



# Chapter 1

## Introduction

---

### *Learning objectives*

- To provide a definition and an overview of organisation development (OD)
- To distinguish OD and planned change from other forms of organisational change
- To describe the role of behavioural science in OD
- To describe the use of survey feedback in OD
- To introduce an understanding of concepts such as QWL, TQM, strategic change and productivity

### *Activities*

#### **Review questions**

(See text p. 26)

**1 Define organisation development and organisation transformation. How are they different? Is it possible for these approaches to coexist? Why? Why not?**

There are many different definitions of organisation development (OD), each of which has a different emphasis. These are presented in Table 1.1 (see text p. 5). However, the one that incorporates most views and is referred to in Waddell, Cummings and Worley is that 'organisation development is a system-wide application of behavioural science knowledge to the planned development and reinforcement of organisational strategies, structures and processes for improving an organisation's effectiveness' (see text p. 4).

Depending on perspective and the emphasis applied to the content, this definition can be compared to other available definitions by different authors. A good exercise is to request students to search for additional definitions and then share and discuss those definitions in class. The material can be discussed in depth and in a lot of detail or just briefly. The differences and similarities in the definitions can be analysed and discussed.

The following should be noted about OD:

- OD applies to an entire system, such as an organisation, a single plant of a multiplant firm, or a department or work group.

- OD is based on behavioural science knowledge and practice, including both micro concepts, such as leadership, group dynamics and work design, and macro approaches, such as strategy, organisation design and international relations.
- OD is concerned with planned change; it is not, in the formal sense, typically associated with business planning or technological innovation or, in the deterministic sense, often associated with organisation evolution.
- OD involves both the creation and the subsequent reinforcement of change and the development of the organisation's self-renewal capacity.
- OD encompasses strategy, structure and process changes, although different OD programs may focus more on one kind of change than another.
- OD is oriented to improving organisational effectiveness.

Organisation transformations can occur in response to or in anticipation of major changes in an organisation's environment or technology. In addition, these changes are often associated with significant alterations in a firm's business strategy, which, in turn, may require modifying corporate culture as well as internal structures and processes in order to support the new direction. Such fundamental change entails a new paradigm for organising and managing organisations. It involves qualitatively different ways of perceiving, thinking and behaving in organisations. Movement towards this new way of operating requires top managers to take an active leadership role. The change process is characterised by considerable innovation and learning. This process continues almost indefinitely as organisation members discover new ways of improving the organisation and adapting it to changing conditions.

Organisation transformation, however, is often responsive and reactive rather than planned change. It is often perceived as 'quick fix' in environments which are largely unpredictable and is often perceived as revolutionary rather than evolutionary. The focus for transformational change is largely external rather in contrast to the internal organisational focus of OD. Note: Organisation transformation is further discussed in Chapter 9.

***2 Organisation development attempts to help an organisation cope with various aspects of the organisation's environment. What are these aspects? Give current examples of OD and explain its value to the organisation.***

OD attempts to assist organisations to 'revitalise', rebuild and reorganise their 'strategies, structures and processes'. It attempts to help organisations cope with the changes in their environment brought about by globalisation, information technology and managerial innovation. It does this by facilitating employee involvement in the welfare of the organisation, as it rewards them for their performance rather than the time they spend on particular tasks.

First, globalisation is changing the markets and environments in which organisations operate as well as the way in which they function. New governments, new leadership, new markets and new countries are emerging and creating a new global economy.

Second, information technology, such as e-business, is changing how work is performed and how knowledge is used. The way an organisation collects, stores, manipulates, uses and transmits information can lower costs or increase the value and quality of products.

Third, managerial innovation has both responded to the globalisation and information technology trends and accelerated their impact on organisations. New organisational forms, such as networks, clusters, strategic alliances and virtual corporations, provide organisations with new ways of thinking about how to manufacture goods and deliver services.

Each of these aspects is discussed in detail and examples are provided in the text.

