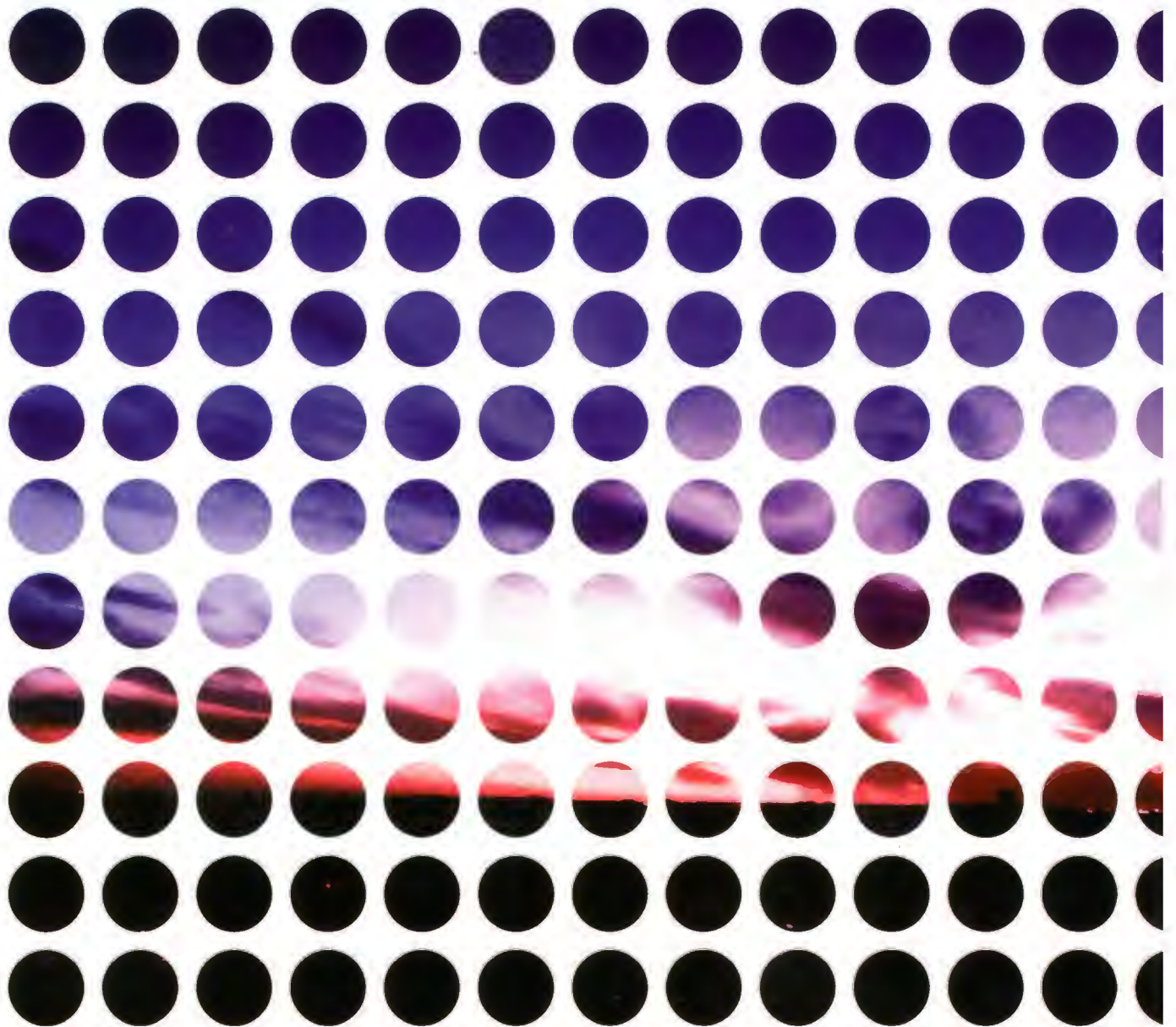


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Organization Development  
Donald Brown  
Eighth Edition

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# Organization Renewal: The Challenge of Change

# Organization Renewal: The Challenge of Change

## LEARNING OBJECTIVES

Upon completing this chapter, you will be able to:

1. Recognize the factors contributing to the accelerating rate of change.
2. Identify the ways an organization uses renewing processes to adapt to change.
3. Determine the individual and group methods of coping with change.
4. Understand and apply the sociotechnical-systems approach to OD.

## PREMEETING PREPARATION

1. Read this chapter.
2. Read the instructions for OD Skills Simulation 1. Before coming to class, complete Part A, Steps 1 and 2, which includes completing the Profile Survey, Profile Form, Class Performance Form, and Objectives Form. Familiarize yourself with the “Instructions for Developing OD Practitioner Roles and Skills” at the end of the simulation.
3. Read and prepare analysis for Case: The NoGo Railroad.

## THE CHALLENGES OF CHANGE

Change is the name of the game in management today. Market, product, and competitive conditions are rapidly changing. Under these pressures, organizations are changing. They are downsizing, reengineering, flattening structures, going global, and initiating technologies that are more sophisticated. However, many organizational changes, such as downsizing, often have unintended effects or consequences on the productivity of individual work units.<sup>1</sup> As the environment changes, organizations must adapt if they are to be successful. For example, through changing times, 3M has managed to keep its creative spirit alive. The company is consistently in the list of top 20 innovative companies in the world in the *Business Week*—Boston Consulting Group ranking.<sup>2</sup> Almost everyone now uses Post-It notes, yet they were an accidental discovery of 3M scientist Art Fry, who became the product champion for Post-Its. The outcome is a big company that still manages to develop new products faster than its competition. The reason: Commitment to innovation and lack of corporate rules leave room for plenty of experimentation—and failure.<sup>3</sup>

### Renewal

Organization renewal requires that top managers make adaptive changes to the environment. Strategic models of top managers play a crucial role in directing organizational responses to keep pace with changing industry conditions. In today's business environment, more than at any time in history, the only constant is change. Business consultant and author Jim Collins wrote in *Fortune*, “Companies do not fall primarily because of what the world does to them or because of how the world changes around them; they fall first and foremost because of what they do to themselves.”<sup>4</sup>

The fact is that managers will have to become masters of change and renewal to be effective in the future. The changes facing management in the twenty-first century are likely to be even more dynamic and challenging than in the past. Therefore, the focus of organization development is on changing organizational systems, stressing the situational



nature of problems and their system-wide impact. In solving a given problem, managers must analyze the organization, its departmental subsystem interrelationships, and the possible effects on the internal environment. This approach, termed the **systems approach**, provides a way of observing, analyzing, and solving problems in organizations. The systems approach, then, is concerned with relationships among departments and the interdependencies between these elements and the external environment.

The changing conditions that face organizations can be seen in the sudden decline in the sewing machine market compared to the projected increase in the cell phone market. After Singer N. V. (the Singer Company) came out of bankruptcy, it had to reorganize, sell off unprofitable units, and change the marketing strategy because the number of people buying sewing machines had declined drastically. Meanwhile, the market for smart cell phones, virtually nonexistent a decade ago, today constitutes a several-billion-dollar market.

### Constant Change

Because of the rapid pace of technology, firms are confronted with the early technological obsolescence of products. In the past, companies could grow during the long lifespan of a proprietary invention, but today their innovations are often quickly overtaken by competitors with technological improvements. These problems are the result of the increasing rate of change and are made more difficult because of the impact of future shock on management. Managers today face risk situations unlike those of the past, and in an era of accelerating change, managerial excellence derives from the ability to cope with these changes. Organizations either become more adaptive, flexible, and anticipative, or they become rigid and stagnant, reacting to change after the fact, often when it is too late. Seldom can managerial decisions be based solely on extrapolations of historical experience. Many decisions are unique, innovative, and risky, involving new areas of opportunity. Putting a new product or a new process into production is a major business decision.

Organizations exist in a changing environment and, therefore, must have the capacity to adapt. As Apple Computer's evangelist for the Macintosh, Guy Kawasaki was one of the driving forces behind a revolutionary new product. Kawasaki's first rule: If you want to make a revolution, you have to start by unleashing revolutionary products and ideas. You have to "create like God," but thinking differently is just the first step.<sup>5</sup> Business revolutionaries (or change agents) also have to keep rethinking—and just as important, they have to keep doing, if they are to turn radical ideas into real accomplishments.

A model for five stages of the organization development process is depicted in Figure 1. In this chapter, we will concentrate on the first stage and examine the way managers

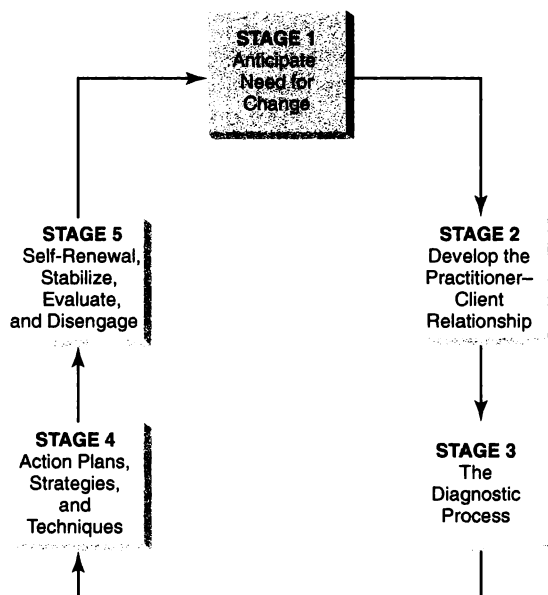


FIGURE 1 Stage 1 of Organization Development's Five Stage

react to the accelerating rate of change. The pressure of future shock results in new perspectives for management strategies and decisions. Managers must do more than just react: they must be able to anticipate the changing patterns of people, markets, products, and technology. Five areas will be covered:

1. Organization renewal.
2. The systems approach.
3. The sociotechnical system.
4. Future shock.
5. Organizational transformation and organization development.

