

Organizational development, change and transformation

This chapter starts with a definition and critical review of the overall concept of organizational development (OD). Approaches to change management are then examined. These have sometimes been treated as an aspect of organizational development, but in fact they are used in any organization that is concerned with the effective introduction of changed structures, policies or practices. They therefore exist in their own right. The chapter continues with a discussion of organizational transformation principles and practice which are an extension of change management methodology into comprehensive programmes for managing fundamental changes to the culture and operations of an organization. The final section of the chapter deals with specific approaches to organizational development or change, namely: team building, culture change management, total quality management, continual improvement processes, business process re-engineering and performance management.

WHAT IS ORGANIZATIONAL DEVELOPMENT?

Organizational development is concerned with the planning and implementation of programmes designed to enhance the effectiveness with which an organization functions and responds to change. Overall, the aim is to adopt a planned and

coherent approach to improving organizational effectiveness. An effective organization can be defined broadly as one that achieves its purpose by meeting the wants and needs of its stakeholders, matching its resources to opportunities, adapting flexibly to environmental changes and creating a culture that promotes commitment, creativity, shared values and mutual trust.

Organizational development is concerned with process, not structure or systems – with the way things are done rather than what is done. Process refers to the ways in which people act and interact. It is about the roles they play on a continuing basis to deal with events and situations involving other people and to adapt to changing circumstances.

Organizational development is an all-embracing term for the approaches described in this chapter to changing processes, culture and behaviour in the organization. The changes may take place within the framework of an overall programme of organization development (OD). Within this programme, or taking place as separate activities, one or more of the following approaches may be used.

- organization development (OD);
- change management;
- team building;
- culture change or management;
- total quality management;
- continuous improvement;
- business process re-engineering;
- performance management;
- organizational transformation.

ORGANIZATION DEVELOPMENT

Defined

Organization development (OD) has been defined by French and Bell (1990) as:

A planned systematic process in which applied behavioural science principles and practices are introduced into an ongoing organization towards the goals of effecting organizational improvement, greater organizational competence, and greater organizational effectiveness. The focus is on organizations and their improvement or, to put it another way, *total systems change*. The orientation is on action – achieving desired results as a result of planned activities.

The classic and ambitious approach to OD was described by Bennis (1960) as follows: 'Organization development (OD) is a response to change, a complex educational strategy intended to change the beliefs, attitudes, values, and structure of organizations so that they can better adapt to new technologies, markets, and challenges, and the dizzying rate of change itself.'

A short history of OD

Origins of OD

The origin of OD can be traced to the work of Kurt Lewin (1947, 1951), who developed the concept of group dynamics (the phrase was first coined in 1939). Group dynamics is concerned with the ways in which groups evolve and how people in groups behave and interact. Lewin founded the Research Centre for Group Dynamics in 1945 and out of this emerged the process of 'T-group' or sensitivity training, in which participants in an unstructured group learn from their own interaction and the evolving dynamics of the group. T-group laboratory training became one of the fundamental OD processes. Lewin also pioneered action research approaches.

The formative years of OD

During the 1950s and 1960s behavioural scientists such as Argyris, Beckhard, Bennis, Blake, McGregor, Schein, Shepart and Tannenbaum developed the concepts and approaches that together represented 'OD'. They defined the scope, purpose and philosophy of OD, methods of conducting OD 'interventions', approaches to 'process consulting' and methodologies such as action research and survey feedback.

OD – the glory years

The later 1960s and the 1970s were the days when behavioural science reigned and OD was seen, at least by behavioural scientists, as the answer to the problem of improving organizational effectiveness. Comprehensive programmes using the various approaches described below were introduced in a number of American businesses such as General Motors and Corning Glass and a few UK companies such as ICI. US research quoted by French and Bell (1990) found that positive impacts were made in between 70 and 80 per cent of the cases studied.

OD in decline

Doubt about the validity of OD as a concept was first expressed in the 1970s. Kahn

(1974) wrote that: 'It is not a concept, at least not in the scientific sense of the word: it is not precisely defined; it is not reducible to specific, uniform, observable behaviour.'

