

ORGANIZATION

CHANGE

THEORY &
PRACTICE

FIFTH EDITION

W. WARNER BURKE



ORGANIZATION CHANGE

Fifth Edition

To Bobbi
And to the next generation . . .
Brian & Emily, Courtney & Darrin, and Donovan & Melissa
And to the next generation after that . . .
William, Thomas, Julien, Adrian, Madeleine, and Maya

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PRACTICE

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W. WARNER BURKE

Teachers College, Columbia University



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Singapore | Washington DC | Melbourne



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Preface

The bulk of what was written for the first four editions of this book remains the same in this fifth edition. Fundamentals of organization change are still fundamental. Yet we continue to learn, and now we need to consider more than we have in the past *differences* beyond the fundamentals. The success rate of organization change remains poor—little more than 30%—thus we must step up our pace for learning. The new chapter (13) for this fifth edition is an attempt to do so by considering in more depth two other organizations and looking more carefully at differences. These other organizations are in the health care arena and government, organizations that affect our daily lives. These organizations are not the same as corporations, where most of learning about organization change comes from.

The overall purpose of this book remains the same, nevertheless—that is, to report on and interpret current knowledge of organization change. The knowledge comes from a variety of sources, as noted next. The interpretation comes from my understanding as an academic of what the literature seems to be telling us and from my experience of well over 45 years as an organization change consultant. Will Rogers is reported to have said, “All I know is what I read in the newspapers.” All I know is what I have read in the organization literature and what I believe I have learned as a consultant to organizations. Both are limited. You, the reader, should therefore be forewarned. While I have made a concerted effort to present material from the literature as objectively as I could, in the end what I have written is biased, at least in two ways: (a) my selections from the literature are just that, selective, and are not as comprehensive as we might prefer, and (b) my interpretations come from experience. It should be noted, however, that in the meantime I have coedited a book of readings that contains much of the literature that undergirds this text. With this

book (Burke, Lake, & Paine, 2009) of some 52 entries, you, the reader, can go to the originals and make your own interpretations. In any case, the book serves as a useful supplement to this fifth edition. Experiences as an organization consultant continue to influence my thinking and writing. For example, in the past few years I seem to have been drawn more and more to focus on leadership. There are two chapters on leadership: Chapters 14 and 15. Maybe I am coming full circle. My doctoral dissertation many years ago was on leadership. Allow me to describe briefly a few examples.

First, I continue to codirect our MA program in organizational psychology here at Teachers College, Columbia University, for a cohort of 24 U.S. Army officers at the U.S. Military Academy at West Point. On completion of this graduate degree in one year, most of these officers (captains and a sprinkling of majors) will be assigned to cadet companies (about 130 students) as the regular army's officer-in-charge. They evaluate twice a year the cadets' military performance and also serve as mentors, coaches, and leaders for these cadets. They have considerable influence on future officers of the U.S. Army. Our faculty, therefore, have indirect influence through our classroom teaching. This experience has been significant and rewarding. No doubt I have been influenced as well.

Second, I have been involved for a few years now with a Midwestern state university as a visiting professor, but also as a consultant to the provost and dean of one of the university schools. In this work, we have focused on the role of the leaders (provost and dean) in initiating and managing change. As it is a state-supported university, regulations and budgets are somewhat imposed, which in turn creates a "tightness" in how the institution operates. Yes, it is a university, after all, which means that it is more a loosely coupled system than a tight one. We therefore emphasize mission, change direction, shared values, and cooperative actions across units to ensure that even though looseness is recognized and informally rewarded, a system consisting of interdependent parts is the focus. In working with this organization, I was reminded of ideas from the 1930s expounded by Mary Parker Follett (as cited in Follett, 1996), an individual way ahead of her time. Her notion of the invisible leader is an excellent case in point. She stated that to maximize organizational effectiveness, both the leader and the followers need to follow the invisible leader—the *purpose* of the organization. That way, leadership is organizationally focused and not so dependent on the persona of the leader. I am using this idea in discussing the leadership of this university.

Third, I have been involved in leadership transitions, trying to help organizations deal as effectively as possible with the change from an old to a new president and chief executive officer. This kind of transition provides a wonderful opportunity for organization change. We need to know more about matters of leadership transitions. Incidentally, quite a number of years ago, Michael Mitchell wrote a brief and useful article for the *Harvard Business Review* on how to facilitate a transition in leaders.

In sum, recent experiences with leader coaching and consulting have no doubt influenced choices and perspectives in this fifth edition. And as before, my attempt has been to combine and to some degree integrate theory and research with application. After setting the stage in Chapters 1 and 2, then providing some background and history in Chapter 3, Chapters 4 through 8 are more about theory and research—foundations of organization change—and the remaining chapters deal more with application and practice.

There is one other change in this fifth edition. Toward the end of the appendix, you will find a new entry in the annotated bibliography. The entry is actually historical—a summary of Ron Chernow’s biography of Alexander Hamilton. I consider Hamilton to have been one of the most—if not the first—significant change leaders in American history. He shaped what our government has become. Read it and see if you agree.

Teaching Resources and Website to Accompany the Book

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I have many people to thank, and I am very pleased to have this opportunity to do so. First and foremost is Ben Schneider, who insisted that I write this book. Throughout, he was incredibly supportive, patient, and persistent about my staying the course. Then there were my three official reviewers for Sage, beyond Ben, two of whom had reviewed my previous work (Burke, 1982). Len Goodstein was his true self and a true friend in holding my feet to the fire—that is, calling my attention to the need for (a) more examples, (b) better linkage between theory and practice, and (c) better logic as I went from A to C and assumed too much by skipping B. Craig Lundberg gave me feedback in two categories: (a) the “big stuff” and (b) the “little stuff,” as he called it. I paid attention to all, but particularly to the big stuff. All the “stuff” was on target and very helpful. The third Sage reviewer was David Whetten. As with the others, it was clear that he had given the manuscript a careful reading. First, he pointed out a major inconsistency in my coverage of theory, which I quickly corrected to alleviate my embarrassment. David and I share a strong interest in and reliance on models. His suggestions along these lines were most helpful. Also, his urging me, as Ben did, to talk about future research needs in the final chapter caused me to take action.

And then there were my friends and colleagues at Teachers College, all of whom amazed me by actually reading the entire first draft. I am immensely grateful. First, Roger Myers, now deceased, the consummate psychologist who knew how to write and was a stickler about the bad habit of making nouns into verbs, helped considerably to improve my writing of this book. Caryn Block reminded me time and again to remind the reader about points made earlier and how they related to what I was stating. She also urged me to use examples. I did. Arthur Levine, former president of Teachers College and a change leader in the world of education, brought his experience and knowledge to my manuscript. His critique and questions were invaluable. Debra Noumair was my idea person. For example, she

suggested that I declare myself in the second chapter. My “points of view” section was the result of that suggestion. She also helped me think through the ordering of things, and she was involved in helping me write Chapter 12. Her creativity was much appreciated. Victoria Marsick shares with me the excitement of ideas from chaos theory and the life sciences. I followed many of her suggestions for applying these ideas. Lee Knepfelkamp, a scholar of the first order, is superb at helping one see how seemingly disparate concepts actually intertwine. Her support in my attempt to “bring things together” was most beneficial.

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Finally, and most important for this fifth edition, was our academic program manager, John Handal, who helped me get this manuscript onto the computer and into readable form. I was fortunate to have his help and skills with technology and his constantly positive can-do attitude. Also helpful in all these matters were our academic program secretary, Ambar Urena, and assistant administrator, Lebab Fallin.

