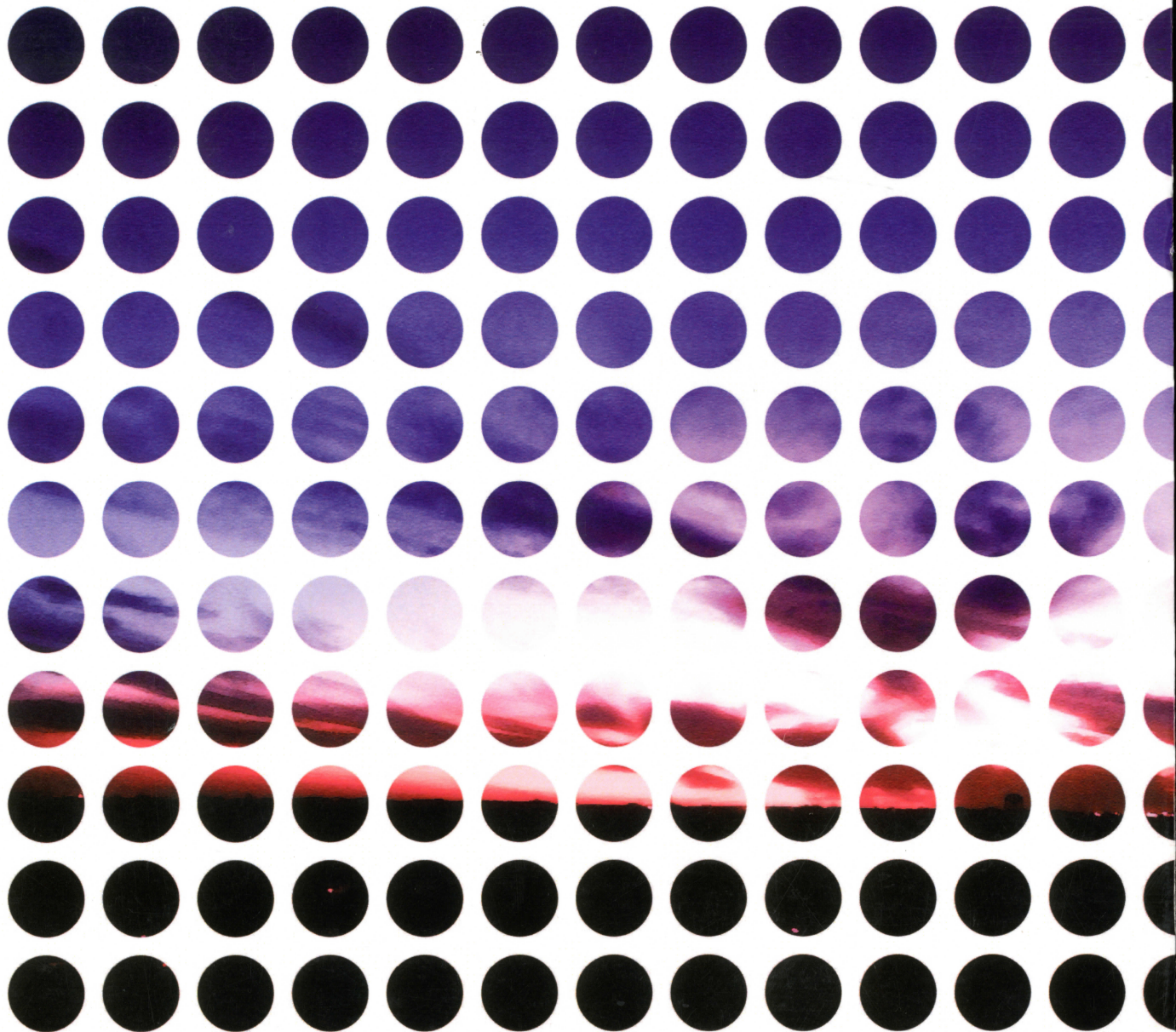


Copyright notice

All rights to this document are reserved.

Reproduction and redistribution of part or all of this content in any form is prohibited. You may not share, store in any other form of electronic retrieval system, or in any form or by any means, without prior written consent.



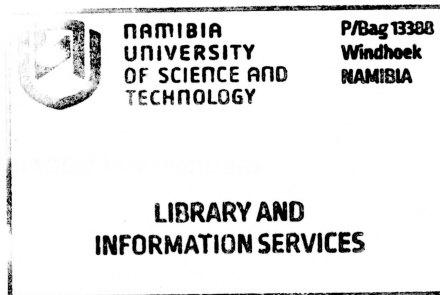
Pearson New International Edition

Experiential Approach to
Organization Development
Donald Brown
Eighth Edition

NAMIBIA UNIVERSITY OF SCIENCE AND TECHNOLOGY	
Branch	SL BRN 610534659
Call No.	658.406 BRO
Fund Code	40017994
O/N	X/10565819 Price 713-79

Pearson New International Edition

Experiential Approach to
 Organization Development
 Donald Brown
 Eighth Edition



Pearson Education Limited

Edinburgh Gate

Harlow

Essex CM20 2JE

England and Associated Companies throughout the world

Visit us on the World Wide Web at: www.pearsoned.co.uk

© Pearson Education Limited 2014

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without either the prior written permission of the publisher or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency Ltd, Saffron House, 6–10 Kirby Street, London EC1N 8TS.

All trademarks used herein are the property of their respective owners. The use of any trademark in this text does not vest in the author or publisher any trademark ownership rights in such trademarks, nor does the use of such trademarks imply any affiliation with or endorsement of this book by such owners.

PEARSON®

ISBN 10: 1-292-02054-7

ISBN 13: 978-1-292-02054-9

British Library Cataloguing-in-Publication Data

A catalogue record for this book is available from the British Library

ARP Impression 98

Printed in Great Britain by Ashford Colour Press Ltd

Table of Contents

1. Organization Development and Reinventing the Organization Donald R. Brown	1
2. Organization Renewal: The Challenge of Change Donald R. Brown	31
3. Changing the Culture Donald R. Brown	63
4. The Diagnostic Process Donald R. Brown	87
5. Overcoming Resistance to Change Donald R. Brown	117
6. OD Intervention Strategies Donald R. Brown	147
7. Process Intervention Skills Donald R. Brown	171
8. Employee Empowerment and Interpersonal Interventions Donald R. Brown	197
9. Team Development Interventions Donald R. Brown	233
10. Intergroup Development Donald R. Brown	267
11. Work Team Development Donald R. Brown	293
12. High-Performing Systems and the Learning Organization Donald R. Brown	323
13. Goal Setting for Effective Organizations Donald R. Brown	349

14. Organization Transformation and Strategic Change

Donald R. Brown

371

15. The Challenge and Future for Organizations

Donald R. Brown

395

Index

421

Table of Contents

1. Organizational Design and the Strategic Process
Donald R. Brown 371

2. Organizational Learning and the Strategic Process
Donald R. Brown 395

3. Strategic Change
Donald R. Brown 421

4. The Strategic Process
Donald R. Brown 421

5. Organizational Learning and the Strategic Process
Donald R. Brown 421

6. Organizational Design and the Strategic Process
Donald R. Brown 421

7. Organizational Design and the Strategic Process
Donald R. Brown 421

8. Organizational Design and the Strategic Process
Donald R. Brown 421

9. Organizational Design and the Strategic Process
Donald R. Brown 421

10. Organizational Design and the Strategic Process
Donald R. Brown 421

11. Organizational Design and the Strategic Process
Donald R. Brown 421

12. Organizational Design and the Strategic Process
Donald R. Brown 421

13. Organizational Design and the Strategic Process
Donald R. Brown 421

14. Organizational Design and the Strategic Process
Donald R. Brown 421

15. Organizational Design and the Strategic Process
Donald R. Brown 421

Organization Development and Reinventing the Organization

LEARNING OBJECTIVES

Upon completing this chapter, you will be able to:

1. Define the concept of organization development and recognize the need for change and renewal.
2. Describe organization culture and understand its impact on the behavior of individuals in an organization.
3. Understand the expectations of the psychological contract formed on joining an organization.
4. Describe the five stages of organization development.

