

CHAPTER 12

Whole Organization and Multiple Organization Interventions

The acquisition of MPC, a small chemical manufacturing company, by ComChem, a well-established, older company in the same industry, presented many challenges to both organizational cultures. MPC had been a family-run business with just 25 employees, each of whom had developed strong ties to the husband and wife team founders. The company was well-integrated into the small local community, sponsoring little league teams and contributing financially to area charitable organizations. Employees were involved in most significant decisions, companywide formal and informal communication was frequent, and employees were highly valued and recognized for their contributions through an annual employee appreciation dinner. The environment was casual yet professional, and customers were loyal to the company, as it had served a specific niche in the market serving small local businesses. ComChem also began as a family-owned business, but in a large community serving a customer base of large corporations. Customer service was an important value held by ComChem employees. ComChem employees were treated well, with many perks and benefits available to them, such as a game room that employees were welcome to use at any time and free lunch catering.

After the acquisition deal was signed, executives of ComChem traveled to the MPC site frequently to help employees through the merger, though no one permanently relocated to work there. Some aspects of the transition were frustrating to MPC employees, such as the lack of information about goals, objectives, and the future direction of the organization, vague information about new product pricing, and confusion in job roles. Yet the frustration was short-lived because employees were told honestly that goals had not been determined, for example, and senior managers from both companies openly admitted that the work of integrating the two companies was tough. To thank employees for their patience during the difficult transition, they gave each employee a cash bonus, and they added a basketball court and other perks to the MPC site as a way of making employees feel welcome, valued, and equal to the "old" employees from ComChem. MPC employees saw proof that the values in the new organization were similar to what they were used to, as both customers and employees were treated well at ComChem (Shearer, Hames, & Runge, 2001).

- What factors do you think make a merger succeed or fail?

In this chapter, we will address some of the predominant organization development (OD) interventions that are designed to target changes in an entire organization or in more than one organization. Typically, such large organization interventions are designed to address issues that affect almost every member. Examples include such topics as the organization's strategy, structure, culture, organizational identity, future direction, interaction with its environment, relationship to other organizations such as suppliers and local or national governments, mergers and acquisitions, customer satisfaction, and product quality. This chapter describes the following commonly practiced large-scale interventions, those most frequently mentioned in surveys of OD practitioners (Covin, 1992; Massarik & Pei-Carpenter, 1992), overviews of the field (Bunker & Alban, 1997), and descriptions in the practitioner and academic literatures:

- Organizational culture assessment and change
- Organization design and structure
- Directional interventions: strategic planning and real time strategic change, scenario planning, and search conferences and future search
- Quality and productivity interventions: reengineering, Total Quality Management, and Six Sigma
- Mergers and acquisitions
- Transorganization or interorganization development

These “large-scale” interventions are done for a number of reasons. There are enormous pressures on organizations to reduce costs, increase productivity, speed up cycle time of product development, clarify direction, improve morale, and increase participation (Covin, 1992). Sometimes organizations approach large-scale interventions consciously and intentionally, such as when they develop a 3- to 5-year strategic plan, engage in a culture change initiative, or acquire/merge with another organization. Change may also be forced on the organization unintentionally due to economic, regulatory, or customer requirements; a competitor's new product that requires a company to quickly keep up; or changes that occur inside the organization such as an unexpected leadership departure (Cummings & Feyerherm, 1995). Organizations often choose a large-scale intervention when the task is complex or urgent, or when multiple people are required to accomplish it (Bunker & Alban, 1992).

Whatever the reason, “The purpose of an OD intervention in a large system is to make lasting change in the character and performance of an organization, a stand-alone business unit, or a large department” (Cummings & Feyerherm, 1995, p. 204). By “character,” we mean that large-scale organizational interventions significantly affect integral aspects of the organization's functioning, structure, and processes (Ledford, Mohrman, Mohrman, & Lawler, 1989). Thus, large-scale interventions are visible, wide-ranging, and require significant commitment and attention of organizational leaders and members.

Characteristics of Contemporary Large-Scale Interventions

Three characteristics of contemporary large-scale interventions are (1) the involvement of a wide variety of participants, (2) greater timeline of the intervention, and (3) a change in the consultant's role. While these may not apply to every kind of large intervention or every application of a large-scale intervention for any individual client, they do indicate trends that seem to be taking hold among OD practitioners.

Participation. Large-scale interventions, particularly the directional interventions that we will discuss, now tend to include a greater variety of stakeholders than may have been true for interventions like these in the past. The early 1990s saw a shift in the use of whole organization interventions, which invited increased participation in formerly leadership-only decisions such as strategic planning and organizational design. The former "top-down" model of organizational change, where decisions were announced by top leaders who expected subordinates to accept them and carry them out, produced little buy-in from those lower in the hierarchy forced to adapt. To increase both the adoption rate and cycle time of change (and often to develop better decisions), many large-scale interventions began to involve multiple organizational levels (Bunker & Alban, 1992, 1997, 2006).

Large interventions now often involve sizable groups, with hundreds or even thousands of participants (for an example of a large group intervention with as many as 4,000 to 13,000 participants, see Lukensmeyer & Brigham, 2005), or even more in multiple organizations or where entire societies and nations are affected. In fact, even in a single global organization, an intervention that engages many thousands of employees is now commonplace. Including multiple levels and roles in the intervention can lead to better knowledge since problems can be examined from multiple angles, but it also allows participants to learn about the problems, perspectives, and challenges of organizational members they may never have met. In addition, internal and external boundaries have become blurred, as participants from outside the organization, such as suppliers or customers, may be included as well. Even though the groups are large and may initially sound unwieldy, large interventions are often structured using smaller subgroups for purposes of idea generation and dialogue.

Timeline. Despite the need for rapid change, many interventions that target a whole organization rarely consist of a single intervention activity; rather, they often involve multiple activities over a longer period (Covin, 1992, found that the timeline is often longer than a year). Thus, a small list of objectives may be tackled with several individual intervention activities designed to address them.

Practitioner Role. The practitioner's role has also changed, as many large-group interventions ask organizational members to take primary responsibility for generating

and analyzing data, and the practitioner's role is "that of a community organizer who structures, encourages, and helps focus the issues" (Bunker & Alban, 1992, p. 581). Rather than the practitioner having responsibility for gathering and interpreting data, organizational members can generate their own data and then can be taught and assigned how to analyze and interpret it.

Thus, whole organization interventions can be quite large and complex. We begin with one of the most pervasive whole organization interventions—that of organizational culture assessment and change.

Organizational Culture Assessment and Change

As discussed in Chapter 2, organizational or corporate culture began to take hold among executives and change practitioners beginning in about the 1980s. Since that time, interest in cultural assessment and change has blossomed. Further unpacking the meaning of *culture* can be illuminating, because culture can refer to a wide variety of behaviors, actions, meanings, and symbols in organizations. Consider the following list of elements of organizational culture:

- *Language, metaphor, and jargon.* How organizational members speak to one another, using what terms. An example is whether organizational members are referred to as "associates" (some retail stores), "individual contributors" (some corporate environments), or "cast members" (such as at Disneyland). Organizational members develop specialized acronyms and terms that often only they understand.
- *Communication* (patterns and media). Who communicates to whom, on what topics, using what media. In some large organizations, the highest leaders send e-mail to all employees, while in others in-person communication is preferred. These choices can be situation- or topic-dependent as well.
- *Artifacts.* For example, pictures or posters on the wall, lobby decor, or dress style. Some organizations have explicit rules for who is permitted what sized office, with what furniture style, or even what model of phone or cell phone calling plan is authorized.
- *Stories, myths, and legends.* What stories from the past resonate with organizational members to recall lessons and learnings from positive or negative events. An organization that has undergone an especially traumatic event, such as a bankruptcy, is likely to have a set of stories and assumptions that are repeated to guide new decisions in order to avoid repeating historical mistakes.
- *Ceremonies, rites, and rituals.* These are formal and informal gatherings or recurring events in which a standard "script" seems to be followed. Examples include a corporate picnic or holiday party, initiation rites such as those in a fraternity or sorority, or even repetitive events such as annual sales conferences, staff meetings, or performance appraisals.

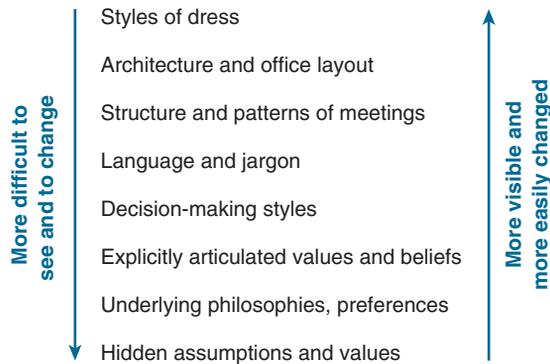


Figure 12.1 Organizational Culture

- *Values, ethics, and moral codes.* Doing what is “right” may mean doing it quickly in one organization or doing an exhaustive study of all possible options in another organization. Organizations have espoused values, those that they explicitly articulate, and hidden underlying values, those that guide decision making but about which organizational members are usually less conscious.
- *Decision-making style.* Including what information is needed before a decision is made, who is consulted, whether opinions are freely offered, who makes the final decision, and how it is communicated.

Elements of culture can be visible, such as styles of dress, office spaces, and language choices, and they can also be invisible or hidden, such as the organization’s values, ethical beliefs, and preferences. The more deeply held the belief and more tacit the assumption, often the more difficult it is to change. Figure 12.1 illustrates these elements of culture.

Among experts on organizational culture, perspectives differ on how culture can or should be assessed. Edgar Schein (2006b), one of the most well-known authors on organizational culture, writes that “many organizations think that a general cultural assessment would be of value to them. Unless the culture assessment is tied to a change initiative, however, it is fairly useless” (p. 457).

Schein’s culture assessment involves focus groups (detailed below) because groups and teams create culture, so he argues that the data used to understand the culture should also come from groups, not individual surveys. Schein’s assessment of culture is qualitative, which has been the dominant way of studying culture. However, another well-respected set of authors on culture has found success with an Organizational Culture Assessment Instrument (OCAI) (Cameron & Quinn, 2006), a quantitative methodology where organizational members complete individual surveys to give change agents insight into the culture. By comparing organizations on dimensions such as internal versus external focus, and preferences for flexibility or control, the “competing values framework” (which is the basis for the OCAI; see Cameron & Freeman, 1991; Cameron & Quinn, 2006; Denison & Spreitzer, 1991) to organizational culture posits four idealized culture types:

- *Clan*. People strongly identify with the group, as in a family, placing a strong emphasis on the team and teamwork. Organizational members are loyal and friendly.
- *Adhocracy*. Innovation is prized, with organizational members having a large amount of independence and autonomy. The organization emphasizes developing cutting-edge products and services and leading the market.
- *Hierarchy*. Tradition and formality are dominant values. The emphasis is on stability, rules, and efficient processes.
- *Market*. Organizational members are competitive, hardworking, and demanding. Productivity and beating the competition are emphasized.

Organizations rarely fit one of these categories precisely; instead, they have elements of each cultural type to a greater or lesser degree. Culture may be a problem or need to be considered for change if elements of the culture or the environment are incongruent with one another (for example, if processes are formal as in a hierarchical culture but the external environment requires the innovation of an adhocracy culture). Thus, the OCAI can help change agents understand broad patterns of cultural values across the organization and open up conversations with organizational members about how the culture can be changed.

