Module 9

Managing Transitions: Organisational Culture and Change

9.1 Organisational Culture: Its Meaning and Relationship to Successful Strategy

- 9.1.1 What Is Organisational Culture?
  - Way of Life
  - Stable
  - Internal & External
  - Measured and perfected
  - Randomly & Strategically

9.1 Organisational Culture: Its Meaning and Relationship to Successful Strategy

- 9.1.2 Multiple Cultures in Organisations

- 9.1.3 Understanding Contributors to Strong Organisational Culture
  - Factors which Contribute to the Development of an Organisation's Culture
  - The Chief Executive or Founder's Role
  - Socialisation

9.1 Organisational Culture: Its Meaning and Relationship to Successful Strategy

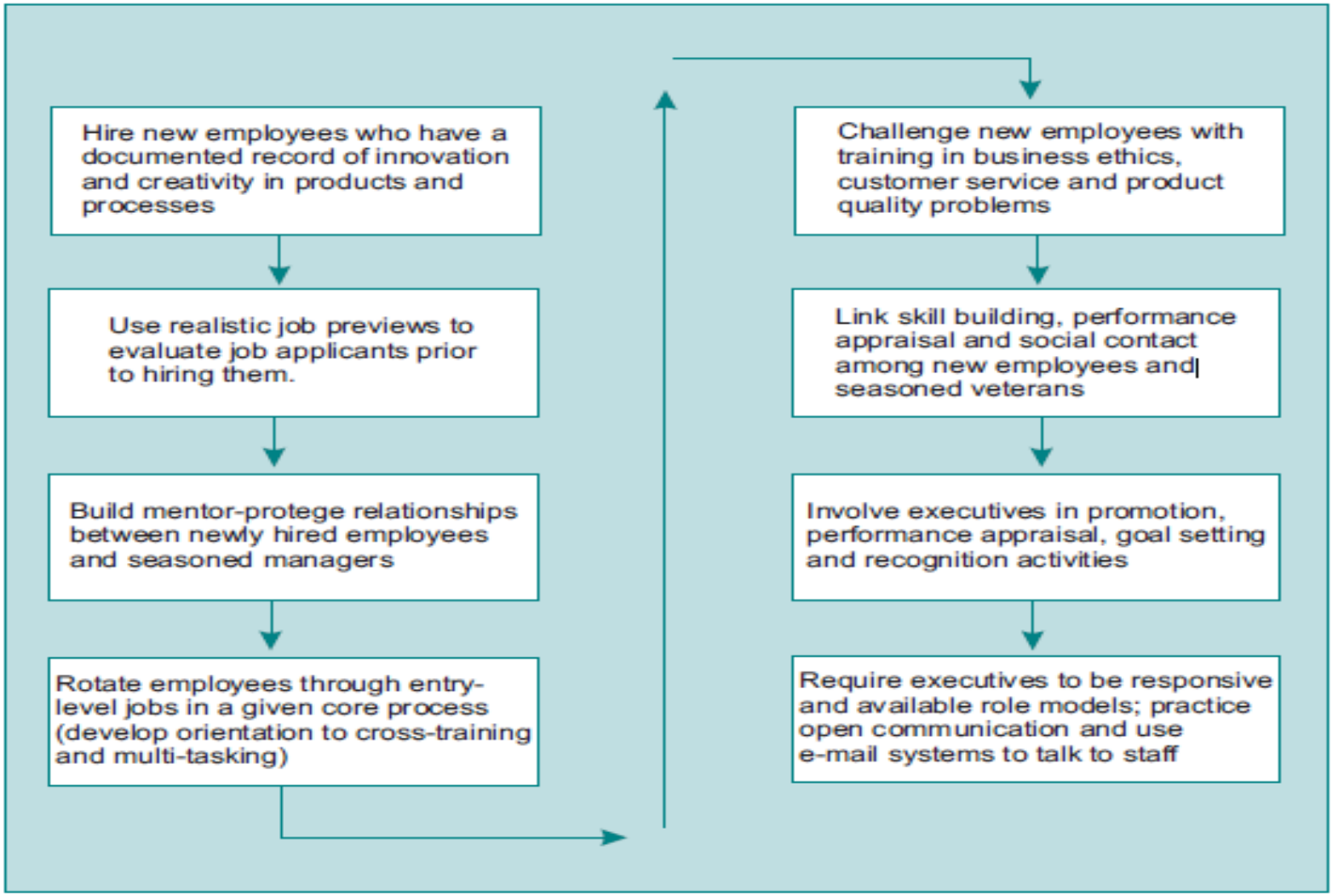

Figure 9.1 Building a strong performance-oriented culture in the firm

