Understanding Organisational Development: Conceptsand Relevance

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1. INTRODUCTION

Organization development is both a professional field of social action and an area of scientific inquiry. The practice of OD covers a wide spectrum of activities, with seemingly endless variations upon them. Team building with top corporate management, structural change in a municipality, and job enrichment in a manufacturing firm are all examples of OD. Similarly, the study of OD addresses a broad range of topics, including the effects of change, the methods of organizational change, and the factors influencing OD success.

A number of definitions of OD exist. Each definition has a slightly different emphasis. For example, Burke's description focuses attention on culture as the target of change; French's definition is concerned with OD's long-term interest and the use of consultants; and Beckhard's and Beer's definitions address the process of OD. More recently, Burke and Bradford's definition broadens the range and interests of OD. Worley and Feyerherm suggested that for a process to be called organization development, [1] it must focus on or result in the change of some aspect of the organizational system; [2] there must be learning or the transfer of knowledge or skill to the client system; and [3] there must be evidence of improvement in or an intention to improve the effectiveness of the client system.[1] The following definition incorporates most of these views and is used in this book: Organization development is a system-wide application and transfer of behavioral science knowledge to the planned development, improvement, and reinforcement of the strategies, structures, and processes that lead to organization effectiveness. This definition emphasizes several features that differentiate OD from other approaches to organizational change and improvement, such as management consulting, innovation, project management, and operations management. The definition also helps to distinguish OD from two related subjects, change management and organization change, that also are addressed in this book.

2. CONCEPT OF ORGANISATIONAL DEVELOPMENT

First, OD applies to changes in the strategy, structure, and/or processes of an entire system, such as an organization, a single plant of a multi-plant firm, a department or work group, or individual role or job. A change program aimed at modifying an organization's strategy, for example, might focus on how the organization relates to a wider environment and on how those relationships can be improved. It might include changes both in the grouping of people to perform tasks (structure) and in methods of communicating and solving problems (process) to support the changes in strategy. Similarly, an OD program directed at helping a top management team become more effective might focus on interactions and problem-solving processes within the group. This focus

might result in the improved ability of top management to solve company problems in strategy and structure. This contrasts with approaches focusing on one or only a few aspects of a system, such as technological innovation or operations management. In these approaches, attention is narrowed to improvement of particular products or processes, or to development of production or service delivery functions. Second, OD is based on the application and transfer of behavioral science knowledge and practice, including micro-concepts, such as leadership, group dynamics, and work design, and macro approaches, such as strategy, organization design, and international relations. These subjects distinguish OD from such applications as management consulting, technological innovation, or operations management that emphasize the economic, financial, and technical aspects of organizations. These approaches tend to neglect the personal and social characteristics of a system. Moreover, OD is distinguished by its intent to transfer behavioral science knowledge and skill so that the system is more capable of carrying out planned change in the future. Third, OD is concerned with managing planned change, but not in the formal sense typically associated with management consulting or project management, which tends to comprise programmatic and expert-driven approaches to change.

Rather, OD is more an adaptive process for planning and implementing change than a blueprint for how things should be done. It involves planning to diagnose and solve organizational problems, but such plans are flexible and often revised as new information is gathered as the change program progresses. If, for example, there was concern about the performance of a set of international subsidiaries, a reorganization process might begin with plans to assess the current relationships between the international divisions and the corporate headquarters and to redesign them if necessary. These plans would be modified if the assessment discovered that most of the senior management teams were not given adequate cross-cultural training prior to their international assignments. Fourth, OD involves the design, implementation, and the subsequent reinforcement of change. It moves beyond the initial efforts to implement a change program to a longer-term concern for appropriately institutionalizing new activities within the organization. For example, implementing self-managed work teams might focus on ways in which supervisors could give workers more control over work methods. After workers had more control, attention would shift to ensuring that supervisors continued to provide that freedom. That assurance might include rewarding supervisors for managing in a participative style. This attention to reinforcement is similar to training and development approaches that address maintenance of new skills or behaviors, but it differs from other change perspectives that do not address how a change can be institutionalized.

Finally, OD is oriented to improving organizational effectiveness. Effectiveness is best measured along three dimensions. First, OD affirms that an effective organization is adaptable; it is able to solve its own problems and focus attention and resources on achieving key goals. OD helps organization members gain the skills and knowledge necessary to conduct these activities by involving them in the change process. Second, an effective organization has high financial and technical performance, including sales growth, acceptable profits, quality products and services, and high productivity. OD helps organizations achieve these ends by leveraging social science practices to lower costs, improve products and services, and increase productivity. Finally, an effective organization has satisfied and loyal customers or other external stake holders and an engaged, satisfied, and learning workforce. The organization's performance responds to the needs of external groups, such as stockholders, customers, suppliers, and government agencies,

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which provide the organization with resources and legitimacy. Moreover, it is able to attract and motivate effective employees, who then perform at higher levels. Other forms of organizational change clearly differ from OD in their focus. Management consulting, for example, primarily addresses financial performance, whereas operations management or industrial engineering focuses on productivity.

Organization development can be distinguished from change management and organizational change. OD and change management both address the effective implementation of planned change. They are both concerned with the sequence of activities, processes, and leadership issues that produce organization improvements. They differ, however, in their underlying value orientation. OD's behavioral science foundation supports values of human potential, participation, and development in addition to performance and competitive advantage. Change management focuses more narrowly on values of cost, quality, and schedule.[7] As a result; OD's distinguishing feature is its concern with the transfer of knowledge and skill so that the system is more able to manage change in the future. Change management does not necessarily require the transfer of these skills. In short, all OD involves change management, but change management may not involve OD.