Schein (2004, 2006b) has developed a culture change process involving focus groups that are asked to define the culture and to determine how it should be changed. His process involves soliciting commitment from top leadership for the effort, and then beginning a series of focus groups that explore the elements of culture listed above (such as communication patterns, ceremonies, and artifacts). In Schein's process, subteams, often from different parts of the organization, are asked to do the following:

1. Describe the organization's existing culture, including specific examples of artifacts, rituals, and language.
2. Define the organization's explicitly articulated values.
3. Analyze whether the values fully explain the existence of the artifacts or whether there are underlying assumptions that amount to additional hidden cultural values.
4. Describe how the explicit or hidden values inhibit or strengthen how the organization achieves its goals.
5. Share any subcultural differences among the teams.
6. Discuss and come to agreement on action plans to change the negative cultural values.

Once changes to the culture have been identified, how are the new values actually introduced into the organization? Because cultures have tacit beliefs and values at their foundation, it is easy to fall into thinking that culture is inevitable, or that it is something that an organization "has" rather than something that people in the organization "do." In other words, each time we repeat a cultural value, we reinforce it even though we had a choice to do something different. A culture can be changed,

Schein (1990b, 2004) states, through actions that explicitly reinforce new cultural values and those that dismiss the old, beginning primarily with the most visible actions of leadership. Examples include the following:

- Leaders can hire new managers and employees into the organization, as well as promote those who model the new cultural values, and visibly reward them.
- Those who do not model new cultural values and behaviors can be punished or removed.
- Old artifacts, rituals, and ceremonies can be removed or discontinued, and they can be replaced by new ones.
- Leaders can take the opportunity to discuss the new cultural values at every opportunity, such as in staff meetings, employee e-mails, and one-on-one meetings.
- Leaders can model the new culture through their actions, explaining to employees why an action is being done (Deetz, Tracy, & Simpson, 2000).
- Leaders can tell stories of success or failure that relate to the new values.

There are a number of excellent cultural assessment methodologies, both quantitative and qualitative, that have been developed by scholars and OD practitioners. Regardless of the methodology chosen, it is important to be conscious of the reasons and uses of the assessment. It is tempting to ascribe all organizational problems to problems of “culture,” which can be esoteric to many leaders, and unnecessarily broad for the change agent to diagnose when the problem can be defined more specifically.

Organization Design and Structure

Many organizations conduct a regular restructuring, giving employees new titles or job descriptions, or perhaps creating, combining, or dividing departments. These structural changes often fail to achieve their desired outcomes, which frequently occurs when organizations approach design activity as a knee-jerk reaction to other problems or alter the organizational structure without considering larger implications.

However, there are many times when organization design genuinely needs to be addressed. The organization may be a new division or may have grown substantially. The organization may have outgrown its previous model due to size or complexity. Other signs for concern exist when departmental barriers inhibit process effectiveness and the organization is no longer serving its customers well, or employees may be frustrated at the internal obstacles to getting their work done (Ashkenas, Ulrich, Jick, & Kerr, 2002).

Such challenges can be addressed when a design perspective (as opposed to a restructuring) is taken. The purpose of a design effort, according to Jay Galbraith (1977), one of the leading experts on organization design, is to develop consistency between the organization’s strategy, goals, and structure:

Organization design is conceived to be a decision process to bring about a coherence between the goals or purposes for which the organization exists, the

patterns of division of labor and interunit coordination and the people who will do the work. (p. 5)

This implies that the organization must be clear about its strategy, customers, and the processes by which the organization delivers value to customers. It may be the case that a strategic intervention is necessary first if the strategy cannot be clearly articulated. Indeed, Galbraith, Downey, and Kates (2002, p. 12) recommend that “the design process always begins with reviewing the strategy.”

The terms *structure* and *design* are often used synonymously, but they are not. An organization’s structure tends to refer to the ways in which boxes are drawn on organizational charts, whereas design refers to not only the structure but also other elements that support the structure. Design has five components, all of which must be in alignment and must support one another to produce a capable, effective organization (Galbraith, 1995; Galbraith et al., 2002). These five elements combine into what Galbraith terms the *star model*, depicted in Figure 12.2:

- *Strategy*: The organization’s direction and long-term vision
- *Structure*: Roles, responsibilities, and relationships among functions
- *Processes and lateral capability*: Decision-making processes, integrative roles, and cross-functional collaboration mechanisms
- *Reward systems*: Compensation and recognition, goals and measurement systems
- *People practices*: Hiring, performance reviews, and training and development

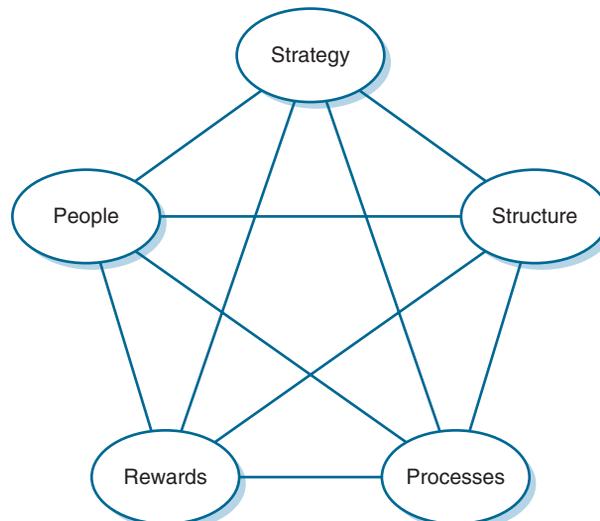


Figure 12.2 Star Model

SOURCE: Galbraith, J. R. (2002). *Designing Organizations: An Executive Guide to Strategy, Structure, and Process*. San Francisco: Jossey-Bass, p. 10. Reprinted with permission.

Each of these five components supports and must be in alignment with the other four. When any aspect of the star model is out of alignment with the rest of the model, the organization’s performance suffers. If the strategy is not clear to employees, for example, individuals and teams will be confused about their purposes and overarching objectives. If reward systems do not explicitly articulate tangible and intangible recognition in support of the goals and objectives, the organization may be rewarding the wrong activities. Galbraith et al. (2002, p. 5) offer an instructive diagnostic chart to help identify areas of misalignment in the organization’s design (see Figure 12.3).

Stanford (2005) suggests a five-phase process for an organizational design change:

1. *Preparing for change.* This includes assessing the current organizational structure, assessing the organization’s strategy, and outlining objectives for a new design.

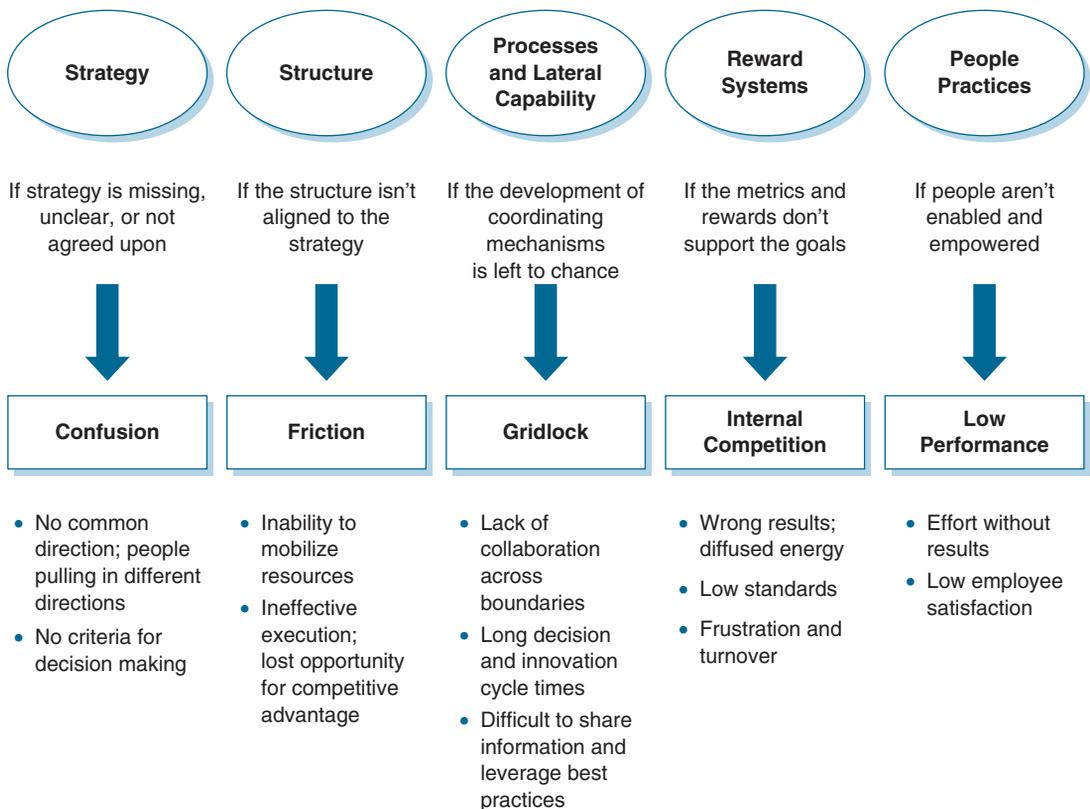


Figure 12.3 Unaligned Organization Design

SOURCE: Galbraith, J., Downey, D., & Kates, A. (2002). *Designing Dynamic Organizations: A Hands-On Guide for Leaders at All Levels*. New York: AMACOM, p. 5. Reprinted with permission.

2. *Choosing to redesign.* An organizational design change can be highly disruptive. Once word leaks that a new structure is imminent, employees may begin to feel anxiety over the transition to a new team, new manager, or new job. Gaining feedback from a large group of stakeholders on the criteria for a new design can help to assess the prospects for a successful transition (Galbraith et al., 2002).
3. *Creating the high-level design.* Developing alternative scenarios and evaluating them against tests such as those described below. This includes not only considering alternative structures, but how the structure will affect processes, rewards systems, metrics, people selection, and skill development.
4. *Handling the transition.* Communicating plans to employees and helping them through the transition.
5. *Reviewing the design.* Evaluating the results of the new structure, measuring outcomes, and making adaptations or any new changes.

Common Organizational Structures

Five common organizational structures include the functional, unit, matrix, network, and boundaryless or process structures. Each of these is described below in its purest form, with its advantages and disadvantages, though there are many variations and combinations of structures (Galbraith, 1995).

Functional Structure

The functional structure is arguably the most common and well-known hierarchical structure. In this design, divisions are organized by the type of work they do, so that divisions of marketing, finance, sales, manufacturing, product development, and so on are led by a single executive who reports to a chief executive officer, for example. Those who work in marketing work with other like-minded marketing professionals on marketing-related concerns, so its chief advantages lie in its ability to help divide labor and focus on narrow areas of specialty. It can also be a highly efficient structure. The marketing budget, when centralized in this manner, can be used for leverage to develop a contract with a single vendor for all printed brochures, for example. Standard practices can be developed for the department to reduce duplication of work (Galbraith, 1995). Figure 12.4 shows an example of a functional structure.

Disadvantages of the functional structure include interdepartmental coordination and complexity. Coordination between functions generally is expected to happen at higher management levels, which can slow down interdepartmental information sharing unless other lateral or horizontal capabilities are developed. When the organization becomes more complex, with multiple products, services, and markets, the demands placed on the functional structure can exceed the capacity of the system to cope with the decisions and information needed. Thus, the functional structure is best for smaller companies with fewer product lines that have a long life cycle (Galbraith, 1995). Because of this, many observers believe that the once-dominant functional structure has been outgrown, since in many (perhaps most) organizations, speed and fast product turnover have become the norm.