9.1 Organisational Culture: Its Meaning and Relationship to Successful Strategy

- 9.1.4 Developing Adaptive Organisational Cultures

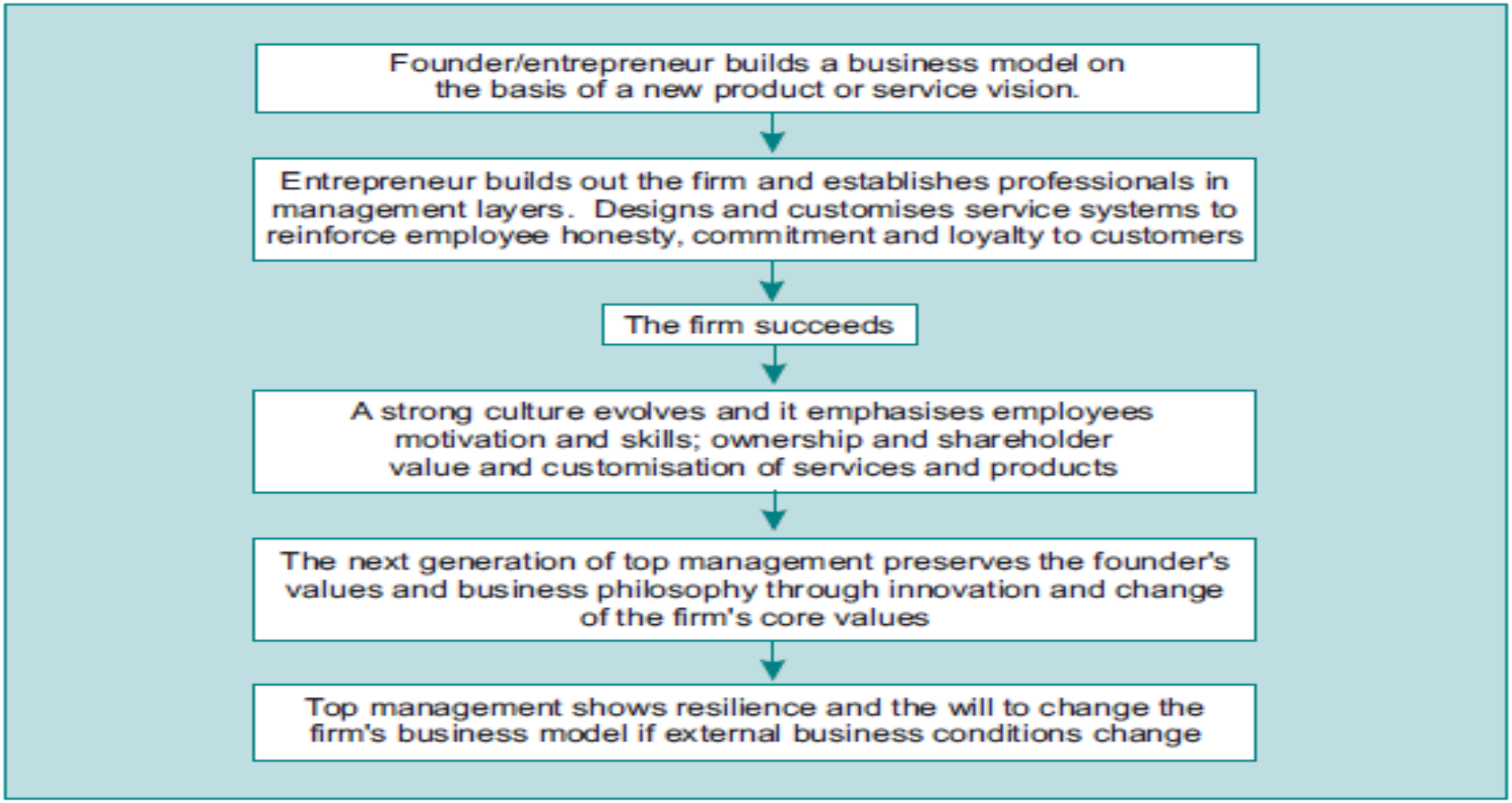

Figure 9.2 How to build a strong, adaptive work culture in the firm

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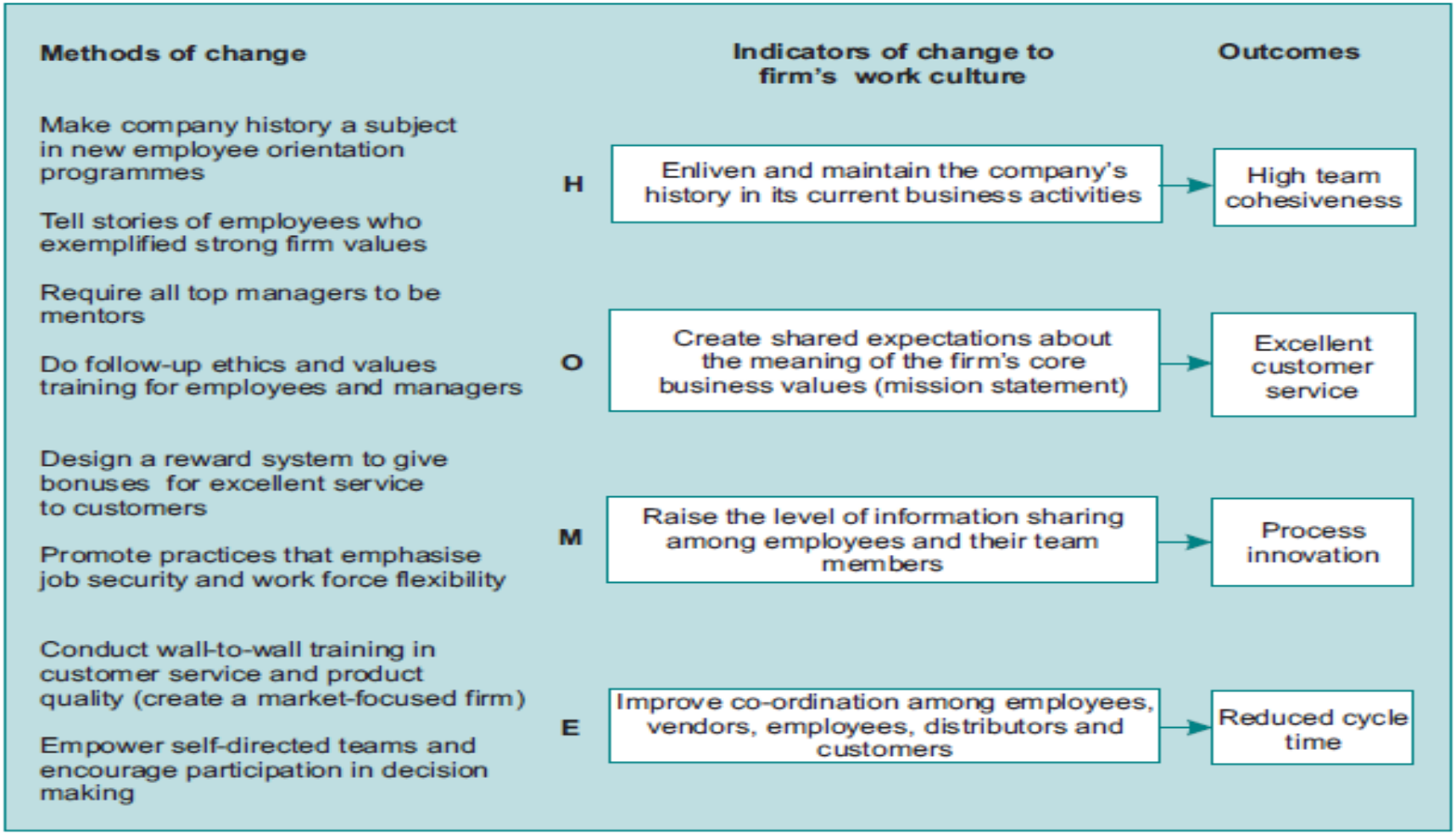

Figure 9.3 Ways to change a firm's culture

9.2 Organisational Life-Cycle Theory

Table 9.2 The life-cycle of the firm

Characteristics	Stage 1: Inception and start-up ops	Stage 2: Rapid growth and market expansion	Stage 3: Steady growth and market maturity	Stage 4: Consolidation and decline
Structure	No formal piecemeal	Decentralised, more layers	Centralised, formal more layers	Rigid, top heavy, complex
Communication pattern	Informal and face-to-face, few barriers	Budgets, audit trails, emerging rules and regs	Formal, long-range, formula-driven	Breakdown, poor downward communication
Decision style	Individual and entrepreneurial	Professional and managerial	Professional and managerial	Emphasis on process vs. results, boss-centred
Rate of growth	Uneven, rapid or episodic (with product introductions)	Rapid, positive and sustained by product line expansions	Slowing or stopped and emphasis on process gains (cost reductions)	Shrinking in core business areas; profit and market capitalisation decline
Hierarchical complexity	Low	Increased vertical complexity	Excess vertical complexity and rising administrative costs	Significant delayering and excessive administration costs
Age, size and responsiveness	Young, small and flexible	Larger with separate divisions (no diversification)	Large, product divisional structure and diversification	Shrinking and unwinding of diversification