### **3 *What role does behavioural science play in OD? Is it an important element of OD?***

OD has emerged from 5 major stems of research (Fig. 1.3, p. 13):

1. National Training Laboratories (NTL) and the development of sensitivity training or T- Groups
2. Classic research on action research, particularly Kurt Lewin's 'survey feedback' process.
3. Application of participative management concepts to organisational structure and design, particularly the work of Rensis Likert.
4. Productivity
5. Strategic change and organisation transformation

The role of OD is characterised by the behaviour of people in unstructured group environments where they learn from their own interactions. Learning includes interpersonal relations, personal growth, leadership and group dynamics.

### **4 *What is the assumption that underlies the use of survey feedback in OD? Why is it important to distinguish this from other forms of surveys? What is the value of survey feedback in an action research approach to change?***

Feedback from the group is a rich learning experience and the process of 'group building' has the potential for learning which can be transferred to the 'back-home' situation.

The assumption underlying the use of survey feedback in OD is that management can use the results in order to guide its actions and the changes that occur with itself and its employees. Social scientists are also able to use the feedback in order to derive new knowledge that could later be used elsewhere.

### **5 *What aspects distinguish OD from business planning, technological innovation and organisational evolution?***

OD is about the development of the knowledge and competencies within and across the whole organisation. OD is based on behavioural science and includes concepts such as leadership, group dynamics and work design. It involves the subsequent reinforcement of change emphasising strategy, structure and process changes and improving organisational effectiveness.

Technological innovation, however, emphasises the technical and rational aspects of the business. Business planning emphasises the more formal aspects of operationalising the strategic direction of the organisation.

Organisation evolution, while a desired result of planned change through OD, may happen without planning or design and the results will reflect the environment to which the organisation is adapting. Evolution can be arbitrary without good OD to support the process.

### **6 *What is productivity? What factors have an effect on productivity? Give current examples of these factors.***

Many definitions for productivity exist and the students can select any definition applicable to the specific context and workplace.

The factors that affect productivity are rewards systems (for example, performance versus time-based pay), workflows (variety of tasks being carried out), management styles (for example, autocratic management styles versus participative management styles) and the physical work environment (technology, etc.).

In Australia today, top management keeps employees motivated by combining good financial rewards, an interesting environment and challenging projects. Staff are also given feedback about their own work and kept informed about the company's situation. The change program at James Hardie, for instance, involved the development of a culture based on teamwork and driven by the principles underpinning the company's strategic intent. Their program to introduce and implement a new Environmental Health and Safety system is very advanced in Australia and New Zealand. In recognition of their commitment to implementing such practices and procedures, the James Hardie Building Boards facility at Rosehill was awarded the first New South Wales WorkCover Techsource Safety Management Award.

**7 *With what functional considerations do practitioners need to be familiar if they are to create strategic change? Strategic change often has been confused with organisational transformation – why has that been the case?***

The strategic change background is a recent influence on OD's evolution. As organisations and their technological, political and social environments became more complex and more uncertain, the scale and intricacies of organisational change increased. This trend has produced the need for a strategic perspective from OD and has encouraged planned change processes at the organisation level.

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

The strategic change background has significantly influenced OD practice. For example, the implementation of strategic change requires OD practitioners to be familiar with competitive strategies, finance and marketing, as well as team building, action research and survey feedback. Together, these skills have improved OD's relevance to organisations and their managers.

Strategic change can be confused with organisational transformation when there is a need to respond quickly to a change in the business environment. Such actions are strategic if they are done in order to achieve the organisations strategic objectives but transformational if they take the organisation in a different direction than that planned.

**8 *Why should one study OD? What are the major contributions OD can bring to an organisation?***

The field of OD is being influenced by information technology and globalisation. OD is being carried out in all major trading countries and a whole new set of OD interventions are being developed. OD needs to contribute to the management of change in cyberspace as well as face-to-face. Diversity in the evolving discipline of OD is growing and good change managers require a keen and current understanding of the developments in OD.

