Chapter 8
OD interventions: Strategy and structure

Learning objectives

- To identify the phases in ‘open systems planning’ (OSP)
- To understand the basic principles of techno-structural design
- To identify the three environments which impact on organisational functioning – the general environment, the task environment and the enacted environment
- To examine work design from three different perspectives: engineering, motivational and socio-technical
- To understand how different approaches align with different technical and interpersonal conditions to understand and illustrate how organisations relate to their external environments; how does OD contribute to the strategic management process?
- To identify the characteristics of transorganisational development
- To distinguish between downsizing and re-engineering
- To describe three strategic interventions: integrated strategic change, transorganisation design and culture change

Activities

Review questions

(See text p. 315)

1. **What constitutes the organisation’s general environment? How would this impact on decisions made by a change agent?**

The general environment consists of all external forces that can influence an organisation or department, and includes technological, legal and regulatory, political, economic, social and ecological components. Each of these forces can affect the organisation in both direct and indirect ways. For example, economic recessions can directly impact on the demand for a company’s product. The general environment can also impact indirectly on organisations by virtue of the links between external forces. For example, an organisation may have trouble obtaining raw materials from a supplier because a consumer group has embroiled the supplier in a labour dispute with a national union, a lawsuit with a government regulator or a
boycott. These parts of the organisation’s general environment can affect the organisation, even though they have no direct connection to it (see text p. 275).

2 **Through what strategies do organisations gain ‘control’ over their environments? What implications does this have for how change is managed?**

Organisations try to discern customer needs through focus groups and surveys.

- They attempt to understand competitor strategies through press releases, sales force behaviours and knowledge of key personnel.

- Scanning units monitor and make sense out of the environment so as to respond to it appropriately. They must identify and attend to those environmental parts and features that are highly related to the organisation’s own survival and growth.

- Proactive responses involve trying to influence external forces in favourable directions. The range of proactive responses is almost limitless and organisations tend to be highly selective in choosing them, to avoid those that are costly to implement or can appear aggressive to other competitors. For example, engaging in political activity to influence government laws and regulations; advertising to shape customer tastes and preferences.

- Collective structures help organisations cope with problems of environmental dependence and uncertainty through increased co-ordination with other organisations, and perform tasks that are too costly and complicated for a single organisation to perform.

3 **What is associated with a transorganisational system? Describe its stages and compare and contrast this with the OD process.**

Cummings has referred to these multi-organisation structures as transorganisational systems (TSs) – groups of organisations that have joined together for a common purpose. TSs are functional social systems midway between single organisations and societal systems. They are able to make decisions and perform tasks on behalf of their member organisations, although members maintain their separate organisational identities and goals. In contrast to most organisations, TSs tend to be underorganised: relationships among member organisations are loosely coupled; leadership and power are dispersed among autonomous organisations, rather than hierarchically centralised; and commitment and membership are tenuous as member organisations attempt to maintain their autonomy while jointly performing.

These characteristics make creating and managing TSs difficult. Potential member organisations may not see the need to join with other organisations. They may be concerned with maintaining their autonomy, or have trouble identifying
potential partners. Australian firms, for example, are traditionally ‘rugged individualists’ preferring to work alone rather than to join with other organisations. Even if organisations do decide to join together, they may have problems managing their relationships and controlling joint performances. Because members are typically accustomed to hierarchical forms of control, they may have difficulty managing lateral relations among independent organisations. They may also have difficulty managing different levels of commitment and motivation among members, and sustaining membership over time.

Given these problems, transorganisational development (TD) has evolved as a unique form of planned change aimed at creating TSs and improving their effectiveness. In laying out the conceptual boundaries of TD, Waddell et al. describe the practice of TD as following the stages of planned change appropriate for underorganised systems (see Chapter 2, text p. 47). These stages parallel other process models that have been proposed for creating and managing joint ventures, strategic alliances and interorganisational collaboration. The four stages are shown in Figure 8.2 (see text p. 285), along with key issues that need to be addressed at each stage. The stages and issues are described below:

- **Identification stage:** This step identifies the potential member organisations of the TS. Potential members can be identified and judged in terms of the skills, knowledge and resources that they can bring to bear on the TS task. Key stakeholders who can affect the creation and subsequent performance of the TS are identified as well.

- **Convention stage:** Bringing members together to assess whether creating a TS is desirable and feasible. This face-to-face meeting enables potential members to explore mutually their motivations for joining and their perceptions of the joint task.

