To Bobbi
And to the next generation . . .
Brian & Emily, Courtney & Darrin, and Donovan & Reni
And to the next generation after that . . .
William, Thomas, Julien, Adrian, and Madeleine

Organization CHANGE

THEORY AND PRACTICE

THIRD EDITION

W. WARNER BURKE
Teachers College, Columbia University

SAGE

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For information:



SAGE Publications, Inc.
2455 Teller Road
Thousand Oaks,
California 91320
E-mail: order@sagepub.com

SAGE Publications India Pvt. Ltd.
B 1/I 1 Mohan Cooperative
Industrial Area
Mathura Road,
New Delhi 110 044
India

SAGE Publications Ltd.
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55 City Road
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CHAPTER 1

Sources for Understanding Organization Change

Organizations change all the time, each and every day. The change that occurs in organizations is, for the most part, unplanned and gradual. Planned organization change, especially on a large scale, affecting the entire system, is unusual: not exactly an everyday occurrence. Revolutionary change—a major overhaul of the organization resulting in a modified or entirely new mission, a change in strategy, leadership, and culture—is rare indeed. Most organization change is evolutionary. These two distinctions, planned versus unplanned and revolutionary versus evolutionary, represent core themes of this book. To be unequivocal here at the outset, the emphasis is more on planned and revolutionary change.

The reason for this emphasis is the clear and present need for a greater depth of understanding of organization change. Current and future trends in the external environment in which organizations function necessitate such an understanding. Unlike the situation a few decades ago, the external environment now changes much more rapidly than organizations do. Organizations today are playing catch-up, and certainly they will do so even more in the future. Capital markets, for example (see Chapter 2), are definitely changing more rapidly than the business organizations that depend on them. Moreover, business organizations in particular do not last as long as they have in the past. Thus, we need to know much more than ever before about how to understand, lead, manage, and in particular, change organizations. And this gives rise to the purpose of this book.

In attempting to understand organizations in greater depth, another distinction is important. Organizations are created and developed on an assumption of continuity, to continue surviving, and to last. The external environment, while continuously "out there," is *not* continuous in the same sense that organizations are. Factors and forces in an organization's external environment are discontinuous, do not fit neatly together in a pattern, are not interdependent, homeostatic, linear, or highly predictable. Forces in the external environment can cause destruction but can cause creativity as well. This continuous-discontinuous theme also runs throughout the book and is analogous to the organizational theory literature; this body of books and articles addresses mainly continuity and stabilization, not discontinuity and change. Although not exclusively, many sources for help in writing this book had to come from the nontraditional literature.

First, as noted, the organizational theory literature is about continuity and stabilization. So one must search diligently for theory about organization change. Such literature exists, and much of it is cited and relied on in this book. In addition to using theoretical references, I have also relied on models of organizations that come from the organization change literature. Models are important because they help to link theory with practice. In fact, models are covered in 4 of the 14 Chapters in this book.

A *second* potential source for knowledge and assistance is the trade literature, professional books written by credible, experienced practitioners such as Peters and Waterman (1982) with their best-seller, *In Search of Excellence,* and later, *Built to Last,* by Collins and Porras (1994). These writings typically focus on organization exemplars: This is what to learn from, to model, and to follow. The authors draw conclusions from these model organizations and sometimes even derive principles about how organizations should be led and managed. Peters and Waterman had eight such principles: for example, "stick to your knitting." Collins and Porras stressed the power of culture as facilitating continuity and stabilization over time. The problem here is that by using popular, actual organization cases as the base from which to derive principles, sooner or later—and today it is much sooner rather than later—the organizations studied and showcased no longer illustrate the principles because things have changed. The model organizations have perhaps fallen on bad times, have become acquired—or worse, have filed for Chapter 11. The principles become passé, are no longer (if they ever were) relevant, and are soon forgotten. Sticking to one's knitting in this day and age may be the opposite of what to do in business. In fact, in a recent article, Peters (2001) "confesses" that a number of the conclusions in the 1982 book were guesses and opinions rather than rigorously based on data.

Another form that trade books take is for the author(s) to distill "wisdom" from many years of experience as a consultant, a teacher, or an executive, or some combination of these roles. The accumulated wisdom is based on lessons learned. Such books by executives include those by Rudolph Giuliani's (2002) *Leadership,* Jack Welch's (2001) *Jack: Straight from the Gut,* and Larry Bossidy and Ram Charan's (2002) *Execution: The Discipline of Getting Things Done.*

A highly popular book on organization change by a consultant is the one by Peter Block (1981) on flawless consulting. The book is based on the author's many years of both internal and external consulting and provides a "guide for developing the necessary skills for 'flawless' consulting" (from the dust jacket). The author provides "suggestions for further reading" of other books; otherwise, there are no references to any research or theory about organization change.

An example of this form of book, distilling wisdom, is John Kotter's (1996) *Leading Change.* Kotter, an academic, a frequent speaker at conferences, and an occasional consultant, draws on his experience in executive programs discussing with participants' cases of organization change, and he wrote many of the cases himself. From these experiences, he declares that leading change consists of an eight-stage process:

1. Establishing a sense of urgency
2. Creating the guiding coalition
3. Developing a vision and strategy
4. Communicating the change vision
5. Empowering employees for broad-based action
6. Generating short-term wins
7. Consolidating gains and producing more change
8. Anchoring new approaches in the culture

Kotter (1996) provides many examples throughout his coverage of the eight stages. His book has been popular and can still be easily found at your local bookstore. The book's popularity is due in part to (a) Kotter's status and reputation in the field, (b) his ability to distill into eight stages a mass of case examples, and (c) the face validity of the eight stages—they sound plausible and relevant.

This form of trade book, based on author experience and wisdom, can be helpful to the reader but nevertheless is problematical. Following Welch's ideas for how to bring about organization change, Block's guide

for how to facilitate change as a consultant, and Kotter's eight stages can be helpful, but remember that the wisdom is based on one individual's experience and knowledge. In Kotter's book, for example, there are no references or bibliography. But it is in the trade book category, after all, and such things are not necessarily expected. Without independent verification and validation that what these authors recommend actually works under a variety of circumstances, however, leaves me with some concerns and skepticism. Maybe it's just my nature. And can any of us achieve what Jack Welch did, even by following his advice? I seriously doubt it.

A *third* potential source is "story" books that have a clear and usually simple maxim to teach. The book tells a story, perhaps based on a metaphor or in allegorical form. A bestseller in this genre is *Who Moved My Cheese?* (Johnson, 1998). A more recent one is by our friend John Kotter (2005) written with his colleague, Holger Rathgeber, and titled *Our Iceberg Is Melting.* He now has published works in all three of my categories—organizational scholarly literature, trade books, and story books. Kotter and Rathgeber's *Iceberg* book is about a colony of penguins whose home, a large iceberg, is slowly melting and they must find a new home; in other words, they must deal with change. As the dust jacket notes:

Their story is one of resistance to change and heroic action, confusion and insight, seemingly intractable obstacles, and the most clever tactics for dealing with those obstacles. It's a story that is occurring in different forms all around us today—but the penguins handle the very real challenges a great deal better than most of us.

The book includes attractive pictures and is indeed a charming story. Such books are easy and often fun to read. The author wants us to remember the maxim, and a story is a fine way to do it. These books often sell well. Unfortunately, they tend to *over*simplify the theme(s) they are addressing. Regardless of how charming it might be, organization change is far too complex for a simple story to teach us what we ultimately need to know.

There are some books that are not as easy to categorize. They represent a combination of categories. The book summarized in Chapter 2 and in the Appendix by Foster and Kaplan (2001), *Creative Destruction,* is both a trade book and a research-based one. The premise of their book is that the external environment for corporations, especially capital markets, changes today more rapidly and is more complex than ever before. Moreover, corporations today experience what Foster and Kaplan refer to as "cultural lock-in"; they cannot change themselves rapidly enough to remain a high-performing organization—assuming they were in the first place. The authors of this book amass an impressive amount of data to support their premise.

Another example is the book by Pascale, Milleman, and Gioja (2000), *Surfing the Edge of Chaos,* cited in this text and also summarized in the Appendix. This is a trade book that incorporates theory. They make their case for organization change and then assert that understanding the applicability of chaos theory and theory from life sciences will greatly facilitate successful change. Much of their book is devoted to cases from corporations around the world that support their arguments.

Yet another example of blending my categories and one that we will now devote considerable attention to is the highly popular *The Tipping Point,* by Malcolm Gladwell (2000). This book fits the trade category but is very effectively grounded in research, particularly from the social and behavioral sciences. In other words, Gladwell did his homework. His more recent book, *Blink* (2005), is cast in the same manner, combining interesting ideas with research, focusing in this case a lot on human intuition. *The Tipping Point* is more applicable to organization change—thus our attention to his earlier work.

The Tipping Point

Gladwell (2000) provides one of the more fascinating accounts of how change occurs. The book gets its title from the phenomenon of how, for example, a virus gradually spreads and, at a certain point, becomes an epidemic, or how a fashion trend starts small and all at once becomes a fad (Gladwell uses the example of the revival of Hush Puppies shoes in the mid-1990s). He also described how the crime rate in New York City during the 1990s decade went from one of the worst in the country to one of the best—the rate curve from the mid-1960s to the late 1990s looks like a big arch. A small number of people started behaving very differently in certain situations and that behavior gradually "spread to other would-be criminals in similar situations . . . [and] somehow a large number of people in New York got 'infected' with an anti-crime virus in a short time" (p. 8).

Gladwell (2000) pointed out that these phenomena have three characteristics in common: (1) contagiousness, (2) the fact that small causes can have big effects, and (3) the fact that change occurs at one dramatic moment, not gradually. Contagiousness is easy to understand (the spread of colds or the flu), but there are many "epidemics" that occur from contagion that are not related to health, such as hearing a song that you love and telling others to listen to it, or singing or whistling to them. Gladwell uses the example of yawning as a contagion that fits as an experience for most, if not all, of us.

The second principle, according to Gladwell (2000)—that little changes can have large consequences—is perhaps not as easy to grasp. We tend to believe that to have a large impact, we need to do something dramatic and big. In mathematics, however, the principle of geometric progression is more accurate for understanding change, for example, when a virus spreads, it keeps doubling and is *not* proportional. The end result seems out of proportion to the cause. "We need to prepare ourselves for the possibility that sometimes big changes follow from small events, and that sometimes these changes can happen very quickly" (Gladwell, 2000, p. 11).

Gladwell (2000) claims that the third characteristic or principle, that of change happening suddenly, may be the most difficult one to accept. The principle may be difficult to accept for the general public, but for those who understand about organizational transformation, it should be fairly easy to accept. The tipping point is the moment of critical mass and can occur suddenly and rapidly; for example, the fax machine first sold at 80,000 units in 1984, and rose steadily until 1987, when a million machines were sold, and by 1989 it sold 2 million. The tipping point was 1987. The same phenomenon occurred for cell phones, pregnancy among teenagers, a syphilis epidemic in Baltimore, and for many examples we could name.

Various explanations are given for epidemics, such as a technological breakthrough, or crack cocaine use in the Baltimore case. But such explanations do not account for the suddenness of change, the tipping point. Crack cocaine was around before the syphilis epidemic. Gladwell (2000) explained:

> There is more than one way to tip an epidemic, in other words. Epidemics are a function of the people who transmit infectious agents [what Gladwell calls the "Law of the Few"], the infectious agent itself [the "Stickiness Factor"], and the environment in which the infectious agent is operating [the "Power of Context"]. And when an epidemic tips, when it is jolted out of equilibrium, it tips because something has happened, some change has occurred in one (or two or three) of those areas. (pp. 18–19)

The Law of the Few

Change happens in part because of a few people who initiate the spread of the "virus." These people are not ordinary, and Gladwell discussed three types: connectors, mavens, and salesmen. Most of us are probably familiar with the notion of "six degrees of separation," the finding that two persons chosen at random from distant parts of the country can be shown to be

connected by no more than about five or six steps; that is, there is a chain of about five people who form a chain of acquaintance that connects the two randomly chosen individuals (Milgram, 1967). But as Gladwell (2000) pointed out, not all these six degrees are equal; a few people are much more tightly connected than most. These connectors have "a special gift for bringing the world together" (p. 38). They are individuals who are curious about people, occupy many different worlds and subcultures, and like people more than most of us do. Connectors do not necessarily start epidemics; they facilitate the process. And, remember, they are few in number.

Mavens are collectors of information. They know the latest prices of any product you might be interested in; they know the best restaurants, how to get tickets for the hottest Broadway show, where the ladies' room is in Macy's, and so on. But the key is that they love to *share* what they know; they are information brokers. This makes them connectors as well. They do not try to sell you on what they know, however. That's the other kind of person who can help with change, according to Gladwell (2000).

To get the message across and have it affect people, one has to be persuasive. To be an effective persuader and salesperson, one understands somehow that little things can make big differences. Small, subtle nonverbal cues (head nod, eye contact, slight smile) are often more important than verbal ones. Good salespeople use themselves effectively by tuning in quickly to the person they are trying to persuade. They pick up on the other person's nonverbal behavior and use this information to relate, to empathize, and to influence. Good salespeople are critical to spreading the "change virus."

The Stickiness Factor

The few connectors, as messengers, do indeed matter, but so does the message content. As examples of getting a message to stick, Gladwell (2000) discussed the children's educational television shows *Sesame Street* and *Blue's Clues,* as well as other examples from marketing and advertising. Two of his points stand out. One is how important it is to try different forms of communicating the same message and to tinker around the edges with symbols, colors, icons, and so on, to see what will "stick." For example, the warmth and charisma of the Muppets and Big Bird made a big difference in what children learned and remembered. Another perhaps more important feature of stickiness is having a story, or narrative, that can be told and told again. This notion underlies the success of *Blue's Clues.* The importance of the change leader's story cannot be underestimated, and repeating the same message in a variety of ways helps

with retention or stickiness. Connectors relay the story, but the story itself needs to have meaning, address the identity of the organization and its members, move people to action, and communicate values for change to get launched and to stick.

The Power Context

Again, small matters can have large consequences. It doesn't take much to change the context, the ways that people perceive their immediate environment. Focusing on quality-of-life crimes in New York City—for example, arresting people for (a) jumping turnstiles in subway stations, (b) spraying graffiti, and (c) demanding money when washing car windshields at intersections—changed the context. People, including would-be criminals, began to behave differently. In citing a number of psychological studies such as Zimbardo and his colleagues' (Haney, Banks, & Zimbardo, 1973) mock prison experiment, Darley and Batson's (1973) study of helping behavior, and Hartshorne and May's (1971) research on cheating, Gladwell (2000) pointed out that the situation (context) determines in part what people do. We know the importance of the situation, of course, from Lewin's (1947) original "formula" that $B = P/E$, or behavior can be explained only as a function of the combination or interaction of one's *personality* and how one perceives one's *environment.*

Another aspect of context that Gladwell (2000) addressed is the "magic number," 150. This number of people, as it turns out, is a tipping point. We know very well that peer pressure and social norms are huge influences on human behavior. In fact, peer pressure is more powerful than the influence of a boss. We understand the power of a group for either good or bad. What we may not understand as clearly is the importance of group size. For example, a good answer to "What is the ideal size of a work team?" is 7 plus or minus 2. This response is based on "Miller's law." George Miller (1956), a noted psychologist, decades ago found that our mental capacity for keeping up with things all at the same time or remembering sets of independent facts, such as a telephone number, is about 7. Some of us can deal with only about 5 independent activities, tasks, or things we need to remember. Others of us can deal with up to 9 simultaneously, but for most of us it is 7. But what about dealing with 149 other people? To get to this answer, we need to understand two more findings from the behavioral sciences: *social channel capacity* and *transactive memory.*

Gladwell (2000) cited the work of British anthropologist Robin Dunbar (1992) to explain our *social channel capacity.* In his studies of groups of primates and humans, Dunbar began with the fact that if, for example, you belong to a group of 5 people, you have to keep track of 10 separate relationships: yours with the 4 others in your group and their 6 other two-way relationships. If you belong to a group of 20 people, keeping track becomes more complicated. You now have 190 two-way relationships: 19 for yourself and 171 for the others. So, a small increase significantly multiplies the social and intellectual tasks. Dunbar's research time and again showed that 147.8 (let's round it to 150) is the figure that represents the maximum number of persons "with whom we can have a genuinely social relationship [i.e.,] knowing who they are and how they relate to us" (Gladwell, 2000, p. 179, citing Dunbar).

Quite independently from Dunbar's research, the Hutterites, a religious group referred to by Gladwell (2000), have structured their colonies for several hundred years to be no more than 150 individuals. They claim that when a group is larger than 150, people tend to become strangers to one another and the efficiency of group management dissipates. Taking another example, from the business world, Gladwell discussed the structuring and grouping of employees in Gore Associates, a $1 billion-plus privately held company that manufactures high-tech fabric (Gore-Tex®), dental floss, coatings for computer cables, filter bags, and a variety of tubes for the automobile, semiconductor, pharmaceuticals, and medical industries. Gore Associates sticks with the rule of 150. With thousands of employees across the company, no work unit (e.g., a manufacturing plant) is composed of more than 150 people. They have found from experiences over the years and especially in dealing with growth of the company that "things get clumsy at 150" (Gladwell, 2000, p. 184). Gore Associates is also known, incidentally, for its "free form" of organizing and running its operations—no hierarchy, no titles, and essentially no formal management.

Using the idea of *transactive memory* to further explain the importance of the number 150, Gladwell (2000) referred to the work of the psychologist Daniel Wegner (1991). The argument by Wegner is that when "people know each other well, they create an implicit joint memory system—a transactive memory system—which is based on an understanding about who is best suited to remember what kinds of things" (Gladwell, 2000, p. 188). Family members transact all the time: Mom knows where things are in the attic, and Dad knows where everything is in the basement. So, any given family member does not have to keep track of everything. Transactive memory is not just that you know someone or even like the person necessarily; it is more about knowing what the other person is capable of, what his or her skills are, what he or she knows, and whether you can count on the person. As Gladwell summarized the Gore Associates way of operating,

> [What they have] created, in short, is an organized mechanism that makes it far easier for new ideas and information moving

> around the organization to tip—to go from one person or one part of the group to the entire group all at once. That's the advantage of adhering to the Rule of 150. You can exploit the bonds of memory and peer pressure. (p. 191)

With respect to peer pressure, it is a matter of knowing people well enough so that what they think of you makes a difference. So, to expedite your change epidemic, that is, to spread shared ideas and ideals, change leaders need to be aware of this final, important facet of context. Crossing the 150 line will adversely affect both efficiency and effectiveness.

Summarizing an entire book in a few pages does not do justice to the richness of Gladwell's ideas, his primary points, and the thoroughness of his scholarship. Our purpose nevertheless is to apply the tipping point principles to organization change. In other words, what if we took Gladwell's principles seriously and made an effort to use them? We will do so in Chapter 14.

The sources for this book have therefore generally come from the type of organization literature that one would assume—organizational psychology, organization and management theory, and organizational behavior—but not exclusively. The life sciences have much to teach us about change and in fact have become a recent trend in the organization literature. Even the nontrendy *Harvard Business Review* published an article by Bonabeau and Meyer (2001) on "swarm intelligence." The behavior of ants, with their flexibility, robustness, and self-organization (as the authors summarize it), can be applied to certain aspects of running a business and result in significant increases in efficiency. The primary source for this book in this domain is *The Web of Life*, by Capra (1996).

Other sources are literature from chaos theory, from nonlinear complex systems theory, and from as far afield (although highly relevant) as Gladwell's (2000) book, *The Tipping Point*, which we have summarized and will further apply later in this text. For an annotated bibliography of these and other primary sources, see the Appendix.

One final point about the nature of this book: The attempt was made to combine and to some degree integrate theory and research with application. After setting the stage in Chapter 2 and providing some background and history in Chapter 3, Chapters 4 to 8 are more about theory and research, and Chapters 9 through 14 deal more with application and practice.

CHAPTER 2

Rethinking Organization Change

Most efforts by executives, managers, and administrators to significantly change the organizations they lead do not work. By "change significantly," I mean to turn the organization in another direction, to fundamentally modify the "way we do things," to overhaul the structure—the design of the organization for decision making and accountability—and to provide organizational members with a whole new vision for the future. And in the ever-increasing world of mergers and acquisitions, 75% fail at this (Burke & Biggart, 1997; "How Mergers Go Wrong," 2000). To survive, especially for the long term, organizations must change and adapt to their environments, but typical changes consist of fine-tuning: installing a new system for sales management; initiating a program to improve the quality of products or services; or changing the structure to improve decision making without first changing organizational strategy, which is, after all, the basis for decision making.

Examples of significant and successful organization change will be presented in this book. These examples, however, are exceptional. Most organization change is not significant or successful. Organizational improvements do occur, even frequently, and do work, but large-scale, fundamental organization change that works is rare. Why is this the case?

There are many reasons. First and foremost, deep organization change, especially attempting to change the culture of an organization, is very difficult. Second, it is often hard to make a case for change, particularly when the organization appears to be doing well. Nothing is broken, so what's to fix? A paradox of organization change is that the

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peak of success is the time to worry and to plan for and bring about significant change.

Third, our knowledge for how to plan and implement organization change is limited. The primary purpose of this book is an attempt to rectify this limitation, at least to some extent. Let's begin with a fundamental issue.

Accepted knowledge of organization change is that we plan the change according to steps or phases. Step 1 is, perhaps, to inform organizational members about the need for change. Step 2 might be to implement an initial project that gradually expands to a larger program of change, and so on. But the actual change itself does not occur according to steps. It's another paradox.

The Paradox of Planned Organization Change

In an Associated Press release on June 1, 2001, the Federal Communications Commission head at the time, Michael Powell, referring to the shift to digital technology, was quoted as saying that "it will be messy and it will be confusing, and we will get a lot of it wrong and we'll have to start over. But that's the creative process, that's the evolutionary process" (Srinivasan, 2001, p. 6A). *Revolutionary* process might have been more accurate; in any case, Mr. Powell described the change process very realistically. I thought at the time, this man knows what he is talking about.

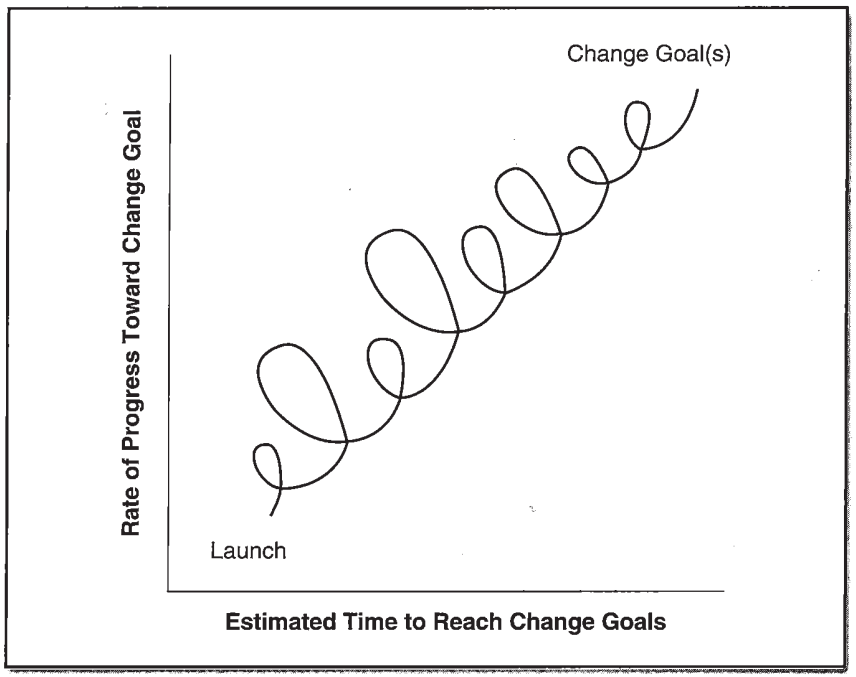
As stated previously, when planning organization change, the process is usually linear, that is, Step 1 or Phase 1, then Step 2, 3, and so on. And although an attempt is made in the implementation of change to follow these steps or phases, what actually occurs is anything but linear. The implementation process is messy: Things don't proceed exactly as planned; people do things their own way, not always according to the plan; some people resist or even sabotage the process; and some people who would be predicted to support or resist the plan actually behave in just the opposite way. In short, unanticipated consequences occur. Leaders of change often say something like, "For every step forward we take, we seem to fall back two steps; something always needs fixing to get us back on track."

Provided the change goals are clear and change leaders are willing to stay the course, over time, the process may end up being somewhat

linear, or at least a pattern may emerge. But linearity is not what anyone experiences during the implementation process itself, in the thick of things, which may feel chaotic, with people in the organization constantly asking the question "Who's in charge here?" Figure 2.1 is a simple way of trying to depict this nonlinear process yet show at the same time the possibility of an emergent pattern. But no pattern will emerge unless there is a clear change goal or goals. The end in mind (although in organization change there are milestones that are reached but probably no *end* state) is what "pulls" or establishes a pattern.

Consider the figure further: We launch the change effort with some new initiative, for example, a different way of evaluating and rewarding performance from, say, results only as the index of performance to a "balanced scorecard" (Kaplan & Norton, 1996). In planning for the change, we were counting on a number of key executives to support it, and we assumed that certain others would be resistant. Once the initiative was launched, to our surprise, we found that some of the executives that we were counting on for support actually resisted the change and

Figure 2.1 Depiction of the Nonlinear Nature of Organization Change



some that we believed would be resistant turned out to be advocates. Thus, we faced a need to regroup, in a sense, and work hard on those now resisting that we had assumed would be supportive, and at the same time, rally around those now advocating the change who we thought were going to resist. In other words, we needed to "loop back." This occurrence, while unanticipated, does not necessarily represent a huge block or barrier to the change effort overall, and therefore the loop is not very large but requires a loop back to fix the problem nevertheless.

Note that the second loop is larger. It may have been necessary to install a new computer software program to facilitate the change to a different way of tracking and recording performance at the individual, work unit, business unit, and overall organizational levels. But what we found, let's say, was that the software package did not work satisfactorily. So, we have to loop back and fix the software problem. It represents a significant problem to fix and therefore the loop is larger. And so it goes. The managing change process as depicted in the figure is one of dealing with unanticipated consequences that occur when we intervene in the organization's normal way of doing things with a new way. Let us be clear: We must plan change yet understand that things never turn out quite as we planned. It's a paradox.

How organization change occurs, with particular emphasis on *planned* organization change, is the primary theme of this book. The assumption that organizations need to change is embedded in what has been stated so far. I will now expound on this assumption by making the case for organization change. Next, I will declare myself by explaining my points of view about organization change. These points of view provide an overview of the book, or "coming attractions." More than what is to come, these points of view also reveal my biases about what is important, if not critical, in organization change. So, here at the outset of our journey, I am declaring myself. Even with these biases on display, I hope you will continue the journey with me.

Making the Case for Organization Change

Changing Corporations

My primary source for this section is the volume by two McKinsey consultants, Foster and Kaplan, *Creative Destruction* (2001), referred to earlier in Chapter 1. In contrast to popular business books such as *In Search of Excellence* (Peters & Waterman, 1982) and *Built to Last* (Collins & Porras, 1994), Foster and Kaplan, with their data from more than 1,000 corporations in 15 industries over a 36-year period, argue that we now are clearly in the "age of discontinuity," as Drucker (1969) earlier predicted.

Consider the following points made by Foster and Kaplan (2001). The first *Forbes* top 100 companies list was formed in 1917. *Forbes* published its original list again in 1987. In 1987, 61 of the original 100 no longer existed. And of the remaining 39 companies, only 18 remained in the top 100: companies such as DuPont, General Electric (GE), Kodak, General Motors, Ford, and Procter & Gamble. These 18 companies survived but, according to Foster and Kaplan, did not perform. Long-term earnings returns by these companies for their investors from 1917 to 1987 were not exactly outstanding: 20% less than for the overall market. Today, only GE performs above the average.

Next, Foster and Kaplan (2001) refer to the Standard & Poor's (S&P) 500. Comparing the 500 in 1957 with those in 1998, only 74 remained on the list, with a mere 12 of those 74 outperforming the S&P index itself. Moreover, "If today's S&P 500 were made up of only those companies that were on the list when it was formed in 1957, the overall performance of the S&P 500 would have been about 20% less *per year* than it actually has been" (Foster & Kaplan, 2001, p. 8). As the authors then ask, how can it be that so many companies do not survive and that those that do survive, with few exceptions, perform below average?

Part of the answer rests with the pace-of-change phenomenon that Foster and Kaplan (2001) use as their opening lines. In 1917, the pace of change was indeed much slower than it is today. During that time and continuing on into the 1920s and 1930s, even with the climatic changes of the Great Depression, the turnover rate of companies in the S&P rankings averaged 1.5% a year. A new company making the list then could expect to remain for about 65 years. As Drucker (1969) pointed out, in those days, change was not a major concern. Continuity was the goal and the way of operating. Vertical integration was the name of the game—that is, owning as much of the production chain as possible, from raw materials to distribution to the customer. But in 1998, "The turnover rate in the S&P 500 was close to 10%, implying an average lifetime on the list of ten years, not sixty-five!" (Foster & Kaplan, 2001, p. 11). Times have changed, and we are living in the age of discontinuity for corporations, not continuity.

The larger answer to Foster and Kaplan's (2001) question about corporate survival and performance can be found in a corporation's

external environment. Although any organization's external environment consists of many factors—customers, the general economy, the changing demographics, and changing government regulations, to name a few—one of the most powerful factors or forces for business, especially those that are publicly owned, is the *capital market.* Capital markets are informal aggregations, not highly organized and structured as are corporations. Capital markets consist of buyers, sellers, and others who interact for the purpose of economic exchange. These businesspeople are loan officers in banks, investment bankers, stockbrokers, stock analysts, venture capitalists (those who often help to start companies), and anyone else who has money to invest. Although not acting in concert, these people decide whether your business, your company, and your vision for the future of your organization is worthy of investment. Is your company worth the risk of loaning you $1 million, of buying 1,000 shares of your stock, or investing money to help you with your desire to acquire another business? So, this informal aggregation of buyers and sellers forms a powerful force in the organization's environment, determining in part the long-term survival and success of a company. This world is largely a business-to-business arena, and a business can live or die from the vagaries of the marketplace. The point Foster and Kaplan make is that capital markets change far more rapidly than do corporations, are based on an assumption of discontinuity, not continuity, weed out poor performers, reward creativity and innovation, and encourage new business entries into the marketplace.

Before going too far with the concept of the power of capital markets to determine the fate of corporations, we should pause for a moment and make the most critical point of all, lest we overlook a fundamental one. In the end, it is the *consumer,* the customer out there in the organization's external environment, who determines the fate of any business. Will anyone, after all, actually buy our products and services?

By the time my son, Brian, was about 11 years old, he had amassed a huge collection of baseball cards. When I asked him why he had so many, he quickly told me that his collection was an investment. These cards, he informed me, would be worth far more money in a few years than what he'd paid for them. Ah, I thought, here is a teachable moment! So, I patiently explained that his investment would pay off if and only if someone in a few years were willing to buy these cards from him. Brian's reaction to my explanation was something like, "Dad, I don't think you really understand." Obviously, he had a huge psychological investment in those cards.

So, it is the consumer to whom the capital markets folks pay attention. Will anyone out there buy this stuff, pay for these services, and keep on doing so for the foreseeable future?

The primary point made by Foster and Kaplan (2001), then, is that capital markets outpace corporations, the rate of change is considerably different, and the basic assumptions of the two for long-term survival are opposites: discontinuity for the capital markets and continuity for corporations. For corporate survival and success, Foster and Kaplan argue that companies must abandon the assumption of continuity; corporations must understand and mitigate, as they call it,

> "Cultural lock-in," the inability to change the corporate culture even in the face of clear market threats—[this] explains why corporations find it difficult to respond to the messages of the marketplace. Cultural lock-in results from the gradual stiffening of the invisible architecture of the corporation and the ossification of its decision-making abilities, control systems, and mental models. It dampens a company's ability to innovate or to shed operations with a less-exciting future. Moreover, it signals the corporation's inexorable decline into inferior performance. (p. 16)

Changing Government Agencies

Government agencies are also having to deal with changes in their external environments. Take, for example, the National Aeronautics and Space Administration (NASA). The external environment for NASA is just as complex as a corporation's, if not more so. Every day, NASA deals with the public at large, the U.S. Congress, the president and the executive administration, contractors, vendors and consultants, the scientific community, and various watchdog organizations that constantly monitor how taxpayer dollars are spent. Daniel Goldin, the administrator of NASA for about a decade, significantly affected the organization as a change leader. His mantra of "faster, better, cheaper" permeated the agency. Goldin was quite clear about who he and NASA served: the American public through its elected representatives, such as the president and Congress. His response to this critical part of NASA's external environment, under the banner of faster, better, cheaper, drove and continues to drive changes at this federal agency.

At the state level, a good example of significant change took place in Ohio, driven by the governor and a desire to be more efficient and

customer focused for the people of the state; several separate agencies merged into a much larger one of about 4,000 state employees. The merged organization, the Ohio Department of Job and Family Services, has the responsibilities of providing for families in need, especially those on welfare and with children who require special care, and of contributing to the Ohio workforce through unemployment support, training, and development. With more federal tax dollars being delegated to the states for administration and services, these government organizations have had to deal with significant change.

Changing Higher Education Institutions and Nonprofit Organizations

Institutions of higher education no longer exist exclusively in the nonprofit sector. The University of Phoenix, for one, is a profit-making company and by all accounts is doing quite well. Even though they have a fairly sizable campus with classrooms in Phoenix, their forte is distance learning. They are more expensive than many of their competitors, but they focus on customer convenience and service. This relatively recent entrant into the world of higher education has caused a stir and has begun to call into question the long-term survival of many colleges, especially if they drag their feet on implementing technology. Moreover, with tuition increasing every year, many colleges and universities may be gradually pricing themselves out of the market. So, even in the domain of higher education, which includes some of the oldest, most traditional types of organizations in the world, the external environment is changing. Unless colleges and universities adapt, their traditions may not last, at least not for the centuries they have in the past.

