing the student with a background overview of the situation or problem.
- *Personal Experience Case*: This type of case recounts the personal experience of the writer in a situation and is reflective in nature.
- *Researched Case*: This type of case presents information on the issue or problem using public access information. Students can source additional information surrounding the issue or problem that the organization is facing.

21.2.3 The Case Method and Organizational Development

The field of OD bridges the theoretical and the practical aspects of knowledge and application. Students of OD must understand the *what* and the *how* of applying the OD interventions to real business situations. Therefore, the case method of learning is considered an effective strategy for students to evaluate the information presented in the case and provide recommendations. Since the field of OD is multidisciplinary to some degree, using cases facilitates an integrated approach to learning. Therefore, through the case method, students recognize the knowledge they possess and the applicability to business-specific situations.

Cases can be at the organization level and the individual level. At the individual level, the case may require the student to view the situation from the perspective of the OD practitioner asking: *If you were the OD practitioner, what would you do?* At the organization level, the student is presented with information surrounding an issue or problem, such as *what intervention would you consider most appropriate for this situation and detail the process*, and *what factors should the organization consider when designing and implementing change plans*. The practical nature of OD requires greater focus on the application of knowledge as practitioners continuously encounter dilemmas within organizations where they must analyse the

situation and use the information that is readily available to make decisions. The case method pedagogy provides this experience to students of OD where they are better equipped with the skill set necessary to be effective OD practitioners. ► Chapters 22 and 23 presents various research-based OD cases of companies engaging in techno-structural and strategic interventions at the organization level.

21.3 For Students: How to Approach a Case

The amount of information that is presented in a case can lead to information overload and be overwhelming to students. Cases vary in length and can include quotes, charts, graphs, and tables. The longer the case, the more intimidating it can be for students. Indeed, how students approach a case is important to ensure that the possible alternatives are thoroughly evaluated, and a mutually exclusive decision is made. As with critical analysis, there are two key steps: critical reading and critical writing. In linking the critical reading and writing, the case study questions are used to direct attention to specific aspects of the case to guide discussion. Therefore, the student should identify what is required to answer the case study questions.

There are several general steps to approaching a case. It is important to note that students should be guided by the course syllabus and the requirements outlined by the teacher. In some instances, students may not be required to submit a written response as the case is discussed in class. When the case is for an in-class discussion, students are still required to prepare responses. Further, a participation grade may be assigned.

The following presents general guidelines to approaching a case. While presented in a step-like format, the ordering may vary depending on the specific requirements of the teacher. Therefore, this is a suggested guideline to assist students with the case method of learning.

21.3.1 Step 1: The Short Cycle—Peruse the Case, Followed by the Case Study Questions

Depending on the length of the case, become familiar with the content of the case by perusing the entire case. For a short case, it can be read through quickly. For a longer case, skim the introduction, subheadings, and conclusion. During this step, review illustrations and diagrams, if any. While skimming, identify the areas where the main information is presented.

While reviewing the case, seek to identify the following:

- Who is the decision-maker?
- Is the decision at the individual or the organization level?

- What are the key issues or problems?
- What are the key opportunities or what action should be taken?
- What are the various alternatives?

Next, review the case study questions carefully and analyse the questions to determine what is required to answer them. In many instances, students perceive that this is sufficient to attempt to answer the questions and choose the best alternative. However, there is the need for an in-depth analysis. Having an idea of what the case is about, the student should then move to Step 2.

21.3.2 Step 2: The Long Cycle—Thorough Reading of Case and Identification of the Problem/Issue

This step involves a detailed reading of the case. As you read the case, highlight the key points and issues by underlining, circling, and making notes in the margins. A case study describes a situation with an embedded issue, problem, or opportunity. During this detailed reading, the reader is required to analyse the case by:

- Identifying the key characters;
- Identifying the key issues stemming from the case and the important decisions to be made; and
- In making a successful decision, during the analysis, the reader should identify the quantitative and qualitative information that would inform the decision.

In analysing these areas, the following should be simultaneously reviewed:

— **Apply Theory and Models to Analyse the Problem.**

Apply relevant theories and models to understand the case issues. In case study teaching, one of the primary objectives is to apply theoretical knowledge to practice situations. Therefore, relevant theoretical paradigms, constructs, and empirical findings from the academic literature should be used to analyse and rationalize the alternatives. Make notes of the appropriateness of the approaches utilized. In making the notes, the following guidelines can be used by students:

- Identify the various alternatives that are included and excluded from the case.
- Evaluate the viable alternatives identified by stating the pros and cons of each alternative, being sure to reference and state the relevant theories that support or refute the alternatives. Students are guided by the case study questions and the course to apply appropriate and relevant theories.

- Qualitative and quantitative (if this is included in the case) advantages and disadvantages should be stated for each alternative.

In adopting a structured approach, this thorough assessment of the alternatives enables the student to identify the preferred outcome.

- **Analyse the Data Presented in the Case.**
- **Assess the Internal and External Climate.**

A student must ask the question: How did the situation arise? By asking this question, the student can determine whether the decision is at the individual level or the organization level and identify the reasons for the issues that is being experienced. Various components should be considered, such as the following:

- The internal organizational environment: the subsystems within the organization, the people who comprise the organization, and the resources;
- The external environment: suppliers, customers, other external stakeholders, the general environment, for instance legal/political, economic, physical environment, international.

- **Determine the Intensity of the Impact.**

Identify the relevant stakeholders who will be affected by the decision and determine the intensity of the impact. Remember that stakeholders can be internal and external to the organization.

- **Identify the Opportunities and Constraints to the Situation.**

In analysing the situation, there are always opportunities and constraints which will influence the decision. The student must be able to identify these when proposing alternatives to the situation. For instance, financial constraints are faced by many businesses and directly impact the decisions being made.

- **Review Diagrams, Figures, Models, and Tables.**

Carefully review any additional information that is presented in the form of diagrams, figures, models, and tables. This can provide useful data to inform the decision alternatives and arrive at the outcome or decision.

Following the review, and the evaluation of the alternatives, the preferred outcome is selected.

21.3.3 Step 3: Prepare an Essay Plan

Before attempting to begin writing a response, prepare a plan of the key points. A review of the points should be done to ensure that no questions are omitted. Ensure that the key points for each question is discussed, with supporting theories,

and relevant case examples. The ordering should flow logically. For instance, the following template can be used:

- (i) Question number
- (ii) Key point
- (iii) Supporting theory/model and empirical research
- (iv) Supporting case example, and any other example
- (v) The critical analysis presenting the data supporting or refuting the alternative
- (vi) Final decision: the reason why or why not is discussed. Further supporting academic and practitioner literature can be included.

21.3.4 Step 4: Write Your Response

In structuring a response, there are three key components to include, that is, an introduction, the body paragraphs, and a conclusion.

The introduction: A brief overview of the case should be presented, with the key issues being highlighted. The introduction should end with the student's thesis statement. This will lead the discussion to the body paragraphs.

The body paragraphs: Each point should be critically discussed in separate paragraphs. The points should be supported with reference to the relevant theory and empirical evidence, case example, and quotation. As the decision-maker, the pros and cons of each point should be presented in a coherent manner. The final decision/solution should be clearly stated and based on the preceding critical analysis. The student must remember that there is no right or wrong answer, but rather the aim is to critically evaluate the alternatives and arrive at a solution from his/her perspective.

The conclusion: This should reiterate the points presented in the introduction and the final decision should be restated. Here the final argument is presented based on the preceding explanations of the alternatives.

For maximum effectiveness, it is essential that a student is well prepared for the in-class discussion of the case. Therefore, the student must be briefed on the reason for using the case approach to learning, and the importance of preparing the assigned case.

21.4 Preparing for a Class Discussion

Before the class discussion:

- Use the short cycle process to become familiar with the case.
- Use the long cycle process to analyse the case.

- If a team approach is being utilized for analysing the case, students are assigned to their respective teams where the team would meet and discuss the case. The meeting encourages the sharing of thoughts and ideas with team members who are able to provide feedback. This spurs meaningful discussion where alternative viewpoints are presented and debated before the in-class discussion.
- Responses are written to the case questions.

In the class discussion:

- The teacher begins by prompting individuals with simple questions about the case to begin the discussion.
- As individuals share their views and the discussion progresses, listen carefully and take notes. Pay attention to assumptions and probe further, if/when necessary, to ensure that the assumptions are clearly stated.
- All students should participate in the discussion as their contribution is important. In some instances, the course evaluation is determined by the individual student's contribution and participation in the discussions.

After the class discussion:

1. Review as soon as possible following the session. Note what the key concepts were and how the case fits into the course.
2. Identify the relevant topic areas and the supporting theories which were discussed. By taking the time for this exercise after the class discussion, students are able to revisit their case analysis. This allows for ease in future reference.

■ **Checklist for Students**

- The short cycle
- The long cycle
- Prepare an essay plan
- Write your response
- Prepare for the class discussion
- Actively participate in discussion
- Prepare notes following the class discussion

21.5 Conclusion

This chapter provided students with key guidelines for understanding, appreciating, and tackling case study teaching and learning. The reality of OD practice is best understood through the use of case studies, which illustrates OD in the real world of business. Before exploring ► Chaps. 22 and 23, which presents case studies of OD practice, such guidelines are of utmost importance for students to navigate the subsequent cases.

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Case Studies on Techno-Structural Interventions

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Learning Objectives

At the end of this chapter, readers will be able to:

1. Analyse OD-related issues in organizations.
2. Discuss the appropriateness of techno-structural interventions to situations.
3. Evaluate the application of techno-structural interventions.

22.1 Introduction

This chapter presents five business cases on techno-structural interventions. As you can recall, Techno-structural interventions were discussed in ► Chaps. 12, 13, and 14. Using the case method pedagogy, students can apply their understanding of OD and related interventions to business scenarios. All cases were written for the sole purpose of providing material for class discussion. The authors do not intend to illustrate either efficient or inefficient handling of a managerial situation.

22.1.1 OD in Practice: Ford Motor Company Restructures to Remain Competitive¹

On May 2019, under the leadership of Jim Hackett as chief executive officer, Ford Motor Company [1], announced that, as part of its restructuring initiative, it was cutting approximately 10%, or 7000, jobs from its global salaried workforce. This strategic move will result in an annual saving of US\$600 million² for the company. According to Hackett, “To succeed in our competitive industry, and position Ford to win in a fast-changing future, we must reduce bureaucracy, empower managers, speed decision making, focus on the most valuable work and cut costs”. Since assuming this position in May 2017, Hackett announced plans of restructuring. With much anticipation, this plan is slowly rolling out on a phased basis with the company making announcements of the various initiatives it is undertaking to reorganize and cut costs.

22.1.1.1 About Ford Motor Company³

Ford Motor Company is a global automotive and mobility company. The Company’s business includes designing, manufacturing, marketing, and servicing a full line of Ford cars,

1 This is a research-based case. It was written solely to provide material for class discussion. The authors do not intend to illustrate either efficient or inefficient handling of a managerial situation.

2 Currency amount stated in American dollars.

3 Taken from Ford Motor Company’s Official Website.

trucks, and sport utility vehicles (SUVs), as well as Lincoln luxury vehicles.

The Company operates in four segments:

- The Automotive segment primarily includes the sale of Ford and Lincoln brand vehicles, service parts, and accessories across the world.
- The Financial Services segment primarily includes its vehicle-related financing and leasing activities at Ford Motor Credit Company LLC.
- Ford Smart Mobility LLC is a subsidiary formed to design, build, grow, and invest in emerging mobility services.
- The Central Treasury Operations segment is primarily engaged in decision-making for investments, risk management activities, and providing financing for the Automotive segment.