A typical criticism of OD was made later by McLean (1981) who wrote that: 'There seems to be a growing awareness of the inappropriateness of some of the fundamental values, stances, models and prescriptions inherited from the 1960s. Writers are facing up to the naivete of early beliefs and theories in what might be termed a climate of sobriety and new realism.'

New approaches to improving organizational effectiveness

During the 1980s and 1990s the focus shifted from OD as a behavioural science concept to a number of other approaches. Some of these, such as organizational transformation, are not entirely dissimilar to OD. Others, such as team building, change management and culture change or management, are built on some of the basic ideas developed by writers on organization development and OD practitioners. Yet other approaches, such as total quality management, continuous improvement, business process re-engineering and performance management, could be described as holistic processes that attempt to improve overall organizational effectiveness from a particular perspective. The tendency now is to rely more on specific interventions such as performance management, team pay or total quality management, than on all-embracing but somewhat nebulous OD programmes which were often owned by the HR department and its consultants, and not by line management.

Characteristics of the traditional approach to OD

OD concentrated on how things are done as well as what they do. It was a form of applied behavioural science that was concerned with system-wide change. The organization was considered as a total system and the emphasis was on the interrelationships, interactions and interdependencies of different aspects of how systems operate as they transform inputs and outputs and use feedback mechanisms for self-regulation. OD practitioners talked about 'the client system' – meaning that they were dealing with the total organizational system.

OD as originally conceived was based upon the following assumptions and values:

- Most individuals are driven by the need for personal growth and development as long as their environment is both supportive and challenging.
- The work team, especially at the informal level, has great significance for feelings of satisfaction and the dynamics of such teams have a powerful effect on the behaviour of their members.

- OD programmes aimed to improve the quality of working life of all members of the organization.
- Organizations can be more effective if they learn to diagnose their own strengths and weaknesses.
- But managers often do not know what is wrong and need special help in diagnosing problems, although the outside 'process consultant' ensures that decision making remains in the hands of the client.

The three main features of OD programmes were:

- They were managed, or at least strongly supported, from the top but often made use of third parties or 'change agents' to diagnose problems and to manage change by various kinds of planned activity or 'intervention'.
- The plans for organization development were based upon a systematic analysis and diagnosis of the circumstances of the organization and the changes and problems affecting it.
- They used behavioural science knowledge and aimed to improve the way the organization copes in times of change through such processes as interaction, communications, participation, planning and conflict.

The activities that may be incorporated in a traditional OD programme are summarized below.

- *Action research.* This is an approach developed by Lewin (1947) which takes the form of systematically collecting data from people about process issues and feeds it back in order to identify problems and their likely causes so that action can be taken cooperatively by the people involved to deal with the problem. The essential elements of action research are data collection, diagnosis, feedback, action planning, action and evaluation.
- *Survey feedback.* This is a variety of action research in which data are systematically collected about the system and then fed back to groups to analyse and interpret as the basis for preparing action plans. The techniques of survey feedback include the use of attitude surveys and workshops to feed back results and discuss implications.
- *Interventions.* The term 'intervention' in OD refers to core structured activities involving clients and consultants. The activities can take the form of action research, survey feedback or any of those mentioned below. Argyris (1970) summed up the three primary tasks of the OD practitioner or interventionist as being to:

