Chapter 2
Understanding change

Learning objectives

- To describe and compare major perspectives on changing organisations
- To identify the differences between the major theories of organisational change – Lewin’s change model, the action research model and the positive change model
- To introduce a general model of planned change that will be used to organise the material presented in the book
- To describe how planned change can be adopted to fit different kinds of conditions

Activities

Review questions

(See text p. 57)

1. Identify the people generally responsible for carrying out planned change efforts. What factors will influence who is allocated these responsibilities?

Organisation development (OD) is directed at bringing about change to increase an organisation’s effectiveness. It is generally initiated and implemented by managers, often in conjunction with internal or external OD practitioners. This planned change can be used to solve problems, to learn from experience, to adapt to environmental changes or demands, to improve performance, and to influence future changes.

Additional activity

Students can be divided into groups of three to five and asked to identify three factors that will influence who is allocated these responsibilities. Students should then present their ideas to the entire group.

2. In Lewin’s model of change, what brings about the proposed change? Explain why there has to be variations made, over a period of time, to the original model.

One of the early fundamental models of planned change was provided by Kurt Lewin. He conceived of change as a modification of those forces that keep a system’s behaviour stable. Specifically, the level of behaviour at any moment in time is the result of two sets of forces: those striving to maintain the status quo and those pushing for change. When both sets of forces are about equal, current levels of
behaviour are maintained in what Lewin termed a state of ‘quasi-stationary equilibrium’. To change that state, one can increase those forces pushing for change, decrease those forces that maintain the current state or apply some combination of both. For example, the level of performance of a work group might be stable because group norms maintaining that level are equal to the supervisor’s pressures for change to higher levels. This level can be increased either by changing the group norms to support higher levels of performance or by increasing the supervisor’s pressures to produce at higher levels. Lewin suggested that modifying those forces that maintain the status quo produces less tension and resistance than increasing forces for change. Consequently, this is a more effective strategy for change.

Lewin’s model provides a general framework for understanding organisational change. Because the three steps of change are relatively broad, considerable effort has gone into elaborating on them. For example, the planning model, developed by Lippitt, Watson and Westley, arranges Lewin’s model into seven steps: scouting, entry, diagnosis (unfreezing), planning, action (movement), stabilisation and evaluation, and termination (refreezing). However, Lewin’s model remains closely identified with the field of OD and is used to illustrate how other types of change can be implemented. For example, Lewin’s three-step model has been used to explain how information technologies can be implemented more effectively.

3 Describe the three sequential steps in Lewin’s change model. Give a current example where Lewin’s model is evident.

Lewin’s change model is made up of three sequential steps: unfreezing, moving and refreezing.

Unfreezing involves reducing those forces maintaining the organisation’s behaviour at its present level. This is sometimes accomplished through a process of psychological disconfirmation.

Moving shifts the behaviour of the organisation, department or individual to a new level. It involves developing new barriers, values and attitudes through changes in organisational structures and processes.

The final stage, refreezing, stabilises the organisation at a new state of equilibrium. It is frequently accomplished through the use of supporting mechanisms that reinforce the new organisational state.

Additional activity

The students can be asked to provide an example from their own professional experience in which Lewin’s model is evident. They can do this activity in pairs or small groups of three to five.

Students should discuss the model and its implementation in detail. Each group can then provide feedback for the entire group.
4 **What is action research and what is the ‘first step’? What is the relationship between action research and organisation development?**

Originally developed to help specific organisations implement change and to develop a more general knowledge that can be applied in other settings, action research has been adapted to OD, where the major focus is planned change.

The first step in the action research model is problem identification. This stage usually begins when a key executive or someone with power and influence in the organisation senses that the organisation has problems that might be alleviated with the help of an OD practitioner. In one case, the quality manager of an electronics plant had been involved with OD before, but it took her almost a year to persuade the plant manager to bring in a consultant.

The action research model focuses on planned change – as part of OD – as a cyclical process in which initial research about an organisation provides information to guide subsequent action. The results of the action are then assessed to provide additional information to guide further action, which will likewise be assessed. This iterative cycle of research and action involves considerable collaboration between organisation members and OD practitioners. It heavily emphasises data gathering and diagnosis prior to action planning and implementation, as well as careful evaluation of the action’s results. Therefore, there is a positive relationship between OD and action research.

