

Lesson-01

The Challenge for Organizations

We live in a world that has been turned upside down. Companies are pouring money, technology, and management expertise into regions that were once off limits, acquiring new enterprises, forming joint ventures, creating new global businesses from the ground up. Many major companies are going through significant changes, including outsourcing, downsizing, reengineering, self-managed work teams, flattening organizations, and doing routine jobs with automation and computers. Some experts contend that if you can describe a job precisely or write rules for doing it, the job will probably not survive.

Change is avalanching down upon our heads and most people are utterly unprepared to cope with it. Tomorrow's world will be different from today's, calling for new organizational approaches. Organizations will need to be adapting to these changes market conditions and at the same time coping with the need for a renewing rather than reactive workforce. Every day managers are confronting massive and accelerating change. As one writer comments, "Call it whatever you like – reengineering, restructuring, transformation, flattening, downsizing, rightsizing, a quest for global competitiveness – it's real, it's radical and it's arriving every day at a company near you."

Global competition and economic downturns have exposed a glaring weakness in American organizations: the fact that many organizations have become overstaffed, cumbersome, slow and inefficient. To increase productivity, enhance competitiveness and contain costs, organizations are changing the way they are organized and managed.

The successful twenty-first century manager must deal with a chaotic world of new competitors and constant innovation. In the future the only winning companies will be the ones that respond quickly to change. Preparing managers to cope with today's accelerating role of change is the central theme/purpose of my lectures (concern of this book). Modern manager must not only be flexible and adaptive in a changing environment but must also be able to diagnose problems and implement change programs.

Tom Peters suggests that "the time for 10 percent staff cuts and 20 percent quality improvement is past".

Organizations are never completely static. They are in continuous interaction with external forces (see figure below). Changing consumer lifestyles and technological breakthroughs all act on the organization to cause it to change. The degree of change may vary from one organization to another, but all face the need for adaptation to external forces. Many of these changes are forced upon the organization, whereas others are generated internally. Because change is occurring so rapidly, there is a need for new ways to manage it.

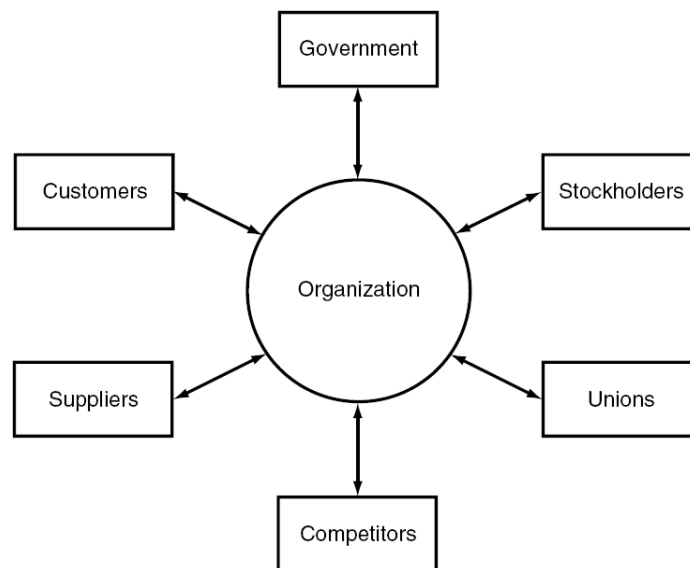


Figure: 01 The Organizational Environment:

The Growth and Relevance of OD:

Organizations must adapt to increasingly complex and uncertain technological, economic, political, and cultural changes. The rapidly changing conditions of the past few years have shown that the organizations are in the midst of unprecedented uncertainty and chaos, and nothing short of a management revolution will save them. Three major trends are shaping change in organizations: globalization, information technology, and managerial innovation.

First: globalization is changing the markets and environments in which organizations operate as the way they function. New governments, new leadership, new markets, and new countries are emerging and creating a new global economy. The toppling of the Berlin Wall symbolized and energized the reunification of Germany: entrepreneurs appeared in Russia, the Balkans, and Siberia as the former Soviet Union evolves, in fits and starts, into separate, market-oriented states; and China emerged as an open market and as the governance mechanism over Hong Kong to represent a powerful shift in global economic influence.