## **ORGANIZATION RENEWAL: ADAPTING TO CHANGE**

Managing effectively is a major challenge facing organizations today.<sup>6</sup> When an organization fails to change, the cost of the failure may mean its very survival. Because the environment is composed of systems outside the immediate influence of the organization, the organization must adapt itself to these forces by introducing internal changes that will allow it to be more effective. Herb Kelleher, founder of Southwest Airlines and currently Chairman Emeritus, was asked in an interview with *Fortune* how one could renew a big organization. He replied, "The way that we accomplish that is that we constantly tell our employees . . . think small and act small, and we'll get bigger. Think big, be complacent, be cocky, and we'll get smaller."<sup>7</sup> To be successful, organizations must develop a managerial style and culture that can adequately handle the challenges and opportunities they face. A management style that was adequate under one set of conditions may become progressively less effective under changing circumstances. The OD practitioner, then, is ultimately interested in changing human behavior and organizational processes to create a more adaptive and flexible organization.

Organizational renewal is important. If a company is to survive in an increasingly competitive marketplace, the organization must continuously adapt to its environment; without renewal, management cannot maintain excellence. **Organizational renewal** may be defined as an ongoing process of building innovation and adaptation into the organization. Google, for example, encourages innovation by letting engineers spend about 20 percent of their time in projects other than their primary job. CEO Eric Schmidt explains why he thinks this model works: "I think it's cultural. You have to have the culture, and you have to get it right."<sup>8</sup> **See OD Application: Google's Culture.**

A dilemma with renewal is that stability is necessary but is also the major obstruction to change. For most organizations, it seems, the more effective they have been in the past, the more likely they are to resist change. **Entropy** is a principle of physics according to which everything that is organized will break down or run down unless it is maintained. Organization renewal, then, is an approach to preventing corporate entropy.

Why is change so difficult? Possibly because the culture of the organization becomes a part of the people who perform the work. In changing these old patterns, people must alter not only their behavior but also their values and their views of themselves. The organization's structure, procedures, and relationships continue to reinforce prior patterns of behavior and to resist the new ones. As a result, organizational change sometimes results in upheaval and dissatisfaction, and possibly even in resignations, dismissals, or transfers. Consequently, an organization must develop an adaptive orientation and management style that is geared to its environment. Managers in different organizations deal with situations that may be dramatically different. Some organizations exist in relatively stable environments, whereas others operate in highly dynamic settings. Each requires a different orientation to the environment.

### **Approaches to Change**

Every organization must have enough stability to continue to function satisfactorily and still prevent itself from becoming too static or stagnant to adapt to changing conditions. Both stability and adaptation are essential to continued survival and growth.

An organization that operates in a mature field with a stable product and relatively few competitors needs a different adaptive orientation than a firm operating in a high-growth market, among numerous competitors, and with a high degree of innovation. The former operates in an environment that is relatively stable, whereas the latter faces a more dynamic and turbulent set of

## OD Application: Google's Culture<sup>9</sup>

The company is Google, its product is a search engine, and it still operates under the same freewheeling managerial style that it started with. The company is managed by its designated grown-up, CEO Eric Schmidt. In practice, however, it is run by a triumvirate (from the Latin *triumviratus*, meaning "board of three"). Schmidt is joined in decision-making responsibilities by company cofounders Larry Page and Sergey Brin. Schmidt is a seasoned manager from Sun Microsystems and Novell.

CEO Schmidt was hired in 2001 to provide experienced leadership. He handles the day-to-day stuff. Decisions come from three-way discussions between Schmidt, Page, and Brin. Harvard Business School professor David Yoffie says of Google, "If multiple people are making decisions, decisions don't get made . . . Ultimately one person has to make a decision." Schmidt responds that the consensus-management structure at Google can be maddening at times but it is effective. Brin serves as president for technology and Page is president for products. "We try to run as a group, because partnerships make better decisions," says Schmidt. He adds, "I've tried very hard to have this be a founder-driven company."

Executives at Google keep a "Top 100" priority list, and managers rarely tell engineers what project to work on. Instead, engineers migrate to projects that interest them. This controlled-chaos type of strategy forms fluid working groups that can last weeks or months, but it is tough on planners. Engineers are also encouraged to spend 20 percent of their time working on their own research projects, no matter how esoteric and offbeat. CEO Schmidt says, "It has always been a small team of people who have a new idea, typically not understood by people around them and their executives. [This is] a systematic way of making sure a middle manager does not eliminate that innovation." A vice president says, "We're encouraging creativity and tolerating chaos." The three executives maintain that Google's freewheeling engineering culture is not a liability but an asset. "What we really talk about is how we can attract and develop this creative culture," says Schmidt.

Google has a unique culture, and with a lot of work it has been able to maintain its culture, even with a workforce of over 20,000 located around the world. Commitment to innovation at Google depends on everyone being comfortable sharing ideas and opinions. With each employee a hands-on contributor, everyone realizes they are an important part in Google's future success. This is evident at the weekly TGIF meetings where anyone is free to ask Page or Brin questions. "Nobody works the way we do. The Google culture makes sense if you're in it, and no sense if you're not in it," says Schmidt.

Part of the Google culture is its "ten things," which is the company's list of ten things it has found to be true:

1. Focus on the user and all else will follow.
2. It's best to do one thing really, really well.
3. Fast is better than slow.

4. Democracy on the Web works.
5. You don't need to be at your desk to need an answer.
6. You can make money without doing evil.
7. There's always more information out there.
8. The need for information crosses all borders.
9. You can be serious without a suit.
10. Great just isn't good enough.

With a worldwide marketplace full of competitors, Google must maintain breakthrough innovations. Brin says, "I've seen companies obsessed with competition, say, with Microsoft, that keep looking in their rearview mirror and crash into a tree head-on because they're so distracted. If I had one magic bullet, I wouldn't spend it on a competitor, I'd spend it to make sure we're executing as well as we possibly can. I think we're doing a pretty good job."

Google maintains its focus and strategy. The outward impression of kids playing in a sandbox belies the seriousness and intensity of the people at Google. At lunchtime, employees chow down on free food and pay little attention to Page as he passes by on skates. This is the same group of engineers that will still be around that evening working in groups or writing computer code. They emit an extreme sense of urgency.

Google is under siege from no less than Microsoft and Yahoo!. Both companies were sleeping while Brin and Page were developing new ways to build an efficient, effective search engine. Brin and Page came up with a breakthrough search algorithm and then put together about 10,000 servers to build their own supercomputer.

Google continues to innovate on a number of fronts. It continues to improve its search abilities and ways to attain revenue from the searches. But it is also building new lines such as online-productivity software and a cell phone.

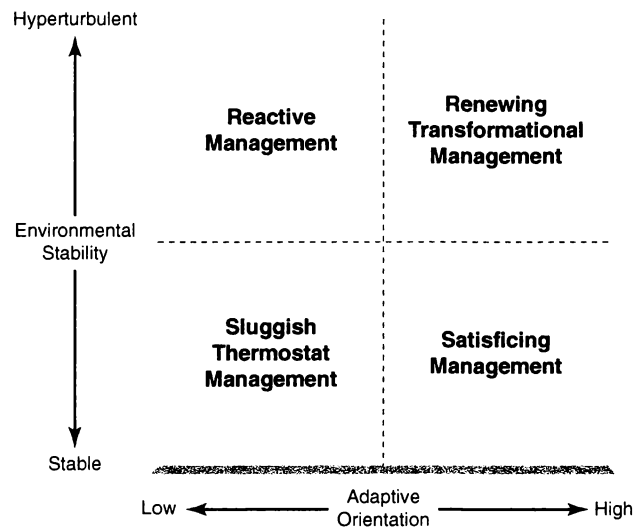
All this intensity is for a piece of the Internet search business. As has recently become obvious, "Search is the key to the kingdom." This is a battle for the heart of the Internet, and Google controls about 70 percent of the Internet's search ad business. Google has revolutionized the way the world finds things out, and people now look for things previously considered unfindable. "The perfect search engine would understand exactly what you mean and give back exactly what you want," Page says. Though no search engine can do this to date, it is an endeavor that Google and its competitors are committed to developing.

### Questions

1. Do you think Google will be able to maintain its controlled-chaos type of culture? Support your position.
2. Research Google to determine if it has been able to maintain its culture-strategy mix and remain competitive. Google's Web site for corporate information is [www.google.com/about.html](http://www.google.com/about.html).

conditions. A **stable environment** is characterized by unchanging basic products and services, a static level of competition, a low level of technological innovation, a formalized and centralized structure, and a slow, steady rate of growth. Such an environment remains relatively stable over long periods.

A **hyperturbulent environment**, on the other hand, is characterized by rapidly changing product lines, an increasing and changing set of competitors, rapid and continual technological



**FIGURE 2 Model of Adaptive Orientation in Organizations**

innovation, and rapid market growth. For today’s organization, the idea of change is clear. A static organization can no longer survive. Yesterday’s accomplishments amount to little in an environment of rapidly advancing markets, products, and lifestyles. To survive, organizations must devise methods of continuous self-renewal. Organizations must recognize when it is necessary to change, and they must develop the ability to implement change when needed. To meet these conditions, many companies have created specialized OD units whose primary purpose is the implementation of organizational changes. These units develop new programs to help the organization improve its adaptation to its environment and maintain a stable identity, so that change is not overwhelming.

**A Model of Adaptive Orientation**

The topic of transformational change as opposed to gradual change has been receiving much attention. Some organizations resist change until a critical state of incongruence is reached, at which point change occurs. An illustration of an organization’s orientation in adapting to change is illustrated in Figure 2.<sup>10</sup> One dimension in the figure represents the degree of change in an organization’s environment, and the second represents the degree of flexibility present in its internal orientation. Organizations can vary greatly on these dimensions, and the many possible combinations of these orientations can lead to different adaptive styles. In addition, organizations operate on a continuum or blend of the orientations. Several of the orientations used by managers are described next.

