



# ORGANIZATION DEVELOPMENT FUNDAMENTALS

*Managing Strategic Change*

*William J. Rothwell,  
Editor*

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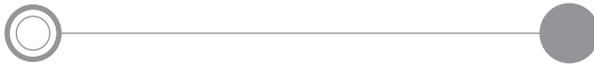


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# Preface



Organization development and change management are sometimes terms in search of meaning. They do not have one single definition but instead enjoy a range of meanings—depending on the types of problems to which they are attached.

This book opens with an Advance Organizer to help you focus on the areas in which you have the most to learn. Chapter 1 defines organization development (OD) and change management (CM), and describes the history of each field. Chapter 2 reviews important models that guide the craft of change, including systems theory, Lewin's change model, the critical research model, the action research model, and the appreciative inquiry model.

Chapter 3 switches gears, describing the process of change in OD and examining how to enter change settings, contract with change sponsors, diagnose and assess necessary change, collect data and analyze them, provide feedback about analyzed data to change participants, and plan change efforts. It also describes how to implement change, evaluate change results, institutionalize the change, and separate from the setting.

Chapter 4 reviews the competencies unique to OD change agents, and chapter 5 summarizes important issues in implementing OD change efforts at the individual, group, organization, and international levels. Chapter 6 describes the role played by values and ethics in OD change efforts, while chapter 7 delineates important special issues in OD. Finally, chapter 8 offers some predictions about the future of OD.

# Advance Organizer



## The Organizer

Complete the Organizer before you read this book. Use it as a diagnostic tool to help you assess what you want to know most about organization development (OD) and change management (CM)—and where you can quickly and easily find it in this book.

### Directions

Read each item in the Organizer and circle true (T), not applicable (N/A), or false (F) for each one. Spend about 10 minutes answering the questions. Be honest! Think of organization development and change management as you would like them to be—not what some expert says they are. When you finish, score and interpret the results using the instructions at the end of the Organizer. Share your responses with others in your organization and use them as a starting point for conceptualizing organization development and change management. If you would like to learn more about one of these topics, the number in the far right column corresponds to the book chapter in which the subject is discussed.

### The Questions

	Do you believe the organization development or change management in this organization is already:	See chapter:
<b>T N/A F</b>	Aligned with the historical context of OD and/or CM?	1
<b>T N/A F</b>	Attuned to well-regarded definitions of OD and/or CM?	1
<b>T N/A F</b>	Based on a well-known model to guide change?	2
<b>T N/A F</b>	Taking into account approaches for the consultant or facilitator to enter the setting?	3
<b>T N/A F</b>	Taking into account approaches for systematically diagnosing the need for change?	3
<b>T N/A F</b>	Based on effective ways to collect data?	3
<b>T N/A F</b>	Based on effective ways to analyze data?	3
<b>T N/A F</b>	Based on effective ways to feed data back?	3
<b>T N/A F</b>	Based on proven methods to implement change?	3
<b>T N/A F</b>	Based on effective ways to evaluate the change?	3
<b>T N/A F</b>	Based on effective ways to ensure institutionalization of the change?	3
<b>T N/A F</b>	Enacted in accordance with effective OD and CM competencies?	4

T	N/A	F	Enacted in accordance with effective principles based on the number of people affected by the change?	5
T	N/A	F	Undertaken in ways consistent with the organization's values?	6
T	N/A	F	Undertaken in ways consistent with good ethics?	6
T	N/A	F	Undertaken in ways that considered the application of special issues in OD, such as whole systems?	7
T	N/A	F	Undertaken in ways that considered future trends in OD?	8
___			Total	

### Scoring and Interpreting the Organizer

Give yourself 1 point for each "T" and 0 points for each "F" and "N/A."

Total your score and interpret it as follows:

- **More than 15 points:** Your organization may already have an effective OD or CM program. While improvements can be made, your organization has already mastered many best practice OD or CM principles.
- **13 to 15 points:** Improvements could be made in your organization's OD or CM practices. On the whole, however, your organization is already on the right track.
- **11 to 12 points:** Your organization's OD or CM perceptions are not good. Read this book and plan to make significant improvements.
- **Less than 11 points:** Your organization is far away from effective OD or CM.



# 1

## Introduction

William J. Rothwell



*“Change is the only constant.”*  
—Heraclitus, Greek philosopher

This chapter introduces the concepts of organization development and change management. Further, it:

- defines the terms change management (CM) and organization development (OD)
- explains why CM and OD are important
- describes the history of OD and CM.

### **Defining Change Management**

Change management can have many different possible meanings. For some people it means managing expectations about change. For other people it refers to managing communication during an organizational change process. But in common use, change management usually has three distinctive meanings.