3. THE GROWTH AND RELEVANCE OF ORGANISATIONAL DEVELOPMENT

In each of the previous editions of this book, we argued that organizations must adapt to increasingly complex and uncertain technological, economic, political, and cultural changes. We also argued that OD could help an organization to create effective responses to these changes and, in many cases, to proactively influence the strategic direction of the firm. The rapidly changing conditions of the past few years confirm our arguments and accentuate their relevance. According to several observers, organizations are in the midst of unprecedented uncertainty and chaos, and nothing short of a management revolution will save them.[8] Three major trends are shaping change in organizations: globalization, information technology, and managerialinnovation.[9]

First, globalization is changing the markets and environments in which organizations operate as well as the way they function. New governments, new leadership, new markets, and new countries are emerging and creating a new global economy with both opportunities and threats.[10] The toppling of the Berlin Wall symbolized and energized the reunification of Germany; the European Union created a cohesive economic block that alters the face of global markets; entrepreneurs appeared in Russia, the Balkans, and Siberia to transform the former Soviet Union; terrorism has reached into every corner of economic and social life; and China is emerging as an open market and global economic influence. The rapid spread of Severe Acute Respiratory Syndrome (SARS) and its economic impact clearly demonstrated the interconnectedness among the social environment, organizations, and the global economy.

Second, information technology is redefining the traditional business model by changing how work is performed, how knowledge is used, and how the cost of doing business is calculated. The way an organization collects, stores, manipulates, uses, and transmits information can lower costs or increase the value and quality of products and services. Information technology, for example, is at the heart of emerging e-commerce strategies and organizations. Amazon.com,

Yahoo!, and eBay are among the survivors of a busted dot-com bubble, Google has emerged as a major competitor to Microsoft, and the amount of business being conducted on the Internet is projected to grow at double-digit rates. Moreover, the underlying rate of innovation is not expected to decline. Electronic data interchange—a state-of-the-art technology application a few years ago—is now considered routine business practice. The ability to move information easily and inexpensively throughout and among organizations has fueled the downsizing, delay ring, and restructuring of firms. The Internet has enabled a new form of work known as telecommuting; organization members from Capital One and Cigna can work from their homes without ever going to the office. Finally, information technology is changing how knowledge is used. Information that is widely shared reduces the concentration of power at the top of the organization. In choosing "You" as the 2006 Person of the Year, Time magazine noted that the year was "a story about community and collaboration on a scale never seen before. It's about . . . Wikipedia . . . YouTube and . . . MySpace. It's about the many wresting power from the few and helping one another for nothing and how that will not only change the world, but also change the way the world changes (emphasis added)."[11] Organization members now share the same key information that senior managers once used to control decision making.

Third, managerial innovation has responded to the globalization and information technology trends and has accelerated their impact on organizations. New organizational forms, such as networks, strategic alliances, and virtual corporations, provide organizations with new ways of thinking about how to manufacture goods and deliver services. The strategic alliance, for example, has emerged as one of the indispensable tools in strategy implementation. No single organization, not even IBM, Mitsubishi, or General Electric, can control the environmental and market uncertainty it faces. Sun Microsystems' network is so complex that some products it sells are never touched by a Sun employee. In addition, change innovations, such as downsizing or reengineering, have radically reduced the size of organizations and increased their flexibility; new large-group interventions, such as these arch conference and open space, have increased the speed with which organizational change can take place; and organization learning interventions have acknowledged and leveraged knowledge as a critical organizational resource.[12] Managers, OD practitioners, and researchers argue that these forces not only are powerful in their own right but are interrelated. Their interaction makes for a highly uncertain and chaotic environment for all kinds of organizations, including manufacturing and service firms and those in the public and private sectors. There is no question that these forces are profoundly affecting organizations.

Fortunately, a growing number of organizations are undertaking the kinds of organizational changes needed to survive and prosper in today's environment. They are making themselves more streamlined and nimble, more responsive to external demands, and more ecologically sustainable. They are involving employees in key decisions and paying for performance rather than for time. They are taking the initiative in innovating and managing change, rather than simply responding to what has already happened. Organization development plays a key role in helping organizations change themselves. It helps organizations assess themselves and their environments and revitalize and rebuild their strategies, structures, and processes. OD helps organization members go beyond surface changes to transform the underlying assumptions and values governing their behaviors. The different concepts and methods discussed in this book increasingly are finding their way into government agencies, manufacturing firms, multinational corporations, service industries, educational institutions, and not-for-profit organizations.

Perhaps at no other time has OD been more responsive and practically relevant to organizations' needs to operate effectively in a highly complex and changing world.

OD is obviously important to those who plan a professional career in the field, either as an internal consultant employed by an organization or as an external consultant practicing in many organizations. A career in OD can be highly rewarding, providing challenging and interesting assignments working with managers and employees to improve their organizations and their work lives. In today's environment, the demand for OD professionals is rising rapidly. For example, large professional services firms must have effective "change management" practices to be competitive. Career opportunities in OD should continue to expand in the United States and abroad. Organization development also is important to those who have no aspirations to become professional practitioners. All managers and administrators are responsible for supervising and developing subordinates and for improving their departments' performance. Similarly, all staff specialists, such as financial analysts, engineers, information technologists, or market researchers, are responsible for offering advice and counsel to managers and for introducing new methods and practices. Finally, OD is important to general managers and other senior executives because OD can help the whole organization be more flexible, adaptable, and effective.

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