PREMEETING PREPARATION

1. Read this chapter.
2. Read and prepare analysis for Case: TGIF.

CHANGE IS THE CHALLENGE FOR ORGANIZATIONS

Change is coming down upon us like an avalanche, and most people are utterly unprepared to cope with it. Tomorrow's world will be different from today's, calling for new organizational approaches. Organizations will need to adapt to changing market conditions and at the same time cope with the need for a renewing rather than reactive workforce. Every day managers confront massive and accelerating change. As one writer comments, "Call it whatever you like—reengineering, restructuring, transformation, flattening, downsizing, rightsizing, a quest for global competitiveness—it's real, it's radical and it's arriving every day at a company near you."¹

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

Organizations are never completely static and they do not exist in isolation of other entities. They are in continuous interaction with external forces including competitors, customers, governments, stockholders, suppliers, society, and unions. Their interactions with their environment are illustrated in Figure 1. The conditions facing today's organizations are different from those of past decades. Many companies face global as well as domestic competitors. Changing consumer lifestyles and technological breakthroughs all act on the organization to cause it to change. Government regulation and deregulation are continually changing, while at the same time, international trade agreements present both new opportunities and obstacles. Stockholders are demanding more accountability. Suppliers, providing both products and services to organizations, come more and more from the world economy. The society within which an organization operates influences the modes, values, and norms that are developed within the organization. The employees and unions have a direct and substantial influence on how well an organization functions. The CEO of Intel Corporation, Paul Otellini, expressed his frustration with operating in an environment of unknowns in a *Wall Street Journal* interview. "The problem is that there used to be one set of rules out there—U.S. antitrust laws were the de facto rules of the world. Now with globalization, we have different sets of rules for different regions, such as the EU, written around entirely different philosophies. It would sure make things easier if we decided on a single set of rules once again—whatever they are. Then we'd know how to behave and we could plan better for the future."²

The type and degree of external forces vary from one organization to another, but all organizations face the need to adapt to these forces. Many of these changes are forced upon the organization, whereas others are generated internally. Because change is occurring so rapidly, there is a need for new ways to manage it. General Mills is one of a number of

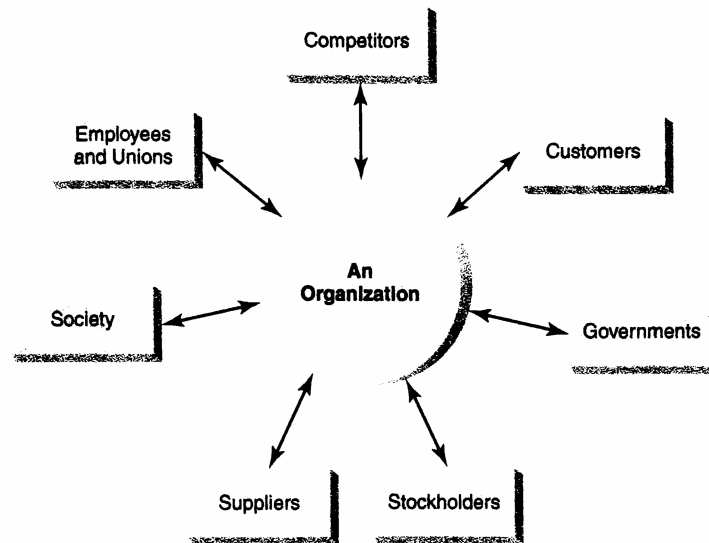


FIGURE 1 The Organization Environment

companies that has recognized the challenges confronting it. As the economy unraveled during the first few years of the 2000s, General Mills looked far afield to come up with ways to cut costs. “We can’t get by doing what we did yesterday,” says retired CEO Stephen Sanger.³ Organizations are changing and will continue to do so in order to survive in this complex environment.

This book has been written to help managers and would-be managers learn about organization development (OD) and the part it can play in bringing about change in organizations. The purpose is twofold: (1) to create an awareness of the changing environmental forces confronting the modern manager and (2) to provide the techniques and skills needed for dealing with change in organizations.

Organizations are using OD techniques to increase their effectiveness and their adaptability to changing conditions. In this chapter, you will learn about this exciting field: What OD is, why it has emerged, and some basic concepts pertaining to the process of organization change. The chapter concludes with a model for organizational change describing the stages of the organization development process.

WHAT IS ORGANIZATION DEVELOPMENT?

What makes one organization a winner, whereas another fails to make use of the same opportunities? The key to survival and success lies not in rational, quantitative approaches, but rather in a commitment to irrational, difficult-to-measure things like people, quality, customer service, and, most important, developing the flexibility to meet changing conditions. Employee involvement and commitment are the true keys to successful change.

Organization development (OD) comprises the long-range efforts and programs aimed at improving an organization’s ability to survive by changing its problem-solving and renewal processes. OD involves moving toward an adaptive organization and achieving corporate excellence by integrating the desires of individuals for growth and development with organizational goals. According to a leading authority on OD, Richard Beckhard, “Organization development is an effort: (1) planned, (2) organization-wide, (3) managed from the top, (4) to increase organization effectiveness and health, through (5) planned interventions in the organization’s processes using behavioral science knowledge.”⁴

Organization development efforts are planned, systematic approaches to change. They involve changes to the total organization or to relatively large segments of it. The purpose of OD efforts is to increase the effectiveness of the system and to develop the potential of all the individual members. It includes a series of planned behavioral science intervention activities carried out in collaboration with organization members to help find improved ways of working together toward individual and organizational goals.

Another way of understanding OD is to explain what it is not:

- **OD is not a micro approach to change.** Management development, for example, is aimed at changing individual behavior, whereas OD is focused on the macro goal of developing an organization-wide improvement in managerial style.

- **OD is not any single technique.** OD uses many different techniques, such as total quality management or job enrichment, and none of them by itself represents the OD discipline.
- **OD does not include random or ad hoc changes.** OD is based on a systematic appraisal and diagnosis of problems, leading to planned and specific types of change efforts.
- **OD is not exclusively aimed at raising morale or attitudes.** OD is aimed at overall organizational health and effectiveness. Participant satisfaction may be one aspect of the change effort, but it includes other effectiveness parameters as well.

Organization development is an emerging discipline aimed at improving the effectiveness of the organization and its members by means of a systematic change program. Chester Barnard and Chris Argyris, among other management theorists, have noted that a truly effective organization is one in which both the organization and the individual can grow and develop. An organization with such an environment is a “healthy” organization. The goal of organization development is to make organizations healthier and more effective. These concepts apply to organizations of all types, including schools, churches, military forces, governments, and businesses.

Change is a way of life in today’s organization, but organizations are also faced with maintaining a stable identity and operations in order to accomplish their primary goals. Consequently, organizations involved in managing change have found that the way they handle it is critical. There is a need for a systematic approach and for the ability to discriminate between features that are healthy and effective and those that are not. Erratic, short-term, unplanned, or haphazard changes may introduce problems that did not exist before or result in side effects that may be worse than the original problem. Managers should also be aware that stability or equilibrium can contribute to a healthy state. Change inevitably involves the disruption of that steady state. Change just for the sake of change is not necessarily effective; in fact, it may be dysfunctional.

The Characteristics of Organization Development

To enlarge upon the definition of OD, let us examine some of the basic characteristics of OD programs (see Table 1).

- **Change.** OD is a planned strategy to bring about organizational change. The change effort aims at specific objectives and is based on a diagnosis of problem areas.
- **Collaborative approach.** OD typically involves a collaborative approach to change that includes the involvement and participation of the organization members most affected by the changes.
- **Performance orientation.** OD programs include an emphasis on ways to improve and enhance performance and quality.
- **Humanistic orientation.** OD relies on a set of humanistic values about people and organizations that aims at making organizations more effective by opening up new opportunities for increased use of human potential.
- **Systems approach.** OD represents a systems approach concerned with the interrelationship of divisions, departments, groups, and individuals as interdependent subsystems of the total organization.
- **Scientific method.** OD is based upon scientific approaches to increase organization effectiveness.

TABLE 1 Major Characteristics of the Field of OD

Characteristics	Focal Areas
1. Change	Change is planned by managers to achieve goals.
2. Collaborative Approach	Involves collaborative approach and involvement.
3. Performance Orientation	Emphasis on ways to improve and enhance performance.
4. Humanistic Orientation	Emphasis upon increased opportunity and use of human potential.
5. Systems Approach	Relationship among elements and excellence.
6. Scientific Method	Scientific approaches supplement practical experience.