- **Organisation stage:** Members begin to organise themselves for task performance. Creating new leadership positions, establishing communication channels and specifying appropriate plans and policies. Corporate lawyers and financial analysts play key roles in structuring the TS. They determine how costs and benefits will be allocated among member organisations, as well as the legal obligations and contractual rights of members.

- **Evaluation stage:** The final stage is assessing how the TS is performing. Members need feedback (performance outcomes and member satisfactions) so that they can identify problems and begin to resolve them. The evaluation might signal the need for adjustments in the organising stage or for further identification, convention and organisation activities.

**Additional activity**
Students are divided into groups of three to five and asked to compare and contrast a transorganisational system with the OD process.

4 **Describe both downsizing and re-engineering, then compare and contrast them.**

Downsizing decreases the size of an organisation through workforce reductions or organisational redesign. It is generally associated with layoffs where a certain number or class of organisation member is terminated by the organisation. Downsizing can contribute to organisation development by focusing on the organisation’s strategy, addressing the needs of all organisation members and following through with growth plans.

Re-engineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in performance. It seeks to transform how organisations traditionally produce and deliver goods and services. A typical re-engineering project prepares the organisation, rethinks the way work gets done and restructures the organisation around the newly designed core processes.

Although these interventions have different conceptual and applied backgrounds, they overlap considerably in practice. Re-engineering can result in production and delivery processes that require fewer people and layers of management. Conversely, downsizing may require subsequent re-engineering interventions. When downsizing occurs without making fundamental changes to how work is performed, the same tasks are simply being performed by fewer people. Thus, expected cost savings may not be realised because lower productivity offsets lower salaries and fewer benefits.

In radically changing business processes, re-engineering frequently takes advantage of new information technology. Modern information technologies, such as teleconferencing, expert systems, shared databases and wireless communication, can enable organisations to re-engineer. Re-engineering invariably involves aspects of work design, where tasks are assigned to jobs or teams.

5 **What are the approaches to work design? Give an example of each.**

Work design is a techno-structural intervention. There are three different approaches to work design:

- The engineering approach focuses on efficiency and simplification, and results in traditional job and work group designs.
- A second approach to work design rests on motivational theories and attempts to enrich the work experience. Job enrichment involves designing jobs with high levels of meaning, discretion and knowledge of results.
- The third and most recent approach to work design derives from sociotechnical systems methods. This perspective seeks to optimise both the
social and the technical aspects of work systems. It has led to the development of a popular form of work design called ‘self-managed teams’.

6 Why are the work design approaches more effective when integrated?

When work design incorporates both personal and technical factors in the workplace, it can be both satisfying and rewarding. The contingency framework determines the approach most likely to result in high productivity and worker satisfaction, given certain workplace characteristics. It takes the best from the engineering approach, job enrichment and the sociotechnical approach. The contingency framework reconciles the strengths and weaknesses of each approach and integrates them into the specific requirements of the job. Refer to Figures 8.5, p. 310 and 8.6, p. 312.

Discussion and essay questions

(See text p. 315)

1 What is open systems planning and what assumptions is it based on? Create a convincing argument for its being accepted as a valid change strategy.

Open systems planning (OSP) helps an organisation to systematically assess its task environment and develop strategic responses to it. Like the other interventions in this book, OSP treats organisations or departments as open systems that must interact with a suitable environment in order to survive and develop. It helps organisation members develop a strategic mission for relating to the environment and influencing it in favourable directions. The process of applying OSP begins with a diagnosis of the existing environment and how the organisation relates to it. It then develops possible future environments and action plans to bring about the desired future environment. A number of practical guidelines exist to apply this intervention effectively (see text pp. 280–283).

Assumptions:

• Organisation members’ perceptions play a major role in environmental relations. Members’ perceptions determine which parts of the environment are intended or ignored, as well as what value is placed on those parts. Such perceptions provide the basis for planning and implementing specific actions in relation to the environment. The key point is that organisation and environment relations are determined largely by how members perceive the environment and choose to act toward it.

• Organisation members must share a common view of the environment to permit co-ordinated action toward it. Without a shared view of the environment, organisation members would have trouble relating to it. Conflicts would rise
about what parts of the environment are important and about what value should be placed on different parts. Unless those differences are shared and resolved, the team will have problems developing a business strategy for relating to the environment.

- Organisation members’ perceptions must accurately reflect the condition of the environment if organisational responses are to be effective. Members can misinterpret environment information, ignore important forces or attend to negligible events. Such misperceptions can render organisational responses to the environment inappropriate. Misperceptions typically occur when the environment exhibits high levels of complexity and unpredictable change. Such turbulence makes understanding the environment or predicting its future difficult.