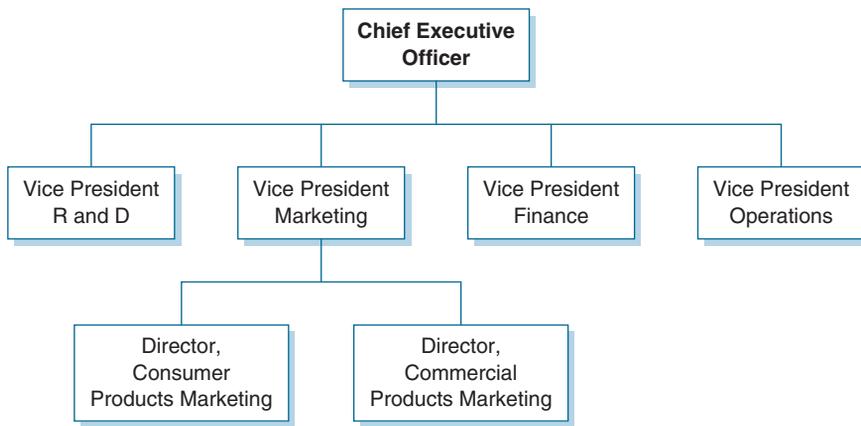


Figure 12.4 Functional Structure

Unit Structure

A unit structure is an alternative to a functional structure, and it divides responsibilities by the market, product, service, or geography that the unit serves. A financial services company might choose to organize by a unit structure, with divisions for auto loans, mortgage loans, retirement accounts, and banking. Instead of a single division to handle customer accounts, there might be separate loan officers, financial advisers, and processing and billing departments in each of those divisions. When implemented at its fullest, in a unit structure each unit has its own human resources, information technology, finance, sales, and marketing departments. With a unit structure, coordination and focus within a single unit is clear, since in the auto loan department, there are specialists who work solely on auto loans, and attention is not diverted to the special and unique challenges of mortgage loans. Figure 12.5 shows an example of a unit structure.

However, the unit structure can also lead to duplication of work and inefficiencies, since multiple departments may not be sharing skills and resources most effectively. (They may unnecessarily duplicate purchases of information technology, for example.) Because different divisions may operate independently, they may not share information or knowledge effectively. When those who do business with the company have a relationship with more than one division, they can be frustrated when they experience different policies and processes, such as billing and invoicing, or the lack of information

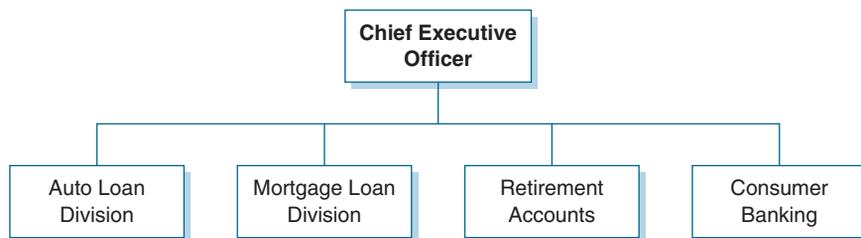


Figure 12.5 Unit Structure

sharing between divisions (the mortgage division may not share information with the auto loan division to streamline a consumer's loan application information).

Matrix Structure

Matrix organizational forms were first developed in the 1960s and 1970s as an attempt to address some of the disadvantages of the first two forms and to maximize their advantages. In a matrix form, the specialist functions and unit functions both exist, in some respects. Imagine a technology company that manufactures personal computers, printers, software, and handheld devices. If it operates in a matrix structure as depicted in Figure 12.6, it might have teams in each division with responsibility for engineering, marketing, and operations. Each of those latter functional groups would have a leader to oversee the company's overall strategy for that division. For example, the leader of marketing would be responsible for ensuring a consistent marketing strategy across all divisions, while the leader of the printer division would be responsible for the success of the company's printing products.

While Figure 12.6 depicts the most basic of matrix structures, organizations have evolved ever more complex versions in the decades since the matrix was originally popularized, particularly in organizations that do business globally and need a strong geographic dimension to their structure. Consider how Figure 12.6 might look if we added three geographic regions reporting to the CEO. Each of those geographic divisions might also have

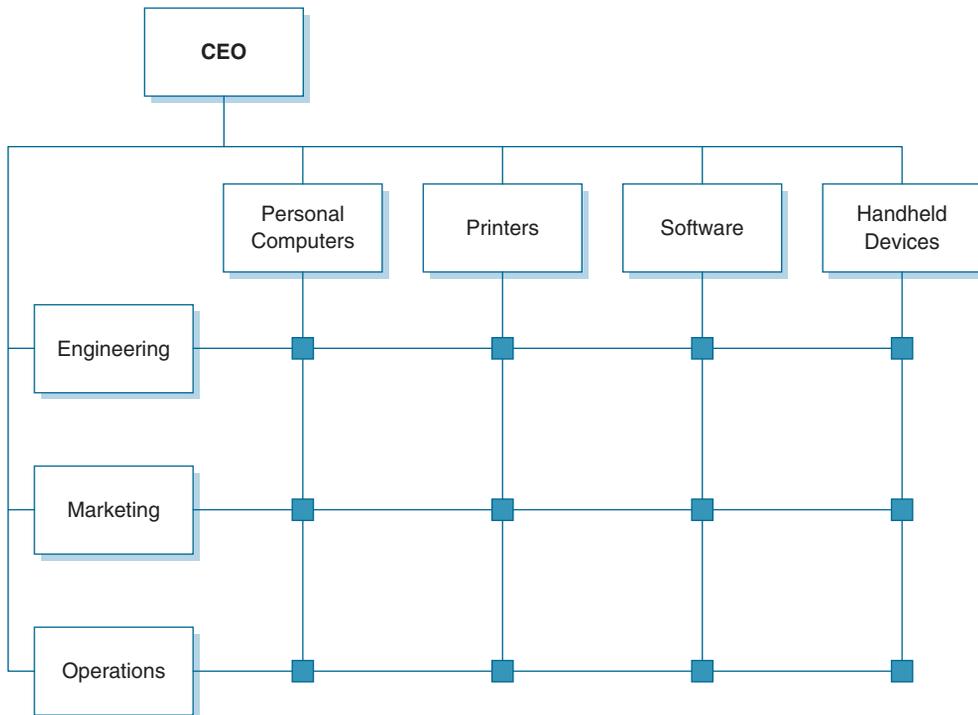


Figure 12.6 Matrix Structure

connections to the other lines of the business, to create a department responsible for marketing printers in Europe, or engineering software in Japan. Galbraith (2009) even explores what a four-dimensional matrix structure looks like, including a discussion of the challenges of planning, leadership, and human resources policies that these structures present.

Matrix organizations work especially well under three conditions (Davis & Lawrence, 1977): first, when there exist pressures for *multiple areas of focus*, such as when a group needs to focus on both technical expertise in a certain field and unique customer requirements of a given market. Second, matrix organizations work well when *the work is especially complex or interdependent* and additional coordination is required. When people are interdependent in multiple ways, a matrix may help to improve communication patterns. In the example above, information can be shared at both the product line and functional level. Finally, a matrix is appropriate when *resources need to be shared* for maximum efficiency. When skills are scarce and resources are at a premium, a matrix facilitates reassignment of the most scarce resources to the necessary areas. A marketing manager could move from personal computers to handheld devices, for example.

Matrix structures can be challenging to implement and can cause role conflict for the individual who can be caught between the demands of two managers. Decision processes can be complicated by seemingly needing approval of managers at many levels in order to proceed. The matrix structure can thus lead to power struggles among managers.

Network Structure

Like the matrix structure, the network structure dissolves the traditional hierarchical functional structure. Indeed, the network structure reduces the organization's functions down to its central competencies, and a network of suppliers and partners provides services that the organization does not consider central (or that are not cost-effective to perform internally) (Miles & Snow, 1992). In one type of network, organizations may design their own products internally, but may contract with an outside manufacturer and shipping company to build and deliver products to customers. They may work with local distributors or third-party providers who may sell directly to customers on behalf of the company, but these distributors are independent entities, not in-house sales agents. In some networked organizations, the "external" suppliers may be so tightly integrated with the organization's people, processes, and technology that the line between being internal and external to the organization is blurred. The organization may even ask outside suppliers, manufacturers, and distributors to integrate their own processes and technology on behalf of the company. The organization therefore becomes a "broker" of services among the various players (Miles & Snow, 1986). An example of this type of network is presented in Figure 12.7. Other types of networks exist as well (Miles & Snow, 1992).

Network organizations can be cost-effective and flexible, and they can focus the organization on its central purpose. They can also cause problems when the organization must rely on the performance (and organizational health) of an external company over which it may have little control. The transition from internal ownership to external control can also be challenging if organizational knowledge or processes are not robust enough to share effectively.

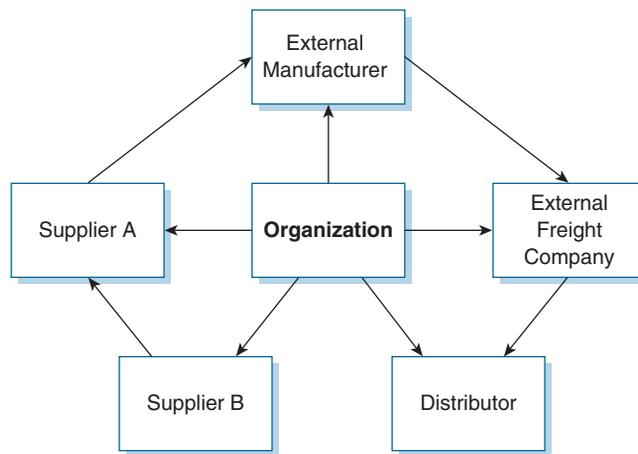


Figure 12.7 Network Structure

Boundaryless and Process Structure

Boundaryless and process designs became popularized in the 1990s as a way to structure an organization to achieve flexibility as a principal objective (Bahrami, 1992). This design emerged primarily in high-technology companies where creativity and innovation, along with rapid product development cycles and quick time to market, were necessary to remain competitive. The boundaryless design breaks down the traditional hierarchy and replaces it with cross-functional, often self-managed, teams that form and restructure as the business changes. Roles, titles, jobs, and teams are no longer rigidly built into the structure of the organization, but negotiated and flexible depending on the needs of the organization. The ability to rapidly form teams, set objectives, adapt to change, and build relationships are all key skills in the boundaryless organization.

One slightly more structured version of a boundaryless organization is to design by process steps. There may be a division focused on the process of gathering customer requirements and developing new products. Another division may be focused on creating customer demand and processing orders. A third may focus on manufacturing orders and delivering products to customers. A process leader may be in charge of each process step. Boundary-breaking designs like this one are good when rapid cycle time is necessary, since there are fewer boundaries to interrupt process flow and decisions to revise the process can be made at the local level. The work flow and each department's connections to the customer are much clearer to all organizational members. Galbraith (2002) notes that the process structure was once a popular organizational structure, but that the structure is less useful in organizations that have automated or outsourced many processes and thus do not have jobs assigned to them as the structure intends. Figure 12.8 shows an example of a boundaryless or process structure.

