Module: Change and Stability Management

Handout Two: Organisation Development and Change

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- Dr. Joe Leung has engaged in consulting and training services in ESG, Corporate Growth Strategy, and Corporate Changes in Hong Kong and China for 50 enterprises.
- Dr. Leung successfully assisted his clients in implementing "corporate governance" and won the "Director of the Year Awards" in 2019, 2020, and 2022 respectively, issued by the "Hong Kong Institute of Directors", indicating that his clients achieved "corporate governance" in high-level performance". Dr. Leung also assists companies to formulate "Environmental, Social, and Governance (ESG)" sustainable development plans. In 2022, he assisted his clients to win the “Special Environment, Social and Corporate Governance Awards” in the Institute of ESG and Benchmark. In 2023, Dr. Leung helped his client win the “Grand Award of HKIE BSD Excellent Building Award 2023” to affirm the achievement of sustainability.
- In the past 19 years, more than 9,800 entrepreneurs, executives, and managers have participated in Dr. Leung's executive/director training and UK MBA programmes to enhance their strategic thinking and insight to seize the opportunity in the highly competitive market environment.

2. Organization Development is...

a systemwide application of behavioral science knowledge to the planned development, improvement, and reinforcement of the strategies, structures, and processes that lead to organization effectiveness.

Warner Burke's Definition of OD

OD is a planned process of change in an organization's culture through the utilization of behavioral science technology, research, and theory.

Wendell L. French's Definition of OD

OD refers to a long-range effort to improve an organization's problem-solving capabilities and its ability to cope with changes in its external environment with the help of external or internal behavioral-scientist consultants.

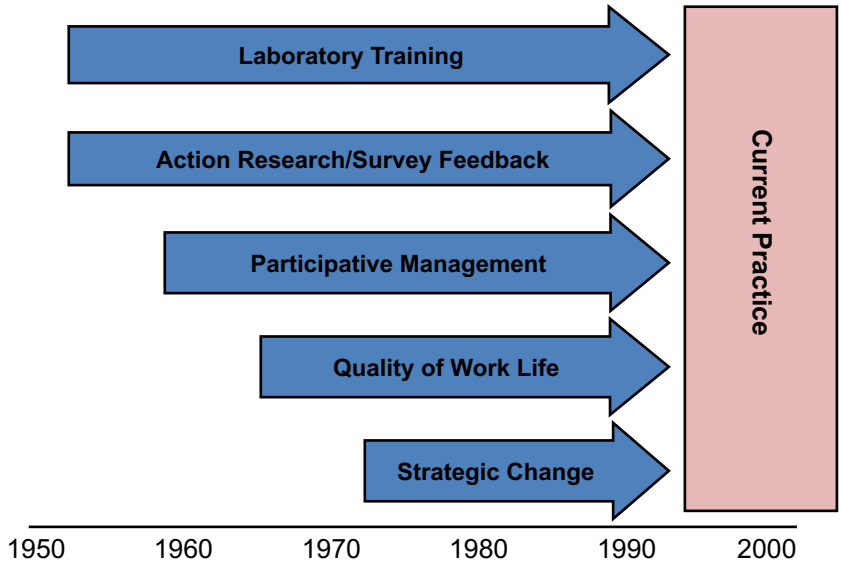
Richard Beckhard's Definition of OD

OD is an effort (1) planned, (2) organization-wide, and (3) managed from the top, to (4) increase organization effectiveness and health through (5) planned interventions in the organization's "processes," using behavioral science knowledge.

Michael Beer's Definition of OD

OD is a system-wide process of data collection, diagnosis, action planning, intervention, and evaluation aimed at: (1) enhancing congruence between organizational structure, process, strategy, people, and culture; (2) developing new and creative organizational solutions; and (3) developing the organization's self-renewing capacity. It occurs through collaboration of organizational members working with a change agent using behavioral science theory, research, and technology.

Five Stems of OD Practice



Question and Answer

3. Organizational Development (OD)

Organizational development is a long range effort to improve an organisation's problem- solving and renewal processes, particularly, through a more effective and collaborative management of organisation culture with special emphasis on the culture of formal work teams with the assistance of a change agent or catalyst and the use of the theory and technology of applied behaviour science, including action research.

Source: Wendell L. French and Cecil Bell (2017), **A definition and History of Organization: Some Comment**, Academy of Management.

Values underpinning OD

- Treat people with respect and dignity.
- Develop a climate of trust, openness, and support.
- Hierarchical control mechanisms are not effective.
- Problems and conflicts should be confronted and reconciled.
- People affected by change should be involved in its implementation.