- generate and help clients to generate valid information that they can understand about their problems;
 - create opportunities for clients to search effectively for solutions to their problems, to make free choices;
 - create conditions for internal commitment to their choices and opportunities for the continual monitoring of the action taken.
- *Process consultation.* As described by Schein (1969), this involves helping clients to generate and analyse information that they can understand and, following a thorough diagnosis, act upon. The information will relate to organizational processes such as inter-group relations, interpersonal relations and communications. The job of the process consultant was defined by Schein as being to 'help the organization to solve its own problems by making it aware of organizational processes, of the consequences of these processes, and of the mechanisms by which they can be changed'.
 - *Team-building interventions* as discussed later in this chapter. These deal with permanent work teams or those set up to deal with projects or to solve particular problems. Interventions are directed towards the analysis of the effectiveness of team processes such as problem solving, decision making and interpersonal relationships, a diagnosis and discussion of the issues and joint consideration of the actions required to improve effectiveness.
 - *Inter-group conflict interventions.* As developed by Blake *et al* (1964), these aim to improve inter-group relations by getting groups to share their perceptions of one another and to analyse what they have learned about themselves and the other group. The groups involved meet each other to share what they have learnt, to agree on the issues to be resolved and the actions required.
 - *Personal interventions.* These include sensitivity training laboratories (T-groups), transactional analysis and, more recently, neuro-linguistic programming (NLP). Another approach is behaviour modelling, which is based on Bandura's (1977) social learning theory. This states that for people to engage successfully in a behaviour they 1) must perceive a link between the behaviour and certain outcomes, 2) must desire those outcomes (this is termed 'positive valence'), and 3) must believe they can do it (termed 'self-efficacy'). Behaviour-modelling training involves getting a group to identify the problem and develop and practise the skills required by looking at DVDs showing what skills can be applied, role playing, practising the use of skills on the job and discussing how well they have been applied.

Use of OD

The decline of traditional OD, as described above, has been partly caused by disenchantment with the jargon used by consultants and the unfulfilled expectations of significant improvements in organizational effectiveness. There was also a reaction in the hard-nosed 1980s against the perceived softness of the messages preached by the behavioural scientists. Managements in the later 1980s and 1990s wanted more specific prescriptions which would impact on processes they believed to be important as means of improving performance, such as total quality management, business process re-engineering and performance management. The need to manage change to processes, systems or culture was still recognized as long as it was results driven, rather than activity centred. Team-building activities in the new process-based organizations were also regarded favourably as long as they were directed towards measurable improvements in the shorter term. It was also recognized that organizations were often compelled to transform themselves in the face of massive challenges and external pressures, and traditional OD approaches would not make a sufficient or speedy impact. A survey of the views of chief executives about organizational development, (IPD, 1999a) found that a large proportion of them are expecting greater team contributions, more sophisticated people management practices and processes for managing knowledge. As the IPD commented, 'HR has a pivotal role in developing the behaviours and culture to support the delivery of these strategies.'

CHANGE MANAGEMENT

The change process

Conceptually, the change process starts with an awareness of the need for change. An analysis of this situation and the factors that have created it leads to a diagnosis of their distinctive characteristics and an indication of the direction in which action needs to be taken. Possible courses of action can then be identified and evaluated and a choice made of the preferred action.

It is then necessary to decide how to get from here to there. Managing change during this transition state is a critical phase in the change process. It is here that the problems of introducing change emerge and have to be managed. These problems can include resistance to change, low stability, high levels of stress, misdirected energy, conflict and loss of momentum. Hence the need to do everything possible to anticipate reactions and likely impediments to the introduction of change.

The installation stage can also be painful. When planning change there is a tendency for people to think that it will be an entirely logical and linear process of

going from A to B. It is not like that at all. As described by Pettigrew and Whipp (1991), the implementation of change is an 'iterative, cumulative and reformulation-in-use process'.

To manage change, it is first necessary to understand the types of change and why people resist change. It is important to bear in mind that while those wanting change need to be constant about ends, they have to be flexible about means. This requires them to come to an understanding of the various models of change that have been developed. In the light of an understanding of these models they will be better equipped to make use of the guidelines for change set out at the end of this section.

Types of change

There are two main types of change: strategic and operational.

Strategic change

Strategic change is concerned with organizational transformation as described in the last section of this chapter. It deals with broad, long-term and organization-wide issues. It is about moving to a future state, which has been defined generally in terms of strategic vision and scope. It will cover the purpose and mission of the organization, its corporate philosophy on such matters as growth, quality, innovation and values concerning people, the customer needs served and the technologies employed. This overall definition leads to specifications of competitive positioning and strategic goals for achieving and maintaining competitive advantage and for product-market development. These goals are supported by policies concerning marketing, sales, manufacturing, product and process development, finance and human resource management.