- Organisations not only adapt to their environment but also proactively create it. A more proactive alternative is for organisations to plan for a desired environment, and then take action against the existing environment to move it in the desired direction, rather than simply reacting to external forces. For example, advertising to shape customer tastes and preferences.

**Additional activity**

Students are divided into groups of three to five and asked to:

- create a convincing argument for open systems planning to be accepted as a valid change strategy
- develop a presentation that could be given to the CEO and middle managers of their organisation
- present the argument that they have prepared.

The students who are not presenting will then act as ‘the CEO and middle managers’ and ask appropriate questions to be answered by the presenting group.

**2 How do environmental factors affect the types of interventions that might be carried out in an organisation? What role does the change agent play in determining the most appropriate intervention?**

With general and task environments, particularly when they are dynamic and complex, more information processing is required to learn and discover how to relate to them.

- Information uncertainty, resource dependence, global competition, technological change and financial markets, for example, have made the environments of many multinational and domestic firms highly uncertain, and have severely strained their information-processing capacity.
• Time constraints and limited resources are issues faced by the organisations. Plans must be both adaptable and flexible in order to have quick responses and a willingness to adjust the plan as implementation unfolds and to address unforeseen and unpredictable events and take advantage of new opportunities.

• It is a mistake to look too far ahead. Only one link of the chain of destiny can be handled at a time (Winston Churchill: British Prime Minister and writer).

• The change agent’s role is to apply skills in recognising when change is not going to plan through using actual data, such as not meeting timeframes as detailed on Gantt charts, or interpersonal skill in recognising when behaviour of participants is not yet ready for change.

**Additional activity**

Students are referred to review the content on the role of the change agent as discussed in Chapter 3 (see text p. 61). They are then divided into groups of three to five and asked to discuss the role of the change agent in determining the most appropriate intervention.

3 ‘**Downsizing has been the most successful change strategy for organisations in a turbulent environment.**’ Discuss.

An important consequence of downsizing has been the rise of the contingent workforce. These less expensive temporary or permanent part-time workers are often hired by the organisations that have just laid off thousands of their employees. In many cases, terminated employees become independent contractors or consultants to the organisation that terminated them. Overall, cost reduction is achieved by replacing expensive permanent workers with a contingent workforce.

Downsizing is generally a response to several factors, including product or service demand, pressure to focus on short-term profits or budget goals, a major change in organisational strategy and the belief that the slimmer the organisation, the better. But that there is evidence to suggest that the decimation of middle management ranks in organisations has caused a loss of valuable experience and knowledge. This view is supported by Professor Collins of the Australian Graduate School of Management, who says that downsizing in Australia has very negative connotations and that, through downsizing, companies have lost a lot of skills that were really needed. Furthermore, downsizing and the subsequent loss of skills may compromise the organisation’s ability to respond quickly when economic conditions change. None of this should stop good incremental change in response to the organisation’s environment.

4 **Self-managed work teams have been in existence for a long period of time and several research reports have commented on their success.**
Critically evaluate self-managed teams and determine if there are any negative aspects. Give examples where relevant.

Self-managed work teams are typically responsible for a whole product or service, or a major part of a larger production process. They control members’ task behaviours and make decisions about task assignments and work methods. In many cases, the team sets its own production goals, within broader organisational limits, and may be responsible for support services, such as maintenance, purchasing and quality control. Team members are generally expected to learn many, if not all, of the jobs within the team’s control and frequently are paid on the basis of knowledge and skills rather than seniority.

When pay is based on performance, team rather than individual performance is used. Many employees like self-managed teams as they feel in control of their work and better able to manage their work life balance. There are many positive reports of self-managed teams, especially in Scandinavian countries. Figure 8.4, p. 305 is a model explaining how self-managed work teams perform.

One criticism of self-managed teams is that, if, during the diagnosis stage it is found that tasks are not interdependent, then an individual approach such as job enrichment may be the best alternative. A further criticism is that changing from an individual remuneration system to a team reward system may present challenges as many employees do not like their pay linked to the productivity performance of others.

Many of the successful self-managed team projects have also included changes in technology, work environment and management style. Good examples include Volvo and SAAB, the Swedish car producers.

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.

8.1 Ford pushes buyout packages: Offers are most diverse, lucrative industry has seen

One of Ford’s buyout offers provides employees with four years of tuition up to the value of $15 000, health care and a stipend of 50% of the employee’s base salary. Is this a good deal for the employee? Do you think Australian companies would do the same?