The key contribution OD brings to an organisation is in the management of planned change in order for organisations to meet their strategic objectives. Good OD will mean that the organisation is in a state of preparedness for change.

## Discussion and essay questions

(See text p. 26)

**1 *Discuss the value of planned change and explain why it is necessary. Use examples throughout your response to support your understanding.***

The management field of OD is concerned with planned change. 'Planned change is the systematic efforts made by management to improve the functioning of some human system. It is a change process in which power is usually equal between consultants and clients and in which goals are mutually and deliberately set.'

From this definition of planned change, we can see that it is not based on the usual assumptions of change, such as organisational business planning or technological innovation. It is instead a process or a plan of how the organisation should carry out change and implement it. In other words, it is an outline of the change process that involves diagnosing and solving problems within the organisation.

However, because change should be a continual process, most plans are often revised as new information is accessed regarding the progress of the change process. Planned change goes beyond the initial implementation of change and looks at ways to stabilise and institutionalise these new activities that have been set out in the original blueprints. It does this by looking at the strategy and the structure of the organisation. It may choose to implement change, for example, on strategy to a greater degree than on structure or visa versa.

The main aim of OD is to improve organisational effectiveness based on two assumptions. The first is that an effective organisation is able to solve its own problems and concentrates on the relevant skills and resources involved in achieving these key goals. The second assumption is that, in order to implement change, an effective organisation must have high performance and high productivity and must strive to improve continually. OD helps the organisation by providing it with the relevant skills and knowledge to conduct its everyday activities and to implement the new processes and changes.

Students are asked and expected to add examples from their personal experiences to this discussion.

**2 *Compare and contrast the five 'stems' of OD: laboratory training, action research/survey feedback, participative management, quality of work life and strategic change. Include in your answer the circumstances that are most conducive to the success of these strategies.***

There are five different stems of organisational development: laboratory training, action research/survey feedback, participative management, quality of work life (QWL) and strategic change. The first of these, laboratory training, saw the development of training groups (otherwise known as sensitivity groups or T-groups). A T-group was a small 'unstructured' group in which the members were given the opportunity to learn within the group setting from their interactions, interpersonal relationships, leadership, group dynamics and personal growth. Researchers, who later reported the behaviours and group dynamics they had witnessed, observed these groups. Groups found this feedback useful and believed that this type of approach could be used 'back at the office'. The T-group eventually became known as team building.

Action research developed from the premise that research had to be closely related to action if an organisation was to use it to manage change. In this stem of OD, social scientists, with the help of an organisation's employees, collected research data relating to how the organisation functioned and how tasks were performed. They then explored the data for anything that may cause problems and methods in which to resolve these problems. An organisation's employees could use the results of action research on themselves in order to guide action and change in a similar way to the T-groups. The results also led to the introduction of participative management, where employees were involved in the planning and management of change.

From the action research studies, social scientists Likert and Mann conducted a company-wide survey of management and employee attitudes over a two-year period, looking at the viewpoints of non-supervisory employees, first and second line supervisors and finally top management. They then used the surveys' results and gave feedback on what they had learnt. They found that feedback created positive changes to job satisfaction.

The third stem of OD was participative management, which led on from the laboratory training and action research/survey-feedback schools of thought. Likert grouped organisations into four categories: exploitative authoritative systems, benevolent authoritative systems, consultative systems and participative systems. Likert used the survey-feedback approach to determine which of the four categories an organisation fell under. The survey looked at an organisation's features, such as leadership, motivation, communication, decisions, goals and management control. The participative system was seen as the ideal organisational setting and was used as a benchmark so employees could compare discrepancies between their own organisation and the ideal organisation.

The fourth stem of OD was productivity and quality of work life (QWL). This approach looked at the physical and technical working environment, the human-related parts of the organisation and the way they worked together. QWL programs

aim to make work easier by integrating technology and humans. QWL programs led to the development of self-managing workgroups as they allowed task variety, discretion and then feedback on employee performance. It was found that QWL programs created greater levels of productivity and maximised levels of employee satisfaction. QWL programs led to the creation of quality circles, which involved the training of employees for problem solving within the organisational context.