With respect to the changing world for nonprofit organizations, consider the case of the A. K. Rice Institute (AKRI). This institute was founded in Washington, D.C., by a group of psychologists, psychiatrists, and related professionals who were keenly interested in the form of human relations and group dynamics training and education that had been developed by the Tavistock Institute in the United Kingdom. In the United States, the foundation took the name of A. Kenneth Rice because he was instrumental in bringing to this side of the Atlantic the methods and theory of this form of education. From 1965 until recently, AKRI has steadily grown and extended roots all across America through regional affiliates. AKRI has been both a membership organization (with dues) and an educational institute that holds national and regional conferences (learning laboratory groups) throughout the year. Qualified members of AKRI serve as staff for its educational conferences.

The primary point to be made with this example of an organization and its relation with its external environment is the distinct possibility that AKRI has not been sufficiently *in touch* with its external world. This insularity has been due in part to (a) the desire of members to work and, of course, earn money as staff for the conferences and (b) broader issues of membership per se; that is, what do we get in return for our dues, and who gets selected and why? These issues have been all-consuming. Members not selected or not selected often enough to staff conferences became angry and resentful. Blame was directed at the national organization, which was perceived to be overly restrictive and limited in its decision making. It is interesting that the exciting group process of the conferences—learning experientially about issues of authority, leadership, individual-group interactions, and the power of the group as a whole—became the mode members and committees used to attempt to deal with AKRI itself. In other words, the real work before the institute was often left undone because the sexier way of working was the conference learning process, as opposed to tackling tasks and accomplishing objectives on behalf of AKRI itself. Confronting AKRI, *the authority,* was more fun than dull and time-consuming committee work.

The problem, therefore, has been the dual and somewhat conflicting missions of the institute, that is, to be a membership organization and serve its members, while at the same time having an educational mission for the public at large. Membership issues often prevented effective accomplishment of the educational mission. And to be effective at the latter, AKRI's external environment needed to be monitored and responded to more directly, instead of indirectly via its members, who were often conflicted between an individual desire to earn money and a desire to give back to and serve AKRI. AKRI has recently launched a significant organization change effort to modify its bylaws and governance structure in support of one mission, the educational one, and to close down its membership structure. Among a number of other consequences, this change will force AKRI to be significantly more in touch with its external environment. And the likelihood is much greater that AKRI will indeed survive and perhaps be even more successful in the future, at least until the external environment changes again.

Summary

The sections in this chapter so far have been about changing corporations, changing government agencies, and changing higher educational institutions and nonprofit organizations, which have served as examples of the critical nature of organizations' external environment and their dependence on it for survival. These examples have also illustrated how organizations of all kinds today are having to deal with environments that are changing more rapidly than the organizations themselves. In fact, the remainder of this book could be filled with such examples alone. The ones covered are illustrative only, not comprehensive.

The primary purpose, therefore, of these sections has been to make the case for the need for a much greater depth of understanding about organization change across all major sectors of organizations. With the rate of change becoming faster and faster and the demands on organizations to adapt and change themselves becoming greater and greater, our learning curve is steep. This book, then, is an attempt to climb that curve and provide more depth of understanding. Our need is to understand organizations more thoroughly, but the greater need is to learn more about how to change them.

Another purpose in presenting these examples of changing organizations and their interactions with their external environments was to introduce, perhaps not so subtly, a particular point of view about organization change: That the process begins (and ends, for that matter) with the external environment.

The objective of the following sections is to be more explicit about points of view and to provide with these personal declarations a preview of coming attractions.

Personal Declarations and Points of View

The purposes of the final section of this chapter are (1) to provide personal points of view about organization change, especially planned organization change, and (2) to provide very briefly an overview of what is covered in each of the following chapters.

The Metaphor of Choice

As Gareth Morgan (1997) has so eloquently explained, we can understand an organization through a variety of metaphors, such as a machine, a brain, a psychic prison, or an organism. Morgan appropriately warns us about metaphors: that although they are a way of seeing, at the same time they are a way of not seeing. Metaphors can help but can also limit our perspective and ultimate understanding.

With this warning clearly in mind, the metaphor of choice for this writing effort is the organism. A major strength of this metaphor is the emphasis on the interactions between an organization and its external environment. An organization, therefore, is *not* a closed system, a fact that encourages viewing it as an open and flexible entity. A second strength, as Morgan (1997) has pointed out, is the emphasis on survival; that is, certain needs must be satisfied for the organization to survive:

> This view contrasts with the classical focus on specific organizational goals. Survival is a process, whereas goals are often targets or end points to be achieved. This reorientation gives management greater flexibility, for if survival is seen as the primary orientation, specific goals are framed by a more basic and enduring process that helps prevent them from becoming ends in themselves, a common fate in many organizations (p. 67).

One of the limitations of this metaphor is the fact that an organism is concrete; it is a fundamental of nature, with material properties that can be seen and touched. An organization, on the other hand, is socially constructed, a product of someone's ideas, vision, and beliefs. And although there may be buildings, land owned or leased, machines, and money, organizations depend on the actions of human beings for survival. It does not maintain itself through an autonomic process.

Also, this view suggests that organizations are totally dependent on their environments for survival, overlooking the fact that organizations *interact* with the external world: yes, being influenced, but influencing outwardly as well.

Another limitation of the metaphor is what Morgan (1997) calls functional unity. Organisms have highly interdependent parts, and each element supports other elements, as in the human being with a heart, lungs, glands, and so on, operating together to preserve the whole. Organizations rarely operate this way. We might argue that ideally they should, with an interdependence and harmony and all elements working for the good of the whole. Yet we know that creativity often stems from conflict and debate and that these kinds of actions by organization members may contribute more to its survival than harmony would.

The final limitation that Morgan (1997) notes is the danger that the metaphor might become an ideology: that organizations *should* be harmonious, that interdependence is always a *good* thing, or that individuals *should* get their needs met on the job.

Bearing in mind these limitations, the strengths of the organism metaphor support the points of view represented in this writing more than any other metaphor. Thus, the choice. Not becoming trapped by the metaphor is nevertheless a highly important pitfall to avoid as we proceed.

The Theories of Choice

It should come as no surprise that, with the metaphor of choice being an organism, the primary choice here is open system theory, which was, after all, derived from biology. Moreover, the point of view established in this book is that the life sciences, with their theoretical foundations, are more relevant to understanding organizations and change than are the physical sciences. Fritjof Capra's (1996) work is especially relevant, particularly his emphasis on the concepts of pattern, structure, and process. Chapter 4 is devoted to these theoretical foundations.

Types of Organization Change

Think first about evolution versus revolution, a gradual continuous process of change in contrast to a sudden event. That sudden event might precipitate massive turmoil, resistance, and planned change that could lead to eventual organization change. This contrast is actually a useful way to think about the different forms that organization change can take. The language that scholars and practitioners currently use is exemplified as follows:

Revolutionary versus Evolutionary

Discontinuous versus Continuous

Episodic versus Continuous flow

Transformational versus Transactional

Strategic versus Operational

Total system versus Local option

Stating this language in terms of one versus the other is for purposes of clarity and understanding, not to suggest that the conditions they describe are mutually exclusive. Pascale, Milleman, and Gioja (2000), for example, have stated:

> The point is: Over time (and even concurrently) organizations need evolution *and* revolution. When they have been limited exclusively to the restrictive precepts of social engineering [for example], they have been handicapped and largely unsuccessful in unleashing authentic revolutionary change. The principles of living systems offer a powerful new recourse. The trick is to clearly identify the nature of the challenge and then use the right tool for the right task. (p. 38)

Revolutionary change or transformation requires different tools and techniques for bringing about successful organization change than do methods for evolutionary or continuous change. The former requires total system events, such as (1) an initial activity that calls attention to the clear need for a dramatic modification of mission and strategy due to changes that have occurred in technology or (2) new, unforeseen forays by a significant competitor. The latter requires improvement measures in how a product is designed, how a service is delivered, or how quality is measured and upgraded. A transformation requires the immediate attention of all organizational members, whereas a continuous improvement action may require the attention of only a certain segment of the organizational population or a phased involvement of all organizational members over time. Chapter 5 provides further detail and examples of these two different forms of organization change. Chapter 7 also addresses this distinction from a theoretical and research perspective.

Levels of Organization Change

As in the case of the differences between transformational (revolutionary) and transactional (evolutionary), it is very important to understand the various effects of organization change across the primary levels of any social system. These primary levels are the *individual,* the *group* or work unit, and the *total system.* In many large corporations today there is an additional level—the business unit, which consists of multiple work units and teams and is a primary subsystem of the larger organization. In other words, a business unit is responsible for a significant piece of the

overall corporation's business, such as a regional group—such as the southeastern United States—or a unit responsible for a primary segment of the larger market, such as a department of women's wear as part of a larger clothing and fashion business. The group level encompasses both local work units and may also include the larger business unit, which consists of local work units. In any case, the point here is that the way that organization change affects the individual differs from the way that groups are affected and from the way that the total system is affected. Furthermore, the major focus for change differs as a function of level. At the individual level, the focus of attention is on activities such as recruitment, replacement, and displacement; training and development; and coaching and counseling. At the group level, the focus is on, for example, team building and self-directed work units. At the total system level, the emphasis is on the more encompassing aspects of the organization such as mission, strategy, structure, or culture. In other words, components of the organization that will be affected sooner or later by the initial activity.

Chapter 6 is devoted to an examination of the levels of organization change, how resistance to change differs by level, and how change leaders need to deal with the resistances according to level. The process is not the same for all organizational levels.

How Organization Change Occurs

Let us assume that an organization needs to change itself significantly. With major shifts in its external environment, the organization must change its basic strategy and certain aspects of—if not most of—its mission statement, the organization's raison d'être. Change in mission and strategy means that the organization's culture must be modified if the success of the overall change effort is to be realized. Change in the culture is in *support* of the changes in mission and strategy; it is the "people" side, the emotional component of organization change, or what a seasoned organization change consultant calls "the change monster"—the human forces that either facilitate or prevent transformation (Duck, 2001). So, culture change is our focus. The point of view that I am presenting here is that you don't change culture by trying to change culture. Culture is "the way we do things around here" and concerns deeply held beliefs, attitudes, and values. Taking a direct, frontal approach to changing values is fraught with difficulty, resistance, and strong human emotion. We therefore start with behavior instead. We start with the behavior that will lead to the desired change in attitudes and values.

When talking about a desired organization change, leaders and managers often say something like, "We need to change people's mental

sets." The implication is that attitude is the focus of change. As is the case with values, attempting to change an attitude, one's mental set, is difficult. So, we begin with behavior changes that, if enacted, will eventually lead to shifts in attitudes and beliefs and will subsequently affect values. Although it is absolutely necessary to be clear at the outset of a change effort about the desired values and about the modified culture that is the goal, we do not concentrate on the culture per se, but on the behaviors that will gradually influence the culture in the desired direction. Further thought about this point of view and the theory and research that support it is covered in Chapter 7.

The Content and Process of Organization Change

The *content* of organization change is one thing, and the *process* another. The distinction is important because the former, the *what*, provides the vision and overall direction for the change, and the process, the *how*, concerns implementation and adoption. Content has to do with purpose, mission, strategy, values, and what the organization is all about—or should be about. Process has to do with how the change is planned, launched, more fully implemented, and, once into implementation, sustained. The kinds of behaviors required for content differ from those required for process. Determining the *what* requires leadership in the form of taking a stand, declaring what the new world will look like, and composing the story of change that addresses issues of identity and purpose. Determining the *how* requires leadership that, for example, is participative, involves organizational members in the activities that will bring about the change, and recognizes accomplishments. So, for example, composing the story is the content, and telling the story is the process. This distinction between content and process, although useful for our understanding, is not pure. Composing the story of organization change is, after all, a process. In any case, the various ways of understanding the distinctions and overlaps is the subject matter of chapter 8.

Organizational Models

In addition to theory about organization change, it is useful to have frameworks that help to simplify and focus: *simplify* in the sense of reducing the many parts and aspects of any organization into more manageable portions, and *focus* as a matter of determining which portions are the most important ones for our attention. A useful organizational model is one that

simplifies and at the same time represents reality, a conceptual framework that makes sense to people who work in organizations and helps them to organize their realities in ways that promote understanding and action for change. Many organizational models or frameworks for understanding organizations exist in both the academic and applied worlds. The organizational models covered in Chapter 9 are highly selective. They are the ones most closely associated with organization change. For the most part, these models are steeped in open system theory and convey an organismic perspective. They also help to integrate content and process of change.

The Organizational Model of Choice

In making a choice about a model to apply to an organization change effort, certain questions are important to consider. First, in what kind of theory is the model grounded? Organization theory in general or, say, open system theory in particular? If the latter, then an input-through-output sequence, with a feedback loop from output to input and vice versa, is absolutely necessary. Second, does the model consist of the most relevant and key factors or components? For example, is the mission included? Third, is the model merely descriptive, or is it prescriptive? That is, for performance to be optimized or for change to be effective, are there certain components in the model that are more important or carry heavier weight than other factors? For example, is culture more important than strategy or structure, or vice versa? And finally, are there any unique features of the model?

Although the questions just posed are appropriate, they are also somewhat leading. The Burke-Litwin model of organizational performance and change, the model of choice for me, represents a positive response to these questions. Born from the world of practice, the model evolved and was defined from a major organization change effort in the 1980s at British Airways (BA). Theoretically, the model is grounded in the open system way of thinking. The components of the model come from original work on organizational climate by George Litwin, in the 1960s, and from experiences at BA. (On climate, see Litwin & Stringer, 1968; for BA, see Goodstein & Burke, 1991.) Also from these experiences, the model became both descriptive and prescriptive. The model is more normative than contingent on what actions should proceed what other actions in a large-scale transformation of an organization. Furthermore, the model is unique in that transformational or discontinuous change is addressed, as well as transactional or continuous change. A full description of the model is provided in Chapter 10.

A model is only as good as its usefulness; thus, Chapter 11 focuses on application. Two large-scale organization change cases are profiled to illustrate how the Burke-Litwin model was employed.

Organization Change Should Be Data-Based and Measured

With respect to planned organization change, it is imperative that the effort be based on data as much as possible to help ensure success. It is difficult to know what to do next if one does not know what the current situation is. Measures taken over time—Time 1 compared with Time 2, then with Time 3—help to (1) track progress, (2) establish priorities for next steps, and (3) determine what to celebrate when milestones are reached. Chapter 11 is also devoted to measurement, with the Burke-Litwin model providing the framework and the content for where to gather data and what to measure.

Planned Organization Change Requires Leadership

Change can emanate from any unit, function, or level within an organization. Regardless of its origin, leadership is required. There can be leaders anywhere in an organization. But if the organization change is large in scale and transformational in nature, requiring significant change in mission, strategy, and culture, then leadership must come from the top of the organization, from executives, particularly the chief executive. Chapter 12 addresses the importance of transformational leadership, and Chapter 13 concentrates on executive leadership and specifies the change leader's role for each of four sequenced activities: the prelaunch phase, the launch of the organization change, the implementation phase, and sustaining the effort. The perspective taken herein is that leadership should take the form of specified roles and behaviors rather than the form of a personality orientation. Is personality important? Yes, because leadership is far more personal than management. But charisma, for example, is not required for successful organization change. Neither should we attempt to emulate great leaders, such as Mohandas Gandhi, Margaret Thatcher, Martin Luther King, Jr., Jack Welch, Ronald Reagan, Eleanor Roosevelt, or George Patton. Although lessons can be learned from the lives of these people, in the end, it is how each of us uses our *self* in its own unique formation that makes the difference. An article (Brooker, 2001) about Herb Kelleher, the fabled former CEO of Southwest Airlines, had the subtitle of "I Did It My Way." How else could he have done it? And how else could anyone else do it except his or her own

way? That is what leadership is about, doing it one's own way, but for purposes of leading change according to key roles and sequenced activities.

Planned Organization Change Is Complex

Charles de Gaulle, the past president of France, once said, "I have come to the conclusion that politics are too serious to be left to the politicians." A similar statement could be made about the complexity of organization change. In other words, organization change is too complex to rely solely on the traditional literature in areas such as organization theory, organizational behavior, organization development, and strategic management. As stated in Chapter 1, sources for this book have not been exclusively the "usual suspects." The life sciences and theories related to chaos and nonlinear systems are more useful for our understanding and application. In Chapter 14, I will return to Gladwell's principles and perspectives and apply them to organization change.

Summary

With these personal declarations and points of view, I have attempted to accomplish two objectives. First, I wanted to declare myself—to state my points of view about organization change with biases clearly presented. With these declarations, I have also shown what I consider to be the most important topics for understanding organization change in more depth. A second objective was to summarize in a few pages what the book addresses in the following 12 chapters. Now, as you will see in my closing request, I hope that I did not tip my hand too much.

A Closing Request

When you go to a movie theater, the film you came to see never begins at its designated time. What precedes it is a flood of previews and coming attractions attempting to entice you to return to the theater and see those movies as well. Some critics and pundits have been known to complain that these previews show the best parts of a forthcoming film, so that actually seeing the entire movie is not worth one's time. Whether this complaint is valid or not, the danger of having provided the previews of this book is that you, the reader, will now skip the details. But please read on. The richness of organization change is in the details.

CHAPTER 3

A Brief History of Organization Change

Organization change is as old as organizations themselves. The pharaohs of ancient Egypt probably struggled with a need to change the organizations that built their pyramids. And imagine the degree of organization needed, with continual modifications, to successfully construct the Great Wall of China. What we call reengineering today was probably practiced in some form back then.

The first organization change recorded in the Old Testament (Ex. 18:13–27) dealt with what we call today a *loosely coupled system*. In fact, it was too loosely coupled, and that was the problem. Moses was the client. Having escaped from the tyranny of the Egyptian pharaoh with thousands of Israelites as his followers, Moses had to deal with a daunting number of social system issues. Thousands of his followers had direct access to him. Moses was leader, counselor, judge, and minister to all. His father-in-law, Jethro, no doubt because he was concerned for his son-in-law's mental health, suggested what amounted to a reorganization. He proposed that Moses select a few good men to be rulers of thousands. They would have direct access to him and would bring to him only the problems they could not solve. Each of these rulers, in turn, would have lieutenants who would be rulers of hundreds and would have direct access to the rulers of thousands and would bring to them only the problems they could not handle, and so on, down to the lowest, the rulers of 10 persons. This was the birth of one of the first pyramidal organizations. It is possible, of course, that this idea of organization did not originate with Jethro; before Moses's deliverance, the Hebrews had been enslaved by the Egyptians, who had a highly organized society. In any case, changing organizations is not exactly

way? That is what leadership is about, doing it one's own way, but for purposes of leading change according to key roles and sequenced activities.

Planned Organization Change Is Complex

Charles de Gaulle, the past president of France, once said, "I have come to the conclusion that politics are too serious to be left to the politicians." A similar statement could be made about the complexity of organization change. In other words, organization change is too complex to rely solely on the traditional literature in areas such as organization theory, organizational behavior, organization development, and strategic management. As stated in Chapter 1, sources for this book have not been exclusively the "usual suspects." The life sciences and theories related to chaos and nonlinear systems are more useful for our understanding and application. In Chapter 14, I will return to Gladwell's principles and perspectives and apply them to organization change.

Summary

With these personal declarations and points of view, I have attempted to accomplish two objectives. First, I wanted to declare myself—to state my points of view about organization change with biases clearly presented. With these declarations, I have also shown what I consider to be the most important topics for understanding organization change in more depth. A second objective was to summarize in a few pages what the book addresses in the following 12 chapters. Now, as you will see in my closing request, I hope that I did not tip my hand too much.

A Closing Request

When you go to a movie theater, the film you came to see never begins at its designated time. What precedes it is a flood of previews and coming attractions attempting to entice you to return to the theater and see those movies as well. Some critics and pundits have been known to complain that these previews show the best parts of a forthcoming film, so that actually seeing the entire movie is not worth one's time. Whether this complaint is valid or not, the danger of having provided the previews of this book is that you, the reader, will now skip the details. But please read on. The richness of organization change is in the details.

CHAPTER 3

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new. What is comparatively new, however, is the *study* of organization change: what systematically seems to facilitate and enhance effective change (*effective* meaning the accomplishment of *planned* change goals) and what leads to failed attempts at organization change. Note the emphasis on *planned* change. Organization change can be unplanned, of course, and more often is. This distinction will be covered in more detail later.

Jethro, along with his client, Moses, were early organization change agents. Since that earlier time, there have been many others we could cite, such as Machiavelli and his client, the prince. In keeping with the promise in the chapter title of being brief, however, a leap to the 20th century will now be made. Besides, our primary perspective and purpose is to consider the study of organization change, and it has been only recently that organization change has become an interest of scholars. What follows, then, is a tracing of the important forerunners of the modern study of organization change:

Scientific management

The Hawthorne studies

Industrial psychology

Survey feedback

Sensitivity training

Sociotechnical systems

Organization development (OD)

The managerial grid and OD

Coercion and confrontation

Management consulting

An appropriate starting point is the first decade of the 20th century and the work of Frederick Winslow Taylor, the father of scientific management.

Scientific Management

To understand and appreciate Frederick Taylor's approach to organization change, we need to consider the historical time and content of his work. The time was the late 1800s and early 1900s—his famous book,

Scientific Management, was first published in 1912 (Taylor, 1912). Regarding the broader context, we need to recall that (1) the Industrial Revolution was in full swing, (2) the predominant type of organization experiencing considerable growth was manufacturing, and (3) the primary disciplines providing a strong foundation for (1) and (2) were economics and engineering. It is not surprising, then, that Taylor's conception of an organization was that of a *machine.* An organization, particularly a manufacturing one, should therefore be studied in scientific terms: What is cause, and what is effect? And in terms of operating principles, the machine may be thought of as being based on the idea of a physical entity with movable and replaceable parts.

Taylor's (1980) "scientific management," as he labeled it, was based on four principles:

Data gathering: amassing "traditional" knowledge about the way work has been done in the past, through discussions with workers and observations of their work; recording the knowledge; tabulating it; and reducing it to rules, laws, and, if possible, mathematical formulas. In addition to talks with the workers themselves, Taylor used time-and-motion-study methods. These consequent rules, laws, and formulas were then applied to the workplace by management, and if applied properly, greater efficiencies were typically realized.

Worker selection and development: paying considerable attention to selecting and placing the worker in a job that was as good a match as possible of human skills and ability with the requirements of the job, in other words, the nature of the work itself. Furthermore, Taylor was a strong advocate of training and helping the worker do the best job he or she (mostly "he" during those times) was capable of performing.

Integration of the science and the trained worker: bringing together scientific management and the trained worker to "make" the worker and science come together. What Taylor meant was that one could have the best-trained workers humanly possible, but if they did not use and apply the new methods of work, the entire effort would fail. To "make" this integration, to use Taylor's word, he argued that workers needed to be treated well, taking into consideration their wishes and allowing them "to express their wants freely" (Taylor, 1980, p. 21). Moreover, he was a proponent of incentive pay. He added, however, that if a worker refused to perform the new modes of work, then moving that person out

(to another job in the company or severing the worker from the company) was the proper step to take. Scientific management did not mean mollycoddling the workers, Taylor pointed out. He also stated that "nine-tenths of our trouble comes with men on the management side in making them do their new duties" (Taylor, 1980, p. 21). Obviously, Taylor believed that changing managers was far more difficult than changing workers. For scientific management to succeed, *management must assume new modes of work,* which is essentially Taylor's fourth principle.

Redivision of the work of the business: dividing the work of the company into two large parts. The job of the worker was to perform the work itself (shoveling coal, operating a machine, hauling pig iron, and so on), and the job of management was to plan and monitor the work, *not* to actually *do* the work. Managers were to act like scientists, constantly collecting and analyzing data and then planning the next segment of the company's work accordingly. Managers were also responsible for providing the requisite resources for the workers to do their jobs. Taylor stressed the importance of cooperation between workers and managers for this division of labor to succeed.

Taylor demonstrated on a number of occasions that his approach worked; it reduced costs and improved profits. Yet not all was bliss. Frequently, Taylor's scientific management process did not succeed. Executives who used Taylor's methods were too often desirous of quick gains and either only partially or entirely inappropriately applied the methods. Workers resisted methods that appeared to them to be "speedups," used for no other apparent reason than to make more money faster, at their expense.

It is not surprising that Taylor became controversial. Some supported him strongly; others vilified him. There were, during Taylor's lifetime and still to some extent today, *two* Frederick Taylors (Weisbord, 1987):

> Few men ever were such powerful magnets for both admiration and revulsion. [There were] two Taylors. One a mechanistic engineer, dedicated to counting, rigid control, and the rationalization of work, an unfeeling authoritarian who turned his own neurosis into repressive methods anathema to working people. . . . The other was a humanitarian social reformer, who believed workers could produce more with less stress, achieve greater equity in their output, and cooperate with management for the good of society. This [latter] Taylor has hardly been recognized publicly since 1925. (pp. 25–26)

Taylor was probably the first industrial engineering consultant, and, as an organization change agent, he believed deeply that taking a rational, "scientific" approach would provide the best opportunity for change. He recognized that workers were "feeling animals," to use his words, and that they should be treated humanely. Data collected systematically, analyzed carefully, and applied rigorously, if not rigidly, would in the end be the primary set of methods that would achieve the greatest efficiencies and have the most powerful and lasting effect on the organization.

Taylor's impact on organizational work, especially those enterprises that rely predominantly on technology and engineering, should not be underestimated. Some would argue that he is not only the father of scientific management but also the father of the whole field of industrial engineering. Initiatives that today we call *reengineering* and *business process engineering,* for example, have evolved from Taylor. Other related activities of today include ISO 9000, six sigma, and total quality management. These days, it may not be politically correct to claim to be a devotee of Frederick Taylor, but to be involved in any of the techniques and methods just mentioned is to live in his long shadow.

The Hawthorne Studies

Whereas Taylor's work was steeped in the disciplines of economics and engineering, the Hawthorne studies, as they turned out, were significant contributors to psychology and sociology. "As they turned out" is the operative phrase here, because the studies at the outset were not unlike Taylor's, for example, investigating the effects of lighting changes on worker productivity. In the early stages of their investigation, the research team was dumbfounded by the results. The assumed cause-effect linkage between illumination and productivity did not exist. Something else was clearly going on.

Beginning in 1924 and continuing into 1933, the Western Electric Company sponsored a series of experiments for studying worker productivity and morale at its Hawthorne Works, in Chicago. The researchers, from the Harvard Business School, were led by Fritz Roethlisberger, T. N. Whitehead, Elton Mayo, and George Homans and by W. J. Dickson of Western Electric. Full discussion of these studies is presented in Roethlisberger and Dickson (1939).

The studies can be categorized according to types of experiments, types of workers studied, and time period. The four categories of experiments, listed chronologically, were as follows:

The illumination experiments

The relay assembly group experiments

The interviewing program

The bank-wiring group studies

The intent of the investigators was to determine the effect of working conditions on productivity and morale. In the illumination experiments, lighting was changed in a variety of ways for a test group consisting of women. A control group was also studied. As lighting was increased, productivity increased, but, to the surprise of the investigators, productivity continued to increase even when lighting was subsequently decreased to significantly less than it had been originally. Other variations were tried. In some cases, even when the researchers pretended to change the illumination, the women responded positively and productivity increased. Throughout these experiments, regardless of whether the workers were in the test group or the control group, production either increased or did not change significantly. The researchers concluded that if light was a factor with respect to employee output, it was only one among many. They further hypothesized that worker attitude was a significant factor.

The next series of studies, the relay assembly group experiments, were conducted with a group of six women who assembled part of the standard telephone. The variables studied were shorter working periods, incentive pay, personal health, and supervision. The conditions of the study were that (1) the women worked in a special, separate area, (2) they were continuously observed by a researcher, (3) they were consulted by the researcher-observer prior to any change, and (4) although the observer served as a supervisor of sorts, it was clear to the women workers that he was not a formal part of management. Over a period of 2½ years, in spite of many changes, productivity steadily increased to a level 30% higher than it had been before the experiments, and morale among the six women had improved steadily. Their absentee record was superior to that of the other regular workers, and there was no turnover. Also, regardless of the direction of the change the researchers made, output continued to increase over time. The conclusion was that there is no cause-and-effect relationship between working conditions and productivity. The women themselves told the researchers that the primary factors contributing to the increase in productivity were as follows:

More freedom on the job

No boss

Setting their own work pace

Smaller group (Their pay was based on their performance as a small group, as opposed to the usually larger one of 30 or more; thus, they had more control over the relationship between their performance and pay.)

The way they were treated

This series of experiments had clearly shown the researchers the importance of worker *attitude* and provided information about factors other than physical working conditions that contribute to positive worker attitude. Managers at Western Electric were impressed with these studies, particularly with what they perceived to be a considerable amount of latent energy and willing cooperation that could be tapped under the right conditions.

In an attempt to investigate attitude more thoroughly, a third set of studies was launched in 1928. This program began as a vast data-collection process using individual interviews. Some 21,000 interviews were conducted by 1930. The interviews tended to become counseling sessions, and the researchers learned a great deal about employee attitudes, particularly those relating to supervision, worker relationships, and the importance of perceived status. A major outcome of these interview studies was learning how to teach supervisors about handling employee complaints: teaching them that an employee's complaint frequently is a symptom of some underlying problem, one that exists either on the job, at home, or in the person's past.

The researchers' desire, however, was to investigate social relations on the job more extensively. Thus, the final set of studies was conducted with a bank-wiring group of 14 men. This group's job was to wire and solder banks of equipment for central connecting

services. Again, the group was separated for study, and data were collected by observers. The findings of this study concerned the importance of group norms and standards and the informal organization. For example, a group norm for rate of productivity significantly influenced the level of individual performance, and informal authority from influential group members often overrode formal authority from the supervisor.

The Hawthorne studies are significant as a precursor to our understanding of organization change for the following reasons:

> They demonstrated the important influence of psychological or human factors on worker productivity and morale.
>
> They signaled the criticality of certain variables for worker satisfaction: autonomy on the job (workers being able to set their own work pace), the relative lack of a need for close supervision of people who know their jobs, the importance of receiving feedback on the direct relationship between performance and reward, and having choices and some influence over change.
>
> They ushered in more humanistic treatment of workers on the job.
>
> They provided evidence for later theory, such as Herzberg's motivation-hygiene notion. The hygiene portion of Herzberg's theory is that there is no direct cause-effect relationship between working conditions and productivity (Herzberg, Mausner, & Snyderman, 1959).
>
> They provided the stimulus and data for much of what we now know about group dynamics, especially in a work context. The bank-wiring group was analyzed thoroughly by Homans, and this study, plus others in the series, resulted in his theory about work groups, his leading-edge thinking about group norms, and his now classic book, *The Human Group.* (Homans, 1950)

A quotation from Roethlisberger (1980) is a fitting conclusion for this discussion:

> What all their experiments had dramatically and conclusively demonstrated was the importance of employee attitudes and sentiments. It was clear that the responses of workers to what was happening about them were dependent on the significance these events had for them. In most work situations the meaning of a change is likely to be as important, if not more so, than the change itself. This was the great *éclaircissement,* the new illumination, that came from the research. It was an illumination quite different from what they had expected from the illumination. (p. 33)

Industrial Psychology

Industrial psychology is now called *industrial and organizational psychology,* and the expanded label reflects changes in the field. In earlier days prior to, during, and immediately after World War II, industrial psychology was largely limited to business, industrial, and military organizations. Its primary thrust was testing, along with studies of morale and efficiency. Questionnaires for selection and screening were created by the hundreds and then tested for reliability and validity. As a result of the war effort, psychological testing came into its own. Industrial psychologists were also involved in training and development, especially supervisory and management training, during and after the war.

A research project conducted at the International Harvester Company by Edwin A. Fleishman (1953) during the late 1940s and early 1950s was typical of this era of industrial psychology. It combined supervisory training and the development of a psychological test. This series of studies, conducted over a period of more than 3 years, was highly significant for another reason, however; it provided useful background for our current understanding of organization change.

Fleishman (1953) was interested in the study of leadership and in the consequences of supervisory training: whether supervisors' attitudes and behavior would change as a result of a 2-week training program on leadership principles and techniques. Using several questionnaires, Fleishman took measures before the training and immediately after the program. Measures were also taken from a control group of supervisors and from the bosses and subordinates of both groups, the trained and untrained supervisors. In addition to measures taken right after the training, the same tests were administered at various intervals, ranging from 2 to 39 months later.

These tests reflected two primary functions of leadership: (1) *initiation of structure,* the provision of task direction and conditions for effective performance, and (2) *consideration,* the leader's sensitivity to and consideration of subordinates' needs and feelings. Prior testing had

shown that first-line supervisors at International Harvester were strong in initiation of structure but were rarely considerate of their subordinates as people. The training program focused on increasing the consideration function.

Measures taken immediately after the training showed that the supervisors who had received the training scored significantly higher on consideration in comparison with both their own previous scores and the scores of the control group. Further measures taken over time with the trained group, however, revealed a startling outcome. These supervisors not only gradually reverted to their original behavior (not being very considerate) but, in a number of cases, they ended up being *less* considerate than the control group.

On further investigation, Fleishman (1953) found that the bosses of the trained supervisors also scored high on initiation of structure and low on consideration. The few supervisors who had considerate bosses continued to score high over time on consideration. There was a direct relationship between the attitudes and the behavior of the supervisors and those of their bosses. Moreover, this relationship was stronger than the effects of training.

Schein (1972) explains the outcome of Fleishman's research directly and succinctly,

> The effects of training were immediately related to the culture, or climate, of the department from which the men came. These climates had as much of an effect on the trainee as did the training. Consequently, the training was effective, in terms of its own goals, only in those departments in which the climate from the outset supported the training goals. (p. 44)

As early as 1953, therefore, the knowledge was available that organization change was not likely to occur as a result of an individual change strategy unless the objective of the training was in the same direction as the desired overall organization change.

One final point for this section: There have been many other contributions to our understanding of organization change from industrial psychologists during World War II and the decades that followed. The Fleishman study was singled out because it illustrated a critical point about organization change: the difference between focusing on the individual and focusing on contextual variables (such as group norms and organizational culture) and systemic factors (such as structure). These broader issues of organization change will be addressed in the next and later chapters.