In more general terms, organization development is based on the notion that for an organization to be effective (i.e., accomplish its goal), it must be more than merely efficient; it must adapt to change.

An **OD practitioner** is a person in an organization responsible for changing existing patterns to obtain more effective organizational performance. People using organization development have come to realize that conventional training techniques are no longer sufficient for achieving the types of behavioral changes needed to create adaptive organizations. Going to a company's management class and listening to someone lecture about the need to change or the importance of effective organizations may be a good beginning, but speeches will not produce exceptional organizational performance. New techniques have been developed to provide organization members with the competence and motivation to alter ineffective patterns of behavior.

There are many OD techniques, and any individual using OD may rely on one or a combination of approaches. Regardless of the method selected, the objectives are to work from an overall organization perspective, thus increasing the ability of the "whole" to respond to a changing environment.

Organizations have objectives, such as making profits, surviving, and growing; but individual members also have desires to achieve, unsatisfied needs to fulfill, and career goals to accomplish within the organization. OD, then, is a process for change that can benefit both the organization and the individual. In today's business environment, managers must continuously monitor change and adapt their systems to survive by staying competitive in a turbulent arena.

Why Organization Development?

Why has such a fast-growing field emerged? Organizations are designed to accomplish some purpose or function and to continue doing so for as long as possible. Because of this, they are not necessarily intended to change. But change can affect all types of organizations, from giants like IBM, GE, and Google to the smallest business. The year 2008 can lay claim to some of the greatest failures or near-failures of corporations blindsided by fast-developing economic and market conditions. The lists include some of the titans of American capitalism: American International Group (AIG), General Motors, Chrysler, and Lehman Brothers. No organization or person can escape change, and change is everyone's job. Managers at all levels must be skilled in organization change and renewal techniques.

Typical factors for an organization to initiate a large-scale change program include a very high level of competition, concern for survivability, and declining performance. Goals for change include changing the corporate culture, becoming more adaptive, and increasing competitiveness. In today's business environment, managers must continuously monitor change and adapt their systems to survive by staying competitive in a turbulent arena. Kodak, for example, is trying to change by focusing on consumers who use digital cameras instead of film cameras. "If they don't invest in digital, that's the end of Kodak," according to Frank Romano, professor of digital printing at the Rochester Institute of Technology.⁵ In the coming decades, changes in the external environment will occur so rapidly that organizations will need OD techniques just to keep pace with the accelerating rate of innovation.

The Emergence of OD

Organization development is one of the primary means of creating more adaptive organizations. Warren Bennis, a leading OD pioneer, has identified three factors as underlying the emergence of OD.

1. ***The need for new organizational forms.*** Organizations tend to adopt forms appropriate to a particular time; the current rate of change requires more adaptive forms.
2. ***The focus on cultural change.*** Every organization forms its own culture—a distinctive system of beliefs and values; the only real way to change is to alter the organizational culture.
3. ***The increase in social awareness.*** Because of the changing social climate, tomorrow's employee will no longer accept an autocratic style of management; therefore, greater social awareness is required in the organization.⁶

THE ONLY CONSTANT IS CHANGE

Although many organizations have been able to keep pace with the changes in information technology, fewer firms have been able to adapt to changing social and cultural conditions. In a dynamic environment, change is unavoidable. The pace of change has become so rapid that it is

difficult to adjust to or compensate for one change before another is necessary. Change is, in essence, a moving target. The technological, social, and economic environment is rapidly changing, and an organization will be able to survive only if it can effectively anticipate and respond to these changing demands. The first decade of the twenty-first century has seen change in political, not-for-profit, and business institutions that were hardly imaginable in the last decade of the previous century. As we move into the second decade, there will, undoubtedly, be additional changes that will provide both challenges and opportunities for corporations to compete effectively.

Given this increasingly complex environment, it becomes even more critical for management to identify and respond to forces of social and technical change. In attempting to manage today's organizations, many executives find that their past failures to give enough attention to the changing environment are now creating problems for them. In contrast, 3M Corporation has developed an outstanding reputation for innovation. 3M is big but acts small. 3M's 15 percent rule allows its people to spend up to 15 percent of the work week on anything as long as it is product related. The most famous example to come out of this is the Post-it note. General Electric (GE), another company that cultivates a climate for change, has a Leadership Center, a tool that GE uses to spread change throughout the company. For more information about GE's Leadership Center, see **OD Application: GE's Epicenter of Change**.

OD Application: GE's Epicenter of Change⁷

General Electric Company is well known the world over for its light bulbs, jet engines, refrigerators, locomotive engines, NBC, wind turbines, and toasters. But one of its most successful and important accomplishments is their "university" that it operates the world over. It is headquartered at the John F. Welch Leadership Center at Crotonville, located in Ossining, N.Y. Here, GE turns out the internal leaders it needs, which was the center's initial mission when it was founded over 50 years ago.

Through the years and particularly during the tenure of CEO Jack Welch, now retired, the center evolved to become much more than a training center for future GE managers. The center is now the tool to spread change throughout GE. The company's Web site says the center "has been at the forefront of real-world application for cutting-edge thinking in organizational development, leadership, innovation and change." With the current CEO, Jeff Immelt, the center is branching out by inviting its customers to join with GE employees to discuss and solve big issues.

GE invests about \$1 billion world-wide every year on training and education for its people. This has been the case even in the recessionary years of 2008 and 2009. "We have always believed that building strong leaders is a strategic imperative," says CEO Immelt. "When times are easy, leadership can be taken for granted. When the world is turbulent, you appreciate great people." An indication of Immelt's personal commitment to leadership and learning is that he spends approximately 30 percent of his time on leadership development.

The Leadership Center at Crotonville is the epicenter for GE learning, but the students are not just top executives. It hosts around 10,000 employees and customers ranging from entry-level to the highest-performing executives. For many, it is a defining career event. The courses, typically running one to three weeks, cover a broad range of topics including:

- Essential skills courses such as hiring, team building, and presentations.
- Leadership courses for new managers.
- Executive courses in leadership, innovation, strategy, and manager development.
- Customer programs including change management and integration.

The classes have a broad functional and global mix with courses typically having 50 percent non-U.S. participation. With GE having such a large worldwide presence, there are now leadership courses that are taught in places that include Shanghai, Munich, India, Africa, and, Dubai.

A recent program at the Leadership Center was Leadership, Innovation, and Growth (LIG). The program brought together all the senior managers of a business unit for four days with the expressed purpose of expanding GE's businesses and creating new opportunities. GE calls this "filling in the white spaces." Attending each session were several teams from around the world. This was a new approach at the Leadership Center as it brought in existing teams at one time to work on a specific issue. In addition to intensive work sessions, there were external speakers who frequently came from a university and internal speakers who were GE managers and had applied the concepts that the teams were learning. On the last day, all the teams at the session delivered a 20-minute presentation to CEO Immelt that covered what the team members had decided they should do to optimize growth. Once back at their home office, they had to refine their presentation into a letter to Immelt that was no longer than two pages. From 2006 to 2008, 2,500 people and their 260 teams went through the program with a follow-up in 2009.

GE discovered over 50 years ago when the CEO at that time, Ralph Cordiner, established the Leadership Center that their success depended upon having well-trained and developed leaders. Though GE has experienced some critical challenges during recent recessionary times, their success for the future will in part depend upon how well their employees learned their lessons at the Leadership Center.

Questions

1. How does the Leadership Center serve as a center for change at GE?
2. Visit GE's Web site to learn about the Leadership Center's current programs at www.ge.com/ and www.ge.com/company/culture/leadership_learning.html.