5 **Name the four basic steps in gathering data. What is the purpose of gathering that data?**

The four basic methods of gathering data are interviews, process observation, questionnaires and organisational performance (which is unfortunately often overlooked but can reflect the context in which change is to happen).

The purpose of gathering data is to determine the underlying causes of organisational problems or challenges created by the business environment or other contexts such as changes in legislation, for example employment law or changes in technology such as new machinery or information technology.

6 **Action research is described as a ‘collaborative activity’. What are the key stages when joint client/OD practitioner action is required?**

Although the organisation’s problems or challenges are usually identified by a senior member of the executive or key operations manager, the OD practitioner plays a role in confirming the problem or challenge facing the organisation. Not uncommonly, a problem perceived by those within the organisation and/or without analysis of all the data available can be misdiagnosed.

Consultation and feedback is the first formal stage, where joint action between the client and OD practitioner is required. The OD practitioner will have normative
models and he or she must be transparent with biases in application. Being open is a key requirement in any collaborative relationship.

The OD practitioner has a large role in co-ordinating data gathering, ensuring that all relevant data available is considered, analysing and presenting an initial diagnosis. The OD practitioner needs to be aware that their mere presence in the organisation will have an impact on the responses of some people in the client group.

Feedback to the client group helps determine the strengths and weaknesses of the organisation. Joint diagnosis of problems or challenges to the organisation will give ‘ownership’ to members of the client group and together they can action plans for solutions.

The OD practitioner has a lesser role in actioning the change, especially if they are an external consultant to the organisation. However, the OD practitioner has a formal role in evaluating the success of the change and working collaboratively with the client group in that evaluation and the design of any future action research.

7 What is the positive model of change? In what circumstances should it be the preferred approach to OD?

The positive model of change is characterised by the promotion of a ‘positive’ approach to planned change. It focuses on what the organisation is doing right. This application of planned change helps people within the organisation understand what is being done well and encourages them to look at how they can capitalise on those attributes.

The positive model should be used in situations when there is nothing particularly ‘wrong’ with the organisation, but where best practice and a focus on improving what is good about the organisation can lead to a shared vision for the future.

8 What are the four steps involved in the general model of planned change?

The four steps involved in the general model of planned change are: entering and contracting, diagnosing, planning and implementing change, evaluating and institutionalising change. In Figure 2.2 (see text, p. 43), the lines connecting the activities emphasise that organisational change is not a straightforward, linear process, but involves considerable overlap and feedback among the activities.

9 What are the major problems associated with planned change efforts? Are there any problems that are more prevalent than others?

There are two general areas of planned change that are associated with problems: the conceptualisation of planned change and the practice of planned change.
Conceptualisation of planned change

More information is needed to guide how those steps should be performed in specific situations.

Planned change also tends to be described as a rationally controlled, orderly process. Critics argue that although this is comforting, it is seriously misleading. Examples of this are shifting goals, discontinuous activities, surprising events, etc.

The relationship between planned change and organisational performance is not well understood.

Practice of planned change

This examines how change takes place and at the qualifications and activities of OD practitioners.

Some OD practitioners favour particular techniques and ignore other OD strategies that may be more appropriate.

Diagnosis is important, but, due to time and money constraints, some organisations are not willing to make the necessary investment.

Planning change may be a long-term process that involves considerable innovation and onsite learning. It takes time and commitment, so some organisations prefer and demand more rapid solutions and seek ‘quick fixes’ from experts.

### Additional activity

Students in groups of three to five may discuss the mentioned areas and indicate which problems they think are more prevalent than others.

10 **How useful is the Dunphy and Stace (1990) model when considering transformational change? What criticisms or reservations do you have about the model?**

Dunphy and Stace’s framework is based on the concept that planned change can be managed by recognising the key contingencies. The basic tenet of the model is that, whilst there is a best way to organise, it is possible to identify the most appropriate strategic form to fit the context in which a business has to operate.