22.1.1.2 Downsizing

Of the 7000 affected workers, 2300 are from the United States. The company has infused a mix of voluntary buyouts and layoffs, and has frozen open positions. Hackett said it would give those affected by the job cuts a few days to wrap up and say goodbye, emphasizing Ford's position as a family company. This is in keeping with the Ford family tradition and core values as they are the controlling shareholders. Further, the company is offering affected employees career counselling. "Ford is a family company and saying goodbye to colleagues is difficult and emotional," Hackett said in a Monday note to employees explaining the status of the salaried job cuts. "We have moved away from past practices in some regions where team members who were separated had to leave immediately with their belongings, instead giving people the choice to stay for a few days to wrap up and say goodbye."

22.1.1.3 Delaying

Restructuring work continues in Europe, China, South America, and the International Markets Group, and the Dearborn, a Michigan-based company, expects to complete the process in those markets by the end of August. Within the cuts, Ford is set to eliminate close to 20% of upper-level managers in a move also meant to reduce bureaucracy and speed decision-making. Hackett and his senior executives indicated that their intention at Ford was to flatten the organization by removing layers of management, reducing costs, and giving managers more authority to make decisions while favouring lean operations and deciding which skills are needed presently and for the future. Managers will now have more direct reports, which reduces bureaucracy. Prior to the redesign of its operations, Ford comprised 14 organizational layers. The restructuring is expected to cut its layers to 9 by the end of 2019, resulting in a flatter organizational structure. As part of the restructuring, for example, the product development team created a new

vehicle architecture and testing team, a new system engineering and design assurance group, and expanded future investments for in-vehicle infotainment, software, electrification, and other areas.

Ford has been on a cost-cutting push since 2017 with an aim to cut US\$25.5 billion from its operating costs over the next few years. That has been coupled with a US\$11 billion global redesign. Hackett and his team have impressed Wall Street lately with stronger earnings and investments in future technology, for instance a US\$500 million partnership with Rivian Automotive, a US automotive company and in 2019 acquiring Quantum Signal, a US mobile robotics company.

According to Hackett, “Even as we conclude ‘Smart Redesign’, we still have a lot of work to do in the coming months. We will continue to work collaboratively and respectfully with our teams and other partners to ensure our designs are effective and fit and that our employees are treated fairly and with respect.”

22.1.1.4 Partnerships to Build Ford’s Electric Vehicle Portfolio

Ford Motor Co. is looking to make new alliances as it restructures its business. Ford announced that it is teaming up with ► [Amazon.com](https://www.amazon.com) and Volkswagen AG to give future customers of its electric cars a range of charging options from highways to homes. It is anticipating that there will be 12,000 locations and more than 35,000 charge plugs. Ford’s US\$11 billion investment in electric vehicles has led to these strategic partnerships to establish networks for customers. Volkswagen’s Electrify America will set up the network to give Ford electric car owners access to fast-charging station sites. Amazon is working with Ford for the installation of home charging set-ups.

Ford also recently announced an additional US\$500 million investment in Rivian with plans to debut an electric truck next year. Rivian is an electric vehicle status. This partnership enables Ford to use the company’s unique battery architecture to develop a new electric vehicle. “This is exciting for us. We’ve gotten to know their team and R. J. Scaringe, Rivian’s founder and CEO,” said Ford spokesperson Jennifer Flake. “Really this is about accelerating our efforts to create a more sustainable future. It’s a way for us to go faster, to learn from each other, and offer consumers more choices in the EV space.”

? Case Questions

1. What factors are driving the need for restructuring at Ford Motors Company?
2. Critically evaluate the various approaches to restructuring that Ford is adopting.
3. In evaluating the approaches, what advice would you give Mr. Hackett on the way forward?

22.1.2 OD in Practice: The Restructuring of Deutsche Bank⁴

It was October 26, 2018, when Christian Sewing, chief executive of Deutsche Bank [2], based in Germany, was facing a dilemma. In his announcement to shareholders, he stated that there will be “tough cutbacks” as steps were being taken to send home 18,000 of its staff worldwide in 2019. This move is part of the company’s attempts to revitalize its business. This follows from job cuts amounting to 6000 in 2018 and the failure of a merger attempt with its rival Commerzbank with both banks disclosing that the deal would not have generated “sufficient benefits” to offset the costs of the deal.

In line with ‘Strategy 2020’, the Bank adopted a phased approach to eliminate redundancies in its workforce. Upon announcing the restructuring initiative in 2015, downsizing activities commenced. By 2019, the Bank is continuing with its downsizing plans to reduce its 91,500 global workforce by about 20%. According to Sewing, “We are tackling what is necessary to unleash our full potential ... We are building on our strengths. This is a restart for Deutsche Bank”. Paul Achleitner, chairman of Deutsche’s supervisory board, stated, “Deutsche Bank has been through a difficult period over the past decade, but with this new strategy in place, we now have every reason to look forward with confidence and optimism.”

22.1.2.1 About Deutsche Bank⁵

Deutsche Bank provides retail and private banking, corporate and transaction banking, lending, asset and wealth management products and services, as well as focused investment banking to private individuals, small and medium-sized companies, corporations, governments, and institutional investors. It has operations in three regions: Germany (35 branches), Europe (17 branches), and Internationally (15 branches).

Deutsche Bank conducts its business in four client-centric divisions:

- The Corporate Bank is the hub for corporate and commercial clients;
- The Investment Bank focuses on its traditional strengths in financing, advisory, fixed income, and currencies;
- The Private Bank focuses on private customers across all segments as well as smaller business clients. It will build on its position as the market leader in Germany, as a focused bank in Europe and a highly competitive global wealth manager;

4 This is a research-based case. It was written solely to provide material for class discussion. The authors do not intend to illustrate either efficient or inefficient handling of a managerial situation.

5 Taken from Deutsche Bank’s Official Website

- The asset manager DWS, in which Deutsche Bank still retains a significant stake, continues to pursue its objective of becoming a top-ten asset manager, globally.

Deutsche Bank is:

- The leading bank in Germany with strong European roots and a global network;
- Aligned to the strengths of the German economy in trading and investment;
- Focused on the respective needs of its corporate and commercial clients and its private and institutional clients;
- The risk manager and trusted advisor for its clients.

22.1.2.2 Commitment to Implementing Restructuring Measures in a Socially Responsible Manner

In 2017, Deutsche Bank reassured that as it continues in the execution of its Strategy 2020 the works councils in Germany would be involved. The Council is governed by the Works Constitution Act and represent the interests of the Bank's employees to enter discussions and negotiations with the employer. The Bank has undertaken several restructuring measures since announcing its 'Strategy 2020'. During 2016, a total of 14 balance of interest agreements were completed, with a planned reduction of more than 4000 jobs in Germany by the end of 2018. The job cuts mainly affected the Deutsche Bank's Private and Commercial Bank, Global Transaction Banking, Chief Operating Office, the Finance and Risk Management functions, HR, Communications and CSR and DB Research. Social support is provided to employees who are affected by the restructuring initiative via support services through individual coaching in change scenarios. The Bank also offers a comprehensive set of measures as well as systematic assistance to staff at all levels involved in the change processes.

22.1.2.3 Deutsche Bank's Revised Strategy

On July 7, 2019, Deutsche Bank announced the most fundamental transformation in decades and a profound restructuring of its businesses.

In his strategy announcement on July 7, 2019, Sewing outlined the way forward: "In refocusing the bank around our clients, we are returning to our roots and to what once made us one of the leading banks in the world. We remain committed to our global network and will help companies to grow and provide private and institutional clients with the best solutions and advice for their respective needs – in Germany, Europe and around the Globe. We are determined to generate long-term, sustainable returns for shareholders and restore the reputation of Deutsche Bank."

Through this fundamental restructuring, the Deutsche now consists of four, client-centred businesses, including a newly created Corporate Bank. The Bank intends to formulate partnerships with a focused Investment Bank, a leading private bank in Germany, and selected markets and the asset manager DWS. Its aim is to become more profitable, improve shareholder returns, and drive long-term growth.

To execute this transformation, Deutsche Bank will:

- Exit businesses: discontinue Equities Sales and Trading, resize the capital consumption in Fixed Income, in particular Rates, and accelerate the wind down of nonstrategic assets.
- Cut costs: overhaul processes and infrastructure leading to significant cost reductions.
- Invest in technology and growth: invest in leading businesses, further improve technology, and control framework.
- Manage and liberate capital: create a Capital Release Unit to free up resources to return capital to shareholders over time.

? Case Questions

1. Who are the key stakeholders to downsizing at Deutsche Bank?
2. Critically evaluate whether Deutsche Bank's approach to downsizing is following a planned process. Do you agree?

22.1.3 OD in Practice: Reorganizing at Facebook⁶

It was January 15, 2018, and Mark Zuckerberg, chief executive of Facebook [3], was facing a predicament. While the social media era is still dominated by Facebook, its market share was decreasing. Facebook remains the most widely used social media application worldwide; however, its market share was dropping (10% decrease), while the market share of its competitors was increasing. Social mobile apps like Pinterest, Twitter, YouTube, Instagram, Tumblr, Reddit, VKontakte, LinkedIn, and StumbleUpon, amongst others, experienced increases in their users at a global level.

He announced on June 26, 2018 that Facebook was undergoing a restructuring exercise to the social media giant's product and engineering organizations and shuffling its leadership. The newly formed divisions are organized into three main areas: the New Platforms and Infrastructure Division, the Central Product Services Division, and the Family of Apps Division. In addition, as part of this massive reorganizing, there has been the reshuffling and appointments of new leaders

⁶ This is a research-based case. It was written solely to provide material for class discussion. The authors do not intend to illustrate either efficient or inefficient handling of a managerial situation.

to oversee many of its divisions and subdivisions, after some leaders departed. Facebook has gained the ability to execute a more coherent strategy and remove redundancy across divisions. With the acquisition of various companies with similar products such as WhatsApp and Instagram, each strategic business unit was moving in its own direction, and not as a cohesive whole. This restructuring will not only eliminate the redundancy, but also apply new talent to problems and move the entire company in the same direction.

22.1.3.1 The Mission and Culture at Facebook⁷

Founded in 2004, Facebook's mission is to give people the power to build community and bring the world closer together. People use Facebook's products to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them. In line with its mission, more than 2.1 billion people use Facebook, Instagram, WhatsApp, or Messenger every day on average. In addition, more than 2.7 billion people use at least one of the family of services each month.

Through the family of apps and services, the company is building a different kind of company that connects billions of people around the world, gives them ways to share what matters most to them, and helps bring people closer together. Whether Facebook is creating new products or helping a small business expand its reach, people at Facebook are builders at heart. The global teams are constantly iterating, solving problems, and working together to empower people around the world to build community and connect in meaningful ways.

22.1.3.2 Acquisition of WhatsApp and Instagram

In 2014, Facebook acquired WhatsApp, a text messaging app, for the sum of US\$19 billion.⁸ When the acquisition deal was first announced, WhatsApp has continued to run its operation independently. WhatsApp is the most globally diverse messaging service, with more than 600 million monthly active users worldwide. With the finalization of the deal, Facebook will award 177.8 million shares of its Class A common stock and US\$4.59 billion in cash to WhatsApp's shareholders, plus 45.9 million shares (restricted stock units) to WhatsApp's employees to complete the deal. WhatsApp continued to operate as a separate business unit with Facebook providing legal and administrative support. WhatsApp will help fuel Facebook growth in developing markets connectivity is sparse but where WhatsApp is widely used enabling Facebook to gain access to these mobile user bases.

In 2012, Facebook acquired Instagram, a photo-sharing site with over 30 million users for the sum of US\$1 billion: US\$

⁷ Taken from Facebook's Official Website

⁸ Currency amount stated in American dollars.

US\$300 million in cash and the remainder in over US\$700 million in Facebook stock. This was Facebook's largest acquisition up to that time. Both companies expressed their commitment to run Instagram as an independent service.

22.1.3.3 What's New? Three Key Areas and New Leaders!

With the restructuring of Facebook in 2018, it now comprises three key areas:

Family of apps—Chris Cox leads this division and includes Facebook's four core apps: Facebook, Instagram, WhatsApp, and Messenger. These are the core, consumer-facing smartphone apps that Facebook offers. Chris Daniels took over the encrypted messaging app WhatsApp, Stan Chudnovsky is in charge of Messenger, Will Cathcart heads the Facebook team, and Instagram continues to be managed by its CEO Kevin Systrom. Having all four leaders report to Cox means an improvement in communication and interconnectedness among the four product apps.