It is appropriate for me to end these acknowledgments with the requisite caveat. Even with all the help I received, I do in the end acknowledge that the final product is solely my responsibility.

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ONE

Sources for Understanding Organization Change

Introduction and Overview

Organizations change all the time, each and every day. The change that occurs in organizations is, for the most part, unplanned and gradual. Planned organization change, especially on a large scale affecting the entire system, is unusual—not exactly an everyday occurrence. Revolutionary change—a major overhaul of the organization resulting in a modified or entirely new mission, a change in strategy, leadership, and culture—is rare indeed. Most organization change is evolutionary. These two distinctions, planned versus unplanned and revolutionary versus evolutionary, represent core themes of this book. To be unequivocal here at the outset, the emphasis is more on planned and revolutionary change.

The reason for this emphasis is the clear and present need for a greater depth of understanding of organization change. The fact that current and future changes in the external environments in which organizations function are now occurring so rapidly requires that organizational executives constantly monitor and attempt to understand the nature of these changes in their respective marketplaces and in the broader world environment. Unlike the situation a few decades ago, the external environment now changes much more rapidly than organizations do. Organizations today are playing catch-up, and certainly they will do so even more in the future.

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Capital markets, for example (see Chapter 2), are definitely changing more rapidly than the business organizations that depend on them. Moreover, business organizations in particular do not last as long as they have in the past. Thus, we need to know much more than ever before about how to understand, lead, manage, and in particular, change organizations. And this gives rise to the purpose of this book.

In attempting to understand organizations in greater depth, another distinction is important. Organizations are created and developed on an assumption of continuity, to continue surviving and to last. The external environment, while continuously “out there,” is *not* continuous in the same sense that organizations are. Factors and forces in an organization’s external environment are discontinuous, do not fit neatly together in a pattern, are not interdependent, homeostatic, linear, or highly predictable. Forces in the external environment can cause destruction but can cause creativity as well. This continuous–discontinuous theme also runs throughout the book and is analogous to the organizational theory literature; this body of books and articles addresses mainly continuity and stabilization, not discontinuity and change. Although not exclusively, many sources for help in writing this book had to come from the nontraditional literature.

First, as noted, the organizational theory literature is about continuity and stabilization; so one must search diligently for theory about organization change. Such literature exists, although not in abundance, and much of it is cited and relied on in this book. In addition to using theoretical references, I have also relied on models of organizations that come from the organization change literature. Models are important because they help link theory with practice. In fact, models are covered in 4 of the 17 chapters in this book.

A *second* potential source for knowledge and assistance is the trade literature—professional books written by consultants and experienced practitioners such as Peters and Waterman (1982) with their best seller, *In Search of Excellence*, and, later, Collins and Porras (1994) with *Built to Last*. These writings typically focus on organization exemplars: This is what to learn from, to model, and to follow. The authors draw conclusions from these model organizations and sometimes even derive principles about how organizations should be led and managed. Peters and Waterman had eight such principles: for example, “stick to your knitting.” Collins and Porras stressed the power of culture as facilitating continuity and stabilization over time. The problem here is that by

using popular, actual organization cases as the base from which to derive principles, sooner or later—and today it is sooner rather than later—the organizations studied and showcased no longer illustrate the principles, because things have changed. The model organizations have perhaps fallen on bad times, have become acquired, or worse, have filed for bankruptcy. The principles become passé, are no longer (if they ever were) relevant, and are soon forgotten. Sticking to one’s knitting in this day and age may be the opposite of what to do in business. In fact, in a recent article, Peters (2001) “confesses” that a number of the conclusions in the 1982 book were guesses and opinions rather than rigorously based on data.

Another form that trade books take is for the author(s) to distill “wisdom” from many years of experience as a consultant, a teacher, an executive, or some combination of these roles. The accumulated wisdom is based on lessons learned. Such books by executives include the following: Rudolph Giuliani’s (2002) *Leadership*, Jack Welch’s (2001) *Jack: Straight From the Gut*, and Larry Bossidy and Ram Charan’s (2002) *Execution: The Discipline of Getting Things Done*.

A highly popular book on organization change by a consultant is the one by Peter Block (1981) on flawless consulting. This book is based on the author’s many years of both internal and external consulting and provides a “guide for developing the necessary skills for ‘flawless’ consulting” (from the dust jacket). The author provides “suggestions for further reading”; otherwise, there are no references to any research or theory about organization change.

Another example of this form of book, distilling wisdom, is John Kotter’s (1996) *Leading Change*. Kotter, an academic, a frequent speaker at conferences, and an occasional consultant, draws on his experience in executive programs discussing with participants’ cases of organization change, and he wrote many of the cases himself. From these experiences, he declares that leading change consists of an eight-stage process:

1. Establishing a sense of urgency
2. Creating the guiding coalition
3. Developing a vision and strategy
4. Communicating the change vision
5. Empowering employees for broad-based action

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6. Generating short-term wins
7. Consolidating gains and producing more change
8. Anchoring new approaches in the culture

Kotter (1996) provides many examples throughout his coverage of the eight stages. His book has remained popular and can still be easily found at your local bookstore. The book's popularity is due in part to (a) Kotter's status and reputation in the field, (b) his ability to distill into eight stages a mass of case examples, and (c) the face validity of the eight stages—they sound plausible and relevant.

This form of trade book, based on author experience and wisdom, can be helpful to the reader but nevertheless is problematic. Following Welch's ideas for how to bring about organization change, Block's guide for how to facilitate change as a consultant, and Kotter's eight stages can be helpful, but remember that the wisdom is based on individuals' experience and knowledge. In Kotter's book, for example, there are no references or bibliography. But it is in the trade book category, after all, and such things are not necessarily expected. The absence of independent verification and validation that what these authors recommend actually works under a variety of circumstances, however, leaves me with some concerns and skepticism. Maybe it's just my nature. And can any of us achieve what Jack Welch did, even by following his advice? I seriously doubt it.

A *third* potential source is "story" books that have a clear and usually simple maxim to teach. These books tell a story, perhaps based on a metaphor or in allegorical form. A best seller in this genre is *Who Moved My Cheese?* (Johnson, 1998). A more recent example is by our friend John Kotter and his colleague Holger Rathgeber (2005), titled *Our Iceberg Is Melting*. Kotter now has published works in all three of my categories—organizational scholarly literature, trade books, and story books. *Iceberg* is about a colony of penguins whose home, a large iceberg, is slowly melting, forcing them to find a new home; in other words, they must deal with change. The dust jacket notes the following:

Their story is one of resistance to change and heroic action, confusion and insight, seemingly intractable obstacles, and the most clever tactics for dealing with those obstacles. It's a story that is occurring in different forms all around us today—but the penguins handle the very real challenges a great deal better than most of us.

The book includes attractive pictures and indeed tells a charming story. Such books are easy and often fun to read. The authors want us to remember the maxim, and a story is a fine way to do it. These books often sell well. Unfortunately, they tend to *oversimplify* the theme(s) they are addressing. Regardless of how charming the story might be, organization change is far too complex for a simple story to teach us what we ultimately need to know.

Some books are not as easy to categorize. They represent a combination of categories. The book by Foster and Kaplan (2001), *Creative Destruction*, summarized in Chapter 2 and in the appendix is both a trade book and a research-based one. The premise of this book is that the external environment for corporations, especially capital markets, changes more rapidly and is more complex than ever before. Moreover, corporations today experience what Foster and Kaplan refer to as “cultural lock-in”; they cannot change themselves rapidly enough to remain high-performing organizations—assuming they were in the first place. The authors of this book amassed an impressive amount of data to support their premise.