The two dimensions of the Dunphy and Stace model are the scales of change and the style of leadership required to bring about the change. A change in an organisation’s circumstances, resulting in disequilibrium, will reduce performance and signal the need for adjustment of organisational form in order to restore effectiveness. Dunphy and Stace argue that many of the change strategies of the past were participative and are no longer effective in an environment of turbulent change. If the environment is changing rapidly and resistance exists, then Dunphy and Stace’s contingency model calls for ‘forced evolution’. It is only through
managerial authority and direction, as opposed to a more incremental approach, that effective change is realised.

As a result of some seven years’ research into change management techniques in Australia, Dunphy and Stace have derived a model of change that incorporates both ‘soft’ and ‘hard’ approaches. The model is a two-dimensional matrix that categorises the scale of change (from fine-tuning OD to corporate transformation) and the style of management that needs to be employed to facilitate the change (from collaborative to coercive). Four process change strategies or topologies may be identified from these dimensions. Note: See Figure 2.3 (see text p. 55) for details.

**Additional activity**

Students can be divided into two groups to debate criticisms or reservations regarding the model. One group should argue that it can be implemented effectively, and the other should argue that it cannot. They can prepare for the debate either prior to or during class. The debate should be conducted in class and a ‘final’ conclusion reached.

**Discussion and essay questions**

(See text p. 58)

1. **What is ‘planned change’ as compared to ‘unplanned change’?** Give current examples and critically evaluate their appropriateness.

<table>
<thead>
<tr>
<th>Planned change</th>
<th>Unplanned change</th>
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<tbody>
<tr>
<td>Planned change is a continuous process of change.</td>
<td>Unplanned change may not be a continuous process.</td>
</tr>
<tr>
<td>It is a systematic effort to improve the functioning of an organisation.</td>
<td>It generally involves the introduction of small, adaptive changes.</td>
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<tr>
<td>Power is usually roughly equal between consultants and clients.</td>
<td>Change is seen as an accidental occurrence.</td>
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<tr>
<td>Goals are mutually and deliberately set.</td>
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The long and turbulent history of Ansett airlines in Australia illustrates that organisational effectiveness often demands the implementation of change. The historic price war over domestic flights in Australia is a good example of how organisations confront change. As a competitor introduces a new service, an organisation can either respond or accept the inevitable decline in organisational effectiveness. By implementing planned change, which may have accounted for potential competitors, Ansett may have improved how it functioned. However,
introducing unplanned, adaptive changes in response to the price war was not an effective means of ensuring organisational effectiveness.

**Additional activity**

Students can be divided into groups of three to five to discuss current examples of planned and unplanned change and critically evaluate their appropriateness.

2 This text comments ‘Problem identification … usually begins when a key executive in the organisation, or someone with power and influence, senses that the organisation has one or more problems that might be alleviated with the help of an OD practitioner.’ Describe some of the ‘problems’ that may indicate the need for OD. What early warning system could be put in place to ensure action before the problem/s escalate and cause major difficulties to the organisation?

The identification of problems which may need the help of an OD practitioner can be fraught from the beginning. Usually a senior person with some authority or leadership in the organisation identifies that there is something wrong or that a challenge is going to arise in the future. Unfortunately, often executives have preconceived ideas about what the problem actually is. It is in this sort of circumstance when the independence of the external OD practitioner can be put to good use by offering an outsider’s opinion based on the use of an appropriate model through which the change process can be explained. This would include specialist skills in gathering and analysing data about the organisation and the context in which change needs to happen.

The first skill the OD practitioner brings is in the choice of the appropriate model and tools to use in the identification of the problem. Secondly, the skills of OD practice may not be available within the organisation. This may relate to specialist skills or the recognition that all involved in the change have a common frame of reference. Thirdly, the organisation may not have the skills to action and effect the change process.

Early warning systems include the adoption of ‘best practice’ programs and other industry standards which quickly tell management that their organisation is not reaching expectations. Good marketing will have a continuous program of environment evaluation which will enable recognition of major changes within the industry sector, national and international.

**Additional activity**

Students can be divided into groups of three to five to identify problems in organisations with which they are familiar and which could benefit from OD practitioner assistance, and state the rationale for that identification.
3 Describe the major differences between underorganised and overorganised organisations. How would you suggest that these factors be managed?