Survey Feedback

As the previous section noted, psychologists rely rather extensively on questionnaires for data collection and for diagnosis and assessment. Leadership questionnaires typically have been associated with a group of psychologists at Ohio State University in the 1950s. Questionnaires for organizational diagnosis, however, are more likely to be associated with the psychologists of the 1950s and 1960s at the Institute for Social Research of the University of Michigan. Rensis Likert, the first director of the institute, started by founding the Survey Research Center in 1946. Kurt Lewin had founded the Research Center for Group Dynamics at the Massachusetts Institute of Technology (MIT). With his untimely death in 1947, the center moved to the University of Michigan later that year. These two centers initially constituted Likert's institute. The two main thrusts of these centers, questionnaire surveys for organization diagnosis and for group dynamics, combined to give birth to the *organizational survey feedback method.* As early as 1947, questionnaires were being used to systematically assess employee morale and attitudes in organizations.

One of the first of these studies, initiated and guided by Likert and conducted by Floyd Mann, was done with the Detroit Edison Company. From working on the problem of how best to use the survey data for organization improvement, the method we now know as survey feedback evolved. Mann (1957) was important for the development of this method. He noted that when a manager was given the survey results, any resulting improvement depended on what the manager did with the information. If the manager discussed the survey results with subordinates, particularly through group discussion, positive change typically occurred. If the manager did not share the survey results with subordinates, however, and failed to plan certain changes for improvement jointly with them, nothing happened—except, perhaps, an increase in employee frustration over the ambiguity of having answered a questionnaire and never hearing anything further.

First, the survey feedback method involves the *survey,* data collection by questionnaire to determine employees' perceptions of a variety of factors, focusing mainly on the management of the

organization. Second is the *feedback,* in which results of the survey are reported back systematically in summary form to all people who answered the questionnaire. *Systematically,* in this case, means that the feedback occurs in phases, starting with the top team of the organization and flowing downward according to the formal hierarchy and within functional units or teams. Mann (1957) referred to this flowing-downward process as the "interlocking chain of conferences." The chief executive officer, the division general manager, or the bureau chief—the highest officer in the organization or subunit surveyed—and his or her immediate group of subordinates receive and discuss feedback from the survey first. Next, the subordinates and their respective groups of immediate subordinates do the same, and so forth, downward, until all members of the organization who have been surveyed (1) hear a summary of the survey and then (2) participate in a discussion of the meaning of the data and the implications. Each functional unit of the organization receives general feedback on the overall organization and specific feedback on its particular group. After a discussion of the meaning of the survey results for their particular group, the boss and his or her subordinates then jointly plan action steps for improvement. Usually, a consultant meets with each of the groups to help with data analysis, group discussion, and plans for improvement.

Later, Rensis Likert (1967) took the survey feedback approach a step farther by developing his "Profile of Organizational Characteristics," a questionnaire and model consisting of six sections: leadership, motivation, communication, decisions, goals, and control. These six were surveyed within an overall framework of four organizational categories or systems. Likert labeled System 1 *autocratic,* System 2 *benevolent autocracy,* System 3 *consultative* (employees are consulted about matters, but management, in the end, makes the decisions), and System 4 *participative and consensus management.* Likert argued that System 4 was the most desirable and that most employees felt the same way. Likert thus was able to *profile* an organization according to the four system types along the six organizational dimensions mentioned above.

Thus, survey feedback, this rather orderly and systematic way of understanding an organization from the standpoint of employee perceptions and processing this understanding back into the organization so that change can occur, is a primary method of leveraging organization change. Unless applied appropriately, survey feedback will work no better than any other change mechanism. Used properly, however, survey feedback can be powerful for the following reasons:

- It is based on data.
- It involves organization members directly.
- It provides information about what to change and according to which priority.
- It focuses change on the larger system, not on individuals per se.
- In later chapters, the survey feedback method will be explored in more depth with reference to certain more current sources, such as Kraut (1996).

Sensitivity Training

From a historical viewpoint, it would be interesting to know how many events, inventions, or innovations that occurred in 1946 had lasting impact through the subsequent decades. Apparently, once the war was over, people were somehow free to pursue a variety of creative endeavors. One such innovative event occurred in the summer of 1946, in New Britain, Connecticut. Kurt Lewin, at the time a member of the faculty of MIT and director of the Research Center for Group Dynamics, was asked by the director of the Connecticut State Interracial Commission to conduct a training workshop that would help to improve community leadership in general and interracial relationships in particular. Lewin brought together a group of colleagues and students to serve as trainers (Leland Bradford, Ronald Lippitt, and Kenneth Benne) and researchers (Morton Deutsch, Murray Horwitz, Arnold Meier, and Melvin Seeman) for the workshop. The training consisted of lectures, role play, and general group discussion. In the evenings, most researchers and trainers met to evaluate the training to that point by discussing participant behavior as they had observed it during the day. A few of the participants who were far enough from their homes to stay in the dormitory rooms at the college in New Britain asked whether they could observe the evening staff discussions. The trainers and researchers were reluctant, but Lewin saw no reason to keep them away and thought that, as participants, they might learn even more.

The results were impactful and far-reaching. In the course of the staff's discussion of the behavior of one participant, who happened to be present and observing, the participant intervened and said that she

disagreed with their interpretation of her behavior. She then described the event from her point of view. Lewin immediately recognized that this intrusion provided a richness to the data collection and analysis that was otherwise unavailable. The next evening, many more participants stayed to observe the staff discussions. Observation alone did not last, of course, and three-way discussions occurred among the researchers, trainers, and participants. Gradually, the staff and participants discovered that the feedback the participants were receiving about their daytime behavior was teaching them as much as or more than the daytime activities were. The participants were becoming more sensitive to how they were being perceived by others and the impact their behavior was having on others. This serendipitous and innovative mode of learning, which had its beginning that summer in Connecticut, has become what Carl Rogers (1968) labeled "perhaps the most significant social invention of the century" (p. 265).

Sensitivity training, T-groups, and *laboratory training* are all labels for the same process, consisting of small-group discussions in which the primary, almost exclusive source of information for learning is the behavior of the group members themselves. Participants receive feedback from one another on their behavior in the group, and this feedback becomes the learning source for personal insight and development. Participants also have an opportunity to learn more about group behavior and intergroup relationships.

T-groups (T is for training) are educational vehicles for change, in this case, individual change. When this form of education began to be applied in industrial settings for organization change during the late 1950s, the T-group became one of the earliest interventions in what became known as *organization development.* See, for example, the classic article "T-Groups for Organizational Effectiveness," by Chris Argyris (1964).

Sociotechnical Systems

As mentioned previously, the period immediately after World War II was a productive time for innovation and creativity. While in the United States the serendipitous birth of the T-group was occurring, across the Atlantic, in the United Kingdom, a parallel and highly significant set of social developments was under way. The United Kingdom work emanated from the Tavistock Institute, based in

London. There were two action research projects at the institute in the late 1940s. One studied group relations (like the T-group but different in the role of the group trainer, called a *consultant).* The other project studied the diffusion of innovative work practices and organizational arrangements. The former emphasized individual learning about oneself and group and intergroup dynamics, and the latter emphasized organizational matters, especially organization change. Eric Trist was the leader of this latter project. He and his associates began their work at the time in the British coal industry.

The newly nationalized coal industry, then the major source of power in the United Kingdom, was not doing well. There were problems with productivity, turnover, the union, and adaptation to new technology. One exception occurred in the South Yorkshire coalfield. Trist and his colleague, Ken Bamforth, a former miner himself, went to take a look. They found that the work organization consisted of the following (Trist, 1993):

> Relatively autonomous groups interchanging roles and shifts and regulating their affairs with a minimum of supervision. Cooperation between task groups was everywhere in evidence, personal commitment obvious, absenteeism low, accidents infrequent, productivity high. . . . The men told us that in order to adapt with best advantage to the technical conditions in the new seam, they had evolved a form of work organization based on practices common in the unmechanized days when small groups, who took responsibility for the entire cycle, had worked autonomously. These practices had disappeared as the pits became progressively more mechanized in relation to the introduction of "longwall" working. This method had enlarged the scale of operations and led to aggregates of men of considerable size having their jobs broken down into one-man/one-task roles, while coordination and control were externalized in supervision, which became coercive. Now they had found a way, at a higher level of mechanization, of recovering the group cohesion and self-regulation they had lost and of advancing their power to participate in decisions concerning their work arrangements. . . . It was not true that the only way of designing work organizations must conform to Tayloristic and bureaucratic principles. (pp. 37–38)

What Trist (1993) had discovered was a new paradigm of work and, what is interesting, the coal miners had designed it themselves. Trist went on to conceptualize and further develop the new paradigm, and it became known as *sociotechnical systems,* a new field of inquiry and approach to organization change. Some of the primary principles of sociotechnical systems are as follows (Trist, 1993):

> Work organizations consist of two *interdependent* systems: the technical system (equipment, machinery, chemical processes, etc.) and the social system (individual workers and groups of workers).
>
> The *work system* is the basic unit, comprising a set of activities that make up a functioning whole, rather than single jobs and tasks.
>
> The *work group,* rather than the individual jobholder, is central.
>
> *Regulation* of the system is performed by the group itself, instead of by supervisors (completely counter to Taylor's scientific management notions).
>
> An individual worker is *complementary* to the machine, rather than an extension of it.

There is more to the sociotechnical systems field than these principles; however, those presented are designed to provide a flavor of sociotechnical systems thinking.

Considering organization change through a sociotechnical lens means that one would gather data about both the social and technical systems but would then consider and act with the perspective that the two are *interdependent:* A change in one system will directly affect the other, and this effect must be treated as another leverage in the change process. For example, changing a piece of software in an organization's information system (the technical) will directly affect how employees who use the software interact with one another in the future.

A final point: Sociotechnical studies need to be conducted at three broad levels, from micro to macro, according to Trist (1993). All three levels are interrelated. The first is *primary work systems,* identifiable and bounded subsystems of a whole organization, such as a department or a business unit. The second is *whole organization systems,* the entire company or institution; they persist, as Trist points out, by maintaining

a reasonably steady state within their environment. And the third is *macrosocial systems,* organizations within communities and industrial sectors, as well as institutions operating at a societal level, such as national government.

The sociotechnical approach insists that systems are interdependent. Moreover, this approach "has also developed in terms of open system theory [the subject of the next chapter] since it is concerned with the environment in which an organization must actively maintain a steady state" (Trist, 1993, p. 41). For more on sociotechnical thinking, especially on the design of effective organizations, see Pasmore (1988).

Organization Development

Both sensitivity training and sociotechnical systems set the stage for the emergence of organization development (OD). As the T-group method of learning and change began to proliferate in the 1950s, it gradually gravitated to organizational life. Sensitivity training began to be used as an intervention for organization change; in this application, the training was conducted inside a single organization, and members of the small T-groups were either organizational "cousins," from the same overall organization but not within the same vertical chain of the organization's hierarchy, or members of the same organizational team, so-called family groups.

As French and Bell (1995) have reported, one of the first events to improve organization effectiveness by sensitivity training took place with managers at some of the major refineries of Exxon (then known as Esso) in Louisiana and southeast Texas. Herbert Shepard, of the corporate employee relations department, and Harry Kolb, of the refineries division, used interviews followed by 3-day training laboratories for all managers in an attempt to move management in a more participative direction. Outside trainers were used, many of them the major names of the National Training Laboratories at the time, such as Leland Bradford and Robert R. Blake. Paul Buchanan conducted similar activities while he was with the Naval Ordnance Test Station at China Lake, California. He later joined Shepard at Esso.

At about the same time, Douglas McGregor, of the Sloan School of Management at MIT, was conducting similar training sessions at Union Carbide. These events at Esso and Union Carbide represented the early

characteristics of OD, which usually took the form of what we now call *team building* (Burck, 1965; McGregor, 1967).

Also during that period, the late 1950s, McGregor and Richard Beckhard were consulting with General Mills. They were working on what we now call a *sociotechnical systems change effort.* They helped to change some of the work structures at the various plants so that more teamwork and increased decision making took place on the shop floor; more "bottoms-up" management began to occur. They did not want to call what they were doing "bottoms-up," nor were they satisfied with "sociotechnical systems" or "organization improvement," so they eventually labeled their effort "organization development" (Beckhard, 1997). This label also became, apparently independently, the name for the work Shepard, Kolb, Blake, and others were doing at the Humble refineries of Esso.

The first sustained long-term OD efforts were conducted with TRW Systems, the aerospace division of TRW, Inc. (Davis, 1967), and with the Harwood-Weldon Manufacturing Corporation (Marrow, Bowers, & Seashore, 1967). During the early 1960s, Herbert Shepard, who had left Esso for the academic world at Case Western Reserve, consulted with TRW Systems and worked particularly with internal employee relations managers James Dunlap and Sheldon Davis. Team building was the primary intervention used in those early days. Later, as OD practitioners became more sophisticated and diversified, TRW Systems began to use a variety of methods. In fact, the external and internal consultants at TRW during the 1960s helped to invent much of the OD technology we use today—such as the organization mirror, "reflecting" back to members of a work unit how they see themselves in comparison with how others see them—and other quick techniques for team diagnosis (Fordyce & Weil, 1979).

The primary method at Harwood-Weldon started with an *action research approach* (Coch & French, 1948), conducting a study for the purpose of application and corrective action to some problem, rather than as research that serves the primary purpose of contributing to a body of literature and scholarship; it then gradually incorporated the method of survey feedback developed at the University of Michigan.

OD, then, is an approach to organization change based on applied behavioral science and reliant on the action research approach. It is steeped in the theoretical tradition of applied social psychology, especially the work of Kurt Lewin. In other words, the methodological model for OD is action research: Data on the nature

of certain problems are systematically collected (the research aspect), and then action is taken as a function of what the analyzed data indicate. The specific techniques used within this overall methodological model (few of which are unique to OD) are (1) diagnosis, interviews with both individuals and groups and perhaps the use of a questionnaire and observation, followed by analysis and organization of the data collected; (2) feedback, reporting back to those from whom the data were obtained on the collective sense of the organizational problems; (3) discussion of what these data mean and planning the steps that should be taken as a consequence; and (4) taking those steps. In OD language, taking a step is making an *intervention* into the routine way in which the organization operates. And finally, the field of OD is imbued with a strong humanistic value system, making certain that organization members are involved in the change decisions that will directly affect them and that interventions are frequently focused on change in the organization's culture. For coverage of this field, one may refer to the Addison-Wesley series on OD; the volume in that series that provides an overview is Burke (1994). Also, a more recent book series on OD and organization change is now provided by the publishers Jossey-Bass/Pfeiffer of Wiley.

The Managerial Grid and OD

What might be characterized as a special case of OD, a comparatively highly structured approach to change, both individual and organizational, is Blake and Mouton's managerial grid. First, a brief overview of their model relating to the individual manager will be presented, followed by coverage of their approach to change at the organizational level.

Building on the earlier work of Fleishman and his colleagues at Ohio State University in the 1950s (see earlier Industrial Psychology section), Blake and Mouton (1964) took the two dimensions of leadership—initiation of structure and consideration—relabeled them *production* and *people,* respectively, and specified that the typical leader or manager had different concerns about each, some being more concerned with getting the job done than about the people involved, and vice versa for others. They arranged these two concerns on a graph, using 9-point scales to represent the *degree* of concern (Burke, 1997).

The juxtaposition on a graph resulted in what they called the "managerial grid," a two-dimensional model that describes managerial

style (Blake & Mouton, 1964). How these two concerns combine for a given manager determines his or her style of management. The greater the concern for production, the more autocratic the manager's style tends to be; the greater the concern with people, the more permissive the management style. Blake and Mouton argue that a manager who has a simultaneously high concern for both production and people (what they label a "9,9 style") is likely to be the most effective (p. 5).

A few years later, Blake and Mouton (1968) applied the grid model to organization change, calling their approach "grid organization development." Based on a large, cross-sectional study, Blake and Mouton began with an organizational diagnosis that they claimed generalizes to most organizations. Their study showed that managers consider the most common barriers to organizational effectiveness to be (1) communication problems and (2) a lack of planning. Blake and Mouton contended that these two barriers were at the top of managers' lists, regardless of country, company, or characteristics of the managers reporting. They went on to argue that communication and planning as barriers to effectiveness were *symptoms* and not causes of less than optimal performance. Poor planning or the lack of planning stem from senior management's not having a strategy or having a faulty one. Communication problems come from poor supervision and management.

To address these two causes, Blake and Mouton (1968) developed a six-phase approach that addressed the organization's strategic plan and, of course, the style and approach to supervision and management.

The first phase in the grid OD approach was to train all managers in how to become a 9,9, or participative, manager. This usually required 5 days. Phase 2 was teamwork development, in a sense, applying what had occurred in Phase 1 with "cousin" groups to "family" units. In addition, group norms and working characteristics of the team were identified. Phase 3 was intergroup development, which characterized cooperative behavior, as opposed to competition between groups in the organization. Today, this process is often referred to as *cross-functional group work.* Phase 4 consisted of developing an ideal strategic corporate model. Phase 5 was the implementation of Phase 4, and Phase 6 was a systematic critique of the previous five phases, with a particular focus on specific barriers to change that still existed and needed to be overcome. In summary, Phases 1, 2, and 3 were designed to deal with communication problems, and the remaining phases were to address the planning barriers. In addition:

> Blake and Mouton never state it, but they apparently assume that, unless an organization learns how to communicate more effectively (practice 9,9 management) and plan more logically and systematically (build an ideal strategic model and begin to implement it), its management will never be able to deal optimally with the specifics of running a business. Phase 6 in the grid OD sequence [is designed to get to] the specifics. (Burke, 1994, p. 121)

Ten years later, Blake and Mouton (1978) claimed success for their approach, but outside their own reporting, there is scant documentation. This is not to argue that grid OD fails. Following Blake and Mouton's approach can lead to successful organization change. It is more a matter of senior management's tolerance for a lock-step approach that is based on one best way to manage, participative, which goes against the grain of many organizational managers. On this final point, it should be noted that there is considerable evidence, despite the beliefs of many senior managers, that participative management is more likely than most other approaches to lead to higher unit and organization performance. See, for example, Chapter 5 in Druckman, Singer, and Van Cott (1997).

Coercion and Confrontation

Although coercion in the form of both nonviolent and violent strategies and techniques may not at first appear to be related to organization change, these kinds of social interventions have indeed been used. Disputes between labor and management have on occasion contained violent actions as well as nonviolent protests, such as company or plant entries being blocked by union members to prevent nonstriking employees from going to work. During the late 1960s, especially at the height of protests against the Vietnam War, attempts were made by students to change their universities. Their tactics were for the most part nonviolent yet highly intrusive, such as occupying the university president's office for several weeks.

Examining these coercive and confrontational strategies and techniques will not occupy a large space in this book (see Hornstein, Bunker, Burke, Gindes, & Lewicki, 1971, for more comprehensive coverage), but certain relevant points pertinent to our study of organization change should not be ignored. Two examples may help to make the point.

Groups, such as unions, minorities, and the disabled, who feel disenfranchised by the organization that employs them and confront or attempt to coerce management for changes may be understood to some degree by considering *in-group* and *out-group* theory and research. The pioneering experiments of Muzafer Sherif (Sherif, 1966; Sherif, Harvey, White, Hood, & Sherif, 1961; Sherif & Sherif, 1953, 1969) and the work of other scholars, such as Coser (1967) and Deutsch (1969), have helped not only to clarify and provide useful conceptualization in such situations but also to generate further ideas for dealing with such conflict. For example, the idea of a superordinate goal or common enemy is proposed to focus attention more on cooperation and less on competition and confrontation. Practical applications of such ideas for organization change may be found in publications such as Blake, Shepard, and Mouton (1964); Burke (1974); and Burke and Biggart (1997).

In the arena of community organizing and change, arguably the preeminent reflective practitioner was Saul Alinsky. His book *Reveille for Radicals* (Alinsky, 1946) became a handbook for how to organize and challenge accepted authority. Many of his targets were organizations that he attempted to change through coercion and confrontation. The relevance of his work to the dominant view of organization change presented in this book is, as Peabody (1971) has pointed out, that Alinsky's model for building a community organization contains most of the same phases described by Lippitt, Watson, and Westley (1958) in their book on planned change. In other words, even though the underlying value systems and tactics differ, the overall framework for how to conceptualize the main phases of change is essentially the same. The phases of Alinsky's model were *entry, data collection, goal setting,* and *organizing,* which correspond closely to Lippitt and his colleagues' phases of planned change. To quote Peabody (1971), "The parallels are no coincidence; the study of power requires the keenest observation of social dynamics. Whether or not he read any of these behavioral scientists, Alinsky made similar observations years ago, and applied them to his own imaginative manner" (p. 524).

It can therefore be useful to understand more about change strategies and techniques that do not normally constitute chapters in books for students in psychology, sociology, organizational behavior, and management. Such learning can help either to undermine coercive techniques or to support, say, a disenfranchised group that one values.

Management Consulting

Jethro, of the Old Testament, may have been one of the earliest management consultants, if not the original one. One of the first management consultants of modern times was Frederick Taylor. From the standpoint of establishing a professional service firm devoted to management consulting, the first, at least in the United States, was James O. McKinsey. (According to Drucker [1974], the first in the United Kingdom was Lyndall F. Urwick, born in 1891.) Born in 1889, McKinsey was younger than Taylor but knew of his work and was influenced by it, especially Taylor's strong emphasis on data collection and deep analysis. He started his consulting company around 1923 in Chicago. Unlike Taylor, McKinsey was not an engineer. He was educated in law and accounting (he was a CPA) and eventually became a professor in the Graduate School of Business at the University of Chicago. McKinsey was impressed with the rigor of Taylor's approach and stressed the importance of engineering principles for helping organizations improve and change. In fact, an early name of his firm, around 1938, was James O. McKinsey and Company, Accountants and Engineers.

Whereas Taylor stressed a scientific approach, McKinsey emphasized professionalism. McKinsey and Company was, and remains in emphasis to this day, a firm of professional practice, not a business per se. McKinsey believed that three ingredients were critical to establishing a professional practice (Bower, 1979):

> Unquestioned respectability: McKinsey spent much of his early life getting himself educated and had a goal of becoming a professor of business.
>
> Professional exposure: He wrote books devoted particularly to accounting and budgeting and gave numerous speeches and lectures.
>
> Reputation: McKinsey wanted to make certain that he had a strong reputation for special competence in an area of concern to management, in his case, accounting, budget control, and business strategy and policy in general.

To say that McKinsey was successful is an understatement. The firm that bears his name today is considered to be one of the most prestigious of its kind.

The McKinsey way of consulting, as it is for most management consulting firms, is to employ a strict problem-solving process (Rasiel, 1999). First, the consultant gathers as much factual information about the client organization's problem as possible. For example, the client's presenting problem (the presenting problem may not be the real problem, as most experienced consultants know) may be a sudden drop in sales. Although this presenting problem is real, it is a symptom of something. Finding that "something" is the task. The consultant uses interviews, particularly with people from the sales force; company records that reflect, for example, sales and marketing strategies and tactics; survey data from customers; and accounting and financial information to collect as many facts as possible. Experienced management consultants believe that "facts are friendly" and that being fact-based is the same as being a credible, competent consultant.

Second, after a thorough analysis of the facts, an initial hypothesis is formulated, to be tested with the client. A third facet of this problem-solving process is to be highly structured. This means (1) limiting the recommendations for solving the problem to what can realistically be done with the client's resources, the consulting firm's resources, and amount of time required; (2) proposing a reasonable number of recommended actions (McKinsey, for example, often limits their recommendations to three, no more, no less; see Rasiel, 1999); and (3) establishing milestones that can be met with targets that can be achieved, along with the verbal assurance that the client will be satisfied.

The roots of management consulting, as mentioned previously, come from Taylor. Thus, applying the scientific method of data gathering, analysis, hypothesis generation, testing the hypothesis, and action, basing remedies for the problem on these facts and the hypothesis, is the modus operandi. McKinsey and Company adopted Taylor's approach and added their own structured way of problem solving. Most management consulting firms conduct their business similarly. For more detail on the "McKinsey way," see the book by Rasiel (1999).

Today, management consulting is a huge industry and continues to grow around the globe. Moreover, major firms today include as part of their practice what has been referred to as *change management.* Even a major accounting firm such as Deloitte conduct a significant practice in change management, which they call "Organization and Strategic Change Services." Change management, then, is an attempt to integrate some of the standard aspects of management consulting (e.g., changing a client's business strategy, modifying its information technology systems, or changing the organizational design and structure) with organization change methods that are based on applied behavioral science, particularly organizational psychology.

Summary

Although the length of this chapter may not deliver the "brief" history of its title, the coverage provided is only the tip of the iceberg. A full chapter could easily be devoted to each of the 10 forerunners that were summarized. For the purpose of this book, the coverage provided should suffice. It is important to remember the following 10 points:

1. Scientific management set the stage for a systematic approach to organization change; prior to Taylor, such rigor had not existed.
2. The Hawthorne studies demonstrated the importance of the human dimension of organization change and contributed significantly to the future of applied behavioral science.
3. Industrial psychology, with the fuller integration of the individual and the organization, has provided, and continues to provide today, the research and theory required for the growth and development of our understanding of organization change.
4. Survey feedback may not be the most important tool for diagnosing and implementing organization change, but it is certainly in the top tray of our tool kit.
5. Even though controversial to this day and not used as prevalently as it was in the 1960s, sensitivity training has provided an unsurpassed mode for learning about group dynamics, interpersonal behavior, and oneself.
6. Sociotechnical systems furnished what seems today the obvious and yet overlooked critical nature of the interdependence of people and the organizational tools with which they work.

7. OD has given us a systematic approach to organization change with its emphasis on the total system, clear steps and phases of organization change, and an underlying set of humanistic values to guide the entire process.
8. Although highly structured, grid OD has stressed the importance of priorities in organization change and which primary organizational issues need to be addressed.
9. Although unconventional for what we usually think of when considering organization change, much can nevertheless be learned from coercive and confrontational techniques of trying to change an organization or institution.
10. Greater integration of the standard forms of management with those from the behavioral sciences should strengthen our understanding and effectiveness of organization change methodologies and processes.

CHAPTER 4

Theoretical Foundations of Organizations and Organization Change

To understand organization change, we must begin with some basics about organizations. This understanding will be grounded in two somewhat different but overlapping theoretical domains:

- Open-system theory, which stems from the discipline of biology, especially cell biology
- A theoretical synthesis of recent thinking on shifts from physics to the life sciences as the predominant explanatory discipline

The study of organizations offers a choice of theories. We could include theory from sociology and political science, for example, but as the preface noted, the standard literature for organization theory, based in part on sociology and related disciplines, emphasizes stability and not organization change. So, an additional choice is to rely on disciplines aligned with open-system theory, which is rooted in the life sciences.

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Open-System Theory

Any human organization is best understood as an open system. An organization is open because of its dependence on and continual interaction with the environment in which it resides. Closed systems exist only in the world of nonliving matter. Even a biological cell is an open system because it depends on its environment for survival, for taking in oxygen, for example.

For survival, an organization takes in energy from its environment. Energy is broadly defined and may include money, raw materials, or the work of people. This energy is then transformed into a product or service and returned to the environment. The output may encompass the same segments of the environment or others that were used as energetic inputs. One critical element of input for a business organization is money, which may take the form of a bank loan or the sale of ownership shares. After transformation into a product that is sold in the marketplace (another aspect of the organization's environment), the income from those sales provides additional input. For a profit-making organization to survive in the long term, sales income must become the primary input. The sales income then reactivates the system. This cyclical process is input-throughput-(transformation)-output, a feedback loop that connects output to input. Thus, for example, a bank loan (input) provides money to purchase raw materials (more input) so that a product can be made (transformation) and then sold (output) to consumers, and their payments provide money for further input, reactivating the cycle.

To identify the boundaries of an organization, therefore, it is not necessary to consider its name, location, or purpose (though these may add to the definition), but rather to follow, according to Katz and Kahn (1978), "the energic and informational transactions as they relate to the cycle of activities of input, throughput, and output. Behavior not tied to these functions lies outside the system. . . . Open systems [therefore] maintain themselves through constant commerce with their environment, that is, a continuous inflow and outflow of energy through permeable boundaries" (pp. 21–22).

Although their boundaries are permeable and open, organizations are also entities with internal elements or parts that are easy to identify: physical and technological parts, such as buildings, machines, desks, and paper (typically, piles of paper!); task- or work-related elements, such as specific jobs, roles (boss, subordinate), or functions (accounting, manufacturing); and suborganizations or subsystems, such as departments, divisions, or business units. Most important, there are the people: male or female, African American or Irish American, skilled or semiskilled, old or young, and so on.

All these parts compose a whole, a total organization that represents an entity different from the simple sum of its elements and dimensions, which is a basic tenet of Gestalt psychology. General Motors is more than the sum of Chevrolet, GMAC, Saturn, and the other subsystems. Similarly, a hospital is something more than the operating room and its staff, the various units, beds, nurses, doctors, patients, and so on, put together.

To consider organization change, it is important to take a total system perspective. Although one rarely tackles the entire system at once, one works diligently to keep the total in mind as one goes about changing parts, because the change of one part will affect other parts, perhaps all parts eventually.

Characteristics of Open Systems

Using as an intellectual source the general systems theory of biologist Von Bertalanffy (1950), Katz and Kahn (1978) delineate 10 characteristics that distinguish open systems.

1. ***Importation of Energy.*** No human organization is self-contained or self-sufficient; thus, it must draw energy from outside to ensure survival. Take the case of a consulting firm that specializes in conducting employee opinion surveys for client organizations. The energy that the firm draws from its environment comes from various sources, such as a line of credit from a nearby bank; the purchase of raw materials to produce the firm's product and services, for example, paper, high-speed color duplicating machines and services, three-ring binders, or computer disks for online processing; revenues from previous client work; and perhaps some temporary workers to help meet peak demands.

2. ***Throughput.*** The employees of the firm take these raw materials and other sources from the environment and use them to develop an employee-opinion survey questionnaire, administer the survey in their client organization, collect and analyze the survey data, and prepare a report for the client.

3. ***Output.*** Deliver the report, work with the client organization to take appropriate action according to the survey data, and finally, collect a fee from the client organization for the services rendered.

4. ***Systems Are Cycles of Events.*** Providing an excellent survey instrument and high-quality service with the delivery of the product will help

to ensure that the consulting firm will stay in business, if not result in increased business and ensure that the input-throughput-output cycle will continue. Katz and Kahn (1978) used the term *events* (after F. Allport, 1962) to explain the nature of an organization's structure and boundaries. An organization does not have a physical boundary as a human being does (skin that encloses bones, muscles, organs, and so on) to identify it as a system. An organization's building does not suffice as the identifying feature of structure and boundary, although the TransAmerica Tower in San Francisco comes to mind as an attempt to erect a structure that at least symbolizes the company. Nevertheless, events, for the most part, rather than things, provide identity. Social structures, the chain of events between and among people, establish boundaries. For our consulting organization, the identifying and boundary-setting events were contracting, purchasing, hiring a workforce, preparing the survey and providing the service associated with it, collecting monies from the client to purchase more raw materials and to pay employees, and eventually, contracting again with the client for additional work or moving on to a new client. Such a cycle of events is what establishes and identifies an open system—for our purposes, an organization.

5. ***Negative Entropy.*** According to general systems theory (Katz & Kahn, 1978), the "entropic process is a universal law of nature in which all forms of organization move toward disorganization or death . . . [but] by importing more energy from its environment than it expends, the open system can store energy and acquire negative entropy" (p. 25).

When an organization is losing money, the managers do not typically ask, "How can we stop this terrible entropic process?" but they do understand that, unless positive action is taken, they and all their employee colleagues may be out of jobs, for the organization will cease to exist under such a condition. For a profit-making organization, storing energy consists in part of having capital and lines of credit. For a private university, it is having a healthy endowment. For the consulting firm that is in the survey business, it is, for example, having the goodwill of clients, money in the bank, good relations with other members of the firm's profession so that referrals for future business will occur, and a solid reputation for high-quality products and services.

The point is that organizations are not self-sufficient; they are unstable and will not survive or grow unless active and deliberate effort is expended. The process of interpersonal trust serves as an analogy. Trust between people is a very unstable process that must be maintained constantly. When one party to the relationship behaves at all strangely or

suspiciously, the trust in the relationship is automatically in jeopardy, and deliberate action must be taken for the trusting quality to be regained and maintained. Similarly, constant effort must be expended not only for the maintenance of an organization, but for its very survival.

6. ***Information Input, Negative Feedback, and the Coding Process.*** If an organization obtains feedback on how well its output is being received, it can respond to its customers or clients more effectively in the future. This is especially true when the feedback is negative; then, corrective action can be planned and taken. When customers or clients complain about the service they are receiving, the firm's leaders can take action to change some elements within the input-throughput-output and feedback set of events. It is rare for all information in an organization's environment that could be used as feedback to be tapped. Some kind of coding occurs as organizational members are selective and try to simplify all the possibilities into fundamental categories that seem to be most relevant for a given system. The consulting firm would probably pay more attention to negative feedback from clients (good clients especially) than from professional peers. Although professional peers may influence the firm's reputation by what they say in public forums, the clients, after all, provide the firm's income (i.e., input), which is more directly linked to survival.

7. ***Steady-State and Dynamic Homeostasis.*** Organizations that survive are typically considered in steady state, but this does not mean that little activity is occurring. As Katz and Kahn (1978) depict it, "A steady state is not a motionless or true equilibrium. There is a continuous flow of energy from the external environment and a continuous export of the products of the system, but the character of the system, the ratio of the energy exchanges and the relations between parts, remains the same" (p. 26).

Lewin's (1947) concept of quasi-stationary equilibrium is relevant here. An organization's *apparent* equilibrium is actually up at one moment (during one event in the cycle) and down at another, but the overall averaging of these ups and downs gives the appearance of a stationary or steady-state situation.

To counteract entropy, organizations need to grow and to control more and more of their environment—that is, expand the original system. This counteracting process implies change. In Lewin's (1958) concept of equilibrium, the average of an organization's ups and downs does not always remain at the same level. Even so, the basic character of an organization tends to remain the same. To say that J P Morgan Chase or the Bank of America is now a financial intermediary institution, for example, is to

reflect the organization's movement into a broader field of services, not necessarily to state that it is getting out of the banking business.