Another example is the book by Pascale, Milleman, and Gioja (2000), *Surfing the Edge of Chaos*, cited in this text and also summarized in the appendix. This is a trade book that incorporates theory. The authors make their case for organization change and then assert that understanding the applicability of chaos theory and theory from life sciences will greatly facilitate successful change. Much of their book is devoted to cases from corporations around the world that support their arguments.

Yet another example of blending my categories and one that has been highly popular is *The Tipping Point*, by Malcolm Gladwell (2000). This book fits the trade category but is very effectively grounded in research, particularly from the social and behavioral sciences. In other words, Gladwell did his homework. *The Tipping Point* is applicable to organization change, as we will see in Chapter 16.

The sources for this book have therefore generally come from the type of organization literature that one would assume—organizational psychology, organization and management theory, and organizational behavior—but not exclusively. The life sciences have much to teach us about change and in fact have become a recent trend in the organization literature. Even the nontrendy *Harvard Business Review* published an article by Bonabeau and Meyer (2001) on “swarm intelligence.” The behavior of ants, with their flexibility, robustness, and self-organization

(as the authors summarize it), can be applied to certain aspects of running a business and result in significant increases in efficiency. The primary source for this book in this domain is *The Web of Life* by Capra (1996).

Other sources are literature from chaos theory and from nonlinear complex systems theory. For an annotated bibliography of these and other primary sources, see the appendix, which now includes Ron Chernow's biography of Alexander Hamilton, the true tale of a change leader par excellence.

To set the stage for the remainder of this fifth edition, let us consider a short story of launching an organization change effort.

A Short Story of Launching Organization Change

Throughout the academic year, the president of Teachers College, Columbia University holds regular meetings of her President's Advisory Group, which is composed of the senior administrators of the college and the chairs of the 10 academic departments. As the former chair of the Department of Organization and Leadership, I was one of the attendees. At one of the meetings, the vice president for finance and administration presented an overview of a plan for refurbishing a significant portion of the physical plant of the college—that is, a reconstruction of classrooms, faculty, and staff offices. The reconstruction would require about two years. The need was obvious. Most of the Teachers College buildings were at least a century old. The faculty and staff occupying the affected space would have to move to temporary quarters for up to two years. About halfway through the VP's presentation, he was interrupted by one of my department chair colleagues. The chair stated rather emotionally that the change plan being presented was "very dangerous." This senior faculty member and department chair then elaborated on the "dangerous" comment by pointing out that not only would people, especially faculty members, be upset but their productivity and morale would plummet. Perhaps it goes without saying that this chair's department would be among those having to move to temporary offices.

In responding, the VP did not disagree about these possible consequences of the change; rather, he focused on the need to do something about our dated facilities—for example, taking advantage of new technology as well as creative and flexible use of space for our classrooms and offices. A few minutes later, another department chair, knowing

something about my background and expertise, asked me to comment on the plan for change. Not daring to give a lecture on organization change to my colleagues, I limited my remarks to two points. *First*, I stated that for the person in a change leadership role—in this case, our VP—it was important to be as clear as possible about the future and what it would take to get there but in particular not to come across as defensive, to respond to questions as factually as possible, and to be patient. I added that in my opinion the VP had not been defensive. *Second*, it was also important for the change leaders to acknowledge that in the short run there would indeed be frustration, perhaps even anger and resentment. Maybe productivity would suffer for a period of time, but with a focus on the long term and what would be gained as a result, the whole effort would be worthwhile. The shorthand version of my point was “short-term pain for long-term gain.”

After the meeting, a few attendees thanked me for my comments, but the aggravated department chair left without saying a word to anyone.

In the short hour of the VP’s coverage of the plans for change at the college, quite a number of principles regarding the organization change process were either explicitly addressed, such as vision for the future, or at least implied, such as changing the external environment. Next are brief statements of these principles, noting where they are covered in more depth in the chapters that follow.

- *External environment.* As noted in Chapter 2, we typically begin an organization change effort by considering what is happening in the organization’s external environment. We need to be aware of the evidence that the external environment is changing more rapidly than ever before, making it tougher and tougher for organizations to change themselves rapidly enough to keep up and stay competitive. Institutions of higher education are no exception. Being tuition dependent, Teachers College must stay competitive by having state-of-the-art facilities and superb faculty. Thus, the reconstruction project is a response to this ever-changing, complex environment.
- *Expressing the need.* Organizational members must see the need for change to be willing to embrace it. Coupled with this expressed need is a way forward, what will address the need, what might be the goals. Thus, there are two actions required, which can be described as (a) creating a sense of urgency and (b) providing a vision for the future. Chapter 5 provides more depth of coverage.

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- *Consequences.* Spelled out in Chapter 2 is the paradox of planned change. We plan change in a linear fashion—Step 1, Step 2, Step 3, etc.—but quickly realize that the change itself is nonlinear. There are unintended consequences that we didn't anticipate. Moreover, the change will be experienced as messy if not chaotic. In the case of Teachers College, some of the interim facilities may not be satisfactory and may lead to even more frustration and anger.
- *Resistance.* While not everyone is likely to be resistant to change, some if not many will be, as in the case of our department chair's warning us of dangers ahead. There are individual differences regarding resistance, and all resistances are not the same. So we take resistance seriously in this text in Chapter 6, and we revisit it in the final chapter—Chapter 17.
- *Change leader role.* Change, certainly planned change, is not likely to occur without leadership. The change leader needs to be transparent, nondefensive, and persistent yet patient. Our change leader, the VP, is off to a good start by being clear, not defensive, and patient. But there are tough times ahead. Chapters 14 and 15 are devoted to leadership, with the second focusing specifically on leading change.

By implication, our short case is based on the principle of an organization's being an open system influenced by its environment and context. This kind of thinking is based on open-system theory (Chapter 4). Also, the forthcoming change at Teachers College is more evolutionary than revolutionary and should be managed accordingly (Chapter 5), and the change is more at the larger system level than at the group or individual level, although all levels are involved to some degree (Chapter 6). Other chapters not mentioned here—Chapters 1, 3, 7 through 12, and 16—cover history, theory, research, and practice, all in support of the main principles of organization. And with the addition of Chapter 13, we are addressing two other organizations, namely health care and government, that have not been adequately covered. Thus, we have much to discuss, all of which is important and exciting, of course. So let us proceed.

TWO

Rethinking Organization Change

Most efforts by executives, managers, and administrators to significantly change the organizations they lead do not work. By “change significantly,” I mean to turn the organization in another direction, to fundamentally modify the “way we do things,” to overhaul the structure—the design of the organization for decision making and accountability—and to provide organizational members with a whole new vision for the future. And in the ever-increasing world of mergers and acquisitions, 75% fail at this (Burke & Biggart, 1997; “How Mergers Go Wrong,” 2000). To survive, especially for the long term, organizations must change and adapt to their environments, but typical changes consist of fine-tuning: installing a new system for sales management; initiating a program to improve the quality of products or services; or changing the structure to improve decision making without first changing organizational strategy, which is, after all, the basis for decision making.

Examples of significant and successful organization change will be presented in this book. These examples, however, are exceptional. Most organization change is not significant or successful. Organizational improvements do occur, even frequently, and do work, but large-scale, fundamental organization change that works is rare. Why is this the case?