The fifth and final stem of OD was that of strategic change, which encouraged a planned change process at an organisational level. It involved the systematisation of an organisation's culture, environment and purpose. The strategic change and planning activists argued that if all these factors were aligned, an organisation would be more productive and have higher levels of employee satisfaction.

It is difficult to compare these five stems of OD as each seems to have evolved from another. The laboratory training and action research/survey-feedback approaches are fairly similar as they depend on feedback as a way of implementing change. They also, as does QWL, seem to focus on working in teams.

**3 *Outline the key events in the history and evolution of organisation development. What do you see to be the future directions of the field? How would you suggest that practitioners proactively promote or facilitate the evolution of OD?***

The key events in the evolution of OD are the five backgrounds or stems that were discussed earlier. These greatly influenced the field of OD. However, today, OD is being shaped by new influences, such as the information technology revolution, which is a rich source of information, and globalisation, which leads organisations across international borders.

OD originally began in 1964 with a group of 200 members. Today, it has grown to a group of 2500 OD practitioners. In 1968, the American Society of Training and Development created an OD department. This then led the Academy of Management to create an OD department, and Pepperdine University offered the first masters degree in OD in 1971. OD is now taught at both undergraduate and postgraduate levels at many universities and colleges around the world.

The first generation of researchers and contributors to the field of OD included theorists such as Chris Argyris (developed the learning-and-action-science approach), Warren Bennis (examined the relationship between executive leadership and strategic change) and Edgar Schein (examined process approaches in OD and culture's role in change management).

Second generation researchers and contributors included Warner Burke (brought attention to and created recognition of OD as a professional field), Larry Greiner (looked at power and evolution in regards to OD), Edward Lawler III (looked at rewards systems and employee motivation and involvement), Newton Margulies and

Anthony Raia (looked at the values underlying OD) and, finally, Peter Vaill and Craig Lundberg (aimed to develop OD as a practical science of management).

Today, the practice of OD is becoming more popular in many large organisations including General Motors, Ford, Texas Instruments and Hewlett Packard. It is interesting to note that many of these large organisations have gone public with the information they have acquired and the lessons that they have learnt during their OD practices and implementations. As mentioned earlier, the field of OD has become global and has been introduced in Canada, Germany, the Philippines, the Netherlands and Russia.

Although it is evident that the field of OD has expanded dramatically since the mid-1960s, it is disproportionately used in large organisations. However, many organisations use OD concepts in their day-to-day activities without even knowing it.

**4 Identify a company/corporation that has undergone or is undergoing organisation development or change. Identify the steps taken and, with the benefit of hindsight, make recommendations to improve the process.**

Students can be divided into groups of four to six to discuss the question. This provides an opportunity for the students to apply the knowledge gained in this chapter to a specific context or workplace. It is also an ideal question for an individual or a group written assignment.

**5 Table 1.1 provides five definitions of organisational development. Which, from your perspective, offers the most informative insight into this concept? Why?**

Students can be divided into small groups to discuss the definitions from a personal perspective. A report back to the class for their rationale could follow. This will allow students to identify the approach they are most likely to be comfortable with in a change environment or to get the knowledge and skills required to participate in change projects.

The key objective of the exercise is for students to grasp OD as a discipline which can have a number of different approaches.

**6 There are many forms of consulting which seek to assist organisations improve their operations such as management consulting, BPR, best practice, TQM, etc. Is OD different to these forms? If so, how?**

This exercise gives students an opportunity to demonstrate their understanding of each concept within the context of OD as a whole organisation strategy. Students should be able to distinguish the tools of OD from OD as an ongoing strategy design to meet the organisation's strategic objects.

## *Applications—Critical thinking questions*

These questions are ideal for organising students into groups of three to five to debate the issues. You could extend the debate by being flexible and responsive to their comments. There are no right or wrong answers for these questions as they are intended to challenge students to think about how theory might be applied to actual organisations and situations.