Strategic change takes place within the context of the external competitive, economic and social environment, and the organization's internal resources, capabilities, culture, structure and systems. Its successful implementation requires thorough analysis and understanding of these factors in the formulation and planning stages. The ultimate achievement of sustainable competitive advantage relies on the qualities defined by Pettigrew and Whipp (1991), namely: 'The capacity of the firm to identify and understand the competitive forces in play and how they change over time, linked to the competence of a business to mobilize and manage the resources necessary for the chosen competitive response through time.'

Strategic change, however, should not be treated simplistically as a linear process of getting from A to B which can be planned and executed as a logical sequence of events. Pettigrew and Whipp (1991) issued the following warning based on their

research into competitiveness and managing change in the motor, financial services, insurance and publishing industries:

The process by which strategic changes are made seldom moves directly through neat, successive stages of analysis, choice and implementation. Changes in the firm's environment persistently threaten the course and logic of strategic changes: dilemma abounds... We conclude that one of the defining features of the process, in so far as management action is concerned, is ambiguity; seldom is there an easily isolated logic to strategic change. Instead, that process may derive its motive force from an amalgam of economic, personal and political imperatives. Their introduction through time requires that those responsible for managing that process make continual assessments, repeated choices and multiple adjustments.

Operational change

Operational change relates to new systems, procedures, structures or technology which will have an immediate effect on working arrangements within a part of the organization. But their impact on people can be more significant than broader strategic change and they have to be handled just as carefully.

Resistance to change

Why people resist change

People resist change because it is seen as a threat to familiar patterns of behaviour as well as to status and financial rewards. Joan Woodward (1968) made this point clearly:

When we talk about resistance to change we tend to imply that management is always rational in changing its direction, and that employees are stupid, emotional or irrational in not responding in the way they should. But if an individual is going to be worse off, explicitly or implicitly, when the proposed changes have been made, any resistance is entirely rational in terms of his own best interest. The interests of the organization and the individual do not always coincide.

Specifically, the main reasons for resisting change are as follows:

- *The shock of the new* – people are suspicious of anything which they perceive will upset their established routines, methods of working or conditions of employment. They do not want to lose the security of what is familiar to them. They may not believe statements by management that the change is for their benefit as well

as that of the organization; sometimes with good reason. They may feel that management has ulterior motives and, sometimes, the louder the protestations of managements, the less they will be believed.

- *Economic fears* – loss of money, threats to job security.
- *Inconvenience* – the change will make life more difficult.
- *Uncertainty* – change can be worrying because of uncertainty about its likely impact.
- *Symbolic fears* – a small change that may affect some treasured symbol, such as a separate office or a reserved parking space, may symbolize big ones, especially when employees are uncertain about how extensive the programme of change will be.
- *Threat to interpersonal relationships* – anything that disrupts the customary social relationships and standards of the group will be resisted.
- *Threat to status or skill* – the change is perceived as reducing the status of individuals or as de-skilling them.
- *Competence fears* – concern about the ability to cope with new demands or to acquire new skills.

Overcoming resistance to change

Resistance to change can be difficult to overcome even when it is not detrimental to those concerned. But the attempt must be made. The first step is to analyse the potential impact of change by considering how it will affect people in their jobs. The analysis should indicate which aspects of the proposed change may be supported generally or by specified individuals and which aspects may be resisted. So far as possible, the potentially hostile or negative reactions of people should be identified, taking into account all the possible reasons for resisting change listed above. It is necessary to try to understand the likely feelings and fears of those affected so that unnecessary worries can be relieved and, as far as possible, ambiguities can be resolved. In making this analysis, the individual introducing the change, who is sometimes called the 'change agent', should recognize that new ideas are likely to be suspect and should make ample provision for the discussion of reactions to proposals to ensure complete understanding of them.

Involvement in the change process gives people the chance to raise and resolve their concerns and make suggestions about the form of the change and how it should be introduced. The aim is to get 'ownership' – a feeling amongst people that the change is something that they are happy to live with because they have been involved in its planning and introduction – it has become *their* change.