#### **Meaning 1: Change Management as a Marketing Term**

When the leaders of large consulting firms decided to sell consulting services associated with organizational change, they searched for

a “marketing-friendly” term they could use to describe their services. Some sales wizards lighted on the term change management as a phrase that had more market traction than organization development or other such terms. So, in this sense, change management is just an empty marketing phrase.

## **Meaning 2: Change Management as an Umbrella Encompassing All Ways to Change People**

Approximately five approaches other than OD may be used to bring about change in organizations. It is worthwhile considering them.

The first approach is coercion. It is popular with autocratic managers. One way to bring about change is to order people to make a change. Coercion is a management practice associated with punishment. If people are ordered to change and they do not do so, then they may be disciplined, demoted, or fired. (Of course, coercion can also be much more subtle. It can be an implicit threat that an undesirable result will fall to those who fail to go along.)

Coercion has the advantage of being fast. It is easy to order people to act and punish them if they do not make the changes mandated by a manager or executive. But coercion has the disadvantage of not being easily accepted by workers. People often do not like to make changes when they are forced to do so. Coercive managers find that people will resign and go to other companies where they are not threatened with punishment. The price of using coercive management, then, is usually higher turnover.

Another disadvantage is that sometimes workers will sabotage a change when they are threatened with punishment. For example, workers may steal company products or money, or discourage customers

from buying company products or services, as a subtle way of striking back at coercive, authoritarian managers.

Coercion is appropriate in times of emergency. When a ship is sinking, a ship's captain is well-advised to order the crew to abandon ship. The captain will probably not want to take a vote to determine whether the crew wants to abandon ship. In rare cases, such as a company going into bankruptcy, coercion may be the most appropriate approach to change.

A second approach to change is persuasion, because one way to bring about change is to sell people on its benefits. Persuasion is a management practice associated with rewards—it is the “carrot,” while coercion is the “stick.” If people are sold on making a change and rewarded for doing it through higher salaries or promotions, then they have a personal stake in success.

Persuasion has the advantage of appealing to self-interest. People change because they see a personal benefit to doing so, and they support the change for that selfish reason. But persuasion has the disadvantage of being an unsure strategy. Sometimes people do not believe they will receive the promised benefits from a change. This is particularly true when the trust level in an organization is low because of a management team that has the habit of telling half-truths. If that is the history, people will not be easily “sold” on making the change. Another disadvantage of persuasion is that it is expensive, because people may have to receive pay raises or other costly benefits.

Persuasion is appropriate when the manager has access to the resources needed to make and keep promises. But when the resources are not sure, another approach to change should be selected, because there is nothing worse than promising financial benefits that cannot be given later. Doing that destroys trust and usually angers workers.

A third approach to bringing about change is to use laws or organizational policy. Change the laws or policies and people should change, so the reasoning goes. Governments make laws to prohibit some behaviors and encourage others. Taxation policy, for instance, encourages businesses to do some things—and not do others. The company equivalent of a law is a policy that regulates operations. If the policy is violated, the worker is punished or even fired.

In reality, law and policy are quite similar. They use a legalistic approach to change that forces compliance through a form of coercion. These tactics are appropriate when people cannot be trusted to act for their own benefit or for the benefit of others.

Law and policy have the disadvantage of discouraging behavior. They should not be used when conditions change quickly—or when coercion will actually encourage people to defy authority. In the 1920s, for instance, when alcohol was outlawed in the United States, one unintended result was that people were actually encouraged to drink alcohol more rather than less. Sometimes making something forbidden only increases its appeal. The prohibition law was eventually repealed because it did not achieve its intended result.

A fourth approach to change is leadership change. People have great faith in leaders and heroes. Sometimes they believe that one great person can achieve results even when groups of people fail. One way to bring about change is to change the leaders. Nations do that, on occasion, through nonviolent elections or violent revolutions. In companies, if the board of directors loses confidence in the ability of the chief executive officer (CEO) to achieve results, they will fire him and get someone new. In the same way, if a manager is failing, executives sometimes think that another manager may change the situation. So, they make a leadership change by appointing a new manager.

Leadership change has the advantage of signaling a change to many people. Leadership changes are highly visible and sometimes demonstrate a “sea change.” People change because they want the new leader to reward them and not punish them. But leadership change, like persuasion, also has the disadvantage of being an unsure strategy—sometimes leaders cannot change the situation. For instance, a company selling a product that customers do not like will not realize better performance if a new CEO is appointed. The reason, of course, is that the problem has nothing to do with the leader, but rather with the product sold.