8. Differentiation. As an organization continues to offset the entropic process and therefore grows (not always meaning expansion, but sometimes creating new businesses and eliminating old ones), differentiation and elaboration occur; that is, specialization and division of labor evolve. In our consulting firm example, this could be a division of labor consisting of those who work directly with the clients and others who conduct the data processing and analyses.

9. Integration and Coordination. In the effort to maintain stability, too much differentiation can occur. A certain degree of unification and coordination is then necessary. According to Katz and Kahn (1978), integration is accomplished through shared norms and values. Organization structure, roles, and authority are the social-system vehicles that managers use to achieve integration and coordination. The current hue and cry about the "silo effect" in many corporations is an outcome of too much differentiation and inadequate integration and coordination.

10. Equifinality. According to Von Bertalanffy's (1950) principle, an organization can attain the same goal from different starting points and by a variety of paths. To increase sales, a clear and specific goal, our consulting firm in the survey business may, for example, concentrate on referrals from current and past clients rather than, say, advertising via direct mail with follow-up phone calls. Either path might achieve the goal of increased sales.

An organization's success and effectiveness in a systems sense is contingent on two processes—openness and selectivity. The organization's managers must operate according to the foregoing 10 open-system characteristics, but they should be selective in their inputs and outputs, especially with respect to the feedback they obtain from the environment.

To summarize, open-system theory begins with the cyclical process of input (importation of energy)-throughput-output, that is, transforming input into a usable product or service. The output into the external environment (a customer, for example) creates the potential for feedback, which in turn generates another form of input so that the organization can correct its throughput to improve its future output, thus helping to ensure long-term survival. So systems are composed of cycles of events. Within these cycles, it is critical that organizational managers make sure that they store more energy from the external environment than they produce as output. In theoretical terms, this is

referred to as *thwarting the natural process of entropy.* In practical business language, it is ensuring that sales are greater than costs. A primary mode of fighting entropy is to obtain feedback regularly about how well the organization is performing so that corrective action can be taken and the organization can remain adaptive (i.e., have a strong capacity to fight equilibrium and change itself).

As organizations do well in offsetting the entropic processes, they tend to grow and develop, which results in greater differentiation of products and services along with the congruent need for integration and coordination. A final characteristic of organization according to open-system theory is the principle of *equifinality,* which essentially means that for any given goal, there are multiple paths that organizational members can take to achieve it. In short, it should be clear that managers of organizations need to be constantly aware that they are managing a system that has permeable boundaries, is dependent on its environment for survival, and will go out of existence unless it is actively attended to (managed).

Organization Change Is Systemic

The objective for change is systemic; that is, some aspect of the system, such as the organization's managerial structure or the reward system, is selected for change. Usually, this selection is made as a result of a previous diagnosis and in collaboration with the relevant people within the organization.

The change objective should be systemic for at least three reasons. First, when some aspect of the system is changed, other aspects eventually will be affected, thus calling for a total system approach. If the leader or change agent works in one part of the organization and does not consider this impact and plan for the consequences of his or her actions for other parts of the system, the effort is likely to fail eventually (Burke, 1980).

The second reason for an organization change effort to be systemic is based on our knowledge of how to bring about change in an organization. One of the precursors of organization change research and theory is sensitivity training (see Chapter 3), which is educational and individually focused on the objective for change, improvement, and learning. Sensitivity training was a primary intervention for organizational change in the 1960s. As we discovered through experience and research, however, although training may lead to individual change (Bunker & Knowles, 1967; Dunnette, 1969; Rubin, 1967) and, in some cases, to small-group change (Hall & Williams, 1966, 1970), there is scant evidence that attempting to change individuals will in turn change the

organization (Campbell & Dunnette, 1968). The Fleishman (1953) research of the 1950s at International Harvester, mentioned in Chapter 3, is further evidence that individual training alone does not affect the total organization for purposes of change.

The target for change, then, is the system, not the individual (Burke & Schmidt, 1971). This systemic target is often the organization's culture, especially the group and organizational norms to which members conform. This approach is based in part on the original work of Kurt Lewin. His theories and research led him to conclude the following (Lewin, 1958): "As long as group standards are unchanged, the individual will resist change more strongly the further he is expected to depart from group standards. If the group standard itself is changed, the resistance which is due to the relation between individual and group standards is eliminated" (p. 210).

Others since Lewin also have shown in their research that work performance and satisfaction are greater when workers perceive that they influence the formulation of work group norms (Bachman, Smith, & Slesinger, 1966; Bowers, 1964; Hornstein, Callahan, Fisch, & Benedict, 1968; Likert, 1961; Tannenbaum & Kahn, 1957, 1958). Recall also the Hawthorne studies described in Chapter 3. The classic study by Coch and French (1948), based on Lewinian theory, clearly demonstrated this relationship of commitment, norms, and change. Because individual and group behavior in an organization are largely determined by group norms (fundamental to the organization's culture), the changing of certain of these norms and their accompanying values that are integral to culture needs to be a major focus of an organization change effort.

The third reason an organizational change effort should be systemic relates to the open-system characteristics of importation of energy and negative entropy. For an organization to survive, energy must be taken into the organization in a variety of forms and transformed into products or services that add value to the consumer, and the entropic process must be reversed. According to Katz and Kahn (1978), "By importing more energy from its environment than it expends, the open system can store energy and acquire negative entropy" (p. 25). It is therefore highly important to pay particular attention to how human energy is used in the organization. Are employees' efforts thwarted because of excessive bureaucracy? Is energy bottled up because of an overly centralized control and authority structure? Are people's efforts dissipated because power and authority are so diffused in the organization that people work at cross-purposes?

Paying considerable attention to the use of human energy can help the organization's leaders change things (norms, rewards, or authority structure) so that this energy can be focused more appropriately toward

accomplishment of the organization's goals. Thus, negative entropy is more effectively established.

Open-system theory is highly relevant and even expedient for our understanding of organization change. Although necessary to our understanding of organization change, it is not sufficient.

Toward a Deeper Understanding of Organization Change

Open-system theory is but a part of a much larger set of theories that constitute a paradigmatic shift from physics—which Kurt Lewin and many others have relied on as *the* explanatory discipline for understanding reality—to the life sciences, or as Capra (1996) refers to the new paradigm, "deep ecology." To use Capra's words,

> The new paradigm may be called a holistic worldview, seeing the world as an integrated whole rather than a dissociated collection of parts. It may also be called an ecological view [in a broader sense recognizing] the fundamental interdependence of all phenomena and the fact that, as individuals and societies, we are all embedded in—and ultimately dependent on—the cyclical processes of nature. (p. 6)

This section relies on the work of Fritjof Capra, the theoretical physicist who has written extensively and clearly for us nonphysicists. His books *The Tao of Physics* (1991; first published in 1975) and *The Turning Point* (1982) are prime examples of his ability to span disciplines, to integrate them, and to help us achieve a deeper understanding of science in particular and life in general. His latest contribution, *The Web of Life* (1996), brings us closer to a comprehensive theory of life that has relevance to organizations and organization change.

To continue with the transition from physics to the life sciences and from open-system theory to broader and more comprehensive modes of thinking, it was evident that by the 1930s, as Capra (1996) points out, the basis for systems thinking had been derived by biologists, Gestalt psychologists, and ecologists:

> In all these fields the exploration of living systems—organisms, parts of organisms, and communities of organisms—had led scientists to the same new way of thinking in terms of

> connectedness, relationships and context. This new thinking was also supported by the revolutionary discoveries in quantum physics in the realm of atoms and subatomic particles. (p. 36)

The primary criteria for systems thinking, such as the following, are now well-known and accepted:

> Living systems are integrated wholes with properties that none of their parts have.
>
> Living systems nest within other systems.
>
> A part of a system is actually "a pattern in an inseparable web of relationships" (Capra, 1996, p. 37).
>
> "None of the properties of any part of this web is fundamental; they all follow from the properties of the other parts, and the overall consistency of their interrelations determines the structure of the entire web" (Capra, 1996, p. 39).

But as it turned out, systems theory was not sufficient to achieve Von Bertalanffy's goal of its becoming a mathematical discipline. Mathematical techniques for dealing with the complexities of living systems were not available until decades later. According to Capra (1996):

> Instead of a formal *systems theory* the decade of the 1980s saw the development of a series of successful *systemic models* that describe various aspects of the phenomenon of life. From those models the outlines of a coherent theory of living systems, together with the proper mathematical language, are now finally emerging. (p. 79)

What follows is a brief summary of these emerging theories and models, with an attempt to relate this more comprehensive way of thinking to organization change.

Capra's Three Criteria for Understanding Life

The three concepts that Capra (1996) uses as criteria for understanding life are *pattern, structure,* and *process,* common words that are quite complicated when applied to an explanation of life and living systems. These three criteria are totally interdependent and therefore together form

what Capra calls "a new synthesis": a deeper and more comprehensive theory based on certain commonalities that exist across all living systems, from a cell to a human being. It seems useful to learn more about this way of theorizing in order to determine the feasibility of generalizing this understanding to organizations and organization change.

Pattern

The pattern of organization for a living system is "the configuration of relationships that determine the system's essential characteristics" (Capra, 1996, p. 161). This configuration further determines how a living system will be recognized: a normal cell versus a cancerous one, a rose versus a gardenia, a dog versus a cat, and so on. To understand pattern more thoroughly, Capra relies on the work of Maturana and Varela (1987) and their theory of *autopoiesis,* or self-making. Using cell biology as their foundation, Maturana and Varela point out that the key characteristic of a living system, or living "network," as Capra (1996) often calls it, is that it continually produces itself. The function of each component of a plant or human cell is to participate in the production of other components in the network so that the network continually makes itself. A primary component of any cell is its membrane, which is the cell's boundary and which maintains the flow of external matter into the cell and dissipates waste into the cell's external environment: in other words, the input-throughput-output mechanism or process of a living system. Other cell components are its nucleus—the location for DNA and the cell's production center containing RNA molecules—enzymes, proteins, oxygen, and so on.

Even though cells interact with their environments exchanging energy and matter through their membranes, the entire system is closed organizationally. According to Maturana and Varela (1987), the cell (and any larger living system) is self-organizing in that its pattern is not determined by the external environment but is established by the system itself. Thus, living systems are autonomous. They interact with their environments to survive, taking in oxygen, for example, but their internal network or pattern of component relationships is not *determined* by the environment. In particular, the environment does not change the DNA. "Autopoiesis, then, is seen as the pattern underlying the phenomenon of self-organization, or autonomy, that is so characteristic of all living systems. . . . Moreover, the continual self-making also includes the ability to form new structures and new patterns of behavior" (Capra, 1996, p. 168). It should be noted, however, that an exception to the cell's independence of its external environment and

autopoiesis is that carcinogens (from the external environment) can cause cancer, an altering of the cell's patterns.

It is not too much of a stretch to point out that business corporations are at least to some extent autopoietic networks. Two business organizations may be manufacturing and selling the same kinds of products to the same set of customers or marketplaces and yet, internally, be organized very differently and have highly distinctive cultures—both of which define the unique pattern of relationships for each of the respective organizations. Volvo and Toyota illustrate this point.

In summary, autopoiesis means that living systems continually change their structures, renewing themselves while preserving their *patterns* of organization. Components of the system "continually produce and transform one another with cells breaking down and building up structures, tissues and organs replacing their cells in continuous cycles. In spite of this ongoing change, the organism maintains its overall identity, or pattern of organization" (Capra, 1996, p. 218). A fascinating tidbit of Capra's is that "our skin replaces its cells at the rate of one hundred thousand cells per minute. In fact, most of the dust in our homes consists of dead skin cells" (Capra, 1996, p. 219).

Structure

The structure of a living network is the embodiment of the system's *physical* components: their shapes, chemical compositions, size, and the like. Capra's (1996) major source here is the work of Ilya Prigogine (Prigogine & Stengers, 1984) and his theory of dissipative structures.

Whereas Maturana and Varela (1987) focused on the closed nature of living systems, Prigogine and Stengers (1984) emphasized the openness of a system's structure to input and output. Capra (1996) then pointed out that living systems are both open and closed—open structurally and closed organizationally. *Open structurally* is what is meant by autopoiesis, and *closed organizationally* means that the system's overall pattern remains the same. This seeming paradox is the simultaneous existence of change and stability, which Prigogine and Stengers (1984) refers to as "dissipative structures."

Structure for us human beings is our physical body and its components: skin, bones, muscles, and organs. How we look to ourselves and to others is the particular pattern of these components. The same pattern, "human being," can, of course, be embodied in a great many individual structures. This example, however, though perhaps explanatory, oversimplifies the theory of dissipative structures.

From their research with physical and chemical systems, heat convection, for example, Prigogine and Stengers (1984) discovered that phenomena "far from equilibrium" that produced noise, nonlinearity, and other apparently chaotic conditions, when observed more carefully, closely, and over time gradually revealed new, unique structures and patterns—that is, a new order out of chaos. This back and forth quality of order to chaos to a new order is what Prigogine and Stengers (1984) meant by dissipative structures. (Note the similarity to Lewin's ideas of change.) The structure of a living system, its physical nature, is therefore open to considerable change, but the form or pattern of its components remains the same. As Capra (1996) notes, dissipative structures are not always living systems, even though he uses the idea to understand living systems more clearly. The example that Capra provides of water flowing through a bathtub drain is an interesting image of dissipative structures: That is, water flowing through the drain forms a stable state with self-balancing feedback loops, despite the fact that the water is constantly changing.

The stimulus for structure change in a living system comes from its external environment and triggers reactions and new events within the system. Given a strong enough stimulus of new matter and energy creating consequent reactions followed by feedback loops—from input to output back to input again—one can create conditions far from equilibrium: turmoil, even chaos. For the system, a new order may eventually be reached, a new structure may form, and another phase of evolution begin, perhaps, but the change occurs dissipatively, resulting in equilibrium again, but a different form of equilibrium. The *way* the system deals with this strong stimulus from the external environment, that is, the system's pattern of components, its process of input-output, and its feedback loops, remains the same.

The two criteria of Capra's (1996) synthesis theory of living systems that have been briefly described, pattern and structure, represent different perspectives or aspects but, in reality, are inseparable and interdependent. The way a system deals with input from the external environment depends on its internal component relationships, and the nature of the structure that houses this pattern depends on its interaction with both the external and internal environments of the overall system. If a new structure forms, its form will be a function of the network, or web characteristics, of the system.

These ideas of pattern and structure from the life sciences help to explain what Foster and Kaplan (2001; see Chapter 2) mean by *culture lock-in,* or the inability to change the culture (or to do so rapidly enough) even in the face of threats to survival from the marketplace. In other words, the way the organization deals with external threats remains the

same and, according to Foster and Kaplan, is ineffective. Their argument is that the organization's culture (pattern of behavior) must change.

Process

Capra defines his third criterion of a living system as "the activity involved in the continual embodiment of the system's pattern of organization" (1996, p. 161). In this brief definition, he incorporates the previous two criteria: structure (i.e., embodiment) and of course, the term itself, pattern. Remember that structure and pattern are interdependent. *Process,* then, serves as the connection or link between pattern and the reinforcer of our support for the independent structure. The next logical question is, what does Capra mean by "activity"? He then introduces the term *cognition* as meaning the process of life. Thus, the activity is cognitive, that is, a way of knowing. We psychologists cannot assume that cognition has exactly the same meaning as the way these physical scientists use the term. With this third criterion, Capra relies on the work of Gregory Bateson (1979), who introduced cognition as a concept for understanding life, and again on the theorizing of Maturana and Varela (1987).

Next, Capra (1996) introduces the term *mind.* (As we proceed, it is helpful to our understanding to consider these terms and others already used as both literal and metaphorical, that is, to go back and forth in our thinking.) And it is key to our understanding to distinguish between mind (cognition) and *brain.* Our brain is a physical thing, but our mind is not: It is a process. For us, as higher levels of living systems, the brain is the structure through which the process of cognition or mental activity operates. "The relationship between mind and brain, therefore, is one between process and structure" (Capra, 1996, p. 175). Electrical and chemical activities in our brain that form connections for thought and emotions are analogous to what is meant by *process.* But what about lower levels of life that have no brains or central nervous systems? According to Maturana and Varela (1987), the brain is not necessary for mind or cognition or mental activity to exist. The simplest organism, a bacterium, can *perceive* its environment, can perceive changes, differences between light and dark, hot and cold, higher or lower levels of some chemical, and so on. This process of knowing is much broader than thinking that involves emotion, action, and perception. With humans, of course, cognition also involves thinking, language, and other aspects of consciousness. The concept of mind, as used by these theorists, is more comprehensive than thinking, incorporating emotion, context, and so on. This way of theorizing is not unlike Gardner's (1983) earlier work on

multiple intelligences encompassing *emotional intelligence.* This work by Gardner challenges the Cartesian notions of a mind-body split, which is that feelings are not separate from thought, and that emotional intelligence is an integral part of overall intelligence.

Cognition, or the process of knowing, can be understood only in terms of the living system's interaction with its environment. The living system does not process information the way a computer does, but instead brings its entire being to the interaction. This interacting is what Maturana and Varela (1987) refer to as "structural coupling." With autopoiesis, or self-making, the system goes through continuous structural changes yet maintains its pattern of organization. These recurrent interactions stimulate structural changes in the living system, but the system, remember, is autonomous. According to Capra (1996):

> The environment only triggers the structural changes, it does not specify or direct them. . . . The structural changes in the system constitute acts of cognition . . . and by specifying which perturbations from the environment trigger its changes, the system "brings forth a world" as Maturana and Varela put it. (p. 267)

Specifying which perturbation is important means that the living system does not react to everything in its environment but rather selects. Thus, each living system is distinct, with its own mode of environmental interaction. Moreover, the interaction is not a linear cause and effect. The system "*responds* with structural changes in its nonlinear, organizationally closed, autopoietic network [which] enables the organism to continue its autopoietic organization and thus to continue living in its environment" (Capra, 1996, p. 269).

Building on the works of scientists and theorists such as Prigogine, Maturana and Varela, and Bateson, Capra (1996) presents us with his synthesis by way of the three criteria for defining and understanding life. While it is extremely complicated, and therefore overly simplified in the summary provided previously, we can nevertheless speculate about the larger meaning for organizations and organization change.

Let us consider a rough approximation of how these ideas from Capra and others are applicable. Effective organizations and, particularly, successful corporations constantly monitor their external environments, but because these environments are so complex and rapidly changing, organizational leaders have to be selective about what they monitor. These leaders then attempt to adapt their organizations to the changes in

the environment (the marketplace, for example). Successful adaptation is a function of how congruent the selection made is with the internal organization change. In part, the success of the merger of SmithKline Pharmaceuticals, of Philadelphia, and Beecham, Ltd., of London, may be attributed to the deliberate decision on the part of the top executives to monitor and focus predominantly on the global marketplace—not at the expense of domestic markets, but a shift of emphasis, nevertheless. Internal organization change at the newly merged SmithKline Beecham, especially in its business strategy, structure, and corporate culture, was therefore based on this selective external environment focus. For more detail about this successful merger, see Bauman, Jackson, and Lawrence (1997), Burke and Trahant (2000), and Chapter 13 in this volume.

The following and final section of this chapter is a further attempt to apply the ideas of Capra and other scientists he cites.

Implications for Organizations and Organization Change

Capra (1996) provides a sweeping summary and then raises an intriguing question:

> All living systems are networks of smaller components and the web of life as a whole is a multilayered structure of living systems nesting within other living systems—networks within networks. Organisms are aggregates of autonomous but closely coupled cells; populations are networks of autonomous organisms belonging to a single species; and ecosystems are webs of organisms, both single celled and multicellular, belonging to many different species. . . . Common to all these living systems is that their smallest living components are always cells. . . . thus autopoietic. (pp. 209–210)

Are larger systems, organizations and human societies, autopoietic (self-making) networks?

Maturana and Varela (1987) state that our current knowledge is not sufficient to give a definitive answer. Moreover, they point out, as a consequence of language and abstract thinking, human societies are distinct from "lower levels" of organisms and ecosystems. It is interesting that they further state that ants, for example, communicate with one another with chemical exchange; humans communicate with language.

Components of organisms exist to serve the larger whole, whereas societies exist for their components, that is, individual human beings. Furthermore, the laws of nature are not the same as the laws of a society; the latter can be broken, but the former cannot. Humans can choose to interact or not; molecules cannot choose to interact—they *must.*

Even with these caveats and critically important distinctions, one can still see numerous parallels and analogies. For example, organizations and societies have boundaries (membranes); these boundaries are largely social, of course, but can be defined nevertheless. See the previous open-system section of this chapter and the work of Katz and Kahn (1978). It is clear that organization change typically is initiated by some "perturbation" in the external environment, but the organization responds in its own unique manner and, in fact, may not respond at all—often to its peril. And although the organization may respond to the disturbances in its environment with some internal changes, say, to its strategy and structure, the organization's pattern of operations among its components may remain essentially the same (e.g., organizational culture). What rarely, if ever, changes is its *pattern,* or as we will see in the next chapter, its *deep structure.*

Additional examples from Capra and others that parallel or help to explain organizations and organization change are as follows:

- Organizations interact with their external environments in a back-and-forth manner, influencing and being influenced and "bringing their whole being" to the process in much the same way as Maturana and Varela (1987) describe. Recall how Katz and Kahn (1978) state it: "Systems . . . maintain themselves through constant commerce with their environment, that is, a continuous inflow and outflow of energy through permeable boundaries" (p. 22).
- Cells take in energy, matter, and the like and dispose of waste; organizations take in energy and "dispose" of products and services and excess human resources at times.
- Although cells are autopoietic, they, like human organizations, are not self-sufficient and depend for survival on the external environment.
- A cell does not respond to all elements or disturbances in its environment; selectivity occurs. So it is with organizations.
- Cells continuously reproduce themselves; organizations continually deal with entropy and in the process produce themselves.
- A cell's pattern is not determined by the external environment (except for carcinogens, as noted earlier) but by the system itself.

For an organization, the same is largely true but not entirely. Organizational members are also members of a larger society and culture and therefore bring these patterns into the organization's pattern. This statement is consistent with Capra's (1996) point about networks being nested within networks.

- Cells have differentiated components, yet these components exist to support one another in the interest of the whole. This statement corresponds with the open-system concepts of differentiation and integration defined earlier in the chapter. This weblike quality of cells is totally congruent with open-system thinking and supports the ideas underlying the Burke-Litwin model of organizational performance and change described in Chapter 10. The components of this model are designed to support the organizational whole.

Capra's (1996) third criterion, process, is the living system's mind, cognition, or mental activity. This means that living systems perceive, sort through, and select for internal use certain but not all elements from the external environment. This implies that some form of information processing occurs. Do human organizations learn? Apparently so, but what is not clear is *how* they learn. At the present time, organizational learning is a growing area of interest for scholars and practitioners.

Other examples could be suggested and parallels drawn. And although Capra's new synthesis and the associated theories are not completely and uniformly applicable to human organizations and organization change, this way of thinking nevertheless provides plenty of thought-provoking ideas to warrant our attention and consideration.

One last point: Capra's synthesis takes us a step beyond open-system theory. For example, the latter calls to our attention the interdependence between an organization and its external environment—dependent for survival yet influential on that environment by means of its output (organizational performance, products, and services). Capra's synthesis helps us to more broadly understand executive organizational actions such as an organization's selective response to perturbations in the environment, and because the organization's pattern (or culture; recall cultural lock-in from Chapter 2) is unique and employs an autopoietic (self-making) process, the response to the perturbation may be inadequate to the task of reaching a stationary or steady-state situation, not to mention inadequate for long-term survival.

CHAPTER 5

The Nature of Organization Change

As prime minister of Great Britain, Margaret Thatcher was hardly a shrinking violet. "Change agent" would be a more apt descriptor. She worked hard to move her country from a socialist economic system to a more capitalistic one. She believed strongly in a free-market system. As part of this overall political and economic change effort, she declared that many government-supported organizations, for example, public-sector water and electric utilities, would become private enterprises. Prominent among these changing organizations was British Airways (BA). About 1983, she declared that BA would become a publicly owned company, with shares of the company being traded on both the City of London and the New York stock exchanges. For its entire prior existence, BA had been a government-supported organization, and in essence, Thatcher stated that even though it had been the nation's flagship airline, it would now have to survive on its own in a global free-market system. The British government would no longer, year in and year out, bail it out financially. BA was therefore faced with a need to change itself rather radically if it wished to remain an organization—in this case, a commercial enterprise.An example of a successful transformational organization change effort, the BA story will be summarized later in Chapter 11, which focuses on culture change.

During the late 1980s, the general manager of a chemical division within a large, global pharmaceutical-chemical company was concerned about customer service. Customer orders were often delivered late, and as might be expected, the customers were complaining. The cause of this problem was not immediately apparent to the general manager, but he

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quite naturally assumed that it resided somewhere in the way customer orders were handled inside his division. He hired a consultant to tackle the problem. The consultant started with the end state, that is, with the customers' receptions of their ordered products, and then traced the process back through the chemical division's sales and delivery systems. The consultant recommended some structural organizational changes that would result in a more streamlined process. The general manager made these changes in his organization, and customer service improved, as well as overall customer satisfaction.

The two cases briefly described here both illustrate organization change, but as can readily be understood, they are very different in the scope and depth of the change efforts. The first, BA, represented a *revolutionary* change, and the second, an *evolutionary* one.

It is interesting to note that Darwin's theory of evolution has been characterized for many years as a slow, incremental process of change, but more recently, scholars have challenged this view, stating that changes in living organisms actually occur in spurts, or leaps, as perturbations. In other words, a species may live for many hundreds, if not thousands, of years with no significant change, that is, in a state of equilibrium. But eventually, an entirely new species will emerge, replacing the previous one as if overnight. Natural historian Stephen Jay Gould (1977) has been a primary challenger of the idea that change is merely gradual, and he has proposed a new way of thinking and theorizing called "punctuated equilibrium": a steady state for a period of time, then a sudden (punctuated) change, followed by equilibrium again.

Important for our understanding, then, is that change occurs both incrementally and radically. This is true for individuals, groups, and organizations, as well as for even broader domains, such as fields of science and biological species. First we will consider revolutionary change, then evolutionary.

Revolutionary Change

When scholars independently derive similar, if not the same, theoretical ideas (even though different words may be used), especially if these scholars represent different disciplines, it is time to sit up and take notice. Connie Gersick (1991) took notice of how the punctuated equilibrium idea had emerged in six distinct domains to explain change as revolutionary. In her study, she found commonality of thinking in the following:

Daniel Levinson's (1978) theory of individual change: We live our lives through a relatively orderly sequence, but at times, many of us, especially around 40 years of age, dramatically change that sequence.

Gersick's (1988) group change: Groups do not develop in a linear set of stages; rather, they proceed with not much happening and then recognize (almost suddenly) a need to move forward rapidly in a new way.

Organization change (e.g., Tushman & Romanelli, 1985): Organizations do not evolve but are more likely to change in strategic reorientations that demand significantly different patterns of operations.

Scientific fields (Kuhn, 1970): Truth is probably not discovered through the accumulation of individual findings, but more likely in paradigmatic shifts, that is, breaks in the prevailing mode of thinking.

Biological species (Gould, 1980): Change occurs after long periods of equilibrium and then in "rapid and episodic events of speciation" (p. 184).

Grand theory (Prigogine & Stengers, 1984): Systems vacillate between some kind of transition and the status quo, or equilibrium. At times of transition, that is, punctuated equilibriums, there is no end state that is a given, because during times of transition, system parts interact unpredictably. The change, therefore, becomes revolutionary.

The commonality of thinking across these six theories is in three domains, according to Gersick (1991).

1. ***Deep Structure.*** Gersick's (1991) definition is as follows:

> A network of fundamental, interdependent choices about the basic configuration into which a system's units are organized and the activities that maintain both this configuration and the system's resource exchange with the environment. Deep structure in human systems is largely implicit. (p. 15)

For individuals, it is the underlying pattern of a person's life at a given time (D. Levinson, 1986). For groups, it is the structure and process a group chooses to accomplish its task (Gersick, 1988). For organizations, it is the underlying culture—the structure itself, that is, organizational design for decision making, accountability, control, and distribution of power, and the *way* the organization monitors, reacts to, and, in general, relates to its external environment (Tushman & Romanelli, 1985). For scientific fields, it is the paradigm, that is, the pattern and set of standards for how a discipline develops and is maintained or sustained over time through scientific achievements (Kuhn, 1970).

Change in scientific fields occurs through a break from the pattern, a paradigmatic shift. For biological species, it is a network of circular and interdependent interactions with feedback loops; thus, no single unit or part can interact with the environment independently (Gould, 1977, 1980; Wake, Roth, & Wake, 1983). This network of interacting parts helps to create resistance to change. A perturbation, then, brings about change; change will not occur as a result of life as usual within the species, that is, it will not occur in a linear, evolutionary manner. And, finally, for grand theory, collective modes and parameters determine order for the overall system (Haken, 1981).

2. Equilibrium Periods. Gersick's (1991) analogy is helpful here: "If deep structure may be thought of as the design of the playing field and the rules of the game, then equilibrium periods might be compared loosely to a game in play" (p. 16). Specifics of play vary, but the structure and rules remain fixed. The equilibrium period consists of (1) maintenance of the system and (2) choosing of activities, "calling the plays," but within an overall pattern of rules, standards, mores, and circular processes. Because part and parcel of equilibrium periods is inertia, one can begin to understand why it is so difficult for systems to change. O'Toole (1995), for example, lists 33 hypotheses for why organizations are resistant to change, for example, *homeostasis*—"Continual change is not a natural condition of life; hence resistance . . . is a healthy human instinct" (p. 161)—and the *rectitude of the powerful*—"The best and the brightest have set us on the current course. Who are we to question the wisdom of our leaders?" (p. 164).

Gersick (1991), after reviewing this literature, narrowed the resistance list to three albeit quite powerful barriers to change: (1) cognition, (2) motivation, and (3) obligation. These three are variations of the same phenomenon: resistance. Cognitive frameworks shape our awareness and thinking, how we interpret reality, and how we consider choices for action. In other words, cognitive frameworks, models of reality, and so forth, are useful for understanding reality; yet at the same time, they limit our awareness of other ways to look at reality.

With respect to motivation, change is accompanied by loss of some kind and by uncertainty. Resistance to loss and uncertainty are easy to understand; that is, one is motivated to reduce the loss and uncertainty. Regarding obligation, Gersick (1991) cites D. Levinson, Tushman and Romanelli, and Kuhn by pointing out "the inertial constraints of obligations among stakeholders inside and outside a system" (p. 18). Stakeholders hold expectations of and assumptions about how the system is supposed to operate. When this equilibrium is disturbed, they put pressure on the system to "get back into line."

3. Revolutionary Periods. As Gersick (1991) clarifies

> Incremental changes in a system's parts [will] not alter the whole. As long as the deep structure is intact, it generates a strong inertia, first to prevent the system from generating alternatives outside its own boundaries, then to pull any deviations that do occur back into line. (p. 19)

So, how do revolutions occur? By (a) internal disruptions that pull subsystems and activities out of alignment with each other or the environment, for example, intrusion of a "foreign body" from an acquisition or merger and (b) changes in the system's environment that threaten its ability to obtain resources, for example, creation of new technology or severe consolidation of an industry via huge mergers. It is important to note that these internal changes or external ones do not in and of themselves bring about revolution. They simply create the need for change.

Revolutionary change, by definition, can be seen as a jolt (perturbation) to the system. As a result, nothing will ever be the same again. Organizations that change their missions exemplify revolutionary change—as in the BA case of focusing on the marketplace, after years of insularity and focusing on the most negative aspects of bureaucracy. Although the overall mission for BA remained transportation, the specifics changed significantly, for example, new goals of customer satisfaction and profitability, neither of which had ever been emphasized before. The change of mission affects all other primary dimensions of an organization: leadership, strategy, structure, culture, and systems. In Gersick's (1991) language, the *deep structure* has been affected significantly.

It should be reiterated that the fundamental mission of an organization is to survive. Most of the time, organizations survive by continuously fixing problems and trying to improve the way things are done. Sometimes, however, survival depends on an entirely new raison d'être with completely different products or services or both. The BA case is such an example and will be described in more detail later in Chapter 11. The Dime Bancorp case, a merger, will be used as the revolutionary change example for this chapter.

Evolutionary Change

No doubt, more than 95% of organizational changes are evolutionary. As noted previously, the resistances to revolutionary change are indeed strong. The second case vignette, at the beginning of this chapter (improvement in customer service at the pharmaceutical-chemical company), is illustrative of evolutionary change. Most organizational change consists of improvements, incremental steps to fix a problem or change a part of the larger system. Most organizational change in Japan, for example, is referred to as *kaizen,* meaning continual improvement: changing the way a product is packaged before shipment to the customer, instituting a new form of commission on sales for how salespeople will be compensated, developing a new set of products or services for an emerging market on the basis of demographic shifts, acquiring a smaller company to augment current business lines, and installing a new leadership development program for the top 300 executives in the organization, to name only a few examples. These examples illustrate evolutionary changes. Any one of these examples, however, could be part of a larger change effort that might be revolutionary. But if any one of these partial changes does not affect the whole and the deep structure of the organization is not fundamentally modified, then the change is evolutionary.

In an attempt to further clarify the meaning of evolutionary change in organizations, let us consider the writings of Orlikowski (1996) and Weick and Quinn (1999). In place of *evolutionary,* these scholars refer to *continuous change.* The meaning is the same, nevertheless. For Weick and Quinn, continuous change means "the idea that small continuous adjustments created simultaneously across units, can cumulate and create substantial change. That scenario presumes tightly coupled interdependencies" (p. 375).

The "looser" these interdependencies, the less likely that overall organization change will occur. The change is more likely to remain primarily within subunits of the organizations—although not necessarily exclusively. Ultimate organization change could occur if consistent with managers' abilities and desires to diffuse innovation from one unit to other units.