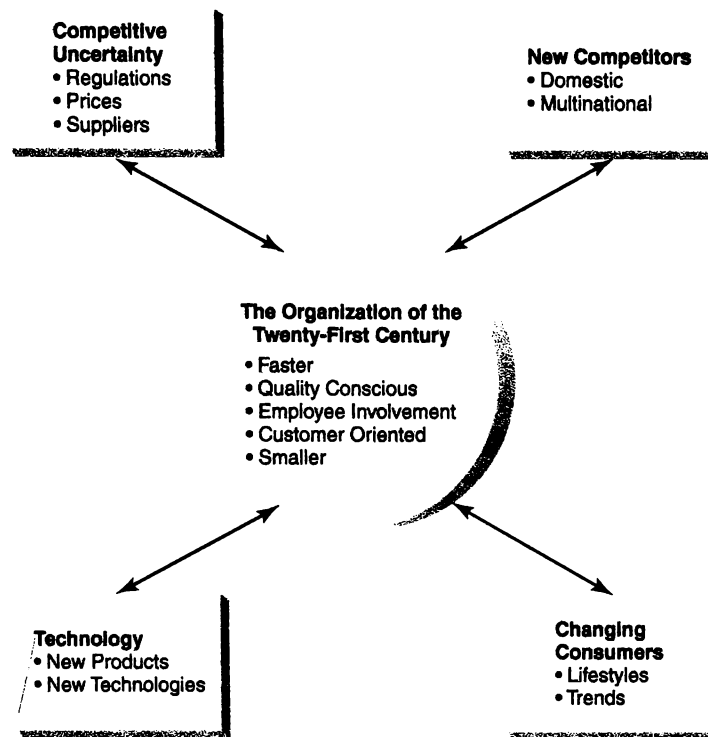


FIGURE 2 The Changing Organization of the Twenty-First Century

The fundamental nature of managerial success is changing. The pace of this change is relentless, and increasing past sources of competitive advantage, such as economies of scale and huge advertising budgets, are no longer as effective in the new competitive landscape. Moreover, the traditional managerial approach can no longer lead a firm to economic leadership.

Today’s managers need a new mind-set—one that values flexibility, speed, innovation, and the challenge that evolves from constantly changing conditions. Virtual organizations can spring up overnight as networks of free agents combine expertise for a new project or product. Management theorists believe that to be successful in the twenty-first century, organizations will require changes of the kind shown in Figure 2. They suggest that predictability is a thing of the past, and that the winning organization of today and tomorrow will be based upon quality, innovation, and flexibility.⁸ Yogi Berra, foreshadowing this sentiment, reportedly once said, “The future ain’t what it used to be.”

These successful firms will share certain common traits. They will all be:

- **Faster**—more responsive to innovation and change.
- **Quality conscious**—totally committed to quality.
- **Employee involved**—adding value through human resources.
- **Customer oriented**—creating niche markets.
- **Smaller**—made up of more autonomous units.

THE EVOLUTION OF ORGANIZATION DEVELOPMENT

It is not within the scope of this book to provide a detailed history of organization development, but a brief explanation of the evolution of the field may give you a better understanding of its application today. OD has evolved over the past 55 years from its beginnings as the application of behavioral science knowledge and techniques to solving organizational problems. What has become OD started in the late 1940s at MIT and is deeply rooted in the pioneering work of applied social scientists like Kurt Lewin. It is also strongly influenced by the work of psychologists like Carl Rogers and Abraham Maslow. The term “organization development” is widely attributed to Robert Blake and Jane Mouton (the originators of the Managerial Grid⁹) and Herbert Shepard (a leading OD pioneer); but Richard Beckhard¹⁰ claims this distinction as well. Regardless of who first coined the term, it emerged in about 1957 and is generally conceded to have evolved from two basic sources: the application of laboratory methods by the National Training Laboratories (NTL) and the survey research methods originated by the Survey Research Center. Both methods were pioneered by Kurt Lewin around 1946.¹¹

NTL Laboratory-Training Methods

In the late 1940s and early 1950s, laboratory-training methods were developed and applied by a group of behavioral scientists in Bethel, Maine. Douglas McGregor (the originator of Theory X and Theory Y¹²), working with Richard Beckhard, began applying laboratory-training methods to industry at General Mills in 1956 and at Union Carbide in 1957. At Union Carbide, McGregor and his colleague John Paul Jones formed the first internal OD group.

About the same time, Herbert Shepard and Robert Blake were initiating a series of applied behavioral science interventions at Esso (the international trade name for ExxonMobile), mainly using laboratory-training techniques to improve work team processes. These early training sessions provided the basis for what Blake and Mouton later developed as an instrumented training system, which they called the Managerial Grid. The success of these programs led to the dissemination of such efforts to other corporations.

Survey Research and Feedback

Meanwhile, a group at the Survey Research Center at the University of Michigan began to apply Kurt Lewin's action research model to organizations. Rensis Likert and Floyd Mann administered an organization-wide survey at Detroit Edison Co. involving the systematic feedback of data to participating departments. They used what is termed an "interlocking series of conferences," feeding data back to the top management group and then down to work teams throughout the organization. Since that time, many organizations have used the survey feedback approach.

In summary, the major sources of current OD practice were the pioneering work at NTL (laboratory-training techniques) and the Survey Research Center (survey feedback methods). This brief look at the past is important because OD is a new and still developing field, and in the future, you may build upon these earlier foundations in pioneering other new OD approaches.

The Extent of OD Applications

From these early beginnings, OD has experienced rapid growth. A growing number of organizations worldwide are applying OD techniques. The OD Network,¹³ an organization of people practicing or advocating OD, was started in 1964 and now has more than 3,000 members from all over the world. The NTL, the American Psychological Association, the American Society for Training and Development, Outward Bound, and the Academy of Management all have professional divisions related to organization development. The first doctoral program for training OD specialists, called the Organizational Behavior Group, was started by Shepard in 1960 at what is now the Organizational Behavior Department at Case Western Reserve University. In addition to OD programs at small to large organizations in the United States, OD programs abound globally in both developed and developing economies with democratic and authoritarian governments.¹⁴

Organization development is an exciting and rapidly growing field. OD efforts have grown into a multitude of different approaches and are now applied in organizations around the world by a growing number of people practicing OD.¹⁵

WHO DOES ORGANIZATION DEVELOPMENT?

The people who do OD, OD practitioners, come primarily from two areas. The first area consists of **OD specialists**, who are professionals that have specialized and trained in organization development and related areas, such as organization behavior, applied social sciences, interpersonal communications, and decision making. These specialists are often referred to as OD practitioners and consultants. They may be members of the organization, **internal practitioners**, or come from outside the organization, **external practitioners**. Historically, OD programs were established in organizations by external practitioners. These practitioners were usually individuals, perhaps a university professor who had written in the area and had assisted other organizations in developing OD programs. In some cases, specialists joined together to form a small business offering their consulting expertise. OD external practitioners are still used extensively by organizations, particularly with upper management, to help design and implement OD programs. The OD program may not use the term "organization development" or "OD," but nevertheless it is likely to encompass many of its values and methods. Instead of using external practitioners, an organization may have its own team of internal practitioners. They are employed by the organization and are an

ongoing part of it. Some organizations have a group or division solely responsible for implementing OD; in other organizations the OD program may be part of the human resource department. In some cases, the OD program reports directly to the CEO or president.

The second area of people doing OD consists of people in a managerial or leadership position who apply OD to their work. With growth in the use of OD, the way it is used in organizations has also evolved. It is increasingly common to find people in different parts of organizations—team leaders, supervisors, and managers at all levels—practicing and applying OD. They may have picked up OD concepts and ideas in a college course or a leadership program offered by their company. They probably do not call what they are doing OD. As they see it, organization development is not a noun but an action verb. That is to say, OD is not so much a program as an activity; it is managing and leading. These OD practitioners include team leaders who practice planned change, act as coaches to their team, develop effective and efficient teams, and build leaders. They are also CEOs who build effective management teams by doing many of the same things that a team or group leader does. As CEOs operate organization-wide, they are OD practitioners by building learning organizations, implementing total quality management programs, creating boundaryless organizations, and implementing organization development programs.

This text will generally use the term “OD practitioner.” **OD practitioners** are the people who use, advocate, and assist others to implement OD.¹⁶ Practitioners are the internal and external specialists who are professionally trained in OD and related fields. Also, they are the people who use and apply OD to their work.

“Change agent” is another term frequently used to describe an OD practitioner. A **change agent** is a person attempting to bring about planned change to an organization or system. The organization that is the subject of the change is the **client system**. Just as an OD practitioner is external or internal to the organization, so too is the change agent.