The task of leadership and management is particularly challenging in the boundaryless organization, as old ways of managing in the traditional hierarchy no longer apply. In an organization accustomed to traditional vertical decision-making authority, a boundaryless structure can be a foreign way of managing. Leadership now performs an integrative function (Shamir, 1999), managing tensions among

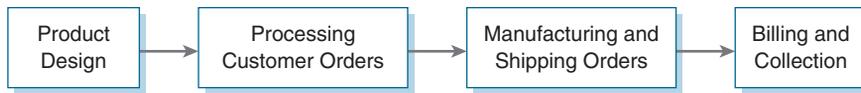


Figure 12.8 Boundaryless or Process Structure

authority, tasks, politics, and identities (Hirschhorn & Gilmore, 1992). Leaders in the boundaryless organization must help to form teams, negotiate between teams, sort through role conflicts, balance competing interests between groups, and encourage employees to maintain an organizational connection even while teams are being disbanded and reformed.

Lateral Capability

As you might have noticed, each structure has its advantages and disadvantages. What is appropriate for one organization, based on its strategy, may be inappropriate for another. In addition, every structure choice will solve some problems while it creates others. For example, the common functional structure, appropriate and effective for many organizations, can create challenges in sharing information across functions. In the geographic structure, a regional sales group can maintain a local focus on its customers, but it may have difficulty knowing how to solve a certain problem that, in fact, has already been solved in another region because of the challenge in sharing solutions across geographic boundaries.

To compensate for the flaws in a chosen structure, organization designers develop lateral capabilities, or horizontal mechanisms that enable the organization to enhance connections between groups or divisions created by the structure. Whereas the structure develops the vertical organization by creating departments and groups with common objectives, lateral practices help the organization share information across these boundaries.

Galbraith, Downey, and Kates (2002) describe five kinds of lateral capability. Some of these can occur naturally or informally, whereas others must be designed deliberately and typically more formally.

1. *Networks*: Networks can facilitate information sharing across department boundaries by exposing members of one group to those in another. Imagine making an acquaintance in another division at a training program or office party, then later needing a contact in that division to help solve a problem you are experiencing.

2. *Lateral processes*: A lateral process is a key organizational process that crosses major divisions. Consider a process such as new product design, which might involve employees from service, sales, marketing, operations, and research and development.

3. *Teams*: Cross-functional teams can be established in which members maintain relationships on the team as well as in their division. A product sales team, with representatives from each geography, can meet regularly to share best practices and solve problems they have in common related to selling a particular product.

4. *Integrative roles*: Integrative roles are formal positions with the responsibility to share information across the structure. A marketing liaison who works in customer support might gather all customer problems on a regular basis, meet with the marketing team, and then bring back information to customer support on upcoming product releases and marketing initiatives.

5. *Matrix structures*: We discussed the use of matrix structures above, but note that matrix structures are not only a structure but a lateral capability as well. By implementing structural relationships at multiple levels, the matrix structure attempts to compensate for maximizing one element of the structure (product) with another (geography). Thus, it formalizes information sharing across groups within the structure.

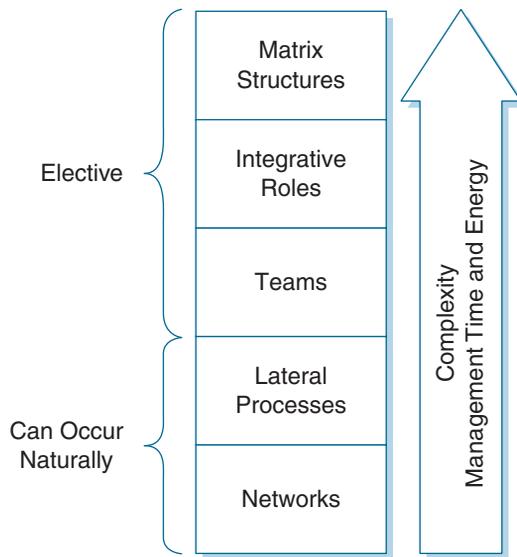


Figure 12.9 Continuum of Lateral Capability

SOURCE: Galbraith, J., Downey, D., & Kates, A. (2002). *Designing Dynamic Organizations: A Hands-On Guide for Leaders at All Levels*. New York: AMACOM, p. 137. Reprinted with permission.

Notice that as more sophisticated types of lateral capability are chosen, there is an associated cost in time, energy, and complexity. Which type of lateral capability to implement thus depends on the organization’s needs.

Tests of a Good Design

Given the complexities and tradeoffs involved in selecting any of these organizational structures, what should a change agent consider when evaluating a proposed new design? Nadler and Tushman (1992) suggest that change agents evaluate the design’s ability to contribute to the strategy and task needs of the organization while appropriately fitting with its social and cultural environment. Strategic factors include a design that does the following:

- Supports the implementation of strategy
- Facilitates the flow of work
- Permits effective managerial control
- Creates doable, measurable jobs

Social and cultural factors include examining how:

- Existing people will fit into the design.
- The design will affect power relationships among different groups.
- The design will fit with people's values and beliefs.
- The design will affect the tone and operating style of the organization.

Goold and Campbell (2002) list nine tests of whether an organization is well designed, propositions that can be used to appraise a design to see whether it is appropriate. They write that the first four of these tests of structure are for "fit" with organizational goals, strategies, skills, and plans. The final five are tests of good design, helping an organization achieve the right level of balance in processes, and may suggest modifications to the design to account for the unique challenges in any organization.

1. *The market advantage test.* Does the structure match how the organization intends to serve its markets? If the organization serves customer segments differently in different geographies, then having geographic divisions makes sense. No customer segment should be missed and no segment ideally should be served by multiple divisions in order to provide maximum focus.

2. *The parenting advantage test.* Parent organizations should organize in ways that allow them to provide the most value to the rest of the organization. If innovation is a key value of the parent company, has it organized in ways that maximize innovation throughout the organization?

3. *The people test.* The design should support the skills and energy of the people in the organization. If the design requires that the head of engineering also manage finances, and finding a single replacement for those dual specialized skills is unlikely if the current leader were to leave, the design may be risky. In addition, the design may be risky if it will frustrate valuable employees who may lose status in the new structure.

4. *The feasibility test.* Will the design require a major cultural shift, such as a matrix design in a culture very comfortable with rules and hierarchy? Will information technology systems require drastic, expensive changes to report performance by customer industry versus geography?

5. *The specialist cultures test.* Some organizational units maintain different subcultures for good reasons. A group focused on the company's core products may think of innovation as a gradual series of incremental improvements to existing products, but a new products division may need rapid innovation for products that have a short life cycle. Combining R&D from both divisions may result in a dangerous culture clash.

6. *The difficult-links test.* How will divisions in the new structure develop links between them, and who will have authority when conflicts arise? If six divisions each have separate training functions, how will they coordinate the use of instructional resources such as classrooms and trainers?

7. *The redundant hierarchy test.* To what extent are layers of management necessary to provide focus, direction, or coordination for the units in their scope? If the purpose and value of a level of management is the same as the ones below it, it may be unnecessary.

8. *The accountability test.* Does the design streamline control for a single unit, or is authority—and accountability—diffused among different units? Will it encourage units that cannot collaborate to blame one another for poor performance?

9. *The flexibility test.* How will the new organization react when a new product is to be designed? Is it clear how the organization would work if the strategy were to change? Does the design actually obstruct and confuse rather than streamline and clarify?

Few designs will achieve all of these criteria. Goold and Campbell (2002) recommend that design planning be an iterative process, and that as a design fails one test, it should be revised and run through the list of tests once more. That said, “There is no one best way to organize” (Galbraith, 1973, p. 2), so some trade-offs are inevitable. Ideally, “If management can identify the negatives of its preferred option, the other policies around the star model can be designed to counter the negatives while achieving the positives” (Galbraith, 2002, p. 15). Being conscious of how the design addresses the strategy and working with the other elements of the star model to address the flaws with the design is the best advice.

Directional Interventions

In this section we will consider interventions that help organizational members understand and define what actions they should take to develop the organization for the future. They include (1) strategic planning and real-time strategic change, (2) scenario planning, and (3) search conferences and future search. Broadly speaking, while each has a similar general objective, in that they all help organizational members agree on and plan for the future, they differ in their outcomes and process.

Strategic Planning and Real-Time Strategic Change

There are dozens of definitions of strategic planning, and an equal number of writers who have recommendations about how to conduct it. Vaill (2000) defines strategic planning as follows:

Planning for the fulfillment of the organization’s fundamental purposes. It includes the process of establishing and clarifying purposes, deciding on the objectives whose attainment will help fulfill purposes, and determining the major means and “pathway” (strategies) through which these objectives will be pursued. (p. 965)

Strategic planning involves making decisions about the organization’s purpose, products, vision, direction, and action plans. It also involves tradeoffs and choices about customers and markets, as well as introspective analysis about the organization’s competitive advantage and challenges in its current environment (Porter, 1996).

Strategy also includes a discussion of mission (the purpose of the organization, including its products, markets, and customers) and goals and objectives (the targets, timelines, and methods by which the strategy will be translated into specific measurable activities). Strategies can be developed for almost any length of time—organizations often develop annual strategies as well as those for 3 to 5 years, or even 10 years or more, depending on the organization and its industry. Rapidly changing technology organizations may choose to develop a short-term plan of only a few years, whereas more established and less changing industries may choose longer time horizons.

Among management scholars, much has been written about the intricacies of strategy development. A perfect strategic plan, however, runs into challenges when the real work of implementation begins. Beer and Eisenstat (2000) write that there are six “silent killers” of strategy implementation, all of which relate centrally to the concerns of OD practitioners:

1. Top-down or laissez-faire senior management style
2. Unclear strategy and conflicting priorities
3. An ineffective senior management team
4. Poor vertical communication
5. Poor coordination across functions, businesses, or borders
6. Inadequate down-the-line leadership skills and development (p. 30)

Despite the potential for OD to address these implementation challenges, OD practitioners have historically not been deeply involved in the development of an organization’s strategic plan, which has generally been a top management activity. This may be because of OD’s intellectual history or reputation for a lack of business knowledge and the assumption by many executives that OD has little to offer the economic, financial, and marketing-oriented world of organizational strategy. The focus of the internal change agent, however, on the effective implementation of strategy can be a defining characteristic of successful strategic planning. Internal OD practitioners can contribute to the process of developing the strategy itself but also can make leaders aware of many additional concerns as they formulate the strategy, such as the following:

- How individuals and teams adapt to changes in strategic direction
- Implications of the strategy on organizational design
- How organizational processes support or hinder the strategy
- Elements of the organizational culture (language, rituals, etc.) that support or hinder the strategy
- How performance management and rewards systems relate to the strategy
- How strategic initiatives can be translated into goals
- Collaboration between departments to achieve strategic objectives

A Strategic Planning Case Study

Consider this example of a strategic planning process published by Beer and Eisenstat (1996). Alpha Technologies is a \$1.7 billion technology company with

offices throughout the world. It had been composed of a number of different units, gathered together over time through acquisitions and mergers, so that a central problem for leaders was developing an integrated strategy. In response, company leaders developed a strategic planning process that required in-depth analysis of competitors, market conditions, customer needs, and product lines. Executives consulted one another to develop these departmental strategies, but the company became increasingly anxious that implementing these strategies would prove too difficult to carry out effectively because of internal barriers to change.