Orlikowski (1996), as cited in Weick and Quinn (1999), has also helped with definition and clarification. She had noted the following:

> Each variation of a given form is not an abrupt or discrete event, neither is it, by itself discontinuous. Rather, through a series of ongoing and situated accommodations, adaptations, and alterations (that draw on previous variations and mediate future ones), sufficient modifications may be enacted over time that fundamental changes are achieved. There is no deliberate orchestration of change here, no technological inevitability, no dramatic discontinuity, just recurrent and reciprocal variations in practice over time. Each shift in practice creates the conditions for further breakdowns, unanticipated outcomes, and innovations, which in turn are met with more variations. Such variations are ongoing; there is no beginning or end point in this change process. (p. 66)

I would question Orlikowski's assumption that "sufficient modifications may be enacted over time that fundamental changes are achieved." Although possible, it is unlikely. Overcoming inertia and equilibrium, as Pascale, Milleman, and Gioja (2000) emphasized, is difficult, if not impossible, without a discontinuous jolt to the system. Organization change does occur with continuous attention and effort, but it is unlikely that fundamental change in the deep structure (Gersick, 1991) of the organization would happen.

Another example of continuous change is the relatively new field of organizational learning (Argyris & Schön, 1978). Watkins and Marsick (1993) define organization learning as in the following.

Advocates may differ about specific details, but in general, they agree that the learning organization:

1. Is not just a collection of individuals who are learning—instead, learning also occurs simultaneously at various collective levels within business units and sometimes within an entire company
2. Demonstrates organizational capacity for change
3. Accelerates individual learning capacity but also redefines organizational structure, culture, job design, and mental models (assumptions about the way things are; Senge, 1990)
4. Involves widespread participation of employees and often customers in decision making, dialogue, and information sharing
5. Promotes systemic thinking and building of organizational memory

Further examples of summaries of organization learning include Easterby-Smith (1997), Huber (1991), Lundberg (1989), D. Miller (1996), and Mirvis (1996).

In concluding this section, it should be noted, of course, that not all organizational changes lead to improvement, just as revolutionary change is not always good and does not always produce a significantly better organization. The following two cases do represent successful change, the first revolutionary, the second evolutionary.

Revolutionary Change: Case Example

This chapter began with a brief illustration of radical change, albeit over time. BA in the 1980s experienced significant organization change, a fundamental modification of its deep structure. The case to follow, Dime Bancorp, is another example of change in the organization's deep structure. The "jolt" to the system was a merger of two savings banks.

Dime Bancorp, Inc.

Dime Bancorp was the holding company for the Dime Savings Bank of New York, a regional financial enterprise serving customers and businesses through 120 branches or more, primarily in the greater New York City metropolitan area. Due to an acquisition in 1997, Dime also provided financial services and mortgage banking via more than 260 offices throughout the United States. The Dime case to be described was the result of a merger between the Dime Savings Bank and Anchor Savings Bank in January 1995. Our case begins with this merger. First, a little history.

Background

Dime was founded in 1859 as the Dime Savings Bank of Brooklyn. With a minimum deposit of a dime, the founder, William Edwards, encouraged all New Yorkers, even the most humble, to save. In 1862, the Dime was the first bank to offer banking by mail, permitting depositors fighting in the Civil War to send money to their families in the North.

It is interesting that Anchor was founded at about the same time, also in Brooklyn. Anchor also encouraged savings and focused on the local community as its primary market. Over the years, both Anchor and Dime grew by way of mergers and acquisitions that led to regional expansion and a broader range of services to individual customers and businesses.

With the merger of Dime and Anchor, a "merger of equals" as the deal was called in January 1995, it seemed at the time that with such similar histories and resemblances in size, revenues, customer base, and so on, one might assume that the two organizational cultures would be alike. In fact, the opposite was true: The two cultures were highly *dissimilar!* This conundrum was in part explained, however, by the idea of *attractors,* referred to later in the brief coverage of nonlinear complex system theory in Chapter 7. Attractors are patterns of behavior with the dual characteristics of "sensitivity to initial conditions" and "stability." The former characteristic suggests that the early history and founding of an organization is highly significant; that is, initial behaviors in the organization's start-up phase that receive positive feedback become reinforced and stabilize quickly. These initial behaviors are quite specific, if not unique, to the situation at the time, therefore they are distinct in nature, are likely to be undetectable at the time, and become entrenched over time as a consequence of consistent reinforcement. These small, undetectable behaviors loom large later and account for highly differentiated cultures, even though on the surface, judging on more macro similarities, one would assume likeness, not dissimilarity. Apparently, early in the development and growth of the Anchor Bank, attention to detail was rewarded. Their culture some 150 years later reflected this emphasis. Dime, on the other hand, was more concerned with the bigger picture and becoming a presence in the greater New York City area. This difference between the two banks, though perhaps minor over a century ago, was highly significant at the time of the merger.

The respective CEOs of Dime and Anchor were quite aware of the differences in culture and therefore sought consultative help with the merger. The merger occurred because the two CEOs and their respective boards of directors realized that their piece of the financial services pie was shrinking, and that proceeding alone, as in the past, was probably not wise to ensure a successful future for their businesses and for their stakeholders. Commercial banks were dominant (and still are), whereas savings banks were fighting hard for new business. Thus, an intent of the merger was to become less savings and more commercial.

Once the merger became official and the two companies were one enterprise, three major initiatives were undertaken. First, a strategic planning process was launched to better understand how the resources of the two former companies could now be deployed to gain market share rather than losing share, which had been true for each of the two prior to the merger. Second, an organizationwide opinion survey was

conducted (1) to determine the state of morale, (2) to assess employee understanding of the company's strategy, its new culture, leadership, organizational structure, and so on, and (3) to establish an internal benchmark for future survey comparisons and to track trends and progress. The third early initiative was to draft a new mission statement for the merged organization. Each of the two companies had a mission statement, but these were discarded, and a task force consisting of 15 employees who represented the two merged banks and composed a cross-section of the organization was formed to draft the new mission statement. This task force tapped another 100 or so employees to get opinions and suggestions about what the mission content should be. After many drafts, they presented their statement to the top executive team and got further feedback and suggestions. The final version was then presented to the board of directors and was unanimously approved. This third initiative was highly involving of many people in the organization and consequently led to strong commitment to the new mission statement. Moreover, when the task force presented their final draft of the mission statement, they were given a standing ovation by the board.

Organizational Survey

The initial organizational survey, designed according to the Burke-Litwin model (see Chapter 10), revealed that most employees at all levels were positive about the merger, supported leaders at the very top of the organization, believed in the mission statement, and understood the overall business strategy, but they were not very clear about the newly merged organizational culture and structure and were critical in general of several system elements (such as information systems and compensation) and of leadership and management. As a consequence of these survey outcomes, a number of actions were taken. Changes were made to strengthen the information system (new management, updated software, etc.), the reward system was improved, some of the organization's structure was changed, and a major initiative was launched to improve leadership and management, starting with the top 125 executives and managers.

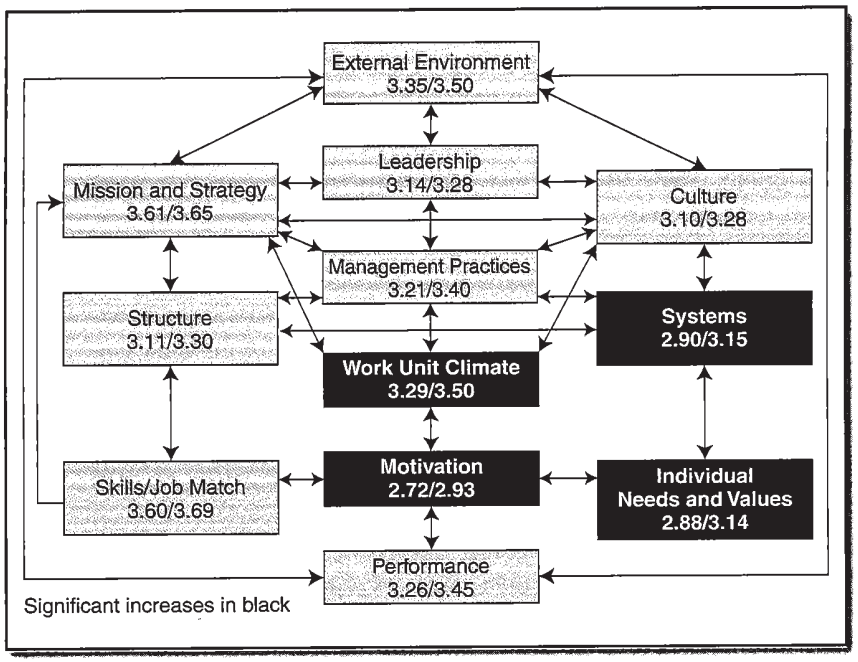
The CEO was highly supportive of these change efforts deriving from the survey and served as a role model for leadership and change. Working closely with an external consultant who had been involved from the beginning, the CEO and the head of human resources authorized, planned, and implemented a major effort to clarify the organization's

culture and to develop and train managers in both leadership and management skills. Using the mission statement as a primary source, five values were extracted that seemed to represent the desired culture. In other words, corporate values were implicit within the mission statement. These values were then tested throughout the organization and eventually, a sixth one was added. The six values served as content guides for determining a set of practices that were behavioral manifestations of these values. These 36 practices, 6 per value, were then used in a questionnaire for the purpose of providing feedback for the top 125 people in the company. A 2½-day leadership program was conducted for these top managers, and this feedback was the central element. Before the program, each participant rated himself or herself on the 36 practices and simultaneously were rated by their respective bosses, peers, and subordinates. Other questionnaires were used as prework as well. During the program, all participants received this multirater feedback and could compare how they viewed themselves with how the other three rating sources perceived them on the same set of behavioral practices, the primary content of which was leadership. Six months later, these 125 top people participated in another 2½-day program, but this time the focus was on performance and project management. Multirater feedback was integral to this second program as well, coupled with a "Time 2" assessment of the earlier 36 leadership practices to see how these top managers were doing. The 125 also received intensive coaching on the feedback they received.

At about the same time that the leadership development program was launched, a second organizationwide survey was conducted using approximately 90% of the questions asked at Time 1, so that comparisons could be made and trends determined. The ratings via a 5-point Likert-type scale showed that out of 125 questions asked at both Time 1 and Time 2 (about 2 years later), except for two items, which remained about the same, all ratings were higher at Time 2. Significant improvements had been made over the 2-year period, at least in the eyes of the employees (see Figure 5.1).

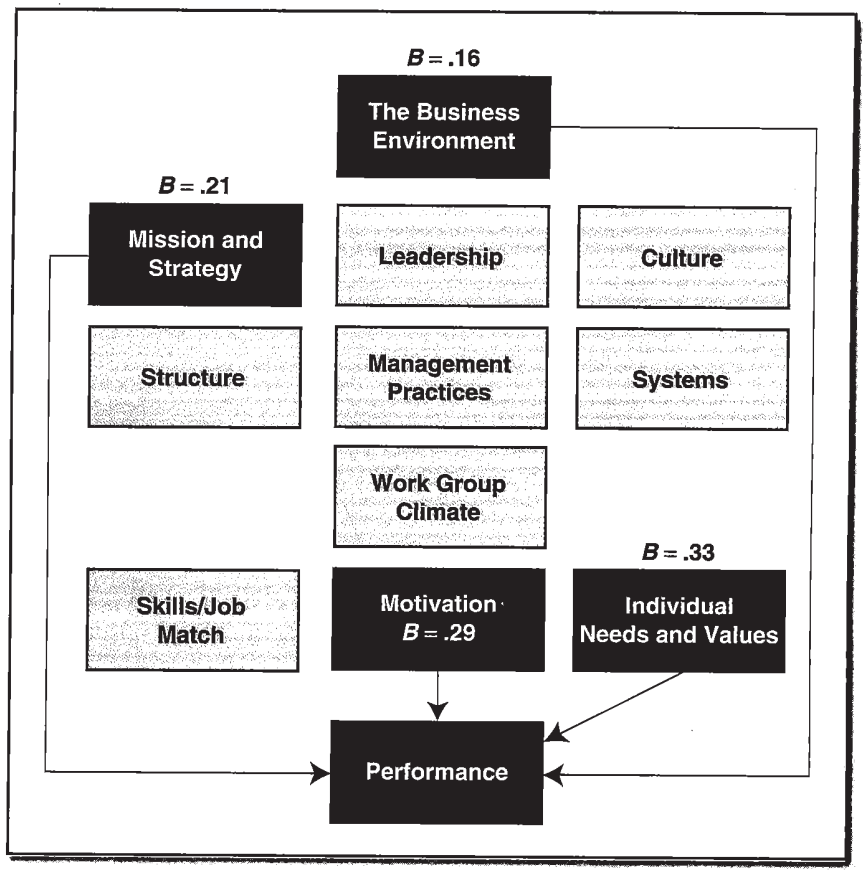
Combining data from the second survey and these multirater norms in summary form—that is, no individual was identified—trends and further problem areas could be discerned. For example, it became clear from these data that further work had to be done with helping managers do a better job in coaching and developing their subordinates. A further next step in this organizational change effort was to cascade down to the next levels of management in the 2½-day programs on leadership and management.

Figure 5.1 1996/1998 Burke-Litwin Model Summary Scores for Dime



As can be seen from Figure 5.1, the survey items of both Time 1 and Time 2 and the results reported to the managers and employees of the bank were organized according to the Burke-Litwin model. Further statistical analyses within the framework of the model were conducted. For example, a regression analysis performed using the Time 2 results (1998) appeared to be associated with the respondents' perceptions of organization performance. To be clear, the performance category was assessed by survey questions such as "To what extent does the bank provide high quality customer service?" and "To what extent is the bank currently achieving the highest level of employee performance of which it is capable, given its existing resources and technology?" So, their responses are *perceptions* of organizational performance, not performance measurements per se. Referring to Figure 5.2, it can be seen that employees' responses to questions in the four model categories of business environment, mission and strategy, individual needs and values, and motivation had the strongest statistical relations with perceived organizational performance. Figure 5.3 provides a more detailed picture.

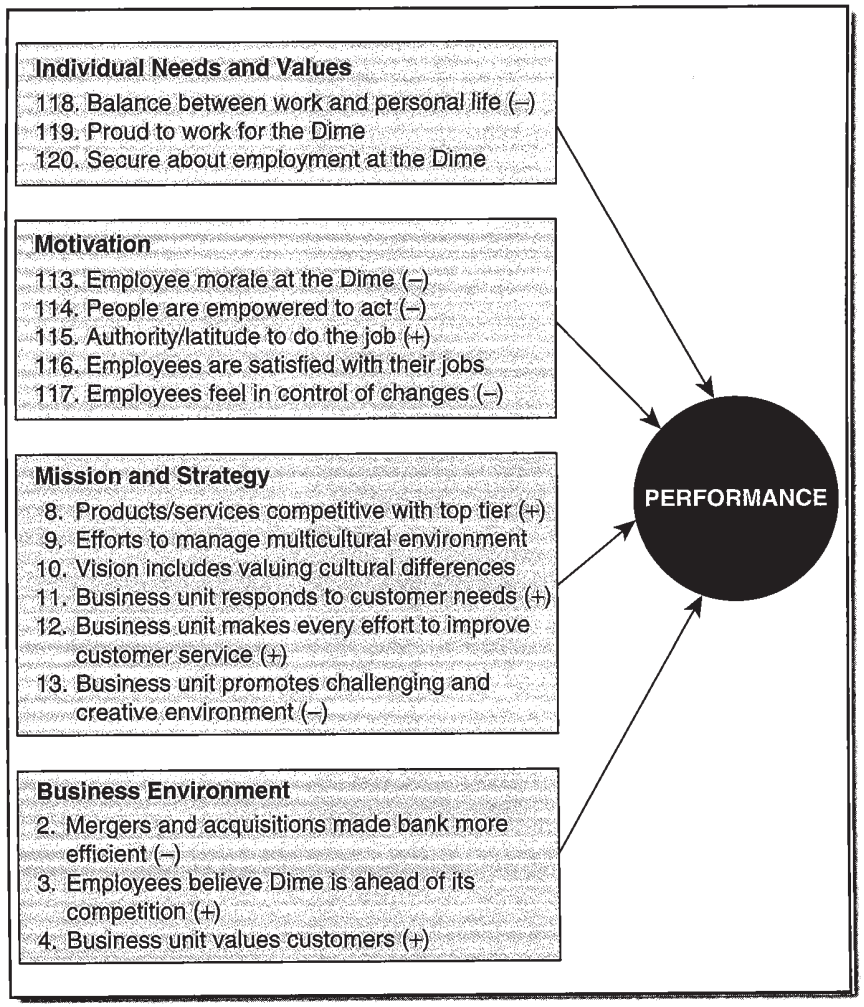
Figure 5.2 1998 Predictive Model for Dime



The specific items in Figure 5.3 that have a plus sign (+) in parentheses after the abbreviated survey statement indicate an above-average score on the survey (3.5 or greater); those that have a minus sign (–) indicate a below-average score (2.9 or less). All items listed in each of the four boxes (individual needs and values, motivation, mission and strategy, and the business environment) were positively correlated with perceived performance.

The message to the client went something like this: *The parts of the model that appear to be most positively related to employees' perceptions of how well the Dime is performing include their views of the bank's external business environment and their understanding of and commitment to the bank's mission and strategy.*

Figure 5.3 Detailed Scores, 1998 Predictive Model for Dime



In other words, these transformational factors relate significantly and positively to perceived performance. These related perceptions could perhaps be reinforced even more, so that a self-fulfilling prophecy could have more effect; that is, assuming that clarity about environment and mission and strategy relates positively to perceived performance, strengthening these perceptions might eventually influence organizational performance positively. The categories related to morale are problematic, however. Lower-than-average ratings on individual needs and values, especially work–personal life balance and motivation (e.g., employees' perceptions of morale, empowerment, and control), may be contributing to a negative view of organizational performance and could be affecting performance adversely. It is therefore suggested that a thorough examination of people's jobs in the bank be undertaken. This examination would include consideration of the following:

- *Degree of workload: Are some employees overloaded in their jobs and others not, or is it true that most people are overworked and an increase in hiring is warranted?*
- *Feelings of empowerment and a related sense of having little control over changes in the bank: These need to be examined further; that is, do people have too much responsibility with too little authority?*

Working on these morale issues should improve motivation and, in turn, performance.

These exact words were not actually said to Dime employees, but the above statement does capture the message that was given. Of course, all the other items in the survey and the model categories were covered and explained. The regression analysis was conducted on the Time 2 results only. The important and exciting news was the increase from Time 1 to Time 2 in 123 of the 125 total survey items. Although it was not scientific proof that the desired changes at Dime were successful, the executives, managers, and employees believed nevertheless that positive change had occurred.

What has been briefly described, that is, from the original merger to these later action steps, spanned a period of more than 4 years. The financial services company continued to focus on organizational change and improvement and sought growth of market share primarily by acquiring other, similar businesses.

In summary, it should be clear that this case represents organization change that is more revolutionary than evolutionary in nature, because the emphasis of change was mission and strategy and culture. A compelling case for change as a consequence of the merger was made by the respective leaders of both companies, and a disruption ensued as a consequence. The organization's initial and continuing change process had been effective because of many factors; the main ones are as follows:

- The CEO's leadership, support for change, and modeling behavior
- Change initiatives carefully planned and driven by data
- An enlightened human resource leader and staff
- Strategic change expertise provided by external consultants

- Key changes made among the top 20 executives
- Significant acquisitions of additional businesses

Significant change over the 4-plus years described in this case had clearly been made. The fundamental nature of the business changed somewhat in that the organization made a deliberate effort to become more of a commercial and less of a savings bank. The merged culture was a bit more representative of one of the previous organizations than of the other, but it became a new culture nevertheless. Systems were significantly improved with the introduction of new technology. Moreover, shifting demographics caused changes in managers' behavior, that is, to becoming more attuned and sensitive to individual differences.

The main objective of presenting the Dime case was to demonstrate how revolutionary change can be implemented and managed. Another objective was to provide an overview of the entire change effort at Dime so that our major theme of organization change can be continued. In the case of Dime, the initial change was transformational, and as shown by the survey data, the transformational factors in the model were the primary levers for change: external environment, mission and strategy, leadership, and more gradually, culture. A business strategy for Dime at the time was to expand its business beyond the New York City metropolitan area. This expansion was to be via an acquisition either by Dime or by acquisition of Dime of a larger company. The latter occurred in 2002 when Washington Mutual acquired Dime. A few years later Washington Mutual unfortunately experienced serious business problems and they were gobbled up by bigger players. Perhaps if they had adopted more of Dime's culture, leadership, and ways of doing business they would have survived.

Evolutionary Change: Case Example

This case concerns a comparatively small professional services partnership that was close to a century old. The partnership consists of about 50 partners, with approximately the same number of associates, plus administrative and technical staff. The firm is relatively small, deliberately. They are a specialty house providing highly individualized services, to corporations primarily. Their mission is to remain specialized, not to provide a broad array of general services for clients. They serve more than half the Fortune 500 corporations, and more than half their revenue comes from clients they have served consistently for more than 20 years. The firm serves clients in 400 U.S. cities and in 15 foreign countries.

Although growth of the firm is a goal, the partners do not favor "rapid growth, mergers, and branch offices." In fact, the firm is located in only one building in a large metropolitan area in the eastern United States.

The structure of this professional services firm is rather simple and straightforward. At the top is the managing partner (the CEO equivalent), and working closely with him is a small executive committee consisting primarily of department heads, or as they prefer to call them, "practice group chairs." Following the managing partner and the executive committee are the senior partners, then the junior partners (recent entrants into the partner status), followed by the associates (most of whom have partner aspirations), and the staff.

The organizational consultants working with this firm were initially asked to meet with the managing partner and some of his executive committee members to explore ways of evaluating the performance of their senior and junior partners and, eventually, to cascade the process down to include the associates. The managing partner had heard about something called a "360-degree feedback process" and wondered whether this kind of procedure could be used to measure and reward performance. The consultants who were asked to meet with the managing partner and his colleagues had considerable expertise in this type of feedback process, as well as in the broader arena of organization change and development.

Briefly, a 360-degree feedback process gets its name from a "full circle" procedure of rated behavioral practices. The behaviors rated are usually in the domains of management and leadership. The central person rates himself or herself on a set of behavioral practices that are employed in leadership or management and three other categories of raters rate the person on the same set of behavioral practices (examples will be provided later in this case presentation). The three other categories of raters are the central person's supervisor, the person's peers, and the person's direct reports or subordinates. The self and three other sets of raters compose the full circle, or 360 degrees, as it is often called. Incidentally, instead of the overly popularized and metaphorical label, a more accurate description would be *multirater* or *multisource feedback,* because other raters may be included, such as clients or customers.

The feedback process consists of the comparison between his or her self-ratings and those of the others (one or sometimes two supervisors and a minimum of three peers and three direct reports). The degree of congruence or divergence in the ratings is, of course, the main focus of attention.

In the exploratory discussion with the managing partner and his colleagues, the consultants quite naturally asked many questions and, in due course, offered opinions and suggestions. In addition to finding a way to

evaluate partner performance, the managing partner also stressed the need for more leadership especially from among the senior partners, identifying potential leaders among the junior partners, and the need for more teamwork. The consultants explained in detail how a multirater feedback process works and then offered the opinion (actually the expression of a value that the consultants hold) that using this kind of procedure as a measure of performance for certain organizational purposes was not wise. That is, to employ multirater feedback in the service of performance appraisal and then to base organizational rewards (incentive compensation, promotion, etc.) accordingly would create the strong possibility of rater bias. To base evaluations and rewards on the rating procedure would mean that one's ratings become somewhat public, that is, known to those who make decisions about performance evaluation and rewards, certainly to the managing partner and his executive committee. In other words, what would likely drive the process would be the rewards to be obtained, not so much one's desire to be a more effective leader or team player. Moreover, when one knows that his or her ratings of someone, especially one's supervisor, will be used for evaluative purposes, rather than for the purpose of individual and organization development, the ratings are likely to differ. It is not necessarily a matter of using multirater feedback for organizational administrative purposes (for example, performance appraisal) versus using the process solely for individual and organization development. As London (2001) has pointed out in his coverage of the "debate," it does not have to be one or the other:

> [The feedback process] can be used for both development and administrative purposes, but this takes time. The organization may need to start by using MSF (multisource feedback) for development alone to establish a culture of interpersonal trust and attention to development. (p. 383)

With respect to the professional services firm, this multirater feedback process was a first for them. For more coverage of using this process for individual and organization development, see Bracken (1996) and Church, Waclawski, and Burke (2001).

The consultants therefore urged the managing partner and his executive committee colleagues to use the multirater process for individual and organization development. Individually, the purposes would be to increase one's self-awareness in particular (studies have shown a positive link between self-awareness and performance, e.g., Church, 1997) and to increase personal and professional development in general. Organizationally, the purposes would be to (1) select behavioral practices related to functioning as a leader and manager and to teamwork that fit with the managing partner's objectives and (2) encourage partners through the feedback process (that is, coaching by the external consultant) to work on improving their leadership qualities and to improve them so as to enhance teamwork in the firm. Furthermore, the consultants urged the firm's leaders to authorize that the multirater feedback process be confidential, so that only the person being rated and the external consultant directing the overall process and providing the feedback and coaching would have access to and knowledge about the individual's ratings. Finally, the consultants assured the managing partner that when a sufficient number of feedback sessions with partners had been conducted, an overall summary of all the ratings would be provided.

The consultants then recommended that the behavioral practices be as tailored as possible to the firm's change needs, mission, and values. *Not* recommended were off-the-shelf or "general purpose" practices but, instead, to go through the process of identifying and selecting behaviors that they, as the firm's leaders, thought made the most sense, that is, in terms of aligning partner behavior more closely with desired values and change directions for the firm.

At the end of the discussion of almost 3 hours, the managing partner and his colleagues told the consultants that they would talk further among themselves about what was being recommended and let the consultants know within a week or two. There was no expectation by the consultants that a decision by the firm's leadership would be made that day. Rarely do potential client organizations make a decision to move forward that quickly. Besides, in this case, the consultants had attempted to persuade the managing partner and his executive committee members to move in a different direction from what had been asked for in the first place, namely, a change from an administrative appraisal to a developmental one.

The firm's leadership did decide to move forward with the consultant's recommendation (otherwise there would be no story to tell!), and the process began.

The Tools for Assessment and Ratings

To start, the consultants asked for certain materials and documents from the firm, such as their mission statement, strategic plan, statement of values, and any other information that addressed their desired future state. Because the firm's leadership were rather conservative and careful about organization change, requesting these materials from the firm suggested a course of action consistent with continuous improvement, rather than a

significant and sweeping change of mission—the firm wished, you will recall, to remain relatively small and specialized. Although they wanted to expand their services to new clients and broaden their base, the range and nature of these services would continue as they were. They considered themselves among the best at their specialty and wanted to remain so. They had good reason to believe that they were among the best—they still are—because their clients list was indeed desirable, and more than half their clients stayed with them for long periods of time, more than two decades.

Behavioral Practices

On the basis of these documents and some selected interviews, the consultants, from their data bank of hundreds of behavioral practices that had proved to be effective in other organizations, developed a working list of behavioral practices that were as relevant to the firm as possible. These behavioral statements were categorized according to the firm's list of values, for example, promoting a courteous, collegial, and trusting culture. Through a collaborative, back-and-forth, iterative process with the client firm that required about 3 months, the consultants and the firm's leadership agreed on a final list of 59 behavioral practices. In the end, at least half these behavioral statements were written "from scratch," that is, expressly for the firm. Much debate about the right phrases and proper wording had ensued.

The 59 practices were then arranged into a rating questionnaire using a 5-point Likert-type scale. Each of the behavioral statements was rated twice—first, according to the extent to which the person being rated practiced that specific behavior, and second, according to how important the behavior was to the part of the firm represented by the partner being rated. Comparing the behavior in terms of how much it is practiced with how important it is viewed to be helps the individual being rated decide how much change in the given behavior may be needed. If the behavior is not seen as very important, little, if any, change may be required. If there is a gap—the behavior is perceived to be highly important, but the person is rated as practicing it very little—then behavior change may be needed. The 59 practices were categorized according to the firm's 12 primary values. An example of a practice for six of these values used in this multirater feedback process is shown in Table 5.1.

In addition to the 59 behavioral practices, three other rating instruments were used in this feedback process. These additional three were related more to one's personality than to specific behaviors. There were two primary reasons for adding these three questionnaires.

Table 5.1 Main Values of Professional Services Firm With Behavioral Practice Example

Value	Behavioral Practice
• Solidifying and maintaining close client relationships	• Solicits and responds to client feedback on the quality of service provided.
• Promoting a courteous, collegial, and trusting culture	• Relates in a courteous and professional manner, regardless of the level of the person with whom he or she is dealing.
• Working effectively in teams	• Promotes an atmosphere of teamwork, cooperation, and coordinated effort among people.
• Developing, mentoring, and training others	• Plans and reviews personal development goals jointly with associates.
• Developing the business	• Effectively manages and balances priorities among many projects, relationships, and clients.
• Leading and managing	• Provides a vision of the future that captures the commitment of people.

First is the matter of context. One's day-to-day behavior is in part a function of the situation and in part due to a person's temperament or personality. In a sense, one's behavior is foreground and the personality underlying the behavior is background. Thus, in providing feedback to a person about behavior, that form of feedback can be understood more thoroughly if one can also see the rated behavior in the context of one's nature, that is, personality and temperament. An introverted individual behaves differently from one who is extroverted. Linking this dimension of personality to behavior can help one more clearly understand feedback from others.

Second, the firm's leaders wanted to encourage their partners to assume more leadership, and they wanted to understand more about the potential for leadership in the firm, especially from among the junior partners.

It should be noted that providing leadership and management in a professional services firm is not exactly easy. There are clearly exceptions, but professionals—lawyers, accountants, and consultants—do not as a

rule join firms to be managers or leaders. They join because they want to practice law, consult with clients, or analyze a company's financial situation. They do not want to lead and certainly do not want to manage other professionals. They definitely do not want to have to be concerned with such mundane matters as budgeting, hiring other professionals, generating a business plan, providing performance feedback to others, determining compensation, and so on.

So, the managing partner wanted to know whether he could count on more help with leadership for the firm—or was his firm like most other professional service enterprises in this regard?

What follows is a brief description of the three other instruments of assessment that were used in this feedback study.

Myers-Briggs Type Indicator

Based on Carl Jung's theoretical notions about individual differences, the Myers-Briggs Type Indicator (MBTI) assesses a person's degree of strength of preference along four continua of personality dimensions (Briggs & Myers, 1943). Briefly defined, these dimensions are as follows:

- Extroversion-introversion: the degree to which individuals differ with respect to sociability and being energized while around others, as compared with introversion, which stresses keeping more to oneself and being energized more while alone than with others.
- Intuition-sensing: the degree to which individuals depend more on intuitiveness and hunches for assimilating information, as compared with a preference for concrete, fact-based information, that is, more a function of what a person sees, touches, hears, smells, and so on.
- Thinking-feeling: the degree to which individuals differ with respect to what they do with information once they take it in, that is, whether one (1) uses primarily thought processes such as logic, analysis, and objectivity or (2) prefers instead to rely more on emotional consideration when making decisions, for example, feeling domains such as interpersonal relationships, values, and certain internal, personal standards.
- Judging-perceiving: the degree to which individuals prefer order, planning, achieving closure, and decisiveness, rather than keeping one's options open and "going with the flow," or spontaneity.

A person's results on the MBTI become eight preference scores that represent comparisons with norms based on many thousands of others' scores on the continua of thinking to feeling, judging to perceiving, extroversion to introversion, and intuition to sensing.

Although it would be possible to have others answer the MBTI as a rating of the central person, this other-rating is not typical. The MBTI is lengthy, well over 200 questions, and has strengths of reliability and validity; thus, it serves the feedback process well only with self-ratings.

NEO-Personality Inventory (NEO-PI)

Also a self-rating instrument only, the NEO-PI provides measures that are linked to the "Big Five" factors of personality (Costa & McCrae, 1985). The NEO-PI is also lengthy, with 240 items, and is based on extensive research and practice. NEO stands for three of the five factors, briefly defined below:

- Neuroticism: the higher the score, the more one tends to be anxious, depressed, and angry.
- Extroversion: very similar to the same measure on the MBTI; that is, the higher one's score, the more the individual tends to be gregarious, warm toward others, and outgoing.
- Openness: primarily meaning open to ideas and new learning; the high-scorer's behavior is likely characterized by curiosity, a love of intelligence, and creativity.
- Agreeableness: the higher the score, the more one tends to be cooperative, trustworthy, kind, and sympathetic toward others.
- Conscientiousness: high scorers on this factor tend to be reliable, well organized, responsible, and disciplined.

There is some overlap with the MBTI, and the feedback to a person needs to highlight convergence where it exists, such as the obvious extroversion dimension and intuition with openness and perhaps judging with conscientiousness. Consistency across instruments helps convince the person receiving the feedback that his or her responses are credible.

Leadership Assessment Inventory (LAI)

This instrument was included to determine the extent to which partners in the firm preferred leadership to management. It is possible, as noted previously, that many of the partners preferred neither. If neither, a person's scores would be relatively low on a large set of norms. The LAI consists of 18 items that measure an individual's preference for leadership

over management. It is based on the thinking of Burke (1986), Burns (1978), and Zaleznik (1977). See Chapters 10 and 12 for more coverage of this kind of thinking. The LAI is a multirater instrument including ratings by oneself, one's supervisor, and one's subordinates but not one's peers. The content of the 18 items does not lend itself to peer ratings. Peer ratings in this case are not as relevant or as reliable as those from supervisor and subordinates. In addition to an overall preference score for leadership compared with management, individuals receive ratings on five subfactors, namely, determining direction (5 items), influencing followers (5 items), establishing purpose (3 items), inspiring followers (3 items), and making things happen (2 items). For more information on the LAI, see Sashkin and Burke (1990) and Van Eron and Burke (1992).

Data Summary of the Firm's Partners

The 50 partners in the firm were rated the highest on practices categorized as "Solidifying and Maintaining Close Client Relationships" and "Promoting a Courteous, Collegial, and Trusting Culture." Their "Teamwork" ratings were fairly strong, but "Developing the Business" resulted in so-so ratings, and the lowest were "Leading and Managing." In fact, the lowest-rated practice of all was "Provide a Vision of the Future that Captures the Commitment of People." Moreover, the ratings on the LAI reflected little desire for service as a leader. Management activities were not exactly popular, either.

