



# Chapter 1

## Introduction

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### Learning outcomes

After studying this chapter, you should be able to:

- Describe both organisation development (OD) and organisation transformation (OT), and explain their similarities and differences.
- Explain the relevance of OD and its role within organisations.
- Analyse the evolutionary historical context of OD and have an understanding of its future.
- Assess the environment of OT and comment on its relevance in today's change environment.

### Activities

#### **Review questions**

(See text p. 24)

1. **Define organisation development and organisation transformation. How are they different? Is it possible for these approaches to co-exist? Why or why not? (LO1)**

There are many different definitions of OD, each of which has a different emphasis. These are presented in Table 1.1 (text p. 6). However, the one that incorporates most views and is referred to in Waddell, Cummings and Worley, is that 'organisation development is a system-wide application of behavioural science knowledge to the planned development and reinforcement of organisational strategies, structures and processes for improving an organisation's effectiveness' (text p. 5).

Depending on perspective and the emphasis applied to the content, this definition can be compared to other available definitions by different authors. A good exercise is to request students to search for additional definitions and then share and discuss those definitions in class. The material can be discussed in depth or briefly. The differences and similarities in the definitions can be analysed and discussed.

The following should be noted about OD:

- OD applies to an entire system, such as an organisation, a single plant of a multiplant firm, or a department or work group.
- OD is based on behavioural science knowledge and practice, including both microconcepts such as leadership, group dynamics and work design, and macro-approaches such as strategy, organisation design and international relations.
- OD is concerned with planned change; it is not, in the formal sense, typically associated with business planning or technological innovation nor, in the deterministic sense, often associated with organisation evolution.
- OD involves both the creation and the subsequent reinforcement of change and the development of the organisation's self-renewal capacity.
- OD encompasses strategy, structure and process changes, although different OD programs may focus more on one kind of change than another.
- OD is oriented to improving organisational effectiveness.

Organisation transformations can occur in response to or in anticipation of major changes in an organisation's environment or technology. In addition, these changes are often associated with significant alterations in a firm's business strategy, which, in turn, may require modifying corporate culture as well as internal structures and processes in order to support the new direction. Such fundamental change entails a new paradigm for organising and managing organisations. It involves qualitatively different ways of perceiving, thinking and behaving in organisations. Movement towards this new way of operating requires top managers to take an active leadership role. The change process is characterised by considerable innovation and learning. This process continues almost indefinitely as organisation members discover new ways of improving the organisation and adapting it to changing conditions.

Organisation transformation, however, is often responsive and reactive rather than planned change. It is often perceived as 'quick fix' in environments which are largely unpredictable and is often perceived as revolutionary rather than evolutionary. The focus for transformational change is largely external rather in contrast to the internal organisational focus of OD. Note: Organisation transformation is further discussed in Chapter 9.

**2. Organisation development attempts to help an organisation cope with various aspects of the organisation's environment. What are these aspects? Describe current examples of OD and explain its value to the organisation. (LO2)**

OD attempts to assist organisations to 'revitalise', rebuild and reorganise their 'strategies, structures and processes'. It attempts to help organisations cope with the changes in their environment brought about by globalisation, information technology and managerial innovation. It does this by facilitating employee involvement in the welfare of the organisation, as it rewards them for their performance rather than the time they spend on particular tasks.

First, globalisation is changing the markets and environments in which organisations operate as well as the way in which they function. New governments, new leadership, new markets and new countries are emerging and creating a new global economy.

Secondly, information technology, such as e-business, is changing how work is performed and how knowledge is used. The way an organisation collects, stores, manipulates, uses and transmits information can lower costs or increase the value and quality of products.

Thirdly, managerial innovation has both responded to the globalisation and information technology trends and accelerated their impact on organisations. New organisational forms, such as networks, clusters, strategic alliances and virtual corporations, provide organisations with new ways of thinking about how to manufacture goods and deliver services.

Each of these aspects is discussed in detail and examples are provided in the text.

**3. With change management in today's organisations, OT is often used when all other strategies have failed. Do you agree/disagree? Explain your answer. (LO4)**

When the question is asked 'Do you agree/disagree?', there is no right or wrong answer – it depends on the justification for the answer. What is needed is to determine the basis upon which the decision was made.

If it was agreed that OT is used as a last resort then there would need to be evidence of prior activities that have failed, whereas if OT is used as a conscious strategy then there is the need to reference the context in which change is initiated, that is, the need for dramatic and responsive change. This could be a very good class debate.

**4. The metaphor of a pendulum for change has been used to describe the constantly changing demands for change. List examples of each spectrum (extreme) of the pendulum. (LO1)**

This is a good activity to use for group work (three to six depending on class size). Have half of the class cover OD characteristics, the other half OT characteristics, or cut each of these spectrum into sub-categories of three by three (see Figure 1.3, text p. 7). If game enough, whole-group brainstorming could be used whereby spectrum headings are written or projected on the board and students move around the room adding to each list. Synthesise and discuss responses for appropriateness and variety afterwards. For example, change at Clemenger BBDO in Melbourne, consequent of Biggs' transfer from New Zealand could be considered OT; changes since would be OD.

**5. It has been stated that if you change any one of strategy, structure or process in a change implementation, this impacts on the other components. Provide an example of how this can occur. (LO2 & 4)**

See Figure 1.3 on page 7 of the text. This question could be workshopped in a similar fashion to Review question 4 above. Students should be able to, and encouraged to, discuss contemporary examples of systems impact.

Many law firms change their strategy to one of differentiation and innovation; this requires creative staff (may require a change in structure to teams) along with having quick access to changing market trends (requires process change particularly in the communication and data storing and sharing).

**6. Likert's participative management stem (System 4) suggests that organisations have one of four types of management systems. Provide examples from your own experience of each system. (LO2)**

Likert's research methods and the four management systems framework are covered in the text on pages 13 and 14 under the heading 'Participative management background'. Use the class activities outlined in Review question 4 to elicit answers from students via participative learning under each of the four management systems.

Students could also be asked to categorise an organisation by applying the descriptors to their workplace, family or sports club. They could then draw conclusions about its relationship to the organisation's effectiveness.

**7. Is there a difference between strategic change and OT? Please explain your answer. (LO4)**

The first step is to define what the student understands to be strategic change and OT.