Second: information technology is redefining the traditional business model by changing how work is performed, how knowledge is used, and how the cost of doing business is calculated. The way an organization collects, stores, manipulates, uses, and transmits information can lower costs or increase the value and quality of products and services. Information technology, for example, is at the heart of emerging e-commerce strategies and organizations. Amazon.com, E-Trade, are among many recent entrants to the information economy, and the amount of business being conducted on the Internet is projected to grow at double-digit rates for well over ten years. Moreover, the underlying rate of innovation is not expected to decline. Electronic data interchange, a state-of-the-art technology application a few years ago, is now considered routine business practice. The ability to move information easily and inexpensively throughout and among organizations has fueled the downsizing, delayering, and restructuring of firms. The Internet and the World Wide Web have enabled a new form of work known as telecommuting; organization members can work from their homes or cars without ever going to the office. Finally, information technology is changing how knowledge is used. Information that is widely shared reduces the concentration of power at the top of the organization. Organization members now share the same key information that senior managers once used to control decision making. Ultimately, information technology will generate new business models in which communication and information sharing is nearly free.

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

Fortunately, a growing number of organizations are undertaking the kinds of organizational changes needed to survive and prosper in today's environment. They are making themselves more streamlined and nimble and more responsive to external demands. They are involving employees in key decisions and paying for performance rather than for time. They are taking the initiative in

innovating and managing change, rather than simply responding to what has already happened. Organization Development is playing an increasingly key role in helping organizations change themselves. It is helping organizations assess themselves and their environments, and revitalize and rebuild their strategies, structures, and processes. OD is helping organization members go beyond surface changes to transform the underlying assumptions and values governing their behaviors. The different OD concepts and methods increasingly are finding their way into government agencies, manufacturing firms, multinational corporations, service industries, educational institutions, and not-for-profit organizations. Perhaps at no other time has OD been more responsive and practically relevant to organizations' needs to operate effectively in a highly complex and changing world.

What is Organization Development (OD)?

What makes one organization a winner, whereas another fails to make use of the same opportunities? The key to survival and success lies not in the rational, quantitative approaches, but rather in a commitment to irrational, difficult-to-measure things like people, quality, customer service, and more importantly, develop the flexibility to meet changing conditions. For example, in a study that examined the "high tech-high touch" phenomenon at Citicorp, the crucial component in adapting to technological change was the human factor. Employee involvement and commitment is the true key to successful change.

Defining Organization Development (OD):

The words **organization development** refers to something about organizations and developing them. "An organization is the planned coordination of the activities of a number of people for the achievement of some common explicit purpose or goal, through division of labor and functions, and through a hierarchy of authority and responsibility." Organizations are social systems possessing characteristics and OD efforts are directed toward organizations or major subparts of them.

Development is the act, process, result, or state of being developed – which in turn means to advance, to promote the growth of, to evolve the possibilities of, to further, to improve, or to enhance something.

Two elements of this definition seem important: first, development may be an act, process, or end state; second, development refers to "bettering" something.

Combining these words suggests that organization development is the act, process, or result of furthering, advancing, or promoting the growth of organization. According to this definition, organization development is anything done to "better" an organization. But this definition is too broad and all-inclusive. It can refer to almost anything done in an organizational context that enhances the organization – hiring a person with needed skills, firing an incompetent, merging with another organization, installing a computer, removing a computer, buying a new plant, and so on. This definition serves neither to identify and specify nor to delimit (perhaps something done to "worsen" an organization would be ruled out). The term organization development must be given added meaning, must refer to something more specific, if productive discourse on the subject is desired.

Another way of defining OD is to examine the following definitions which have been (suggested in the literature).

Definition of Organization Development (OD):

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

Analysis of the definition suggests that OD is not just "anything done to better an organization"; it is a particular kind of change process designed to bring about a particular kind of end result.

OD thus represents a unique strategy for system change, a strategy largely based in the theory and research of the behavioral sciences, and a strategy having a substantial prescriptive character. OD is thus a normative discipline, it prescribes how planned change in organizations should be approached and carried out if organization improvement is to be obtained.

In summary, OD is a process of planned system change that attempts to make organizations (viewed as social-technical systems) better able to attain their short- and long-term objectives. This is achieved by teaching the organization members to manage their organization processes and culture more effectively. Facts, concepts, and theory from the behavioral sciences are utilized to fashion both the process and the content of the interventions. A basic belief of OD theorists and practitioners is that for effective, lasting change to take place, the system members must grow in the competence to master their own fates.

Finally, it is important to note that OD has two broad goals: organization development and individual development. Although it is not stated explicitly in the above definitions, improving the quality of life for individuals in organizations is a primary goal of organization development. Enhancing individual development is a key value of OD practitioners and a key outcome of most OD programs.