This appears to be a lucrative deal for employees as it not only provides for them to retrain or re-educate to broaden their job prospects, but it gives them a living wage.
and some security while doing so. Ford would be considered socially responsible with this strategy and this could be used positively for future marketing. It also mitigates Ford’s risk in not having employees should there be a change in economic activity and resurgence in automobile manufacturing.

This is a strategy which is based on specific economic circumstances; Australian companies would need to make their decisions contingent on the economy at the time and as expected in the medium future.

2 Does restructuring always have to include ‘downsizing’ in order to improve profitability and survival of the organisation?

Restructuring does not always have to include downsizing however, it is a common solution used by many companies. Restructuring more often means a re-organisation of the way the company does business through creating a different management structure. The purpose of which is to streamline decision-making within the organisation.

Refer to Table 8.2 p. 289, which identifies three types of downsizing tactics;

- Workforce reduction – short term implementation
- Organisation redesign – aimed at organisation change, medium term implementation
- Systemic tactics – culture change to foster transformation, long term implementation.

Successful downsizing interventions tend to proceed in the following steps:

1 Clarify the organisation’s strategy.
2 Assess downsizing options and make relevant choices.
3 Implement the changes
4 Address the needs of survivors and those who leave
5 Follow through with growth plans

As with any managed change program, the important stage of downsizing is diagnosis and planning. Too often these stages are inadequately executed and the company fails to grow because the incorrect problem was being solved.

Additional activity
This is a good application to organise a debate between students about redundancies. Divide students into two groups to engage in a class debate over the following statement: When making employees redundant, management is not responsible for employee welfare, employees are.
8.2 2007 Electronic Monitoring and Surveillance Survey: Over half of all employers combined fire workers for e-mail and internet abuse

1 As the previous section described employee involvement (EI) is important to workplace productivity. Discuss this point in relation to the article on how employers can work with employees to reduce or prevent email and internet abuse.

EI in the development of policy concerning the use of internet, email and social networking sites is an important aspect in developing employee trust. Employers can no longer just hand employees a written policy and most employees would contend that because the internet and mobile phones are such an integral part of modern communication that they should be able to use them both in their work and while at work.

Positive strategies can include focus groups which propose policy and decide on how the net and other electronic communication should be used. Employers retain the right of veto, no laws can be broken or any action which brings the company into disrepute. That is, use is within the context of established company policy.

Some companies encourage the use of internet during break times by providing free access. Others encourage the use of the net for research and communication.

2 Do you think it is OK to ‘surf the net’ and/or ‘send and receive personal emails’ at work, if you think you are being productive at work?

This is a good subject for a formal class debate. The affirmative side will argue that it is productivity which counts and the negative side will argue that it is company time and it should be spent on company business.

Experienced employers are likely hold the affirmative view; as long as the job gets done to the highest standard. When people are happy in their work there is higher likelihood of better productivity. Employees are trusted with balancing their own needs with those of the employer.

8.3 Changing landscape. The global financial crisis is a wake-up call for the next generation of professionals, says Ivey business school’s associate professor Gerard Seijts.

1 Should employers’ motivational approach to work design include and consider differences between the mindsets of Gen-Y and Gen-X? In your discussion, think about what you want out of life.
The real challenge in managing people is leveraging the positive attributes which each brings to the workplace independent of the group they come from, be that generation, race ethnicity or gender. Employers do need to understand the cultural shifts, world events and economic imperatives which shape the way different generations think. Employers should focus on what meets the motivational needs of the individual employee where possible.

Work life balance is a key driver for many Gen-Ys; they think very clearly about what they want out of life and understand that working in a job enriched environment can be satisfying. Their predecessors, Gen-Xs, had the luxury of a focus on self and while their aspirations may not be met in the current economy, their personal needs, understanding the psyche of the individual, should be the focus for motivation by employers.

2 If employers have to consider what motivates each generation in relation to work design, do you think universities also should consider how they deliver course content and teaching methods?

Universities need to follow suit. Management courses need to identify the intergeneration differences and show students how OD and management strategies which maximise the motivation of each individual/group can improve organisational success. Recognising those differences, planning interventions and managing in a structured way can assist new managers to meet the needs of all employees.

A word of warning is that human beings are exceptionally individual and not everyone will fit neatly into their generational category.

Additional suggested reading


(This article gives a table which neatly distinguishes between veterans, baby boomers, Gen X and Gen-Y – nexters.)


References


W. Cascio, ‘Downsizing: what do we know? What have we learned?’, The Academy of Management Executive,7 (1993): 95–104