New platforms and infrastructure—This division is led by Mike Schroepfer. This division focuses on new products and technology including blockchain, artificial intelligence, augmented and virtual reality, workplace, and privacy-focused product. Andrew Bosworth is leading augmented and virtual reality. Jerome Pesenti is in charge of artificial intelligence. David Marcus, formerly the head of Messenger, is taking the helm of a newly announced blockchain unit.

Central product services—This division is led by VP of growth Javier Olivan. This team is responsible for all other essential core functionality that drives the company: Ads; analytics; integrity, growth, and product management. Mark Rabkin, Alex Schultz, and Naomi Gleit, respectively, are leading those three sections.

? Case Questions

1. What are the main reasons for Facebook engaging in structural redesign?
2. Critically evaluate Facebook's structural redesign initiative. Do you agree?

22.1.4 OD in Practice: Intel Corporation Downsizing Operations in Costa Rica⁹

On Tuesday March 26, 2019 Intel announced new layoff plans at its Costa Rica Research and Development Centre and Global Centre [4]. According to Emmer Lee, company's

⁹ This is a research-based case. It was written solely to provide material for class discussion. The authors do not intend to illustrate either efficient or inefficient handling of a managerial situation.

spokesperson, “Changes in our workforce are driven by the needs and priorities of our business, which we continually evaluate. We are committed to treating all impacted employees with professionalism and respect.”

While Intel previously used multiple information technology (IT) contractors, the company took steps to consolidate its operations under a single contractor, that is, Infosys, an Indian-based technology firm. Therefore, the recent layoffs are not cost-cutting measures, but a part of its strategy to simplify the operations of the company by outsourcing to a single contractor. This has resulted in redundant positions. In 2018, Intel terminated about 200 employee positions. Intel indicated that other employment opportunities within the company were being sourced for these individuals.

For its Costa Rica operations, this move was sudden and unexpected to the Costa Rican people and government. Over the years, Intel’s operation has greatly influenced the Costa Rican economy. Its microprocessors accounted for approximately 20% of Costa Rican exports and nearly 6% of the country’s gross domestic product (GDP).

In 2014, Intel announced that it would stop manufacturing at its microprocessor assembly plant in Costa Rica and shift their operations to existing sites in Malaysia, China, and Vietnam. This strategic move resulted in laying off approximately 1500 individuals at the Costa Rican plant. Intel maintained its research centre and two information technology offices in Costa Rica.

22.1.4.1 Intel in Costa Rica¹⁰

Intel Corporation is a multinational American-based corporation, based in Silicon Valley. It is one of the world’s largest manufacturers of PC microprocessors and is a key supplier of processors to computer systems manufacturers. Intel commenced operations in Costa Rica in 1997 as a ‘green-field’ investment of US\$300 million,¹¹ with an assembly and test manufacturing facility. It has since evolved into a state-of-the-art research and development centre and a global centre where employees design, prototype, test, and validate integrated circuit and software solutions, and provide finance, human resources, procurement, and sales and marketing support.

The direct effects on the Costa Rican economy include GDP, foreign direct investment (FDI), and trade growth. Indirectly, Intel’s investment decision was the main driver for a realignment of Costa Rica’s competitive platform as an investment location. Costa Rica worked resourcefully and with a

¹⁰ Taken from Intel’s official website

¹¹ Currency amount stated in American dollars.

novel sense of urgency to enhance the country's technical education, incentives law, regulation, and infrastructure. This led to an improved investment climate, a more focused, strategic approach to investment promotion, a developing technology cluster, and newly secured FDI projects in other targeted sectors. The Intel investment had rippling effects in the local community, affecting education and the country's knowledge base, workplace standards, and business culture. Intel Costa Rica represents 60% of the country's research and development exports and continues to support the country's upward climb in the global value chain.

22.1.4.2 Intel's Global Rightsizing

According to the Intel's Spokesman Chuck Mulloy, the cuts in Costa Rica are consistent with Intel's announcement in January of 2014 that it would reduce its global workforce of 107,000 employees by about 5% that year, with 12,000 job cuts. This restructuring is a comprehensive initiative designed to fuel Intel's evolution from a PC company to one that powers the cloud and billions of smart, connected computing devices. Upon announcing its long-term restructuring initiative, there would be an 11% workforce reduction in the coming years. This move will allow the company the flexibility needed to focus on new growth drivers. Further to the job cuts, there was consolidation of some sites worldwide. This shift in strategic focus sought to move the company from beyond being synonymous with PCs for decades. According to Brian Krzanich, CEO, "Data center and Internet of Things (IoT) are now Intel's primary growth engines." Those business units, along with its memory business, account for 40% of the company's revenue and the majority of operating profit. In 2016, while continuing in its drive to make the company more efficient, Intel plans to increase investments in the products and technologies that will fuel revenue growth and drive more profitable mobile and PC businesses. Through this comprehensive initiative, the company plans to increase investments in its data center, IoT, memory and connectivity businesses, as well as growing client segments such as 2-in-1s, gaming and home gateways.

The layoffs in 2019 at the Intel facilities in the United States and Costa Rica are among Intel's biggest cutbacks since 2016, when the company eliminated 12,000 jobs through layoffs, buy-outs, and early retirement offers. Intel had 107,400 employees around the world at the end of 2018, an increase from its 102,700 employees in 2017.

Case Questions

1. What are the main reasons for Intel's workforce reduction?
2. Evaluate Intel's decision to reduce its workforce at the Costa Rican facility. What are the pros and cons?

22.1.5 OD in Practice: HTC Corporation Taiwan: Operational Changes for Growth¹²

With increasing international competition, Taiwan's Smartphone maker HTC Corporation [5] continues to diversify its portfolio and services by engaging in various interventions to promote innovation. HTC manufactures both Android and Windows-based smartphones with a series of product launches over the years. To streamline its operation, HTC initiated downsizing measures by cutting its manufacturing workforce by an additional 1500 in September 2018. This round of layoffs comes after its TW\$8.0 billion¹³ loss in 2015 where about 2000 workers were sent home, which was followed by an incurred net loss of TW\$16.91 billion in 2017. This round of layoffs account for about 25% of the company's 6450 global workforce being terminated. The move is part of its strategic plan to integrate its smartphone and virtual reality under one business unit and leadership. The official statement by HTC said, "Today HTC announces a plan to optimise the manufacturing organisations in Taiwan. This plan will allow more effective and flexible resource management going forward."

Once a star of the intensely competitive smartphone sector, HTC has been struggling. The company has been facing stiff competition from Apple and Samsung and the strong Chinese brand Huawei. According to HTC, the downsizing activities are "a decisive step in the realignment of resources across the organisation" that would allow for more flexible operations management.

22.1.5.1 About HTC Corporation¹⁴

Founded in 1997, HTC initially manufactured notebook computers that evolved to designing some of the world's first touch and wireless hand-held devices in 1998. The company was credited with creating the first Android smartphone, the first Microsoft-powered smartphone (2002), and the first Microsoft 3G phone (2005). According to HTC, "original intention is to enable people to enjoy the intelligent mobile life experience through high-performance portable devices. Through the innovative design of product development and user experience, we enter the wisdom from the palm of the hand. The mobile phone industry is now following the same innovative model and entering the field of smart links and virtual reality. The spirit of 'Pursuit of Brilliance' drives us to move forward and create action and virtual reality devices

12 This is a research-based case. It was written solely to provide material for class discussion. The authors do not intend to illustrate either efficient or inefficient handling of a managerial situation.

13 Currency amount stated in New Taiwan Dollars, unless stated otherwise.

14 Taken from HTC Corporation Taiwan's official website

with excellent experience and revolutionary performance. We dare to explore the unknown and commit to innovative design.” HTC engaged in various strategic trans-organizational ventures when it acquired Dopod International and partnered with Luxgenin, a vehicle manufacturing company. In 2011, at the Mobile World Congress, the GSM Association named HTC the “Device Manufacturer of the Year” for 2011. In April of that year, the company’s market value surpassed that of Nokia, making HTC the third most highly valued smartphone-maker in the world behind Apple and Samsung. By October 2013, the company reported its first quarterly loss due to increasing competition from other smartphone makers. HTC continues to engage in various initiatives to increase its market share and regain its position as a major player in the smartphone market.

22.1.5.2 Google’s Acquisition Deal of HTC Design Team

HTC entered into a US\$1.1 billion acquisition deal with Alphabet’s Inc. Google. This deal saw 2000 of HTC’s research and development staff as “aqui-hires” now working under Google to continue developing the Pixel smartphones. HTC already manufactured the Pixel and Pixel XL for Google. HTC is retaining its Vive VR division, and it will continue to make its own smartphones. From Google’s perspective, this is a diversification strategy to boost its hardware business, as it also receives a non-exclusive license for HTC’s intellectual property. Rick Osterloh, senior vice president of Hardware at Alphabet, said in a statement, “We’re excited and can’t wait to welcome members of the HTC team who will be joining Google to fuel further innovation and future product development in consumer hardware.” Following the finalization of the deal, Osterloh wrote in a blog post, “I’m delighted that we’ve officially closed our deal with HTC and are welcoming an incredibly talented team to work on even better and more innovative products in the years to come.”

In confirming the deal, HTC Chairwoman and CEO Cher Wang said in a statement, “We believe HTC is well positioned to maintain our rich legacy of innovation and realize the potential of a new generation of connected products and services”. Following this agreement, HTC announced its first quarterly gains for almost three years in May 2019, posting a net profit of TW\$21.1 billion.

? Case Questions

1. What factors are driving the need for restructuring at HTC?
2. Evaluate HCT’s approach to move the company forward. Do you agree?

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Learning Objectives

At the end of this chapter, readers will be able to:

1. Analyse OD-related issues in organizations.
2. Discuss the appropriateness of strategic interventions to situations.
3. Evaluate the application of strategic interventions.

23.1 Introduction

This chapter presents five business cases on strategic interventions. As you can recall, strategic interventions were discussed in ► Chaps. 15, 16, and 17. Using the case method pedagogy, students can apply their understanding of OD and related interventions to business scenarios. All cases were written for the sole purpose of providing material for class discussion. The authors do not intend to illustrate either efficient or inefficient handling of a managerial situation.

23.1.1 OD in Practice: Culture Change at Aetna Inc.¹

It was April 1, 2001, and John W. Rowe, MD, the newly appointed CEO of Aetna US Healthcare's [1] new president and CEO, faced a dilemma. Employees began to worry. After four CEOs in five years, employees became prone to transformation initiatives by the CEOs in their quest to increase growth. The company was struggling as its reputation was eroding due to poor rapport with customers and physicians, lawsuits, and a national backlash against maintenance organizations and managed healthcare. At that time, the company was also losing approximately US\$1 million² a day in overheads and poor acquisitions.

23.1.1.1 'Mother Aetna'

Established in 1850, the company had a strong corporate culture, referred as 'Mother Aetna' by employees. Mother Aetna represented a culture that promoted a tolerance for mediocrity, risk-adverse employees, and unwelcoming to outsiders. In 1996, the company engaged in the acquisition of US Healthcare for US\$8.6 billion. This deal created Aetna US Healthcare, the nation's largest managed healthcare insurer, with 23 million members in 50 states and 10.3 million total managed-care

1 This is a research-based case. It was written solely to provide material for class discussion. The authors do not intend to illustrate either efficient or inefficient handling of a managerial situation.

2 Currency amount stated in American dollars.

members. However, the merger quickly went downhill. This was evident in the incompatible product designs, operating systems, sales forces, brand images, and corporate cultures. This merger resulted in two vastly distinct cultures coming together. US Healthcare had an entrepreneurial culture while Aetna had the classic, large-carrier history. This led to culture clashes as Aetna was more conservative while US Healthcare was more aggressive. The quest by employees to preserve Mother Aetna fueled the resistance.