9.2 Organisational Life-Cycle Theory

- Decline
  - Excess Personnel
  - Tolerance of incompetence
  - RedTape
  - Powerful staff than managers
  - Form over substance
  - Few Clear goals
  - Intolerance for conflict
  - Centralization
  - Outdated Structure
  - Multidirectional
  - Resistance to change
  - Poor service / demoralized
  - Decreased innovation

9.3 Organisational Change

- 9.3.1 Why Do Organisations Have to Change?

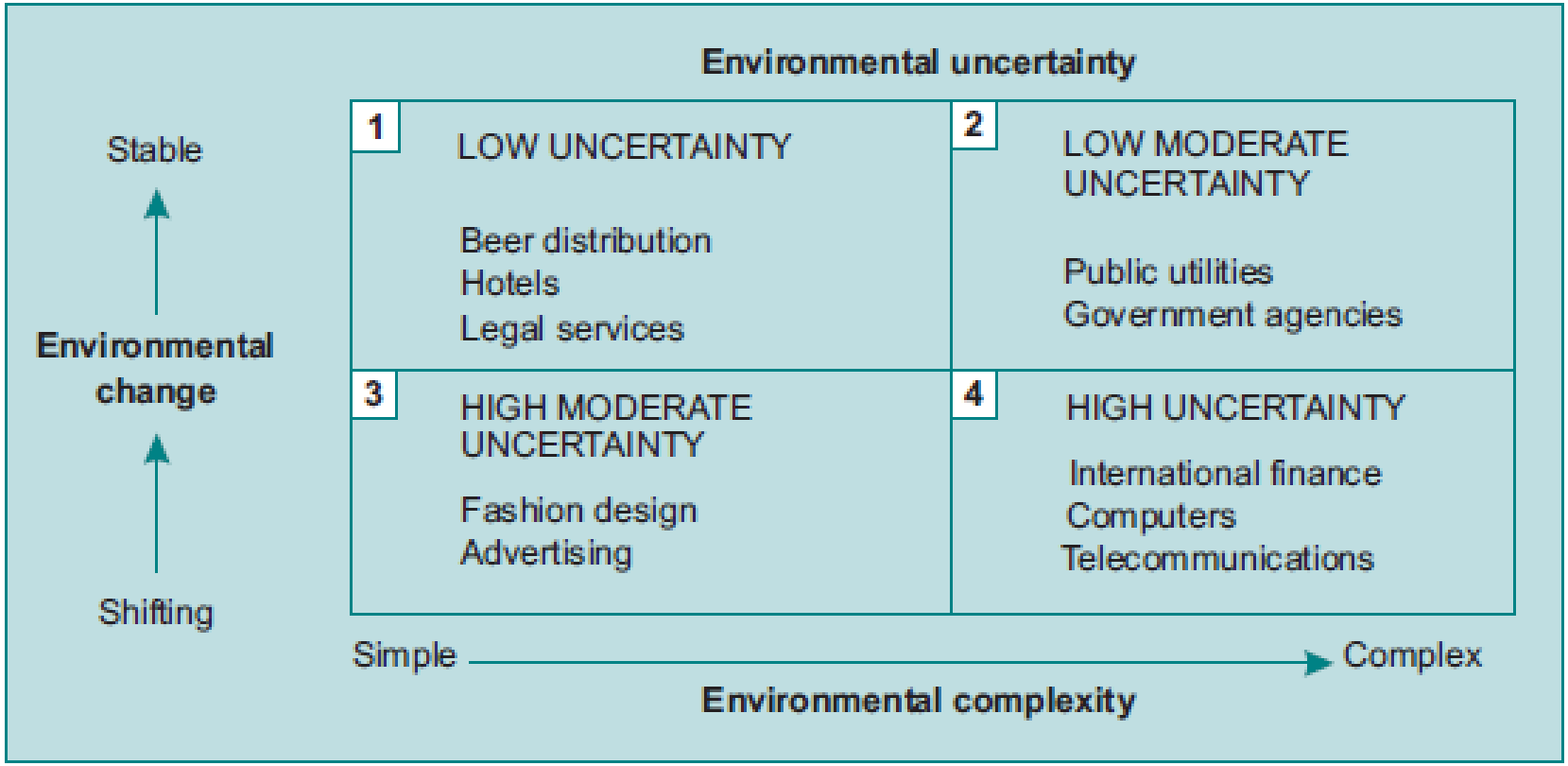

Figure 9.4 Understanding environmental uncertainty

9.3 Organisational Change

Recommendations

- Changing goals and strategies
- Adopting Technologies
- Fine Tune Design

Manage Change

- Job Design
- People
- Control Systems

9.3 Organisational Change

Table 9.3 Qualities of planned change in organisations

1	It focuses on a whole work unit (team, department, division or the entire firm).
2	It uses behavioural science knowledge to launch new methods at micro and macro levels.
3	It is not associated with business planning (strategic planning) or sales forecasting.
4	It relies on the tracking and measurement of results (its data-driven).
5	It may rely on structure and process changes in the organisation.
6	It has the primary goal of making the business model stronger and more versatile.

9.3 Organisational Change

- 9.3.2 The Planned Change Process (PC)
  - Unfreezing
  - Changing
  - Refreezing
  - Key Issues for Managers in the Change Process