**Sluggish-Thermostat Management (Stable Environment, Low Adaptation)**

“Sluggish-thermostat management” is a term originated by David Miller to describe organizations that resist change until cost trade-offs favor it.<sup>11</sup> This term is a good metaphor because many organizations set their thermostats so low that they become insensitive to change.

**Sluggish management** refers to a managerial style based on low risk, with formalized procedures and a high degree of structure and control. Typically, organizations that utilize sluggish management have very stable goals and a highly centralized structure. They also tend to have more managerial levels, a higher ratio of superiors to subordinates, and an emphasis upon formal control systems. There may be a tendency to value tradition, to keep on doing things as they have always been done, to value seniority more than performance, and to be averse to accepting new ideas. Although this is a low-risk style of managing, it may lead to serious problems in the long run. Referring to Ford Motor Company’s sluggish management and inability to meet new customer demands, a former Ford CEO said, “We learned that there’s no market for lousy cars: we tested it.”<sup>12</sup>

Without change, organizations may succumb to the forces of entropy. For some organizations, slowness to adapt stems not from failure but from success. These organizations become a victim of their own success. In the auto industry, for example, the rules for competing remained

the same for around 60 years, and the assumptions about customers, markets, and suppliers remained valid.

### **Satisficing Management (Stable Environment, High Adaptation)**

**Satisficing management**, a term related to the word “satisfactory,” is management that is adequate and average. It is a style of managing that emphasizes a more centralized decision-making structure with problems referred to the top. Because of the stable environment, there tend to be more levels of management, with coordination done by formal committees. Planning and decision making are usually concentrated at the top, with high clarity of procedures and roles. Change is accomplished at a rate that is “good enough” to keep up with the industry, but certainly well behind the state of the art. Company financial statistics, such as return on investment and employee turnover, are commensurate with industry averages. Such organizations often tend to accept strategies that are “good enough” because of the low level of pressure for change from the environment. Eighty-two percent of the respondents in a study reported that without change they would gradually suffer a decline in performance.<sup>13</sup>

### **Reactive Management (Hyperturbulent Environment, Low Adaptation)**

Organizations that have a low level of adaptation but exist in a rapidly changing environment tend to deal with problems on a short-run, crisis basis. **Reactive management** refers to the style of reacting to a stimulus after conditions in the environment have changed. It is a short-term, crisis type of adaptation, often involving replacement of key people, hasty reorganization, and drastic cutting of personnel and product lines. The reactive approach to change implies waiting until serious problems emerge that can no longer be ignored and then taking drastic and corrective measures. A major food corporation, for example, was feeling the pressures of changing business conditions, losing momentum, experiencing product failures, and reporting decreased earnings. The new chief executive instituted some massive changes, including a major managerial reorganization, a company-wide efficiency drive, cutting salaried personnel by 10 percent, and taking a very hard look at the firm’s marketing programs. In another example, the Securities and Exchange Commission (SEC) has been criticized for sitting on the sidelines while corporate scandals were being uncovered by New York’s attorney general. The SEC chairman said in 2003, “The commission has found itself in a position of reacting to market problems rather than anticipating them.”<sup>14</sup> The *Wall Street Journal* reported, “Chief among the flaws of the SEC is a reactive culture that often fails to identify danger ahead of time, leaving the agency to respond after others expose problems.”<sup>15</sup> In late 2008, the reactive culture at the SEC had changed little, as reported again in the *Wall Street Journal*.<sup>16</sup> This time the agency’s inspector general said that the SEC failed to “vigorously” enforce securities law during the two years before the start of the 2008 financial and banking crisis.

### **Renewing/Transformational Management (Hyperturbulent Environment, High Adaptation)**

Organizations that exist in a hyperturbulent environment must not only respond to change, they must proactively take advantage of new opportunity and innovation. These organizations tend to fit the renewal/transformational orientation and to be champions of innovation; they are faster at developing new ideas, more responsive to competitive changes (a more sensitive thermostat), and more participative in getting the commitment and involvement of organization members in the renewal process. Organizations with a high level of adaptation existing in a rapidly changing environment tend to utilize the renewing managerial style.

**Renewing/transformational management** refers to introducing change to deal with future conditions before these conditions actually occur. Examples of renewing management include the innovations of corporations like General Electric (GE), 3M, and IBM, which have all actively initiated programs of innovation before conditions became critical. IBM has a program it calls on-demand computing that could transform the information technology industry. It will offer computing power to corporate customers as a service, whenever and wherever they need it. IBM’s current annual budget allots \$1.6 billion to research and development for on-demand products. The CEO, Samuel J. Palmisano, says, “IBM has a history of making bold moves in unsettled times. You don’t make bold moves when there’s stability because you’re not going to

capture any great advantage.”<sup>17</sup> A renewing management orientation has both the ability and need to respond to a hyperturbulent environment. Most modern organizations are increasingly finding the need for this adaptive orientation.

Change can provide new opportunities for growth or an increase in the state of organizational entropy—inability to change. The renewing or transformational manager is constantly fighting entropy and proactively building for the future. Today, organizations need to develop a renewal/transformational orientation if they are to maintain a competitive edge and even to survive.

## **THE SYSTEMS APPROACH: FINDING NEW WAYS TO WORK TOGETHER**

The systems approach to managing change views the organization as a unified system composed of interrelated units. This gives managers a way to look at the organization as a whole and as a part of a larger external environment. In an organization engaged in downsizing, managers may use a systems approach to determine how to cut costs. One approach, the **horizontal corporation**, breaks the company into its key processes and creates teams from different departments to run them. It’s about managing across, rather than up and down.

This suggests that managers can no longer function within the traditional pyramid organization chart, but must integrate their department with the goals and strategy of the whole organization. To accomplish this, managers must communicate with other departments as well as with employees and customers. By using a systems perspective, a manager can maintain a balance between the needs of various units of the enterprise as well as total system goals and objectives.

Downsizing, alone, does little to change the fundamental way that work gets done in a corporation. To do that takes a different organizational model: the horizontal corporation. Some of America’s corporations, from DuPont, Cisco, GE, and W. L. Gore, are already moving toward this idea. In the quest for greater efficiency and productivity, they are beginning to flatten the hierarchical organization charts that have defined corporate life. The trend is toward flatter, more adaptive organizations. Some of these changes have been under way for several years, such as total quality management, reengineering, and process redesign.

### **The Organization as a System**

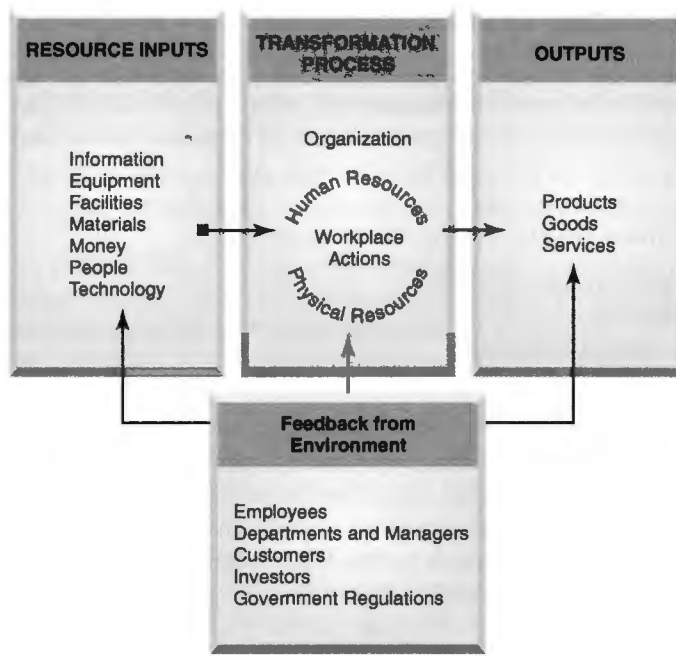
A **system** is a set of interrelated parts unified by design to achieve some purpose or goal. Organizations are systems. Every organization can be viewed as a number of interrelated, interdependent parts, each of which contributes to total organizational functioning and to the achievement of the overall organizational goal. The systems approach is one of the most important concepts in OD because it deals with change and interrelationships in complex organizations. The notion of system interdependency is critical because a change in one part of an organization system has consequences in other parts of the organization. When Mark Hurd initially became CEO of Hewlett-Packard, he recognized this concept in an interview he gave to the *New York Times*, saying, “We’ll look at the entire enterprise” in reference to any changes that he might make.<sup>18</sup>

A system is “an organized unitary whole composed of two or more interdependent parts, components, or subsystems and delineated by identifiable boundaries from its environment.”<sup>19</sup> The term is used in many different contexts: for example, defense system, weapons system, solar system, and eco system.

Systems have several basic qualities:

- A system must be designed to accomplish an objective.
- The elements of a system must have an established arrangement.
- Interrelationships must exist among the individual elements of a system.
- The basic ingredients of a process (the flows of information, energy, and materials) are more vital than the basic elements of a system.
- A system’s overall objectives are more important than the objectives of its elements, and thus the narrow objectives of a system are deemphasized.

From an organizational perspective, the systems approach recognizes and focuses on the effect of managerial functions and the interrelationship between subelements of the organization.



**FIGURE 3** The Organization as an Open System

Rather than view the organization as a static set of relationships, it views the organization as a set of flows of information, personnel, and material. Time and change become critical aspects. The flow of inputs and outputs is a basic starting point in the description of a system (see Figure 3). Three basic elements make up such a system:

1. *Inputs* are the resources that are applied to the processing function.
2. *Processes* are the activities and functions that are performed to produce goods and services.
3. *Outputs* are the products and services produced by the organization.