23.1.1.2 New Leadership

Dr Rowe, who was a well-respected gerontologist, transitioned from president and chief executive of Mount Sinai NYU Health, a non-profit hospital system with 31,000 employees and US\$1.8 billion of revenues, to a publicly owned health company with US\$22 billion of revenues and 40,000 employees. Dr Rowe was the founding director of Harvard Medical School's Division on Aging, joined Mount Sinai in 1988 and built it into one of the country's largest academic healthcare systems through partnerships with many institutions. He was credited with attracting top physicians and large amounts of research money to Mount Sinai. By the early 1990s, the hospital had the third-largest liver transplant programme in the nation and developed other successful organ transplant practices. Mount Sinai's home-care program blossomed from US\$3 million of revenue to US\$60 million in three years.

Dr Rowe saw value in his appointment at Aetna as this was an opportunity to use the largest US health insurer as an avenue to change the wrongs of the nation's entire healthcare system. But how should he approach a turnaround initiative for the failing company? With the 'Mother Aetna' culture, how would he approach disrupting the status quo? Dr Rowe was considering his options to begin this transformation initiative and began crafting the way forward.

23.1.1.3 About Aetna Inc.

The company was renamed Aetna Inc. in 2000 (where US Healthcare was dropped). Today, it operates as a diversified healthcare benefits company in the United States. It offers a range of health insurance products and related services, including medical, pharmacy, dental, behavioral health, group life, and disability plans, as well as medical management capabilities and Medicaid healthcare management. The company operates in three segments: healthcare, group insurance, and large case pensions.

23.1.1.4 The Aetna Challenge

In starting his tenure at Aetna, Dr Rowe recognized the strong culture that existed at Aetna and adopted a different approach to leadership. Together with the executive team, he met employees at all levels who were well established and respected to get

their input on the proposed strategy's design and intended execution. The aim was to involve the employees from the onset to understand their perspective and involve them in the process.

Through this approach, the team unearthed Aetna's greatest strength and weakness. Their greatest strength was its deep-rooted culture that resonated in the care for patients, employers, and providers, pride in the history of the company and what it does, company-wide respect for peers, and a high degree of dedication. On the downside, the strategy was narrowly focused on reducing the cost claims in managing medical expenses, while isolating patients and physicians.

In his letter to shareholders in 2001, Dr Rowe outlined the strategic direction for the company, centred around various pillars:

Organizing for Success: The first component of Aetna's turnaround has been to organize for success. In 2001, we assembled a new team of senior leaders from inside and outside Aetna. We created new interdisciplinary corporate councils to help Aetna become a more strategic and high-performance organization. And we realigned our business structure to allow Aetna to serve better the needs of our customers in our target market segments. Today, I am confident we have the right team and the right organizational structure in place for our turnaround.

Striving for Operational Excellence: Second, we addressed many operational problems in our health business. Concurrently, we began sharpening our focus on the health plan membership we can serve best. This led to the difficult, but necessary, exiting of certain markets, programmes and products, and reducing our membership and workforce.

Setting a new strategic direction: Third, while engaged in the daily work of our turnaround, we also began looking ahead, formulating a new strategic direction that aims to significantly improve Aetna's margins and returns on capital, and reduce our risk exposure and volatility.

Fixing the system: All of us at Aetna are devoting tremendous energy and resources to improving our operations and recapturing our leadership position. That doesn't mean, however, that our focus is only on getting our own house in order. We will continue to play a key role in focusing attention on the challenges confronting our industry and the nation.

Restoration and Rebirth: 2001 was a defining year for Aetna—both difficult and productive. Top to bottom and across our entire operation, Aetna's dedicated employees stepped up to do what needed to be done. In 2002, Aetna is building on the work we've completed and moving closer to our ultimate goal of restoring our industry leadership position.

As Chairman of Aetna, I am acutely aware of the legacy entrusted to me and the opportunity inherent in our quest to restore this great company. I know I speak for all employees

when I say we are bound together in pursuit of a single mission: to create a stronger Aetna—one that is both respected in the industry and trusted by millions of Americans to help them access the very best in healthcare.

Culture change does not occur at once and turnaround through restructuring is a momentaneous initiative. Recognizing this, the team was considering a phased strategic approach where culture change would not be branded a ‘change initiative’ but rather various small interventions would be implemented. Dr Rowe indicated that he would communicate his ‘New Aetna’ strategy where focus would now shift away from cost cutting towards serving patients and healthcare providers and gaining a winning position in healthcare. The goal was to preserve Aetna’s cultural strengths while revitalizing those aspects that were now eroded. The focus on customers and employee pride in the organization would be the main selling point to champion this initiative.

? Case Questions

1. What were some of the factors necessitating culture change at Aetna?
2. Critically evaluate the culture change approaches outlined by Dr Rowe.
3. What advice would you offer Dr Rowe moving forward?

23.1.2 OD in Practice: Merger to Create Global Leader in Pulp: Fibria Celulose S.A. and Suzano Papel e Celulose S.A.³

It was March 16, 2018, when Fibria Celulose South America (S.A.) (“Fibria”) disclosed that an agreement was signed by its controlling shareholders, Votorantim S.A. and BNDES Participações S.A., with Suzano Holding S.A. and the majority shareholders of Suzano Papel e Celulose S.A. (“Suzano”) [2]. This merger resulted in the formation of the world’s largest producer of pulp at a cash plus stock deal valued at approximately US\$11 billion.⁴

23.1.2.1 Who Is Suzano Papel e Celulose S.A?⁵

Suzano is a forest based-company controlled by Suzano Holding. It is the second largest producer of eucalyptus pulp in the world, and in Latin America they are the largest manufacture of printing and writing paper. They are also among the five largest market pulp producers. This is a Suzano Group

3 This is a research-based case. It was written solely to provide material for class discussion. The authors do not intend to illustrate either efficient or inefficient handling of a managerial situation.

4 Currency amount stated in American dollars.

5 Taken from Suzano’s official website

company that has been in existence for 94 years. They presently operate in the segment of eucalyptus pulp, which is marketed in 31 countries, and paper, which is sold in more than 60 countries. Their key areas include the following:

Innovation: Looking for innovation and breaking paradigms, Suzano has invested in adjacent businesses: cellulose fluff, destined to the manufacture of diapers and feminine absorbents, in 2015, started the development of the pilot lignin plant, moving towards the concept of biorefinery; and tissue, with the construction of two units to produce paper coils for the conversion into toilet paper.

Biotechnology: Through FuturaGene, the first company in the world to obtain approval for the commercial use of a genetically modified eucalyptus variety, Suzano also work in the biotechnology sector, working on the genetic development of forest crops, with research laboratories in Brazil, Israel, and China.

Forest Vocation: Backed by Suzano's forestry expertise, they are advancing the goal of providing cost-effective, environmentally sound products and services from renewable forests. Their forest areas total 1.3 million hectares, of which 570,000 are planted forests (owned, rented, and subsidized), concentrated in Bahia, Espírito Santo, São Paulo, Minas Gerais, Maranhão, Tocantins, Pará, and in Piauí. About 542,000 hectares are of preservation areas.

23.1.2.2 Suzano's Global Presence

The company has administrative headquarters in São Paulo (SP) and seven industrial units—three in the state of São Paulo (Limeira and two in Suzano), one in Bahia (Mucuri), one in Maranhão (Imperatriz), one in Pará (Belém), and one in Ceará (Fortaleza). Internationally, commercial offices are located in China and subsidiaries in the United States, Switzerland, England, and Argentina. FuturaGene already has laboratories in Brazil, Israel, and China.

23.1.2.3 Who Is Fibria Celulose S.A.?

Fibria Celulose S.A. is a Brazilian pulp company created by a merger between Aracruz Celulose and Votorantim Celulose e Papel. The company provides eucalyptus short fibre pulp for manufacturing of toilet-, uncoated-, and coated paper and has a production capacity exceeding six million tons of pulp and paper. Fibria serves customers worldwide and is one of the largest producers of pulp in the world.

23.1.2.4 The Merger between Fibria and Suzano

Both companies are publicly traded companies registered in Brazil, active in the production of wood pulp from eucalyptus trees. Both are vertically integrated upstream, with limited activities in wood procurement in Brazil, and in the production and supply of eucalyptus pulp. In addition, Suzano is active

downstream in the production and supply of paper products. The net equity of Fibria is BRL\$14,149,003,510.55,⁶ which will be the amount of the net assets to be transferred to Suzano.

When the agreement between the two former competitors was signed, the synergy led to the creation of the world's largest producer of pulp. Investors feared that the project would be barred because Brazil's Administrative Council for Economic Defense has been much stricter in recent years in merger appraisal.

"Our dream of creating this company is now becoming a reality. We plant, harvest, produce and transform pulp, a renewable raw material that is the basis for products that are part of the lives of people all over the world," says Walter Schalka, CEO of Suzano.

He further stated, "Brazil is already a global reference in competitiveness and development of new technologies to produce eucalyptus pulp. The combination of Suzano and Fibria will create a company even more prepared to offer better products and services to the customers, besides all the investments that it will be necessary to meet all the industry demands."

Commenting on the merger, Marcelo Castelli, chief executive officer (CEO) of Fibria said: "The combination of Fibria and Suzano will most certainly consolidate their paths of sustained development, operational excellence, individual dedication and talent, respect for the environment and local communities, and contributing to the country."

23.1.2.5 Approval

Suzano and Fibria reported in joint communiqués that the European Competition Authority approved the merger between the companies. The green light, they said, was subject to the anticipated closure of the contract for the supply of hardwood pulp (Bleached Eucalyptus Kraft Pulp "BEKP") between Fibria and Klabin in May 2015.

23.1.2.6 Synergies from the Merger

Suzano and Fibria, which already share similar values and principles, will build a future together. The company resulting from this combination will have 37,000 employees and contractors, with assets positioned strategically in Brazil and around the world. Its 11 industrial units will produce annually 11 million tons of market pulp and 1.4 million tons of paper, with annual exports of around BRL\$18 billion and investments planned for 2018 of about BRL\$6.4 billion. Its cash cost will be among the lowest in the sector globally, underlining its efficiency and strengthening its competitiveness in a global market of more than 50 players.

According to forecasts made by Suzano's president, Walter Schalka, "We are announcing a balanced transaction that under-

6 Currency amount stated in Brazilian dollars, Reais.

scores our business strategy.” About 90% of the merger synergies between Suzano and Fibria will be captured in the next two years. With the merger entering its final stages after approval by European regulators, Suzano held a conference call highlighting the changes and the schedule for the combination of its businesses. The agreement was approved by the antitrust authorities in the United States, China, Turkey, Europe, and Brazil.

23.1.2.7 The New Company: Suzano S.A.

Following the merger, the new company Suzano S.A. was formed, using the logo of Fibria. This new company stemming from the merger is being run by the chief financial officer of Suzano, Marcelo Bacci. In the months following the merger, the company has annual production capacity of 11 million tons of market pulp and 1.4 million tons of paper. Suzano S.A.’s competitiveness can be measured by its global footprint, with sales to over 80 countries, as well as by the scale of its operations, with 11 plants in Brazil and approximately 37,000 direct and indirect employees. Suzano S.A. is listed on the New York Stock Index, and, even before the merger, Suzano shares rose by 10% since the announcement of the merger approval.

» We will combine technologies with an entrepreneurial spirit to go beyond, which will enable us to make a difference in society by positively impacting local communities and the billions of people around the world who use products made from our pulp every day. We are excited about the transformations that Suzano is undergoing and take this opportunity to reinforce our commitment to continue contributing to the development of Brazil and to promoting education, culture, health and the well-being of people, said Schalka.

? Case Questions

1. What factors would Suzano consider when deciding whether to merge with Fibria?
2. Evaluate the regulatory and legal assessments that determine whether the merger would be approved.
3. Would you consider the merger a success? Give reasons for your answer.