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<thead>
<tr>
<th>Overorganised organisation</th>
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<tbody>
<tr>
<td>It is usually highly mechanistic and bureaucratic (e.g. a university).</td>
<td>It has a more organic structure.</td>
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<tr>
<td>It has various dimensions, such as leadership styles, job designs, organisation structure, and policies and procedures are too rigid and overly defined for effective task performance.</td>
<td>Leadership, structure, job design and policy are ill-defined and fail to control task behaviours effectively. There is too little constraint or regulation for effective task performance.</td>
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<tr>
<td>Communication between management and employees is typically suppressed, conflicts are avoided and employees are apathetic.</td>
<td>Communication is fragmented, job responsibilities are ambiguous, and employees’ energies are scattered because of a lack of direction.</td>
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<td></td>
<td>Underorganised situations are typically found in areas – such as product development, project management and community development – where relationships among diverse groups and participants must be coordinated around complex, uncertain tasks. For example, the bid for the Sydney Olympics required different relationships with the IOC, politicians, architects, builders, environmentalists and taxpayers.</td>
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Additional activity

Students are asked to work in pairs and select one difference between overorganised and underorganised organisations and discuss five suggestions for how these factors may be managed. Information to support the discussion should be available in any reference materials related to management strategies.

4 Successfully implementing OD initiatives requires close collaboration between managers and OD practitioners. Describe some of the problems that might arise in the relationship between the two parties and propose ways of foreseeing and mitigating the impact of those issues.
Problems can arise which thwart the change process; they include disagreements about the need for change, resource constraints, preconceptions about what the problem is including human resource issues such as poor reward practices and the need for job enrichment. They must be aware of these problems in order to overcome them.

The client/OD practitioner relationship must be based on honesty and transparency, including the data which the organisation provides the OD practitioner and regarding which decisions about change are going to be made.

There are two general areas of planned change that are associated with problems. OD practitioners must be aware of the conceptualisation of planned change and the practice of planned change.

**Conceptualisation of planned change:**

More information is needed to guide how those steps toward change should be performed in specific situations. Planned change also tends to be described as a rationally controlled, orderly process. Although this notion is comforting, critics argue that it is seriously misleading. Examples of this are shifting goals, discontinuous activities, surprising events, etc. The relationship between planned change and organisational performance is not well understood.

Proposed solutions for such problems involve OD practitioners providing a wider range of information to help guide organisations through the steps to change and choosing the appropriate models to explain the process. A strong relationship between planned change and organisational performance must be developed.

**Practice of planned change:**

This looks at how change takes place and at the qualifications and activities of OD practitioners. Some OD practitioners favour particular techniques and ignore other OD strategies that may be more appropriate. Diagnosis is important, but, due to time and money constraints, some organisations are not willing to make the necessary investment. Planning change may be a long-term process that involves considerable innovation and onsite learning. It takes time and commitment, but some organisations prefer and demand more rapid solutions and seek ‘quick fixes’ from experts.

Proposed solutions for the area of practice would include OD practitioners not ignoring OD strategies that may be more appropriate. Also, even though it takes a lot of time and money to conduct a proper diagnosis, organisations should not look for a quicker solution or take short cuts. Rather, they should effectively diagnose problems by investing the necessary time and money in the program.
5 What are the positive and negative aspects of Dunphy and Stace’s model? How does it take into account such things as resistance, politics, dealing with unforeseen circumstances, ethics, particular group characteristics, and so on? Is there an opportunity to modify the model? How might this be done?

As a result of some seven years’ research into change management techniques in Australia, Dunphy and Stace have derived a model of change that incorporates both ‘soft’ and ‘hard’ approaches. The model is a two-dimensional matrix that categorises the scale of change (from fine-tuning OD to corporate transformation) and the style of management necessary to facilitate the change (from collaborative to coercive). Four process change strategies or topologies may be identified from these dimensions.