Communications about the proposed change should be carefully prepared and

worded so that unnecessary fears are allayed. All the available channels as described in Chapter 54 should be used, but face-to-face communications direct from managers to individuals or through a team briefing system are best.

Change models

The best-known change models are those developed by Lewin (1951) and Beckhard (1969). But other important contributions to an understanding of the mechanisms for change have been made by Thurley (1979), Quinn (1980), Nadler and Tushman (1980), Bandura (1986) and Beer *et al* (1990).

Lewin

The basic mechanisms for managing change, according to Lewin (1951), are as follows:

- *Unfreezing* – altering the present stable equilibrium which supports existing behaviours and attitudes. This process must take account of the inherent threats that change presents to people and the need to motivate those affected to attain the natural state of equilibrium by accepting change.
- *Changing* – developing new responses based on new information.
- *Refreezing* – stabilizing the change by introducing the new responses into the personalities of those concerned.

Lewin also suggested a methodology for analysing change which he called 'field force analysis'. This involves:

- analysing the restraining or driving forces that will affect the transition to the future state; these restraining forces will include the reactions of those who see change as unnecessary or as constituting a threat;
- assessing which of the driving or restraining forces are critical;
- taking steps both to increase the critical driving forces and to decrease the critical restraining forces.

Beckhard

According to Beckhard (1969), a change programme should incorporate the following processes:

- setting goals and defining the future state or organizational conditions desired after the change;

- diagnosing the present condition in relation to these goals;
- defining the transition state activities and commitments required to meet the future state;
- developing strategies and action plans for managing this transition in the light of an analysis of the factors likely to affect the introduction of change.

Thurley

Thurley (1979) described the following five approaches to managing change:

- *Directive* – the imposition of change in crisis situations or when other methods have failed. This is done by the exercise of managerial power without consultation.
- *Bargained* – this approach recognizes that power is shared between the employer and the employed and that change requires negotiation, compromise and agreement before being implemented.
- *'Hearts and minds'* – an all-embracing thrust to change the attitudes, values and beliefs of the whole workforce. This 'normative' approach (ie one that starts from a definition of what management thinks is right or 'normal') seeks 'commitment' and 'shared vision' but does not necessarily include involvement or participation.
- *Analytical* – a theoretical approach to the change process using models of change such as those described above. It proceeds sequentially from the analysis and diagnosis of the situation, through the setting of objectives, the design of the change process, the evaluation of the results and, finally, the determination of the objectives for the next stage in the change process. This is the rational and logical approach much favoured by consultants – external and internal. But change seldom proceeds as smoothly as this model would suggest. Emotions, power politics and external pressures mean that the rational approach, although it might be the right way to start, is difficult to sustain.
- *Action-based* – this recognizes that the way managers behave in practice bears little resemblance to the analytical, theoretical model. The distinction between managerial thought and managerial action blurs in practice to the point of invisibility. What managers think is what they do. Real life therefore often results in a 'ready, aim, fire' approach to change management. This typical approach to change starts with a broad belief that some sort of problem exists, although it may not be well defined. The identification of possible solutions, often on a trial and error basis, leads to a clarification of the nature of the problem and a shared understanding of a possible optimal solution, or at least a framework within which solutions can be discovered.

Quinn

According to Quinn (1980), the approach to strategic change is characterized as a process of artfully blending 'formal analysis, behavioural techniques and power politics to bring about cohesive step-by-step movement towards ends which were initially conceived, but which are constantly refined and reshaped as new information appears. Their integrating methodology can best be described as "logical incrementation".' Quinn emphasizes that it is necessary to:

- create awareness and commitment incrementally;
- broaden political support;
- manage coalitions;
- empower champions.

Nadler and Tushman

The guidelines produced by Nadler and Tushman (1980) on implementing change were:

- *Motivate* in order to achieve changes in behaviour by individuals.
- *Manage the transition* by making organizational arrangements designed to assure that control is maintained during and after the transition, and by developing and communicating a clear image of the future.
- *Shape the political dynamics of change* so that power centres develop that support the change rather than block it.
- *Build in stability* of structures and processes to serve as anchors for people to hold on to. Organizations and individuals can only stand so much uncertainty and turbulence (hence the emphasis by Quinn (1980) on the need for an incremental approach).