9.3 Organisational Change

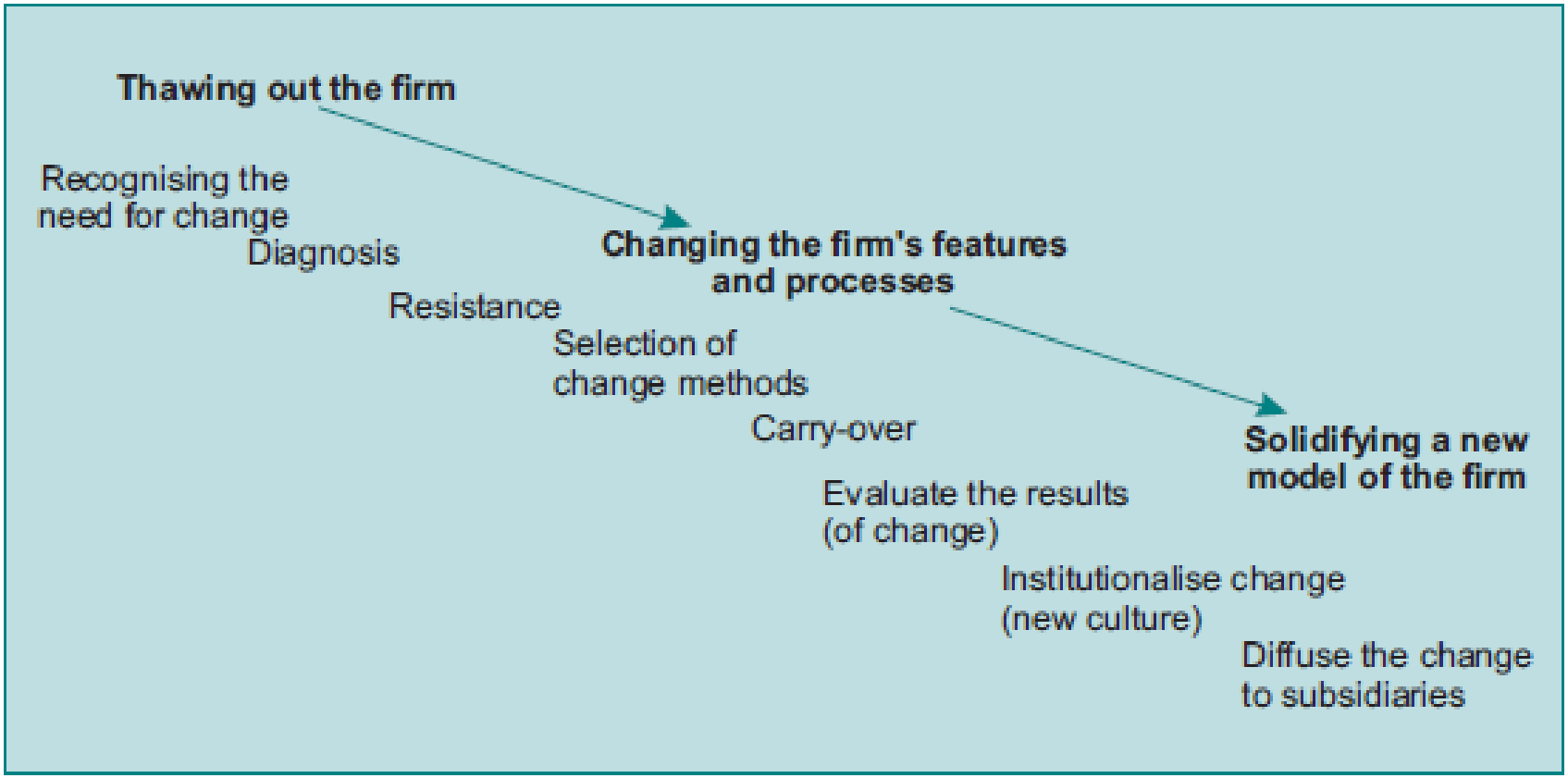

Figure 9.5 The key features of the organisational change process

9.3 Organisational Change

- 9.3.3 Diagnosis

Table 9.4 Multi-level diagnosis in planned change

Diagnosis at the organisational level examines:
1 The history of the organisation including critical events which shaped it.
2 The product and service mix.
3 The task environment and relevant threats and opportunities.
4 The organisation's resources in terms of capital, technical capability and people.
5 The strategic plan.
6 The extent of vertical and horizontal differentiation.
7 The extent of vertical and horizontal integration.
8 The characteristics of the organisational communication system.
9 The characteristics and number of output measures.
Diagnosis at the team level examines:
1 The basic tasks of work teams.
2 The systems that currently back up work teams (PA, reward, goal-setting).
3 Teams which manage core processes.
4 The effectiveness of team problem-solving processes.
5 The management of conflicts among teams.
Diagnosis at the individual/job examines:
1 The diversity of the work-force.
2 The leadership styles of key executives.
3 The motivational basis for job performance.
4 The level of job satisfaction.
5 The extent of employee engagement (involvement/participation in decision making).

9.3 Organisational Change

- 9.3.4 Resistance

- 9.3.5 Carry-Over to the Work Setting
  - Successful Transfer
    - Elements of change matching working environments
    - Immediately useful
    - Supported by others
  - Overcoming the Carry-Over Problem

9.3 Organisational Change

- 9.3.6 Evaluation

Table 9.5 How to tell if the OD programme did any good

Desired change areas	Indicators of successful change
Employee attitudes and feelings	Employees say the programme is worthwhile and they stay involved with it and with their jobs Employees are more committed to the firm (more respect for management too)
Employee knowledge	Employees demonstrate new skills and they describe each other as more skilled and capable
Employee behaviour	Employees have more problem solving skills and they readily use new methods on the job and in their SDTs
Customers	Customers praise improved services, note faster response rates (problem resolution), and acknowledge improved work attitudes in the firm's service workers