### **1.1 Telstra's Chances**

**1 *If Telstra is split into its high-growth and low-growth components, would it really change circumstances so much?***

It could be the liberating action that Telstra needs to grow again, throwing off the stagnancy which has plagued it over recent times. Shareholders would be fairly compensated and retain the ownership of the mobile and broadband markets which are profitable. The alternative is curtailed growth and no shareholder wants that.

**2 *Besides the needs of Telstra, what other considerations should there be before implementing change?***

The overall cost to the country. It seems very wasteful not to use the existing infrastructure at what would be considerable cost to the country.

**3 *Telstra exists and operates within an industry characterised by rapid technological changes. The industry also is highly competitive, with organisations entering and departing frequently. In this environment, how should/can Telstra strike a balance between the application of OD and OT?***

Telstra has the challenging task of informing and ensuring that their shareholders understand the change and the effects on the shareholders. This is a transformational change as the 'all things to all people' strategy begins to focus on just a few areas of its former activities.

Employees can be facilitated through the change more easily as most will be retaining the roles they have, albeit growing and changing as technology changes. Thus internal change is likely to be OD and the external change OT.

### **1.2 Forged by Fire**

**1 *'Focus on what you know. Do what you do best and keep doing it. And don't panic.' How should organisations deal with changes to ensure continued survival or even maximise efficiencies to make profits?***

Organisations under pressure need to be methodical in the way they assess their situation when the market changes dramatically. Use established strategies to overhaul the company, stay doing what you do, maximise the strengths of the

company and devolve the weaknesses. Do the same thing better and sleeker and embed the changes for the long term, but retain the OD practices as part of business as usual.

**2 Hayley James urges firms to ‘innovate’. Innovation implies change within the range of products/services and/or the organisational structure. What are likely to be the main points of resistance to change in these areas? How might you overcome them?**

Some staff will feel that innovation means that what they are currently doing is not good enough and, if they were involved in the development of the existing practices, they may put up resistance to improving current practice. Adding value to existing products may mean more or different work for employees. Review original plans which may have to be changed because of the changed context for business.

The best way to overcome any resistance is to demonstrate to employees the value in always over delivering. Demonstrate that being innovative is under the control of the employees and that they own the changed state.

### **1.3 Join the home office revolution**

**1 Comment on how successful home businesses could be in the future. Can you anticipate any difficulties? Why/why not?**

Working in the home has and will continue to be an option for many. The home office is well embedded in our communities and will continue to grow as technology allows people to communicate efficiently around the world.

Students could be asked to identify ways in which working from the home could be improved. They should not only suggest technology but also the potential impact on family and other social life. They may include a comment on the implications on the human psyche of having too much choice in how people earn an income, the disciplines required when working in isolation and the challenges in maintaining social networks.

**2 Colin Benjamin is quoted as saying ‘We will be building infrastructure in the home that was previously stuck in institutions – and that has far-reaching implications for national communications and industry systems.’ Identify some of the implications referred to by Colin Benjamin. How might they be resolved?**

Home businesses can be hard to find, they often do not go out of their way to be identified because they fear being ‘caught’ operating a business but using personal costs. They like to keep their operations simple. Home businesses don’t have time, or are not positioned well enough, to socialise and network in the same way as traditional businesses.

However, there are advantages which include no commuting, increased flexibility, lower overhead costs, potentially less workplace stress and potential more options for managing work-life balance. But there may also be a loss of demarcation between work and life, such as work 'spreading across the kitchen table'.

Home businesses are an example of the deep change occurring in the business landscape.

### ***Additional suggested readings***

Farias, G, Homer, J Ruddle, K & Moore, K 2000, 'Organizational development and change management: Setting the record straight', *The Journal of Applied Behavioural Science*, 36.3, pp. 376–81.

Worren, NAM, Ruddle, K & Moore, K 1999, 'From organizational development to change management: The emergence of a new profession', *The Journal of Applied Behavioural Science*, 35.3, pp. 273–86.