THE ORGANIZATION CULTURE

One element of an organization system that a manager needs to understand is the **organization culture**.¹⁷ The term “culture” refers to a specific civilization, society, or group and its distinguishing characteristics. As B. F. Skinner commented: “A culture is not the behavior of the people ‘living in it’; it is the ‘it’ in which they live—contingencies of social reinforcement, which generate and sustain their behavior.”¹⁸ One company, Unum Group (formerly Unum Provident), gave out “Hungry Vulture” awards for top performers. The award carried the motto “Patience my foot... I’m gonna kill something.” Unum Group, the largest disability insurer worldwide, has been investigated by 45 states in regard to how it handles claims. A senior vice president says the award was never given to workers for denying claims but was given in recognition of good performance. However, plaintiffs’ attorneys and former employees who have seen company files paint a picture of an aggressive corporate culture.¹⁹

The term “organization culture” refers to a system of shared meanings, including the language, dress, patterns of behavior, value system, feelings, attitudes, interactions, and group norms of the members. Examine the patterns of behavior on your campus or in your company. How do people dress? What jargon or unique terms do they use? These are the elements that make up a culture: the accepted patterns of behavior.²⁰ This provides a set of values and behavioral norms for the organization. For an example of learning the jargon of an organization, see Figure 3.

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



FIGURE 3 It's Important to Learn the Jargon

Source: B.C. by permission of Johnny Hart and Creators Syndicate, Inc.

A look at the types of norms that exist in an organization will help in gaining a better understanding of the organization's culture. Norms are generally enforced only for the behaviors viewed as most important by most group members.²¹ Norms essential to accomplishing the organization's objectives are called **pivotal norms**. Norms that support and contribute to the pivotal norms but are not essential to the organization's objectives are called **peripheral norms**. For example, dress codes that are enforced Monday through Thursday are probably peripheral in light of Friday's being a casual dress day. Pivotal and peripheral norms constantly confront individuals in an organization, and they must decide whether or not to conform. The pressure to conform to norms varies, allowing individuals some degree of freedom in responding to these organizational pressures, depending on how they perceive the rewards or punishments. The organization also has latitude in the degree of conformity it requires of its members.

THE SOCIALIZATION PROCESS

Even if an organization does an effective job of recruiting, new employees must still adjust to the organizational culture. Because they are not aware of the culture, new employees are likely to disagree with or question the customs and values that exist. **Socialization** may be defined as the process that adapts employees to the organization's culture. For a new employee, the socialization process evolves through four stages: entering an organization with initial expectations, encountering the organization's culture, adjusting to the culture and norms, and receiving feedback. This is illustrated in Figure 4.²² The socialization of employees at Procter and Gamble Co. (P&G) starts at an early age because employees often begin their careers there and grow up together. The culture is one of being resistant to new ideas and even being insular. P&G is, by many measures, a

Starbucks is also confronted with some challenges. Like most retailers operating in a recession, Starbucks sales and profits have been negatively affected. This has especially been the situation with Starbucks, which offers a premium product at a premium price. Competition for the coffee consumer has intensified with McDonalds' strategy of opening coffee and beverage stations with Starbucks-style baristas in their restaurants. McDonalds' premium coffees are priced an average of 60 cents less per drink than Starbucks'. In response to declining sales, Starbucks has closed underperforming stores and reduced the number of new store openings within the U.S. To help solve the problem, Schultz is focusing on "reigniting" the connection with consumers through better products and better store design. In a press release for Starbucks, Shultz says, "Our customers are telling us they want value and quality and we will deliver that in a way that is both meaningful to them and authentic to Starbucks."

Questions

1. What do you think Schultz meant when he said that Starbucks' objective is "Getting big and staying small?"
2. If possible, interview a present or former employee of Starbucks to get his or her impression of the company.
3. If you have visited a Starbucks, did you see any examples of teamwork among its employees?
4. Research the current lists of *Fortune's* "100 Best Companies to Work For" and "America's Most Admired Companies." Information is available at www.money.cnn.com/magazines/fortune/fortune_archive/.
5. Research current information about Starbucks' sales and revenue. Information and their annual report can be found at www.starbucks.com/.

PSYCHOLOGICAL CONTRACTS

A **psychological contract** may be defined as an unwritten agreement between individuals and the organization of which they are members. It describes certain expectations that the organization has of the individual and the individual's expectations of the organization.²⁷ Because the two parties are growing and changing, the contract must be open-ended, so that old issues and new issues can be renegotiated.

An organization has certain expectations of its members. If it is a business organization, its expectations of member behavior will probably be spelled out very clearly. It undoubtedly expects its members to be on the job during certain hours of the day. It is probably concerned with the quality and quantity of the work they do, their loyalty, their appearance, and various other things unique to the organization. For the organization to be satisfied, the individual will need to comply to some degree with its expectations. In other words, the organization has certain requirements, and the individual must do certain things to meet them if there is to be a lasting and healthy relationship. In many instances, unfulfilled expectations result in high turnover, absenteeism, sabotage, and worker alienation. Research into the effectiveness of psychological contracts has shown that the obligations of both the employee and the organization are important determinants of organizational commitment.²⁸

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

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

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

A MODEL FOR ORGANIZATIONAL DEVELOPMENT

Organization development is a continuing process of long-term organizational improvement consisting of a series of stages, as shown in Figure 6. In an OD program, the emphasis is placed on a combination of individual, team, and organizational relationships.

has become almost inevitable. The most important lesson managers need to learn is that there are only two kinds of companies—those that are changing, and those that are going out of business. Continual change is a way of life. A critical challenge for managers who are leading change efforts is to inspire individuals to work as a team.

This five-stage model shows how different OD methods and approaches are used to continuously improve performance so that the vision can be achieved. It is important to remember that no model or paradigm is perfect, but it can still provide useful approaches to change.

As an OD program stabilizes, the need for the practitioner should decrease. If the client moves toward independence and evidences a self-renewal capacity, the gradual termination of the practitioner-client system relationship is easily accomplished. If the client system has become overly dependent upon the practitioner, termination of the relationship can be a difficult and awkward issue. An important issue in the implementation of an OD program is whether or not the practitioner is able to deal effectively with power and political infighting. Hierarchical organizations, whether they are business, governmental, for-profit, or not-for-profit, rely on power. The individuals in positions of influence generally constitute the power structure and frequently are power-motivated people. Managers compete for promotions, and departments and divisions have disagreements over budget allocations. In addition to power issues, political infighting is a reality (and often a dysfunctional factor) in most organizations. The issue is whether OD practitioners deal with these power and political issues in bringing about a change. Given the nature of OD, an OD program is not a political/power type of intervention. Still, the OD practitioner must be aware of politics and use a problem-solving approach that is compatible with power-oriented situations.

Summary

This chapter focused on several major issues. One is that organizations operate in a dynamic and changing environment and consequently must be adaptive. You have been introduced to the emerging field of organization development (OD) and the ways it is used to improve organizational effectiveness.

- **Challenge.** One of the manager's most difficult tasks is initiating organization change and renewal. As a manager, you must be sensitive to changes in markets, products, and competition, and be aware of the need for an adaptive and flexible organization.
- **Organization Development.** Organization development is the discipline that applies behavioral science techniques to management problems. Because the essential task of management is to deal with change, it is the purpose of this chapter to better prepare managers for this task.
- **Change is Constant.** Change in our dynamic environment is unavoidable. And change is occurring so rapidly that it is a moving target. An organization will be able to survive only if it can effectively respond and anticipate the technological, social, and economic environment.
- **Evolution of OD.** OD has evolved over the past 55 years from its beginnings as the application of behavioral science knowledge and techniques. It has been strongly influenced by the works of Kurt Lewin, Abraham Maslow, Robert Blake, Richard Beckhard, and Douglas McGregor.
- **OD Specialists.** These are professionals who have specialized and trained in organization development

and related areas, such as organization behavior, applied social sciences, interpersonal communications, and decision making. If they are members of the organization, they are internal practitioners. If they come from outside the organization, they are external practitioners.

- **Culture.** Culture is the set of characteristics of a specific civilization, society, or group. Organizational culture is the shared language, dress, patterns of behavior, value system, interactions, and group norms of the members of an organization.
- **Socialization.** Socialization is the process that adapts employees to the organization's culture. Entering a class for the first time is very similar to the first day on a new job. You may decide to rebel and reject the classroom norms, you may conform by accepting the classroom norms, or you may respond with creative individualism.
- **Psychological Contract.** A psychological contract brings many underlying expectations out into the open, explains them, and defines the interdependence and shared responsibility between the individual and the organization.
- **OD Model.** Organization development involves the long-term, system-wide application of behavioral science techniques to increase organization effectiveness. OD works on the idea that organizational change involves improving the way people work together on teams and the way team activities are integrated with organizational goals.