The firm	Rising productivity, lower costs, less absenteeism/turnover, fewer defects and faster decision cycles

9.3 Organisational Change

- 9.3.7 Institutionalisation
  - Threats
    - No formal Evaluation of change action plan
    - No multi-level diagnosis is performed
    - Too Long
    - Ignores external forces
    - Promised rewards not provided
    - Unrealistic employee expectations
    - Ignores new members
    - Champions leave the firm
    - Interrupting crisis

9.3 Organisational Change

- 9.3.8 Diffusion
  - Obstacles
    - Low support & commitment from top management
    - Different work methods in departments
    - Now rewards for change
    - Undermining change
    - Conflict with old methods

9.4 Methods of Change in Organisation Development

- 9.4.1 Examples of Change Methods in OD
- 9.4.2 Interpersonal and Group Change Methods
  - Typical T-Group Procedures

9.4 Methods of Change in Organisation Development

Table 9.6 Why T-groups do not work in firms

T-group goals may not align with the firm's business model (financial and strategic goals):
1 Stresses feelings and emotions instead of profit and performance
2 Personal awareness is more important than improved work methods
3 T-group influence processes ignore team performance goals
4 Rising T-group cohesiveness may not support the firm's performance norms for SDTs (see Module 6)
T-group applications may trigger these problems in profit making firms:
1 Negative, personal feedback among T-group participants may undermine existing work relationships
2 The learning in the T-group environment may not transfer well to the work setting
3 Few studies document how firms have benefited from T-group applications
4 T-group applications maybe useful in wellness and stress management practices

9.4 Methods of Change in Organisation Development

Table 9.7 Objectives of team-building

1	Developing methods to make decisions and set goals.
2	Handling conflict between teams and functional units.
3	Improving leader-member relationships.
4	Solving product or service quality problems.
5	Integrating new members.
6	Clarifying job requirements and work expectations for members.
7	Attacking departmental or organisational coordination problems.