The strategic change background is a recent influence on OD's evolution. As organisations and their technological, political and social environments became more complex and more uncertain, the scale and intricacies of organisational change increased. This trend has produced the need for a strategic perspective from OD and has encouraged planned change processes at the organisation level.

Strategic change involves improving the alignment in an organisation's environment, strategy and organisation design. Strategic change interventions include efforts to improve both the organisation's relationship to its environment and the fit between its technical, political and cultural systems. The need for strategic change is usually triggered by some major disruption to the organisation, such as the lifting of regulatory requirements, a technological breakthrough or a new CEO from outside the organisation.

The strategic change background has significantly influenced OD practice. For example, the implementation of strategic change requires OD practitioners to be familiar with competitive strategies, finance and marketing, as well as team building, action research and survey feedback. Together, these skills have improved OD's relevance to organisations and their managers.

Strategic change can be confused with organisational transformation when there is a need to respond quickly to a change in the business environment. Such actions are strategic if they are done in order to achieve the organisation's strategic objectives, but transformational if they take the organisation in a different direction than that planned. This is where it is most often confusing for students. OT is responsive to the environment, and can appear chaotic, whereas strategic change is more about anticipating that dramatic change is inevitable.

## **8. Why should one study OD? What are the major contributions OD can bring to an organisation? (LO2)**

The field of OD is being influenced by information technology and globalisation. OD is being carried out in all major trading countries and a whole new set of OD interventions are being developed. OD needs to contribute to the management of change in cyberspace as well as face-to-face. Diversity in the evolving discipline of OD is growing and good change managers require a keen and current understanding of the developments in OD.

The key contribution OD brings to an organisation is in the management of planned change in order for organisations to meet their strategic objectives. Good OD will mean that the organisation is in a state of preparedness for change.

## **Discussion and essay questions**

(See text p. 25)

- 1. Discuss the value of planned change as compared to unplanned change, and explain why planned change is preferred. Use examples throughout your response to support your understanding. (LO2 & 4)**

The management field of OD is concerned with planned change. 'Planned change is the systematic efforts made by management to improve the functioning of some human system. It is a change process in which power is usually equal between consultants and clients and in which goals are mutually and deliberately set.'

From this definition of planned change, we can see that it is not based on the usual assumptions of change, such as organisational business planning or technological innovation. It is instead a process or a plan of how the organisation should carry out change and implement it. In other words, it is an outline of the change process that involves diagnosing and solving problems within the organisation.

However, because change should be a continual process, most plans are often revised as new information is accessed regarding the progress of the change process. Planned change goes beyond the initial implementation of change and looks at ways to stabilise and institutionalise these new activities that have been set out in the original blueprints. It does this by looking at the strategy and the structure of the organisation. It may choose to implement change, for example, on strategy to a greater degree than on structure or vice versa.

The main aim of OD is to improve organisational effectiveness based on two assumptions. The first is that an effective organisation is able to solve its own problems and concentrates on the relevant skills and resources involved in achieving these key goals. The second assumption is that, in order to implement change, an effective organisation must have high performance and high productivity and must strive to improve continually. OD helps the organisation by providing it with the relevant skills and knowledge to conduct its everyday activities and to implement the new processes and changes.

Students are asked and expected to add examples from their personal experiences to this discussion. Understanding change is covered in more detail in Chapter 2.

- 2. 'As the environment changes, organisations must adapt if they are to be successful.' Which is more important in such an environment, OD or OT? Explain your answer. (LO2 & 4)**

This depends on the environment and the 'push or pull' for change. Therefore, OD would be the preferred approach if the circumstances were predictable

and it could be planned whereas OT works better when change needs to be instantly implemented. This notion of 'Evolution versus Revolution' could be debated. This is an excellent opportunity to contextualise 'modern management theory' with history, for example, how sustainable was the French Revolution? What can OT learn from this event?

**3. Outline the key events in the history and evolution of OD. What do you see to be the future directions of the field? How would you suggest that practitioners proactively promote or facilitate the evolution of OD? (LO3)**

The key events in the evolution of OD are the five backgrounds or stems that were discussed earlier. These greatly influenced the field of OD. Today, however, OD is being shaped by new influences, such as the information technology revolution, which is a rich source of information and globalisation, which leads organisations across international borders.

OD originally began in 1964 with a group of 200 members. Today, it has grown to a group of 2500 OD practitioners. In 1968, the American Society of Training and Development created an OD department. This then led the Academy of Management to create an OD department, and Pepperdine University offered the first masters degree in OD in 1971. OD is now taught at both undergraduate and postgraduate levels at many universities and colleges around the world.

The first generation of researchers and contributors to the field of OD included theorists such as Chris Argyris (developed the learning-and-action-science approach), Warren Bennis (examined the relationship between executive leadership and strategic change) and Edgar Schein (examined process approaches in OD and culture's role in change management).

Second generation researchers and contributors included Warner Burke (brought attention to and created recognition of OD as a professional field), Larry Greiner (looked at power and evolution in regards to OD), Edward Lawler III (looked at rewards systems and employee motivation and involvement), Newton Margulies and Anthony Raia (looked at the values underlying OD) and finally, Peter Vaill and Craig Lundberg (aimed to develop OD as a practical science of management).

Today, the practice of OD is becoming more popular in many large organisations, including General Motors, Ford, Texas Instruments and Hewlett Packard. It is interesting to note that many of these large organisations have gone public with the information they have acquired and the lessons that they have learned during their OD practices and implementations. As mentioned earlier, the field of OD has become global and has been introduced in Canada, Germany, the Philippines, the Netherlands and Russia.

Although it is evident that the field of OD has expanded dramatically since the mid-1960s, it is disproportionately used in large organisations.

However, many organisations use OD concepts in their day-to-day activities without even knowing it.

- 4. Many organisations have undergone significant change. Identify one such organisation and explain how it has undergone the change process. Could you determine any impediments? How would you improve the process? (LO2 & 4)**

Students can be divided into groups of four to six to discuss the question. This provides an opportunity for the students to apply the knowledge gained in this chapter to a specific context or workplace.

It is also an ideal question for an individual or a group written assignment.

- 5. 'OD is old-fashioned and outdated.' Do you agree or disagree? Explain your answer with examples. (LO3)**

Discussion could start with unpicking and defining the terms in Di Waddell's definition on page 5 or any of the other definitions provided in Table 1.1 on page 6.