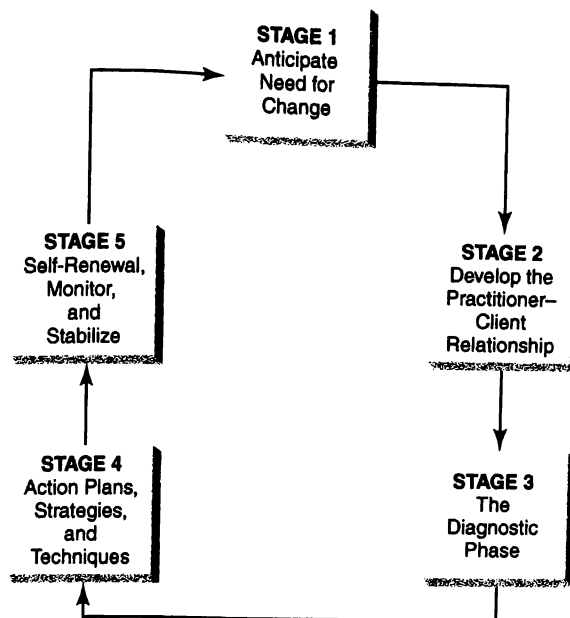


FIGURE 6 Organization Development's Five Stages

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

Stage 1: Anticipate a Need for Change

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

Stage 2: Develop the Practitioner-Client Relationship

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

The practitioner must decide when to enter the system and what his or her role should be. For instance, the practitioner may intervene with the sanction and approval of top management

SUGGESTED QUESTION GUIDE FOR INSTRUCTOR'S INTERVIEW OF STUDENTS

1. What are your objectives for this course?
 - a. To learn theories?
 - b. To reach some desired level of knowledge?
 - c. To learn new skills?
 - d. To gain new behaviors?
 - e. To get a good grade?
 - f. To get required credit hours?
2. How can the instructor best help you to achieve your goals?
 - a. By giving lectures?
 - b. By assigning and discussing readings?
 - c. By conducting exams?
 - d. By leading seminar discussions?
 - e. By relating personal experiences?
 - f. By letting you work on your own?
 - g. By being a stern task master?
 - h. By being warm and supportive?
3. How can other class members help you achieve your goals?
 - a. By sharing prior experiences?
 - b. By participating in group discussions?
 - c. By coming to class prepared?
 - d. By sharing educational background?
 - e. By doing nothing?
 - f. By being enthusiastic and supportive?
 - g. By being critical?
 - h. By being flattering?
 - i. By giving honest appraisals?
4. How should class members be evaluated?
 - a. By quizzes, exams, and tests?
 - b. By instructor?
 - c. By peers?
 - d. By quantity or quality of work?

Review Questions

1. How would you define “organization development”?
2. How does OD differ from a single-change technique such as management training?
3. Identify and demonstrate the uses of the psychological contract.
4. Explain the difference between pivotal and peripheral norms.
5. Explain three basic responses an individual may have to socialization.
6. Read a book or an article and identify the organizational culture and norms it embodies.
7. Identify and explain the five stages of organization development.

Key Words and Concepts

Action Research Model
Change Agent
Client System
Creative Individualism

External Practitioner
Internal Practitioner
Norms
Organization Culture

Organization Development
(OD)
OD Practitioner
OD Specialist

Peripheral Norms
Pivotal Norms
Psychological Contract
Socialization

OD Skills Simulation 1

Auditioning for the *Saturday Night Live* Guest Host Spot

Total time suggested: 60 minutes.

A. Purpose

The goal of this exercise is to begin building trust within the class by sharing information about yourself with others and exploring values and norms. You will gain experience interviewing another person, which is a key skill for an OD practitioner.

B. Procedures

Step 1. Members form into pairs.

Step 2. Each member of the pair interviews the other member to find out who she/he is. The purpose is to gain enough information to introduce the other person to the class, with an emphasis on behavior. A set of questions is provided as a departure point for your discussion on the Interview Format. See the Interview Format.

Time suggested for Steps 1 and 2: 20 minutes.

Step 3. The total class is reformed. Each member of the pair introduces the other member. Introduce your partner to the class with a focus on positive accomplishments, but add some humor and demonstrate your own “guest host” style. Try not to appear as though you are reading “que cards” but instead introduce your partner in a conversational manner. The class may ask questions to find more relevant information about the partner you are introducing. This continues around the class until everyone has been introduced.

Step 4. In a meeting with the entire class, discuss the following questions:

1. How many potential guest hosts did you discover?
2. In the introduction process, did you learn more about the person being introduced or the person doing the introduction?
3. Based on the introductions, can you foresee the formation of any norms?
4. What seems to be the type and level of participation of the members?

Time suggested for Steps 3 and 4: 40 minutes.

INTERVIEW FORMAT

Possible questions and topic:

Name of Person Interviewed _____

1. Tell me a little bit about yourself.

- a. _____
- b. _____
- c. _____

2. How would you describe the strengths you bring to the class?

- a. _____
- b. _____
- c. _____

3. What do you consider your past accomplishments or highlights?

- a. _____
- b. _____
- c. _____

4. What are your hobbies, interests, and astrological sign?

5. What is your favorite:

Color _____

Music _____

Car _____

Food _____

TV Star _____

Other _____

6. What are your goals for this class?

- a. _____
- b. _____
- c. _____

7. What resources can you contribute?

8. Anything else we've not covered?

OD Skills Simulation 2

The Psychological Contract²⁹

Total time suggested: 15 to 115 minutes depending on the parts used.

A. Purpose

The goal of this exercise is to make explicit and share some of the major expectations and obligations between students and instructor. It provides an opportunity for the instructor to find out what the class expects and for the students to learn what the instructor expects.

B. Procedures

Part A. Instructor's Interview of Students

Step 1. The class forms into groups of four or five members.

Step 2. Each group elects one person as representative.

Step 3. Each group prepares its representative for the interview by the instructor. The representative should understand the group's position and be prepared to answer the instructor's questions. (See the Suggested Question Guide for Instructor's Interview of Students.)

Time suggested for Steps 1 to 3: 15 minutes.

Step 4. The representatives meet with the instructor. The instructor interviews them about their expectations while the rest of the class observes.

Time suggested for Step 4: 20 minutes.

A less obvious alternative is for new members to accept the pivotal norms and seriously question the peripheral norms, which can be termed **creative individualism**. This is the ideal behavior for a healthy and effective organization, but it is often difficult for a newcomer to correctly determine which norms are peripheral and which are pivotal. What may be a pivotal norm in one department may be a peripheral norm or not a norm at all in another department of the same organization. Since norms are changing and dynamic, the organization member must have the awareness to discern the differences between pivotal and peripheral norms.

Receiving Feedback

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

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

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

For an example of how Starbucks Coffee Company uses socialization to integrate new employees into their organization, see **OD Application: Leave No One Behind at Starbucks**.

OD Application: Leave No One Behind at Starbucks²⁶

Howard Schultz's vocabulary, at least in formal interviews, makes him sound like a college professor of management. The interviews are peppered with words like "collaborative," "teams," "empowerment," "empathetic," "vision," and "partners."

Schultz just happens to be one of the founders, chairperson of the board, president, CEO, and chief strategist of Starbucks Coffee Company. The firm has more than 176,000 partners who handle approximately 50 million transactions every week in nearly 17,000 retail stores in 49 countries. Starbucks has one of the highest frequencies of customer visits than just about any other retailer in the U.S.

Besides a good cup of Joe, what is the Starbucks formula for success? Perhaps it is the firm's vision. Says former U.S. Senator and current Starbucks board member Bill Bradley, "Howard is consumed with his vision of Starbucks. That means showing the good that a corporation can do for its workers, shareholders, and customers." On Starbucks' six-point mission statement is "We're called partners, because it's not just a job, it's our passion. Together, we embrace diversity to create a place where each of us can be ourselves. We always treat each other with respect and dignity. And we hold each other to that standard."

Central to Starbucks is the philosophy "Leave no one behind." This philosophy shows up in new employees receiving 24 hours of in-store training, higher-than-average salaries, and benefit packages. All employees who work more than 20 hours a week receive stock options and full health care benefits. Schultz says, "The most important thing I ever did was give our employees stock options. That's what sets us apart and gives a higher-quality employee, an employee that cares more."