Leadership change is appropriate when the old leaders or managers cannot change what they believe and refuse to adopt different strategies when conditions change. But it is an inappropriate strategy if the problems are caused by variables that are not under the control of the leader.

A fifth approach is sometimes called the dialectic approach or the debate approach. An uncommon approach to change is to debate the formal advantages and disadvantages. This approach has actually been used in companies that are considering major strategic changes—such as the purchase of a new company or the sale of an old company.

The approach works just like it does in formal college debates. Two teams are chosen—one team in favor, the other opposed. The two groups rely on formal rules of debates—such as set periods for opening arguments, free argumentation, and closing arguments. The audience, consisting of company senior managers and executives, is asked to keep open minds and even to ask questions. By the end, all the advantages and disadvantages of a proposed change should have been thoroughly explored so that a decision can be reached.

The debate approach has the advantage of getting the facts out quickly and efficiently, assuming both teams prepare. People change because they have had a chance to hear both sides of a carefully planned argument. The idea of using debates and the heat of conflict to find truth is well-known in the legal system. During a court case, two opposing sides—the prosecution and the defense—argue out their positions. The judge is the referee for issues involving law. The jury ultimately decides the facts. But the debate approach has the disadvantage of being only as good as the teams that carry out the debate. If one team forgets important facts, then the debate is not a good one.

The debate approach is appropriate when there are two clear-cut sides to a decision. Unfortunately, organizational decisions are rarely that simple.

### **Meaning 3: Change Management as Top-Down Change**

A third and final way to define change management is to associate it with top-down change, which is different from organization development's unique bottom-up approach.

Think of it like this. Is an organization more like a computer or a growing plant? If you see an organization as more like a computer, then you can believe that groups of people may be programmed much as a computer is programmed. Change can be installed in a linear, step-by-step approach.

Top-down change is sometimes associated with so-called social engineering. While connoting manipulation, social engineering can be more value-neutral than may be implied by the negative idea of manipulation, because in that sense it really means applying principles known about people to change them. Human beings, in groups, are akin to

herds of animals. Groups can thus be changed by taking advantage of what is known about human behavior in groups.

It should be stressed that top-down change does not mean having leaders tell people what to do; rather, it means uncovering, through research, what success factors are shared in common with effective change efforts and then applying the results of that research across all kinds of change efforts, regardless of what they are. This approach is inherently mechanistic and thus akin to treating organizational change much as a computer programmer manages a computer.

Much research has been done on how to manage change. Harvard theorist John Kotter has studied hundreds of case studies of effective change efforts and isolated common characteristics. In his 1995 book, *Leading Change*, he summarized his model by describing the eight common steps shared by effective change efforts:

1. Build a sense of urgency: Excite the head and heart of all people in the organization so they see the need for change.
2. Enlist a group of powerful supporters: Get a group of people who will support the change and will help to drive it.
3. Clarify the vision of what success will look like: Help people to see what success will look like once a dream of the future is realized.
4. Communicate the vision: Sell others on the vision.
5. Eliminate obstacles to change: Identify what gets in the way of success and get rid of any obstacles.
6. Build enthusiasm by creating short-term wins: Show people that success can be achieved by demonstrating quick wins that will energize people to see that success can be attained.
7. Ensure that the change lasts: Aim for sustainability of change.
8. Make the change part of the corporate culture: Build the change into the normal daily activities of the organization.

Many such top-down models have been published. Most are based on research about change practices that work in organizational settings.

Another approach is to study why change fails and then guide decision-makers during a change effort to avoid those common mistakes. About 60 to 70 percent of all change efforts fail. Common reasons include:

- A change effort has unexpected consequences. Example: an organization implements a “smoking cessation policy.” While a desirable policy on its face, care must be taken to avoid unintended consequences—such as loss of productivity as smokers take lengthy off-the-premises breaks to smoke.
- A change effort is not supported by all key stakeholders. Some decision-makers supported the change, but others did not. Those who did not eventually destroyed the change effort.
- The needs that prompted interest in change can evolve over time, causing leaders to lose interest. Example: An organization launches a succession planning effort and it appears to work in preparing people for promotion. When decision-makers see that a problem is being solved, they lose interest and therefore support for the change itself wanes.

In change management, managers are given a change model to follow. They apply it whenever they are tasked to make a change effort. It does not matter what the change effort is: The same model is used for anything.

An important advantage of the top-down approach is that it is predictable. Once employees and managers alike know what the steps in the model are, they know what will follow when the first step is taken. That leads to greater predictability in the change process, which can reduce the resistance to change if change participants face the unexpected.