23.1.3 OD in Practice: The Telecommunication Services of Trinidad and Tobago Acquires Massy Communications⁷

On December 1, 2016, Dr Ronald Walcott, the CEO of the Telecommunication Services of Trinidad and Tobago Limited

7 This is a research-based case. It was written solely to provide material for class discussion. The authors do not intend to illustrate either efficient or inefficient handling of a managerial situation.

(TSTT) [3], the largest telecommunications service provider and a state-owned enterprise in Trinidad and Tobago, announced the company's transformation initiative. In a move to respond to a TT\$300.7⁸ million loss, changing customer needs, and industry trends, TSTT engaged in a five-year strategic plan. Before announcing this transformation initiative, TSTT's profits declined significantly from TT\$212.9 million in 2015 to a loss of TT\$300.7 million in 2016 and a negative trend in return on assets, declining from 0.1 in 2011 to (0.07) in 2016. This was due to a decision to accelerate TSTT's depreciation as well as take an impairment on fixed assets. This combination of accelerated depreciation and impairment expense of just around TT\$575 million contributed to the significant loss in 2016.

According to Dr Walcott, "This is simply not a brand refresh for us, we are making a public statement that we are in a transformation and we will improve our services. We looked at our brand and we felt that one of the issues that we needed to deal with was brand confusion and a proliferation of different ideas. We took a position to realign. Our plan is TT\$3.7 billion investment five-year plan. We are going to transform ourselves from being a 20th century traditional telecom to being a 21st century agile, broadband telecommunications company. Several months into the plan we have made significant strides".

23.1.3.1 The Telecommunications Services of Trinidad and Tobago Limited⁹

TSTT is jointly owned by National Enterprises Limited (NEL), which in turn is majority owned by the Government of Trinidad and Tobago and Cable & Wireless (West Indies) Limited (C&W). NEL owns 51% of TSTT's issued share capital, while C&W holds 49%.

TSTT is the country's largest provider of communications solutions to the residential and commercial markets, and its leading-edge products are designed around its IP-based core infrastructure and marketed under the b-mobile brand. In addition to fixed line and mobile communications, the company has an innovative line of devices: Broadband access including best-in-class Wi-Max and HSPA+ 4G technologies; Metro Ethernet; TelePresence and Video Conferencing; subscription-based IPTV as well as business and home alarm monitoring services.

TSTT is the industry leader deploying both wireless and fibre-optic networks to deliver voice, data, and multimedia capabilities, making it also one of the most advanced solutions providers in the country. The company's customers include key

⁸ Currency amount stated in Trinidad and Tobago dollars.

⁹ Taken from the Telecommunications Services of Trinidad and Tobago Limited's official website

industry leaders in the finance, energy, government, manufacturing, education, healthcare, and tourism sectors.

23.1.3.2 Massy Communications Limited¹⁰

Massy Communications Limited (MCL) is a subsidiary of Massy Holdings, a publicly traded company. Since 2006 MCL, formally Three Sixty Communications, built its telecommunications network and expanded its services, to offer a range of services which include the following:

- Fibre-Optic (fibre-to-the-home) Infrastructure deployment, which is utilized to deliver High Speed Internet and IPTV to residential and SME customers
- Dedicated Internet/IP transit
- Clear Channel Domestic/Metro Ethernet and International Private Lines
- International Wholesale Termination and Enterprise Voice Solutions

In 2015, Massy made the decision to significantly invest and expand its fibre network. MCL was organized into Retail and Enterprise Business Segments.

The Retail Business included the following:

- 900 Km of Fibre-Optic (FTTH) infrastructure already deployed
- 34,000 Homes Passed, ready for sales
- 6000 fibre to the home customers
- Fully deployed Operational and Business Support Systems
- Other assets including inventory and subsea capacity valued in excess of TT\$75 million

The Enterprise Business included the following:

- Long-Distance termination for international carriers
- Fifty-plus corporate customers receiving Data circuits

MLC began initiating collaborations with TSTT on a network sharing agreement. This turned into a business combination.

23.1.3.3 TSTT's Strategic Growth through the Acquisition

On May 2, 2017, Dr Walcott announced that TSTT entered into a share purchase agreement with MCL. TSTT was about to acquire 100% of MCL's shareholding at a purchase price of TT\$215 million. As part of its strategic plan, TSTT had secured funding to build a fibre-optic plant that would have resulted in TSTT being in direct competition with MCL. Both companies would also be competing for the same consumer market and industry, that is, the people of Trinidad and Tobago and the telecommunications industry. In line with its broadband strat-

10 Taken from Massy Communication's official website.

egy and strengthening its competitive position, TSTT entered negotiations with MCL. There were various benefits to be derived from consolidating the networks and infrastructures from the acquisition. For instance, there are expected foreign exchange savings for Trinidad and Tobago and TSTT, as well as eliminating redundancy in infrastructure. The acquisition was finalized on July 31, 2017.

23.1.3.4 Synergies from the Acquisition

By December of 2017, TSTT's fibre network reached a footprint of over 100,000 homes, with 20,000 customers connected to the network. The acquisition resulted in a combination of 54,000 homes being covered by the fibre network. Expanding TSTT's existing Fixed Wireless Broadband LTE network was expected to improve service delivery to existing customers, attract potential customers, and generate revenue for the company. According to Dr Walcott, "Our improved network will support a solid foundation that provides reliable, 'lightning speed' access for customers and users, an imperative for our competitive advantage and business' survival."

TSTT's fibre expansion programme has also benefitted households in Tobago, with 80% of customers falling within the catchment area of the network. Additionally, areas in Trinidad that were previously underserved were also benefiting from the network. The CEO further stated, "In Tobago we have a base of 17,000 homes and in rural communities like Penal and Santa Flora, customers have embraced us for being digitally inclusive and empowering them with access to our most advanced communications solutions." Their Zero Copper programme was further driving this initiative as part of achieving its strategic goal to replace old copper technology. "TSTT's investment in future-proofing its network along with our convergence strategy of becoming a broadband company will provide long term financial viability and sustainability. We must therefore remain committed to our Digital Transformation efforts because there simply is no other way," said Dr Walcott.

23.1.3.5 Post-Acquisition: Chaos! Who Is AMPLIA?

This was a question being asked by TSTT's customers as rumours began to circulate that TSTT was discontinuing its landline service and customers would now have to switch to a new company, AMPLIA. This led to TSTT issuing a statement on October 1, 2018, to alleviate the fears of its customers:

After one year of operations, TSTT determined through its in-depth business analysis that in order to provide the best service to customers and simultaneously improve the business performance of the residential fibre business service offering that all residential fibre services will be better managed through AMPLIA. TSTT's residential fibre business currently accounts for less than one percent (1%) of TSTT's entire customer or revenue base.

AMPLIA does not have either a Wireless or Mobile concession to legally operate any of those lines of business and there are no pending applications with the Regulator, the Telecommunication Authority of Trinidad and Tobago (TATT). Given that more than 70% of TSTT's business will be wireless, the inference of a reverse "take-over" is implausible and simply inaccurate.

TSTT has engaged with all relevant stakeholders including the Communications Workers Union (CWU) on this acquisition, the business implications, and other relevant matters. As part of our ongoing stakeholder consultation, TSTT reenergized its regular Executive Forum with the CWU in May 2018 to ensure that there is transparency and clarity with our decision especially those that may impact employees.

AMPLIA is a member of the TSTT Group of companies and is a 100% wholly owned subsidiary of TSTT, and it will continue to operate in that manner. In keeping with global, regional and local demands, the telecommunications business model must change to ensure that companies in the industry remain relevant and survive. TSTT is committed to providing the best quality of service to our customers while ensuring the survival of TSTT which is in the best interest of the people of Trinidad and Tobago.

Case Questions

1. What factors are driving the need for change at TSTT?
2. Evaluate the decision by TSTT to acquire Massy Communications.
3. Post-acquisition, discuss the challenge that TSTT encountered and how the issue could have been avoided.

23.1.4 OD in Practice: Maruti Suzuki India Adapting to its Environment¹¹

It was May 15, 2018, when R. C. Bharagava, the chairman of Maruti Suzuki India Limited [4] (MSIL) made an announcement. MSIL, the largest carmaker in India, is on track to meet the country's new emission norms. The company has over 50% of the Indian market share in the domestic vehicle market segment and is focusing on offering enhanced features across its model range, gradually moving towards premium products. MSIL commenced a series of initiatives in shifting its strategic focus towards manufacturing compressed natural gas (CNG) and hybrid cars. According to the chairman, MSIL plans to increase CNG vehicles by 50% in 2019.

¹¹ This is a research-based case. It was written solely to provide material for class discussion. The authors do not intend to illustrate either efficient or inefficient handling of a managerial situation.

“If Government makes an announcement and takes positive actions it should help improve the situation,” he said. He added that it was up to the government to decide on goods and service tax rate cut and take the corrective action. “Personally, we would like to see GST benefits linked to greener/cleaner cars. The Government gave tax cut on EVs, but hybrid should be given duty cut. There should be tax cut on CNG vehicles,” he added. With a slowdown in demand and rising inventory in the automobile industry, MSIL has not renewed the contracts of over 3000 temporary workers. In August 2019, Bharagava stated, “This is a part of the business, when demands soars, more contract workers are hired and reduced in case of low demands.” This move does not affect permanent workers, with this approach being adopted to quickly adapt to changing demands for its products.

23.1.4.1 About Maruti Suzuki India Limited

Maruti 800 was launched in 1983 and has since been revolutionizing the vehicular market. With changing customer tastes and demands change with the new generation of Indians, the car manufacturer is looking beyond the traditional boundaries. According to MSIL¹²:

Cars are what Maruti Suzuki builds. Experiences are what it creates. Experiences fuelled by innovations, forward thinking, and a commitment to bring the very best to Indian roads. From the day the iconic Maruti 800 was launched in 1983, the company has been spearheading a revolution of change. Turning an entire country’s need for driving, into its love for driving. However, tastes and demands keep on evolving with each new generation of Indians. This has not been looked at by Maruti Suzuki as a challenge, but as an inspiration to go beyond traditional boundaries of car-making. Infusing design and technology is on such step it has taken to make its cars meet new are expectations smoothly. Today, Martui Suzuki has its eyes set firmly on the possibilities of tomorrow. And everybody is invited on this journey.

23.1.4.2 Life at Maruti Suzuki India Limited

According to MSIL:

From a work culture that provides genuinely equal opportunities, a sense of team spirit that goes right down to a common lunchroom, to a feeling of openness as senior managers and their teams sit together in an open, wall-free environment. Maruti Suzuki offers an uncommon place to work and excel. We are fast and flexible, resilient and responsive, as well as decisive and responsible. It is a place where your voice will be heard and valued. Across history, the people have made Maruti

12 Taken from Maruti Suzuki India’s official website.

Suzuki a company ready to meet the challenges of the dynamic market.

23.1.4.3 Maruti Suzuki Training Academy

Maruti Suzuki Training Academy (MSTA) was established in 2012. As a priority, the company seeks to develop the capabilities of its people across the value chain. The company has been a pioneer in the Indian automotive industry and is a leader in the passenger car segment. MSTA ensures holistic development of its employees, dealers, vendors, and all its partners by focusing on behavioral, technical, and functional skills.

Vision: Driving business excellence by establishing talent management system framework through competency-based development framework across value chain and community.

Objectives: To establish an academy of excellence to meet specific business needs and capability development of all employees of Maruti Suzuki, Suzuki group of companies, dealers, and suppliers.

Programmes: MSTA is registered with the Government of India's Ministry of Labor and Employment as a Vocational Training Provider under the Skill Development Initiative. MSTA ensures that under this scheme trainees are skilled in technical requirements across production, supply chain, and dealership. MSTA has also been authorized by Directorate General of Training to conduct courses in Automotive Repair under the Craftsmen Training Scheme.