Scale of change:
- **Fine-tuning.** This involves organisational change that is an ongoing process characterised by fine-tuning of the ‘fit’ or match between an organisation’s strategy, structure, people and processes. Such effort is typically manifested at departmental or divisional levels.
- **Incremental adjustment.** This involves organisational change that is characterised by incremental adjustments to the changing environment. Such change involves distinct modifications (but not radical change) to corporate business strategies, structures and management processes.
- **Modular transformation.** This involves organisational change that is characterised by major realignment of one or more departments or divisions. The process of radical change is focused on these subparts rather than on the organisation as a whole.
- **Corporate transformation.** This involves organisational change that is corporation-wide, characterised by radical shifts in business strategy and revolutionary changes throughout the whole organisation.

Style of management:
- **Collaborative.** This involves widespread participation by employees in important decisions about the organisation’s future, and about the means of bringing about organisational change.
- **Consultative.** This style of leadership involves consultation with employees, primarily about the means of bringing about organisational change, and relates to their possible limited involvement in goal setting that is relevant to their area of expertise or responsibility.
- **Directive.** This style of leadership involves the use of managerial authority and direction as the main form of decision making about the organisation’s future, and about the means of bringing about organisational change.
Coercive. This style of leadership involves managers, executives or outside parties forcing or imposing change on key groups within the organisation.

**Typology of change strategies and conditions for their use:**

- **Participative evolution.** This strategy is used when an organisation is ‘in fit’ but needs minor adjustments. It is also used when an organisation is ‘out of fit’, and time is available and key interest groups support change.

- **Charismatic transformation.** This strategy is used when an organisation is ‘out of fit’ and there is little time for extensive participation, but there is support for radical change within the organisation.

- **Forced evolution.** This strategy is used when an organisation is ‘in fit’ but needs minor adjustments. It is also used when an organisation is ‘out of fit’, and time is available. However, key interest groups oppose change.

- **Dictatorial transformation.** This strategy is used when an organisation is ‘out of fit’ and when there is neither time for extensive participation nor support within the organisation for radical change, though it is vital to organisational survival and fulfilment of the basic mission.

As with any paradigm, Dunphy and Stace’s model has created considerable debate. There are certainly positive and negative aspects and issues of resistance, politics, the unpredictability of environment, ethical considerations and the unique characteristics of particular groups.

Note: See Figure 2.3 (see text p. 55) for details. This question should be linked to Review Question 7 in this chapter.

**Additional activity**

Students are divided in pairs or groups and asked to select one of the following aspects to discuss:

- resistance
- politics
- dealing with unforeseen circumstances
- ethics
- particular group characteristics.

The pairs/groups are then asked to provide feedback on their discussion. As a follow-up discussion, students in pairs or groups can debate the opportunity to modify the model and how may this be done. Feedback is again provided on the outcome of the discussions.
6 Compare and contrast the various models of planned change. Discuss the advantages and disadvantages of each. Develop and explain your ‘ideal’ model of planned change.

Lewin’s change model, the action research model and contemporary adaptations to the action research model each provide steps for implementing planned change in organisations.

The three models are similar in their acknowledgment of an initial phase of change (unfreezing or diagnosis of aspects of the organisation) and a concluding phase (refreezing or evaluation). Additionally, all three models highlight the importance of involving organisation members in the change process and the potential influence a consultant may have on an organisation. However, Lewin’s model of planned change differs from the other models by focusing on the general planned change process rather than on specific OD activities.

Lewin’s model and the action research model vary from current approaches in terms of both their focus and participants’ level of involvement. Lewin’s model and action research are more concerned with fixing problems than with focusing on what the organisation does well and pursuing those strengths. Also, these models emphasise the role of the consultant over the organisational member. Contemporary adaptations, however, view both consultants and organisational members as partners in the change process.

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<tr>
<td><strong>Advantages</strong></td>
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<td>Lewin suggested that modifying the forces maintaining the status quo produces less tension and resistance than increasing the forces for change and, consequently, that this is a more effective change strategy.</td>
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<tr>
<td>Lewin’s model appears to be simple, straightforward and generally easy to apply.</td>
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| Action research model |
This model highlights the importance of planned change as a process. It identifies the need for a behavioural science expert who may bring specialist skills to the change process. External change agents may bring their own baggage to the organisation, such as their own normative, developmental theory or frame of reference, which may interfere with their judgement. Failure to establish a common frame of reference in the client-consultant relationship may lead to faulty diagnosis or to a communications gap.