An important disadvantage of the top-down approach is that it loses flexibility. Managers and workers must follow the same steps regardless

of the change process. Doing so reduces the ability to modify change to accommodate unique challenges faced in any change effort.

## Defining Organization Development

OD is usually known to mean bottom-up change. It is a long-term change effort focused on improving the interpersonal relationships of employees. OD usually involves internal or external consultants to facilitate the change process. These consultants apply the practical aspects of psychology, sociology, anthropology, and political science to organizational challenges.

Bottom-up change does not mean that workers make decisions and managers follow them; rather, it means that the change process itself is changed as necessary to accommodate people, problems, situations, external competitive conditions, and other factors that may influence the way change is designed, implemented, evaluated, and communicated. Its goal is to involve people in the change process because an important assumption of OD is that change is more likely to be accepted if all those affected by a change have a say in making decisions that shape the direction of the change. Given the flexibility with which the change process itself is approached, OD practitioners usually regard it as an organic process, akin to the way a plant grows.

One important influence on OD is so-called *person-centered psychology*, a view of psychology that regards the psychologist as “holding up a mirror” to clients to help them see themselves better. Unlike the doctor-patient view of medicine in which doctors regard themselves as experts whose role is to diagnose a problem to its root causes, person-centered psychologists believe that the best experts are the clients themselves because they already know what their problems are, what their solutions should be, and what results they seek.

## **The History of Change Management and Organization Development**

The roots of change management and organization development have probably existed since the dawn of prehistory. It is easy to imagine that early rulers expected to issue an order and simply have it carried out—often on pain of death for those who did not meet their expectations. In early history, change was assumed to be easy because the world did not change much. People were simply expected to follow their leaders. And when leaders sometimes became too aggressive or were proven to be unreasonable, they were overthrown and new leaders took over.

Modern thinking about change management dates from the dawn of the Industrial Revolution, when technology was first introduced to the production process. Workers, who were primarily doing manual labor, were poorly educated. They were aided by tools and other equipment to achieve results. In that context, business owners were like monarchs, managers and supervisors were like aristocrats, and workers were like peasants who toiled under close direction. Organizations were perceived as machines. Change was managed in an arbitrary, ad hoc manner.

But as the Industrial Revolution progressed the work became more sophisticated. Machinery and technology became more complex, which meant the workers who toiled on those machines and with that technology had to become more skilled and knowledgeable.

Beginning with the Hawthorne studies in the 1920s, researchers became aware that the way human beings were treated in work settings could affect productivity. Simply paying attention to people had a greater impact on their productivity than variations in external environmental factors, such as lighting. People, previously an ignored resource, began to attract attention as critical to the production process.

Seminal thinkers of the 1930s and 1940s laid the foundation for modern thinking about change management and organization development. Kurt Lewin (1898-1947) pinpointed *group dynamics* to explain the phenomenon of people working together to achieve results. He noted that action research could be foundational in change efforts and, as early as World War II, experimented with ways to consult collaboratively with groups to achieve improved results. The term organization development was first used in the 1950s by Douglas McGregor and Richard Beckhard to describe their approach to consulting, which did not match older, expert-driven approaches to diagnosing organizational problems in a quest for solutions. At about the same time, the first efforts were being made to use laboratory training in which participants in off-the-job settings focused on their interpersonal interaction (group process or group dynamics), rather than on training content. When the participants were unable to transfer what they had learned back to their jobs, experimenters followed them back to their work sites. This led to the first *T-Groups* (standing for “training groups”) in which people focused their attention on interpersonal relationships and ways of working together in work settings.

Around 1945, Rensis Likert began using surveys as a foundation for change in organizational settings. Building on the work of Kurt Lewin, Likert found that surveys could be used to pinpoint organizational problems more directly than filtering information through managers and executives. His unique approach, called survey-guided development, used surveys to uncover what people perceived to be their problems and then feed that back to managers and workers as a basis for improvement.

First-generation contributors to OD thus included seminal names like Kurt Lewin and Rensis Likert. When the OD field first came into its

own as a recognizable field of research and practice, a second generation of contributors was born, including Warren Bennis, Edgar Schein, and Richard Beckhard. The third generation of contributors to OD included such names as Warner Burke, Larry Greiner, Edward Lawler III, Newton Margulies, and Anthony Raia. Fourth-generation contributors include Dave Brown, Thomas Cummings, Max Elden, and Jerry Porras.

As discussed at length in the last chapter of this book, the future of OD and the direction of the field is uncertain. However, it seems likely that growing interest will continue to evolve around making OD more positive (appreciative inquiry), comprehensive and systematic (whole systems transformational change), and related to how humans and technology can effectively work together to achieve results (sociotechnical systems).

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