Starbucks consistently shows up on *Fortune's* annual lists of "100 Best Companies to Work For" and "America's Most Admired Companies." In employee surveys, Starbucks ranks ahead of other companies. Starbucks employees show an 82 percent job-satisfaction rate compared to a 50 percent rate for all employers. It has the lowest employee turnover rate of any restaurant or fast-food company. Another survey found that the two principal reasons people work for Starbucks are "the opportunity to work with an enthusiastic team" and "to work in a place where I feel I have value." A Starbucks spokesperson says, "We look for people who are adaptable, self-motivated, passionate, creative team players." Maintaining this spirit is not easy in a company with over 170,000 employees. "Getting big and staying small" is the Starbucks objective, says Schultz.

(continued)

Part B. Students' Interview of Instructor

Step 1. The class forms into the same groups.

Step 2. Elect a different representative.

Step 3. Each group discusses the questions it would like its representative to ask the instructor. The representative should be sure to understand the group's questions and concerns. (See the Suggested Question Guide for Students' Interview of Instructor.)

Time suggested for Steps 1 to 3: 15 minutes.

Step 4. In a class meeting, the representatives interview the instructor to clarify the instructor's expectations of the class. The representatives and the instructor should write on the blackboard a consensus of course objectives. This will not only reaffirm and support the objectives listed in the syllabus (by allowing the class to come up with the objectives), but will let the students and instructor delete or add other objectives that they feel may be important to the OD learning process.

Time suggested for Step 4: 20 minutes.

SUGGESTED QUESTION GUIDE FOR STUDENTS INTERVIEW OF INSTRUCTOR

You may ask the instructor any questions you feel are relevant to effective learning. Some areas you may want to discuss are:

1. How do people learn?
2. What is the instructor's expectations about attendance?
3. What is his/her philosophy of evaluation? How are students evaluated?
4. What is the instructor's role in the class?
5. What stereotypes about students are held?
6. Is there anything else that you feel is important?

Part C. Identifying and Establishing Norms

Note: Part C is optional and may be omitted or used instead of Parts A, B and D.

Step 1. Meeting as a class, do or discuss the following:

- 1. Identify the pivotal and peripheral norms that are being established.*
- 2. Which of these norms are functional or dysfunctional to the class?*
- 3. Which of these norms would you like to change?*
- 4. Do you have any additional behaviors you would like to see become norms?*
- 5. How much trust is being developed among students, and between students and instructor?*

Step 2. For the norms you would like to change, make some specific plans for the changes.

Time suggested for Steps 1 and 2: 15 minutes.

Part D. Finalizing the Psychological Contract

Note: Part D is optional and may be omitted or used instead of Parts A, B and C.

Step 1. Individually complete Column 1 of the Psychological Contract Worksheet.

Step 2. In small groups, exchange views, and achieve consensus in completing Column 2 of the Worksheet. Select a representative to report to the class.

Time suggested for Steps 1 and 2: 15 minutes.

Step 3. The representatives share with the class their group's responses. As a class, and including the instructor, reach an agreement on a psychological contract for the course. Appoint a class member to serve as a recorder and write the contract on the board. Also, the recorder is to make a permanent copy where it will be posted in the class meeting room for future classes. All class members are to record the results on their Final Psychological Contract.

Time suggested for Step 3: 15 minutes.

THE PSYCHOLOGICAL CONTRACT WORKSHEET

Issues	Column 1 Individual Responses	Column 2 Group Response
1. What were your expectations from this course when you enrolled in it?	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
2. What do you expect to get out of this course?	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
3. What will be the most enjoyable part of the course?	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
4. What skills do you feel will be the most critical to becoming an effective manager?	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
5. What skills and topics must you work on?	<hr/>	<hr/>

Case Analysis Guidelines

Why Use Cases?

Case studies allow a learning-by-doing approach. The material in the case provides the data for analysis and decision making. Cases require you to diagnose and make decisions about the situation and to defend those decisions to your peers.

Objectives of the Case Method

1. Helping you to acquire the skills of putting textbook knowledge about management into practice.
2. Getting you out of the habit of being a receiver of facts, concepts, and techniques, and into the habit of diagnosing problems, analyzing and evaluating alternatives, and formulating workable plans of action.
3. Training you to work out answers and solutions for yourself, as opposed to relying upon the authoritative crutch of the professor or a textbook.
4. Providing you with exposure to a range of firms and managerial situations (which might take a lifetime to experience personally), thus offering you a basis for comparison when you begin your own management career.

How to Prepare a Case

1. Begin your analysis by reading the case once for familiarity.
2. On the second reading, attempt to gain full command of the facts, organizational goals, objectives, strategies, policies, symptoms of problems, problems, basic causes of problems, unresolved issues, and roles of key individuals.
3. Who are the key players in this situation? What are their roles and their styles?
4. Arrive at a solid evaluation of the organization, based upon the information in the case. Developing the ability to evaluate organizations and size up their situations is the key to case analysis.
5. Decide what you think the organization needs to do to improve its performance and to set forth a workable plan of action.

CASE: TGIF

It's 4:30 on a Friday afternoon, and the weekly beer bust is in full swing at Quantum Software's Denver headquarters. The sun shines on the volleyball court and beyond; the patio sparkles over a skyline of the Rocky Mountains. Every week, most of the employees drop in to unwind and relax at the beer bust for an hour as a reward for extra effort.

Quantum Software was founded three years ago by Stan Albright and Erin Barber, based upon an idea they came up with in college for forming a business aimed at developing and selling computer software specifically oriented to the needs of independent oil businesses. Few of these firms grow large enough to do their own data-processing systems. Quantum has grown to more than 200 employees and \$95 million in sales over the past three years. One Friday afternoon, Bill Carter, the corporate attorney, dropped in to attend a business meeting. After the meeting, he was invited to mix in with employees at the weekly beer bust.

"What a great place to work!" several people told Bill. The spirit of Quantum continually amazed Bill. Stan and Erin knew how to keep things hopping and yet hold morale at an enthusiastic level. To counter the frantic work pace of 16-hour days and six-day weeks, Quantum had a beer bust every Friday afternoon. Everyone was invited, from Stan and Erin to the part-time janitor who worked nights.

No ties, no suit coats, first names only: this was a great way to encourage the team concept. Lately though, Bill Carter had been having second thoughts about serving alcohol at a company-sponsored party. He made up his mind to speak to CEO Stan Albright about it and started toward the pool where Stan and Erin were holding a lively discussion with three employees. Just then, John Hooker, a new programmer in software development, lost his balance and fell on the snack table, sending finger sandwiches flying in all directions and getting a round of applause. "All right, John!" several people called out. More determined than ever, Bill approached Stan and Erin and said, "Don't you think this party thing is getting a little out of hand? It used to be a lot of fun, but now maybe we're growing too fast. We're getting more people like John there, who just seem to overdo it."

"Take it easy, Bill," said Stan. "The atmosphere around here would get stale real fast if we couldn't blow off a little steam now and then."

"Come on, Bill," Erin added, "lighten up. We need this time to relax and for everyone to socialize over a beer without the pressure of work."

"You should know, Bill, how much these parties mean to our success. I really feel that one of the keys to our continued growth has been the family feeling among our employees. On Fridays at our TGIF get-togethers, we all get to know one another as equals. That gives me the right to kick butts when I have to because they know I like them and want them to succeed. That's the real value of these parties."

"Okay, Stan, so you tell me," asked Bill, "what's the value in having someone like John who has had too many beers driving home and possibly causing a serious accident? Do you realize that Quantum could be held liable in such an instance?"

"Bill," responded Erin, "you know I'm the one who first thought up the idea of having a Friday bash and I still think it's a great idea. I agree with Stan that this company is a success thanks to our employees and the esprit de corps that we've developed. If we drop the TGIFs as a time to unwind, what can we replace it with? I can see the point you're trying to raise. I agree that something bad could come out of this, but if we can't take a few risks we may as well close the doors. These parties are great for recruitment and they define our corporate culture. I feel it would be a big mistake to drop the parties."