A strategic human resources management (SHRM) process was created so that the internal dynamics of strategy implementation could be understood. A small employee team, made up of individuals one or two levels below the senior team, was appointed to gather data from the organization about the factors that would support or inhibit the organization's implementation of its strategy. Areas for analysis included anything from organizational practices and resources to management capabilities. In a 3-day session, the employee data gathering team returned to share the data with top leaders, who listened to the presentation of data and jointly diagnosed the results and planned actions to take based on the feedback. The team analyzed the organizational culture, satisfaction levels of stakeholders such as customers and employees, leadership effectiveness, career development and training, the organization's ability to undertake interdepartmental coordination, and more.

In one division in particular, some difficult and honest feedback was shared. The employee task force reported that while the division was currently successful, future threats could undermine success due to a number of interpersonal and internal factors. These included low morale, a top-down management style in the division, low cross-functional interaction between departments, and poor upward and downward communication. As a result, the president of the division agreed to make certain changes to his own behavior, cross-functional management teams were created, and the senior team worked on its own team functioning. Other departments made staffing or role changes. In still other cases, disagreements about the overall division direction and strategy surfaced. Task force members reported being anxious about sharing the data, but that once the issues were raised, they did not experience any retribution for honest feedback.

The process resulted in organizational members being allowed to "discuss the undiscussable" (Beer & Eisenstat, 1996, p. 608), though this remains a challenge outside of the SHRM process. A higher level of involvement of employees and connections to senior management has opened up avenues for feedback and participation. Top executives say that the development of the company's overall strategic agenda relies to a significant extent on the SHRM process. While the process continues to be refined and is far from perfect, "The strength of these interventions is that because they are highly structured and consultant led, they allow organizations composed of individuals who may not possess sophisticated inquiry skills to raise and address collectively difficult issues" (Beer & Eisenstat, 1996, p. 617).

The Integrated Strategic Change Process

While strategic planning and OD may not have a lengthy history, it is clear that opportunities abound for integration and that OD brings "subject matter expertise,

process expertise, and intervention expertise” (Worley, Hitchin, & Ross, 1996, p. 10) to the strategy effort.

Worley et al. (1996) have developed a four-step strategic planning and implementation process designed specifically for OD practitioners to add significant value to the planning effort. They call the process *integrated strategic change* (ISC) and write that their approach considers strategy development in combination with the often more challenging issues of strategy implementation, such as organization design, employee motivation and skills, and collaboration and teamwork across the organization. In this process, the strategy does not stand alone, but it aligns the organization around the necessary means to make it effective through a change plan. The ISC process consists of these steps, with the first two comprising strategy development activities, and the next two comprising the change management activities to make the strategic plan effective:

1. *Strategic analysis.* The first step is to conduct a strategic analysis, which involves an assessment of the organization’s readiness for strategic change, an understanding of the organization’s values and priorities in creating a strategic plan, and a diagnosis of the organization’s current strengths, weaknesses, opportunities, and threats (SWOT). It also includes a diagnosis of the organization’s strategic orientation, including mission, goals, and core processes.

2. *Strategy making.* The next step is to formulate the strategy. This involves the organization’s vision and strategic choices about the amount of change that will be proposed in the new strategy. Leaders analyze the organization’s environment, performance, and core competencies to determine whether minimal revision of the strategy is appropriate or whether it needs more radical change. Decisions are made about adapting or improving existing processes, and about the future of the product portfolio, including areas to invest or reduce.

3. *Strategic change plan design.* The strategic change plan outlines not only the major activities that will be implemented or will change when the strategy is adopted but also the impact that the strategy will have on stakeholders inside and outside the organization.

4. *Strategic change plan implementation.* Leadership has a particularly important task in the implementation of the change plan. Leaders must communicate the vision and strategy, including the rationale for the change and how the leadership team arrived at major strategic decisions.

Real-Time Strategic Change

Real-time strategic change (Jacobs, 1994) is a related intervention that OD practitioners have developed that can increase the pace of change. It can be applied to a number of topic areas that require commitment throughout the organization, including organizational members’ ownership of and follow-through on implementing a strategic plan (Dannemiller & Jacobs, 1992). While it is not explicitly a strategy development process, it can help organizations implement the strategic plan by increasing awareness and commitment to the plan and its foundations. Philosophically, it has much in common with the search conference methodology that we will discuss later in this chapter, but the objectives are slightly different.

In real-time strategic change, participants work on present-day concerns, or “real business issues, such as cost containment, product quality, and increased responsiveness and sensitivity to the marketplace needs of customers” (Dannemiller & Jacobs, 1992, p. 484). It can involve hundreds of members from throughout the organization who work together to solve problems and discuss opportunities facing the entire organization, not just on those facing their own group or department. “Real time” in this process means “the simultaneous planning and implementation of individual, group, and organization-wide changes” (Jacobs, 1994, p. 21). “Strategic change” means that organizational members will work together on important issues in the organization’s internal and external environment, including “customer and supplier needs, competitors’ strategies, industry trends, market challenges and opportunities” and more (Jacobs, 1994, p. 22). Participants discuss changes to the entire organization, including the implications of those changes internally. By involving a large group of employees in such strategic decision making, both problems and additional strategic opportunities can be known earlier. It works especially well in strategic planning situations when (Jacobs, 1994):

1. A leadership team has decided that its organization needs a new strategic direction based on drivers for change either from inside or outside their own organization;
2. A draft strategy has been developed by a leadership team prior to the event;
3. The leadership group is open to feedback on the strategy by participants, and to revising it based on this feedback; and
4. The participants in this event comprise the entire organization, or a critical mass of people from a larger organization (pp. 54–55).

Real-time strategic change events are generally structured over a 3-day period. The first day is focused on “building a common database of strategic information” (Jacobs, 1994, p. 56). Participants sit in “max-mix” groups (groups that represent a diverse set of functions, roles, and departments throughout the organization) and share an experience they have had in the organization over the past year that was exasperating or maddening, along with what the next year is expected to be like (both good and bad). Participants summarize the themes representing their current view of the organization and hear from leaders who talk honestly about their own views of the organization. With a commonly shared present state, organizational members learn more about the strategic plan from top leaders, asking questions to clarify their understanding. Next, customers or content experts may give presentations to expand the group’s perspective. Participants explicitly discuss changes that they need to make or that other functions need to make for the strategy to be successful. Through processes of individual group discussion, posting themes, and voting, organizational members are drawn back and forth between their own small group contributions and the ideas and beliefs of the larger group. The conclusion of the event asks intact teams to work on action plans as a team to take feedback from other groups and to make decisions about how they can support the strategic plan, designing follow-up initiatives that they will commit to accomplishing. Jacobs (1994) states that the real-time strategic event combines dissatisfaction with a

current state, a vision for the future, and action planning that can overcome resistance to change when a large group goes through the experience at the same time.

It is clear that as organizations follow the strategic planning process, OD practitioners can offer a significant contribution:

By infusing strategic planning processes with the OD perspective, organizations can understand better when and how to make substantive changes in their strategic orientations. Without this integration, we fear organizations will continue to generate elegant strategies that fail to get implemented or effectively implement organizational changes that have but a tenuous relationship to firm performance. (Worley et al., 1996, pp. 153–154)

More and more, OD practitioners are developing skills in strategic planning. They have value to add to the development of strategic content by becoming experts in strategic planning processes, especially in the areas of implementation and change. The integrated strategic change process and real-time strategic change are two methodologies by which OD practitioners can accomplish this.

Scenario Planning

Scenario planning was developed as a management methodology in the late 1960s and 1970s at Royal Dutch/Shell company to better plan for the possible economic and oil demand conditions of the mid-1970s. By using a process of defining and elaborating on various alternative scenarios, they could prepare for what they saw as (and what turned out to be) an eventual oil crisis (Wack, 1985a, 1985b). As we have discussed, the contemporary environment is characterized by a rapid pace of change and a great deal of uncertainty, which has made scenario planning increasingly popular in the past 5 to 10 years. Globalization, increased competition, and economic changes have made a single predictable forecast almost impossible to create or for organizations to respond to. Scenario planning thus encourages organizations to consider several likely possible future states, to consider which of those is most likely, and then to develop plans and actions that could account for a number of possible future situations. In a highly uncertain environment, scenario planning helps to “inform decision making, learn through challenging the currently held mental models, enable organizational learning, and enable organizational agility” (Chermack & Lynham, 2002, p. 373).

An organization can benefit from scenario planning in many circumstances (Schoemaker, 1995):

- Uncertainty is high relative to managers’ ability to predict or adjust.
- Too many costly surprises have occurred in the past.
- The company does not perceive or generate new opportunities.
- The quality of strategic thinking is low.
- The industry has experienced significant change or is about to.
- There are strong differences of opinion, with multiple opinions having merit (p. 27).

Similar to other methods of forecasting, scenario planning involves gathering data to forecast possible future conditions. However, “scenario planning simplifies the avalanche of data into a limited number of possible states” (Schoemaker, 1995, p. 26) that allow organizational members to consider and to address. Thus, it is in contrast with strategic planning, in which an organization develops its own plans for its future, and risk mitigation or contingency planning, in which an organization plans for a single future event that may or may not happen (for example, the computer backup system may crash). A scenario is also not a vision statement, which is an organization’s desired future state, is based on its values, and is intended to energize and motivate organizational members.

Instead, scenario planning “embraces uncertainty by identifying those unknowns that matter most in shaping the future of a focal issue” (Steil & Gibbons-Carr, 2005, p. 17). Scenario planning works best when there are a number of possible options and there is a high level of uncertainty about which options are likely to pan out. City planners may be able to develop contingency plans if this year’s rainfall amounts fail to fill the reservoir to capacity (rationing or price increases, for example). But will the city’s infrastructure be robust enough to support the city’s needs in 25 years? How will environmental conditions, upstream water usage, tax revenues, transportation, housing prices, interest rates, population increases or decreases, and water rights legislation all affect the future needs of the city? Moreover, which of those factors will be most important to take into consideration? While some data are likely to be available on many of these topics, it may not be possible to predict with certainty how those factors will interact to produce a single likely future state.

In a scenario planning process, detailed stories or narratives (scenarios) are developed that describe plausible future circumstances. “A scenario is a well-worked answer to the question: ‘What can conceivably happen?’ Or: ‘What would happen if . . . ?’” (Lindgren & Bandhold, 2003, p. 21). Scenarios contain enough detail as to be conceivable and credible, and they should be written in a persuasive enough narrative that they help decision makers visualize the future and its impacts on the organization. Scenarios contain both dramatic imagination but also thought-provoking analysis. In the city planning example above, planners might construct a scenario of what the city looks like 25 years from now, imagining a dramatic increase in the population due to the growth and expansion of three of the area’s major employers, all high-tech companies. Interest rates have remained steady, and the area’s moderate climate and attractive business environment has brought 25,000 new residents to the community, putting a great strain on the city’s infrastructure. A second scenario may predict the mergers of the area’s three employers leading to job loss and residents moving away from the city to the south metro area where the employment climate is stable, implying that the city’s water needs will also remain stable, providing an opportunity to sell excess capacity to surrounding communities. The two scenarios describe very different future states but also describe the conditions to be monitored that will affect the need to take action.

While there are many variations, one recommended scenario planning methodology consists broadly of four major activities (Ralston & Wilson, 2006):

1. *Getting started.* Before any scenarios are written, a scenario planning team should be formed (usually somewhere around a dozen members who have executive support) and the group must determine the time horizon to be discussed and the focal topic of interest. The group should agree on the process and outcomes of the effort.