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<th>Contemporary adaptations model</th>
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<tr>
<td>Contemporary adaptations have substantially increased the degree of member involvement as a result of recognising the involved parties as ‘co-learners’ in the change process. This model promotes a positive approach to planned change by suggesting that all organisations are to some degree effective.</td>
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<tr>
<td>Increased member involvement may lead to a case of ‘too many chiefs and not enough Indians’. This calls for a need to specify the roles and responsibilities of each involved member. Suggesting that both parties are ‘co-learners’ may suggest that failure is acceptable, though it is neither encouraged nor widely accepted in reality.</td>
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**Additional activity**
Divide students into groups and ask them to develop and explain their ‘ideal’ model of planned change. Groups should then report their discussion to the class, and students are asked to critique the different models presented. The whole class can then discuss the ‘ideal’ model. The following aspects may create a few ideas.

Although the general model of planned change suggests that OD is a straightforward process, most OD efforts do not proceed according to a neat timetable or pre-set sequence of events. The application of OD in a particular organisation or situation requires adjustments in the process of planned change. This section suggests that three dimensions – magnitude of change, degree of organisation and domestic vs. international settings – are particularly important. How these dimensions can impact the process of planned change should be noted. Critics suggest that current theories and models of planned change are:
1 deficient in knowledge about how the stages of planned change differ across situations
2 unable to capture the disorderly and dynamic qualities of change
3 searching for better understanding of the relationship between planned change and organisational performance and effectiveness.

7 The effectiveness of the OD practitioner in successfully implementing OD initiatives is clearly important. If you were hiring an OD practitioner, what qualities and skills would you look for in that person? Why?

It is of particular importance to consider the context in which the change is expected to happen and chose the OD practitioner who demonstrates an understanding of the situation.

In an extensive review and critique of planned change theory, Porras and Robertson argued that planned change activities should be guided by information about: (1) the organisational features that can be changed, (2) the intended outcomes from making those changes, (3) the causal mechanisms by which those outcomes are achieved, and (4) the contingencies upon which successful change depends.

Therefore it is important to choose an OD practitioner who not only understands the situation but who also has the time and commitment to put into applying the appropriate change process for the organisation.

The OD practitioner should be able to demonstrate appropriate and relevant qualifications from a reputable university, relevant experience and demonstrate a personal character fit with the people with whom he or she will be working.

In any change process patience is a virtue, as planned change rarely goes to plan and requires a practitioner with good analytical skills which can be applied to ambiguous situations.

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.

2.1 The conversion model

1 If you were a consultant engaged by Samsara to improve its business model as a franchised business, how would you apply the action
research model outlined above? What are the key issues you would explore?

Action research is traditionally aimed both at helping specific organisations to implement planned change and at developing more general knowledge that can be applied to other settings. Although action research was originally developed to have this dual focus on change and knowledge, it has been adapted to OD efforts in which the major emphasis is on planned change. The first consideration is whether the model is applicable to the need for change within Samsara and its franchisees that may all have different expectations of the outcome. These are the main steps which should be applied to Samsara:

1. **Problem identification.** The administrators understood that the organisation has one or more problems. These problems might be alleviated with the help of an OD practitioner. In this case, the administrators would be recommended to seek professional help in getting the major change to the structure of the company embedded for the medium term.

2. **Consultation with a behavioural science expert.** During the initial contact, the OD practitioner and the administrators need to carefully assist each other. The practitioner has his or her own normative, developmental theory or frame of reference and must be conscious of those assumptions and values. Sharing them from the beginning establishes an open and collaborative atmosphere. In the case of Samsara it is likely that the administrators will be searching for a suitable solution to the company’s problems.

3. **Data gathering and preliminary diagnosis.** This stage is usually completed by the OD practitioner, but with Samsara the administrators would be actively involved as this stage involves gathering appropriate information and analysing it to determine the underlying causes of organisational problems. That is one of the administrator’s legal roles. The four basic methods of gathering data are interviews, process observation, questionnaires and organisational performance data (unfortunately, often overlooked).