A business firm takes such inputs as materials, people, and energy, and converts them into products or services desired by consumers. The organization receives inputs from its environment, acts on the inputs by transforming them, and returns the transformed elements to the environment as products. As an example, the resource inputs to a hospital include money, equipment, trained staff, information, patients, and physicians; the outputs include new research, well patients, improved medicine, and trained doctors and nurses.

### Open Systems

There are two basic types of systems: open and closed. A **closed system** is one that is self-contained and isolated from its environment. In the strictest sense, closed systems exist only in theory, for all real systems interact with their environment.

The open system is by far the most important type of system, and it will be emphasized in our treatment of organizations. An open system influences and is influenced by the environment through the process of interdependency, which results in a dynamic (changing) equilibrium. A business organization provides an excellent example of the process of reciprocity and, therefore, of an open system. The **open system** is in continual interaction with its environment and, therefore, achieves a steady state of **dynamic equilibrium**. The system could not survive without the continuous influence of transformational outflow. As the open system interacts with its environment, it continually receives information termed **feedback** from its environment, which helps the system adjust. The departments also interact with one another, because they have interacting tasks to perform. Therefore, the overall efficiency of the system depends upon the level and degree of interaction with other elements.

One of the current trends in OD is a shift toward using a more integrated systems approach to organizational improvement. The systems approach, then, allows managers to anticipate both immediate and far-reaching consequences of organizational changes.

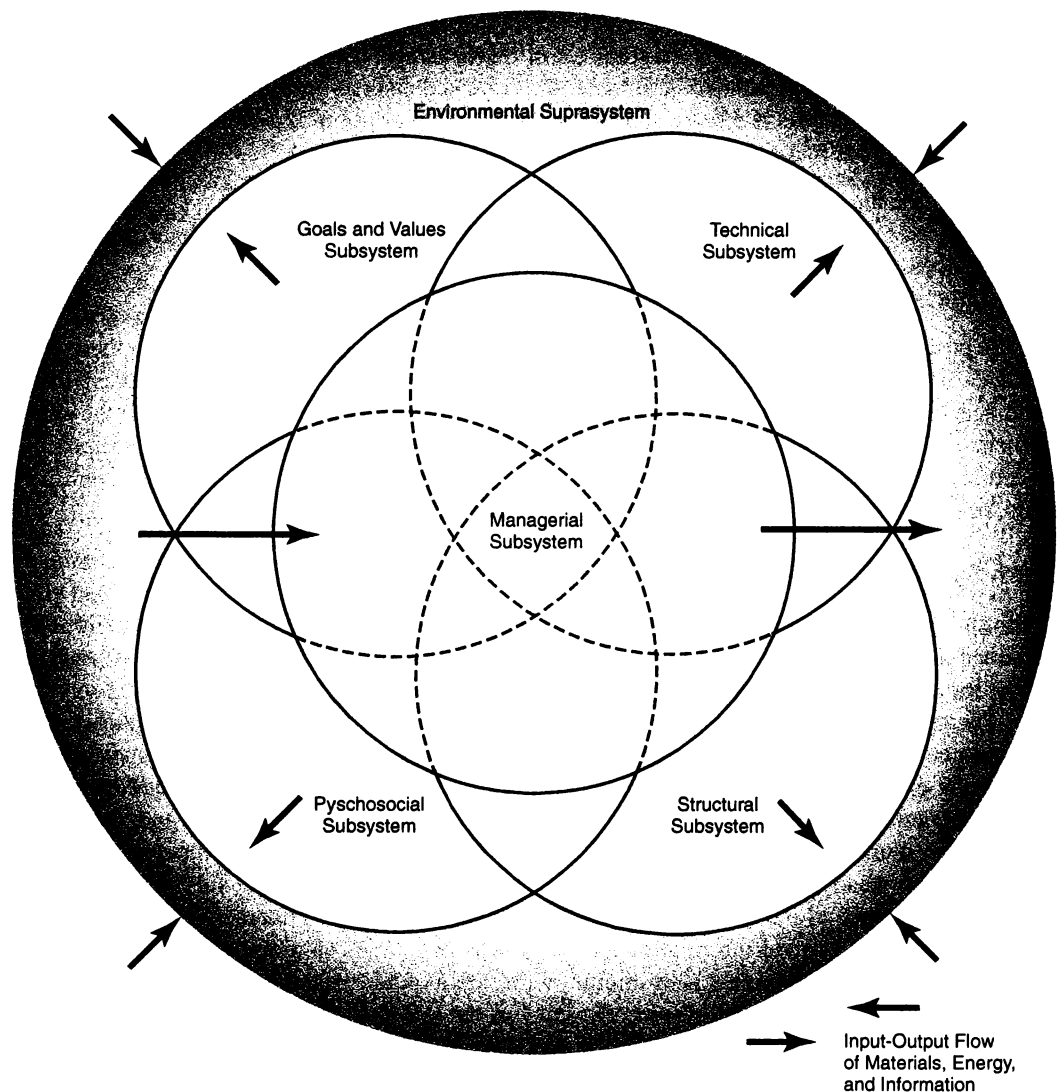
## THE SOCIOTECHNICAL SYSTEM

Organization development and renewal may be referred to as a systems approach to change. An organization is viewed as an open **sociotechnical system**<sup>20</sup> of coordinated social and technical activities. Organizational functions and processes are not considered as isolated elements but as parts reacting to and influencing other system elements. As the social and technical functions are interdependent, they need to be jointly optimized to provide the best outcome for an organization.<sup>21</sup> The sociotechnical system uses the following approaches:

1. Organize around process—not tasks.
2. Flatten the hierarchy.
3. Use teams to manage everything.
4. Let customers drive performance.
5. Reward team performance.

Changes in any one of the organization's processes can have effects throughout the organization, because all processes are related. Therefore, by its very nature, OD seeks to consider the interrelationships among the basic elements of the system when changes are planned. The organization can be viewed as an open system in interaction with its environment and consisting of five primary components and represented in Figure 4.

**THE GOALS AND VALUES SUBSYSTEM** This is the basic mission and vision of the organization. Such goals may include profits, growth, or survival and are often taken from the larger environment.



**FIGURE 4** The Sociotechnical System

Source: Fremont, E. Kast and James E. Rosenzweig, *Organization and Management* (New York: McGraw-Hill, 1979, p. 19).



**THE TECHNICAL SUBSYSTEM** This subsystem includes the primary functions, activities, and operations, including the techniques and equipment, used to produce the output of the system.

**THE STRUCTURAL SUBSYSTEM** This is the formal design, policies, and procedures. It is usually set forth by the organization chart and includes division of work and patterns of authority.

**THE PSYCHOSOCIAL SUBSYSTEM (CULTURE)** This subsystem is the network of social relationships and behavioral patterns of members, such as norms, roles, and communications.

**THE MANAGERIAL SUBSYSTEM** This subsystem spans the entire organization by directing, organizing, and coordinating all activities toward the basic mission. The managerial function is important in integrating the activities of the other subsystems.

One of the earliest applications of the sociotechnical-systems concept was in British coal mining. The traditional “short wall” method utilized small, cohesive work groups working as autonomous teams. In light of technological advances, engineering efficiency experts determined that the short wall method was inefficient and introduced an improved technical system termed the “long wall” method. Unfortunately, the long wall method resulted in lower performance and higher absenteeism. Production decreased because the experts had failed to consider the impact of the changes on the psychosocial system. Researchers found that productivity and morale improved substantially when the team approach was restored and team pay incentives were provided. The sociotechnical-systems OD approach is considered one of the most sophisticated techniques, involving large-scale effort and considerable skill on the part of the OD practitioner.<sup>22</sup> As can be expected with a sophisticated approach, the sociotechnical-systems approach is more difficult to implement, as knowledge and expertise to implement it is widely dispersed among diverse groups.<sup>23</sup>

### High-Performance Systems

A more recent development is the application of the sociotechnical-systems approach in designing a high-performance organization. High-performance organizations do not occur by chance or by policy or decree: they are designed.

The high-performance model focuses on five key variables (similar to Figure 4) that need to be considered if managers wish to improve performance.<sup>24</sup> These key variables are:

1. The business situation (forces in the environment).
2. The business strategy (goals and values).
3. The design elements (technology, structure, etc.).
4. The culture.
5. The business results (the outputs produced).

The model can be used to identify the real drivers of organizational success used in organization development and renewal programs to improve system performance.

### The Contingency Approach: No One Best Way

Systems theory provides a conceptual overview of organizational functioning, but managers need to know how the subsystems of their own organization are uniquely related in the organization’s specific environment in order to best deal with the organization’s problems. Contingency theory recognizes that there are differences between organizations, and that what constitutes effective management in one system may not in another. Contingency views emphasize the characteristics of a specific organization and maintain that to organize and manage a change program, one must consider the set of conditions in that particular setting.<sup>25</sup>

The **contingency approach** holds that there is no one best way of managing in all situations. Given certain combinations of contingencies (such as a stable external environment and a low adaptive orientation to change), one can specify general approaches to change that are likely to be more effective than others. In other words, the contingency approach identifies various “if-then” relationships and suggests general directions for change, depending on the situation. The contingency approach relies on certain conceptual skills, such as diagnosing and understanding the various types of situations that are likely to confront the OD practitioner.

The contingency view suggests that managers in different departmental units face situations that may be very different on a number of dimensions, including degree of structure, levels of motivation, and potential for conflict. The OD practitioner, then, must recognize that there is no one

best way for all organizations, although some practitioners would take issue with this statement.<sup>26</sup> The contingency approach to OD suggests that the effectiveness of practitioner styles, intervention techniques, or strategies is a factor of the circumstances. The contingency variables that need to be considered and the emphasis they are given will depend on the type of problem being considered.