2. *Laying the environmental-analysis foundation.* Group members gather quantitative data about facts and trends as well as qualitative data about views of the future from organizational members. At this stage, the group explores external factors such as demographic trends, social and environmental patterns, and other economic, political, and technological concerns.

3. *Creating the scenarios.* The factors discussed earlier are now analyzed and compared for their predictability and influence on the organization. Three to five story lines or scenarios are written that capture the majority of the extreme future alternatives. A table compares the scenarios across several variables of concern.

Good scenarios, according to Lindgren and Bandhold (2003), have the following seven characteristics:

- *Decision-making power.* The scenario provides enough detail that decisions can be made based on the scenario coming true.
- *Plausibility.* The scenario must be realistic and believable.
- *Alternatives.* Scenarios should imply options and choices, each of which could be a likely future state.
- *Consistency.* A scenario should be consistent in its own story. That is, to use the example above, proposing employment loss but income increases might need to have some explanation to make it consistent.
- *Differentiation.* Scenarios must be different enough from one another that they describe genuinely alternative situations (ideally they would be diametrically opposed).
- *Memorability.* Scenarios should be limited in number, and each should provide dramatic narrative for ease of recall.
- *Challenge.* The scenarios should confront what the organization currently believes about future events.

4. *Moving from scenarios to a decision.* The scenario planning group and the leadership team discuss implications of each scenario, including the opportunities and threats to the organization for each alternative. Current strategic decisions are tested and debated. The group makes decisions about what actions to take and agrees on metrics and processes for communicating and monitoring the actions.

While scenario planning is simple to explain in concept, it is very difficult to do and to facilitate (Ogilvy, 2002). Facilitating a team through a scenario planning exercise also requires a healthy team in which members have “patience, respect for others, a sense of humor, a reservoir of knowledge and experience, [and] the ability to listen closely to what others have to say” (Ogilvy, 2002, p. 180). A scenario

planning intervention can involve not only creative thinking about uncertain and unknown events but also can require the ability to thoughtfully consider ideas and future events that are opposed to one another. Organizational members can have difficulty rationally considering a future in which, for example, the organization's products are obsolete or unnecessary. One purpose of scenario planning is to push these options as topics of discussion.

About scenario planning, Wack (1985a) concludes as follows:

By presenting other ways of seeing the world, decision scenarios allow managers to break out of a one-eyed view. Scenarios give managers something very precious: the ability to re-perceive reality. In a turbulent business environment, there is more to see than managers normally perceive. . . . It has been my repeated experience that the perceptions that emerge when the disciplined approach of scenario analysis is practiced are richer and often critical different from the previous implicit view. (p. 150)

Search Conferences and Future Search

Search conferences and future search conferences are related interventions during which a broad cross-section of stakeholders meet over a short period to develop agreements and action plans to move the organization to a desired future. These techniques have been pioneered and explained in detail by Emery and Purser (1996) and Weisbord and Janoff (2000; Weisbord, 1992), with others proposing additional variations on or applications of the same concept (Axelrod, 1992; Cahoon, 2000). While there are some differences between the two formats (particularly in how the conference planners deal with conflict; see Emery & Purser, 1996, p. 215), both intervention methodologies seek to encourage commitment to a common vision of the future and to develop energy to work on the action plans that will bring about that future in a highly participative environment. We will concentrate below on how future search conferences work.

Features of a Future Search Conference

Size, Length, and Subject. A future search conference is a 2½- to 3-day meeting (with a typical size of about 60 participants) to create action plans for an issue or concern that participants share. It is not a problem-solving conference, in the sense that it is not intended to get a group together to determine how to deal with the county's homeless population or how to reduce the cycle time for shipping of the company's most popular product (though those may be topics for action planning later). Instead, the topic is likely to be "a future search for ABC county" or "the future of ABC company," topics that tend to promote positive energy toward a desired future. It is also not a team-building meeting where members negotiate roles or work processes.

Attendance. The objective in inviting participants is to "get the whole system in the room." A broad cross-section of stakeholders is invited to participate. A conference

to determine the future of a school district may invite administrators, students, parents, teachers, staff, business leaders, and elected and government officials (see Bailey & Dupre, 1992; Schweitz & Martens, 2005). Involving multiple stakeholder groups is an important feature of a search conference, for two reasons. First, involvement leads to better input and better decisions. When participants share what they know, every participant learns something about another stakeholder group (their opinions, goals, and problems) that they may not have realized when they examined the situation from their perspective. New relationships are built. Second, involvement means that implementation is more likely because solutions already have built-in commitment from people who developed them. Extensive “selling” is less necessary. “The mayor opens one door, the grass-roots activist another, the ordinary citizen still a third. Together, they make possible a range of commitments none could make alone” (Weisbord & Janoff, 2000, p. 66). Weisbord and Janoff (2000) recommend that 25 to 40% of the participants be from outside the organization. Most importantly, participants must care about the topic and have a stake in its outcome.

Data Gathering and Interpretation. The future search conference methodology approaches the task of data gathering and interpretation differently from the traditional role of the OD practitioner. Instead of the practitioner leading the data gathering and interpretation process, Weisbord remarks that “in search you have people interacting, collecting, and interpreting their own data” (Manning, 1994, p. 88). Participants may bring external data, but their own experiences tend to be the most powerful source of data. By conducting the data interpretation process themselves, participants take responsibility for managing their own content and group process, skills that will be important following the conference as groups take action without the aid of a consultant.

Exploring the Wider Context. The conference is designed for participants to hold a broad dialogue about their shared past and present before attempting to plan a future. In doing so, they learn how their past paths intertwine and interrelate and how they each have arrived at a particular interpretation of the present based on this foundation. With the wider context as a foundation, participants can have a dialogue about a future in which they also all will participate.

Structure. A future search conference involves few to no presentations, training, or speeches by top executives. Instead, it tends to follow this 3-day pattern (Weisbord & Janoff, 2000):

Day 1 (Afternoon)

The first theme for the afternoon is a focus on the past. Participants sit in heterogeneous groups, often with people whom they have never met. On long sheets of paper posted on the wall, participants write their experiences along 5- to 10-year time frames under three categories: “Personal,” “Global,” and a third focusing on the company, community, or the issue on which the conference is focused. Immediately,

all participants are up and writing a sentence or two explaining, for example, what was happening in the company in the 1990s, in their personal life in the 1980s, and so on. All participants share something from their own experience. Back in their mixed groups, participants analyze common themes in the data and present their findings to one another. Then the topic immediately shifts to present trends that are affecting them. The activity is a “mind map,” a large graphic display of trends and their relationships to one another. As the final activity of the day, participants vote on which of the top trends they believe are most influential. In a very short time, participants have established a shared past and conducted an analysis of current influential trends. Importantly, by completing a small task together, they have also learned something about collaborating and appreciating one another’s perspectives.

Day 2 (Morning)

The next morning, participants are reseated into stakeholder groups (e.g., customers work with customers, suppliers with other suppliers). Now working with others with whom they share a common role, they analyze the influential trends from the previous day, and they share with the larger group what their individual stakeholder groups are currently doing with respect to the trends and what they would like to do in the future. Next, the same groups make two lists. The first list is their list of “prouds,” or those things they are currently doing with respect to the organization or focal issue that they are proud of or that are working well. The second is a list of “sorries,” those things they regret or that are not working well. By the end of the morning, the stakeholder groups have acknowledged their place in the system’s success. Because each group has admitted to its regrets as well as acknowledged its successes, groups end up on equal footing and they notice the ways in which they are interrelated.

Day 2 (Afternoon)

In the afternoon, talk turns to the future, and participants are again reseated in diverse stakeholder groups. Each group has a single deliverable: a creative presentation of their desired state in 10 to 20 years, often putting themselves into the future and looking back on today with the “hindsight” of experience. The presentations take the form of “putting on a skit or a play or writing a poem or singing a song” (Manning, 1994, p. 89). Unleashing creative forces tends to free participants’ energy from the discouraging issues and problems of the present. Participants often report that this was the most energizing, entertaining, and powerful part of the conference. After hearing each presentation, the groups develop lists of the common themes they heard, possible projects that could result, and any areas of disagreement that they have with the desired futures.

Day 3

The final day is devoted to developing agreements and action plans. The whole conference group reviews the lists of themes, projects, and disagreements

from the previous day. Individuals and stakeholder groups face the reality of the choices they need to make about the future, and they may not be willing to support some of the identified alternatives. Such disagreements are not resolved during the conference but are placed on a list. The objective is to identify those actions, based on a common vision of the future, that groups can support. Once projects or themes are agreed to, stakeholder or ad hoc groups meet to develop short-term or long-term action plans. Participants develop postconference plans for communication and follow-up in meetings or through websites or newsletters.

Future search conferences following this structure have been sponsored in hundreds if not thousands of organizations around the world, in virtually every industry and organizational profile. In a short time, it can be an excellent intervention to encourage groups from multiple perspectives to develop a common vision of the future. Like most other interventions, it does not work well when skeptical participants or sponsors are coerced into participation, when there are significant differences in underlying values, or when mixed stakeholder groups are intentionally not included because they are distrusted.

Quality and Productivity Interventions

The three interventions in this section that address organizational quality and employee productivity arguably suffer more from a “fad” mentality than do most of the other interventions discussed in this book. Total Quality Management, reengineering, and Six Sigma have all had moments of popularity as well as moments where their techniques have been assailed in both the popular and academic press. None was, strictly speaking, developed as an organization development intervention in the same traditions as we have discussed, but because change agents are frequently involved in their application, it is important for most OD practitioners to be at least somewhat familiar with them.

Total Quality Management

Total Quality Management (TQM) developed as the earliest of these three approaches, gaining widespread attention in the 1980s as a response to the quality challenges to American manufacturing coming from Japan. TQM uses quality principles and tools to manage and improve processes through employee involvement in teams. Quality, in this respect, is not just the responsibility of manufacturing products that are error-free. Instead, quality is everywhere. “Total quality management can be defined as creating and implementing organizational architectures that motivate, support, and enable quality management in all the activities of the enterprise” (Heilpern & Nadler, 1992, p. 138). However, there is much variation in what TQM means and a number of highly specialized tools and techniques that many consider to be part of a TQM effort, including the following:

Practices such as benchmarking, continuous improvement, *Kaizen*, concurrent engineering, just-in-time, empowerment, *Poka-Yoke*, micro process control, cycle time, flexible manufacturing, lean production, customer focus, value added, suppliers as partners, cross-function networking, statistical process control, and total system control. Since TQM means so many different practices, TQM means different things to different consultants. (Boje, 1993, pp. 4–5)

TQM involves systems thinking (as we discussed in Chapter 4), where customers receive the output of the organization's inputs and process steps. In TQM, processes are systematically measured using statistical techniques, called *statistical process control* (SPC), to chart the accuracy and productivity of each process. Problems are examined and solved using specific analysis techniques. Not only does TQM require significant training for employees to learn these techniques, but it requires a cultural shift in many organizations to consider the impact of every process on customer quality, with every employee taking ownership and responsibility for quality. In addition, management processes, including measurement tools, rewards, and communications, are all impacted by the adoption of a TQM mentality. Effectively implementing a TQM program can take 5 to 7 years (Heilpern & Nadler, 1992).