There are many reasons. First and foremost, deep organization change, especially attempting to change the culture of an organization, is very difficult. Second, it is often hard to make a case for change, particularly when the organization appears to be doing well. Nothing is broken, so what's to fix? A paradox of organization change is that the peak of success is the time to worry and to plan for and bring about significant change.

Third, our knowledge for how to plan and implement organization change is limited. The primary purpose of this book is an attempt to rectify this limitation, at least to some extent. Let's begin with a fundamental issue.

Accepted knowledge of organization change is that we plan the change according to steps or phases. Step 1 is, perhaps, to inform organizational members about the need for change. Step 2 might be to implement an initial project that gradually expands to a larger program of change, and so on. But the actual change itself does not occur according to steps. It's another paradox.

The Paradox of Planned Organization Change

In an Associated Press release on June 1, 2001, the Federal Communications Commission head at the time, Michael Powell, referring to the shift to digital technology, was quoted as saying that "it will be messy and it will be confusing, and we will get a lot of it wrong and we'll have to start over. But that's the creative process, that's the evolutionary process" (Srinivasan, 2001, p. 6A). *Revolutionary* process might have been more accurate; in any case, Mr. Powell described the change process very realistically. I thought at the time, *This man knows what he is talking about.*

As stated previously, when planning organization change, the process is usually linear—that is, Step 1 or Phase 1, then Step 2, 3, and so on. And although an attempt is made in the implementation of change to follow these steps or phases, what actually occurs is anything but linear. The implementation process is messy: Things don't proceed exactly as planned; people do things their own way, not always according to the plan; some people resist or even sabotage the process; and some people who would be predicted to support or resist the plan actually behave in just the opposite way. In short, unanticipated consequences occur. Leaders of change often say something like, "For every step forward we

take, we seem to fall back two steps; something always needs fixing to get us back on track.”

Provided the change goals are clear and change leaders are willing to stay the course, over time, the process may end up being somewhat linear, or at least a pattern may emerge. But linearity is not what anyone experiences during the implementation process itself, in the thick of things, which may feel chaotic, with people in the organization constantly asking the question, “Who’s in charge here?” Figure 2.1 is a simple way of trying to depict this nonlinear process yet show at the same time the possibility of an emergent pattern. But no pattern will emerge unless there is a clear change goal or goals. The end in mind (although in organization change there are milestones that are reached but probably no *end* state) is what “pulls” or establishes a pattern.

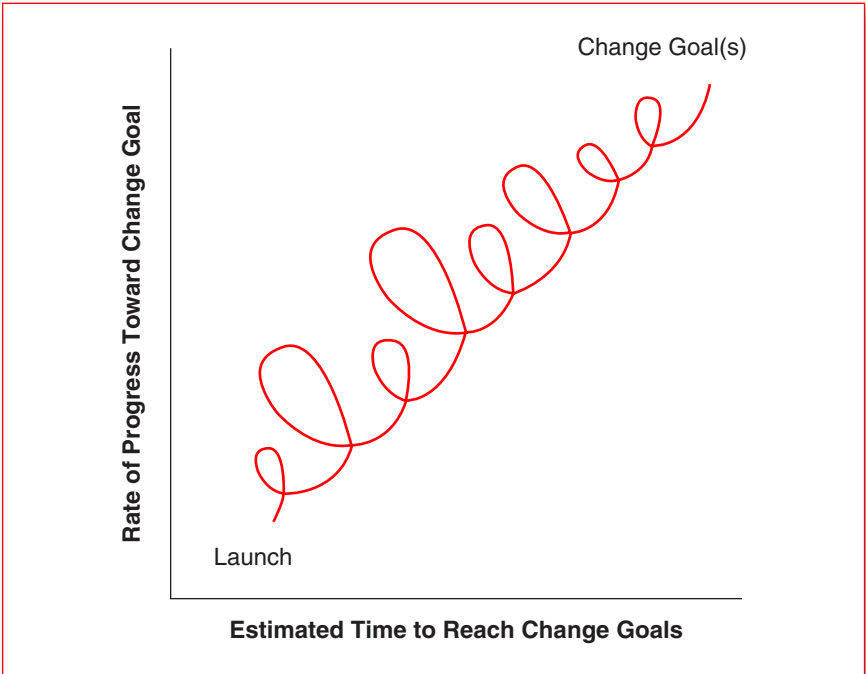
Consider the figure further: We launched the change effort with some new initiative, for example, a different way of evaluating and rewarding performance from, say, results only as the index of performance to a “balanced scorecard” (Kaplan & Norton, 1996). In planning for the change, we were counting on a number of key executives to support it, and we assumed that certain others would be resistant. Once the initiative was launched, to our surprise, we found that some of the executives whom we were counting on for support actually resisted the change and some who we believed would be resistant turned out to be advocates. Thus, we faced a need to regroup, in a sense, and work hard on those now resisting who we had assumed would be supportive and at the same time rally around those now advocating the change who we thought were going to resist. In other words, we needed to “loop back.” This occurrence, while unanticipated, did not necessarily represent a huge block or barrier to the change effort overall, and therefore the loop is not very large, but nevertheless, a loop back was required to fix the problem.

Note that the second loop is larger. It may have been necessary to install a new computer software program to facilitate the change to a different way of tracking and recording performance at the individual, work unit, business unit, and overall organizational levels. But what we found, let’s say, was that the software package did not work satisfactorily. So we had to loop back and fix the software problem. It was a significant problem to fix, and therefore the loop is larger. And so it goes. The managing change process as depicted in the figure is one of dealing with unanticipated consequences that occur when we intervene in the

organization’s normal way of doing things with a new way. Let us be clear: We must plan change yet understand that things never turn out quite as we planned. It’s a paradox.

How organization change occurs, with particular emphasis on *planned* organization change, is the primary theme of this book. The assumption that organizations need to change is embedded in what has been stated so far. I will now expound on this assumption by making the case for organization change. Then I will declare myself by explaining my points of view about organization change. These points of view provide an overview of the book, or “coming attractions.” More than what is to come, these points of view also reveal my biases about what is important, if not critical, in organization change. So here at the outset of our journey, I am declaring myself. Even with these biases on display, I hope you will continue the journey with me.

Figure 2.1 Depiction of the Nonlinear Nature of Organization Change



Making the Case for Organization Change

Changing Corporations

My primary source for this section is the volume by two McKinsey consultants, Foster and Kaplan (2001), *Creative Destruction*, referred to in Chapter 1. In contrast to popular business books such as *In Search of Excellence* (Peters & Waterman, 1982) and *Built to Last* (Collins & Porras, 1994), Foster and Kaplan, with their data from more than 1,000 corporations in 15 industries over a 36-year period, argue that we now are clearly in the “age of discontinuity,” as Drucker (1969) earlier predicted.

Consider the following points made by Foster and Kaplan (2001). The first *Forbes* top 100 companies list was formed in 1917. *Forbes* published its original list again in 1987. In 1987, 61 of the original 100 no longer existed. And of the remaining 39 companies, only 18 remained in the top 100: companies such as DuPont, General Electric (GE), Kodak, General Motors, Ford, and Procter & Gamble. These 18 companies survived but, according to Foster and Kaplan, did not perform. Long-term earnings returns by these companies for their investors from 1917 to 1987 were not exactly outstanding: 20% less than for the overall market. Today, only GE performs above the average.