One approach to diagnosis begins with observation, proceeds to a semi-structured interview and concludes with a questionnaire to measure precisely the problems identified by the earlier steps. When gathering diagnostic information, it is possible that OD practitioners may influence members from whom they are collecting data. In OD, ‘every action on the part of the ... consultant constitutes an intervention’ that will have some effect on the organisation.

4. **Feedback to key client or group.** Because action research is a collaborative activity, the diagnostic data are fed back to the Samsara administrators, either in a group or with some of the franchisees for whom a solution is equally important. The feedback step, in which members are given the information
gathered by the OD practitioner, would help them to determine the strengths and weaknesses of Samsara. The process must be transparent.

2 Tony Blackie observes, ‘You have to manage your franchisees, who are often independently minded people who are running their own businesses, they are not employees’. What are the implications of this statement for the relationship between the franchisor and the franchisee? How do they impact on your recommendations flowing from your answer to the first question above?

The relationship between franchisors and franchisees is one of mutual dependency. The difficulty with the Samsara example is that the franchisees all have different contracts with different benefits and responsibilities. The future of all the franchisees lies in the hands of the administrators. It is in everyone’s interest to work together in a collaborative manner. That may include the negotiation of a standard franchisee contract which allows Samsara, the franchisor to move on. The use of a professional change manager will assist in defusing the issues of benefit loss by individual franchisees in order to save the company as a whole.

2.2 Deloitte – positive approach to private practice

1 Which of the change models discussed above would be best suited to the Deloitte situation? Why?

The positive model is the most suitable model for Deloitte to adopt because it focuses on the promotion of a ‘positive’ approach to planned change. This model focuses on what the organisation is doing right and Deloitte seems to have identified where their strengths lie in relation to the SME market for specialist advice.

The positive model has been applied to planned change primarily through a process called appreciative inquiry (AI). Appreciative inquiry explicitly infuses a positive value orientation into analysing and changing organisations (refer to Figure 2.3, p. 35).

The positive model of planned change involves five phases:

1 Initiate the inquiry. This first phase determines the subject of change. For Deloitte, that would entail group members searching for the gaps in the market for specialist support for SMEs and establishing a strategic direction based on the positive characteristic of the company.

If the focus of inquiry is real and vital to organisation members, the change process itself will take on these positive attributes.

2 Inquiry into best practices. This phase involves gathering information about the ‘best of what is’ in the organisation. In this case the topic is organisational
innovation, so members help to develop an interview protocol that collects stories of new ideas that were developed and implemented in the organisation.

The interviews are conducted by organisation members; they interview each other and tell stories of innovation in which they have personally been involved. These stories are pulled together to create a pool of information describing the organisation as an innovative system.

3 **Discover the themes.** Here, members examine the stories, both large and small, to identify a set of themes representing the common dimensions of people’s experiences. For example, the stories of innovation may contain themes about how Deloitte have been assisting SMEs and other privately owned organisations to maximise their position in an emerging market. No theme is too small to be represented; it is important that all of the underlying mechanisms that helped to generate and support the themes are described. The themes represent the basis for moving from ‘what is’ to ‘what could be’.

4 **Envision a preferred future.** The Deloitte’s team then examines the identified themes, challenge the status quo, and describe a compelling future. Based on the organisation’s successful past, members collectively visualise the organisation’s future and develop ‘possibility propositions’ – statements that bridge the organisation’s current best practices with ideal possibilities for future organising. These propositions should present a truly exciting, provocative and possible picture of the future. Based on these possibilities, members identify the relevant stakeholders and critical organisation processes that must be aligned to support the emergence of the envisioned future. The vision becomes a statement of ‘what should be’.

5 **Design and deliver ways to create the future.** The final phase involves the design and delivery of ways to create the future. It describes the activities and creates the plans necessary to bring about the vision. It proceeds to action and assessment phases similar to those of action research described previously. Members make changes, assess the results, make necessary adjustments and soon move the organisation towards the vision and sustain ‘what will be’. The process is continued by renewing the conversations about the best of what is.