9.4 Methods of Change in Organisation Development

- Typical Steps in a Team-Building Programme
  - Workshop.
  - Data collection.
  - Data confrontation.
  - Action planning.
  - Attack process losses.
  - Integrate teams.

9.4 Methods of Change in Organisation Development

- 9.4.3 System-wide Process Change
  - Top Management sets up a steering committee
  - Survey is pilot-tested
  - Change agent analyzes data
  - Results to steering, top management, manages, teams, individuals.
  - Action plans.
  - Prioritized list of problems and solutions
  - Install action plans
  - Evaluation

9.4 Methods of Change in Organisation Development

9.4.4 Grid Organisation Development

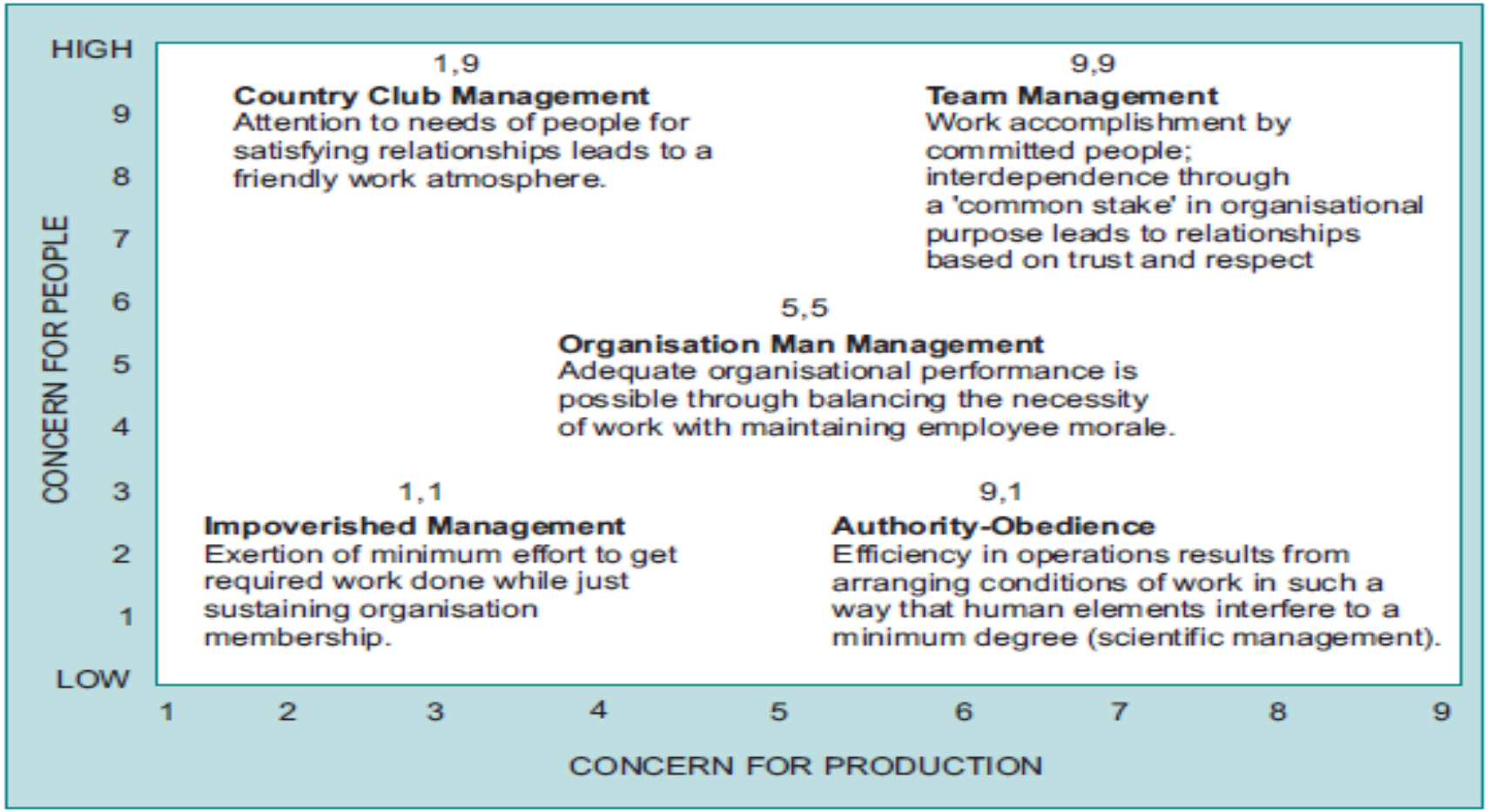

Figure 9.6 **The managerial grid**

9.4 Methods of Change in Organisation Development

- 9.4.5 Does OD Work?