The MBTI pattern of the firm did not fit norms for the United States very closely. Whereas 25% of the overall U.S. population scored as introverts, 56% of the partners did so. On intuition, the partners scored 68% compared with 25% for U.S. norms; thinking was at 72% for the partners, compared with about 50% for U.S. norms; and 62% scored as judging compared with approximately 50% for U.S. norms. The overall combination of traits among the partners, among the 16 possibilities for the MBTI of introversion, intuition, thinking, and judging, occurs in less than 2% of the U.S. population. This firm's partners may not be like most American personalities, but they may not be that different from other professional service firm populations. Although some research has indicated that perceived leaders in organizations are likely to be higher on intuition and a bit higher on perceiving rather than judging (Van Eron & Burke, 1992), the only dimension conducive for leadership in our professional services firm is intuition. So, there may be some potential in the firm for leadership but, in the main, not a clear, strong profile for it.

The results on the NEO-PI were well within the normal range for neuroticism—no problems here—and showed consistent scores on extroversion (rather low), with openness and conscientiousness being strong. Agreeableness was in the average range.

Conclusion

The lead consultant in this case made the following points and recommendations to the managing partner and executive committee of the firm:

- This professional services firm is indeed highly professional, showing a strong emphasis on serving clients promptly and effectively; internal firm norms of courtesy, respect, and collegiality; and a clarity about mission and the identity within the larger professional community, that is, strong specialization.
- Although a reasonable amount of teamwork in the firm seems to exist, there is insufficient attention being paid to mentoring and providing professional development for junior partners and associates.
- The leadership picture is rather bleak. Although there may be leader ability among the partners, there is little motivation.

The latter two points overlap. Mentoring is a form of leadership.

Approximately halfway into this consultant-client relationship of about 3 years, the managing partner hired a senior partner from another firm to help with leading and managing. This seasoned outsider enjoys leadership and appears to be quite good at it. The consultant discussed this decision with the managing partner and suggested these options for the future: This method of providing further leadership for the firm could be followed and focus could be made on changing the firm's reward system in such a way that internal leadership could be reinforced more strongly and be recognized to the same degree as effective client work.

Much more could be stated about the interesting culture of this firm and the issues facing it. However, the point of providing this case example is this: Organization change for this firm comes slowly; it is clearly evolutionary in nature. Future work is on leadership development, whether internally or externally by means of new hires. The firm needs to do a much better job of (1) mentoring, (2) considering the firm more as a business and less as a professional club, and (3) learning how to improve from the kind of process they have spent considerable time and money on, their multirater feedback program.

This professional service firm was not in trouble. There had been no need for a sea change. Evolutionary change was therefore quite appropriate. Continuous improvement was their slogan.

Summary

The primary purpose of this chapter was to make clear that not all organization changes are the same. An important distinction is the difference between revolutionary (later to be referred to as transformational) and evolutionary (later to be referred to as transactional) change. The inclusion of the two case examples was intended to clarify the distinction between the two.

Revolutionary change, perhaps by definition, occurs in leaps, spurts, and disruptions, not in an incremental, linear fashion. Our understanding of revolutionary change has been enhanced and emboldened by similar findings across disciplines and multiple levels of analyses. These similarities are quite remarkable. Deep structure, as explained by Gersick (1991), is perhaps the key concept for understanding the nature of revolutionary change more fully.

Evolutionary change is characteristic of most organization change. Evolutionary change is typically an attempt to improve aspects of the organization that will lead to higher performance. The fundamental nature, or deep structure, of the organization, its culture, for example, remains undisturbed. The primary mission of the organization remains the same, and the primary rationale for its strategy to implement the mission also remains intact. Yet major organizational changes can occur, such as modifications of the structure, installing a new system of information technology, or launching a new line of businesses. These kinds of changes are simply evolutionary when it comes to a comprehensive understanding of organization change.

CHAPTER 6

Levels of Organization Change

Individual, Group, and Larger System

We now know the importance of considering organization change in systems terms (Chapter 4). An organization is a totality, a whole with interacting parts or components. To change a part may be a change in the organization, but it is not organization change. To change a part of the component does not constitute a change in the system. To understand organization change as thoroughly as we can, however, it is useful to analyze, to examine the various pieces and parts and how they affect and are affected by each other and by the whole. Also, to understand organization change as thoroughly as we can, particularly in light of the fact that the process is so complex, it is critical to consider multiple perspectives. The previous chapter attempted to distinguish between revolutionary and evolutionary change. Although definitions of the two types of change overlap, separating them helps us understand more clearly that organization change occurs quite differently when the change goal is to improve operations and when the goal is to turn the organization in an entirely new direction.

This chapter examines change at three different yet overlapping organizational levels and focuses on the internal organization. Not only does evolutionary organization change differ from revolutionary change, but change differs at different levels in the organization.

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Our analysis in this chapter examines three levels: the individual, the group, and the total system. There is more to an organization than these three broad levels, of course. The prefix *inter* comes to mind. Individuals in organizations relate with one another, so there is the interpersonal level. Groups in organizations relate with one another, so there is the intergroup level. And organizations relate with other organizations, so there is the interorganizational level. We will touch on these other, "inter" levels, but our main focus will be on the three broad ones.

Organizational behavior and change can be at least partially understood according to the three broad levels that form the focus of this chapter, but we must constantly bear in mind that individuals in organizations always behave in context. The context is at the interfaces, that is, relations with others, or as Capra (1996) would put it, "networks within networks."

With this caveat in mind, let us now proceed with an analysis of organization change at the level of the person.

Change in Organizations at the Individual Level

First, an assumption: An important pretext for addressing any level of change is to decide an overall direction for organization change. Changes at the individual level are therefore designed and implemented to help the organization to move in its new direction. This assumption is critical to our understanding. Many, perhaps most, changes at the individual level in organizations are not in the service of moving the total system in a new direction. Training programs, for example, are often conducted because another competitor in the industry is doing it, and "To remain competitive, we had better do it too." This "keeping up with the Joneses" mentality accounts for many changes at an individual level that rarely, if ever, affect the whole.

Now let us consider three primary change examples for individuals that can be in the service of helping to implement organization change.

Recruitment, Selection, Replacement, and Displacement

This category of individual change concerns getting, placing, and keeping the right people in the right roles and jobs to facilitate the larger change effort. For example, almost three decades ago, General Foods, now a part of the Phillip Morris Corporation, decided to try an experiment with a new plant start-up that, if successful, would be disseminated throughout the

company in the interest of its becoming more competitive in the food industry. As reported by King (1972), the plan was to design this new manufacturing organization, a food-processing plant, according to the criteria of Likert's (1967) System 4. This meant that major tasks would be accomplished by teams and that first-line supervisors would be team leaders rather than operate more traditionally as supervisors by giving close individual supervision. Status differences among all employees were to be minimized. There would be no executive dining room, for example, but one cafeteria for all, and a participative approach to management was to be practiced. The top management group for the plant, the general manager and three operating managers (operations service, manufacturing, and technical) had been selected by corporate headquarters according to the new plant design criteria; that is, these individuals were compatible with and committed to managing their organization according to the participative management premises of System 4. The objective of the selection process, therefore, was to find people who were also compatible with a participative approach. Team leaders would be expected to manage participatively.

The selection process was managed by the top team with the assistance of an organization development consultant. The principles that guided their work were as follows:

1. All selection decisions would be made by the people who were to work with those selected.
2. Decisions would be based on how applicants behaved in collaborative and conflicting group situations.
3. All applicants would receive feedback from the decision makers on why they did or did not receive job offers.
4. The selection process would reflect as much as possible the types of tasks and relationships that would be characteristic of work in the plant; that is, status differences were minimized, the process was personalized, there was a growth and development emphasis for all employees, communication was two way, and considerable activity took place in small groups.
5. Psychological tests would be used but only as secondary information, and the results would not become a part of an individual's employee file.
6. Contact between those who were already members of the organization and those who were strong prospects would gradually become more extensive and open as the selection process progressed.

King has described in detail the 2-day process for the selection of team leaders. The process included a plant visit, a detailed description of the new organization, role-playing exercises, a battery of psychological tests, group decision-making tasks, and simulation exercises of plant work. As King (1972) pointed out,

> The selection decision makers must obtain an accurate indication of whether or not the candidate is likely to function well in a participative organization. At the same time, prospective employees need accurate information to assist them in deciding whether or not it is advisable for them to join such a new system. (p. 201)

King's report was written about 9 months after the start-up of the plant. During that time, only two people had left the organization, absenteeism was less than 1%, and productivity had exceeded original expectations. This early success was sustained (Walton, 1975), but the managerial and change process associated with it did not spread to the overall parent company. Walton (1975) has hypothesized several reasons for this lack of diffusion within General Foods and in six similar cases in organizations in the United States, Canada, the United Kingdom, and Norway. Some of the reasons were an inadequate pilot project, a poor model for change, confusion over what was to be diffused, and deficient implementation. An eighth organization, Volvo, of Sweden, was an exception. The success of an initial pilot effort there was effectively diffused into other parts of the overall organization (Gyllenhammar, 1977). This more effective diffusion was due to an effective pilot project, a better model for change, less confusion about what to diffuse, and better implementation than the other organizational examples. Also, as work by Levine (1980) has shown, innovative enclaves in organizations that are incompatible with the overall culture and are unprofitable remain isolated and do not diffuse whatever innovation they develop.

The opportunity to select people for a new organization in a planned, systematic way is rare. The advantages of such an opportunity are clear (King, 1972):

> Many difficult problems in overcoming resistance to change are obviated. New norms, different from traditional norms in industry, can be developed. Rather than the problem of changing established roles and role expectations about how supervisors or employees "should" act, roles are established anew. The newness of the physical setting and technology is congruent with the institution of a new approach to organization and interpersonal relationships. (p. 201)

Although still relatively rare today, selecting employees in this deliberate, planned way does occur. The Saturn automobile division of General Motors was started and has continued to operate according to many of these more participative ways of selecting and working with people. Procter & Gamble has used similar practices, and some of the newer high-tech companies like those in Silicon Valley do the same.

Replacement and displacement in the interest of organization change also occurs. The brief story of revolutionary change at British Airways (BA) related in Chapter 5 began in part with reducing the workforce by more than 20,000 people. This displacement occurred over some period of time, because early retirements and other forms of natural attrition were predominantly used. The main objective, nevertheless, on the part of the CEO at the time, Colin Marshall (today Lord Marshall), was to reduce bureaucracy and move BA toward a more market-oriented, customer service enterprise. In other words, this huge reduction in the workforce was in support of the overall organization direction and change effort.

Finally, a key replacement tactic in many organization changes is to recruit a new leader from inside the organization, but more often from the outside. Marshall, the change leader of BA, was recruited from an outside yet similar industry, Avis car rentals, a service organization in the broader travel industry. Lou Gerstner was recruited from outside the computer industry to change IBM (and he did). Many other examples could be given.

The point is that frequently, a deliberate tactic for organization change at the individual level is to infuse the system with new leadership, especially at the top.

Training and Development

Again assuming that a training program is designed and conducted to help bring about organization change, most of the time the effort is directed toward individuals in managerial positions. How this approach to training was implemented was described in Chapter 5 with the brief story of the change at BA. Let us now consider another example also conducted by a service organization, a global bank.

Citicorp, now known as Citi, launched a unique training program, "Managing People," early in 1977. The corporation's top management was concerned that, along with its rapid growth in the late 1960s and 1970s, the increasing strain on managers to continue to produce profits and adapt to rapid change had caused mounting "people problems" in the organization. More and more people were feeling like cogs in a (money) machine. Because it was accepted by top management that people were

the organization's most important resource, particular attention had to be paid to managing this resource more effectively. William Spencer, president of the corporation at that time, publicly stated in a filmed introduction to Citicorp's program, "The management of people is probably a greater skill mandated than individual brilliance. Even the most brilliant person, if there is little or no ability to manage people, is a lost cause in our operation" (Burke, 1982, p. 244). He was talking about what Daniel Goleman (1995) today calls *emotional intelligence.*

To begin the process, a study was conducted (1) to identify the best management talent within the organization, (2) to determine the specific set of management practices that seemed to distinguish the best from average managers, and (3) to design a training program based on these superior practices. A criterion group of managers was thus established by asking senior executives to identify subordinate managers within their respective groups who were outstanding and would most likely be taking their places as senior executives within the next decade. They indentified 39 such managers. The researchers then asked these same senior executives to identify 39 additional managers within their groups who were satisfactory managers but not as effective as the first group. The researchers next arranged for 353 subordinates of these 78 managers (39 in the "A" group [outstanding] and 39 in the "B" group [satisfactory]) to rate their bosses on 59 management practices culled from a list of hundreds. The ratings were done with 5-point Likert-type scales. Some of the practices rated were as follows:

- Your manager communicates high personal standards informally—in conversation, personal appearance, and so forth.
- Your manager tries to make the best use of staff members' skills and abilities when making assignments.
- Your manager works with staff members (subordinates) to reach mutual agreement on their performance appraisals.
- Your manager uses recognition and praise—aside from pay—to reward excellent performance.
- The work group meetings your manager conducts serve to increase trust and mutual respect among the work group members.

The A group was rated significantly higher than the B group on 22 of the 59 practices, regardless of their management situation in the corporation. Another eight practices differentiated between the two groups but only under structured conditions of management, such as in a back-office operation of check processing. The A-group practices were then

used as the basis for design of the training program. Because this group had been identified as outstanding managers, and subordinate ratings had further identified some of the specific practices that these managers did exceptionally well, it followed (to Citicorp's top management) that the larger population of managers should be trained to adopt this special set of people-management practices. Before the program began, managers were rated by their subordinates on the selected practices.

The 5-day program then consisted of training in clusters of these practices, with each training day devoted to one cluster. The five clusters were (1) getting commitment to goals and standards, (2) coaching, (3) appraising performance, (4) compensating and rewarding, and (5) building a team for continuity of performance. Training techniques included case method, role practice, group problem-solving and decision-making exercises, and occasional short lectures. For each day of the program, the managers received a computer printout of their ratings by their subordinates on that day's cluster of practices. This feedback for the manager was the most powerful part of the training program, because managers focused their learning and improvement objectives on the practices that received the lowest ratings. In its first 3 years, about 2,000 Citicorp managers went through the program. It continued to be popular and highly valued among Citicorp managers for at least another 15 years.

This Managing People program of Citicorp's was designed to change the management of the organization from an insensitive and results-only mentality to a management group that focused more on people, with a better blend of getting results and managing subordinates in a more participatory and caring fashion. Although some qualitative studies were done over the years to determine the degree of success of the Managing People program, its ultimate payoff is not clear. The fact that the program continued for almost two decades supports the belief that it had value for Citicorp. In any case, the value was primarily individual in nature and its value for the organization as a whole is unclear. Assuming that change did occur, it was certainly evolutionary, not revolutionary.

Coaching and Counseling

Counseling in an organizational work setting, or as we prefer to call it today, coaching, is not exactly new. Counseling was recognized as a tool for individual development and organizational improvement at least 70 years ago, when the Hawthorne studies were conducted (Dickson & Roethlisberger, 1966). When counseling/coaching is used for purposes of furthering organizational change, we have the problem of

integrating individual needs and organizational goals. This is not an easy problem to solve (Beer, 1980),

> since the requirements of system-wide change may not be in the interest of the individual, and vice-versa. However, if the counselor [coach] can relate equally to the demands of organization change and to the needs of the individual, he is in a unique position to help the individual and the organization renegotiate a new psychological contract. (p. 190)

The new psychological contract, then, is an attempt to integrate individual improvement objectives with organization change goals.

Most of the time, coaching or counseling occur informally with internal organizational professionals, usually in the human resource function, serving in the helping role. These informal encounters may be carried out during lunch conversations, brief and spontaneous talks with a manager before or after an intense meeting, phone conversations with a manager about scheduling the next time together in which a current problem is discussed incidentally, and so forth. One of the most important times is when the coach is helping his or her client (usually a manager) deal with feedback that the client experiences as negative (Crockett, 1970). Defensive feelings are the most common ones, and the more the coach can help the client talk about those feelings, the more the client will be able to move on to a problem-solving mode of behavior.

More recently, the term *executive coaching* has become incorporated into our language. Actually, coaching today occurs at all levels of management in an organization, but *executive coaching* has more panache as a term. In any case, this form of coaching currently consists of providing help to a manager or executive in much the same way an athletic coach works. Witherspoon and White (1998) have specified at least four roles that executive coaches play:

1. Coaching for *skills:* The focus is on tasks that a person has to accomplish and the skills and competencies required. An example might be a highly important speech that the executive has to deliver, and the help needed concerns how best to "win over" the audience.
2. Coaching for *performance:* The focus here is broader and encompasses the executive's entire job, and the help needed is how to perform the overall job effectively. An example would be an executive's job change from operations or line responsibility to staff; in the former job, success would be defined more in terms of supervision, whereas with the latter, job success would be defined more in terms of how well one can influence others to accomplish tasks when formal authority is minimal.
3. Coaching for *development:* Here, the focus is on the future; it is more about helping the executive with career choices and about the next job.
4. Coaching for the *executive's agenda:* In this case, the executive decides what is needed. An example would be to help with a forthcoming meeting that the executive must lead; the help provided might be designing the meeting, how the executive could share leadership, how certain difficult subordinates could be managed in the meeting, and so on.

Determining at the outset the need that the executive has for coaching more clearly defines the particular role the coach will play. In other words, distinguishing among these four possibilities helps the coach respond more directly and precisely to what the executive may require.

It is also useful to think about the coaching sequence:

- Gaining *commitment* to the coaching process with an agreement or contract between the coach and the executive about the work to be done
- *Assessing* the problem presented by the executive, which determines for the coach which of the four roles to play
- *Action* to be taken by the executive after a given coaching session
- *Follow-up* by the coach after the executive's action(s), in which the coach helps the executive learn from his or her experience

This synopsis of what constitutes executive coaching helps illustrate how change at an individual level can facilitate organization change. More specifically and also currently, coaching is frequently conducted as part of multirater feedback in which help is provided in understanding the feedback more clearly and in planning changes in one's behavior accordingly. Moreover, research is beginning to show that multirater feedback by itself does not seem to lead to positive change in performance. Coaching appears to make a helpful and positive difference (Luthans & Peterson, 2003; Seifert, Yukl, & McDonald, 2003; Smither, London, Flautt, Vargas, & Kucine, 2003). In any case, if the content of the feedback is congruent with organization change goals, then this individual process helps to leverage the change. We will return to this type of

leverage for organization change in Chapter 11 and, by implication, in Chapter 12, which is about leading organization change.

Individual Responses to Organization Change

Individuals' reactions to significant change in organizations, change that directly affects them, has been likened to the psychiatrist Elizabeth Kubler-Ross's (1969) description of the five stages that most people go through when they are faced with a terminal illness. The struggle begins with (1) shock and denial, (2) moves to anger, (3) to bargaining, or attempts to postpone the inevitable, on to (4) depression, and finally to (5) acceptance. Not everyone moves through all these stages; some never move beyond denial. And so it is with organizational behavior. Some organizational members fight the change "to the death," constantly denying that the change is necessary. Others embrace the change readily and move with it. Most people are somewhere in between and move through all stages.

H. Levinson (1976) has argued that whether change is resisted or embraced, all change is nevertheless a loss experience, particularly a loss of familiar routines. And the more psychologically important the loss, the more likely one's behavior will take the form of resistance. Levinson further argued that all loss needs to be mourned (a bachelor party on the eve of a groom's wedding, most often a joyful change, could be thought of as a mourning ritual) and that people should have an opportunity to discuss and deal with their feelings if they are again going to be able to perform effectively on the job. He went on to state:

> Most organizational change flounders because the experience of loss is not taken into account. When the threats of loss are so severe as to increase people's sense of helplessness, their ability to master themselves and their environments decreases. To undertake successful organizational change, an executive must anticipate and provide means of working through that loss. (p. 83)

Resistance

The phenomenon of resistance to change is not necessarily that of resisting the change per se but is more accurately a resistance to losing something of value to the person—loss of the known and tried in the face of being asked, if not forced, to move into the unknown and untried. Feelings of anxiety associated with such change are quite normal.

Another form of loss that leads to resistance can come from one's experiencing a lack of choice, that is, the imposition of change, or being forced to move to some new state of being and acting. That is, people are not simply and naturally resistant to change. What comes closer to a universal truth about human behavior is that people resist the imposition of change. Brehm's (1966) research and his theory of *psychological reactance* help to explain this human phenomenon. When one's feeling of freedom is in jeopardy, the immediate reaction is likely to be an attempt to regain the feeling of freedom. This reaction is so strong, in fact, that people frequently will not bother to defend their beliefs and may even change them to oppose others' attempts at changing them. In some cases, the issues of advantage and change are in conflict, leading to a situation in which people may prefer to continue on a path that is not in their best interests rather than to give up the feeling of free choice.

Research shows, for example, that when a smoker is *told* to stop smoking, his or her typical reaction is either to continue as usual or increase the rate. Brehm's (1966) theory is that when people believe themselves free to behave in a certain way, they will experience psychological reactance (that is, they will resist) if that freedom is threatened or eliminated. The degree of ease and success with which an organization change is introduced is therefore directly proportional to the amount of choice that people feel they have in determining and implementing the change.

It is also important and useful to consider the *kind* of resistance that is being manifested. Hambrick and Cannella's (1989) distinctions are helpful in this regard. In other words, diagnostically, one should determine whether the resistance is blind, political, or ideological:

Blind Resistance. Some people, no doubt a small minority, are simply afraid and intolerant of change—any change. Two kinds of response may be useful here. One is to provide as much reassurance as possible: Moving into something unknown is always discomforting, at least for a while, but things rarely turn out as dire as we imagine. Second, allow time to pass. Some people in this category merely need time to get used to the new idea; it is just their nature to react defensively at first, like a reflex, but not necessarily forever.

Political Resistance. Persons engaged in political resistance believe that they stand to lose something of value if the change is implemented, such as loss of one's power base, status, job, income, and or the like. With this

kind of resistance, one needs to counter with negotiation, trading something of value with something else of value. Also, one might argue long-term gain versus short-term loss: Yes, for a while we will be losing some things, but over the long haul, we stand to gain much more.

Ideological Resistance. Some people may genuinely believe that the planned change is ill fated (it simply will not work, and here are reasons why) or in violation of deeply held values (this change is the wrong thing to do, and here are reasons why I feel this way). In other words, the resistance comes from honest, intellectual differences or genuine beliefs, feelings, or philosophies that are different. Under these circumstances, it can be useful to counter with strong persuasion based as much as possible on data, facts, and substance. Mere opinion will not be persuasive. Careful prediction from and linkage to this information is absolutely necessary.

It also should be noted that resistance to change is not necessarily a bad thing. Apathy is worse. At least with resistance, there is energy, and the person cares about something. Moreover, resistance is a natural human response and, like one's defense mechanisms, should be respected. There are reasons for defenses to be in place. As the previous paragraphs have attempted to explain, there are likewise reasons for resistance. Understanding these reasons is important if the organizational change agent wishes to be successful.

To summarize, change usually involves a shift away from a known situation, with all its familiarity, comfort, and advantages. The people affected are exchanging the known for the unknown, certainty for uncertainty, existing patterns of behavior and adaptation for new patterns, or tried rewards for untested ones. In addition to the uncertainty of the satisfactions to be gained from the new situation, the people being asked to make the change are required to spend a great deal of effort and psychological energy in getting to know the new situation and in tolerating and coping with frustration until they can evolve new work or living patterns. In psychological terms, newness and the need to cope with it constitute stress. If the long-term rewards to be gained from the change are no greater than those enjoyed formerly, the stress cost outweighs the future advantage. If the new advantages outweigh the old but are not well understood by those undergoing the change, again the effort will not seem worthwhile. Only if the advantages are greater and are desired sufficiently to outweigh the efforts required to make the transition are people likely to embrace change willingly.

Finally, it should be clear that resistance is not a universal human phenomenon. Individuals do indeed differ in their responses to organization change. Oreg (2003), for example, has demonstrated that people's responses to change differ in four primary ways—in the extent to which they (1) seek routine, (2) react emotionally (particularly common when the change is imposed), (3) take a short-term focus, and (4) react in a cognitively rigid way. And Wanberg and Banas (2000) found that the more organizational members tended to be optimistic, possessed high self-esteem, or had high internal locus of control, the more open to and supportive of organization change they were.

Most people, therefore, do not easily fall into an either/or category of resistance versus acceptance of change. In fact, most of us when confronted with the possibility of change are likely to be ambivalent—the change, or some aspect of it, might be good, yet there may also be some adverse consequences. As Piderit (2000) has noted, responses to change are "neither consistently negative nor consistently positive" (p. 783).

Individuals Coping With Change

There are at least three ways to help organizational members deal with change: conceptually, by achieving closure, and through participation.

Frequently, giving people a way of thinking about what they are experiencing can be useful. The framework developed by William Bridges (1986) is an example. First, he distinguishes between change and transition. Change, he states, is something that "starts and stops, or when something that used to happen in one way starts happening in another" (Bridges, 1986, p. 25). Transition is a psychological process extending over a long period of time that cannot be managed in a rational way, whereas change can be. People in transition, Bridges (1986) contends, move through three phases of ending and letting go. People must let go and stop identifying with the old before they can embrace the new:

1. Surrender: People must give up who they were (role, position, title, etc.) and where they have been if they are to make a successful transition. A great deal of what we call resistance to change is really difficulty with the first phase of transition.
2. The "no man's land": People in this second phase experience ambiguity, confusion, and perhaps despair and a sense of meaninglessness. It is also a time of reorientation, and gradually, a new psychological place can be attained.
3. A new beginning: People may begin to learn new skills and competencies, make new relationships, and develop a new vision for the future.

In managing people's transition, Jick's (1990) caution and perspective need to be heeded:

> These basically optimistic theories about how people eventually embrace change, while psychologically accurate, are somewhat simplistic. Most people will work through the emotional phases they delineate; some will do so more quickly than others. But others will get stuck, often in the first stages, which encompass the most keen and jagged emotions. . . . People get stuck for two basic and obvious reasons: "Change" is not some monolithic event that has neat and tidy beginnings and ends; and people's subjective experiences of change vary considerably as a result of individual circumstance. [Moreover,] frameworks that presume periods of psychological sorting out while the change is being digested are somewhat flimsy in helping us deal with multiple changes. How are we to be in "defensive retreat" with one change, in the "neutral zone" with another, while adapting to a third? If these changes are also rapid-fire, a fairly common situation in these upheaving days in the political and economic arenas, it becomes clearer why some people "resist." (p. 5)

Achieving closure is most relevant to the surrender or disengagement phase, letting go of the past. As Jick (1990) implies, this is easier said than done. Although there are individual differences, most, if not all, people have some need to complete "unfinished business" and, at some level, energy will be spent in an attempt to "finish the thing." For example, when one has an argument with someone that stops, for one reason or another, short of resolution, one tends to continue the argument mentally, even though the other party is no longer present. People spend mental and emotional energy in an attempt to finish, resolve, or complete the argument. So it is with organizational change. When newness is thrust on organization members, replacing, say, formal ways of doing things, with no time to disengage and "finish the business" of the former way, they will spend energy trying to deal with the incompleteness. This energy may take the form of continuing simply to talk about the former ways or, even more resistantly, sabotaging the new ways. What is referred to as "resistance to change" often amounts to attempts to gain closure. Providing ways for organization members to disengage from the past, at least to some extent, helps them focus on the change and the future.

A case of achieving a reasonable degree of closure occurred at one of the centers of the National Aeronautics and Space Administration (NASA). Because certain technology was obsolete, the center director had to terminate a certain rocket program as part of a larger change effort. Several hundred scientists, engineers, and technicians were affected. The center director held a brief ceremony for all these people that symbolized the "death and burial" of the program. He also made a toast to the group commemorating the fine work that had been done on this program in the past. Follow-up interviews indicated that this NASA executive achieved closure for his part of the agency. (For more detail about this closure experience, see Burke, 1994, pp. 147–148.)

Finally, getting people involved, or participating in making the change work, can go a long way toward resolving resistance. A principle of behavior that is central to effective management in general and managing change in particular is "involvement leads to commitment." Stated a bit more elaborately, the degree to which people will be committed to an act is a function of the degree to which they have been involved in determining what the act will be. This is a commonsense principle of human behavior that is corroborated by considerable research. This principle helped to explain why so many elegantly and appropriately designed plans never get implemented. When a single person or small group of people plan a change that will involve a much larger group of other people and fail to involve the others in the planning, the likelihood of successful implementation is diminished. The larger group is likely to perceive the plan as something imposed on them, and their reactance is aroused. Although they may agree that the plan is intrinsically logical and appropriate, there will be no *psychological commitment* to it if they have not been involved in the planning itself and have had no influence on its content or choice in whether to contribute to it. This lack of psychological commitment does not necessarily cause complete resistance to implementation, but the best that can be expected (unless organizational loyalty is extraordinarily high) is slow, reluctant compliance. Getting people involved, then, can not only mitigate resistance but can also contribute to a more effective overall change process.

Change in Organizations at the Group Level

The primary work group, whether it is a top management team, a packaging unit at plant level, or a district sales team, is the most important subsystem within an organization. The work group serves as the context and locus for (1) the interface between the individual and the organization, (2) the primary social relationships and support of the

individual employee, whether or not he or she is a manager, and (3) a determination of the employee's sense of organizational reality. The extent to which members of a group work well together and the extent to which they, as a group, work well with other groups in the organization will determine in part the overall effectiveness of the organization.

Work groups have always been important for organizational effectiveness. We first recognized this systematic importance in the Hawthorne studies (see Chapter 3). This importance is increasing. The single individual who knows many of the functions and specialties within an organization is becoming more and more a rarity. Groups of various specialists attempting to produce something that is greater than the total of their individual specialties are becoming more the rule than the exception. Newer organizational structures, such as the matrix design and networks, require an increase in group activities.

Team Building

Organization change efforts typically rely heavily on the use of work groups. These family units within the organization have to make changes in the way they conduct their work. Their unit goals may need to be entirely different, their roles within the unit may need to be modified, and so forth. Conducting team-building activities often supports the larger organization change. And the more the work unit has at least one goal that is common to all group members and the accomplishment of that goal (or goals) requires cooperative interdependent behavior on the part of all members, the more likely a team-building activity is in order. Dyer (1987) has developed criteria to help determine whether team building is needed, for example, in the case of difficulty between the team leader and members or difficulty among team members; Beckhard (1972) has provided a set of four purposes for team building:

1. To set goals or priorities
2. To analyze or allocate the way work is performed according to team members' roles and responsibilities
3. To examine the way the group is working—its processes, such as norms, decision making, and communications
4. To examine interpersonal relationships among members

Beckhard (1972) pointed out that all these purposes are likely to be operating in a team-building effort, "but unless *one* purpose is defined as *the* primary purpose, there tends to be considerable misuse of energy. People then operate from their own hierarchy of purposes and, predictably, these are not always the same for all members" (p. 24). Thus, Beckhard's order for the four purposes is important. The reason for this ordering of the purposes is as follows: *Interpersonal* problems could be a consequence of group members' lack of clarity on team goals, roles and responsibilities, or procedures and processes; problems with *procedures* and *processes* could be a consequence of group members' lack of clarity on team goals or roles and responsibilities; and problems with *roles* and *responsibilities* may be a result of group members' lack of clarity about team goals. To begin a team-building effort with work on interpersonal relationships may be a misuse of time and energy because it is possible that problems in this area are a result of misunderstanding in one of the other three domains. Clarifying goals, roles and responsibilities, or team procedures and processes may eliminate certain interpersonal problems among team members; clarifying roles and responsibilities may in itself eliminate some of the problems with the team's working procedures and processes; and clarifying team goals and their priorities may in itself eliminate certain problems team members have with their roles and responsibilities.

A smoothly operating group of people in a work unit, or in a temporary task force, for that matter, can be highly beneficial to an overall organization change effort, particularly if the group is the top management team of the organization. To have everyone pulling in the same direction is critical to the success of an organization change effort.

A well-honed, highly cohesive, smoothly operating work unit or task force can have adverse consequences for the overall good of the organization, however. Kanter (1982), for example, has addressed the importance of linking teams with their environments. She points out that this linking has six dilemmas:

1. Suboptimization: Too much team spirit can cause insularity, with members losing sight of their team's role and function in the larger organization.
2. Turnover: A highly cohesive team has a difficult time accepting new members.
3. Problem of fixed decisions: Norms and ground rules can become rigid, and prior decisions may become immutable.

4. Stepping on toes and territories: A highly cohesive team can feel powerful and believe that no one else can understand what they know; their expertise should therefore have great influence in the larger system.
5. NIH: "Not invented here" is the problem of ownership and transfer, a reluctance to share and to be influenced by other individuals and groups.
6. As Kanter (1982) put it, "A time to live and a time to die" (p. 22): Groups have life cycles and, after a high of effectiveness, may then dip to ineffectiveness.

Self-Directed Groups

It may be that as part of a larger change effort, management has decided to "flatten" the organization's hierarchy, that is, to eliminate several layers of supervision. Usually, with such changes, the span of control for a given manager or supervisor broadens from, say, 1:9 to 1:20 or more. Organizational members need to learn more about how to manage themselves individually and in work units. So-called self-directed or self-managed groups have become much more prevalent in organizations of late. With many organizations downsizing and delayering to become more nimble and adaptable to rapid changes in their marketplaces, the growth of self-management, particularly in groups, has significantly increased.

Hackman (1992) has (a) delineated the key features of self-directed groups, paying particular attention to the authority and leadership issues, (b) specified the behaviors that distinguish self-directing from the more traditional modes of operating, for example, taking personal responsibility, mentoring and managing one's own performance, actively seeking guidance when needed, and helping others in the group, and (c) suggested conditions that foster and support the kinds of self-direction that will contribute both to personal satisfaction and to group achievements, such as having clear and engaging goals, a supportive structure for the unit, expert coaching and consultation, and adequate material resources. Paying attention to Hackman's criteria and conditions should lead to greater team effectiveness for self-directed groups. In any case, evidence is beginning to emerge that self-directed groups can indeed be successful. In a comprehensive meta-analysis of 70 studies, Goodman, Devadas, and Griffith-Hughson (1988) concluded that self-directed groups had a positive impact on productivity. In another study by Pearson (1992), attitudes on the job were favorably influenced as well.