Learning: MSTA uses a combination of virtual classrooms (a remote delivery model that enables asynchronous learning across geographies), finishing school (experiential learning through simulation and hands on experience), and self-learning (learning management system where employees can learn on their own from wherever they choose).

23.1.4.4 Maruti Suzuki Goes Greener!

MSIL achieved a new milestone with the sale of over 200,000 BS6-compliant vehicles in six months from its launch in April 2019. The BS6-compliant petrol vehicles will lead to a substantial reduction of nearly 25% in nitrogen oxide (NOx) emissions. This launch was ahead of the government-stipulated timeline of April 2020. The BS6 range included the Alto 800 and Baleno. The complete range of Maruti Suzuki BS6-compliant petrol models now includes industry best sellers: Alto 800, Baleno, WagonR (1.2 L), Swift, Dzire, Ertiga, and the recently launched XL6 and S-Presso.

Mr Kenichi Ayukawa, managing director and CEO, commented on this achievement, "We thank customers who have opted for our BS6 range of vehicles. We believe that mass adoption is one of the most important factors for success of any new technology. Offering eight BS6 compliant petrol vehicles in the mass segment, much ahead of timeline, has helped us to reach this technology to a larger customer base." He added,

“Early introduction of the BS6 range represents our commitment to Government of India’s vision for clean and green environment.”

? Case Questions

1. What are the factors driving Maruti Suzuki’s continuous change approaches?
2. Evaluate Maruti Suzuki’s approach to positioning itself as a built-to-change organization. Do you agree?

23.1.5 OD in Practice: Royal Dutch Shell Acquires BG Group to Become World Leader in Liquefied Natural Gas¹³

In February 2016, Royal Dutch Shell [5], a natural gas company announced that it successfully acquired the BG Group. This acquisition was at a cost of £36 billion¹⁴ and is deemed as the largest in the UK corporate history. This move has further enhanced Shell’s portfolio, forming the world’s top liquefied natural gas company and accelerating its global LNG and deep-water strategy. According to the CEO of Royal Dutch Shell, Ben van Beurden, “Yesterday saw the birth of a new player in the global energy industry. In the middle of some of the toughest market conditions seen in decades, the joining together of Shell and BG creates a company of extraordinary strengths, a combination greater than the sum of our parts. I feel privileged to be part of this historic, transformative moment. It has been an intense ten months since we first announced the combination with BG and yesterday was a very special milestone for us, officially the first day of operations for the combined company. It also has been a period of great volatility. Although the oil price has fallen since our announcement, I remain convinced of the strategic and financial merits of the deal.”

23.1.5.1 About Royal Dutch Shell¹⁵

Royal Dutch Shell is an international energy company with expertise in the exploration, production, refining, and marketing of oil and natural gas, and the manufacturing and marketing of chemicals. Their headquarters are in The Hague, the Netherlands, and is Royal Dutch Shell Plc is the parent company of the Shell group. Safety and social responsibility are fundamental to Shell’s business approach.

13 This is a research-based case. It was written solely to provide material for class discussion. The authors do not intend to illustrate either efficient or inefficient handling of a managerial situation.

14 Currency amount stated in Britain pound.

15 Taken from Royal Dutch Shell’s official website.

Shell's purpose is to power progress together with more and cleaner energy solutions. The company believes that rising standards of living for a growing global population are likely to continue to drive demand for energy, including oil and gas, for years to come. At the same time, technology changes and the need to tackle climate change means there is a transition underway to a lower-carbon, multisource energy system.

Against this backdrop, Shell has the following strategic ambitions:

- To provide a world-class investment case. This involves growing free cash flow and increasing shareholder returns, all built upon a strong financial framework and resilient portfolio;
- To thrive in the energy transition by responding to society's desire for more and cleaner, convenient, and competitive energy; and
- To sustain a strong societal licence to operate and make a positive contribution to society through our activities.

Shell's ability to achieve its strategic ambitions depends on how it responds to competitive forces. The company continuously assess the external environment—the markets as well as the underlying economic, political, social, and environmental drivers that shape them—to evaluate changes in competitive forces and business models. Shell continuously seeks to improve operating performance, and maximizes sustainable free cash flow, with an emphasis on health, safety, security, environment, and asset performance, as well as adhering to our ethics and compliance principles.

23.1.5.2 About the BG Group¹⁶

BG Group Plc, founded on February 17, 1997, is a multinational oil and gas company with its headquarters in Reading, the United Kingdom. The company engages in the exploration, development, and production of natural gas and oil and is also involved in the power generation business. It operates through Upstream and LNG Shipping and Marketing segments. The Upstream segment comprises exploration, development, production, liquefaction, and marketing of hydrocarbons with a focus on natural gas. The LNG Shipping and Marketing segment combines the development and use of LNG import facilities with the purchase, shipping and sale of LNG and regasified natural gas. BG Group has operations in 25 countries across Africa, Asia, Australia, Asia, Europe, North America, and South America and produces around 680,000 barrels of oil per day. Further, the LNG segment was the largest.

16 Taken from BG Group's official website.

23.1.5.3 Regulatory Approvals

On September 1, 2015, the European Commission approved, under the European Union (EU) Merger Regulation, the acquisition of BG Group by Royal Dutch Shell after concluding that the takeover would not lead to Shell benefiting from market power in several markets, namely oil and gas exploration, the liquefaction of gas and the wholesale supply of liquefied natural gas (LNG). Further, Shell would be unable to shut out its competitors from access to its liquefaction facilities that supply LNG into the European Economic Area (EEA) or from gas transportation and processing infrastructure in the North Sea.

23.1.5.4 World Dominance through Acquisition

One of the key drivers of this deal was Shell's oil and gas projects in Brazil as this country has been recognized as one with great potential for growth. Shell can capitalize on BG's exploration and production expertise to build its existing relationship with the national oil company of Brazil, Petrobras. Through this acquisition, Shell can expand its operations in Brazil as it is able to add to its production from their Parque das Conchas oil and gas project in the Campos Basin. Through BG's LNG operations in Trinidad and Tobago, Australia, and Asia, Shell can take advantage of this in expanding its operations.

23.1.5.5 A Smooth Transition

In ensuring that there is a structured approach to the acquisition, a transition organization was set up. The aim was to quickly understand the operations of BG's activities to ensure a smooth transition. A three-year plan has already been announced to restructure operations by reducing staff and contractors, sell assets, saving on overlapping costs, and spending less on explorations.

Case Questions

1. What factors did Shell consider when deciding whether to acquire BG?
2. In devising and implementing the M&A plan, what are some of the key considerations?

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Success Factors for Effective Organizational Development in Practice

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Electronic supplementary material The online version of this chapter (https://doi.org/10.1007/978-3-030-39123-2_24) contains supplementary material, which is available to authorized users.

Learning Objectives

At the end of this chapter, readers should be able to:

1. Describe and critically evaluate the main success factors for general OD practice.
2. Define and describe effective change management in practice.
3. Describe and critically evaluate the key success factors when planning organizational level change in practice.
4. Describe and critically evaluate the key success factors when developing and implementing organizational level change in practice.
5. Describe and critically evaluate the key success factors when evaluating/institutionalizing organizational level change in practice.

24.1 Introduction**24.1.1 Success Factors for OD Practice**

Those charged with bringing about changes in organization encounter much more of a mess than a difficulty [1]. Major organizational changes are challenging and the stakes involved are generally very high, such as the reputation of the company and the financial risk. The time and resources that are committed to organization-level planned change initiatives may not necessarily guarantee success in its institutionalization. A change approach that worked well in one organization may not work in another. Given that the estimated success rates of major change initiatives in organizations are alarmingly low [2], despite best efforts, it is imperative that change management be focused and systematic. Over 70% of change initiatives fail to achieve its goals, attributed largely to lack of management support and employee resistance [3]. Why is this so? On average, a CEO for a company remains for an estimated 7.2 years [4]. During this time, the realization of an organization-level intervention is difficult to ascertain. Furthermore, when a new CEO is appointed, in taking the lead there is a tendency to engage in strategic change. In some instances, the CEO inherits a healthy organization and, in other instances, the organization is experiencing a crisis or decline. Having an understanding of the organization's operations will guide the way forward. In many instances, the unmet expectations and unexpected challenges can derail the momentum to initiate change. Interestingly, for 2019, the world's best CEOs held their jobs for an average of 15 years, outperforming their peers in financial, social, environmental, and governance measures. These CEOs demonstrated longevity in their position, which is more than twice the average lifespan of a CEO [5]. Further, traditional organiza-

tions are actively engaging in initiatives towards agile operating models by transforming to include strategy, structure, processes, technology, and people while the design of start-ups are for agility [6].

Research and practice show that the success of any change depends on the employees of the organization. Organizations only announce the change, whereas the employees execute the plan [7]. Numerous case studies provide evidence on the important role that *human factors* play in organizational change [8].

Human factors: Human factors refer to success factors that relate to individuals in the context of organizational change, for example employee commitment to change and the role of OD practitioners.

Employees' *commitment to change* has been identified as the most commonly researched 'human factor' that represents employees' attitudes towards organizational change [9]. Researchers and practitioners consistently suggest that commitment to change tends to be low and attitudes towards change are largely negative due to employee resistance. Indeed, managing resistance to change is one of the key success factors affecting the practice of OD in organizations. If organizational members at all levels are not accepting of organized change, then institutionalization efforts would fail. Some of the main reasons surrounding employee resistance include misunderstandings on the reason or need for change, poor communication, climate of mistrust, change in the status quo, lack of competence, and the organization's culture. A fear of the unknown increases this resistance. Persons may overtly communicate their reservations to the change plans or covertly withhold their agreed-upon actions. Therefore, the OD practitioner must ensure that the technical aspect of the change initiative is coupled with the nurturing the human relationships as social change accompanies technical change. The *technical* aspect of the change involves making a measurable modification in the physical routines of the job, while the *social* aspect of the change refers to the way those affected by it think it will alter their established relationships in the organization [10]. Effective communication is extremely important!

In addition to 'human factors' that relate to employees within organizational change management, 'human factors' that relate to the *role of the OD practitioners* in the management of organizational change have also been cited as being instrumental towards its effectiveness. The OD practitioner must take the time to build trusting relationships with the members of the organization to increase their willingness to be open in sharing relevant information and feedback

throughout the OD process. The practitioner must assure individuals of their role as a facilitator and will perform their role with neutrality, transparency, and confidentiality. In addition, the OD practitioner should seek to reduce the levels of anxiety that often accompany organization-level change interventions. For instance, when companies engage in restructuring, employees become anxious as downsizing via workforce reduction and work redesign often occurs. Therefore, the practitioner and the client should provide the affected workers with ample time to process the change, ensure transparency in the process, and establish a support system aids in reducing the psychological impact on the individuals who are exiting the organization and those who are remaining, the survivors.

The role of *organizational factors* in the success of OD practice is also necessary for change interventions.

Organizational factors: Organizational factors refer to success factors that relate to organizations in the context of organizational change, for example financial and technical resources and organizational culture.

Organizational factors, such as *financial and technical resources*, and “*organizational culture*” in particular may indeed be important success factors in OD practice. For organization-level change interventions, senior executives and shareholders must be willing to commit financial and technical resources towards the change plan and understand that the benefits of strategic and techno-structural changes are realized in the medium to long term. A cost-benefit analysis would allow the firm to gauge the risks, including the ‘people risk’. It is understood that organizational cultures shape the day-to-day operations of the business and the underlying values, norms, and assumptions that govern the behaviours organizational members. If employees perceive that change should be feared and avoided, then the change may not be supported. However, if the culture promotes innovation, and champions change as a responsibility of all employees, then OD initiatives will be welcomed and supported. Further, organizations and practitioners must recognize the link between the national culture and its influence organizational cultures.

It is important within the practice of OD to understand these overarching ODC success factors when:

- Planning organization-level change
- Developing and implementing organization-level change
- Evaluating/institutionalizing organization-level change

24.2 Organizational-Level Change

Effective change management from the practitioner's perspective should recognize the driving role of systematic approaches, grounded in the stages or phases of the OD process itself.