Next, Foster and Kaplan (2001) refer to the Standard & Poor’s (S&P) 500. Comparing the 500 in 1957 with those in 1998, only 74 remained on the list, with a mere 12 of those 74 outperforming the S&P index itself. Moreover, “if today’s S&P 500 were made up of only those companies that were on the list when it was formed in 1957, the overall performance of the S&P 500 would have been about 20% less *per year* than it actually has been” (p. 8). As the authors then ask, how can it be that so many companies do not survive and those that do survive, with few exceptions, perform below average?

Part of the answer rests with the pace-of-change phenomenon that Foster and Kaplan (2001) address in their opening lines. In 1917, the pace of change was indeed much slower than it is today. During that time and continuing on into the 1920s and 1930s, even with the climatic changes of the Great Depression, the turnover rate of companies in the S&P rankings averaged 1.5% a year. A new company making the list then could expect to remain for about 65 years. As Drucker (1969) pointed out, in those days change was not a major concern. Continuity was the goal and the way of operating. Vertical integration was the name of the game—that is, owning

as much of the production chain as possible, from raw materials to distribution to the customer. But in 1998, “the turnover rate in the S&P 500 was close to 10%, implying an average lifetime on the list of ten years, not sixty-five!” (Foster & Kaplan, 2001, p. 11). Times have changed, and we are living in the age of discontinuity for corporations, not continuity.

The larger answer to Foster and Kaplan’s (2001) question about corporate survival and performance can be found in a corporation’s external environment. Although any organization’s external environment consists of many factors—customers, the general economy, changing demographics, and changing government regulations, to name a few—one of the most powerful factors or forces for businesses, especially those that are publicly owned, is the *capital market*. Capital markets are informal aggregations, not highly organized and structured as are corporations. Capital markets consist of buyers, sellers, and others who interact for the purpose of economic exchange. These businesspeople are loan officers in banks, investment bankers, stockbrokers, stock analysts, venture capitalists (those who often help start companies), and anyone else who has money to invest. Although not acting in concert, these people decide whether your business, your company, and your vision for the future of your organization is worthy of investment. Is your company worth the risk of loaning you \$1 million, of buying 1,000 shares of your stock, or investing money to help you with your desire to acquire another business? So this informal aggregation of buyers and sellers forms a powerful force in the organization’s environment, determining in part the long-term survival and success of a company. This world is largely a business-to-business arena, and a business can live or die due to the vagaries of the marketplace. The point Foster and Kaplan make is that capital markets change far more rapidly than do corporations; are based on an assumption of discontinuity, not continuity; weed out poor performers; reward creativity and innovation; and encourage new business entries into the marketplace.

Before going too far with the concept of the power of capital markets to determine the fate of corporations, we should pause for a moment and make the most critical point of all, lest we overlook a fundamental one. In the end, it is the *consumer*, the customer out there in the organization’s external environment, who determines the fate of any business. Will anyone, after all, actually buy our products and services?

By the time my son, Brian, was about 11 years old, he had amassed a huge collection of baseball cards. When I asked him why he had so many, he quickly told me that his collection was an investment. These cards, he

informed me, would be worth far more money in a few years than what he'd paid for them. *Ah*, I thought, *here is a teachable moment!* So I patiently explained that his investment would pay off if and only if someone in a few years was willing to buy those cards from him. Brian's reaction to my explanation was something like, "Dad, I don't think you really understand." Obviously, he had a huge psychological investment in those cards.

So it is the consumer to whom the capital markets folks pay attention. Will anyone out there buy this stuff, pay for these services, and keep on doing so for the foreseeable future?

The primary point made by Foster and Kaplan (2001), then, is that capital markets outpace corporations, the rate of change is considerably different, and the basic assumptions of the two for long-term survival are opposites: discontinuity for the capital markets and continuity for corporations. For corporate survival and success, Foster and Kaplan argue that companies must abandon the assumption of continuity; corporations must understand and mitigate, as they call it,

"cultural lock-in," the inability to change the corporate culture even in the face of clear market threats—[this] explains why corporations find it difficult to respond to the messages of the marketplace. Cultural lock-in results from the gradual stiffening of the invisible architecture of the corporation and the ossification of its decision-making abilities, control systems, and mental models. It dampens a company's ability to innovate or to shed operations with a less-exciting future. Moreover, it signals the corporation's inexorable decline into inferior performance. (p. 16)

Changing Government Agencies

Government agencies are also having to deal with changes in their external environments. Take, for example, the National Aeronautics and Space Administration (NASA). The external environment for NASA is just as complex as a corporation's, if not more so. Every day, NASA deals with the public at large, the U.S. Congress, the president and the executive administration, contractors, vendors and consultants, the scientific community, and various watchdog organizations that constantly monitor how taxpayer dollars are spent. Daniel Goldin, the administrator of NASA for about a decade, significantly affected the organization as a change leader. His mantra of "faster, better, cheaper" permeated the agency. Goldin was

quite clear about whom he and NASA served: the American public through its elected representatives, such as the president and Congress. His response to this critical part of NASA's external environment, under the banner of faster, better, cheaper, drove and continues to drive changes at this federal agency.

At the state level, a good example of significant change took place in Ohio. Driven by the governor and a desire to be more efficient and customer focused for the people of the state, several separate agencies merged into a much larger one of about 4,000 state employees. The merged organization, the Ohio Department of Job and Family Services, has the responsibilities of providing for families in need, especially those on welfare and with children who require special care, and of contributing to the Ohio workforce through unemployment support, training, and development. With more federal tax dollars being delegated to the states for administration and services, these government organizations have had to deal with significant change.

With this fifth edition more space is devoted to change practices in government agencies. About half of Chapter 13 addresses this particular type of organization. Clearly, government organizations affect our daily lives and other organizations more than ever before.

Changing Higher Education Institutions and Nonprofit Organizations

Institutions of higher education no longer exist exclusively in the non-profit sector. The University of Phoenix, for one, is a profit-making company and by all accounts is doing quite well. Even though it has a fairly sizable campus with classrooms in Phoenix, its forte is distance learning. It is more expensive than many of its competitors but focuses on customer convenience and service. This relatively recent entrant into the world of higher education has caused a stir and has begun to call into question the long-term survival of many colleges, especially if they drag their feet on implementing technology. Moreover, with tuitions increasing every year, many colleges and universities may be gradually pricing themselves out of the market. So even in the domain of higher education, which includes some of the oldest, most traditional types of organizations in the world, the external environment is changing. Unless colleges and universities adapt, their traditions may not last, at least not for the centuries they have in the past.

With respect to the changing world for nonprofit organizations, consider the case of the A. K. Rice Institute (AKRI). This institute was founded in Washington, D.C., by a group of psychologists, psychiatrists, and related professionals who were keenly interested in the form of human relations and group dynamics training and education that had been developed by the Tavistock Institute in the United Kingdom. In the United States, the foundation took the name of A. Kenneth Rice because he was instrumental in bringing to this side of the Atlantic the methods and theory of this form of education. From 1965 until recently, AKRI has steadily grown and extended roots all across America through regional affiliates. AKRI has been both a membership organization (with dues) and an educational institute that holds national and regional conferences (learning laboratory groups) throughout the year. Qualified members of AKRI serve as staff for its educational conferences.