TQM comprises five basic activities (Adams, 1992):

1. *Identify customers and what they value at all levels.* The top management team must support the quality effort in the organization and should meet regularly with top and potential customers to assess the organization's products and services. Moreover, TQM also emphasizes meeting the needs of internal customers, for those departments that serve others internal to the organization, such as finance or human resources.
2. *Identify products and services provided.* Customers should be asked which products or services they value, how they use those products or services, and what improvements would make the product or service even more valuable.
3. *Define processes.* Flowchart techniques are used to document the actual process in use today, with all its flaws, including rework, testing, and quality checks. Employee teams can document processes and point to common problem or errors in the process.
4. *Simplify the process.* Like quality circles, ad hoc cross-functional employee teams can take ownership for process improvement activities as those closest to the action. Unnecessary process activities can be combined with others or eliminated to streamline the number of steps required.
5. *Continuously improve.* Incremental process changes can be made regularly when data from SPC charts and root cause analysis tools prove that there is a fault in the process. SPC charts show the standard variations in the process so that when a process exceeds these levels, action can be taken to understand and correct where errors are occurring. Management must rely on data (such as quantitative charts) to make decisions rather than making decisions on a hunch or best guess.

Critics of TQM point to its high failure rate (about three-quarters of implementations fail to live up to their expectations, according to Spector & Beer, 1994), the wide gap between its “rhetoric and reality” (Zbaracki, 1998), and presumptive packaging as an employee involvement strategy masking a mechanism for management control (in the footsteps of Taylorism) through statistics (Boje & Winsor, 1993). Supporters, however, point to significant improvements in organizations that have used the TQM approach, documented in the annual Malcolm Baldrige Quality Award competition.

Reengineering

Hammer and Champy’s (1993) book *Reengineering the Corporation* argued that management fads and quality efforts had done little to improve productivity and profitability in corporations. They pointed out that in most organizations, there exist tremendous inefficiencies caused by organizational structures that segment research and development, engineering, manufacturing, shipping, customer service, and more into distinct divisions that may each be successful but at the expense of another department. Rather than make small incremental changes to existing processes (such as small technology improvements that could save a few hours or dollars in manufacturing or shipping), companies could save more time and money by rethinking and restructuring entire operations. As an example, they pointed to a company that reengineered its credit processes so that instead of separate departments handling applications, credit checks, writing loans, and so on, one person would follow the request through the entire process. By involving fewer departments and giving one person the responsibility to manage the process, cycle time was reduced considerably. Hammer and Champy write that reengineering is not the same as automation, downsizing, or reorganizing; rather, it is a rebuilding process where entire organizational operations are created anew. The reengineering movement touched off by Hammer and Champy’s book continues today, sometimes under the moniker of *business process reengineering* (or *redesign*) (BPR), though today it does often involve new technology and downsizing.

Reengineering efforts are comprised of a leader, a process owner, a reengineering team, and an overall reengineering steering committee and “czar” (who oversee all of the organization’s reengineering efforts). The organization’s major processes are defined and mapped to understand the work currently being done. Three criteria help the team determine which processes are ripe for reengineering: processes that are not working as they should, processes that affect the organization’s customers, and processes that would have a high impact if redesigned. Once the organization has chosen a process to be reengineered, it is the responsibility of a reengineering team to remove barriers, create new process steps, develop new job roles, shift responsibilities, or consider any of a number of other possible changes. They consider how to implement core reengineering principles such as “as few people as possible should be involved in the performance of a process” (Hammer & Champy, 1993, p. 144).

The reengineering movement is related to and consistent with the widespread belief in OD to think both structurally and systemically about larger organizational

processes and practices rather than improvements in a single department or system. However, there are also important value conflicts with OD. The primary values of reengineering tend to be about organizational profitability and process control rather than participation (Moosbrucker & Loftin, 1998). Hammer and Champy (1993) note that two major flaws with most reengineering programs are that they let the corporate culture stall the effort and they fail to run the program from the top down, writing that “frontline employees and middle managers are unable to initiate and implement a successful reengineering effort” (p. 207). Consequently, when pushed through without involvement from those affected, many reengineering efforts have failed to manage major transitions. As an outcome, OD practitioners have found that reengineering efforts that have in the past resulted in downsizing, rightsizing, or other euphemistic terms for layoffs often color how organizational members approach reengineering interventions (Church, Burke, & Van Eynde, 1994), which has led to significant employee dissatisfaction. This has prompted many observers to call for integrating OD values and processes (such as participation, open communication, employee involvement, and shared leadership) with the potentially significant improvements gained through reengineering programs (Cheyunski & Millard, 1998; Moosbrucker & Loftin, 1998).

Six Sigma

Six Sigma grew out of quality improvement initiatives at Motorola in the late 1980s, and it gained popular attention when Harry and Schroeder (2000) published a book by the same name. Motorola executives were convinced that they could develop higher quality products at a lower cost, a proposition that has been proven over and over through many Six Sigma projects. Within 4 years of implementing the Six Sigma program, the company calculated that it had saved \$2.2 billion in productivity increases and cost reductions. It has been used by companies such as GE, AlliedSignal, Ford, Sony, and many more.

The term *six sigma* has two meanings. The first is as a statistical measure; the second is as a business process improvement initiative that uses statistical methods or strives for Six Sigma-level performance. As a statistical measure, six sigma (6σ) refers to the existence of fewer than 3.4 “defects” for every 1 million opportunities. Most processes operate at about a 3 or 4 sigma level, or approximately 10,000 to 60,000 errors for every million opportunities. For example, at 4σ (99% accuracy), the post office would misplace about 20,000 pieces of mail per hour. At 6σ , it would misplace *seven*.

Six Sigma also refers to projects that are undertaken to measure and improve an organization’s processes. Six Sigma is also built into the infrastructure of the organization through the establishment of several important roles, called *champions*, *master black belts*, *black belts*, and *green belts*. Black belts and green belts lead improvement projects whereas champions and master black belts remove obstacles and provide support and mentoring. Black belts work with green belt team members to apply quality tools to specific problems to drive financial savings and

productivity improvements directly to the organization's bottom line. The quality tools used in Six Sigma look much like those that have been around in other quality programs for years. The difference, according to Harry and Schroeder, is that Six Sigma stresses the application of these tools and diligently questions existing work processes to result in a dramatic, measurable impact to the bottom line.

To implement and sustain a Six Sigma program, Harry and Schroeder (2000) write that it takes three steps:

1. *An honest assessment of the organization's readiness to implement Six Sigma.* This includes an assessment of strategic direction, the chances of meeting financial and growth goals, and the organization's ability to adapt effectively and efficiently to new circumstances. Will the company culture (including executives, managers, and employees) expend the necessary energy and provide commitment?
2. *Willingness to expend the needed resources.* There are direct and indirect financial impacts to launching a Six Sigma program. Direct and indirect payroll costs include the number of people dedicated to the effort full-time and the time devoted by executives, team members, and process owners to measuring and improving processes. There are significant training costs as well.
3. *Reflection on the objectives, scope, and timeframe for the program.* This includes an assessment of what the organization wants to accomplish in which areas in what time period, and whether it is appropriate to implement a pilot program in one area, or in the entire organization at once.

Total Quality Management, reengineering, and Six Sigma all aim to improve customer satisfaction and productivity through process improvement efforts. With each program, critics have pointed out that its popularity has waned as improvements either failed to materialize or were short-lived. Yet most agree that this failure is not due to the programs themselves. Their failure, in many cases, has been due to practitioners' neglecting to think of the program as an organizational change intervention, with all of the associated cultural and stakeholder challenges as we have discussed in this book. In this respect, many observers believe that OD principles have much to offer the quality movement.

Mergers and Acquisitions

It has been estimated that anywhere from 50% to 75% of all mergers and acquisitions fail to achieve their financial or strategic objectives (Marks, 2002; Marks & Mirvis, 2001; Nahavandi & Malekzadeh, 1993). Despite the negative press of a low success rate, merger and acquisition activity increased substantially in the 1990s and 2000s (Daly, Pouders, & Kabanoff, 2004; Tetenbaum, 1999). The mergers of HP and Compaq, Daimler and Chrysler, and Exxon and Mobil all grabbed headlines, and each has faced its challenges.

Simulated experiments (see Weber & Camerer, 2003), empirical studies (see Daly et al., 2004), and case studies of mergers (see Horowitz et al., 2002) all attest to neglected cultural factors and incompatible cultures as primary reasons why mergers do not live up to their expectations. Almost 40 years ago, Blumberg and Wiener (1971) noticed that “the financial and economic components of mergers are part of a total mix of problems that includes such things as expectations about norm development, role changes, leadership style, decision-making processes, and goal orientation” (p. 87) but the latter categories rarely get the majority of the attention. It seems that not much has changed in this respect over time. Organizations tend to invest time, money, and energy in initial due diligence activities, such as assessing strategic fit, evaluating financial models, considering possible market and customer reactions, and contemplating product roadmaps, but tend to invest relatively little in understanding the merger’s possible impact on people (Tetenbaum, 1999), unlike the rare example that opens this chapter. This has been true despite the fact that many executives increasingly recognize that successful merger and acquisition integration depends fundamentally on people (Cartwright & Cooper, 1993). Executives may examine the financial and strategic aspects of an acquisition because they may be less amenable to change, while culture and people issues are assumed to somehow fall into place.

In many mergers in today’s knowledge and service economy, effectively integrating the acquiree’s employees is as important as acquiring customers and intellectual property. Failing to appropriately integrate them often means that the most talented never identify with the target company and eventually leave—in fact, up to 75% of senior managers tend to leave within 3 years unless specific efforts are made to integrate them effectively (Tetenbaum, 1999). Despite the popular “120-day plans” or “business as usual” mantras, mergers cause significant disruption. The political reality can quickly become apparent—even the dominant focus of attention—as employees and managers in both organizations begin to jockey for new roles and opportunities in the new structure. As employees worry about their job security, whether they will have the skills to be successful in the new company, whether compensation and benefits will be comparable, and whether they will feel comfortable with the new corporate identity, productivity and morale often suffer serious declines (Holbeche, 2006).

When two organizations come together, culture clashes can occur on a variety of dimensions, such as whether the two companies match or differ with respect to the following:

- Consensus decision making or autonomous decision making
- Risk taking or risk averse
- Formal or informal
- Emphasis on rapid agreement or on thorough analysis
- Emphasis on standard rules or on flexibility
- Emphasis on centralized corporate control or on regional control
- Hierarchical or egalitarian structures
- Long-term orientation or short-term orientation
- Preference for face-to-face or for e-mail communication

Successfully integrating two cultures requires significant work even before merger and acquisition agreements are signed. In each phase of the merger and acquisition process, leaders should devote some attention to cultural issues.

1. *Precontract stage.* In the precontract stage, “human due diligence” (Harding & Rouse, 2007) requires cultural assessments of both the acquiring company and the company being acquired. As Deetz et al. (2000) write, “before an organization should even consider merging with another, it should take stock of its own corporate philosophies, goals, and visions” (p. 175). Knowing one’s own culture will help to identify blind spots or potential problem areas in an acquisition. Likewise, the acquiring company should know what strengths and weaknesses exist in the target company’s culture. For example, an organization with a strong culture for innovation and problem solving, where organizational members distrust solutions not invented by members of the organization, may have trouble merging with another like-minded culture if organizational members distrust the newcomers. Harding and Rouse (2007) also recommend evaluating the top management’s structure and function, and management and decision-making processes, and to examine the skills and capabilities of the target organization’s top teams and individuals. These facts can aid in determining whether the acquisition is a good idea at all. Some organizations that take cultural due diligence seriously actually walk away from acquisition deals when their assessment indicates that the integration would be so difficult and argumentative due to cultural factors it would not be worth it (Tetenbaum, 1999). This level of assessment can be difficult, especially for confidentiality reasons, because the OD practitioners or human resources department are often left out of the early stages of negotiation and due diligence.