Richard Beckhard (1918-1999) was among the pioneer consultants who in the 1950s invented the field of organization development to describe a consulting approach that was an innovative bottoms-up change effort. He defined organisational development is an effort:

1. Planned
2. Organisation wide
3. Managed from the top
4. To increase organisation effectiveness and health
5. Through planned intervention in organization's processes using behavioural science knowledge.

- He pioneered the use of T-Groups for top executives and together with David Gleicher, he is credited with developing a Formula for Change. The formula (D x V x F > R) proposes that the combination of organisational dissatisfaction, vision for the future and the possibility of immediate, tactical action must be stronger than the resistance within the organisation in order for meaningful change to occur.
- Three factors must be present for meaningful organizational change to take place. These factors are:

  D = Dissatisfaction with the status quo;
  V = Vision of what is possible;
  F = First, concrete steps that can be taken towards the vision.
  R = If any of these factors are missing or weak, then you're going to get resistance.

Source: Richard Beckhard (1969), **Organization Development: Strategies and Models**, Addison-Wesley.

Need for Organizational Development

- Organizational development is a dynamic technique. It uses the behavioural science knowledge to assist the organizations in adjusting easily to the changes. Every organisation has a need to remain viable and to survive in the world of change. OD has grown rapidly in response to this need of the organisations. For this purpose it uses the systems approach.

- There are two important factors which cause the use of OD for the purpose of implementing planned change:
  - Training for Change: Employees need training to adjust with the changes. Training for change does not work properly only through reward structure on the job. There should be a proper change in the environment of the organization in which people work, to make the training work proper. Thus, the basic objective of OD is to bring about change in the organisational structure so that it supports training.
  - To Help in Making the Organizational Culture More Responsive: In a dynamic environment, changes take place very rapidly. This requires a highly receptive and effective organization so that changes are implemented and absorbed to make organizations survive and grow. OD can help a lot in this direction. OD reaches into all aspects of organization culture in order to make it more responsive.

Benefits of Organizational Development:

- Provides opportunities for people to function as human beings rather than mere resources in the production process.
- Give each member of the organisation opportunity to develop to his full potential.
- Seeks to make the organization more effective in meeting all its goals.
- Tries to create an environment in which exciting and challenging work can be found.
- Gives people in the organization the chance to influence how they relate to work, the organisation and the work environment.
- Treats each human being as a person with a complex set of needs, all of which are important in his work and life.

Major steps in OD program

- Identifying a need for change.
- Select an intervention technique (often use a change agent external to company).
- Gain top management support.
- Plan the change process.
- Engage people and resolve any conflicts or resistance.
- Monitor and evaluate the change process.

Limitations of Organizational Development:

OD is an important technique of introducing change. But as a method of inducing change, it has certain limitations also.

- OD is based on the behavioural sciences concepts. Behavioural sciences themselves have many limitations, which are passed on to and applicable to OD also.
- OD requires the use of certain diligent and highly motivated persons, who can take initiative to bring about change. But in organizations, people are, generally, complacent who are not willing to make the required efforts and they are not helpful in implementing organizational development.
- OD cannot be applied without giving due consideration to the circumstances existing within the organisation. The local circumstances may pose a problem in adapting to change. Task of the organisation and the characteristics of its membership also put limitations on the effectiveness of OD.

4. Mintzberg and Quinn's Model about Change

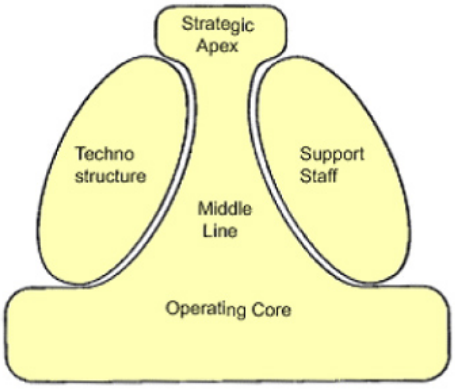
Mintzberg and Quin (1991) proposed four broad situational factors which can influence the extent to which an organization can change. These factors are organizational age and size, the technical systems of the organization, organizational environment and the nature of control exerted from various sources.

- **Organizational Age and Size:** This is one of the most important factors as according to Mintzberg and Quinn, formalized behaviour are practised in much older organizations, while larger organizations have more elaborate structures and larger structures reflect the age of the industry since it got established.

  Young organizations which are relatively in the start-up stage, have relatively smaller structures and hence they spend less time on establishing formal traditions and practices which in due course of time may act as barriers to change. Hence the young organizations adjust with the change and accept the change. But on the other hand, the older organizations which have formal structures and strongly established traditions and practices find it difficult to adjust to the changes and are less flexible in their approach. Large organizations follow greater hierarchy required for supervising the employee activities and need to maintain greater control.