The primary point to be made with this example of an organization and its relation to its external environment is the distinct possibility that AKRI has not been sufficiently *in touch* with its external world. This insularity has been due in part to (a) the desire of members to work and, of course, earn money as staff for the conferences and (b) broader issues of membership per se; that is, what do we get in return for our dues, and who gets selected and why? These issues have been all-consuming. Members not selected, or not selected often enough, to staff conferences became angry and resentful. Blame was directed at the national organization, which was perceived to be overly restrictive and limited in its decision making. It is interesting that the exciting group process of the conferences—learning experientially about issues of authority, leadership, individual-group interactions, and the power of the group as a whole—became the mode members and committees used to attempt to deal with AKRI itself. In other words, the real work before the institute was often left undone because the sexier way of working was the conference learning process, as opposed to tackling tasks and accomplishing objectives on behalf of AKRI itself. Confronting AKRI, *the authority*, was more fun than dull and time-consuming committee work.

The problem, therefore, has been the dual and somewhat conflicting missions of the institute—that is, to be a membership organization and serve its members while at the same time having an educational mission for the public at large. Membership issues often prevented effective accomplishment of the educational mission. And to be effective in the

latter, AKRI's external environment needed to be monitored and responded to more directly, instead of indirectly via its members, who were often conflicted between an individual desire to earn money and a desire to give back to and serve AKRI. AKRI has recently launched a significant organization change effort to modify its bylaws and governance structure in support of one mission, the educational one, and to close down its membership structure. Among a number of other consequences, this change will force AKRI to be significantly more in touch with its external environment. And the likelihood is much greater that AKRI will indeed survive and perhaps be even more successful in the future, at least until the external environment changes again.

Summary

The sections in this chapter so far have been about changing corporations, changing government agencies, and changing higher educational institutions and nonprofit organizations, which have served as examples of the critical nature of organizations' external environment and their dependence on it for survival. These examples have also illustrated how organizations of all kinds today have to deal with environments that are changing more rapidly than the organizations themselves. In fact, the remainder of this book could be filled with such examples alone. The ones covered are illustrative only, not comprehensive.

The primary purpose, therefore, of these sections has been to make the case for the need for a much greater depth of understanding about organization change across all major sectors of organizations. In addition to government organizations, a neglected category of organizational types is health care, the other half of Chapter 13. With the rate of change becoming faster and faster and the demands on organizations to adapt and change themselves becoming greater and greater, our learning curve is steep. This book, then, is an attempt to climb that curve and provide more depth of understanding. Our need is to understand organizations more thoroughly, but the greater need is to learn more about how to change them.

Another purpose in presenting these examples of changing organizations and their interactions with their external environments is to introduce, perhaps not so subtly, a particular point of view about organization change: that the process begins (and ends, for that matter) with the external environment.

The objective of the following sections is to be more explicit about points of view and to provide with these personal declarations a preview of coming attractions.

Personal Declarations and Points of View

The purposes of the final section of this chapter are (1) to provide personal points of view about organization change, especially planned organization change, and (2) to provide very briefly an overview of what is covered in each of the following chapters.

The Metaphor of Choice

As Gareth Morgan (1997) has so eloquently explained, we can understand an organization through a variety of metaphors, such as a machine, a brain, a psychic prison, or an organism. Morgan appropriately warns us about metaphors: that although they are a way of seeing, at the same time they are a way of not seeing. Metaphors can help but can also limit our perspective and ultimate understanding.

With this warning clearly in mind, the metaphor of choice for this writing effort is the organism. A major strength of this metaphor is the emphasis on the interactions between an organization and its external environment. An organization is *not* a closed system, a fact that encourages viewing it as an open and flexible entity. A second strength, as Morgan (1997) has pointed out, is the emphasis on survival; that is, certain needs must be satisfied for the organization to survive:

This view contrasts with the classical focus on specific organizational goals. Survival is a process, whereas goals are often targets or end points to be achieved. This reorientation gives management greater flexibility, for if survival is seen as the primary orientation, specific goals are framed by a more basic and enduring process that helps prevent them from becoming ends in themselves, a common fate in many organizations. (p. 67)

One of the limitations of this metaphor is the fact that an organism is concrete; it is a fundamental of nature, with material properties that can be seen and touched. An organization, on the other hand, is socially constructed, a product of someone's ideas, vision, and beliefs. And although

there may be buildings, land owned or leased, machines, and money, an organization depends on the actions of human beings for survival. It does not maintain itself through an autonomic process.

Also, this view suggests that organizations are totally dependent on their environments for survival, overlooking the fact that organizations *interact* with the external world: yes, being influenced, but influencing outwardly as well.

Another limitation of the metaphor is what Morgan (1997) calls functional unity. Organisms have highly interdependent parts, and each element supports other elements, as in the human being with a heart, lungs, glands, and so on, operating together to preserve the whole. Organizations rarely operate this way. We might argue that ideally they should, with interdependence and harmony and all elements working for the good of the whole. Yet we know that creativity often stems from conflict and debate and that these kinds of actions by organization members may contribute more to the organization's survival than harmony would.

The final limitation that Morgan (1997) notes is the danger that the metaphor might become an ideology: that organizations *should* be harmonious, that interdependence is always a *good* thing, or that individuals *should* get their needs met on the job.

Bearing in mind these limitations, the strengths of the organism metaphor support the points of view represented in this writing more than any other metaphor. Thus the choice. Not becoming trapped by the metaphor is nevertheless a highly important pitfall to avoid as we proceed.

The Theories of Choice

It should come as no surprise that, with the metaphor of choice being an organism, the primary choice here is open-system theory, which was, after all, derived from biology. Moreover, the point of view established in this book is that the life sciences, with their theoretical foundations, are more relevant to understanding organizations and change than are the physical sciences. Fritjof Capra's (1996) work is especially relevant, particularly his emphasis on the concepts of pattern, structure, and process. Chapter 4 is devoted to these theoretical foundations.

Types of Organization Change

Think first about evolution versus revolution, a gradual continuous process of change in contrast to a sudden event. That sudden event

might precipitate massive turmoil, resistance, and planned change that could lead to eventual organization change. This contrast is actually a useful way to think about the different forms that organization change can take. The language that scholars and practitioners currently use is exemplified as follows:

Revolutionary versus Evolutionary

Discontinuous versus Continuous

Episodic versus Continuous flow

Transformational versus Transactional

Strategic versus Operational

Total system versus Local option

Stating this language in terms of one versus the other is for purposes of clarity and understanding, not to suggest that the conditions they describe are mutually exclusive. Pascale, Milleman, and Gioja (2000), for example, have stated:

The point is: Over time (and even concurrently) organizations need evolution *and* revolution. When they have been limited exclusively to the restrictive precepts of social engineering [for example], they have been handicapped and largely unsuccessful in unleashing authentic revolutionary change. The principles of living systems offer a powerful new recourse. The trick is to clearly identify the nature of the challenge and then use the right tool for the right task. (p. 38)

Revolutionary change or transformation requires different tools and techniques for bringing about successful organization change than do methods for evolutionary or continuous change. The former requires total system events, such as (1) an initial activity that calls attention to the clear need for a dramatic modification of mission and strategy due to changes that have occurred in technology or (2) new, unforeseen forays by a significant competitor. The latter requires improvement measures in how a product is designed, how a service is delivered, or how quality is measured and upgraded. A transformation requires the immediate attention of all organizational members, whereas a continuous improvement action may require the attention of only a certain segment of the organizational population or a phased involvement of all organizational members over

time. Chapter 5 provides further detail and examples of these two different forms of organization change. Chapter 7 also addresses this distinction from a theoretical and research perspective.