- When *Entering* (Part II of the book) into OD practice, planning organizational-level change should be the first consideration.
- When *Diagnosing, Collecting Data, Analyzing, and Feeding-Back Data* (Part III of the book), such activities should filter into developing organizational-level change.
- When implementing organizational-level change, the *specifics of the required organizational-level change interventions* (Part IV of the book) should be understood.
- The *way forward for the continuing practice of OD* (Part V of the book) should be understood via the evaluation/institutionalization of organizational-level changes.

These stages must however be assessed by first understanding the key aspects of the overall practice of organizational change (Part I of the book).

To help OD practitioners, this chapter further presents a number of checklists to guide them as they progress through the various stages of OD. Before presenting these checklists, however, it is important to assess; “What is *effective change management*?”

24.2.1 Effective Change Management

Effective change management follows a structured approach, using various tools, techniques, and approaches to guide the successful individual, group, and organizational change process.

Effective change management: Effective change management refers to planned change interventions that achieve its targeted outcomes and objectives.

The ability to manage change effectively is a critical aspect to increasing the success of change initiatives. It is an organization-wide change effort as everyone performs a key role. In today's volatile business environment, organizations do not have the luxury of time to roll out change initiatives over long periods. Rather, they must compress activities in response to triggers.

Incremental change describes small changes made over time to achieve targeted results. The impact of incremental changes tends to be more micro in nature. *Quantum change* describes

dramatic, enduring transformations that have wide-ranging impact. Such change plans are influenced by the ‘shock’ that the organization encounters or the ‘future shock’. A shock is an unexpected, unanticipated event in the internal or external business environment. A future shock refers to a time phenomenon, where physical and psychological distress is experienced due to the inability to cope with the rapid social and technological changes. In anticipation of future shocks, and external environmental changes, organizations need OD change programmes to keep up with the accelerated rates of innovation. Organizations can engage in incremental changes, for instance creating learning cultures, as a coping mechanism for these triggers and innovations. As technological advancements are rapidly occurring, organizations have to keep up with the changing trends as systems become obsolete.

► Example

Companies have been experimenting with innovative approaches to manage the changing needs of their workforce. For instance, in 2013, AT&T Inc. leaders concluded that of its 240,000 employees, 100,000 would be obsolete in the next decade. The company was faced with two choices, termination and hire new talent, or retain and reskill their workforce. AT&T decided on the latter where they were able to harness the knowledge and experience that employees acquired over their years of employment with the company, while re-educating their workforce by promoting engagement, innovation, and a culture of perceptual learning. The ‘Workforce 2020’ programme was a risky endeavour as the company was investing millions of dollars on this internal transformation as well as its legacy and reputation were at stake. As of 2016, AT&T spent US\$250 million on education and professional development programmes, with over US\$30 million in tuition annually. The benefits to relearning are being realized in increased speed and efficiency where, over an 18-month period, product development time was reduced by 40% and accelerated time to revenue by 32%. Further, retrained employees filled half of the technology management positions between January and May of 2016 and received 47% of promotions [11]. ◀

The introduction and use of digital tools are a game changer for organizations and OD practitioners. There has been an exponential growth in the number of digital tools that consultants use daily, for instance using online services for surveys and polls for data collection, resource management, project management, virtual meetings, and even communication. Change can be difficult. Recognizing and celebrating change while reinforcing behaviors are needed throughout the change process. Management and leaders must be change agents throughout the intervention’s processes by providing commitment, support, and resources.

Table 24.1 OD Practitioner's Checklist

CHECKLISTS FOR PLANNING ORGANIZATIONAL LEVEL CHANGE

When planning organizational level change, the following should be taken into consideration:

- ☐ Motivate and highlight the need for change with supporting quantitative and qualitative evidence.
- ☐ Involve OD experts.
- ☐ Investigate the options for change.
- ☐ Investigate readiness of organization and stakeholders for change.
- ☐ Create a vision for change.
- ☐ Make preliminary decisions on course of change.
- ☐ Develop a comprehensive plan to reduce or eliminate uncertainty
- ☐ Develop a communication plan.

CHECKLISTS FOR DEVELOPING AND IMPLEMENTING ORGANIZATIONAL LEVEL CHANGE

When developing organizational level change, the following should be taken into consideration:

- ☐ The skills of the OD practitioners as research and data scientists.
- ☐ The execution of Change Leadership and Management Skills/Competencies in OD interventions.
- ☐ The development of action plans or change interventions in alignment with other interventions and organizational strategies.
- ☐ The involvement of all relevant stakeholders in the development of change plans.
The management of change as it moves forward.
- ☐ The management of resistance to change where needed.

CHECKLISTS FOR EVALUATING/ INSTITUTIONALIZING ORGANIZATIONAL LEVEL CHANGE

When evaluating/institutionalizing organizational level change, the following should be taken into consideration:

- ☐ Embedding and integrating change in the organization.
- ☐ Recognize and reward achievements.
- ☐ Reviewing the change.
- ☐ Make adjustments accordingly.
- ☐ Recognize/acknowledge the incremental and quantum changes within the organization.
- ☐ Recognize the on-going and evolving nature of OD.

Source: Author's creation

However, in reality, the immense magnitude and uncertainty surrounding organizational-level interventions generate anxiety and fear in organizational leaders and employees alike. While the OD intervention process is presented in 'stages', activities can occur simultaneously, further increasing the complexity of the change programme. Change plans are not 'blueprints'; rather, they serve as guides where adjustments are made as the plan is being implemented. To help ensure completeness and consistency in carrying out any OD intervention at all levels, **Table 24.1** presents a checklist for OD practitioners to guide the change process.

24.3 Checklists Explained

The following section provides an explanation for the checklist to guide the process in system-wide, organization-level change initiatives [12].

24.3.1 Planning Organizational-Level Change

Every change initiative must begin with carefully articulating a plan of action. There are various factors that must be considered to inform the process. These are as follows:

- *Motivate and highlight the need for change with supporting quantitative and qualitative evidence.*

Organizational executives and management must be able to influence others without using power and authority. They should ensure that the decisions to enter into a change initiative are guided by valid and reliable information using appropriate data collection methods and approaches rather than assumptions. The OD practitioner recognizes the need for collaborative learning and assists in structuring and facilitating the collection of data, data analysis, and making informed decision. Data-driven decisions are more accepted by organizational members. Using a mixed-methods approach of qualitative and quantitative primary data via surveys, interviews, and observations, and secondary information, organizations identify the need for change. Simple statistical tools like histograms, pie charts, and pareto charts can be used to communicate and present information to all stakeholders. When employees are consulted and informed, this builds commitment from the onset. Employees must understand why the change is necessary, and agree that the change is indeed required. Furthermore, executives and management should undergo training on how to coach employees effectively, as their role is pivotal in creating and sustaining momentum.

- *Involve OD experts.*

The magnitude of an organization-level intervention may require consultants with expertise in different areas. The internal capacity (internal OD practitioners) coupled with external knowledge, skills, and capabilities (external OD practitioners) increase the chances of success. OD specialists have specialized skills, educational qualifications, and training in OD-related areas. The practitioners must be cognizant of their role to bring about change and understand the client's perspectives. By including a team of OD experts, their wealth of experience in change initiatives will assist with determining the key stakeholders to needs to be included in the process and how they should be included as well as preventing possible issues from arising. Therefore, consultants should be conscious of the breadth and depth of their expertise and include experts from their network who can contribute to the change initiatives. To gain credibility and build rapport with organizational members, the OD practitioner should use systematic problem-solving approaches.

- *Investigate the options for change.*

An evaluation is conducted to anticipate planned changes that are future-oriented or to avoid a potential

crisis. Indeed, change can originate from an internal observation, or an external force. Early assessments enable the organization to develop a contingency plan with possible options. When the organization fails to monitor their environments, it becomes increasingly challenging to initiate planned change initiatives. The consultant can work with management to identify possible scenarios and determine the operational and social impact on the organization. For instance, important numbers begin to fall such as key personnel may have already voluntarily exited the organization, and customers may have already found an alternative provider. Some of the key indicators include operational decline (increases in expenditures and stagnated responses to market changes), decreases in profit margins, working capital constraints, frequent credit increase requests, and high voluntary turnover rates [13]. There are also unstable external factors that directly affect the options for change. Organizations need to take a hands-on approach by conducting regular reviews and selecting the areas that they would want to explore, as there are many options available.

— *Investigate readiness of organization and stakeholders for change.*

The proposition of the consultant and that of the client may be different as the client attempts to ‘negotiate’ those aspects that require a radical approach. They instinctively attempt to protect the status quo. Therefore, a change readiness assessment should be conducted. Change readiness is the ability to respond to and initiate change where the advantages are realized, and there is a minimization of the risks. This assessment will clarify any misalignment between leadership and employees. It provides information on the type of change intervention being undertaken, the number of employees who will be impacted, and the scope of the change, that is, at the individual, group, and organization levels. Surveys and interviews can be conducted with the target audience to assess their readiness and acceptance to change. Change and sustainability must be balanced to keep the system moving forward as concentrating on one and ignoring the other causes persons to experience uncertainty and exhaustion. Some of the factors that can be assessed include the group’s culture, the capacity to change, the management style, and the positive and negative effects of previous change efforts. Furthermore, to aid in the assessments, there are various tools that can be used to develop and administer surveys to a wider audience [14]. Stemming from the findings, change readiness workshops (online and face-to-face), team meetings, and town-hall meetings can be conducted to engage workers. With systems change, having all key stakeholders at one meeting enables action as permission is sought one time

from those present. This approach reduces the time for developing the plan from months to days [15].

- *Create a vision for change.*

This vision is the foundation upon which the change initiative is built. This serves as the guiding force for organizational members as they know what they are working towards. A shared vision provides direction and focus; it provides meaning. Organization-level change is a team effort of the entire organization and its subsystems. Therefore, persons should be motivated to commit to the vision from the early stage, as their commitment will determine the degree of resistance and the willingness to act accordingly to realize the vision. To create a sense of identity, organizations create a name for their change initiative, for instance, AT&T's 'Workforce 2020' initiative.

- *Make preliminary decisions on course of change.*

The organization, with the assistance of OD practitioners, completes various scoping and diagnostic exercises to understand the gaps and establish a baseline, for instance, the company's performance, or new technology. Management must be able to make efficient and informed change decisions using an evidence-based approach. Various techniques can be used to inform the decision, which are combined with different strategies to arrive at the best results. Some of the more popular tools and strategies include a marginal analysis, a decision matrix, a SWOT analysis, a pareto analysis, and a feasibility study.

- *Develop a comprehensive plan to reduce or eliminate uncertainty.*

While it is impossible to eliminate all uncertainty, there are ways to reduce the elements. Through comprehensive planning, a detailed strategic plan should be developed to guide the intervention's design and implementation. The greater the complexity of the projects, the more detailed the plan should be to reduce ambiguity. The plan should focus on two key areas, that is, the technical and operational aspect, and the social aspect. In many instances, organizations focus on the former, while not emphasizing the latter. The change initiative must align with the company's culture as employee perceptions and behaviours reinforce implementation and institutionalization.

- *Develop a communication plan.*

The success of the change plan hinges on the level of commitment from organizational members at all levels. OD practitioners use their communication skills to persuade and influence others. Change is an evolutionary process of discovery; hence, personal communication builds commitment and trust. External consultants should coach and allow key organizational leaders at all levels to guide the agenda as much as possible. This sends a powerful signal throughout the organization that the leaders are supporting and com-

mitted to the change initiative, where followers would be more willing to commit. To reduce resistance from individuals who are affected by the change initiative, the organization must take active steps to keep individuals informed and provide avenues for feedback throughout the stages. This communication plan should detail the dissemination of the various types and forms of information, by whom, and the appropriate timing. This should be coupled with open, two-way communication channels. Employees must be able to engage in dialogue with their supervisors, expressing their views and providing feedback. Further, the OD practitioner may need to guide organizational members throughout the process to bring about positive changes as employees prefer receiving information implementation-related and job-related feedback from their supervisors, with senior management providing strategic information [16].