As one might expect, there are problems to overcome for self-directed groups to be effective:

- Group members must learn to share power and leadership.
- Effectively managing differences and conflicts within the group is critical to success.
- Not all group members are equal with respect to skill and ability, experience, knowledge, and expertise. Managing these differences is key to success, that is, deploying the human resources of the group toward task accomplishment in an efficient and effective manner.

It is likely that for overall organization change to be successful now and in the future, there will need to be more and more reliance on self-directed groups. Why? Because of the demand for organizations to be as flexible and adaptable as possible for future survival. A part of this greater adaptability is a flatter hierarchy with more rapid decision making and less bureaucracy.

Intergroup

Work units or groups in organizations that normally depend on one another—such as marketing people working with operations people, research and development with manufacturing, or headquarters with field as they exchange information, hand off one aspect of the production process to another unit, and so on—will from time to time experience problems and issues with one another. Each group has its own mission, but for that mission to be accomplished, each group occasionally must rely on the other. This mutual dependence, or interdependence, is a natural setting for conflict.

The original research in intergroup conflict, which set the stage for how we deal with it in practice today, was conducted by Sherif and his colleagues in the late 1940s and early 1950s (Sherif, Harvey, White, Hood, & Sherif, 1961). In a series of studies with groups of boys at summer camp, Sherif and his colleagues demonstrated how to develop strong in-group feelings with two separate groups by creating opportunities for success and enhancing pride and then showing how these feelings translated into competitive behavior when the two groups were placed in a win-lose situation. Experiments were also conducted in reducing conflict and in establishing a cooperative attitude between the two groups by focusing on a superordinate goal, that is, a goal that could only be

accomplished with cooperative efforts between the two groups. These experiments were also conducted over a period of years with adults in industrial organizations (Sherif & Sherif, 1953). Blake, Shepard, and Mouton (1964) summarized Sherif's work and demonstrated refinements of the processes in work done with actual groups in conflict, such as staff and line, headquarters and field, sales and operations, and management and union. Alderfer (1977a) has provided an overview and summary of intergroup relations, as has Schein (1980).

It is important to distinguish between real conflict between groups and what Harvey (1977) referred to as "phony conflict." Otherwise, what action to take remains unclear. According to Harvey, the difference is that real conflict involves substantive differences. One party says, "The research project is technologically feasible," and the other says, "Not according to my understanding of the data." Phony conflict, however, consists of negative, even hostile blaming behavior that occurs when *agreement is mismanaged.* One party says, "I told you the project couldn't work. Look at the mess you've got us in," and the other says, "Don't blame me. It would have worked if you had done your job." Harvey argued that such conflict is a symptom, not a condition in itself. As a symptom, conflict may reflect real differences, or it may be symptomatic of agreement that people are not willing to acknowledge: For example, all members of a team believe that a project is doomed to fail, but no member will voice this agreement because they also may believe, perhaps incorrectly, that the team leader is fully behind the project.

Harvey (1977) further argued that when managers and consultants fail "to distinguish between real and phony conflict they collude with maintaining the problem they are attempting to solve" (p. 166). In a phony conflict, all members—regardless of group—know what the problem is and what solution is required. They are reluctant to act because of action anxiety, negative fantasies, fear of separation, real risk, or psychological reversal of risk and certainty (Harvey, 1974). Confronting reality and recognizing and acting on the implicit agreement may require more risk than people in the situation feel like taking. Thus, there is an underlying agreement not to discuss the implicit agreement, but it is not being exposed and managed. According to Harvey (1977), it is highly important to bring this agreement to the surface and help manage it toward action.

Real conflict between groups involves substantive issues, and the two (or more) groups express competitive behavior, not merely blaming one another. Within each group, we are likely to find that members are close and loyal to one another. Their internal differences are submerged;

group climate is formal, serious, and task oriented, rather than informal, playful, and oriented toward members' psychological needs; the group leader is more directive and less participative; activities are structured and organized; strong norms exist that demand loyalty to the group from each member; and there is considerable energy to resist the other group.

Once it has been determined that real conflict exists and that there is motivation within both groups to work on the problems, action to resolve the conflict is warranted. As the earlier coverage of experiments about intergroup conflict by Sherif and others suggested, the first action step for resolving conflict among groups is to establish a superordinate goal. For a description of action that is based on the theoretical foundations briefly described previously and on the earlier work of Sherif and colleagues, see Burke (2006).

Group Responses to Organization Change

The more that work units in the organization are involved in helping to plan and implement change, the more they are likely to embrace rather than resist the organization change effort. Resistance by organizational groups, on the other hand, can take at least four forms (listed in no particular order):

"Turf" Protection and Competition. "To change our unit is to endanger a central and core competence of the organization" is an expression often heard during organization change. The work group, function, department, or business unit is fighting for survival and will muster every rationale, fact, and guilt-inducing behavior to justify its continuation.

Closing Ranks. "Circle the wagons"; "One for all and all for one." In a recent structural change at a university, the anthropologists were asked to divide themselves among two or three new academic departments. They refused, declaring that they must remain as a group and join only one department, none of which they liked, incidentally. Their arguments and feelings were that the president was attempting to destroy their identity and function in the university by dividing them.

Changing Allegiances or Ownership. To avoid having to deal with the organization change, a group may opt for becoming a separate entity, that is, formally departing from the parent organization. The group can be "spun off" as a separate business and go its merry way. Leveraged buyout

(LBO) is one form of separation. The group may join another division within the organization but remain intact. The group may become a "wholly owned" subsidiary and have to survive on its own but remain intact and maintain its autonomy. A spin-off, LBO, or subsidiary may be a carefully planned and deliberate action as part of an overall change effort for the organization. Just as likely, these kinds of actions are ways of avoiding conflict and having to deal with difficult change issues.

The Demand for New Leadership. Analogous to distinguishing between real and phony conflict, there are times and circumstances in which the group leader is simply not capable of dealing with and leading a change effort. Under these conditions, perhaps the leader should be replaced. There are times, on the other hand, when the leader is quite capable, but the followers in the group revolt as a way of resisting the change. In other words, they collude with one another to resist their change leader by suggesting, if not outright averring, that their leader is incompetent. This form of resistance is a deeper psychological process and may reside more in the collective unconscious of the group than in their consciousness. Bion's (1961) theoretical distinction between a work group (conscious of its task and the passing of time) and what he calls a "basic assumption" group (colluding to destroy the leader, that is, assuming that the leader is no longer a leader) is useful for more thoroughly understanding this form of resistance. After all, organization change generates strong emotions for organizational members; feelings may "run high," as the expression goes. People may be aware of their feelings but may not always be conscious of what is causing them.

Ways of dealing with change for individuals—conceptually, achieving closure, and participation—apply to groups as well. A few additional points on group action are worth our consideration.

Achieving closure at a group level, for example, conducting a brief "funeral" for a former program or the past ways of operating and then celebrating the new way or program, may be more beneficial than closure at an individual level. Sharing feelings, that is, having an opportunity to discuss these feelings with people who are going through the same experience, is often valuable, a worthwhile expenditure of human energy.

Conducting group problem-solving meetings off-site, where members can participate in determining the specific change actions that will directly affect them, may be highly beneficial.

Finally, it may make sense to recompose a group, not changing its function necessarily, but changing its membership. It may be that new skills and technology are needed for a particular work unit to go forward

in support of the larger organization change effort. Or it may be that the members are so resistant to the change, for whatever reasons, that they need to be reassigned—as Kanter (1982) noted, a "time to die." In other words, for the overall common good, the local group must be recomposed.

Change in Organizations at the Larger-System Level

An organization change effort rarely, if ever, begins all at once with the total system, especially in a large organization. Beginnings typically involve an individual, a group, or a program, such as management training, or an already recognized need to make a significant change—in the organization's structure, for example. The previous sections in this chapter have dealt with much of the groundwork that either leads to large-system change or facilitates it. In this section, we shall consider some of these previously described interventions in attempts to change a large organization, a system composed of multiple groups, functions, and processes. In examining large-system change, we shall briefly consider the orders or levels of change, the phases of large-system change, the change focus (mission or structure), some examples of change processes at the larger-system level, and finally, change at the interorganizational level.

Orders of Change

Because change at the larger-system level is so complex, it is useful to think strategically about different orders of change. Kimberly and Nielsen (1975) have suggested three orders of change. (*Order* refers to the level of the ultimate target for change.) For *first-order* changes, the initial focus is some subsystem of the organization. The change would occur as a result of an intervention in a particular unit or division (subsystem) within the organization. The unit may be a relatively autonomous business line or the top management team, and the intervention could be team building, with a change objective of developing more collaborative, consensual decision-making behavior. First-order change, then, is within a subsystem, and although change in that unit will have some consequences for the larger system, the likelihood is that, unless other complementary and supplementary changes are also occurring in related parts of the total system, the change within the initial subsystem will be short lived. For an excellent and classic example of this point, see the Hovey and Beard case (Whyte, 1955).

Second-order change means that the target is a subsystem or process that is beyond the initial focus but that will be affected if the initial effort is successful. The focus is frequently a category or a particular set of subsystems within the organization. An intervention may take place with one group of employees, first-line supervisors, for example, when the ultimate objective for the change effort is to affect all workers below these supervisors in the organizational hierarchy. If we want to decrease absenteeism and turnover among the workers who are accountable to these supervisors, our initial effort may be a training program for the supervisors in which they would have the opportunity to learn more about human motivation, the consequences of certain kinds of rewards and punishment, and effective ways of providing feedback on worker performance. With proper application of this learning, the supervisors would help reduce absenteeism and turnover, our ultimate target for change.

Third-order change eventually influences some organizational process or outcome that is affected by multiple factors. Third-order change, therefore, means the involvement of multiple factors in some causal sequence toward an ultimate goal. Wherever the interventions or series of interventions are made, the ultimate objective of the change effort is larger, to increase productivity, for example. Staying with this example, because multiple factors affect productivity, no single first-order or even second-order change is likely to be successful. Also, for third-order change, there is likely to be a chain or sequence of factors that eventually leads to higher productivity. We may begin with changing how to treat their subordinates, for example, by getting them to manage more participatively. This change in turn will affect work climate and subordinate motivation, which then may lead to greater individual and group performance and finally, to increased productivity.

Documenting change at the first order is fairly straightforward, at the second level, it is more difficult, and at the third, very difficult, as we shall see in the next chapter. Nevertheless, we must understand that changing the entire system is a third-order change.

Change Phases

One of the first psychologists to help us understand organization change at the larger-system level was Kurt Lewin. His rather simple three-phase model set the stage for the more elaborate and comprehensive models we embrace today. These more recent models are explained in a later chapter. For now, let us briefly examine what is meant by these three phases.

Although applicable to the larger system, Lewin (1958) explained his three-phase model for change at the group level. The term *step* is often used in describing Lewin's model, but *phase* is a better word because the steps are not discrete; they overlap.

Lewin (1958) argued that in Phase 1, we must *unfreeze* the system. This unfreezing phase may take a variety of forms: creating a sense of urgency about the need for change, educating managers to behave differently, merging with another organization, and so on; but the underlying notion is that the system must be shaken up, must be confronted with a compelling need to do business differently, and must be thawed from its present way of doing things so that in a new, more malleable, perhaps even vulnerable state or condition, the system is accessible and amenable to change interventions.

The second phase, then, is *movement*, or changing the organization: moving in new directions with different technologies and ways of operating. Lewin's (1958) point was that the system will *not* move or change in any meaningful way unless and until an unfrozen condition has been achieved.

Once change, or movement, is under way, the third phase, *refreeze*, must be initiated (Lewin, 1958). The change that has occurred cannot be allowed to dissipate or drift away. The new, changed condition or state therefore needs to be reinforced, or undergirded, with a process and infrastructure in place to maintain the new system. This means, for example, having a different reward system that reinforces the behaviors that are congruent with the new, changed organization. In other words, organizational members see a clear and direct relationship between what the organization's mission and strategy are and their individual roles and responsibilities. Other examples could be noted, such as organizational structure and information systems. The point is that as the new state is "frozen" in the early stages of change, it is delicate, somewhat vulnerable, and until jelled, is subject to further change that may not be desired. Thus, reinforcing the new state is just as important in the change process as shaking up the old one was in Phase 1. Chapter 13 will provide more about sustaining a change effort.

We examine in more depth this phased way of thinking about, planning, and implementing organization change in Chapter 8.

Change Focus

In a sense, the question here is, where do we start with our change effort, what comes next, and then where do we focus? The answer to

"Where do we start?" depends on what is initiating the change in the first place, particularly from the organization's external environment, and how deep the change should be. Are we talking about revolutionary or evolutionary change? If revolutionary, then the focus is on deep issues such as the raison d'être of the organization, its purpose, its mission, and related matters, for example, strategy. We will also focus on issues of leadership and organizational culture. If, on the other hand, the changes needed are not as fundamental or transformational in nature—that is, what seems to be required is some fine tuning, improvements here and there, or changing some important parts of the organization but not the entire system—then we are talking about evolutionary, or transactional, change. The focus, therefore, is on matters such as organizational design and structure, the information system, or perhaps management practices.

Staying with our theme, larger-system change, implying more transformational than transactional change, we start with a focus on the bigger picture—mission, leadership, and culture—followed by a focus on the more transactional dimensions. The focus of change in the latter case is on the support and infrastructural aspects of the organization that will reinforce the transformational changes: organizational structure (*after* the new strategy has been determined), the reward system (to reinforce new behaviors), information technology (to align with and support new operations), new roles and jobs for people, improving the climate of groups and teams, and so on.

Change Processes

In general, *process* here refers to mechanisms that facilitate the overall change effort, such as communication systems (newsletters that tell stories about successful changes that support the overall effort, videos of the CEOs championing the cause, etc.) and training programs that focus on the new skills and behaviors needed to make the change work. More specifically, process refers to certain interventions meant to significantly implement the change effort, as in the following two examples.

Large-Group Intervention. Large-group intervention involves bringing together a large, key group of organizational members (e.g., the top 100 executives or all 500 first-line supervisors) into one room for

a day or two to address a significant organization change issue, for example, determining the new mission and set of guiding values for the organization or responding to an organizationwide survey with action plans. This kind of intervention requires a significant amount of design and logistical planning, yet it can be powerful for moving the organization (a huge step) toward the change goals. For more information about this kind of large-scale intervention, see the book by Bunker and Alban (1997) and the article by Burke, Javitch, Waclawski, and Church (1997).

Survey Feedback. The historical development and brief description of what this kind of intervention entails is provided in Chapter 3.

Suffice it to say here that in support of an overall change effort, an organizationwide survey helps to achieve the following:

- Establish data points at a particular time that can serve as milestones or benchmarks for how well the change is progressing; further value is provided when a Time 1 assessment is compared with a Time 2 measure, say, a year later.
- Establish priorities about which aspects of the organization to emphasize for change and in what order to address them.
- Send messages, by the content of the questions that are asked, to organizational members about what is important in the change process.
- Keep the change effort based on data.
- Involve a large number of people in the organization change effort through feedback and action planning.

For more information on this kind of organizational intervention, see Kraut (1996).

Interorganizational

Currently and probably for some time yet to come, larger-system change comes about by way of mergers and acquisitions, strategic alliances, joint ventures, and the like. There are a number of reasons for these joinings, two in particular: (1) the opportunity to share resources that neither organization by itself has and (2) the opportunity to improve cost-effectiveness by reducing redundancies. By their very nature, these decisions and occurrences force organization change. This is

particularly true of a merger in which two organizations of relatively equal size and scope come together as one. But most of these joinings fail, especially mergers and acquisitions. Using the criteria of what is promised by the leaders of merged and acquiring companies and the objectives of the decision to join ("achieving synergies" is a phrase often bandied about), there are many more failures than successes. Burke and Biggart (1997) conducted a study of interorganizational relations and found that this majority of failures could be attributed to the following primary reasons or conditions:

- Insufficient clarity about goals and how to measure progress toward the goals
- Imbalance of power and control between the two organizations when they merged or, say, established a strategic alliance or joint venture
- Imbalance of expertise, status, or prestige between the two parties
- Overconfident and unrealistic notions about future success of the relationship, that is, holding an erroneous belief of having sufficient control over key variables
- Lack of a contingency plan (as Chapter 2 notes, organization change, including these joinings, never unfolds as foreseen)
- Lack of perceived equity, for example, in distributions of key jobs and roles

Conditions for success in organizations' coming together are the opposite of those on the failure list. To clarify, here are a few examples:

- Having a superordinate goal, that is, a goal or goals that can be accomplished *only* through the cooperative efforts of the two parties. (See the section "Coercion and Confrontations" in Chapter 3 for the original research in this domain, the work of Sherif and Sherif [1969] and Blake et al. [1964].)
- Having a balance of power, expertise, and status
- Creating mutual gain
- Having a committed leader
- Alignment of rewards—in the early stages of a merger or acquisition, it is important to consolidate various compensation systems into one

- Having respect for differences
- Achieving equity
- Having realistic assumptions about what can be accomplished and in what time frame
- Having good luck

In an informal discussion with senior executives who had recently been through an acquisition (some the acquirers and some the acquired) and were about to go through yet another one, I asked them what they had learned from their previous experiences. The following is a quick summary of what these executives said:

1. They emphasized the importance of having a vision for the future (sound familiar?).
2. They noted that having a rationale behind the joining and explaining this carefully to all those affected is critical.
3. They stressed the importance of being open and honest about the change.
4. They pointed out how important it is in the early stages to have informal relations between the two parties, such as going to a ball game together, having meals together, and so on.
5. These executives argued that rapid decision making was imperative even if some of the decisions would have to be changed later. They pointed out that people cry for structure and order and this need should be addressed.
6. The executives emphasized the importance of what they referred to as "walking the talk," meaning matching words with actions, or the absence of hypocrisy. (Chapter 13 elaborates on this aspect of leading change.)
7. They stated that in midst of this kind of organization change, typically the customer is forgotten. With so much time and energy being focused inwardly, conducting the business and serving customers suffers.

Although these executives made some interesting and unique points, as can be seen, there is considerable overlap with the findings from the study by Burke and Biggart (1997).

To see how a successful merger changed two organizations, SmithKline Beckman of Philadelphia and Beecham of London, into a new, single organization that required the coming together of two companies as well as two nationalities, see Bauman, Jackson, and Lawrence (1997) and Burke and Jackson (1991). And to see how a strategic alliance that cut across three companies and three nationalities (United Kingdom, France, and Germany) affected the internal organization change effort of British Aerospace, see Evans and Price (1999). Finally, as already cited, for an overview and analysis of interorganizational relations in general, see Burke and Biggart (1997).

System Responses to Organization Change

Again, with strong efforts at following a planned process to bring about large-scale organization change, including heavy use of involvement and participatory activities as well as clarity of direction with strong leadership, successful organization change can occur. The change at BA and the successful merger of SmithKline Beecham are good cases in point. Yet even with successful changes, resistance occurs along the way, and when success is not achieved, the resistance dominates and lingers. We will touch on six examples of resistance to larger-scale change.

Revolution Becomes, at Best, Evolution. When a transformational change is attempted, in the end, only some components of the organization are changed or perhaps just some fine-tuning occurs. The old culture is simply too powerful, the bureaucracy too pervasive. Even though the perturbation(s) from the external environment may have been strong—say, a significant technological change in the industry (such as going from analog to digital in the communications industry)—the organization's response to this external shift is insufficient, and the deep structure (pattern) does not change.

Insufficient Sense of Urgency. In this instance, which happens often, the case for change is simply not compelling. The question is obvious: "Why change?" Many people in the organization lack the motivation to tackle an organization change process and program because they harbor disbelief about the need, serious skepticism, a lackadaisical attitude, or a combination of these responses. For whatever reasons, not enough organizational members are convinced that change is required, and there is not a critical mass to move the organization in another direction.

"This Too Shall Pass." This response is typically a function of history. Time and again, management has tried this and tried that, taking on the latest fad for improving the organization, or the "flavor of the month," as this process is sometimes called. And people believe the cliché, "The more things change, the more they stay the same." So, organizational members' response is to "wait 'em out." The response shows more apathy than it does active resistance.

Diversionary Tactics. This category of response is indeed resistance and reflects a strong desire on the part of organizational members to sabotage the effort in one way or another. One way is to create a crisis that must be addressed before any change can get under way. Sales may drop all of a sudden, a technological glitch may pop up, or some waste products may be declared to be toxic. There are many possibilities. Another more common form is to argue that the *timing* for such a change is wrong. There are far too many other things "on the plate," as the expression goes. "We have residual problems from last year that still need fixing." "People are stretched to the limits, too much stress, we simply cannot afford to pile yet another organizational initiative onto their agenda." "This kind of effort will divert us from the *real* work, manufacturing and selling our products, or attending to customer needs." The point is that people will grab at anything in order to avoid, if not sidetrack, the change.

Lack of Followership. "Well, the platform may be burning, but if you think I'm going to follow this CEO into the flames, you're out of your mind!" This response is, of course, similar to if not the same as the one mentioned earlier in the group-level section. Followers, or more accurately, potential followers, collude or even conspire with one another to find fault with the leader. And if there is no followership, by definition, there is no leadership. Without leadership, *intended* change will not occur.

Coping With Responses to Change at the Larger-System Level. Many of the coping mechanisms at the individual and group level are applicable at the larger-system level: achieving closure on the previous way of doing things, providing conceptual frameworks to help people understand

more clearly what is happening to them, and involving organizational members in the process of planning and implementing the change.

In addition, we can easily point to the list of responses and resistances and then suggest antidotes. First and foremost is the issue of making a compelling case for the need to change. A clear example is the change at British Aerospace. The top 100 executives were complying with the CEO's desire to bring about change, but a deep commitment on their part was lacking. A senior and highly respected executive in the company was given the assignment of making the case for change. He conducted an environmental scan and showed conditions in the past and in the present, and—"if things continue as they are"—what the future would look like. These conditions were in the categories of sales, technological shifts, what and how their competitors were doing, and likely scenarios for the future with respect to the aerospace industry, which currently can be described as a shrinking marketplace. British Aerospace is, of course, loaded with engineers. The senior executive's presentation to the company therefore was, quite appropriately, in the form of many bar charts, line graphs, and statistics. An engineer himself, he argued that if they remained as they were at the time, within a decade or less, they would be out of business. Critical to this senior executive's success in getting the message across was his knowledge of the audience. Although he was a senior executive, he was nevertheless one of them, an engineer, and therefore knew how to talk to them, using appropriate language, supporting documentation, and the proper medium (charts with data). From that time to the present, there has been a significantly stronger commitment to the overall organization change effort (Burke & Trahant, 2000; Evans & Price, 1999).

To combat apathy and responses such as "This too shall pass," the change leaders must demonstrate as clearly and strongly as possible that (1) this time, the change initiative is different (because of a compelling and pervasive need) and (2) we are in this for the long haul, that is, showing at the outset that persistence will prevail. The British Airways story of change had both these qualities.

With respect to diversionary tactics, it is incumbent on the part of change leaders to be as clear and committed as possible to the organization change goals and objectives and to establish a set of priorities—to address strategy first and then to tackle structure, and so on. And although it may not be desired, for the change to be successful may mean that certain saboteurs must be dealt with by job changes, early retirements, or outright severance from the organization.

Finally, two points: (1) Described briefly previously are examples of the kind of leadership that will attract followers, and (2) if revolutionary change is called for, the deep structure of the organization must be changed. This means changing the culture particularly, perhaps new leadership with a different mission and strategy, followed by addressing the more transactional aspects of the organization, such as structure, with respect to decision making and accountability, teamwork, and so on.

Summary

We have considered organization change in this chapter from the perspective of levels: individual (including interpersonal), group (including intergroup), and the larger system (including interorganizational). The point of the parentheses following each of the three is to emphasize that taking this perspective is somewhat limited. Organizations are far more complex than merely three levels. In fact, the interactions across these levels are very important. As we proceed with additional chapters, these interactions will become more salient.

Considering organization change according to these three levels, although limited, is useful nevertheless. As noted, organization change must start somewhere, and understanding how it can start at each of these levels helps us to more clearly understand how to plan and how to lead and manage the overall change. This chapter was intended to deepen this understanding by addressing the nature of change at each level, the likely responses in general and resistances in particular that occur at each level, and some examples of coping mechanisms at each level. Moreover, these three levels of understanding are not discrete. Individuals reside within groups and groups within the larger organization. And although our analysis, taking the organization apart by level, is helpful, we must remain highly cognizant of the fact that we are dealing with totalities, wholes, and systems.

This chapter covered a lot of ground. Tables 6.1 and 6.2 are therefore attempts at further summary. Also, in Table 6.1, the intent is to connect with Chapter 5, that is, by including examples at the three organizational levels that show both evolutionary change and revolutionary change.

In Chapter 7, we take a closer look at research on organizational change and at further theory, in this case, theory that is more closely related to the research.

Table 6.1 Summary of Levels of Organization Change According to Primary Change Example and Whether Evolutionary or Revolutionary Change

Organizational Level	Primary Organization Change Example	Evolutionary Change	Revolutionary Change
Individual	• Recruitment, selection, replacement, and displacement	Operational: Place people in positions as a consequence of changes that are underway.	Strategic: Place people in positions that are key to the overall change effort (King,1972).
	• Training and development	Facilitate targeted change (e.g., people-management skills, as in the Citicorp example).	Facilitate large-scale culture change, as in the British Airways example.
	• Coaching and counseling	Conduct at all levels in the organization for purposes of general improvement.	Conduct primarily with change leaders to enhance overall change effort.
Group	• Team building	Conduct team-building activities throughout the organization to improve teamwork and cooperative behavior.	Conduct team building with top executive group initially to model behavior desired for overall change effort.
	• Self-directed groups	Promote the adoption of self-directed groups due to structure change (i.e., eliminating some layers of management in the hierarchy).	Promote the adoption of self-directed groups to enhance culture change in the direction of values that encourage participation, involvement, autonomy, and greater teamwork.

Organizational Level	Primary Organization Change Example	Evolutionary Change	Revolutionary Change
	• Intergroup	Use conflict resolution techniques to reduce inappropriate intergroup competition.	Use conflict resolution techniques to promote cross-functional and interunit cooperation to reduce "silo effects" that in turn serve to change organization culture.
Organization	• Orders of change	First order	Second and third order
	• Change phases	Lewin's three phases	Lewin's three phases
	• Change focus	Issues such as systems, work unit climate, motivation, and performance management	Deep issues such as purpose, mission, strategy, culture, and leadership
	• Change processes	Those that promote problem solving and continuous improvement	Those that facilitate large-scale change, such as large-group interventions and survey feedback
	• Interorganizational	Acquisitions, strategic alliance, consortia	Mergers, large-scale acquisitions, strategic alliances, partnerships

Table 6.2 Summary of Responses to Organization Change According to Organizational Level

Organizational Level	Resistance	Coping With Change
Individual	• Has to do with losing something of value to the person	• Transitioning: ending and letting go, going through the neutral zone, making a new beginning
	• Forms: blind, political, and ideological (Hambrick & Cannella, 1989)	• Achieving closure: dealing with unfinished business
	• Apathy is worse; with resistance, there is energy, and the person cares about something	• Participation: helping to make the change work
Group	• "Turf" protection and competition	• The sense for individuals as listed above
	• Closing ranks: "circle the wagons"	• Conducting a closure ceremony (e.g., "funeral")
	• Changing allegiances or ownership	• Conducting group problem-solving sessions, preferably off-site
	• Demand for new leadership	• Recompose the membership of groups
Organization	• Revolution becomes, at best, evolution	• The above for individual and group are applicable for the organization level as well
	• Insufficient sense of urgency	• Ensuring that a compelling case for the change has been made
	• "This too shall pass"	• This time, the change initiative is different—we mean it, and we are in it for the long haul
	• Diversionary tactics: sabotage, timing is all wrong, too many initiatives and other things on our plate as it is, and the change is a way of avoiding our real work	• Strong, effective leadership

CHAPTER 7

Organization Change

Research and Theory

The objective of this chapter is to provide a guide through the mazes of both organization change research and organization change theory. Although we will review the compilations and summaries of research studies from the appropriate sources, for example, the *Annual Review of Psychology*, when it comes to theory, we will not rely on the "usual suspects," such as textbooks on organization theory, but will explore the less typical literature instead. Organization change theory barely exists, and we must therefore seek other theories that may begin to inform us in such a way that in a decade or so, a clearer and more definitive theory about organization change will emerge. For our theory bases, then, we will explore domains such as nonlinear complex systems theory, stemming from chaos and related theories, and some of the more fundamental psychological theories such as the one developed by William James and C. G. Lange, more than a century ago, known today as the James-Lange theory (James, 1890; Lange, 1885/1922). But first, let us see what research tells us about organization change by examining the literature of the past 25 years or so.

Reviews of Organization Change Research

One of the early reviews of organization change research was the *Annual Review of Psychology* chapter by Friedlander and Brown (1974).

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7 Organization Change

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Reviews of Organization Change Research

One of the early reviews of organization change research was the *Annual Review of Psychology* chapter by Friedlander and Brown (1974). Writing under the banner of organization development (OD), these authors framed their review of research in the field in terms of "target of interventions" that led to outcomes. The two broad categories of interventions were people and technology, with the former emphasizing organizational processes, such as

communication, decision making, and problem solving, and the latter emphasizing organizational structures, such as task methods, job design, and organizational design. These two categories of interventions could lead to two outcomes: human fulfillment and task accomplishment (see Figure 7.1). "These components interact in the techno-structural and human-processual [their term, not in the dictionary] systems on behalf of the objectives of human fulfillment and task accomplishment—and the environment obviously interacts with all these components in terms of input to and output from the organization" (Friedlander & Brown, 1974, p. 315). Their framework is reflective of an open system approach to conceptualizing organizations.

Friedlander and Brown's (1974) main conclusions from their review of the research literature at the time were as follows:

- Research showing change in the techno-structural category was clearer and more definitive than studies investigating the human-processual (their language, which essentially means interactions among organizational members, e.g., group dynamics) approach. They attributed this difference to types of measurement tools, that is, techno-structural change is easier to measure than the more abstract and less objective human processes domain.
- "OD today is a long way from being the general theory and technology of planned social system we would like to see it become" (Friedlander & Brown, 1974, 335).

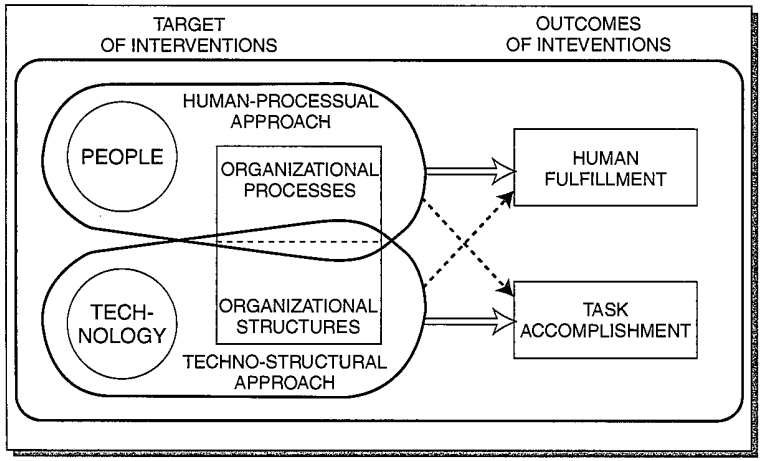


Figure 7.1 Approaches to Organization Development

SOURCE: F. Friedlander and L. D. Brown, "Organization Development," 1974, *Annual Review of Psychology, 25,* pp. 313–341. Reprinted with permission, from the *Annual Review of Psychology,* Volume 25 © 1974 by Annual Reviews www.annualreviews.org.

Although there was some evidence at the time that OD interventions had an effect on organizational performance, remembering the differences noted above, the pervasiveness of the impact was not clear, and there was no overall guiding theory.

Three years later, Alderfer (1977b) provided a review of the research up to that time and concluded that "the overall quality of research . . . is showing increasing signs of both rigor and vigor as more careful studies . . . are being conducted and reported" (p. 197). Alderfer, unlike his two predecessors, did not use an overall framework or model to discuss his review of the literature.

In a subsequent summary of theory and research in organization change, three Europeans wrote a wide-ranging, cross-cultural review of the field (Faucheux, Amado, & Laurent, 1982). Their review differed somewhat from Alderfer's conclusions 5 years earlier. Citing the work of Porras (and his colleagues), one of our foremost researchers in OD and planned change, Faucheux et al. (1982) reported that there remained a "paucity of good research and particularly fundamental research" (p. 350). For example, there was even evidence to counter "that changed process caused changed outcome" (p. 350). In other words, part of Friedlander and Brown's model dealing with the outcomes of human processes (see Figure 7.1) was not substantiated. Faucheux and his colleagues called for a stronger linkage between the social and the technical approaches. This sociotechnical linkage (see Chapter 3) and the need to account for the broader context of organization change, such as understanding the relationship between a given organization and the society within which it resides, are critical. They contended that bringing about true organization change that is measurable and endurable requires such a linkage. This way of thinking is quite compatible with Capra's (1996) notion of networks (systems) embedded within networks (systems).

With the passage of another 5 years, the lament was similar: "Despite more sophisticated research methods, OD research results are still inconclusive. One can find support for many different conclusions, among the results reported in the studies" (Beer & Walton, 1987, p. 343). In sum, these reviewers raised an all-important question: "Why should this be so?" They stated that organization change research "suffers from problems," which are described as follows:

1. This kind of research attempts to determine causation. Most researchers rely on traditional scientific methods, working hard to identify the effects of some change intervention, such as team building, structure change, survey feedback, training, a shift in business strategy, installing a new information system or compensation plan, and so forth. What is overlooked is the larger system, the interconnectedness of the various parts (sound familiar?), and the context, changes that are occurring in the industry, for example. As Beer and Walton (1987) pointed out, "Exogenous variables and intervening events will

always prevent any powerful conclusions. . . . Even worse, normal science methodology can damage the experiment itself" (p. 343). The authors then presented a very interesting example, a study by Blumberg and Pringle (1983). These researchers described an intervention that included job redesign and worker participation in managing a mine. Blumberg and Pringle had a control group and an experimental group, as normal science would dictate. In this case, however, the control group discovered what was going on with the experimental group and resented the latter's advantage. Moreover, the control group of miners then voted to stop the whole process, and no further changes occurred.