Bandura

The ways in which people change were described by Bandura (1986) as follows:

1. People make conscious choices about their behaviours.
2. The information people use to make their choices comes from their environment.
3. Their choices are based upon:
 - the things that are important to them;
 - the views they have about their own abilities to behave in certain ways;

- the consequences they think will accrue to whatever behaviour they decide to engage in.

For those concerned in change management, the implications of this theory are that:

- the tighter the link between a particular behaviour and a particular outcome, the more likely it is that we will engage in that behaviour;
- the more desirable the outcome, the more likely it is that we will engage in behaviour that we believe will lead to it;
- the more confident we are that we can actually assume a new behaviour, the more likely we are to try it.

To change people's behaviour, therefore, we have first to change the environment within which they work, secondly, convince them that the new behaviour is something they can accomplish (training is important) and, thirdly, persuade them that it will lead to an outcome that they will value. None of these steps is easy.

Beer, Eisenstat and Spector

Michael Beer (1990) and his colleagues suggested in a seminal *Harvard Business Review* article, 'Why change programs don't produce change', that most such programmes are guided by a theory of change that is fundamentally flawed. This theory states that changes in attitudes lead to changes in behaviour. 'According to this model, change is like a conversion experience. Once people "get religion", changes in their behaviour will surely follow.' They believe that this theory gets the change process exactly backwards:

In fact, individual behaviour is powerfully shaped by the organizational roles people play. The most effective way to change behaviour, therefore, is to put people into a new organizational context, which imposes new roles, responsibilities and relationships on them. This creates a situation that in a sense 'forces' new attitudes and behaviour on people.

They prescribe six steps to effective change, which concentrate on what they call 'task alignment' – reorganizing employees' roles, responsibilities and relationships to solve specific business problems in small units where goals and tasks can be clearly defined. The aim of following the overlapping steps is to build a self-reinforcing cycle of commitment, coordination and competence. The steps are:

1. Mobilize commitment to change through the joint analysis of problems.
2. Develop a shared vision of how to organize and manage to achieve goals such as competitiveness.
3. Foster consensus for the new vision, competence to enact it, and cohesion to move it along.
4. Spread revitalization to all departments without pushing it from the top – don't force the issue, let each department find its own way to the new organization.
5. Institutionalize revitalization through formal policies, systems and structures.
6. Monitor and adjust strategies in response to problems in the revitalization process.

Guidelines for change management

- The achievement of sustainable change requires strong commitment and visionary leadership from the top.
- Understanding is necessary of the culture of the organization and the levers for change that are most likely to be effective in that culture.
- Those concerned with managing change at all levels should have the temperament and leadership skills appropriate to the circumstances of the organization and its change strategies.
- It is important to build a working environment that is conducive to change. This means developing the firm as a 'learning organization'.
- People support what they help to create. Commitment to change is improved if those affected by change are allowed to participate as fully as possible in planning and implementing it. The aim should be to get them to 'own' the change as something they want and will be glad to live with.
- The reward system should encourage innovation and recognize success in achieving change.
- Change will always involve failure as well as success. The failures must be expected and learned from.
- Hard evidence and data on the need for change are the most powerful tools for its achievement, but establishing the need for change is easier than deciding how to satisfy it.
- It is easier to change behaviour by changing processes, structure and systems than to change attitudes or the corporate culture.
- There are always people in organizations who can act as champions of change. They will welcome the challenges and opportunities that change can provide. They are the ones to be chosen as change agents.

- Resistance to change is inevitable if the individuals concerned feel that they are going to be worse off – implicitly or explicitly. The inept management of change will produce that reaction.
- In an age of global competition, technological innovation, turbulence, discontinuity, even chaos, change is inevitable and necessary. The organization must do all it can to explain why change is essential and how it will affect everyone. Moreover, every effort must be made to protect the interests of those affected by change.