2 **A vital element in any successful change situation is appropriately managing the interests of the people involved. The article intimates that not all DGS partners will be transferred to the new organisation. What are the considerations you would need to have in mind as you addressed the interests of both groups?**

Yesterday’s organisational structure is not necessarily appropriate for today’s business environment. Markets change as do client needs. Businesses need to
ensure that their structures, and more especially skill sets, are relevant to contemporary needs. Deloitte must ensure that the people who are transferring to the new partnership will not only have the skill sets required, but also that they have taken ownership of the changed state of the organisation and are able to make a positive contribution. To successfully implement change, it is vital that management is fully consulted and involved in the identification of market opportunities and planning of effective changes to take advantage of those opportunities.

It is important to include the HR department in any changes to the roles of Deloitte team members.

2.3 Ahead in the clouds

1 What is/are being changed in this example? What is the rationale for those changes?

The change is to the economy seating for the long haul market by introducing the biomorphic seat. This has not only a new structure aimed at comfort, but a structure which is also light and therefore has an impact on fuel savings. The key rationale however is the design-centric focus which promotes the integration of all aspects of the traveller’s experience.

2 What are the consequential changes flowing from the change/s identified in the first question?

The consequential changes are expected to maintain the competitive edge because the seat is inimitable, for a while at least. It is envisaged that the design dividend from publicity around the award for the design of the seat, will entice some of the core market back by the focus on comfort still rating alongside price of fares. However, imitation only takes a few months so the competitive edge needs to be maximised during that time.

2.4 Contract workers in demand as bosses caught short

1 With the benefit of hindsight, how would you have responded to the global financial crisis?

For this example the preferred model for managing change would be the contingency model which states that change management should be approached from a situational perspective. The argument for contingency is that dramatically different approaches to change are required in unsettled times. The GFC has been a very unsettled time for many companies, both in having strained financial circumstances now and an unsure future. Different responses are needed according to the needs of the situation.
What is appropriate for one organisation may not be appropriate for another. So we need a model of change that indicates how to carry change strategies to achieve optimum fit with the changing environment. The contingency for this case would be to ‘cover bases’ rather than going for corporate transformation.

2 Given a history of downs/ups in the local and international economies, would you have reacted to the GFC any differently to the situation outlined in the application?

The best policy is to identify the key people and best performers in the company and ensure that they are committed to the medium term; they may require some reward during that period. Good employees should be nourished as long as possible as the company will need them to maintain the status quo in dire times and reignite the company when market conditions change.

Then let those go that do not have a good performance record or those with a function which can be undertaken by others. This is a good example of a time when the employee who is multitasked may have more to offer the organisation. Rarely do mass layoffs result in anything but expensive contract workers, as the functions of the organisation still need to be carried out.

3 In managing change, what are the trade-offs between employing permanent and casual staff? Do those trade-offs differ between various industry sectors?

Keeping permanent staff can be an expensive process but the organisation will lose experience, institutional knowledge and maybe specialist skills required by the company. The trade-off is that casual workers can be laid off at any time, however casual workers are rarely as productive as full-timers who have a commitment to the company.

In the health sector there is some evidence to suggest that productivity of casual staff can be 60% of a full-time permanent employee. One of the solutions for the health sector, especially large hospitals, is to employ a permanent, part-time group of workers who are proficient in working in a variety of wards. Their flexibility is a huge positive for the organisation. Rather than the traditional ‘agency’ or ‘bureau’ nurse they are titled ‘special assignment team’ and are paid a premium for being able to ‘walk on water’. Various other options are used in the construction sector where some administrative staff are used on site where the demand for labour is high.

Additional activity

Arrange students into groups of three to five and have them analyse this case against the previous two. What does each model suggest?
• Strategy: Planning and goals/targets/measures are essential to getting where you want to go.

• Skills: It’s not enough to have passion and leadership, it’s necessary to have someone to do the accounts. How do you get a day off?

Additional activity

Arrange the students into groups of three to five and have them discuss this case in terms of the magnitude of change and the degree of organisation.

• Magnitude: One large client will overshadow smaller ones and need dedicated resources to manage.

• Degree of organisation: Every business needs certain skills (accounting, marketing, sales and operations). How are these going to be achieved? Who will do it?

Additional suggested readings

It should be remembered that only a few of the most important models are discussed in this text. There are also other models available. The suggested readings include references to other models.


References