Alternatively, students can be divided into small groups to discuss the definitions from a personal perspective. A report back to the class for their rationale could follow. This may allow students to identify the approach they are most likely to be comfortable with in a change environment or to gain the knowledge and skills required to participate in change projects.

The key objective of the exercise is for students to grasp OD as a discipline which can have a number of different approaches. To look at up-to-date Australian work, students could be directed to RMIT's Centre for People, Organisation and Work (<http://www.rmit.edu.au/research/csow>), which is cited in the text on page 20.

Once again there are no right or wrong answers ... the rationale for student response is critical.

- 6. Imagine you are an OD consultant. How would you describe the advantages and disadvantages of OD to a potential client? What would be your preferred area of expertise and why did you select such an approach? (LO2)**

This exercise gives students an opportunity to demonstrate their understanding of each concept within the context of OD as a whole organisation strategy. Students should be able to distinguish the tools of OD from OD as an ongoing strategy design to meet the organisation's strategic objects. They could be directed to take a stepwise approach to this question by critiquing each of the five stems of OD presented in the text (pp. 10–11).

This would also make a good essay or final exam question.



## Applications – critical thinking questions

These questions are ideal for organising students into groups of three to five to debate the issues. You could extend the debate by being flexible and responsive to their comments. There are no right or wrong answers for these questions as they are intended to challenge students to think about how theory might be applied to actual organisations and situations.

### **Application 1.1: Smaller workplaces' great ideas would travel, say Physio Co and Coleman Brands**

- 1. Such a rigorous recruitment strategy would be considered a luxury to most small organisations. Is it still possible to secure the 'right' people with a more streamlined and 'cheaper' approach?**

'(But) you pay twice as much if you get it wrong.' Using this quote as a catalyst for discussion, would it be possible to run these programs more cheaply, perhaps training their own staff in such strategies instead of paying top rates for consultants?

- 2. An assumption here is that both these organisations can afford to invest a significant portion of their funds into human capital. Is this really a measure of success for start-up and/or small organisations?**

Human capital is another theory that has diverse responses. Success should be measured on various levels including staff satisfaction and company growth (however the company defines 'growth'). To extend this debate, consider family businesses and how they may integrate succession plans for family members ... would these training selection practices work? Research successful family businesses, for example, those spanning four generations or more (e.g. Smorgon, Brown Brothers).

- 3. Small and/or large organisations should be more realistic in managing staff retention by allocating a portion of the budget to cover the potential loss of talent and the cost of replacing and/or sustaining an equilibrium in productivity. Discuss.**

Notice that the article encourages staff turnover as a source of new ideas and fresh approaches. 'Discuss' in this instance is an opportunity to consider both sides of the argument as well as encouraging students who have an HRM background to lead the discussion.

### **Application 1.2: Police and the challenge of the 21<sup>st</sup> century: managing change in police organisations**

- 1. This article states that 'The demands on police are constant, compelling and often competing' more so today than they were in the past. Do you agree? Discuss.**

Discuss this as an opportunity to consider current events, for example terrorism, program hacking, domestic violence, racial violence, and the implications on the police to accommodate community expectations. In some situations, the police may potentially be in anticipation of illegal activity, they may often be impeded in conducting their duties by existing and oftentimes outdated legal frameworks.

- 2. Law enforcement agencies often manage change from a global standpoint. Discuss the advantages and disadvantages of implementing change based on principles developed from an international context.**

Illegal activities are not confined by geographical boundaries. In fact, sometimes illegal activities utilise the differing legal frameworks, especially in issues pertaining to extradition (drug laws). For example, in one country a financial exchange may be 'good business practice', whereas in another country it could be seen as corruption. It would be interesting for staff and students to consider instances where expectations as to law enforcement differ. Use the daily newspaper for examples of current events (at the moment there is an instance of an Australian accused of murder in Bali ... by the time that this is published, this topic would be out-dated).

- 3. What does the community policing approach mean? How does this translate to the community's perception of the police force and how the police see themselves?**

Community policing is not a new concept but very difficult to translate into successful outcomes (how can success be measured?).

Community policing is reliant on trust between the government-delegated authority (police) and the people over whom they have 'control'. Various examples may be gleaned from the examining the situation in the United States where community policing has tried to pacify racial tensions, with the resultant public perception and indeed perception at the personal level having many aspects. Has this occurred in Australia?

### **Application 1.3: What the horse whisperer taught the CEO about leadership**

- 1. Earning the trust of employees can be a time-consuming exercise, especially if there are compounded issues to resolve. How can an organisation respond to this when time is considered money in terms of meeting organisational goals and/or profit margins?**

There needs to be an appreciation that there may be costs in the short term but benefit in the long term. In the article the author emphasis time, patience and persistence. If this is translated into the organisational culture, then such practices will become the norm.

- 2. In the past literature has often referred to humans as a herd species, much like our horse counterparts. If this is indeed true, how does one break away from the herd mentality and become a leader of the pack? How much of this is emulating previous experience and how much is bucking the trend? And how might this determine the kind of leader you will be?**

This would be an excellent debate: Are leaders born or made? There are many potential directions the debate can take, with subsequent and numerous responses. Over time, debate and discussion may evolve into a new approach to leadership.

- 3. Can the emphasis on trust, the focus of this article, actually disempower employees in a professional context? Discuss.**

Can you as the instructor trust your students to answer this? What does your answer say about your perception of your role as 'Teacher'?

### **Additional suggested readings**

Porter, Michael E 1980 *Competitive Strategy: Techniques for analysing industries and competitors*, Free Press New York

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## **Case Study A Changing HR practices in China - CableCo**

### **Introduction**

The dramatic restructuring of socialist economies and the rapid economic growth of developing countries are numbing in scope and impact. The transformation of the former Soviet Union and of Eastern countries, such as Poland and East Germany, and the implementation of an 'open door policy' in the late 1978 by the Chinese administration is producing new growth-oriented economies' (Steidlmeier, 1995, p. 6). Organisations operating in these rejuvenated or newly emerging economies are increasingly turning to Organisation Development (OD) practices to solve problem and to improve effectiveness.