ORGANIZATIONAL TRANSFORMATION

Defined

Transformation, according to Webster's Dictionary, is: 'A change in the shape, structure, nature of something'. Organizational transformation is the process of ensuring that an organization can develop and implement major change programmes that will ensure that it responds strategically to new demands and continues to function effectively in the dynamic environment in which it operates. Organizational transformation activities may involve radical changes to the structure, culture and processes of the organization – the way it looks at the world. This may be in response to competitive pressures, mergers, acquisitions, investments, disinvestments, changes in technology, product lines, markets, cost reduction exercises and decisions to downsize or outsource work. Transformational change may be forced on an organization by investors or government decisions. It may be initiated by a new chief executive and top management team with a remit to 'turn round' the business.

Transformational change means that significant and far-reaching developments are planned and implemented in corporate structures and organization-wide processes. The change is neither incremental (bit by bit) nor transactional (concerned solely with systems and procedures). Transactional change, according to Pascale (1990), is merely concerned with the alteration of ways in which the organization does business and people interact with one another on a day-to-day basis, and 'is effective when what you want is more of what you've already got'. He advocates a 'discontinuous improvement in capability' and this he describes as transformation.

The distinction between organizational transformation and organization development

Organizational transformation programmes are business-led. They focus on what needs to be done to ensure that the business performs more effectively in adding

value, especially for its owners, and achieving competitive advantage. They will be concerned with building strategic capability and improving the ways in which the business reaches its goals. This means considering what needs to be done to ensure that people work and interact well, but they are not dominated by the concepts of behavioural science, as was the case in traditional OD interventions.

Types of transformational change

The four types of transformational change as identified by Beckhard (1989) are:

- *a change in what drives the organization* – for example, a change from being production-driven to being market-driven would be transformational;
- *a fundamental change in the relationships between or among organizational parts* – for example, decentralization;
- *a major change in the ways of doing work* – for example, the introduction of new technology such as computer-integrated manufacturing;
- *a basic, cultural change in norms, values or research systems* – for example, developing a customer-focused culture.

Transformation through leadership

Transformation programmes are led from the top within the organization. They do not rely on an external 'change agent' as did traditional OD interventions, although specialist external advice might be obtained on aspects of the transformation such as strategic planning, reorganization or developing new reward processes.

The prerequisite for a successful programme is the presence of a transformational leader who, as defined by Burns (1978), motivates others to strive for higher-order goals rather than merely short-term interest. Transformational leaders go beyond dealing with day-to-day management problems; they commit people to action and focus on the development of new levels of awareness of where the future lies, and commitment to achieving that future. Burns contrasts transformational leaders with transactional leaders who operate by building up a network of interpersonal transactions in a stable situation and who enlist compliance rather than commitment through the reward system and the exercise of authority and power. Transactional leaders may be good at dealing with here-and-now problems but they will not provide the vision required to transform the future.

Managing the transition

The transition from where the organization is to where the organization wants to be is the critical part of a transformation programme. It is during the transition period of getting from here to there that change takes place. Transition management starts from a definition of the future state and a diagnosis of the present state. It is then necessary to define what has to be done to achieve the transformation. This means deciding on the new processes, systems, procedures, structures, products and markets to be developed. Having defined these, the work can be programmed and the resources required (people, money, equipment and time) can be defined. The plan for managing the transition should include provisions for involving people in the process and for communicating to them about what is happening, why it is happening and how it will affect them. Clearly the aims are to get as many people as possible committed to the change.

The transformation programme

The eight steps required to transform an organization have been summed up by Kotter (1995) as follows:

1. *Establishing a sense of urgency*
 - Examining market and competitive realities
 - Identifying and discussing crises, potential crises, or major opportunities
2. *Forming a powerful guiding coalition*
 - Assembling a group with enough power to lead the change effort
 - Encouraging the group to work together as a team
3. *Creating a vision*
 - Creating a vision to help direct the change effort
 - Developing strategies for achieving that vision
4. *Communicating the vision*
 - Using every vehicle possible to communicate the new vision and strategies
 - Teaching new behaviours by the example of the guiding coalition
5. *Empowering others to act on the vision*
 - Getting rid of obstacles to change
 - Changing systems or structures that seriously undermine the vision
 - Encouraging risk taking and non-traditional ideas, activities and actions
6. *Planning for and creating short-term wins*
 - Planning for visible performance improvement
 - Creating those improvements
 - Recognizing and rewarding employees involved in the improvements

