

Chapter 2 Organization Renewal: The Challenge of Change

Learning Objectives

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.

Student Premeeting Preparation

1. Read Chapter 2.
2. Read the instructions for OD Skills Simulation 2.1. Before coming to class, complete Part A, Steps 1 and 2, that 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.

Instructor Preparation and Materials

1. Simulations: no special materials are required.
2. It is a good idea to review the Profile Survey and emphasize the need for candid, honest answers. To conserve class time, it is important that the students complete the Profile Survey before coming to class.

LECTURE OUTLINE

1) Learning objectives. (pg. 32)

- a) Recognize the factors contributing to the accelerating rate of change.
- b) Identify the ways an organization uses renewing processes to adapt to change.
- c) Determine the individual and group methods of coping with change.
- d) Understand and apply the sociotechnical-systems approach to OD.

2) The challenges of change. (pg. 32)

- a) Pressure for change.
 - i) Market, product, and competitive conditions.
 - ii) Downsizing, reengineering, flattening structures, going global, and initiating more sophisticated technologies.
- b) Renewal.
 - i) Managers must make adaptive changes to the environment.
 - ii) The only constant is change.
 - iii) The focus of OD is on changing organizational systems, stressing the situational nature of problems, and their system-wide impact.
 - iv) The systems approach provides a way of observing, analyzing, and solving problems in organizations.
- c) Constant change.
 - i) Increasing rate of change.
 - ii) Impact of future shock.
 - iii) Organizations need the capacity to adapt to a changing environment.
- d) This chapter discusses the first stage of an OD program: anticipate the need for change. (See Figure 2.1, Stage One of Organization Development's Five Stages.)

3) Organization renewal—adapting to change. (pg. 34)

- a) Organizational renewal is important to an organization's survival.
- b) Organization renewal is defined as an ongoing process of building innovation and adaptation into the organization.
- c) Approaches to change dictated by the type of environment.
 - i) Stable environment- stable product, few competitors.
 - ii) Hyperturbulent environment – rapidly changing products, new competitors, rapid innovation, fast market growth.
- d) Model of Adaptive Orientation. (See Figure 2.2, Model of Adaptive Orientation in Organizations.)
 - i) Two dimensions.

- (1) Adaptive orientation.
- (2) Environmental stability.
- ii) Four types of orientation.
 - (1) Sluggish-thermostat management (stable environment, low adaptation).
 - (a) A managerial style based on low risk.
 - (b) Organizations using this style typically have very stable goals and a highly centralized structure.
 - (2) Satisficing management (stable environment, high adaptation).
 - (a) A style that is adequate and average.
 - (b) Planning and decision-making are usually concentrated at the top
 - (3) Reactive management (hyperturbulent environment, low adaptation).
 - (a) A style of reacting to a stimulus after conditions in the environment have changed.
 - (b) It is a short-term, crisis type of adaptation.
 - (c) It often involves replacement of key people, hasty reorganization, and drastic cutting of personnel and product lines.
 - (4) Renewing/transformation management (hyperturbulent environment, high adaptation).
 - (a) A style that introduces change to deal with future conditions before these conditions actually occur.
 - (b) The organizations using this style are faster at developing new ideas, more responsive to competitive changes, and more participative in involving organization members in the renewal process.

4) The systems approach: finding new ways to work together. (pg. 38)

- a) The horizontal corporation breaks the company into its key processes and creates teams from different departments to run them.
- b) The organization as a system.
 - i) A system is a set of interrelated parts unified by design to achieve some purpose or goal.
 - ii) Systems have several basic qualities:
 - (1) A system must be designed to accomplish an objective.
 - (2) The elements of a system must have an established arrangement.
 - (3) Interrelationships must exist among the individual elements of a system.
 - (4) The basic ingredients of a process are more vital than the basic elements of a system.
 - (5) An organization's overall objectives are more important than the objectives of its elements.
 - iii) A system consists of the flow of inputs, processes, and outputs. (*See Figure 2.3, The Organization as an Open System*)
- c) Open systems.
 - i) An open system is in continual interaction with its environment.
 - ii) It continually receives information termed feedback from its environment, which helps it adjust.

5) The sociotechnical system. (pg. 40)

- a) A system of coordinated human and technical activities. (*See Figure 2.4, The Sociotechnical System*)
 - i) The goals and values subsystem - the basic mission and vision of the organization.
 - ii) The technical subsystem - the primary activities, including the techniques and equipment, used to produce the output.
 - iii) The structural subsystem - the formal design, policies, and procedures.
 - iv) The psychosocial subsystem (culture) - the network of social relationships and behavioral patterns of members.
 - v) The managerial subsystem - spans the entire organization by directing, organizing, and coordinating all activities toward the basic mission.
- b) High performance systems.
 - i) These systems occur by design and not by chance.
 - ii) Key variables are the business situation, strategy, design elements, culture, and results.
- c) The contingency approach.
 - i) The contingency view suggests that one must consider the specific organization and its environmental conditions in formulating change programs.
 - ii) This approach identifies “if-then” relationships and suggests general change directions.