Summary Points

- Organisational culture is the shared beliefs and values which produce stable norms for employee behaviour.
- Organisations learn to manage planned change because they face risky external complexity and change (driving forces).
- A strong organisational culture drives financial and strategic success as long as it remains adaptable.
- The life-cycle model of organisations covers inception, growth, maturity and decline.
- Planned change unfreezes existing patterns and processes, changes them to better match intended strategy and refreezes the improvements.
- Diagnosis is a collaborative process between a change agent and a firm to identify the underlying causes of problems.

Summary Points

- Resistance to change is a widespread belief among employees that the costs of change will exceed its benefits.
- The carry-over problem occurs when new methods and behaviours are not reinforced in the on-going work environment.
- Institutionalisation is making a planned change a permanent part of the organisation's culture.
- Diffusion is the horizontal transfer of planned change across units for it to occur top management must promote the benefits of change and cut through obstacles like red tape (bureaucracy) and union resistance.
- OD is a system-wide application of behavioural science knowledge by change agents to the development of new strategies, structures and processes.

Review Questions

- **1 of 10**
- Basic assumptions that are considered by employees to be valid and that are taught to new employees as the proper way to perceive, think and feel in the company are known as which of the following?
- **A.** Terminal organisational values.
  B Organisational culture.
  C. Company business values.
  D. Company mission statement.

- **2 of 10**
- Which of the following would not be an aspect of a company's culture?
- **A.** A code that governs employee appearance.
  B. Elaborate and formal job titles.
  C Number of units produced.
  D. Separate employee and executive exercise facilities.

- **3 of 10**
- In a successful and competitive firm, organisational culture would be viewed as which of the following?
- **A.** Less important than the standardisation of customer service.
  B As important as customer service and not allowed to develop in an uncontrolled fashion.
  C. Not likely to become too strong or inflexible.
  D. Likely to change so rapidly that it would be impossible for the firm to control it.

- **4 of 10**
- The CEO can best influence and shape corporate culture through the process of socialisation by stressing which of the following?
- **A.** Hiring people different from himself.
  B. Acting quickly to fire employees when sales decline.
  C Showing his key personal values in how he wants employee performance to be measured and rewarded.
  D. Delegating authority for handling and containing a product liability crisis to his key subordinates.

- **5 of 10**
- Which of the following would probably not be an element of organisational socialisation?
- **A.** Determining the selection criteria for new employees.
  B. Using managers as mentors or role models for new employees.
  C Analysing why a new employee chose a certain major in college.
  D. Reviewing new employees' performance during the first year on the job.

- **6 of 10**
- A strong organisational culture contributes to competitive advantage when which of the following occurs in the firm?
- **A** Organisational culture reinforces its long-term financial and strategic goals.
  B. Its organisational culture causes resistance to change among its board members.
  C. Its organisational culture matches its design.
  D. The firm’s CEO strengthens corporate culture by using team-based rewards.

- **7 of 10**
- If a CEO wishes to unite his workforce behind a new form of competitive advantage, then he should do which of the following?
- **A** Be an excellent role model and explain the company's norms and values to the workforce.
  B. Use rewards to reinforce success, promote careers paths and ensure job security.
  C. Train new executives, be widely involved in decision making and use face-to-face contact.
  D. Retell the company's history.

- **8 of 10**
- The organisational lifecycle theory suggests that organisational culture is which of the following?
- **A.** It is static during the phases of a company's lifecycle.
  B. It is not easily managed during the maturity phase.
  C It can and should be adjusted to meet the features of a firm's particular lifecycle stage.
  D. It evolves with the firm's design during the firm's lifecycle.

- **9 of 10**
- Which of the following may delay indefinitely a firm's entering the decline stage in lifecycle theory?
- **A** Industry products become more popular and a firm in the industry downsizes and de-layers before a resurgence in product popularity.
  B. A company outsources its sales (uses a telemarketing supplier) and purchasing functions.
  C. A firm vertically integrates prior to a slowing of the rate of new product introductions by all firms in the industry.
  D. A firm responds to rising production costs by increasing capital expenditures in manufacturing.

- **10 of 10**
- A firm uses behavioural science knowledge to improve its organisational design and manufacturing process. As these applications unfold, the company carefully measures and records improvements in its effectiveness. These activities best describe which of the following?
- **A.** Adoption of a company-wide MBO process.
  B Planned change.
  C. Delayering and downsizing.
  D. Overcoming resistance to change.