2. Most research on organization change is a snapshot, not a longitudinal view. Thus, it is difficult to determine how permanent a change may be.

3. Beer and Walton (1987) used the word *flat* to signal the third problem. What they meant is that much research methodology and instrumentation is quite precise, but the meaning and interpretation of the data are anything but precise. History is often ignored, as is environmental context. The authors also pointed out that quantitative methods are not very useful for understanding an outcome that has multiple causes.

4. The research often does not fit the needs of the user. "Good science can be antithetical to good action" (Beer & Walton, 1987, p. 344). The use of highly technical, if not esoteric, statistical procedures can make research outcomes so complicated that managers and executives in organizations (users) end up with glassy eyes wondering what all this may mean. Also, researchers often equivocate about results and use phrases such as "On the other hand" and "This outcome can only be expected under these conditions." The researchers, certainly from their point of view, are using proper language for normal science. The users expect something quite different, such as simple declarative sentences.

Beer and Walton (1987) went on to state that organization research may be at a turning point—continuing as it was would lead only to studying isolated and episodic events. Going in another direction, namely "action science," as Argyris, Putnam, and Smith (1985) call it, may be the better choice. This means moving away from typical positivistic assumptions about research in organizations and toward a process that (1) involves the users in the study, (2) relies on self-corrective learning, say, trying certain assessment methods and then modifying them along the way as trial and error yields knowledge, and (3) occurs over time, not episodically. As Beer and Walton noted, the literature about this kind of choice for organization change research has begun to grow. See, for example, Carnall (1982), Legge (1984), and Morgan (1983).

In addition to the four problems covered by Beer and Walton, at least two more can be identified, the researchers themselves and determining *what*, if anything, changed:

1. Numerous studies have shown that the research can affect the outcome (Rosenthal, 1976). The degree to which the researcher is directly involved makes a difference: collecting data from organizational members, as a more distant observer, or not directly intervening in the organization at all and relying exclusively on archival information. Clarity must be sought, therefore, about the objective of the organization change research. Is it for evaluative purposes, and are the organization's members the primary users? If so, then from the outset, these organizational members need to be involved, as Argyris (1970) has argued, in decisions about what data to collect and how to collect them. This increases the likelihood that appropriate data will be collected and analyzed with valid inferences being made. It further ensures that the data will be used. If, on the other hand, the primary user is the scientific community, then more objectivity with the process is necessary, with a greater reliance on data that are more likely to be objective: as archival information, financial outcomes (although these need to be chosen carefully because "creative accounting," for example, is not dead), and independent assessments of the organization's effectiveness, such as Dun and Bradstreet ratings.

2. With respect to a more complete understanding of what, if anything, changed, the work of Golembiewski, Billingsley, and Yeager (1976) is enlightening. They drew distinctions among three types of change, which they labeled alpha, beta, and gamma. Alpha change concerns a difference that occurs along some relatively stable dimension of reality. The change is typically a comparative measure before and after an intervention. If comparative measures of trust among team members showed an increase after a team-building intervention, for example, then we might conclude that our organizational intervention had made a difference. Golembiewski et al. (1976) assert that most evaluation research designs consist of such "before" and "after" self-reports.

Suppose, however, that as a result of our team-building intervention, a *decrease* in trust occurred—or no change at all. One study has shown that, although no decrease in trust occurred, neither did a measurable increase occur as a consequence of team-building intervention (Friedlander, 1970). Change may have occurred, however. The difference may be what Golembiewski et al. (1976) call a *beta* change, a recalibration of the intervals along some constant dimension of reality. As a result of a team-building intervention, team members may view trust very differently. Their basis for judging the nature of trust changed, rather than their perception of a simple increase or decrease in trust along some stable continuum. In other words, their *standard* for judging what trust is may have changed.

A *gamma* change "involves a redefinition or reconceptualization of some domain, a major change in the perspective or frame of reference within which phenomena are perceived and classified, in what is taken to be relevant in some

slice of reality" (Golembiewski et al., 1976, p. 135). This involves change from one state to another. Staying with the example, after the intervention, team members might conclude that trust was not a relevant variable in their team-building experience. They might believe that the gain in their clarity about roles and responsibilities was the relevant factor and that their improvement as a team had nothing to do with trust.

Thus, selecting the appropriate dependent variable—determining specifically what might change—is not as simple as it might appear. This is especially important when self-report data are used.

In summary, we have learned over the past three decades that measuring organization changes is not simple. Following traditional methods of normal science may be straightforward, but the results may not be. Determining cause and effect in organizations is difficult because so many variables are involved and most cannot be controlled. In our attempts to measure organization change, we must also be clear about who the research is for. If the users are other researchers, then following normal science may be important. If the users are the members of the organization being studied, then they need to be involved and normal science is not necessarily appropriate. The emerging field of action science may need to be followed.

More Recent Approaches to Research and Theory

THE SHIFT FROM "NORMAL" SCIENCE

So-called normal science methods originated with the physical sciences and were adopted by the social and behavioral sciences. But the physical sciences have not stayed exclusively with "normal" methods. Chaos theory, nonlinear systems theory, and related concepts and theories, such as fractals, have precipitated changes in research methods. As Svyantek (1997) and his colleagues have pointed out (e.g., Svyantek & Brown, 2000; Svyantek & DeShon, 1993), organizational researchers need to move in similar directions. Svyantek (Svyantek & Brown, 2000) refers to this kind of direction as a "complex-systems approach" to the study of organizations, meaning that organizational behavior can rarely be explained by analysis, that is, breaking down the system into its component parts:

> Explaining the behavior of a complex system requires understanding (a) the variables determining the system's behavior, (b) the patterns of interconnections among these variables, and (c) the fact that these patterns, and the strengths associated with each interconnection, may vary depending on the time scale relevant for the behaviors being studied. (p. 69)

With respect to their third point (c), Svyantek and Brown cite an example by Koch and Laurent (1999) in which reaction time is the measure. With respect to light, sound, a machine, or the human nervous system, reaction-time differences may be measured in milliseconds, whereas for measurements of change in "corporate performance, the time scale might be in months or years" (Svyantek & Brown, 2000, p. 69).

Svyantek and Brown (2000) went on to point out some fundamental differences between traditional (normal science) approaches to the study of organizations, that is, the use of linear methods such as regression, and complex systems approaches that rely on nonlinear methods; with respect to the latter,

> [The] data gathered consist of multiple measurements of both independent and dependent variables, and these data are then graphed. The predictions made are more molar and qualitative than the predictions in traditional approaches. The value of these predictions is based on the degree to which a consistent pattern of behavior is found in the system across the repeated measurements. The results of such an experiment are used to make predictions that are context-specific. (p. 69)

Relying on the work of Liebovitch (1998) and Richter (1986), Svyantek and Brown (2000) proposed two nonlinear concepts "that have explanatory value for understanding social systems . . . *phase space* and *attractor*" (p. 70).

Phase space consists of a depiction of multiple behavioral measurements over time (the phase aspect). The depiction can be a three-dimensional graph (the space aspect) that shows how a particular behavior can be affected by, say, three variables over time. Richter (1986) has provided examples of this phase space method: how an individual's responses in a particular situation may be affected by his or her level of aggressiveness, fear, and guilt, all at the same time and over time. Patterns of behavior can then be traced.

Attractors are these patterns of behavior. They have two primary characteristics: sensitivity to initial conditions and stability.

Sensitivity to initial conditions means that an organization's history is highly important. (A number of years ago, a colleague of mine, also an organization change consultant, and I were working together. He kept saying to the client, "Spare me the history!" I thought it was a mistake then, and I am even more convinced today.) By way of positive feedback, early behaviors in an organization's developmental stages get reinforced and stabilized. Two organizations in the same domain (e.g., business) that originated at the same time under similar, if not identical, conditions can become very different from one another over time. Small differences at the beginning can lead to large differences years later, as a result of highly specific, even undetectable, behaviors consistently reinforced in the first year.

A personal consulting experience recently illustrated this attractor characteristic dramatically. After almost 150 years of independent existence, two banks in a large metropolitan area decided to merge. These two businesses

were remarkably similar. Both were founded at about the same time, in the mid-19th century, in the same community of the larger metropolitan area; and ten decades later, they were almost equal in size in number of employees, number of directors on their respective boards, annual revenues, and number of branches. Moreover, the announcement of the deal was touted as a "merger of equals." At the outset, the consulting project seemed easy. Such similarities would no doubt make the integration of the two banks quick and smooth. In reality, the merger was anything but quick and smooth. The corporate cultures of the two banks, despite all those similarities, were entirely different. The culture of Bank A was loose, risk-taking, rather spendthrift, and led rather than managed, whereas Bank B could be characterized as tight, risk-averse, highly cost-conscious, and managed, not led. The descriptors of the two cultures are examples of multiple behaviors that represent the phase space concept. A century earlier, small, undetectable, but different behaviors in the two banks were positively reinforced (and became attractors), and decades later, these differences loomed large. It took more than 2 years for the merger to even be accepted, much less integrated. And these were not huge organizations in the first place, about 1,700 employees in each. This example is explained later in considerable detail in Chapter 11.

The second characteristic, *stability*, can best be understood analogously, as an organization's culture. One interesting point by Schein (1985) is the importance of a founder's behavior in shaping an organization's culture, especially through what he or she emphasizes and values.

This nonlinear approach helps us with a new way of thinking about the research process and phase spaces and gives a clearer focus on what to study: attractors.

In summary, the primary point is that measuring organization change is extremely complex and therefore requires extremely complex approaches and methods. Although still useful, "normal" and traditional approaches to research nevertheless are limited indeed.

THE ORGANIZATIONAL CHANGE RESEARCH THEORY OF PORRAS AND COLLEAGUES

Although by no means exclusively, in the early 1990s, theory and research most closely associated with OD were reflected largely in the work of Jerry Porras and his colleagues. They have reviewed and to some extent consolidated the literature on organization change research and theory (Porras & Robertson, 1992; Porras & Silvers, 1991). To begin with, Porras and Robertson (1992) have provided some useful distinctions to help us understand organization change more thoroughly: planned versus unplanned change and first-order versus second-order change.

Planned Change. This is a deliberate, conscious decision to improve the organization in some manner or perhaps to change the system in a deeper, more fundamental way.

Unplanned Change. In this case, the organization has to respond to some unanticipated external change, for example, creation of a whole new technology that affects the very core of the business, as was true for Swiss watchmakers when the digital version came on the scene. In unplanned change, the response is adaptive and often spontaneous.

First-Order Change. This form involves what we today refer to as "continuous improvement" (the Japanese call it *kaizen*); that is, the change consists of alterations or modifications in existing system characteristics, such as eliminating a layer of management or administration in the organizational hierarchy, rather than a shift in some fundamental way, such as change of organizational mission. In Chapter 5, we referred to this first-order level of change as *evolutionary*.

Second-Order Change. This form is radical, more fundamental change. We earlier referred to this form as *revolutionary*, a change of the organization's deep structure (see Chapter 5). The change is paradigmatic.

Quite naturally, Porras and Robertson (1992) then placed these concepts into a 2 × 2 arrangement (see Table 7.1). Although this arrangement is rather neat and easy to grasp, it oversimplifies, unfortunately. Revolutionary change can be planned after all (see, for example, Goodstein & Burke, 1991), and so can evolutionary change (see Chapter 5).

In a related paper, Porras and Silvers (1991) distinguished between first-order (they classified organization development, OD, as first-order; again, see Table 7.1) and second-order, or what they referred to as "organization transformation." With respect to the former classification, OD, they concluded, "Much of this research is fragmented and does not build on work done by other

Table 7.1 Types of Organizational Change

	Change Category	
Order of Change	*Planned*	*Unplanned*
First	Developmental	Evolutionary
Second	Transformational	Revolutionary

SOURCE: From "Organizational Development: Theory, Practice, and Research," by J. I. Porras and P. J. Robertson, 1992, in M. D. Dunnette and L. M. Hough (Eds.), *Handbook of Industrial and Organizational Psychology* (Vol. 3, 2nd ed., p. 722), Palo Alto, CA: Consulting Psychologists Press, Inc. Used by permission.

authors laboring in a similar arena. More effort should be directed at the development of a paradigm for OD, and thus researchers must build more consciously on each other's work" (pp. 69–70).

And concerning the latter, organization transformation (OT), Porras & Silvers (1991) stated, "Although the broad outlines of the field may be sketched (e.g., a focus on vision, conscious change, etc.), there is still considerable diversity in this area and consequently many different directions for future development. It is therefore difficult to predict where the field will be in ten years" (p. 73).

Now, more than a decade and a half later, the designation OT itself has faded, but the distinctions have not. In fact, in the most recent review of the literature, Weick and Quinn (1999) organized their report according to *episodic* change (discontinuous, transformational, and revolutionary) and *continuous* change (continuous improvement, transactional, and evolutionary). We will return to their review later in this chapter.

Organization Models

As noted earlier, Friedlander and Brown (1974) provided a framework or approach for understanding organization change, or OD (see Figure 7.1). They referred to two primary approaches to organization change: people, or human-processual, and technology, or techo-structural. They were categorizing targets of intervention (people and technology) and two outcomes of these interventions, human fulfillment and task accomplishment.

Some years later, in a more elaborate attempt to diagram the way planned organization change occurs, Porras (1987) provided a model that is grounded in open system theory, that is, environment (input), organization (throughput), organizational performance, and individual development (output), with a feedback loop connecting output back to input. The organization part of his model (throughput) consists of organizational members' behavior and the work setting (context).

Porras further delineates within the work setting part of his model's four components, what he calls "streams," or four basic dimensions: (1) organizing arrangements (e.g., goals, strategies, structure, and systems); (2) social factors (primarily culture but also including social patterns and networks and individual attributes); (3) technology (tools, equipment, machinery, job design, and technical systems); and (4) physical settings (space, ambiance, interior design, etc.). In the reviews of the literature that Porras and his colleagues provided (Porras & Robertson, 1992; Porras & Silvers, 1991), this model was used to organize their analytical summaries. See Figure 7.2 for a diagrammatic summary of the model.

Porras's model is essentially a description of how input from the external environment gets transformed into output—organizational performance and individual development. The model also highlights what, for Porras, are the

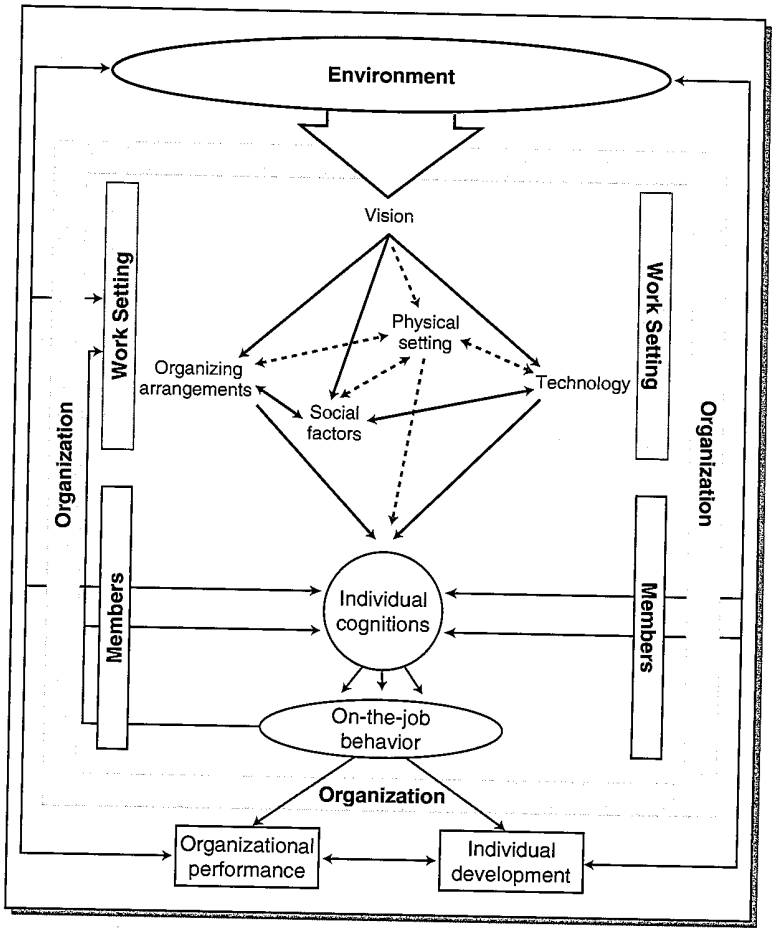


Figure 7.2 A Change-Based Organizational Framework

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primary elements and dimensions of an organization: the work setting elements (social factors, physical setting, etc.) and the member elements (cognitions and behaviors). With respect to output, he distinguishes between the performance of the organization and individual development, as opposed to, say, individual performance. One could argue, however, that organizational

performance includes both unit (group, team, and department) and individual performance. These in turn, affect or produce organizational performance.

This model by Porras is a description of how organizations operate and what the key elements are in that operation. The model adds to the array of like models in the field of organization development and change. See, for example, Burke (1994). The reason for coverage of the Porras model is to establish a backdrop or context for his thinking about how organization change occurs.

Organization Change Theory

Before plunging into the various change ideas and theories, let us consider what an adequate theory should include. Whetten (1989) has proposed that a "complete" theory contains four elements:

1. *What* (constructs): factors that should logically be considered as explanatory parts of what is being considered, for example, if organizational, such factors as strategy, culture, and performance.
2. *How* (linkages): how the factors under *What* relate to one another, typically portrayed in the form of boxes and arrows; what comes before what (strategy before structure), and what causes what.
3. *Why* (conceptual assumptions): the logic underlying the theory or model. As Whetten put it, "The soundness of fundamental views of human nature, organizational requisites, or societal processes provide the basis for judging the reasonableness of the proposed conceptualization" (p. 491).
4. The fourth element in Whetten's criteria set includes the combination of *Who/where/when:* "These temporal and contextual factors set the boundaries of generalizability, and as such constitute the range of the theory" (p. 492).

These elements and criteria for what should be included in a complete theory can guide our review of the theories and models that follow.

In their review of the organization development and change literature, Porras and Silvers (1991) stated at the outset, "Planned change that makes organizations more responsive to environmental shifts should be guided by generally accepted and unified theories of organizations and organizational change—neither of which currently exists" (p. 51).

They followed with a new model or theory of planned change that proposes a process of how organization change occurs. The framework begins with organizational interventions that are intended to affect certain variables, which in turn affect individual behavior and ultimately improve organizational performance and enhance individual development. This model (see Figure 7.3) relies on Porras's previous organizational model (see Figure 7.2) but is now cast in terms of change processes.

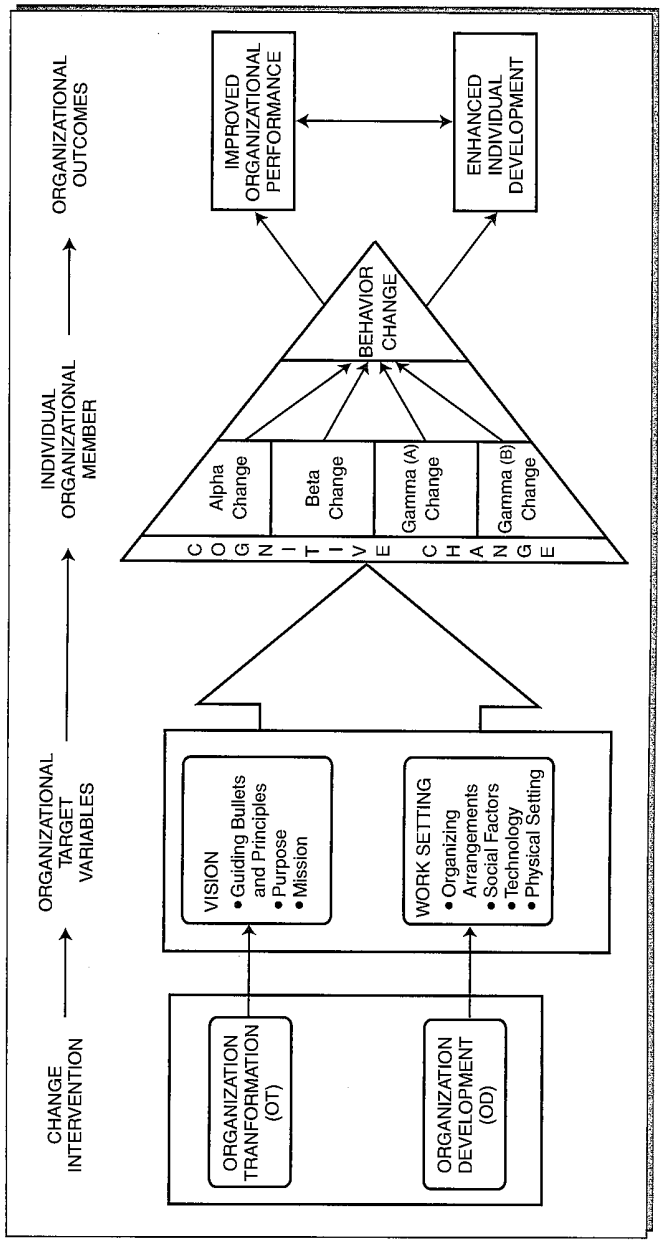


Figure 7.3 Planned Process Model of Organizational Change

SOURCE: J. I. Porras and R. C. Silvers, "Organization Development and Transformation," 1991, *Annual Review of Psychology, 42,* pp. 51–78. Reprinted with permission from the *Annual Review of Psychology,* Volume 42 © 1991 by Annual Reviews www.annualreviews.org.

Porras elaborates further on his perspective about the change process in a slightly later work (Porras & Robertson, 1992). He is clearly on target when declaring that for organization change to occur, organizational members must "alter their on-the-job behavior in appropriate ways. This assumption is rooted in the belief that behavior is significantly influenced by the nature of the setting in which it occurs" (Porras & Robertson, 1992, p. 724). Moreover, the schema presented in Figure 7.3 is a straightforward and rather linear depiction of how organization change occurs. The process begins with some intervention that is intended to affect an organization's vision, purpose, and mission (an OT intervention) or an intervention that is aimed at changing aspects of the work setting (an OD intervention), if not both. These interventions in turn affect organizational members' thought processes or mental sets that may occur at any one level or at multiple levels—alpha, beta, or gamma changes—and thus, behavior is changed, which then leads to improved performance and enhanced individual development. This theoretical framework by Porras is fairly easy to understand and has a certain logical flow to it; that is, A leads to B, which in turn affects C, and so on.

Moreover, with this theory, Porras meets Whetten's (1989) criteria for completeness reasonably well. The *what* (constructs) is there (vision, work setting, performance, etc.), the *how* (linkages) is in place, and the *why* is explicated. Also, the boundaries of the theory are fairly clear: This addresses how change occurs within an organization.

It is not likely, however, that organization change occurs in this manner. First, assuming that organizational members, who are human beings, after all, plan (or simply react to events from the organization's external environment) and implement organization change, we must account for how this very human process takes place. Although cognitive change can precede behavior change, most of the time, particularly the more emotional the situation is, it is the other way around; that is, behavior comes first, then cognition. We act and *then* attribute meaning to that action.

Second, we must account for what happens at the larger, more complex organization level, the social effect—how organizational members *collectively react* to events and how they interact with one another.

So, a problem here for organization change is being able to establish the causal links between vision (thought) and action (behavior). We want this attributed causation to ensure commitment and in turn, implementation of the new vision (mission, purpose, and goals). The argument now to be made is that it is preferable to promote, if not induce, the action desired to cause movement, for example, a training and development program, a multirater feedback process, a new business strategy, or installation of new work procedures and processes, rather than to provide an elaborate plan and rationale for change and expect the appropriate behavior to follow. Yes, one needs to have a change plan, but the implementation thereof is essential and should turn on the more desired behavior and less on the rationale and thoughts.

To summarize in a practical way: The initiation of organization change begins with a vision of the future. This is a cognitive process. But we should not assume that this thought process will then generate the necessary behavior for the organization change. Although it is a necessary first step, the vision, or cognition, is not sufficient for change. Behavioral movement in the direction of the vision is required. It is best to begin with the vision (it is difficult to get there if we don't know *where* we're going) but not to *concentrate* on it. We concentrate on the behavior needed. As movement in the vision direction occurs, the appropriate attribution will gradually be made to explain why the direction makes sense. Even though organizational executives make pronouncements such as "We've got to change people's mental sets around here!" the change in mental set comes *after* behavior has occurred in the direction desired for the new mental set.

It may be that this argument sounds a bit illogical, but let us now consider some evidence that supports the idea of behavior change first, then change in mental set.

In the area of research and theory, considerable evidence now strongly suggests that William James, more than a century ago, was largely correct. He stated that emotional behavior precedes emotional experience (James, 1890):

> Our natural way of thinking about these coarser emotions is that the mental perception of some facts excites the mental affection called the emotion, and that this latter state of mind gives rise to the bodily expression. My theory, on the contrary, is that the bodily changes follow directly the perception of the exciting fact, and that our feeling of the same changes as they occur IS the emotion. Common sense says, we lose our fortune, are sorry and weep; we meet a bear, are frightened and run; we are insulted by a rival, are angry and strike. The hypothesis here to be defended says that this order of sequence is incorrect. . . . and the more rational statement is that we feel sorry because we cry, angry because we strike, afraid because we tremble. (p. 449)

It should be noted that at about the same time, more than a century ago, Danish physiologist C. G. Lange independently suggested much the same idea (Lange, 1885/1922). And as we may recall from our introductory psychology course, this idea became known as the James-Lange theory. Is this idea mere speculation or illogical theory?

Approximately seven decades after the James-Lange theory had been proposed, the social psychologist Stanley Schachter decided to test the idea. The theory, at the time, was controversial, and many believed it to be wrong. In a series of ingenious studies with college students, Schachter (1959) put the theory to the test. He injected adrenaline in the arms of experimental group

participants and a saline solution in the control group participants. Adrenaline causes a rise in emotional energy. But what is the emotion exactly? Schachter hypothesized that he could *determine* what the emotion would be. The further two conditions of the study were to "cause" either anger or euphoria with the experimental groups. His results provided considerable validation for the theory. Compared with the control groups, the experimental groups behaved significantly more as Schachter's hypothesis predicted. In other words, an emotion was induced, but the attribution as to which emotion the subject experienced came *after* the inducement and the enacted behavior. Since then, supportive evidence has mounted. See, for example, a summary article by Laird and Bresler (1990).

In the same vein as the James-Lange theory, there is also growing evidence to suggest that the actual causes of our behavior are rarely conscious to us. Causation stems far more from our unconscious. We, of course, attribute causation via a conscious process, but this process is perceptual. The real causes are a result of intricate mechanisms that occur in our brains, of which we are unaware. In a comprehensive article on this theoretical perspective and put in the context of challenging the notion of "conscious will," Wegner and Wheatley (1999) summarized their premise by stating,

> The experience of will is a result of the same mental processes that people use in the perception of causality more generally. Quite simply, it may be that *people experience conscious will when they interpret their own thoughts as the cause of their action.* This idea means that people can experience conscious will quite independent of any actual causal connection between their thoughts and actions. (p. 480, emphasis in original)

In other words, we *perceive* a causal link between our thoughts and actions. Our "will is not a psychological force that causes action" (Wegner & Wheatley, 1999, p. 481).

To perceive a causal link, Wegner and Wheatley (1999) posit that three criteria must be met: (1) priority, (2) consistency, and (3) the lack of other possible attributed causes. First, we must have the thought shortly before the action. (Studies show that if 30 seconds or more elapse, the causal link is less likely.) Second, the thought should be compatible with the action. "When people do what they think they are going to do, there exists consistency between thought and act, and the experience of will is enhanced. When they think of one thing and do another—and this inconsistency is observable to them—their action does not feel as willful" ((Wegner & Wheatley, 1999, p. 485).

Third, the thought should be the only apparent cause of action. "A basic principle of causal inference is that we tend to discount the causal influence of one potential cause if there are others available" (Wegner & Wheatley, 1999, p. 486).

In related work by psychologist John Bargh and his colleagues, a strong case is made that the ability to control our behavior consciously and intentionally

is of course possible, but actually quite limited. Most of our daily psychological lives function through nonconscious means, what has been referred to as "automaticity" (Bargh & Chartrand, 1999).

In summary, first, to account for how the linkage typically occurs for organizational members between vision or mission (concepts, cognitions) and action (behavior), we must not assume that it is primarily a conscious, deliberate, and rational process. It is primarily the opposite. With a set of values and goals declared, we then quickly move to action: behavior that enacts these values and implements these goals without assuming that organizational members have made the linkages. As appropriate movement (behavior) continues over time, the proper attributions can eventually be made, for example, "We are doing this because we believe it is the right (value) thing to do." Behavior is followed by cognition. It should also be noted that this manner of theorizing is not unlike the thinking of Karl Weick, a contemporary organizational scholar. See his award-winning book on "sensemaking" (Weick, 1995).

Second, to account for what happens at the larger, more complex organization level, we must rely on theory and concepts that are nonlinear, such as the work of Svyantek and others (e.g., Svyantek & Brown, 2000). Executives trying to bring about change often talk about how "messy" the process is or how little control they have ("Once we started this change effort, it seemed to take on a life of its own") and how difficult it is to sustain ("For every step forward we take, we seem next to fall back two—resistance is a very powerful thing!").

At the organization level, then, we must think in terms of attractors, the concept from nonlinear complexity theory, in terms of organizational culture (norms and values) and what gets systematically reinforced, so that we can strengthen some attractors and eliminate others. It is also useful to think of organization change as a series of "loops"—taking initiatives and then looping back to correct details missed on the first attempt or loop (see Chapter 2). It's messy and nonlinear but, at the same time, realistic. In fact, Beer, Eisenstat, and Spector (1990) identified a number of false starts in the change effort at General Products. As Weick and Quinn (1999) pointed out, "This suggests that change is not a linear movement through . . . stages, but a spiral pattern of contemplation, action, and relapse and then successive returns to contemplation, action, and relapse before entering . . . maintenance and then termination stages" (p. 373).

Current Thinking on Organization Change and Research

We will end this chapter in the same way that we began, that is, by considering the latest review article on organization change and development. The first of this genre was the review by Friedlander and Brown (1974). Throughout this

chapter, subsequent reviews have been highlighted. One of the more recent reviews is by Armenakis and Bedeian (1999) covering the organization change literature of the 1990s. They concluded "that the field is robust and that it continues to be responsive to contemporary organizational demands" (p. 313). The *Annual Review of Psychology* chapter by Weick and Quinn (1999) is not so much a summary of the research literature like the Porras and Silvers (1991) chapter—and like the one by Armenakis and Bedeian (1999). The Weick and Quinn review is more one of describing and commenting on recent thinking about the nature of organization change. Weick and Quinn organized their chapter according to what they consider to be the two primary categories of organization change: episodic and continuous. These two ways of conceptualizing organization change were addressed in the previous chapter, that is, revolutionary versus evolutionary change in organizations. Their definition of episodic change is clear and useful (Weick & Quinn, 1999):

> The phrase "episodic change" is used to group together organizational changes that tend to be infrequent, discontinuous, and intentional. The presumption is that episodic change occurs during periods of divergence when organizations are moving away from their equilibrium conditions. Divergence is the result of a growing misalignment between an inertial deep structure and perceived environmental demands. This form of change is labeled "episodic" because it tends to occur in distinct periods during which shifts are precipitated by external events such as technology change or internal events such as change in key personnel. (p. 365)

On the other hand, according to Weick and Quinn (1999), continuous change is "ongoing, evolving, and cumulative" (p. 375). They go on to clarify,

> The distinctive quality of continuous change is the idea that small continuous adjustments, created simultaneously across units, can cumulate and create substantial change. That scenario presumes tightly coupled interdependencies. When interdependencies loosen, these same continuous adjustments, not confined to smaller units, remain important as pockets of innovation that may prove appropriate in future environments. (p. 375)

By gleaning ideas and research results from the literature, Weick and Quinn (1999) concluded that episodic change arises as a result of inertia (entropy in open system theory terms) and an organization's inability to respond to external environmental changes adequately. Continuous change is driven, they argue, "by alertness and the inability of organizations to remain stable" (p. 379); but as Pascale, Milleman, and Gioja (2000) pointed out, such alertness and tendency to disequilibrium is rare.

Weick and Quinn (1999) also provided a new way of applying Lewin's three-stage model of the change process. They state that episodic change follows (or should follow) the stages as Lewin (1958) originally conceptualized, that is, unfreeze-movement-refreeze, whereas continuous change, to be effective, is more like freeze-rebalance-unfreeze. To *freeze* continuous change is to find the patterns in day-to-day life in the organizations and to reinforce them. To *rebalance* is to change the patterns so that fewer restraints and barriers are present and the continuous change can flow more freely. To *unfreeze* after the rebalancing is to innovate and find new ways of ensuring continuous change. These new ways evolve from habits of continuing to look for means of improving the manner in which work gets done and of continuing to strengthen the critical interdependencies of organization members. An example of this notion about continuous change is provided in Chapter 5, in the case of the professional services firm.

This differentiated way of considering organization change is likely to endure. The mounting evidence is impressive that change in organizations does indeed take one, but rarely both, of these two paths.

Summary

This chapter has focused on reviewing the reviews of organization change research and theory over the past quarter of a century. Earlier, the lament was about not having enough or the right kind of research to draw any significant conclusions. Later, the argument was made that organization change research followed the wrong model—that is, normal science (Beer & Walton, 1987). Action science would be better. Then Porras argued, quite appropriately, that we had no adequate theory about how organization change actually works, and he proposed a framework and process (see Figure 7.3) as a remedy (Porras & Silvers, 1991). Two problems arise from Porras's proposed model or theory. One is its linearity and the other is his proposed sequence of the process, that is, cognition preceding behavior. Theory and research were cited as support for considering organization change more in terms of complex nonlinearity and in terms of behavior typically preceding thought, attribution, meaning, and related cognitive events.

Finally, it seems quite clear today that a highly useful way to understand, if not lead and manage, organization change more effectively, is to consider whether the change is, or needs to be, episodic or continuous.

To end on a pithy statement: To assume that change in organizations is or can be rational is irrational.