As organisation expands globally, they are faced with the problem of adapting structures, information system, and coordination of process and human resource practices of host country. This is the problem faced by Cable Co, which will be the case analysis of this paper. Cable Co is a joint venture between an Australian company, AuzCo, and TeleCo, a state owned enterprise under both the Municipal Post and Telecommunications Bureau and China National Postal and Telecommunications Appliances Corporation (PTA).

The framework of this paper will begin with an in-depth look into the change process occurring in Cable Co. This will be followed by a view of the cultural clashes underlying several problems facing the company. The next section will be directed to the human resource management (HRM) problems faced by the manager of the joint venture. Understanding the nature of the problem and the structure of the organisation, several HRM interventions such as Management by objective (MBO) and performance management will be critically analysed and will be joined up with the conclusion of the paper.

### **Change Process in Cable Co: Transformational and Organisation Development**

Besides the satisfaction of the employees' needs, the management of Cable Co also has to fight with the 'common knowledge and practices of Chinese organisations that are based on family values and collective responsibility' (Sheh, 1995, p. 29). Chinese firms in the past have always practised values such as loyalty to one's company and reliability, which stems from their view of a firm as a family unit. The management of Cable Co, under the instructions of AuzCo has been charged with the task of breaking those traditions in keeping with AuzCo's more Western style of management. This is seen as necessary to rid the new company of bad values such as nepotism where 'each family member is positively reinforced by his/her self interest in the family business' (Sheh, 1995, p. 29). With these values seen as a negative, AuzCo decided to adopt its culture into the thought process of the management team in Cable Co.

The change process that occurred or was implemented in Cable Co can be classified as transformational rather than planned. 'Transformational management refers to introducing change to deal with future conditions before these conditions actually occur' (Harvey & Brown, 1996, p. 35). This change is suitable to a hyper-turbulent environment with a high degree of adaptation. Cable Co.'s style of Human Resource planning is going against the traditional management practices of the Chinese industry in anticipation of the wave of globalisation entering the Chinese economy. The Australian partner's idea of implementing a more Western approach towards HR planning shows an insight into what AuzCo perceives as the new future of China.

However, there are a few critiques of Cable Co.'s HR planning process that clashes with the idea of transformational change. 'The transformational manager is constantly fighting entropy and proactively building for the future' (Harvey & Brown, 1996, p. 35). In this sense, the managers of Cable Co need to be given freedom in deciding what is needed for the company to achieve success. However, AuzCo's stance on implementing the Australian way of HR planning is in one way suffocating the managers of Cable Co.

To encourage localisation of the management team in China, AuzCo only sent two 'long-term' expatriates to fill up the more important positions, the general manager and finance/accounting manager, to work in the joint venture on a full-time basis. However the rest of the managers such as human resource and production manager are not given the authority to make decisions. Complicating the matter the General Manager of Cable Co was also the general manager of AuzCo's other cable joint venture in China. Because of his commitment to other joint venture, the General Manager could only visit Cable Co once a month for a few days.

As transformational change requires the managers to be constantly revising and analysing the company's environment and changing for the future in one swoop, the managers therefore need freedom to implement change. But this is not the scenario in Cable Co. In other words, AuzCo seems to want Cable Co to be a transformational orientated company but is not allowing the managers to do so. This conflict of ideas seems to be causing Cable Co problems especially in the HR planning process.

### **Clashes of Culture**

In designing and implementing change for organisation operating outside parent company, practices need to fit two important contingencies: the cultural value of home country and condition level of economic development (Cummings & Worley, 1997, p.523). Research show that failure to adopt intervention to the cultural contingencies can produce disastrous result and this is taking place in Cable Co.

It can be seen that Cable Co is suffering from a clash of corporate culture with that of AuzCo. Corporate culture is the key element that gives 'the whole organisation a sense of how to behave, what to do, and where to place priorities in getting the job done' (Harvey, Brown, 1996, p. 69). AuzCo may have only sent in 2 managers into the firm, but these two hold key positions in the organisation. With the two managers sharing an Australian sense of corporate culture, the rest of the firm is suffering from a shock. This shock comes from the clash between Chinese-based senses of culture to that of AuzCo. This clash can turn into more serious problems if no winning corporate culture is attained. An example will be that of General Motors of the US acquiring Electronic Data Systems (EDS). In this example, 'the General Motor employees couldn't deal with the strict rules and regulations of EDS and over 600 employees quit' (Harvey, Brown, 1996, p. 70).

Cable Co needs to avert such problems as even now, some of their employees are returning to TeleCo for employment after finding the corporate culture of Cable Co to alien to their liking. In order to attain a winning culture, the expatriate managers need to understand certain key characteristics of a successful corporate culture. Firstly, the staffs of the firm need to be able to understand the vision of Cable Co. As of now, the employees of Cable Co seem unaware of the goals of the company. Creating a vision for the future entails the formation of a 'shared vision that provides direction, focus and commitment' (Harvey, Brown, 1996, p. 71). By providing this vision, the managers of Cable Co can expect a better performance by their staff as they strive together in harmony towards that vision.

It is in here that a new recommendation be offered to Cable Co, that of hiring a permanent General Manager (GM). It is understood that the current GM could only visit Cable Co once a month due to his commitment to other joint venture. To make matters worse, the decision power of the Executive Manager is very limited. Hence a lot of problems were left unattended till the next visit of the GM. As the GM were not involved in the day-to-day operation in the company, it is rather difficult for the GM to understand the nature of the problems. By hiring a GM who understands the needs of the employees, Cable Co can create a vision for the future that includes the needs and wants of the staff and a vision that the staff can identify and strive for with unabated synergy.

Besides it is also advise to have more delegation in the hierarchy. Head of Departments and other middle managers should be given more empowerment to lighten the workload of upper management. Empowerment will boost the confidence of the Chinese managers and this will

encourage them to work harder as they will feel that they are part of the company. If parent company questioned their competency, training and development courses should be provided; bearing in mind that continuous improvement is the key success to every organisation.

Secondly and most importantly, the managers at Cable Co need to develop a precise and detail model for change. The issue of following one model of change rather than having two separate sets of culture is the key to OD. Managing different cultures by setting the employees' mind in one mould is what Cable Co needs to achieve. It is in here that the importance of top management getting involved with the change model is highlighted. Without the support of Cable Co.'s two expatriate managers, creating a model for change would become impossible.