- **Technical System:** Technical System constitutes the instruments used by the organization for producing the desired outputs. The Technical System can affect the organizational structure broadly in 3 different ways:
  - Organizations which are highly regulated and dominated by the technical systems display more of bureaucratic structures.
  - Organizations having highly complex technical systems, tend to delegate the process of decision making to highly skilled or professional staff for managing the technical staff.
  - Organizations with automated technical systems tend to adopt much fluid and flexible structure, for proactively responding to the changing requirements of the times.
- **Organizational Environment:** The environmental factors are the external factors which are beyond the organizational control, market driven forces, socio-political environment, economic changes and many others. The environmental factors influence the organizations in the following ways in terms of their adaptability with the change:
  - Organizations which operate in dynamic environments tend to follow more organic structures
  - Organizations which exist in complex environments adopt more decentralized structures.
  - Organizations existing in diversified market conditions adopt market driven divisional structures
  - Organizations operating in hostile environments adopt a more centralized form of structures.
- **Nature of Control/Power:** The following considerations determine the extent to which power can influence change in an organization:
  - More centralized and formalized structure is adopted by the organizations having greater external control.

The model further goes on to describing **five main components of an organization** which influence the extent to which an organization need to change. These components are:



Five main components of an organization

Source: Mintzberg, H. (1992**). Structure in fives: Designing effective organizations**. Upper Saddle River, NJ: Prentice Hall.

Operating Core: This constitutes the employees who perform the basic activities related to the process of production of various products and services.

Strategic Apex: This constitutes those group of people who are responsible for implementing strategic decisions for realizing the organizational mission and objectives. They enjoy power and control.

Middle Line Managers: The Middle Line Managers act as the intermediary and the link between the operating core and the strategic apex.

Techno structure: The analysts (employees) are hold the responsibility of planning and executing the change, implementing vital decisions related with the change and responsible for training other employees for implementing the change.

Support Staff: The Support Staff are primarily the specialized units.

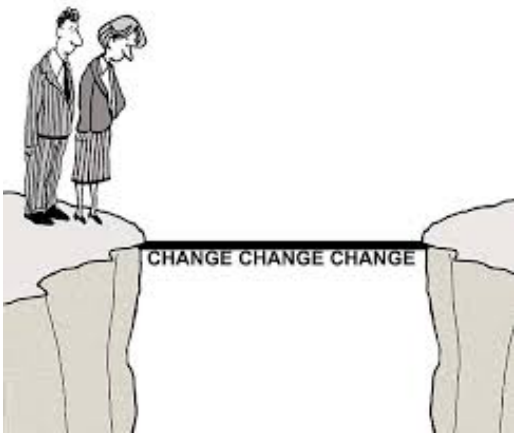
All the components need to blend for improved organizational functioning. Mintzberg equally maintained that organizational structures can be identified as machine organization (bureaucracy), entrepreneurial organization, the innovative organization (adhocracy) and the divisional (diversified) organization. Mintzberg explained that machine organizations have more formalized structures and rely on standardized processes, routines and procedures are involved in the process of organizational functioning, is based on centralized decision-making process, and moreover, tasks are clustered or grouped in accordance with the functional departments.

Mintzberg further described that machine organizations have a vertical structure, in which the decision making is centralized and the senior management implement decisions centrally. Since the machine organizations follow centralized decision making and are formalized structures like the government organizations, hence they can do well when it comes to handling the routine nature of works but not under circumstances when radical decisions are supposed to be implemented.

Limitations of this Model

- The model skips the analysis of the relationship which exists between organizational effectiveness and the managerial behaviour.
- Their assumptions were based on the analysis of the patterns of change and structures of small samples of organizations, which cannot be generalized to the entire industry or all the organizations.
- The model presumes the neutrality of the managerial role ignoring a lot of other vital factors.
- The model does not take into consideration the factors before introducing the change like the roles of an effective or a successful change initiator.

Question and Answer



5. McKinsey 7S Change Model

McKinsey 7S model was developed by **Robert Waterman and Tom Peters** during early 1980s by the two consultants McKinsey Consulting organization. The model is a powerful tool for assessing and analyzing the changes in the internal situation of an organization. It is based on 7 key elements, which determine the organization's success, which should be interdependent and aligned for producing synergistic outcomes. The model can be used widely in various situations where an alignment is required:

- For improving organizational performance.
- Analyzing and evaluating the effects of futuristic changes on the organization.
- Can be a useful framework during the situation of Merger and Acquisition involving striking an alignment between the key processes of an organization.
- Providing a recommendative framework for implementing a strategic plan of action.
- The model can be effectively applied to various teams or groups or projects as well.

The McKinsey 7 S model refers to the seven key interrelated or integrated elements of an organization which are subdivided into hard and soft elements:

The **Hard elements** are within the direct control of the management as it can be easily defined and identified. The following elements are the hard elements in an organization.