## FUTURE SHOCK AND CHANGE

Alvin Toffler, in the book *Future Shock*, suggests that most people are utterly unprepared to cope with the accelerated rate of change. “Future shock is a time phenomenon, a product of a greatly accelerated rate of change in society. It arises from the superimposition of a new culture on an old one.”<sup>27</sup> Future shock—too much change in too short a time—affects managers and organizations as well. When change occurs too rapidly, the capacity of management to react is strained, creating the danger of future shock. As a result, managers must become more adaptable and flexible than ever before.

The world is constantly changing in finance and economics, technology, and social values; and these changes seem to have accelerated in recent years. In so rapidly changing an environment, plans are sometimes out of date within three to six months. Changing trends will have a significant impact on organizations as managers develop new organizational models and find novel ways of motivating employees.

***Changes in finance and economics.*** The lead sentence in a front-page article in the *Wall Street Journal* began: “The notoriously fragmented American banking system is going through a decade’s worth of consolidation in a matter of weeks . . .”<sup>28</sup> The worldwide recession that began in late 2007 has introduced challenges and problems that previously were not imaginable to most managers. Managers are confronted with new challenges on diverse fronts: tighter credit, lack of consumer confidence, higher energy costs, increased environmental requirements, making cuts in departments, laying off of employees, and perhaps facing their own layoff notice. Managers will need to scan the environment to be aware of issues that will have a major impact on their industry or organization. History has shown that with economic crisis comes opportunity.

***Changes in technology.*** Technological changes have shortened the life cycle of many products and services, and when product life cycles are shortened, organizations must become more adaptive by shortening their lead times to get into production. Technological advances are occurring so rapidly that the education of most scientists is technically obsolete within a few years after graduation from college. There is so much information that professionals operating in narrow fields often find it impossible to keep current on information pertinent to their specialties.

***Changes in social values.*** Society has placed new demands on business firms for social responsibility, environment-friendly operations, and pollution controls. Other social changes also affect the organization. In the past, jobs were thought of as tasks to be done, not something to be questioned or evaluated. In the United States, more workers earn their pay in knowledge-based jobs than in skilled and nonskilled jobs. For many years to come, managers will be searching for newer, more relevant, and more effective ways of managing this increasingly intelligent and sophisticated workforce.

In *The Future of Management*, author Gary Hamel asks the question, “Could the practice of management change as radically over the first two or three decades of this century as it did during the early years of the 20th century? I believe so. More than that, I believe we must make it so. . . . Sure, we’re bound by precedent, and most of us have a vested interest in the management status quo. But if human beings could invent the modern industrial organization, then they can reinvent it.”<sup>29</sup>

Meetup Inc., a recent Web-based start-up, serves as an excellent example of how fast-changing forces in economics, technology, and society have intersected to provide not obstacles but opportunities. As the world’s largest network of local groups, Meetup provides a place where people with similar interests can easily organize a group or find one of the thousands of groups already formed and meet with them face-to-face. But Meetup’s success and rapid growth brought about an organization with layers of bureaucracy. Consequently, it was not able to respond quickly to its customers. The CEO discarded the organization chart and replaced it with a strategy in which workers set priorities and picked their own projects. For some workers, the new system felt like chaos and they left,

but other workers thrived. The system is still evolving, and a strategy group follows how changes and new services affect revenues. With a clearly articulated “Meetup Manifesto” providing the direction for the company, the CEO retains the authority to stop a project headed in the wrong direction.<sup>30</sup>

An organization must adapt to these changing conditions. Each day brings a new set of conditions, and internal realignment is often required. Product and market strategies need to be more flexible and must depend upon the ability of a company to recognize the need for change. Consequently, management will need to place an increased emphasis on human resource development. An unprecedented opportunity exists for the OD practitioner to apply specialized skills in seeking solutions for these problems of industry. In view of these factors, whether an organization can remain effective is largely dependent upon whether it is sufficiently adaptive to changing conditions. Apple Inc. is an example of a company that over the years has been able to develop new and innovative products. Some of its products, such as the iPod and iPhone, have become the benchmark by which competitors’ products are measured. **OD Application: Apple and Renewal** looks more closely at how Apple is able to do this.

## ORGANIZATION TRANSFORMATION AND ORGANIZATION DEVELOPMENT

There are many ways to respond to the pressures for change. Some responses may be ineffective or even ultimately destructive. Many companies have been driven out of business because of competitive forces or of unwise financial maneuvers. In this section, we will examine two major approaches to change and present a model of the planned change process.

Organization transformation (OT) and organization development (OD) are both approaches to managing change in organizations. **Organization transformation** may be defined as the action of changing an organization’s form, shape, or appearance, or changing the organization’s energy from one form to another, which normally occurs in a brief time

### OD Application: Apple and Renewal<sup>31</sup>

When you review several business magazines, like *Fast Company*, *Business Week*, and *Fortune*, Apple Inc. consistently shows up on their “best” lists. On *Business Week*’s annual list of “The 25 Most Innovative Companies,” Apple is at or near the top year after year. And on *Fast Company*’s list of “The World’s Most Innovative Companies,” Apple is again near the top. *Fortune* has a slightly different list, “America’s Most Admired Companies,” but Apple again leads this list. When all of these “best” lists are translated to dollars, a much more quantitative measure than “innovation” and “most admired,” Apple is near the top once again. Based on the total return to shareholder of *Fortune* 500 companies, Apple ranks number 1 for the past five years.

Just when some technology analysts are forecasting that there are no more breakthrough innovations for Apple or they don’t have many new products in the pipeline, Apple makes a surprise announcement about a new innovative product. Sometimes, as with the iPod and iPhone, the innovations are based on existing competitors’ products like MP3 players and cell phones. But the delivery, package, quality, and feel, is so unique as to redefine a product with virtually no competition—and with a premium price.

The question begs as to what Apple does time after time, year after year to be so successful. In large measure, it is in the culture defined primarily by Steven Jobs. Jobs’ vision of “providing computers as a tool to change the world,” has helped to define Apple. Jobs has a perfectionist’s approach to product development and an unwillingness to accept compromises. His dedication to excellence has created a culture of innovation at Apple. Though Jobs does not design the products, he meets ex-

tensively with his team during the development and has unquestioned authority. A fundamental belief of Jobs is that giving customers even more choices and better products will give Apple a reliably profitable and growing business.

Jobs’ charismatic leadership and idiosyncrasies have caused some internal problems at Apple. Somewhat legendary in Silicon Valley is his management style that tends toward throwing tantrums and berating and humiliating employees who disagree with his ideas. His habit of making decisions and then suddenly changing his mind has also been cited as part of the reason he is difficult to work for. For this and Apple’s unusual structure, a special kind of work force is required. COO Tim Cook says that collaboration is key within Apple as there are vague lines separating departments.

Perhaps no other CEO today is as closely associated with the company that they head than Steve Jobs. But in terms of strategy and execution, Tim Cook is critical to Apple’s success. He has been running much of the day-to-day operations since Jobs brought him to Apple in 1998. Cook is frequently seen as a polar opposite to Jobs. While Jobs has a reputation of being unpredictable and hard to please, Cook is reputed to be cool and soft-spoken. But both Jobs and Cook are perfectionists, workaholics, and dedicated to Apple.

#### Questions:

1. Research Apple’s product history to discover the progression of its major products.
2. What are its newest product innovations? Apple’s Web site is [www.apple.com/](http://www.apple.com/).
3. To what do you attribute Apple’s ability for self-renewal?

interval. Organization transformation tends to focus on unplanned changes from within the system in response to crises and life-cycle considerations. The organization is in such peril that it must change quickly. “Transformational change” is a term often used by President Barack Obama to describe the kind of change that is necessary to solve the problems and challenges facing the United States. Transformational changes transform the very framework and assumptions of an organization. Organization development, on the other hand, focuses more on planned changes introduced by practitioners.

The difference between OT and OD centers on the magnitude and speed of the change—it is the difference between revolution and evolution. OT refers to significant changes introduced in a short, almost immediate time frame to deal with survival or crisis-type problems. As a contrast between OD and OT, see Figure 5. OD involves large-scale change over a longer time frame on a more gradual basis. Organizations must interact with their external environment to survive. The factors that interfere with the organization’s ability to produce or market its products, or to attract the human, technical, and financial resources it needs, become a force for change.

OD, or planned organizational change, is a deliberate attempt to modify the functioning of the total organization or one of its major parts in order to bring about improved effectiveness.<sup>32</sup> The persons attempting to bring about this change will be referred to as practitioners, and the organization being changed will be referred to as the **client system**. Planned change efforts can focus on individual, team, and organizational behavior.