One of the oldest and most effective strategies to change culture is to involve organisation members directly in planning and implementing change (Cummings & Worley, 1997, p. 157). By increasing participation, employees will be aware of the behaviour required to get things done in the new culture and can encourage them of these behaviour.

Yet again, this model of change must be planned after diagnosing the key problem areas and be a program of change where the employees of the company can play a role in. It is believed that the new culture will fill fit in the local environment while maintaining the corporate objective. With these two characteristics of corporate culture addressed, only then can the joint venture firm achieve a winning formula.

A model that has been successful is that of Management by Objectives (MBO). This model will be discussed later in the paper but Cable Co should consider its importance as a possible model of change.

### **Human Resource Planning**

Figures and statistics show that the company is facing a high turnover rate among its staff, especially those staff employed from the joint parent company, TeleCo. A possible explanation for this predicament to strike Cable Co is the unwillingness of the company to meet its staff requirements and wants. This complication is caused by several factors such as the accommodation issue, lack of commitment of the general manager to the joint venture, over responsibility of the Head of Department (HOD) for personal administration, and staffs from TeleCo. The staffs originating from TeleCo have the added security of being able to return to the parent company because it is stated in their contracts that in any situation whereby they are unhappy with the working conditions in Cable Co, they are allowed to return to work for TeleCo.

After a thorough analysis it is believed that accommodation issue is the main factor contributing to the company high turn over rate. It is understood that the Executive Manager had expressed his concerned regarding this matter but, AuzCo the parent company refused to supply any kind of accommodation to the Chinese employees, as it is not the culture to do so in Australia. This issue also further emphasise on the needs to have a clear, common culture between the parent companies. To complicate matters, TeleCo is actually providing accommodation or accommodation loans to its staff that are working in Cable Co. This heightens disagreement and inequality among the privileges received between the staff of Cable Co.

This providence of accommodation falls against AuzCo's preferred choice of change, that of transformation. On one hand, the practice of providing accommodation to the staff is seen as going against the Australian company's directive of following a more Western approach to HR planning. AuzCo has rejected the accommodation factor, as this practice is not conducted in Australia. AuzCo may be foreseeing the trend of the future in China's HR planning process but this foresight is severely affecting the staff of Cable Co. It can be seen straight off that Cable Co is not using the discipline of Organisation Development (OD) in its HR planning process.

OD is defined as 'a long-range effort to improve an organisation's ability to cope with change and its problem solving and transformation processes through effective management of organisation culture' (Harvey & Brown, 1996, p.4). Cable Co appears on the surface as going through a transformational change but questions need to be raised about what lies beneath its changes. OD requires a diagnostic approach of all the problems faced by the firm but in this firm's position, care was only taken to diagnose the cultural difference between Chinese firms with that of Australian firms. Problems with Chinese firms seem to have been dealt with by implementing the parent company's culture but this by itself when implemented in China, causes problems to occur. It is these problems that AuzCo failed to anticipate and perform a proper diagnosis of the situation faced by Cable Co.

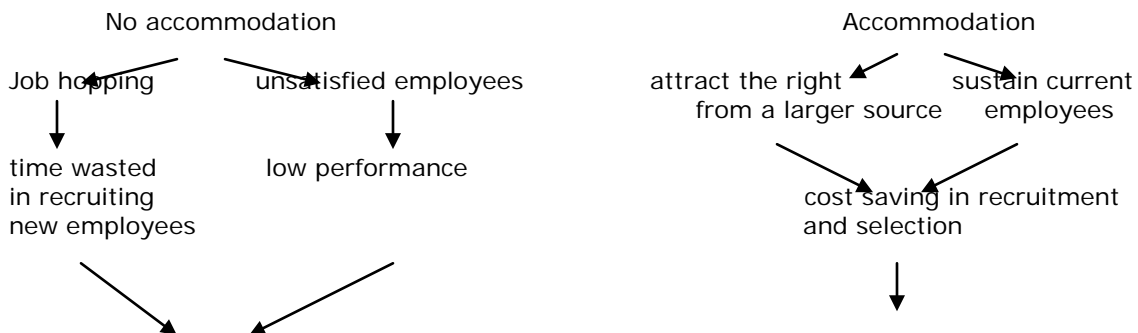
The characteristics of collaborative and performance orientation in OD also was not practised by Cable Co. The decision making process was firmly in the hands of the manager who are under strict instructions from AuzCo. This instruction of allowing accommodations to be bought for the staff certainly does not take their view into account. Besides that, not allowing their wishes certainly brought down performance, as the staffs was not happy with the management team of Cable Co.

As mentioned earlier, the high turnover rate in Cable Co is caused by the incapability of the company to provide accommodation for their staff. This leads to lack of commitment among employees to the company. Hence, whenever they could find other jobs that could provide them with better benefits, they would not be reluctant to leave Cable Co. Hence, resources are wasted in continual recruitment and selection process to replace those who leave the company. Bearing in mind those resources not only in monetary term but managers' time are also wasted, which actually could be used to perform other advantageous activities such as research and development.

Besides causing employees to job-hop, failure to provide accommodation also caused the employees to be unsatisfied. In Maslow's hierarchy of needs shelter and safety falls at the bottom of the hierarchy. If the company cannot even satisfy the basics of the employees' needs, it would be rather difficult to motivate them to put more effort into their job. These will all lead to drop in productivity and could prove to be a great cost to the company. Hence it is of great importance for the company to provide accommodation for the Chinese workforce.

It is recommended that Cable Co should be persistent in getting the accommodation for the Chinese staffs in China. Let the parent company know that the way in managing staff in Australia is different from China. Concerning the location of Cable Co, which is previously a rural farmland and high prices of the houses, it is basically impossible for employees to purchase their own accommodation. This prevented the joint venture from recruiting employees outside of the local area, which are mainly farmers unless employees could find their accommodation for themselves. Besides, with so many new companies in the area and most of this companies provide staff with accommodation, the labour market became competitive and turnover rate became quite unpredictable, making human resource planning even more difficult. These recommendations will fall in line with AuzCo's wishes for Cable Co to be a transformational change orientated firm.

Below is a simple analysis of cost and benefits of providing and not providing accommodation for the employees in Cable Co, which can be presented to the parent company.