24.3.2 Developing and Implementing Organizational-Level Change

When developing organizational-level change, the following should be taken into consideration:

- *The skills of the OD practitioners as research and data scientists.*

In the age of *big data*, the OD practitioner must possess the technical competence to conduct research and explore problems to be solved. They must be able to collect and analyse a mass of unstructured data to inform their decisions when feeding back information to their clients. Data analysts straddle the business and information technology world, as they possess the technical competence to use information to inform business decisions. Therefore, in the practice of OD, a methodological approach is required, using various structured approaches such as computer-based software to analyse large volumes of data.

- *The execution of Change Leadership and Management Skills/Competencies in OD interventions.*

Change leadership and management skills include behaviours such as being able to manage the change process, championing and leading change, and building a commitment for change. The practitioner must be able to create an environment of trust, gain credibility quickly, and establishing formal and informal networks where individuals are inspired to adapt to change and the changing situations. OD practitioners must also be active listeners where they are able to see the organization through the lens of others, utilizing organizational behaviour knowledge and approaches. Therefore, managing the people side of the change requires a structured, action-oriented process using social tools, techniques, and approaches. In addition to the

social aspect, practitioners must also possess operational competencies to understand the functioning of the business, the subsystems, the interconnectedness and the structure, processes, and culture.

- *The development of action plans or change interventions in alignment with other interventions and organizational strategies.*

When undertaking change initiatives at the organization level, there are various interventions implemented at a given time. There should be an alignment of each intervention to the strategic direction of the company. An intervention facilitates the achievement of the strategic goals as it is the means through which the goal is realized. Further, some interventions complement each other. The action plans or change interventions must therefore be developed and implemented in line with the key performance indicators of the organizational strategies.

- *The involvement of all relevant stakeholders in the development of change plans.*

All relevant stakeholders should be identified and employees at all levels should be engaged in the design and implementation stages. It is important for the organizational management, and formal and informal leaders, to understand the change initiative being undertaken as organization-level change requires a paradigm shift in their personal way of thinking and their behaviors towards each other, and the system. Therefore, transforming the leadership core is key to lead others throughout the change process. Further, organizational employees provide insights into the challenges and opportunities. For instance, frontline employees and supervisors experience the day-to-day functioning of the business. Task forces comprising personnel from all layers of the organization create ownership of the change initiative. By involving employees in identifying problems and proposing solutions, while providing incentives, increases commitment and ownership. Furthermore, consult other stakeholders such as shareholders, unions, and customers as sources for implementation and post-implementation feedback.

- *The management of change as it moves forward.*

Change is a continuous process. The magnitude and scale of organization-level change as well as the duration and strategic importance requires substantial effort on the part of OD practitioners. Organizational executives recognize that hundreds and even thousands of employees may be affected by such change initiatives. The practitioner must be able to prepare, support, and help individuals to navigate the change process. For example, at AT&T while implementing its ‘Workforce 2020’ initiative, the company examined results in four categories—activity, hydraulics, business outcomes, and sentiment—to gain insight into the integrity and momentum of the programme [17].

24.3.3 Evaluating/Institutionalizing Organizational-Level Change

When evaluating/institutionalizing organizational-level change, the following should be taken into consideration:

- *Embedding and integrating change in the organization.*

The intervention is implemented and organizational members adopt the required behaviors to realize the goals. As some point, the team overseeing the implementation of the change will dissolve and the operational managers take over. The change to the system, process, technology, strategy, and/or people becomes the ‘new normal’. OD practitioners should also bring a structured process and set of deliverables to the people side of change. Without structure and rigor, it is difficult to integrate operational and social activities.

- *Recognize and reward achievements.*

Setting short-, medium-, and long-term goals enable organizations to celebrate small successes and major milestones along the way. The organization should publically acknowledge employees and their contributions towards the change initiative to reinforce the change. When employees are commended for their change in behaviours, there is a heightened sense of accomplishment, motivation, and commitment towards institutionalizing change. This can be from senior executives and management to supervisors providing appropriate recognition and rewards as positive reinforcers.

- *Reviewing the change.*

Conduct periodic reviews to determine whether organizational members are adopting the change and whether corrective action is necessary. This is an opportunity for the organization to collect post-implementation feedback data and comparing it to the key performance indicators. Using various techniques, operational and social reviews determine the degree to which the change is being adopted.

- *Make adjustments accordingly.*

Upon reviewing the change, any gaps between the goals of the change plan and the outcome enable corrective action to be taken. Therefore, post-implementation evaluation is critical. If required adjustments are not made, it creates a window for workers to revert to previous practices or increase resistance. Management must commit to make adjustments that are not limited to the intervention but other aspect of the organization to realize the benefits of the change initiative. There can also be unexpected implications that the team did not consider at the planning stages.

- *Recognize/acknowledge the incremental and quantum changes within the organization.*

The organization should recognize all progress, no matter how small. Incremental changes move the

organization closer to realizing a quantum change. By recognizing incremental changes, organizational members are able to align the change intervention to the overall corporate strategy.

— *Recognize the ongoing and evolving nature of OD.*

After implementation, the institutionalization of change is ongoing to ensure that the change becomes the ‘new normal’ and the initiative is making a tangible difference. The feedback received during planning, development, and implementation would enable adjustments where necessary. This would eliminate any ‘surprises’ when evaluation is conducted after implementation. Organizations must recognize that change interventions do not come to a ‘stop’ or last forever. Change is never-ending, where the strategy, systems, processes, technology, and people must continuously evolve to meet the volatile and uncertain environments in which businesses operate. It is important to generate strong ownership from key stakeholders during the early stages as this would foster commitment and momentum to sustain the change initiative following implementation. They must understand that the system will not transform unless the people within the system are also willing and committed to transforming.

24.4 Other General Tips for OD Practice

Just as organizations are continuously changing, OD is a continuous process. Organizations cannot remain static and maintain its effectiveness. So too OD theories and practices, which must evolve to the changing landscape that businesses operate in. The practice of OD focuses on two aspects of the organization: (i) the operation side—strategy, process, technology, and structure; and (ii) the social side—culture, people, motivation, behaviour, and leadership. Traditionally, the focus has been on the operational side of changing organizations. In contemporary organizations, researchers and practitioners are recognizing the importance of the social side to change. By simultaneously balancing these two aspects, where there is a concomitant shift in mindsets, organizations achieve positive results.

Without a change in organizational culture and the mindsets of people, attempting to implement interventions to improve strategy, structures, processes, and systems would be unsuccessful as people learn, not organizations. Traditional organizations are not set up for change, as companies continue to use coercive tactics to generate buy-in with contingent reinforcements when employees resist. Rather than dealing with the employee issues in change initiatives, organizations prefer

to fuel it with reinforcements. The high failure rates of change initiatives may be an indication that change models need to be revisited [18]. Change needs to be viewed as a continuous process with no beginning and no end. The organizational design should be one of continuous adaptation to survive and thrive. Further, with a diverse workforce, the OD practitioner of today should possess skills where they can relate to organizational members, understanding their perspectives, and the ability to gain their commitment and trust by coaching organizational leaders to facilitate the process.

The fast-moving, technology-driven environment requires agile organizations. The design of many organizations reflects stability, a zero tolerance to errors, and a structured hierarchy. Implementing change plans in such environments restricts the ability of employees to change and resistance increases. According to McKinsey and Company, agile organizations are different: “Traditional organizations are built around a static, siloed, structural hierarchy, whereas agile organizations are characterized as a network of teams operating in rapid learning and decision-making cycles. Traditional organizations place their governance bodies at their apex, and decision rights flow down the hierarchy; conversely, agile organizations instill a common purpose and use new data to give decision rights to the teams closest to the information. An agile organization can ideally combine velocity and adaptability with stability and efficiency” [19]. Traditional organizations are engaging in transformational change towards the agile operating model, or adopting a stepwise approach. This requires changes to the strategy, structure, processes, systems, people, and culture aspects of the business to create learning organizations. Contemporary businesses are adopting the agile operating model from the start.

For the successful design and implementation of planned change, the OD practitioner should consider the following [20]:

- Determine the client’s readiness for change;
- Build commitment from all stakeholders, that is, develop a strong sense of ownership from all key stakeholders, including the design phase, decision-making, and implementation;
- Align the change initiative to the strategic goals of the organization;
- The organization’s culture should be supportive and welcoming to change;
- The organization’s structure should be less bureaucratic and flatter;
- Assist the client with building a strong business case for embracing agile operating models and methodologies;
- Develop ‘heatmaps’ to manage organizational burnout.

24.4.1 The Caribbean/Latin American OD Narrative for Practitioners

In the Caribbean, as small and micro enterprises continue to thrive, the agile operating model provides an avenue for growth and expansion. Larger organizations, particularly those owned by governments, continue to follow traditional structures. The financial costs of undertaking transformational change initiatives at state-run enterprises deter such an initiative. Many state-run companies continue to operate at a loss with government subventions, where, in some instance, state enterprises are shut down. For instance, in Trinidad and Tobago, the state-owned enterprise Petrotrin, an oil refinery company, closed its doors in 2019 after incurring periods of recurring losses. Private companies are more proactive in adopting change initiatives as they expand their business to compete in the international arena. As international firms continue to invest in the region, there are opportunities for collaborations, partnerships, and knowledge transfer. When these companies undertake change interventions across all locations, Caribbean nationals are a part of this process. Therefore, the organizational culture is more influential in shaping perceptions, behaviours, and work ethic than the national culture.

In Latin America, a survey on organizational culture and company performance was conducted with 120 executives in six countries: Argentina, Brazil, Chile, Colombia, Mexico, and Peru [21]. The study found that 93% of the respondents believe there is a clear link between culture and strategy, and most regard their own organization's culture as an asset. Further, 95% of the respondents viewed their organization's culture as a source of competitive advantage. When leaders recognize the importance of a strong culture, this can serve as a driving force for change. Management and innovation continue to thrive in this region [22]. There have been multiple reforms of public administrations in the last 30 years with incremental and disruptive changes to organizational processes. Companies, governments, and universities in the region are recognizing the increase in the importance of innovation to enhance performance and are actively pursuing initiatives to grow and thrive. Currently, the region is also experiencing its fourth industrial revolution with an acceleration of technological change to industries, organizations, professions, and occupations. Therefore, OD is pivotal in organizations transforming their operations towards innovation.

In Latin America and the Caribbean, OD practitioners need to create an identity that distinguishes them from other professions. Further, practitioners should understand the social customs at the national and organizational levels. Each country has a unique national culture that influences the social aspect of businesses and the way that it functions. Further, laws

and regulations are driving the need for consultants. For example, in Mexico's drive for advancing an innovative culture, any organization employing over 50 persons is required by law to establish a joint commission on productivity and training. As the country initiates steps to modernize the nation's labour laws, since 2016 workforce training is mandatory as this was viewed as critical to achieving productivity gains at the national macro level and the micro level. Companies are also required to develop skills upgrade plans, track the skill requirements for each position, and document training completed [23]. Indeed, change needs to be viewed as a continuous process with no beginning and no end. The organizational design should be one of continuous adaptation to survive and thrive [24].

24.5 Conclusion

This chapter explored the key success factors for effective OD in practice. Indeed, OD as a field and practice have evolved and continue to evolve over time and into the future. This chapter, therefore, provided a toolkit and other guidelines, which can be used by OD practitioners to guide the overall practice of ODC. This toolkit and guidelines can be used to shape the successful practice of the OD field.

■ Exercises

STUDENT RESOURCES

■ Chapter Outline

- I. Success Factors for OD Practice
- II. Organizational-Level Change
- III. Effective Change Management
- IV. Checklist for Planning Organizational-Level Change
- V. Checklist for Developing and Implementing Organizational-Level Change
- VI. Checklist for Evaluating/Institutionalizing Organizational-Level Change
- VII. Other General Tips for OD Practice

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