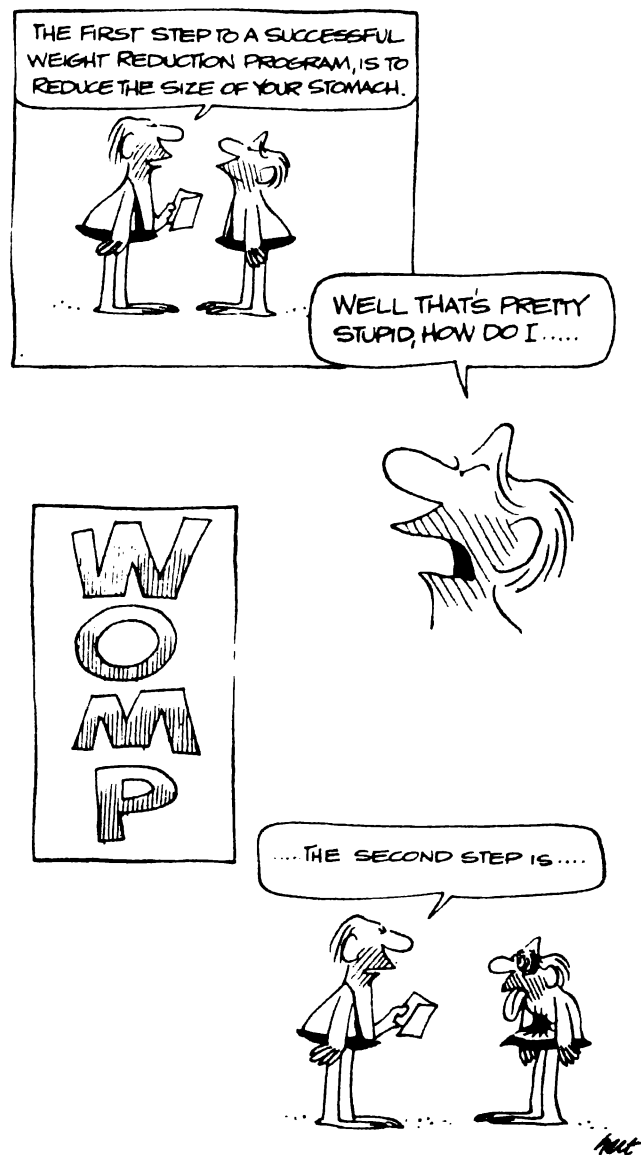


FIGURE 5 OT Is Similar to a Crash Diet

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

## Individual Effectiveness

An organization is made up of individual members, and each member has unique values, beliefs, and motivations. The leadership style of top management and the norms, values, and beliefs of the organization's members combine to form the organization's culture. An organization's effectiveness can be increased by creating a culture that achieves organizational goals and at the same time satisfies members' needs. Empowering the individual employee by letting workers make decisions can often improve quality, productivity, and employee commitment. Recent use of empowerment in companies like Southwest Airlines, Costco Wholesale, and Google suggests that empowering employees pays off. Managers who can find the key to unlocking the human potential of their employees will be able to tap an immense source of productive energy.

Change efforts that focus on individual effectiveness range from empowerment training programs to high-powered executive development programs. These include empowerment activities designed to improve the skills, abilities, or motivational levels of organization members. The goals are improved managerial and technical skills or improved interpersonal competence. Such change efforts may also be directed toward improved leadership, decision making, or problem solving among organization members. The assumption underlying such efforts is that developing better managers and employees will make for a more effective organization.

## Team Effectiveness

Change efforts may also focus on the fundamental unit of an organization, the team or work group, as a means for improving the organization's effectiveness. Today, we are in the midst of revolutionary changes in how people are managed in organizations. Hewlett-Packard, Harley-Davidson Motor Company, and other organizations are moving toward what are called "self-managed" work teams. The premise of this emerging approach is that organizations must elicit the commitment of its employees if it is to achieve a sustainable competitive advantage in a turbulent marketplace. There is an emphasis on improving problem-solving processes while working through conflicts and issues surrounding ways the group can improve its effectiveness and productivity.

These activities are designed to improve the operations of work teams and may focus on **task activities**, what the team does, or **team process**, how the team works, and the quality of relationships among team members. Work teams are the primary unit of the organization, and more effective teams can lead to improved organizations. More effective teams may increase work motivation, improve performance, and decrease turnover and absenteeism.

One technique that is often used in examining groups is called **process observation**. As we observe and analyze work groups as systems, two separate dimensions may be identified:

1. **content**—the task of the group.
2. **process**—the way the group functions.

Group process includes such factors as leadership, decision making, communication, and conflict. The content is what is being discussed; the process is how the group operates.

By observing the behavior of group members, one can determine the way a group is functioning. The observer systematically describes group functioning: who talks to whom, who practices leadership behavior, who dominates in team work, and so on. The observations are then summarized and presented to the group. The purpose is to clarify and improve team functioning. It is helpful for the OD practitioner to develop skills in process observation and to learn to be a **participant-observer**, that is, to actively participate and at the same time be aware of group process. Such skills are particularly useful in developing an effective team.

## Organization Effectiveness

Another focus for OD planned change efforts is the organization system. The total organization may be examined by use of climate surveys. Planned change programs are then designed to deal with the specific problem areas identified in the survey. The activities aim at improving effectiveness by structural, technical, or managerial subsystem changes. The objective of such systemwide operations is to increase the effectiveness, efficiency, and morale of total organization functioning.

All of these planned change efforts aim at improving the overall goal attainment of the system, but each has a specific target or focus for the change program. Organization development occurs when the change effort is focused on the total system. OD may involve individual, group, and intergroup approaches, but it becomes OD only when the total system is the target for change. In an OD program, a set of goals or purposes is identified, and a course of action is undertaken involving the commitment of the members of the organization to its improvement.

## Summary

- **Change.** All around us we are confronted with change, and for managers the idea of future shock—too much change in too short a time—can be a very real problem. Managers and organizations face rapid changes in three areas: technological advances, environmental changes, and social changes. The organization must renew and adapt to these changing situations, because every day presents a new set of conditions.
- **Organization Renewal.** Most modern organizations feel an increasing need for organization renewal. Renewing management predicts future conditions and makes planned changes before the conditions actually occur. For an organization to have the capacity to adapt to change and become more effective, management must initiate and create a climate that encourages creativity and innovation.
- **Adaptive.** Organizations may adapt to changes with four different orientations. A sluggish management orientation has little ability to adapt to changes, but there is no great need for it to adapt because the environment is stable. A reactive management orientation has the need to respond to a rapidly changing environment but does not have the ability. A satisficing management orientation has the ability to respond to a changing environment but finds itself in a relatively stable environment. A renewing management orientation has both the ability and the need to respond to a rapidly changing environment.
- **Systems.** Every organization must maintain a dynamic equilibrium between stability and innovation. A systems model may be used to identify the sources of impetus for change. The environmental system has an impact on organizations through technological, economic, and cultural forces. Organizational change also comes from forces within the organizational subsystems.
- **Sociotechnical System.** An organization can be viewed as an open system of coordinated human and technical activities. The activities consist of five primary components: goals and values, technical, structural, psychosocial, and managerial.
- **Future Shock.** Future shock is too much change in too short a time and can affect managers and organizations. It occurs when there is a greatly accelerated rate of change. In order to meet the challenges of rapid change, managers need to become more adaptable and flexible.
- **Organization Transformation.** This is significant change to the form and assumptions of an organization. It is typically an unplanned response to crises.
- **Planned Change and Organization Development.** Organization development uses planned change to improve the effectiveness of the organization. Planned change can focus on individuals, teams, and the organization.

## Review Questions

1. What is the implication of organization renewal for today's organizations?
2. Contrast the differences between a stable and a hyperturbulent environment.
3. Compare and contrast the four types of management orientations used in relating to the environment.
4. Using companies who compete with one another (for example, Apple and Microsoft), position them on the adaptive orientation model in Figure 2. Support your position.
5. Explain a sociotechnical system and its five components.
6. What lessons can future shock provide for organizations?

## Key Words and Concepts

Client System	Horizontal Corporation	Process Observation	System
Closed System	Hyperturbulent	Reactive Management	Systems Approach
Content	Environment	Renewing/Transformational	Task Activities
Contingency Approach	Open System	Management	Team Process
Dynamic Equilibrium	Organization Renewal	Satisficing Management	
Entropy	Organization	Sluggish Management	
Feedback	Transformation (OT)	Sociotechnical System	
Future Shock	Participant-Observer	Stable Environment	

## OD Skills Simulation 1

### OD Practitioner Behavior Profile I

*Total time suggested: 60 to 75 minutes.*

#### A. Purpose

In most organizations there is a lot of untapped human potential. In an excellent, renewing organization, this potential can be released, resulting in personal growth for the individual. Personal development and organization renewal involve changes in attitudes and behavior that are related to your self-concept, role, goals, and values.

The behavior profile that you will generate in this simulation is intended to illustrate some growth dimensions for interpersonal competence and career planning. By recognizing your strengths and accomplishments, you may be encouraged to improve your self-image and interpersonal skills. Hopefully, an honest self-appraisal may aid you in becoming a more effective individual and team member. During this course, you will be afforded additional opportunities to obtain information about yourself and how you behave in organizational situations. This feedback may provide the impetus for you to change, but the ultimate responsibility for change is with you. Retain this survey; it will be used again near the end of this course in Chapter 16.

#### B. Procedures

##### Part A. Before Class Surveys

*Step 1.* Before class, complete the Profile Survey, Profile Form, Class Performance Form, and Objectives Form.

How you respond reflects how you view yourself, which, in turn, reveals something of your behavioral style. Based on the profile scale of 1 through 10, select the number to indicate the degree to which you feel each description is characteristic of you. Record your choice in the blank to the right. **Save the survey results; you will need the completed survey again in OD Skills Simulation 1 of Chapter 16.**

Record your responses on the Profile Form and in the column labeled "Score." Shade in the bar graph for this chapter in the appropriate line, based on your score. Note that the 30 descriptions have been reordered to fit into 5 categories. Calculate and record on the Profile Form the averages for the five categories and an overall profile average. The profile provides information about your behavioral style and allows you to see where you stand in each category. It also lets you directly compare your score on different scales by looking at the difference in the bar graph. The profile may indicate items on which your score is less desirable than you would like. You may also find categories in which you have generally low ratings. These may suggest areas for improvement during this course and for assessing the kinds of changes you may wish to make in order to become a more effective OD practitioner or manager.

*Step 2.* After completing the Profile Form, list some of the specific objectives and expectations you have for this class on the Class Performance Form and Objectives Form. These objectives should describe what you will be able to do and the time required. Refer to the Profile Form you have just completed and select some behaviors you would like to emphasize for change. Sample: to develop more self-confidence in doing class presentation by making three short presentations in class.