### HR Planning: Other problems

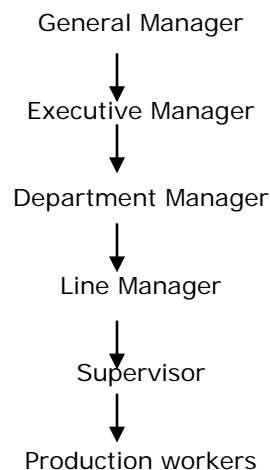
The other issue that Cable Co needs to look into in the human resource planning is in regards to the priority given to the staff from TeleCo. It seems rather unfair to give them so much leeway to the extent that they can leave Cable Co and return to TeleCo whenever they feel like it. This does not only caused the rest of the 40 % employee to questioned the equity in the company, it also complicate the management of human resource overall. It is definitely not productive to move employees around in the organisation just to replace the staffs that decide to go back to TeleCo. A contract should be sign or agreement should be achieved prior joining Cable Co stating that they could not simply change their mind.

While training and development is improving among Western firms in China, not enough is being invested to meet long-term requirements. This is increasingly proving to be a flawed strategy and this distinguishes between an OD intervention and other modes or organisation change. OD involves both the creation and the subsequent maintenance and reinforcement of change. It moves beyond the initial effort to implement a change program to a longer term – concern for stabilizing and institutionalise new activities within the organisation (Cumming & Worley, 1997, p. 47).

Present indications are that too many Western firms, approaching China with a boom mentality, attempt expansion at a rate beyond the ability of their current management regime (McEllister, 1998, p. 108). This is happening in Cable Co as well. Hence to move towards a more OD organisation, Cable Co should first identify its future policy before instigating a training programme. The training should then enhance human resource with the potential to meet these future requirements with constant feedback to identify potential problem, bearing in mind that it is a continuous program.

### Performance Appraisal

The appraisal at Cable Co was conducted annually from the top to the bottom, which meant the Executive Manager evaluated the performance of department managers, while department managers assessed line managers, and line managers assumed responsibility for evaluating supervisors and production workers. Below is a simple chart indicating how the performance appraisal process is conducted in Cable Co.





The appraisal was conducted without the appraisees' knowledge and rating was totally dependent upon the appraiser's daily observation and individual judgement. The appraisal ratings were kept confidential from appraisees as required by the Personnel Department.

The managers at Cable Co valued this kind of appraisal, as they believed it was not time consuming and could encourage people to work harder. They were also in favour of keeping the appraisal results confidential to avoid possible conflicts with employees. However, policy of keeping the appraisal form and the results confidential aroused strong dissatisfaction among many employees. Issues such as criteria, consistency and reliability of appraisal results were questioned.

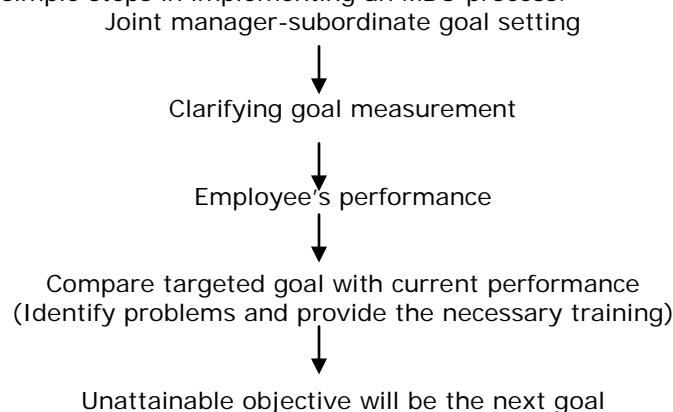
Basically such defect in the performance appraisal system defeats the company's intention to break the 'iron bowl practice'- which does not distinguish between a competent and a lazy worker (McEllister, 1998, p. 99). First, without the knowledge of appraisal criteria and their measurement, employees were unable to understand the company's requirements for high performance. Second, the confidentiality of appraisal results failed to achieve other appraisal purpose such as communication and development. Without the feedback from assessment, employees had difficulty identifying deficiencies in their work and thus did not know how to improve their performance. Finally, lack of participation of lower level employees in formulating appraisal criteria diminished initiatives and reduced enthusiasm towards such an appraisal. All this lead to the problem of 'guanxi', a classic behaviour in most Chinese organisation.

'Guanxi' is defined as a simple connection between the respondent and the person who is useful for day-to-day problem of respondents current job's and who are helpful in the long run career success (Keijzer, 1994, p.242). Based on the Cable Co current performance appraisal process it is very likely that Chinese supervisor may make administrative decisions according to their guanxi with their subordinates. Chinese subordinates may also expect their supervisor will treat them differently according to their guanxi. If this is true, it will have serious implications for human resource management in the company.

Being that the Cable Co current performance appraisal system is of highly secretive with very little employee involvement, it is recommended that the company incorporate Management By Objective (MBO) approach - a rather subtle effective change strategy. MBO could be defined as systematic and periodic manager-subordinate meetings designed to accomplish organisational goals by mutual planning of work, periodic reviewing accomplishments, and mutual solving of problems that arise in getting the job done (Cummings & Worley, 1997, p. 375). This is the crucial second characteristic that is necessary for a winning corporate culture.

MBO reduces role ambiguity by making goal setting and criteria of evaluation more participative and transactional, by increasing communication between role incumbents. It also often goes beyond the one-on-one, manager-subordinate relationship. The procedure allows real subordinate participation in goal setting with open discussions.

Basically there are few simple steps in implementing an MBO process.



In the first step of MBO, managers and subordinates jointly establishing and clarifying employee goals. Goal setting can affect performance in at least three ways. First, it influences what people think and do (Cummings & Worley, 1997, p.372). Basically it guide and focus employees behaviour towards somewhere rather than elsewhere. Goals also energize behaviour, motivating people to put forth effort to reach goals that are set. Specific goals reduce ambiguity about what is expected and focus the search for appropriate behaviours. The current situation in Cable Co hardly shows any co-ordination of work between the employees and management. Motivation is also clearly lacking from the behaviour of the staff. The analysis of a clash of corporate culture may be an important hint to the management concerning this problem. MBO is thus seen as a saving formula in which a strong cohesive workforce can be moulded to make Cable Co a successful enterprise.