Transition to the new culture begins the moment the deal is announced. Executives, managers, and the integration team should be prepared for and plan for employee responses to the shock of the acquisition announcement. Communication plans should include the delivery of messages in person (Deetz et al., 2000), frank discussion of the challenges of integration (Marks & Mirvis, 2001), two-way dialogue to allow employees to express their own concerns and ideas, and education about the acquiring company to ease the transition to a new cultural and organizational identity.

2. *Postcontract, “combination phase.”* Once the merger or acquisition is announced and employees of both organizations can begin discussing it in the open, they can further explore cultural attributes of both organizations and develop what Trompenaars and Prud’homme (2004) call a “cultural gap analysis.” An integration team can be the focal point for such an effort.

Many authors recommend that effective merger integration should be handled by an integration team formed by executives, managers, and employees of both companies. The job of the integration team will be to handle the daily decisions and actions needed to effectively bring both organizations together, and it should be managed by a respected leader who can resolve conflicts among integration subteams. Tetenbaum (1999) also recommends that the integration team have a cultural leader who has strong skills and a high level of knowledge of organizational culture.

The level or type of acculturation should be an explicit topic of dialogue, however difficult it may be for the team to discuss. Nahavandi and Malekzadeh (1993) write of four acculturation scenarios:

- *Assimilation.* This occurs when the acquired company relinquishes its cultural practices and adopts those of the acquiring company.
- *Integration.* The acquired company and acquiring company both retain and also both relinquish aspects of their cultural identities, perhaps sharing cultural elements between them.

- *Separation.* The acquired company retains most of its original cultural attributes, frequently remaining as a division or stand-alone part of the acquiring company.
- *Deculturation.* The acquired company gives up its cultural attributes but is unwilling to adopt those of the acquiring company, usually leading to dissolution of the old organization.

They write that in acquisitions of stronger cultures, integration and separation are more effective strategies, but assimilation or deculturation are likely to be more successful when acquiring a weak culture. Often, integration teams claim to be doing a cultural integration out of respect for the target company, when their actions point to a cultural assimilation strategy. In addition, employees of the target company may be unwilling to abandon their previous culture, no matter how much the integration team would like them to do so. Cartwright and Cooper (1993) write that “many mergers and acquisitions fail, or develop often avoidable problems from the outset, because one of the parties does not recognize, share, or accept the other’s perception of the marriage terms” (p. 65). Honest conclusions and communications about the acculturation scenario will help the integration team make appropriate integration decisions and will help the team maintain credibility with employees of both organizations.

3. *Postcombination.* Once the two organizations are legally combined, it is common for the integration team to quietly disband, declare the organizations integrated, and ask members to return to their former jobs. As Buono (2003) notes, “pre-combination transition planning teams continue to be disbanded too early” and “far too many organizations continue to treat the merger and acquisition process as an engineering exercise . . . rather than a far more chaotic set of events that readily affect people’s lives and future prospects” (p. 91). This may be because many observers note that a long, drawn-out integration is likely to result in long-term ambiguity and confusion. This is unfortunate, however, because this is where the cultural integration work truly begins, as new teams need guidance and support in team formation activities and learning to cope with the cultural challenges ahead. Such integration work can take up to 2 years or longer, depending on the size and difficulty of the acquisition, and without an integration team to provide resources and attention to integration activities and challenges, managers have few avenues for support. Research suggests that leadership turnover will increase threefold after an acquisition, complicating the continuity often needed in a turbulent circumstance (Krug, 2009).

Several activities can help to make transitions easier. For example, communications should continue following the effective acquisition date to support employees in their adoption of the new culture, continuing to provide education on the organizational vision, strategies, and goals. To help organizational members learn to work more effectively together, Tetenbaum (1999) recommends that a superordinate goal be established that requires employees from both organizations to collaborate.

Successfully integrating two cultures requires significant attention and dedicated resources. Cultural analysis of both the acquired and acquiring companies in the early stages of the combination can provide valuable information about the subjects in the integration that are likely to be contentious and most challenging. It is likely that regardless of the acculturation strategy, because there are so many

cultural attributes of any organization (as well as its myriad subcultures) cultural conflict is probably unavoidable. It is possible, however, to be attuned to the dimensions and degrees of cultural difference so that potential conflicts can be better understood, and managers and employees can be prepared for what to do when it happens.

In the postcombination phase, attention must be given to how the merger evolves at the team and department level for the organization to achieve the value desired from the combination. Galpin and Herndon (2008) report the results of a study of executives from 21 different industries who had experienced a merger or acquisition. Almost half of respondents (49%) reported that their organization was in need of “merger repair—that is, my company has several operational, productivity, service, and/or performance issues resulting from poorly conducted M&A integration efforts” (p. 7). This research suggests that continual monitoring and adjustment following the close of the combination is a key competency in achieving a successful merger or acquisition. Indeed, Barkema and Schijven (2008) note that “acquirers are typically unable to optimally integrate acquisitions the first time around” (p. 702) and that “restructuring plays an important role in more fully realizing the potential of the firm’s acquisitions” (p. 715), suggesting that organization design work early in the process and in the years following the acquisition is also important (Jasinski, 2010). While we continue to learn more about effective actions in the postcombination phase, it is likely that this phase continues for a longer period and requires more conscious attention than it often receives.

Transorganization or Interorganization Development

A special circumstance in organization development describes the application of OD concepts to situations in which multiple organizations join together in networks or collaborative relationships with a shared purpose (Cummings, 1984). They are referred to as transorganizational systems, or “meta-organizations” (Ahrne & Brunsson, 2008). Many observers have noted that these kinds of relationships are increasing in frequency, but that the field of organization development has been slow to understand the unique challenges involved in these relationships (Clarke, 2005; Cummings, 1984). Ahrne and Brunsson (2008) estimate that there are upwards of 200,000 meta-organizations in Europe alone.

Multiple organizations may enter together into interorganizational relationships (also called transorganizational systems) “to exchange or pool their resources, or they may decide to work together toward some common and mutually agreed upon end, or they may collaboratively produce a new product or service” (Alter & Hage, 1993, p. 2). Sometimes these multiple organization systems arise to address problems and challenges that none could solve independently, perhaps because each did not have the resources to solve the problem or because the organizations are interdependent and must cooperate to solve it (Chisholm, 2000). Examples of these multiple organization relationships include the following:

- Joint ventures for new products or services
- Consortia to develop industry standards
- Production networks

- Public-private partnerships, such as those in education or health care
- Co-ops or purchasing networks
- Trade agreements, associations, or unions
- Joint research and development consortia
- Lobbying associations of for-profit and not-for-profit organizations

Each of these types of transorganizational system (TS) differs in how it is organized. For example, in the development of a joint venture, two or three organizations may meet periodically to determine who will handle which responsibility and how they will work together to meet each organization's objective. Perhaps one may do research and development while the other does manufacturing. In other situations, such as in a trade association or industry standards consortia, there may be yet another new organization formed with representatives from each of the participating organizations. (The United Nations would be such an example.) In still other situations, organizations may participate in name alone, or they may have only an economic relationship such as in a purchasing network.

Chisholm (2008) describes a system that developed in Romania in the 1990s called the Collaborative Alliance for Romanian Orphans. Hundreds of organizations from around the world joined in a consortium to provide relief to an estimated 140,000 orphans left in state institutions. They shared the goals of providing emergency relief, improving the health care system, and in a short time trained hundreds of medical professionals and cared for tens of thousands of children.

Transorganizational systems develop in a three-step process of identification, convention, and organization (Cummings, 1984). Each of these stages presents unique topics of concern:

1. *Identification.* The focus is on the reason for forming the TS, as well as finding and inviting members who have a stake in the issue or concern to participate. Because different groups will see the problem differently, they may have different ideas about the problem's scope and boundaries, so identifying relevant members and establishing the scope of the relationship can be difficult.
2. *Convention.* This second stage consists of soliciting input on each member's perception of the problem, members' objectives and motivations to join, and developing a commitment to taking action to address the issue.
3. *Organization.* Members explore and agree on the desired future they would like to see, including actions each would agree to take to reach that future. Some have used the search conference methodology described earlier to do so (Clarke, 2005; Trist, 1985). Participants develop working arrangements on topics such as communication preferences, norms of participation, decision making, leadership, and structure. For example, what decisions and actions can the TS take on behalf of its members without explicit permission?

From one perspective, problems in these relationships can be addressed with a number of the strategies described in Chapter 11 on single-group interventions, such as new team formation activities and team-building interventions. However, transorganizational systems also have special characteristics that make the application

of traditional OD interventions particularly challenging and in many cases demand a different approach, for example:

1. *Hierarchy and structure* are different in transorganizational systems from that in typical organizations. In many cases, group members participate on equal footing with no hierarchical relationship between them, and no higher level “manager” to resolve disputes. Members must conduct their own activities in a self-regulating fashion (Chisholm, 2000). Some have suggested that transorganizational systems are “underorganized” (Brown, 1980; Cummings, 1984), meaning that participants are only loosely tied to one another, with vaguely defined purposes and few or no policies or formal procedures. In these situations, change strategies should “increase organization of the system” (Brown, 1980, p. 190) such as “increasing shared norms and values, and designing structures, roles, and technologies to create predictability and regularity” (Cummings, 1984, p. 399).

2. *Membership relationships* are unique compared with most organizations in which employees all have the same relationship (or similar relationships) to the organization. Membership in a transorganizational system can be voluntary, as in the case of cooperative production network or international political body, in which case participation and engagement of all members is a primary concern. In these cases, it helps to know members’ motivations for participating and individual members’ goals and objectives. Different members may have different objectives and desires for the system, some of which may conflict. Participation can also be involuntary or mandated by regulation or law, where conflict may be more apparent (Cummings, 1984). In both cases, members of the transorganizational system also are members of their “home” organization, and often must report back to them or get official permission from them to act on the home organization’s behalf. Consequently, negotiations and agreements often involve several rounds of discussion. Change agents working with these systems can help to define decision processes so that members are clear about what levels of agreement are required.

3. *Trust and collaboration* are special concerns in transorganizational systems (Vangen & Huxham, 2003), and political issues are likely and can be highly charged. For example, competitors may decide to cooperatively join together and come to agreement on joint industry standards because the market demands it, but each has a separate interest in its own success. Members may suspect other members’ motives and hidden agendas for their choices, contributions, or opinions. Lobbying, vote-trading, power struggles, and coalitions are likely results. Vangen and Huxham (2003) write that trust and collaboration can be developed in these systems through a gradual cyclical process of trust building, taking risks, managing power imbalances and dynamics, and achieving modest incremental successes as a foundation for further trust. They also note that it may not be possible to build a highly trusting relationship in these systems, and that the system must learn how to manage with this situation.

Summary

In this chapter, we have discussed a number of large-scale intervention techniques directed at changing the character and performance of whole systems. In this category of interventions, changes have been made in recent years to design

interventions that involve a broad number and type of stakeholders, “getting the whole system in the room” to encourage increased participation and commitment to organizational change. This has been true whether the target is a single strategic planning session in one organization or a search conference involving thousands of citizens in multiple nations. Because of their subject matter and magnitude, large-scale interventions can be among the most difficult to execute effectively. However, if success in the contemporary organizational environment means being successful at large-scale change, such interventions are likely to be the hallmark of any successful organization.

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