Try referring to the Class Performance Form and the Objectives Form often and at least before coming to class for the remainder of the course. Do not hesitate to experiment with the new behaviors you would like to cultivate. You will be referring to these objectives again later in the book. **Be sure to keep all of these surveys and forms; you will need to refer to them in OD Skills Simulation 1 of Chapter 16.**

##### Part B. Refining Objectives with Practitioner

*Step 1.* The Profile Form, Class Performance Form, and the Objectives Form can be used as feedback tools. You will be able to learn more about yourself by assessing the kinds of changes you may need to make in order to become more effective. Form into trios, with one person acting as the client, the second as practitioner, and the third as observer. Use your Profile Form, Class Performance Form, and the Objectives Form as the basis of your discussion. Refer to the end of this simulation for "Instructions for Developing Practitioner Roles and Skills." The practitioner will help you develop a fuller understanding of how your styles play a part in your overall effectiveness. The practitioner will review the client's Profile Form, Class Performance Form, and the Objectives Form for the following:

1. How accurate are the profile assessments?
2. Are they a complete and challenging set of goals?
3. Are they realistic and feasible?
4. Are they specific and measurable?
5. Are they things the client can do and demonstrate by the end of the course?

The observer can use the Observer Form to record his or her observations. At the end of each interview, the observer gives feedback to the practitioner using the Observer Form.

Then rotate roles so that each person has a chance to play each of the three roles. Continue the simulation by switching roles until everyone has performed each role.

*Time suggested for Step 1: 15–20 minutes per session. Total time is 45 to 60 minutes.*

*Step 2. Meet with the entire class and discuss the following questions:*

1. How can we improve performance?
2. What practitioner role seemed to work best?
3. Did we view change as positive or negative?
4. Was the role of the practitioner helpful? How? What could be improved upon?
5. How effective was our team?

*Time suggested for Step 2: 15 minutes.*



**PROFILE SURVEY**

1	2	3	4	5	6	7	8	9	10
::	:	:	:	:	:	:	:	:	::
Not at All Characteristic			Somewhat Characteristic				Very Characteristic		

1. Having the ability to communicate in a clear, concise, and persuasive manner \_\_\_\_\_
2. Being spontaneous—saying and doing things that seem natural on the spur of the moment \_\_\_\_\_
3. Doing things “by the book”—noticing appropriate rules and procedures and following them \_\_\_\_\_
4. Being creative—having a lot of unusual, original ideas; thinking of new approaches to problems others do not often come up with \_\_\_\_\_
5. Being competitive—wanting to win and be the best \_\_\_\_\_
6. Being able to listen to and understand others \_\_\_\_\_
7. Being aware of other people’s moods and feelings \_\_\_\_\_
8. Being careful in your work—taking pains to make sure everything is “just right” \_\_\_\_\_
9. Being resourceful in coming up with possible ways of dealing with problems \_\_\_\_\_
10. Being a leader—having other people look to you for direction; taking over when things are confused \_\_\_\_\_
11. Having the ability to accept feedback without reacting defensively, becoming hostile, or withdrawing \_\_\_\_\_
12. Having the ability to deal with conflict and anger \_\_\_\_\_
13. Having written work neat and organized; making plans before starting on a difficult task; organizing details of work \_\_\_\_\_
14. Thinking clearly and logically; attempting to deal with ambiguity, complexity, and confusion in a situation by thoughtful, logical analysis \_\_\_\_\_
15. Having self-confidence when faced with a challenging situation \_\_\_\_\_
16. Having the ability to level with others, to give feedback to others \_\_\_\_\_
17. Doing new and different things; meeting new people; experimenting and trying out new ideas or activities \_\_\_\_\_
18. Having a high level of aspiration, setting difficult goals \_\_\_\_\_
19. Analyzing a situation carefully before acting; working out a course of action in detail before embarking on it \_\_\_\_\_
20. Being effective at initiating projects and innovative ideas \_\_\_\_\_
21. Seeking ideas from others; drawing others into discussion \_\_\_\_\_
22. Having a tendency to seek close personal relationships, participating in social activities with friends; giving affection and receiving it from others \_\_\_\_\_
23. Being dependable—staying on the job; doing what is expected \_\_\_\_\_
24. Having the ability to work as a catalyst, to stimulate and encourage others to develop their own resources for solving their own problems \_\_\_\_\_
25. Taking responsibility; relying on your own abilities and judgment rather than those of others \_\_\_\_\_
26. Selling your own ideas effectively \_\_\_\_\_
27. Being the dominant person; having a strong need for control or recognition \_\_\_\_\_
28. Getting deeply involved in your work; being extremely committed to ideas or work you are doing \_\_\_\_\_
29. Having the ability to evaluate possible solutions critically \_\_\_\_\_
30. Having the ability to work in unstructured situations, with little or no support, and to continue to work effectively even if faced with lack of cooperation, resistance, or hostility \_\_\_\_\_

**Profile Form (part 1)**

	Score	Not at All Characteristic			Somewhat Characteristic			Very Characteristic			
		1	2	3	4	5	6	7	8	9	10
<b>A. Communicating Skills</b>											
1. Communicates											
6. Listens											
11. Receives Feedback											
16. Gives Feedback											
21. Seeks Ideas											
26. Sells Ideas											
<b>Average Score A</b>											
<b>B. Interpersonal Skills</b>											
2. Is Spontaneous											
7. Is Aware											
12. Deals with Conflict											
17. Experiments											
22. Seeks Close Relationships											
27. Is Dominant											
<b>Average Score B</b>											
<b>C. Aspiration-Achievement Levels</b>											
3. Conforms											
8. Is Careful											
13. Is Organized											
18. Aspires											
23. Is Dependable											
28. Is Committed to Ideas or Work											
<b>Average Score C</b>											

*continued on next page*

**Profile Form (part 2)**

	Score	Not at All Characteristic	Somewhat Characteristic	Very Characteristic
<b><i>D. Problem-Solving Skills</i></b>				
4. Is Creative				
9. Is Resourceful				
14. Is Logical				
19. Analyzes				
24. Is a Catalyst				
29. Evaluates				
<b>Average Score D</b>				
<b><i>E. Leadership Skills</i></b>				
5. Is Competitive				
10. Is a Leader				
15. Is Confident				
20. Initiates				
25. Takes Responsibility				
30. Can Work in Unstructured Situations				
<b>Average Score E</b>				
<b>Overall Profile Average (A + B + C + D + E) ÷ 5</b>				

**CLASS PERFORMANCE FORM**

**1. ATTENDANCE**

What percentage of the class meetings will you attend?

100%– 95%	94%– 90%	89%– 80%	79%– 70%	69%– 60%	59%– 50%	49%– 0%

**2. PREPARATION**

What percentage of the time will you come prepared?

	100%– 95%	94%– 90%	89%– 80%	79%– 70%	69%– 60%	59%– 50%	49%– 0%
Chapters read							
OD Skills Prepared							
OD Cases Prepared							

**3. PROBLEM SOLVING**

What percentage of the time will you:

	100%– 95%	94%– 90%	89%– 80%	79%– 70%	69%– 60%	59%– 50%	49%– 0%
Understand key terms							
Prepare text assignments							
Develop correct answers							

**4. INVOLVEMENT**

What percentage of the time will you contribute to team performance by:

	100%– 95%	94%– 90%	89%– 80%	79%– 70%	69%– 60%	59%– 50%	49%– 0%
Showing interest in meeting							
Initiating discussion							
Getting along with other team members							

---

**OBJECTIVES FORM**

**Communicating Skills:**

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_

**Interpersonal Skills:**

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_

**Aspiration-Achievement Levels:**

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_

**Problem-Solving Skills:**

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_

**Leadership Skills:**

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_

**Other:**

1. \_\_\_\_\_  
\_\_\_\_\_
  2. \_\_\_\_\_  
\_\_\_\_\_
  3. \_\_\_\_\_  
\_\_\_\_\_
-

**OBSERVER FORM**

Your role during this part of the simulation is important because your goal is to give individuals feedback on their strategies of change. Following are listed 10 criteria of helping relationships. Rate the practitioner by circling the appropriate number.

**NOTES:**  
Words,  
behaviors

1. Level of involvement: Cautious	Low 1: 2: 3: 4: 5: 6: 7: 8: 9: 10 High	Interested	_____
2. Level of communication: Doesn't listen	Low 1: 2: 3: 4: 5: 6: 7: 8: 9: 10 High	Listens	_____
3. Level of openness, trust: Shy, uncertain	Low 1: 2: 3: 4: 5: 6: 7: 8: 9: 10 High	Warm, friendly	_____
4. Level of collaboration: Authoritative	Low 1: 2: 3: 4: 5: 6: 7: 8: 9: 10 High	Seeks agreement	_____
5. Level of influence: Gives in	Low 1: 2: 3: 4: 5: 6: 7: 8: 9: 10 High	Convincing	_____
6. Level of supportiveness: Disagrees	Low 1: 2: 3: 4: 5: 6: 7: 8: 9: 10 High	Supports	_____
7. Level of direction: Easygoing, agreeable	Low 1: 2: 3: 4: 5: 6: 7: 8: 9: 10 High	Gives directions	_____
8. Level of competence: Unsure	Low 1: 2: 3: 4: 5: 6: 7: 8: 9: 10 High	Competent	_____
9. Reflects feelings and summarizes: Never	Low 1: 2: 3: 4: 5: 6: 7: 8: 9: 10 High	Often	_____
10. Overall style: Ineffective	Low 1: 2: 3: 4: 5: 6: 7: 8: 9: 10 High	Effective	_____

## Instructions for Developing Practitioner Roles and Skills

In this course, there has been an opportunity to develop the interaction and communication atmosphere conducive to experiential learning. The interrelationship among students in experiential learning is as important as the relationship between instructor and students. Some characteristics of the OD practitioner role are:

1. Two-way communication and influence. Use open-ended questions.
2. Openness of expression of views, feelings, and emotions. Being able to tell it like it is!
3. Supportiveness. When you are in agreement with others, give them your support. Learn to express differences without offending. Often two people in confrontation are 90 percent in agreement on the issues, but they focus only on their differences.
4. Awareness that conflict can be creative when differences are expressed appropriately.
5. Recognition of individual differences.
6. Confrontation of another person.
  - a. The courage to express your own convictions.
  - b. Can you give and take feedback?
  - c. Are you worried about being shot down?
  - d. Are you willing to attempt risk-taking behavior?
  - e. Are you overusing your share of air time?
7. Reflections of the feelings of the other person. You might say, "You seem to feel very strongly about this."
8. Disclosure of something about yourself. You might say, "This is a problem for me also."
9. Use of silence or no response; just let the other person talk.
10. Use of nonverbal signals, such as eye contact or a nod of the head, to indicate that you hear what is said.