6) Future shock and change. (pg. 42)

- a) Future shock is too much change in too short a time.
- b) Alvin Toffler, author of Future Shock, suggests that future shock arises from the inability to adapt to accelerating rates of change.
- c) The capacity of management to react is strained.
- d) Managers must be more adaptable and flexible than ever before.
- e) Constant and rapid changes occurring in finance and economics, technology, and social values.

7) Organization transformation (OT) and organization development. (pg. 43)

- a) OT is the action of changing an organization’s form, shape, or appearance or changing organization energy from one form to another.
- b) Organization transformation is like a revolution.
 - i) OT transforms the very framework and assumptions of an organization.
 - ii) It is unplanned changes in response to pressures.
 - iii) The change occurs in a short time frame.
- c) Organization development is like an evolution.

- i) OD is planned changes on a large scale.
 - ii) Longer time frame.
 - iii) Gradual implementation.

- d) OD is planned organizational change.
 - i) A deliberate attempt to modify the functioning of the total organization or one of its major parts in order to bring about improved effectiveness.
 - ii) Persons attempting to bring about change are practitioners.
 - iii) The organization being changed is the client system.

- e) Individual effectiveness.
 - i) Change efforts that focus on individual effectiveness.
 - ii) The methods range from empowerment training programs to high-powered executive development programs.
 - iii) The goals are improved managerial, technical skills, or improved interpersonal competence.

- f) Team effectiveness.
 - i) Change efforts that focus on the team or work group.
 - ii) There is an emphasis on improving problem-solving, working through conflicts, and ways the group can improve its effectiveness and productivity.
 - iii) Activities are designed to focus on task activities, and team process.
 - (1) Task activities are *what* the team does and team process is *how* the team works and the relationships among team members.
 - (2) One technique often used to help teams examine their operations is process observation.
 - (3) Process observations examine:
 - (a) Content - the task of the group.
 - (b) Process - the way the group functions.

- g) Organization effectiveness.
 - i) Change efforts that focus on the total organization system.
 - ii) These activities aim at improving effectiveness by structural, technical, or managerial subsystem changes.

OD Applications

Google's Culture (p. 35)

SUMMARY

In the face of rapid growth, Google still operates under the same freewheeling managerial style that it started with. A central challenge is to develop further their creative culture.

MAJOR POINTS

- Though Google has a CEO, Eric Schmidt, it is in practice co-managed by Schmidt and its two founders, Larry Page and Sergey Brin.
- Challenge to maintain a creative culture with a world wide workforce of over 20,000.
- The company uses fluid working groups where engineers move to projects that interest them.
- Engineers are encouraged to spend 20 percent of their time working on their own research projects.
- Though Google has the outward impression of being disorganized, it maintains its focus and strategy.

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.

Apple and Renewal (p. 43)

SUMMARY

Apple's mission of giving customers more choices and better products has produced a highly innovative and profitable company.

MAJOR POINTS

- Apple consistently shows up on business magazine lists as one of the most innovative companies and at the top of *Fortune* 500 companies based on total return to shareholders.
- A large part of the success can be attributed to the culture defined primarily by co-founder Steven Jobs.
- Jobs' perfectionist approach to product development has caused some internal problems.
- His management style tends toward throwing tantrums and humiliating employees who disagree with his ideas.

- In terms of strategy, execution, and day-to-day operations, Tim Cook is critical to Apple's success.

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/.
3. To what do you attribute Apple's ability for self-renewal?

Review Questions

1. What is the implication of organization renewal for today's organizations?

Answer: Organization renewal is an ongoing process of being ready for change, preparing for change, expecting change, and learning to adapt to change. An organization must have planned change in order to survive. This process is called *evolution*. Organization transformation is defined as the action of changing the organization's form, shape, or energy to cope with unplanned changes. In today's organizations, this is called *revolution*, and survival rates are low.

2. Contrast the differences between a stable and a hyperturbulent environment.

Answer: Stable environment means unchanging basic products and services, competition, etc. A hyperturbulent or changing environment means rapidly changing products, competition, innovation, etc.