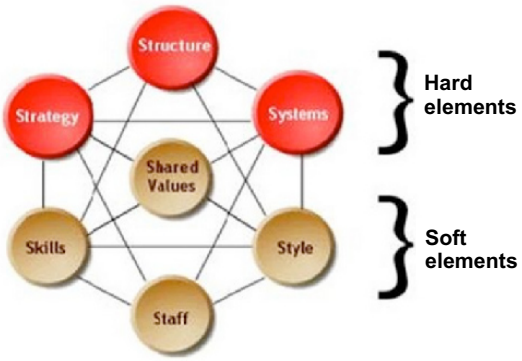
- **Strategy:** It is the plan of action, or the roadmap or the blueprint by way of which an organization gains a competitive advantage or a leadership edge.
- **Structure:** This refers to organizational structure or the reporting pattern.
- **Systems:** This includes the day to day activities in which the staff members involve themselves for ensuring the completion of their assigned tasks.

The **Soft elements** are less tangible and are difficult to be defined and identified as such elements are more governed by the culture. But according to the proponents of this model, these soft elements are equally important as the hard elements in determining an organization's success as well as growth in

the industry. The following elements are the soft elements in an organization:

- **Shared Values:** The superordinate goals or the core values which get reflected within the organizational culture or influence the code of ethics.
- **Style:** This lays emphasis on the leadership style and how it influences the strategic decisions, people motivation and organizational performance.
- **Staff:** The general staff or the capabilities of the employees
- **Skills:** The core competencies or the key skills of the employees play a vital role in defining the organizational success.

The shared values in the center of the model influence all the other elements of the model which are interconnected and interrelated. The rest other elements originate from the very reason for the existence of the organization which is the vision which is formed by the creators of the values in an organization. If the values change, the rest other parameters equally undergo a change.



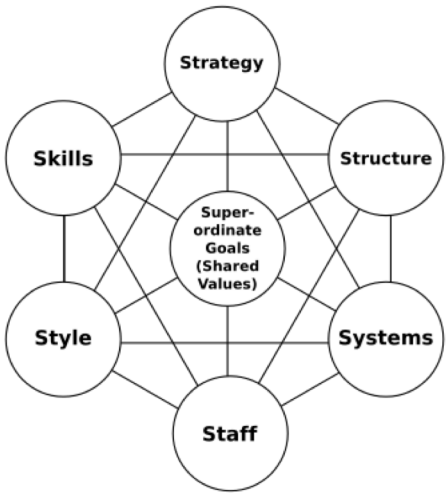
The 7S model is most often used as an organizational analysis tool to assess and monitor changes in the internal situation of an organization. The model is based on the theory that, for an organization to perform well, these seven elements need to be aligned and mutually reinforcing. So, the model can be used to help identify what needs to be realigned to improve performance, or to maintain alignment (and performance) during other types of change. Whatever the type of change – restructuring, new processes, organizational merger, new systems, change of leadership, and so on – the model can be used to understand how the organizational elements are interrelated, and so ensure that the wider impact of changes made in one area is taken into consideration.

- **The 7S model identifies the inconsistencies or gaps between various elements** and provides a strategic plan of action for reaching from the current state to the desired organizational state. The alignment between each element can be checked by paying attention to the following steps:
- **Assessing the Shared Values:** Assessing whether the shared values are in consistency with the elements such as structure, systems and strategy and if not then determining what may be changed.
- **Assessing the Soft Elements as well as the Hard Elements** in terms of interdependence and alignment between them and the possible course of action if these elements do not support each other.
- Making changes or adjustments and then analyzing whether these elements function in alignment or not.

According to Waterman and Peters, this model can be used by following five steps:

- The first step involves identification of those elements of the framework which do not align properly. It equally involves assessing the inconsistencies in the relationships between all the elements.
- The second step is concerned with the organizational design optimally and this optimal fit will be different for different organizations.
- The third step involves deciding the course of actions or the changes which are required to be implemented.
- The fourth step is the actual implementation of the change and the
- The final stage or the fifth stage is the final review of the 7S framework.

Limitations of 7S Model

- Ignores the importance of the external environment and depicts only the most crucial elements in this model for explaining the interdependence of the key processes and factors within the organization.
- The model does not explain the concept of organizational effectiveness or performance explicitly.
- The model has been criticized for lacking enough empirical evidences to support to support their explanation.
- The model is considered to be more of a static kind of model.
- It is rather difficult to assess the degree of fit with accuracy successfully.
- Criticized for missing out the intricate or finer areas in which the actual gaps in conceptualization and execution of strategy may arise.

Question and Answer