7. *Consolidating improvements and producing still more change*
 - Using increased credibility to change systems, structures and policies that don't fit the vision
 - Hiring, promoting and developing employees who can implement the vision
 - Reinvigorating the process with new projects, themes and change agents
8. *Institutionalizing new approaches*
 - Articulating the connections between the new behaviours and corporate success
 - Developing the means to ensure leadership development and succession.

The role of HR in organizational transformation

HR can and should play a key role in organizational transition and transformation programmes. It can provide help and guidance in analysis and diagnosis, highlighting the people issues that will fundamentally affect the success of the programme. HR can advise on resourcing the programme and planning and implementing the vital training, reward, communications and involvement aspects of the process. It can anticipate people problems and deal with them before they become serious. If the programme does involve restructuring and downsizing, HR can advise on how this should be done humanely and with the minimum disruption to people's lives.

DEVELOPMENT AND CHANGE PROCESSES

Team building

Team-building activities aim to improve and develop the effectiveness of a group of people who work (permanently or temporarily) together. This improvement may be defined in terms of outputs, for example the speed and quality of the decisions and actions produced by the team. It may also be defined in more nebulous terms, such as the quality of relationships or greater cooperation. The activities in team-building programmes can:

- increase awareness of the social processes that take place within teams;
- develop the interactive or interpersonal skills that enable individuals to function effectively as team members;
- increase the overall effectiveness with which teams operate in the organization.

To be effective, team-building programmes should be directly relevant to the responsibilities of the participants and be seen as relevant by all participants. They need to support business objectives, fit in with practical working arrangements and reflect the values the organization wishes to promote. Approaches such as action learning, group dynamics, group exercises, interactive skills training, interactive video, role-playing and simulation can be used. Team-building training is often based on either Belbin or Margerison and McCann classifications of team roles as listed in Chapter 20.

Outdoor learning (outdoor-based development) is another good method of providing team-building training. It can offer a closer approximation to reality than other forms of training. Participants tend to behave more normally and, paradoxically, it is precisely because the tasks are unrelated to work activities and are relatively simple that they highlight the processes involved in teamwork and provide a good basis for identifying how these processes can be improved.

Total quality management

Total quality management is an intensive, long-term effort directed at the creation and maintenance of the high standards of product quality and services expected by customers. As such, it can operate as a major influence in developing the culture and processes of the organization. The object is significantly to increase the awareness of all employees that quality is vital to the organization's success and their future. The business must be transformed into an entity that exists to deliver value to customers by satisfying their needs.

Continuous improvement

Continuous improvement is a management philosophy that contends that things can be done better. Continuous improvement is defined by Bessant *et al* (1994) as 'a company-wide process of focused and continuous incremental innovation sustained over a period of time'. The key words in this definition are:

- *Focused* – continuous improvement addresses specific issues where the effectiveness of operations and processes needs to be improved, where higher quality products or services should be provided and, importantly, where the levels of customer service and satisfaction need to be enhanced.
- *Continuous* – the search for improvement is never-ending; it is not a one-off campaign to deal with isolated problems.
- *Incremental* – continuous improvement is not about making sudden quantum leaps in response to crisis situations; it is about adopting a steady, step-by-step approach to improving the ways in which the organization goes about doing things.

- *Innovation* – continuous improvement is concerned with developing new ideas and approaches to deal with new and sometimes old problems and requirements.

Business process re-engineering

Business process re-engineering as a panacea emerged in the 1990s. It examines processes horizontally in organizations to establish how they can be integrated more effectively and streamlined. Re-engineering exercises can provide an overall approach to developing an organization but they often promise more than they achieve and they have been criticized because they pay insufficient attention to the human element.

Performance management

Performance management as a holistic – all-embracing – process for managing performance throughout an organization is one of the most commonly used instruments for improving organizational effectiveness. It is described in Part VII.