3. Compare and contrast the four types of management orientations used in relating to the environment.

Answer: Reactive—waits until something happens, then reacts.
Sluggish Thermostats—resists change and slow to adapt.
Satisficing—does only what is necessary to get by, “good enough.”
Renewal Transformation—looks ahead to prepare for change, makes necessary contingency plans in advance

4. Using companies who compete with one another (for example, Apple and Microsoft), position them on the adaptive orientation model in Figure 2.2. Support your position.

5. Explain a sociotechnical system and its five components.

Answer: An organization is an open system of coordinated human and technical activities. The functions and processes of the organization are not considered as isolated elements. Instead, they are parts reacting to and influencing the rest of the system. Its sociotechnical system's five components are:

The Goals and Values Subsystem - the basic mission and vision of the organization.

The Technical Subsystem - the primary functions, activities, and operations used to produce the output of the system.

The Structural Subsystem - the formal design, policies, and procedures.

The Psychosocial Subsystem (culture) - the network of social relationships and behavioral patterns of members.

The Managerial Subsystem - spans the entire organization by directing, organizing, and coordinating all activities toward the basic mission.

6. What lessons can future shock provide for organizations?

Answer: Future shock is too much change in too short a time. Future shock affects both managers and organizations. Management's capacity is strained when change occurs too rapidly. In order to overcome future shock, managers must become adaptable and flexible. Uncertainties brought on by future shock make accurate planning more difficult

and plans sometimes become out of date before they can be fully implemented. Since life cycles of products and services are shortened, organizations must become more adaptive and be able to change quickly. This means that new forms and models of organizations are required in order to meet the changing conditions.

KEY WORDS AND CONCEPTS

Define and be able to use the following words and concepts:

Client System - an organization employing a practitioner to assist them in planning change. (p. 44)

Closed systems - exists only in theory; is self-contained and isolated from its environment. Content task of the group. (p. 39)

Content - task of the group. (p. 45)

Contingency approach - attempt to determine through “if-then” research the proper management technique to employ. (p. 41)

Dynamic equilibrium - steady state, reacting with environment. (p. 39)

Entropy - movement toward disorder and eventual termination of function. (p. 34)

Feedback - results, reaction from behavior. (p. 39)

Future shock - inability to cope with rapid change. (p. 42)

Horizontal corporation - flattening the hierarchical organizational charts; reduction in layers of management. (p. 38)

Hyperturbulent environment - rapid change. (p. 35)

Open system - is interrelated and acts with its environment. (p. 39)

Organization renewal - ongoing process of building innovation and adaptation into an organization. (p. 34)

Organization transformation (OT) - process of coping with unplanned change by changing organization form or framework (revolution). (p. 43)

Participant-observer - actively participate while being aware of group process. (p. 45)

Process observation - technique used in examining groups that identifies separate dimensions (p. 45)

Reactive management - waiting until something becomes a problem before reacting (p. 37)

Renewing/transformational management - plans for change; makes contingency plans. (p. 37)

Satisficing management - does only what is necessary to get by; management that is adequate and average. (p. 37)

Sluggish management - style of management based on low risk, formalized procedures, and high degree of structure and control. (p. 36)

Sociotechnical System - an organization with an open system of coordinated human and technical activities with five major subsystems. (p. 40)

Stable environment - characterized by unchanging basic products and services, static level of competition, low level of innovation, formalized and centralized structure, and steady rate of growth. (p. 35)

System - set of interrelated elements unified to achieve a goal or purpose. (p. 38)

Systems approach - set of interrelated elements unified to achieve a goal or purpose. (p. 33)

Task activities - what the group does. (p. 45)

Team process - how the group works and the relationships among team members. (p. 45)

ADDITIONAL RESOURCES

Readings:

Amabile Teresa M. and Mukti Khaire, "Creativity and the Role of the Leader," *Harvard Business Review*, October 2008, pp. 98-109.

Hamel, Gary, *The Future of Management*, (Boston, MA: Harvard Business School Press, 2007.)

Johnson, Deborah G. and Jameson M. Wetmore (editors), *Technology and Society: Building Our Sociotechnical Future*, (Cambridge MA: The MIT Press, 2009.) This is an edited book of readings on technology and society.

Toffler, Alvin *Future Shock*, (New York, Random House, Inc., 1970.) Does this 1970 book still hold any truths and lessons for today's managers?

Ulrich, Dave, Steve Kerr, and Ron Ashkenas, *The GE Work-Out: How to Implement GE's Revolutionary Method for Busting Bureaucracy and Attacking Organizational Problems--Fast!* (New York: McGraw Hill, 2002.)

Video:

The Pixar Story. (2007, available through Disney/Pixar, see www.thepixarstory.com) This is a documentary of the history of Pixar Animation Studios. The film is a behind-the-scenes view of Pixar and includes footage from the Pixar library. Some of the key people interviewed are Steve Jobs, George Lucas, Roy Disney, John Lasseter, and Ed Catmull. In addition to a history of the company, the viewer learns about the culture and self renewal capability of Pixar. This film fits well with this chapter on self renewal.