## CASE: THE NOGO RAILROAD

### Introduction

Allen Yates, the operations manager of the NoGo Railroad, promoted the chief dispatcher, Dave Keller, to communication manager of the division. Dave Keller was a recent graduate of State University, but his managerial experience was limited to only five years as chief dispatcher. Allen announced that Dave had demonstrated that he had the guts to do what was needed and the ability to act intelligently, rationally, and quickly in a crisis. He told Dave that his selection was based on his being single, willing to accept a temporary position, and amenable to extensive traveling, as well as on his effective, independent, decision-making capabilities.

### Background

NoGo is a small, privately owned, and regional railroad operating in the northwest states of Washington, Idaho, Montana, and Wyoming. It serves remote and mountainous areas and hauls primarily timber, coal, potash, and phosphorous. As a consequence of NoGo's unique operations, it has had little competition and no compelling reason to modernize operations.

Dave was originally hired as a dispatcher because of his military experience. After six years of outstanding service, he was promoted to chief dispatcher, due in part to his youth and his excellent physical condition, attributes needed to stand the stress of the position. The previous chief dispatcher had had a heart attack on the job and was unable to return to work. Dave's yearly performance evaluations as chief dispatcher were consistently rated satisfactory by Rex Kelly, the Rail Manager. See Figure 6 for NoGo's organization chart.

Rex was scheduled for retirement, and Nick Chacco, the communication manager, was going to assume Rex's responsibilities. Dave accepted the vacated communication manager position, but was uneasy about his ability to perform the tasks ahead. He felt extremely uncomfortable about his people skills, educational background, and experience. He told Allen about his concerns, but the division manager told him not to worry about it.

### Communications Department

Officially, Dave's responsibilities included managing the personnel who performed radio, teletype, telephone, and computer operations. These communication operations were performed by two groups of unionized employees: telegraph operators and clerks.

Unofficially, Allen had made arrangements for Dave to meet and travel with several experienced individuals. His purpose was to tour remote areas, observe different job functions, eliminate obsolete practices, and modernize wherever possible.

Dave discovered that the clerks were predominantly women. Their contract stipulated that they could not work directly with radio communications and train crews. The daily functions of the clerks varied from teletype and computer operations to general clerical duties. Their contract stated that they could not be sent more than 30 miles from home on assignments. In rural districts, this led to having a large force of clerks who could not cover for vacations and emergencies. Therefore, Dave found an overabundance of clerks without enough work to keep them all busy.

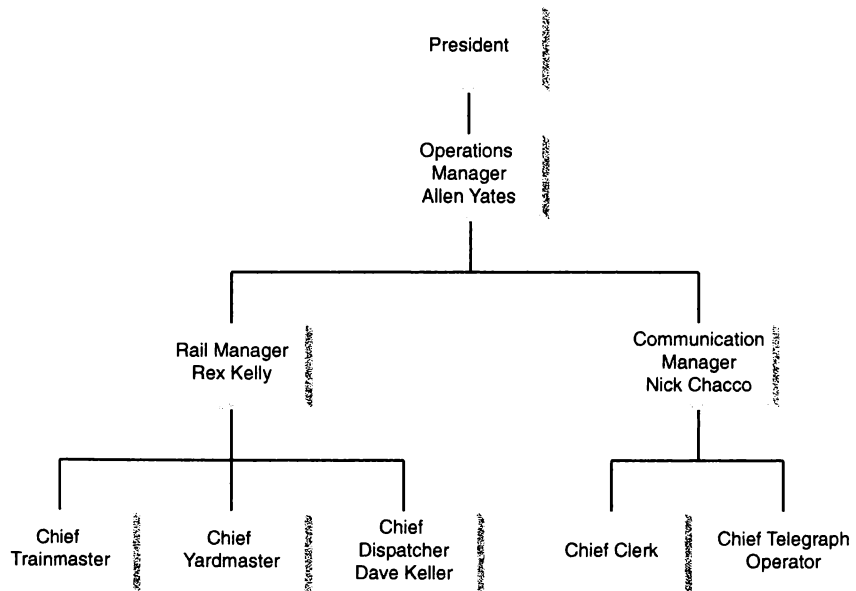


FIGURE 6 Organization Chart: NoGo Railroad



The telegraph operators, predominantly men, no longer had to know Morse code, but were highly trained in radio, teletype, and computer operations. However, such skills as knot tying were still essential. Proper knot tying was important in handing paperwork extended on a pole to the conductor and engineer passing by in a speeding train. The taller the employee, the easier and safer this practice.

Placing small "torpedoes" on the rails of the tracks to signal the crew of an oncoming train was another function of the telegraph operators. This loud explosion would alert the crew in the engine to a dangerous situation or inform them that there was new information to be picked up ahead. These and many other archaic traditions and procedures were still practiced in mountainous areas where communication by radio and cell phone was impossible or difficult between train dispatcher, train crews, and telegraph operators.

### **Union Contracts**

The telegraph operators had a contract guaranteeing them 40 hours of weekly pay even if no work was available. This concession had been granted years before because of the long periods of time they spent on call or away from home and family. Each telegraph operator managed to receive this benefit four to six weeks per year during the slow winter season. Their pay was also higher than that of the clerks.

The telegraph operators could be sent anywhere, but could only replace telegraph operators. Clerks could only replace other clerks. It was not uncommon during major derailments for telegraph operators to be hundreds of miles from their home, on overtime, living on expenses paid by the railroad, yet working next to clerks who had nothing to do.

### **Rumors of Changes**

Dave was aware of the rumors about lay-offs running rampant in the company and knew that these fears were justified. In addition, attempts to combine job descriptions and job functions in different departments were also under debate.

Dave knew that the removal of the fireman position from the engine of the train was meeting with an organized covert slowdown of work. The fireman position was a leftover from the days when the shoveling of coal was required to heat the boiler on the steam locomotive. The train crew in the engine consisted of the engineer, fireman, and brakeman. The fireman's only function, since the advent of the internal combustion engine, was to take over the controls of the engine should the engineer need assistance.

Since the decline of the steam engine, several unsuccessful attempts had been made to eliminate the fireman position by incorporating its duties with those of the brakeman.

Employees who believed they had enough seniority to remain after a layoff saw this as increasing their work without increasing their pay. When seasoned employees were asked to do a different task or function previously done by another job title, they would openly refuse. Backed by the union, they stated that it was not in their job description or their contract.

### **Challenges**

After extensive research, Dave realized he had two immediate problems facing him: reducing the crushing employee expenses necessary in day-to-day operations and improving the attitude of employees to accept necessary changes to ensure the railroad's survival.

He believed that the morale problem had been created by a recruitment process that traditionally favored the hiring of relatives. This was a common practice throughout the region. Dave had observed employees working beside spouses, brothers, cousins, and children. Nepotism saturated many different levels of the organization. Featherbedding proliferated because of the high degree of nepotism historically in the railroad industry. (Featherbedding is the practice of limiting work output in order to provide more jobs and prevent unemployment.) Resistance to change was high, especially when cooperation could result in loss of employment for one or more family members.

Dave believed that if he could eliminate the featherbedding, reduction in expenses would follow. This would help to prevent a major layoff of clerks and telegraph operators. Both groups would have to accept some changes and take on additional or different duties. But this action would reduce the yearly income of many individuals who had grown to count on their guarantees, expense accounts, and overtime pay.

A new union contract was still two years away, and experience had shown that the union was very rigid about concessions in these areas. Gathering enough information and evidence to substantiate changes in job descriptions with union representatives would be impossible without help from upper management.

The thing Dave was uncertain about was whether or not there would be any organized resistance by the employees under his jurisdiction. Twice during his 11 years with the railroad, he had witnessed such subversive group resistance. Its effects were extremely devastating to the company and the responsible managers. The present slowdown by the train crews over the fireman issue attested to the power, strength, and attitude of the employees.

## Conclusion

Dave was aware of his own career vulnerability if an organized effort took place against him. He wondered why someone with more experience hadn't been given these difficult tasks. Why was his being single an important criterion?

Originally, Dave was excited but also apprehensive about his promotion to communication manager. But once Dave was in the new position, Allan's unofficial duties for Dave cast a cloud over Dave's enthusiasm. Dave tried unsuccessfully to get written backing from Allen to support his unofficial directives. Allen's only advice was to do what was best for the railroad.

After much soul-searching, Dave began to wonder whether he was being set up as the helmsman on a sinking ship or was just being paranoid. If he implemented the needed changes, he would lose employee support and fail to meet official expectations, possibly causing his dismissal if Allen didn't back him. If he didn't make the required changes, Allen would dismiss him, and thus the outcome would be the same. Dave felt forced to give Allen the changes he wanted, but didn't trust him for support afterwards.

Things were changing fast, and Dave wanted a fresh perspective. He felt the need for outside consultation before taking any action, but using company funds was out of the question. So for a small fee, out of his own pocket, he consulted and confided in a small group of outstanding business students at the local college. You are one of these students. What problems, recommendations, advice, and actions would your group identify? (Use Case Analysis Form.)<sup>33</sup>

**NOGO RAILROAD CASE ANALYSIS FORM**

Name: \_\_\_\_\_

**I. Problems**

**A. Macro**

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_

**B. Micro**

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_

**II. Causes**

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_

**III. Systems affected**

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_

**IV. Alternatives**

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_

**V. Recommendations**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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