Nonetheless, caution needs to be displayed when implementing a program such as MBO. The first element of goal setting concerns establishing goals that are perceived as challenging but realistic (Baron & Greenberg, 1997, p. 568). If goals are set too high, they may lose their motivating potential, and employees will give up when they fail to achieve them. On the other hand, setting a target which is way too easy will caused disappointment as employees tend to feel that management had underestimate their capabilities. Hence it is important to get employees involved in the goal setting to reach a mutual agreement.

The second element that Cable Co needs to note is specifying and clarifying the goal measurement (Baron & Greenberg, 1997, p. 568). These criteria are not limited to easily measurable or quantifiable data. A more important reason for joint development of the success criteria is to ensure that the manager and the subordinate have a common understanding of the task and what is expected of the subordinate. Arriving at joint understanding and agreement on success criteria is a critical step in the entire process to avoid misunderstanding.

Based on Cable Co organisational structure, it is recommended that the Head of Department lead the performance appraisal for their own respective departments. This will be of the best option as they are the one should know what is the best for their employees. To overcome the problem of 'guanxi', and to reduce the workload of HOD it is recommended that the job of appraiser should be conducted by a few top managers. Too many will also be no good as standardisation will be distorted. Hence two to three appraiser will be the best.

As performances are constantly evaluated, problems faced such as incompetence can be identified and Cable Co should provide proper training and development for the employees. Overall it could be deduced that MBO could increase the efficiency of Cable Co.'s current performance appraisal process as it involve communication and feedback which is lacking in the company. Indeed in a research – performance appraisal in Australia and China: Best Practices done by a group of Monash academic shows that MBO is the preferred method in China.

It is also suggest that the company penalty policy should be abolished. As Cable Co did not reward good performance, it is rather unfair to inflict penalty. Maybe employees should be given chances to explain themselves and warning should be imposed before the real penalty.

## **Conclusion**

In a nutshell, Cable Co is a paradox of two different cultures meeting in a position whereby one culture seeks to erase the other culture. Problems such as accommodation and other HR planning issues stems from the same root. The root being a clash of two cultures and the lack of a winning corporate culture that is capable of withstanding the change expected in China's emerging economy. Although the idea of a transformational change is well thought, the way in which Cable Co has implemented its policies clearly outlines the problems in their transformational change strategy.

This paper has outlined the problems of the performance appraisal system of Cable Co and has also recommended the implementation of a MBO program to help bridge the culture gap between the staff and management. It is recommendations such as that of MBO and others given throughout the paper that Cable Co can overcome its problems of cultural management and follows the trend of moving towards a more organisational development mindset in its firm.

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## Case Study 1

### Black & Decker International: Globalisation of the architectural hardware line

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#### Purpose of the case

1. Apply principles of worldwide OD and strategy
2. How can managers leverage people-resources to capitalise on strategic worldwide opportunities
3. Develop strategic planning processes and construct action plans

#### Placement in the course

The Black & Decker international case is one of the integrative cases at the end of the text. As such, it can serve several different purposes, including strategic management, structural change, and merger and acquisition integration, but its primary purpose is to give students a chance to work with a company that has a worldwide presence. Black & Decker has a strong brand image and a relatively complex product line. There are cross-cultural issues, strategic issues, structure and organisational issues, and process issues to address.

#### Overview of the case

As the VP of Product and Market Development of Black & Decker's (B&D's) International Division in early 1990, Fred Grunewald is concerned about how to transform the newly acquired Emhart Corporation from a set of loosely bound, mostly inwardly focused hardware companies into an integrated world player that complements B&D's corporate and business strategies. Grunewald hopes to use his recommendations for Emhart as a model for helping B&D think about expanding its already impressive efforts to think and act globally.

Following from the efforts of a new CEO in 1985, the organisation has embarked on the implementation of a global strategy. The 'product road' process had helped to homogenise the product lines, build operational efficiencies, generate marketing economies and so on. This has been helped by the nature of the products. The unspoken and unidentified issues in the case is whether the lock businesses acquired as part of the Emhart organisation can be approached in the same way.

The focus of the case is the lock business, although considerable space and information is dedicated to the broader B&D business issues and Power Tools and Home Improvement Group. Be sure students don't get confused on this point.

## Teaching Strategy

The preparation questions in the text ask students to analyse Grunewald's plan for creating a global lock business, to think about the organisational implications of the plan and to place themselves in the role of Grunewald's coach.

Before diving into the guts of Grunewald's plan and how to implement it, some diagnostic and historical discussion would seem prudent to set the context for the students' suggestions.

### 1. What is the source of Black & Decker's recent performance improvements?

This question asks students to think about B&D's recent changes and to make some attributions about their effectiveness. The important, overarching issue is whether or not the students can identify the strategic orientation B&D is implementing. There is considerable evidence to support the conclusion that B&D is implementing a 'global' orientation. The new CEO in 1985, Nolan Archibald, saw the organisation as having: 1) disjointed international product lines and policies (so Grunewald's plan fits); 2) dissatisfied customers; and 3) a tarnished reputation. His responses – develop a worldwide view of the markets and reduce the number of models – sounds very global-like. B&D is cutting the number of products, looking for marketing and operational efficiencies, standardising parts and products as much as possible, and centralising much of the decision making.

Thus, one possible discussion, depending on the tutor's objectives for this case, is to be fairly directive about B&D's strategy. The discussion can focus on matching concepts in Chapter 6 of the text with the details of the case. In general, the business has high opportunities for integration, but low needs for local responsiveness. Similarly, B&D seems to believe that the world is one large, homogenous market and that its products can be standardised. All of this points to a global strategy.

Some students will want to argue that B&D is more transnational than global, noting the design centres around the world and the differences in the markets served. That certainly supports the opportunities for integration dimension, but ignores whether these different markets really need specialised product features. In addition, the students can be asked if they really want B&D to implement a very complex and costly structure to support relatively low margin product portfolio.