SIMULATION PROCEDURES

Simulation 2.1 (p. 47)

OD PRACTITIONER BEHAVIOR PROFILE I

1. Student premeeting preparation:

- a. Read the instructions. 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.

2. Suggestions:

- a. You might want to discuss briefly the idea of behavioral objectives (i.e., something you can do or demonstrate).
- b. Explain the role of the practitioner in Part B, Step 1. See the insert in the text, “Instruction for Developing Practitioner Roles and Skills.”
- c. You may have them use colored pens to create the Profile Form—one color for this chapter and another color when they complete the form in Chapter 16.
- d. Stress that all forms should be kept as they will be needed in chapter 16 when students will complete the profile at the end of the course.

3. Discussion points:

- a. The idea of goal setting.
- b. The awareness of a need for change.
- c. The possibility of growth.
- d. The difference between a specific behavioral objective and vague generalizations.
- e. The role of the practitioner.
- f. The long-term use of skills/career development.

Total time suggested: 60 to 75 minutes

You will need to adjust these times to fit your specific schedule and class plans.

	Minutes
Part A	before class
Part B	
Step 1	45 to 60
Step 2	15
Total	60 to 75

Notes

CASE TEACHING NOTES

The NoGo Railroad (*p. 56*)

I. Problems

A. Macro

1. Union problems need to be addressed at corporate level.
2. Massive changes are needed in personnel policies that can only be accomplished through intensive union and executive sessions.
3. This organization may not survive the needed changes. There may not be time for organization development to be used and the revolutionary method—organization transformation—may be too radical.
4. Changes may not be allowed by management at this time. Change is inevitable and the longer that NoGo waits, the more radical those changes will be.

B. Micro

1. Dave Keller is in a no-win situation.
2. The only hope Dave has of making all the needed changes would be to accomplish the needed changes over a long period of time with empowerment and support from top management.
3. In the short term, Dave can attempt to gain employee support. Because the union is so strong, it is doubtful that he can obtain much support.

II. Causes

1. Union stronghold.
2. Company has been reacting to changes instead of proactively forecasting changes.
3. Management is not cohesive; they do not share information, support, or resources with employees and lower-level managers.

III. Systems affected

1. Structural – job descriptions and the formal structure are very rigid, largely because of years of practice.
2. Psychosocial – Dave is very unsure of the security of his position and suspects he is being set up. Other employees, including some in management, want to preserve the status quo.
3. Technical – the technology has change through the years but the organization has failed to recognize the change. As evidence is the archaic job titles (fireman) and job descriptions.
4. Managerial – virtually no support from management for Dave to make changes. Management seems to be as much of the problem as unionized employees. Everyone seems to want to protect his or her turf.
5. Goals and values – though “status quo” is actually not a value, it never-the-less is what employees in many cases value. Their goal is not to change.

IV. Alternatives

1. Dave can forge on ahead and suggest changes as he sees them. If top management does not begin to press for changes, the organization will probably cease to exist.

2. Management needs to consider what they will offer to unions prior to the next contract in order to make the following changes.
 - a. Positions need to be eliminated.
 - b. Positions need to be combined.
 - c. Featherbedding and nepotism need to be eliminated from all levels of the organization.
3. Some proposed “carrots”:
 - a. Management reduces unnecessary managerial and corporate staff as well as union positions.
 - b. The Board of Directors ties future management and union pay raises together. Pay increases will also be tied to productivity and profits.
4. Management should consider confrontation with union.
 - a. This alternative needs to be carefully considered.
 - b. There would be the possibility of violent confrontations.
 - c. There will be many legal ramifications and expenses incurred by both sides.
 - d. Even if the company is successful in obtaining concessions from the union, the company may have future problems. In unpopulated areas such as Montana, Idaho, and Washington, future employees will probably have ties to former union railroad employees.

V. Recommendations

Dave should attempt to make the necessary changes for NoGo to become a healthy organization. Unless he is able to live with the old corporate culture, he will not be effective. When Dave is “fed up,” he will probably resign. Hopefully before that point, the company’s top management will become supportive of the needed change programs. Meanwhile, Dave needs to be realistic about his future and keep his resume up to date.

STUDENT PREPARATIONS FOR THE NEXT CHAPTER

1. Read Chapter 3.
2. Prepare and read the instructions for OD Skills Simulation 3.1. Prior to class, form into teams of six and select roles. Complete Step 1.
3. Read and analyze Case: The Dim Lighting Co.

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