Levels of Organization Change

As in the case of the differences between transformational (revolutionary) and transactional (evolutionary) change, it is very important to understand the various effects of organization change across the primary levels of any social system. These primary levels are the *individual*, the *group* or work unit, and the *total system*. In many large corporations today there is an additional level—the business unit, which consists of multiple work units and teams and is a primary subsystem of the larger organization. In other words, a business unit is responsible for a significant piece of the overall corporation's business, such as a regional group—for example, the southeastern United States—or a unit responsible for a primary segment of the larger market, such as a department of women's wear as part of a larger clothing and fashion business. The group level encompasses local work units and may also include the larger business unit, which consists of local work units. In any case, the point here is that the way organization change affects the individual differs from the way groups are affected and from the way the total system is affected. Furthermore, the major focus for change differs as a function of level. At the individual level, the focus of attention is on activities such as recruitment, replacement, and displacement; training and development; and coaching and counseling. At the group level, the focus is on, for example, team building and self-directed work units. At the total system level, the emphasis is on the more encompassing aspects of the organization, such as mission, strategy, structure, or culture—in other words, components of the organization that will be affected sooner or later by the initial activity.

Chapter 6 is devoted to an examination of the levels of organization change, how resistance to change differs by level, and how change leaders need to deal with the resistances according to level. The process is not the same for all organizational levels.

How Organization Change Occurs

Let us assume that an organization needs to change itself significantly. With major shifts in its external environment, the organization must

change its basic strategy and certain aspects of—if not most of—its mission statement, the organization’s *raison d’être*. Change in mission and strategy means that the organization’s culture must be modified if the success of the overall change effort is to be realized. Change in the culture is in *support* of the changes in mission and strategy; it is the “people” side, the emotional component of organization change, or what a seasoned organization change consultant calls “the change monster”—the human forces that either facilitate or prevent transformation (Duck, 2001). So culture change is our focus. The point of view that I am presenting here is that you don’t change culture by trying to change culture. Culture is “the way we do things around here” and concerns deeply held beliefs, attitudes, and values. Taking a direct, frontal approach to changing values is fraught with difficulty, resistance, and strong human emotion. We therefore start with behavior instead. We start with the behavior that will lead to the desired change in attitudes and values.

When talking about a desired organization change, leaders and managers often say something like, “We need to change people’s mental sets.” The implication is that attitude is the focus of change. As is the case with values, attempting to change an attitude, one’s mental set, is difficult. So we begin with behavior changes that, if enacted, will eventually lead to shifts in attitudes and beliefs and will subsequently affect values. Although it is absolutely necessary to be clear at the outset of a change effort about the desired values and about the modified culture that is the goal, we do not concentrate on the culture *per se* but on the behaviors that will gradually influence the culture in the desired direction. Further thought about this point of view and the theory and research that support it is presented in Chapter 7.

The Content and Process of Organization Change

The *content* of organization change is one thing, and the *process* another. The distinction is important because the former, the *what*, provides the vision and overall direction for the change, and the process, the *how*, concerns implementation and adoption. Content has to do with purpose, mission, strategy, values, and what the organization is all about—or should be about. Process has to do with how the change is planned, launched, more fully implemented, and once into implementation, sustained. The kinds of behaviors required for content differ from those required for process. Determining the *what* requires leadership in the

form of taking a stand, declaring what the new world will look like, and composing the story of change that addresses issues of identity and purpose. Determining the *how* requires leadership that, for example, is participative, involves organizational members in the activities that will bring about the change, and recognizes accomplishments. So, for example, composing the story is the content, and telling the story is the process. This distinction between content and process, although useful for our understanding, is not pure. Composing the story of organization change is, after all, a process. In any case, the various ways of understanding the distinctions and overlaps is the subject matter of Chapter 8.

Organizational Models

In addition to theory about organization change, it is useful to have frameworks that help simplify and focus: *simplify* in the sense of reducing the many parts and aspects of any organization into more manageable portions, and *focus* as a matter of determining which portions are the most important ones for our attention. A useful organizational model is one that simplifies and at the same time represents reality, a conceptual framework that makes sense to people who work in organizations and helps them organize their realities in ways that promote understanding and action for change. Many organizational models or frameworks for understanding organizations exist in both the academic and applied worlds. The organizational models covered in Chapter 9 are highly selective. They are the ones most closely associated with organization change. For the most part, these models are steeped in open-system theory and convey an organismic perspective. They also help integrate content and process of change.

The Organizational Model of Choice

In making a choice about a model to apply to an organization change effort, certain questions are important to consider. First, in what kind of theory is the model grounded? Organization theory in general or, say, open-system theory in particular? If the latter, then an input-through-output sequence, with a feedback loop from output to input and vice versa, is absolutely necessary. Second, does the model consist of the most relevant and key factors or components? For example, is the mission included? Third, is the model merely descriptive, or is it prescriptive?

That is, for performance to be optimized or for change to be effective, are there certain components in the model that are more important or carry heavier weight than other factors? For example, is culture more important than strategy or structure, or vice versa? And finally, are there any unique features of the model?

Although the questions just posed are appropriate, they are also somewhat leading. The Burke–Litwin model of organizational performance and change, the model of choice for me, represents a positive response to these questions. Born from the world of practice, the model evolved and was defined from a major organization change effort in the 1980s at British Airways (BA). Theoretically, the model is grounded in the open-system way of thinking. The components of the model come from original work on organizational climate by George Litwin, in the 1960s, and from experiences at BA. (On climate, see Litwin & Stringer, 1968; for BA, see Goodstein & Burke, 1991.) Also from these experiences, the model became both descriptive and prescriptive. The model is more normative than contingent on what actions should precede what other actions in a large-scale transformation of an organization. Furthermore, the model is unique in that transformational or discontinuous change is addressed, as well as transactional or continuous change. A full description of the model is provided in Chapter 10.

Organization Change Should Be Data-Based and Measured

With respect to planned organization change, it is imperative that the effort be based on data as much as possible to help ensure success. It is difficult to know what to do next if one does not know what the current situation is. Measures taken over time—Time 1 compared with Time 2, then with Time 3—help (1) track progress, (2) establish priorities for next steps, and (3) determine what to celebrate when milestones are reached.

Planned Organization Change Requires Leadership

Change can emanate from any unit, function, or level within an organization. Regardless of its origin, leadership is required. There can be leaders anywhere in an organization. But if the organization change is

large in scale and transformational in nature, requiring significant change in mission, strategy, and culture, then leadership must come from the top of the organization, from executives, particularly the chief executive. Chapter 14 addresses the importance of transformational leadership, and Chapter 15 concentrates on executive leadership and specifies the change leader's role for each of four sequenced activities: the prelaunch phase, the launch of the organization change, the implementation phase, and sustaining the effort. The perspective adopted herein is that leadership should take the form of specified roles and behaviors rather than the form of a personality orientation. Is personality important? Yes, because leadership is far more personal than management. But charisma, for example, is not required for successful organization change. Neither should we attempt to emulate great leaders, such as Mohandas Gandhi, Margaret Thatcher, Martin Luther King Jr., Jack Welch, Ronald Reagan, Eleanor Roosevelt, and George Patton. Although lessons can be learned from the lives of these people, in the end, it is how each of us uses his or her *self* in its own unique formation that makes the difference. An article (Brooker, 2001) about Herb Kelleher, the fabled former CEO of Southwest Airlines, had the subtitle "I Did It My Way." How else could he have done it? And how else could anyone else do it except his or her own way? That is what leadership is about: doing it one's own way, but for purposes of leading change according to key roles and sequenced activities.