Turning to the question about what's driving current performance, then, at least two issues are bound to get raised:

- i. *Structure* – the current organisation structure is confusing. Students often complain about this and they should be encouraged to specify why, including unclear reporting relationships and unclear geographic responsibilities. When Nolan Archibald came on board in 1985, he noted that there were 'disjointed international product lines and policies'. The current structure seems to reflect that. But it's also important to point out that this is a structure in transition. The organisation is clearly moving and the confusing structure gives students an opportunity to see how complex and frustrating a large-scale transition can be. Be sure to challenge any assumption that this is 'the' end state structure B&D is trying to achieve...it isn't.
- ii. *Global Product Planning and Review Process* – the case does a decent job of describing the three types of communication processes that help to integrate the global markets. The quarterly strategic meetings set capital budgets, approve new product ideas and review existing ones. There is broad participation from across the

groups which surely contributes to a global mindset within B&D senior management. The quarterly managerial meetings held in local design centres get engineering and marketing talent together and also contribute to cross-market communication. Finally, the ad-hoc operational ‘product-road bashing’ meetings allow direct participation by the managers in driving cost out of the system, standardising on product features and sharing best practices.

Clearly, the structure can’t be helping performance that much, so one has to look at the product-road process as an important contributor. This allows the student to see how powerful a good strategy can be, even if it is not very well implemented yet.

**1. What are the strengths and weaknesses of Grunewald’s proposal? With some history and background to work from, we can begin to examine more closely what Grunewald is proposing.**

Broadly, Grunewald’s proposal is to create a global lock business by restructuring the way products are brought to market and integrating various parts of the business on a global scale. His plan calls for establishing an ‘on the ground’ structure in the field as part of the International Group and a ‘local champion’ structure in the plants. He also specifies a communications process to organise information flows, but stops short of an ‘intercompany organisation’ plan. His plan seems to fit nicely with the organisation’s drive toward a global strategic orientation.

An opening question might be, ‘How many of you think, overall, that the plan is a good one?’ That way, the tutor can see whether a debate can be established to discuss pros and cons or whether the discussion should proceed directly to an analysis of the plan’s likelihood of success.

That is, the students need to look carefully at the nature of the business to be sure of their support. In essence, the question boils down to this: Is the lock business the same as the power tools business?

The table below summarises a comparison between the power tools/home improvement business and the lock business.

Dimension	Power tools and Home Improvement	Lock Business
Worldwide markets	Large and homogenous Buyer: End consumer, do-it-yourselfer Channels: Retail outlets; standardised distribution	Large and homogenous, BUT Buyer: Remodeller, Builder Channels: OEMs and relationships
Products	Standardised	Opportunities for standardisation
Opportunities for worldwide integration	High	High
Demand for local responsiveness	Low	High at the moment

The product-road process doesn’t work very well if there were few opportunities to standardise the product line or if the markets are not that homogenous. The case

describes enough detail to create the table above and ask the question about how similar these two businesses are. With respect to the worldwide market, both are large and relatively homogenous and therefore favour a standardised product. Emhart, however, has chosen a much more 'multinational strategy' apparently in response to some subtle differences in the markets. First, power tools and small kitchen appliances are, for the most part, bought by the end consumer – a homeowner or do-it-yourselfer. With good marketing, efficient distribution and low cost/high volume operations, a set of standardised products would fit well with a global mindset. It doesn't matter much whether the buyer is in Europe, the US or Asia.

The information on the hardware and locks business is a little different. First, the information on the architectural hardware business suggests that the purchaser is more likely to be a builder or remodeller, implying that the ultimate consumer might be less involved in the purchase decision than they are for power tools or kitchen appliances. There is a strong suggestion that sales are influenced by old-fashioned distributors with long memories for favourite brands, and the inherited distribution systems might be much weaker. The case suggests that many of the Emhart companies are very tied into these local distributors. The case for standardised markets and, therefore, for developing a set of 'product roads', is less clear in the lock business. Grunewald's plan assumes (and it's important to get the students to understand this) that the lock business can be standardised.

Moreover, his plan assumes that the acquired companies in the Emhart purchase will culturally support such a system. There is some evidence to suggest they will resist. The different Emhart companies focus on their local markets and operations, suggesting a more 'multinational' orientation that is philosophically opposite of the global orientation. This would be a good place to transition to a discuss of the implementation challenges

**1. How should he proceed through implementation? Here the student gets to act as coach or consultant to Grunewald. How will they transfer knowledge and skill to him as a client? What are the specific changes that need to be made? How will he measure success?**

If the students believe that there is a real misfit between Grunewald's intention to build a global lockset business and the fundamental marketplace dynamics, then their coaching and implementation plan must address two key issues:

- How to help Grunewald thoroughly analyse the assumptions of his plan, and if successful....
- Either adjust the plan to move the Emhart business from a multinational orientation to a global orientation (assuming the market's structure is more an artefact of Emhart's culture) or figure out how to integrate Emhart's business with the traditional power tools and home improvement business (assuming the market's structure is relatively fixed and different enough).

Both of those options are very complex and should test the student's abilities to craft a large-scale implementation plan. The material in Chapter 6 provides several areas to look at from structural, human resource, reward system and information system points of view.

If the students think the lock business is really not that different, then the discussion moves to a set of issues about 'how to get it done'. The items below represent several of the key issues that need to be addressed:

- How will Grunewald staff the 'on-the-ground' or local marketing managers and the globalisation champions? Do these people exist internally? Do they have the senior-level clout he is looking for? To whom will they report and how will he get them to follow his communication pattern? If they are not to be found internally, how will he go about hiring and developing any newcomers?
- Grunewald's plan lacks any sequential orientation about what should be done first, second and third. Get the students to prioritise any particular set of action. What's most important?
- Any action plan is going to have to acknowledge the likely differences in culture between B&D and the Emhart companies. How will Grunewald's plan be crafted to involve Emhart managers and employees? How will differences in culture be raised and resolved? How will the implementation proceed such that key managers at Emhart are not alienated and given an excuse to leave? Integration implies they will have to 'give up' something.
- Grunewald's plan does not acknowledge his lack of control. He has no control over the new president of the locks business, but he's developing a pretty full-blown business plan. What if the new president decides to organise the business differently? How should Grunewald go about selling his ideas?
- Grunewald feels some urgency in wanting to do this in a year. What problems and opportunities does that create? People are often divided on whether Grunewald is trying too much too fast. On the one hand, the pro faction argues that since he is close to the marketing organisation, his concern that the competition has sensed similar opportunities and is moving along these lines supports the sense of urgency; and given the scope of the plan, he needs to push for approval of the whole thing. On the other hand, the con faction says 'look for a pilot project'. Find one of the Emhart lock companies and model the organisation he has in mind and bringing other companies along as the success of the project gains momentum.