"I think you two are missing the point," answered Bill. "Of course, I realize how important it is to keep our team spirit. What I'm trying to say is, isn't there a way to keep that spirit and put some limit to our liability exposure at the same time?"
(Use Case Analysis Form.)³⁰

TGIF CASE ANALYSIS FORM

Name: _____

I. Problems

A. Macro

1. _____

2. _____

B. Micro

1. _____

2. _____

Endnotes

1. Laura Rubach, "Downsizing: How Quality Is Affected as Companies Shrink," *Quality Progress*, vol. 28, no. 4 (April 1995), p. 23.
2. Michael Malone (interviewer), "Intel Reboots for the 21st Century," *Wall Street Journal*, September 27–28, 2008, p. A17.
3. Pallavi Gogoi, "Thinking Outside the Cereal Box," *Business Week*, July 28, 2003, pp. 74–75.
4. Richard Beckhard, *Organizational Development: Strategies and Models* (Reading, MA: Addison-Wesley, 1969), p. 9. Also see Jyotsna Sanzgiri and Jonathan Z. Gottlieb, "Philosophic and Pragmatic Influences on the Practice of Organization Development, 1950–2000," *Organizational Dynamics*, vol. 21, no. 2 (Autumn 1992), pp. 57–59.
5. William C. Symonds, "The Kodak Revolt Is Short-Sighted," *Business Week*, November 3, 2003, p. 38.
6. Warren G. Bennis, *Organization Development: Its Nature, Origins, and Prospects* (Reading, MA: Addison-Wesley, 1969).
7. www.ge.com; Steven Prokesch, "How GE Teaches Teams to Lead Change," *Harvard Business Review*, January 2009, pp. 99–106; and Fay Hansen, "Building Better Leaders . . . Faster," *Workforce Management*, vol. 87, no. 10 (June 9, 2008), pp. 25–28.
8. Robert B. Reich, "The Company of the Future," *Fast Company*, November 1998, p. 124.
9. Robert R. Blake, Jane S. Mouton, L. Barnes, and L. Greiner, "Breakthrough in Organization Development," *Harvard Business Review*, November–December 1964, pp. 133–55.
10. See Richard Beckhard, *Organization Development Strategies and Models* (Reading, MA: Addison-Wesley, 1969).
11. For more information, see www.ntl.org/.
12. Douglas McGregor, *The Human Side of Enterprise* (New York: McGraw-Hill, 1960); Douglas McGregor, *The Human Side of Enterprise*, updated and with new commentary by Joel Cutcher-Gershenfeld (New York: McGraw-Hill, 2006); and Douglas McGregor, *The Professional Manager*, edited by Caroline McGregor and Warren G. Bennis (New York: McGraw-Hill, 1967).
13. For more information, see www.odnetwork.org/.
14. Therese F. Yaeger, Thomas C. Head, and Peter F. Sorensen. *Global Organization Development: Managing Unprecedented Change* (Greenwich, CT: IAP, 2006).
15. For additional information, see David L. Bradford and W. Warner Burke (Editors), *Reinventing Organization Development: New Approaches to Change in Organizations* (San Francisco: Pfeiffer, 2005).
16. See Bennis, *Organization Development: Its Nature, Origins, and Prospects*, for one of the first discussions of OD practitioners.
17. For more information on organizational culture, see Edgar Schein, *Organizational Culture and Leadership* (San Francisco: Jossey-Bass, 2004); Hasan Danaee Fard, Ali Asghar Anvary Rostamy, and Hamid Taghilo, "How Types of Organizational Cultures Contribute in Shaping Learning Organisations" *Singapore Management Review*, January 2009, pp. 49–61; Davide Ravasi and Majken Schultz, "Responding to Organizational Identity Threats: Exploring the Role of Organizational Culture," *Academy of Management Journal*, June 2006, pp. 433–58; Joanne Martin, *Organizational Culture: Mapping the Terrain* (Thousand Oaks, CA: Sage, 2002); Neal Ashkanasy, Celeste P. M. Wilderom, and Mark F. Peterson, eds., *Handbook of Organizational Culture and Climate* (Thousand Oaks, CA: Sage, 2000); Cary L. Cooper, Sue Cartwright, and P. Christopher Earley, eds., *The International Handbook of Organizational Culture and Climate* (New York: Wiley, 2001).
18. B. F. Skinner, *Contingencies of Reinforcement* (Upper Saddle River, NJ: Prentice Hall, 1969), p. 13.
19. Dean Foust, Anand Natarajan, and Brian Grow, "Disability Claim Denied!" *Business Week*, December 22, 2003, pp. 62–64.
20. See H. S. Becker, "Culture: A Sociological View," *Yale Review*, Summer 1982, pp. 513–27; and Edgar H. Schein, *Organizational Culture and Leadership* (San Francisco: Jossey-Bass, 1985), p. 168.
21. Edgar H. Schein, "Coming to a New Awareness of Organizational Culture," *Sloan Management Review*, Winter 1984, pp. 3–16; Daniel C. Feldman, "The Development of Group Norms," *Academy of Management Review*, vol. 9, no.1 (1984), pp. 47–53.
22. See, for example, Daniel M. Cable and Charles K. Parsons, "Socialization Tactics and Person-Organization Fit," *Personnel Psychology*, vol. 54, no.1 (Spring 2001), pp. 1–23; J. Hebden, "Adopting an Organization's Culture," *Organizational Dynamics*, Summer 1986, pp. 54–72; G. R. Jones, "Socialization Tactics," *Academy of Management Journal*, June 1986, pp. 262–79.
23. Robert Berner, "P&G, How A. G. Lafley Is Revolutionizing a Bastion of Corporate Conservatism," *Business Week*, July 7, 2003, pp. 52–63.
24. Glenn Hasek, "The Right Chemistry," *Industry Week*, vol. 249, no. 5 (March 6, 2000), p. 36–40.
25. Edgar H. Schein, "Organization Socialization and the Profession of Management," *Industrial Management Review*, vol. 9, no. 2 (Winter, 1968), p. 8.
26. www.starbucks.com; Judith Crown, "Coffee Gets Hotter at McDonald's," *Business Week*, January 9, 2008, www.businessweek.com/; Moira Herbst, "Starbucks' Karma Problem," *Business Week*, January 12, 2009, p. 26; Burt Helm and Jena McGregor, "Howard Schultz's Grande Challenge," *Business Week*, January 21, 2008, p. 28; Andy Serwer and Kate Bonamici, "Hot Starbucks to Go," *Fortune*, January 26, 2004, p. 60; Interview of Howard Schultz on National Public Radio, *The Monthly Fool* show, April 23, 2004; Maryann Hammers, "Pleasing Employees, Pouring Profit," *Workforce Management*, October 2003, p. 58; Stanley Holmes, Drake Bennett, Kate Carlisle, and

- Chester Dawson, "Planet Starbucks," *Business Week*, September 9, 2002, p. 100.
27. For some of the original material on psychological contracts, see C. Argyris, *Understanding Organizational Behavior* (Homewood, IL: Dorsey Press, 1960); Schein, "Organization Socialization and the Profession of Management"; Schein, *Organizational Psychology*, 3rd ed. (Englewood Cliffs, NJ: Prentice-Hall, 1980); H. Levinson, C. Price, K. Munden, H. Mandl, and C. Solley, *Men, Management, and Mental Health* (Cambridge, MA: Harvard University Press, 1962). For more current information, see Charissa Freese and René Schalk, "How to Measure the Psychological Contract? A Critical Criteria-Based Review of Measures," *South African Journal of Psychology*, June 2008, pp. 269–86; Rene Schalk and Robert E. Roe, "Towards a Dynamic Model of the Psychological Contract," *Journal for the Theory of Social Behaviour*, June 2007, pp. 167–82; Simon Restubog, Prashant Bordial and Robert L. Tang, "Effects of Psychological Contract Breach on Performance of IT Employees: The Mediating Role of Affective Commitment," *Journal of Occupational and Organizational Psychology*, June 2006, pp. 299–306.
28. Schalk and Roe, "Towards a Dynamic Model of the Psychological Contract."
29. This exercise is adapted from David A. Kolb, Irwin M. Rubine, and James M. McIntyre, *Organizational Psychology: An Experiential Approach*, 2nd ed. (Upper Saddle River, NJ: Prentice Hall, 1974), pp. 9–17.
30. Don Harvey, John Hulpke, and Joe Hudson, California State University, Bakersfield, Bakersfield, CA, 1994. Modified and edited by Don Brown.