Planned Organization Change Is Complex

Charles de Gaulle, the former president of France, once said, "I have come to the conclusion that politics are too serious to be left to the politicians." A similar statement could be made about the complexity of organization change. In other words, organization change is too complex to rely solely on the traditional literature in areas such as organization theory, organizational behavior, organization development, and strategic management. As stated in Chapter 1, sources for this book have not been exclusively the "usual suspects." The life sciences and theories related to chaos and nonlinear systems are more useful for our understanding and application. In Chapter 16, I will, for example, address Gladwell's principles and perspectives from his book *The Tipping Point* and apply them to organization change.

Summary

With these personal declarations and points of view, I have attempted to accomplish two objectives. First, I wanted to declare myself—to state my points of view about organization change with biases clearly presented. With these declarations, I have also shown what I consider to be the most important topics for understanding organization change in more depth. A second objective was to summarize in a few pages what the book addresses in the following 15 chapters. Now, as you will see in my closing request, I hope that I did not tip my hand too much.

A Closing Request

When you go to a movie theater, the film you went to see never begins at its designated time. What precedes it is a flood of previews and coming attractions attempting to entice you to return to the theater and see those movies as well. Some critics and pundits have been known to complain that previews show the best parts of a forthcoming film, so that actually seeing the entire movie is not worth one's time. Whether this complaint is valid or not, the danger of having provided a preview of this book is that you, the reader, will now skip the details. But please read on. The richness of organization change is in the details.

THREE

A Brief History of Organization Change

Organization change is as old as organizations themselves. The pharaohs of ancient Egypt probably struggled with a need to change the organizations that built their pyramids. And imagine the degree of organization needed, with continual modifications, to successfully construct the Great Wall of China. What we call reengineering today was probably practiced in some form back then.

The first organization change recorded in the Old Testament (Exod. 18:13–27) dealt with what we call today a *loosely coupled system* (see Chapter 12). In fact, it was too loosely coupled, and that was the problem. Moses was the client. Having escaped from the tyranny of the Egyptian pharaoh with thousands of Israelites as his followers, Moses had to deal with a daunting number of social system issues. Thousands of his followers had direct access to him. Moses was leader, counselor, judge, and minister to all. His father-in-law, Jethro, no doubt because he was concerned for his son-in-law's mental health, suggested what amounted to a reorganization. He proposed that Moses select a few good men to be rulers of thousands. They would have direct access to him and would bring to him only the problems they could not solve. Each of these rulers, in turn, would have lieutenants who would be rulers of hundreds and would have direct access to the rulers of thousands and would bring to them only the problems they could not handle, and so on, down to the lowest,

the rulers of 10 persons. This was the birth of one of the first pyramidal organizations. It is possible, of course, that this idea of organization did not originate with Jethro; before Moses's deliverance, the Hebrews had been enslaved by the Egyptians, who had a highly organized society. In any case, changing organizations is not exactly new. What is comparatively new, however, is the *study* of organization change: what systematically seems to facilitate and enhance effective change (*effective* meaning the accomplishment of *planned* change goals) and what leads to failed attempts at organization change. Note the emphasis on *planned* change. Organization change can be unplanned, of course, and more often is. This distinction will be covered in more detail later.

Jethro, along with his client, Moses, was an early organization change agent. Since that earlier time, there have been many others we could cite, such as Machiavelli and his client, the prince. In keeping with the promise in the chapter title of being brief, however, a leap to the 20th century will now be made. Besides, our primary perspective and purpose is to consider the study of organization change, and it is only recently that organization change has become an interest of scholars. What follows, then, is a tracing of the important forerunners of the modern study of organization change:

- Scientific management
- The Hawthorne studies
- Industrial psychology
- Survey feedback
- Sensitivity training
- Sociotechnical systems
- Organization development (OD)
- The managerial grid and OD
- Coercion and confrontation
- Management consulting

An appropriate starting point is the first decade of the 20th century and the work of Frederick Winslow Taylor, the father of scientific management.

Scientific Management

To understand and appreciate Frederick Taylor's approach to organization change, we need to consider the historical time and content of his work. The time was the late 1800s and early 1900s—his famous book, *The Principles of Scientific Management*, was first published in 1912 (Taylor, 1915). Regarding the broader context, we need to recall that (1) the Industrial Revolution was in full swing, (2) the predominant type of organization experiencing considerable growth was manufacturing, and (3) the primary disciplines providing a strong foundation for (1) and (2) were economics and engineering. It is not surprising, then, that Taylor's conception of an organization was that of a *machine*. An organization, particularly a manufacturing one, should therefore be studied in scientific terms: What is cause, and what is effect? And in terms of operating principles, the machine may be thought of as being based on the idea of a physical entity with movable and replaceable parts.

Taylor's (1980) "scientific management," as he labeled it, was based on four principles:

Data gathering: Amassing "traditional" knowledge about the way work has been done in the past, through discussions with workers and observations of their work; recording the knowledge; tabulating it; and reducing it to rules, laws, and if possible, mathematical formulas. In addition to talks with the workers themselves, Taylor used time-and-motion-study methods. These consequent rules, laws, and formulas were then applied to the workplace by management, and if applied properly, greater efficiencies were typically realized.

Worker selection and development: Paying considerable attention to selecting and placing the worker in a job that was as good a match as possible of human skills and ability with the requirements of the job, in other words, the nature of the work itself. Furthermore, Taylor was a strong advocate of training and helping the worker do the best job he or she (mostly he during those times) was capable of performing.

Integration of the science and the trained worker: Bringing together scientific management and the trained worker to "make" the worker and science come together. What Taylor meant was that one could have the best-trained workers humanly possible, but if they did not use and apply

the new methods of work, the entire effort would fail. To “make” this integration, to use Taylor’s word, he argued that workers needed to be treated well, taking into consideration their wishes and allowing them “to express their wants freely” (Taylor, 1980, p. 21). Moreover, he was a proponent of incentive pay. He added, however, that if a worker refused to perform the new modes of work, then moving that person out (transferring the worker to another job in the company or severing the worker from the company) was the proper step to take. Scientific management did not mean mollicoddling the workers, Taylor pointed out. He also stated that “nine-tenths of our trouble comes with men on the management side in making them do their new duties” (p. 21). Obviously, Taylor believed that changing managers was far more difficult than changing workers. For scientific management to succeed, *management must assume new modes of work*, which is essentially Taylor’s fourth principle.

Redivision of the work of the business: Dividing the work of the company into two large parts. The job of the worker was to perform the work itself (shoveling coal, operating a machine, hauling pig iron, and so on), and the job of management was to plan and monitor the work, *not* to actually *do* the work. Managers were to act like scientists, constantly collecting and analyzing data and then planning the next segment of the company’s work accordingly. Managers were also responsible for providing the requisite resources for the workers to do their jobs. Taylor stressed the importance of cooperation between workers and managers for this division of labor to succeed.

Taylor demonstrated on a number of occasions that his approach worked; it reduced costs and improved profits. Yet not all was bliss. Frequently, Taylor’s scientific management process did not succeed. Executives who used Taylor’s methods were too often desirous of quick gains and either only partially or entirely inappropriately applied the methods. Workers resisted methods that appeared to them to be “speed-ups,” used for no other apparent reason than to make more money faster, at their expense.

It is not surprising that Taylor became controversial. Some supported him strongly; others vilified him. There were, during Taylor’s lifetime and still to some extent today, *two* Frederick Taylors (Weisbord, 1987):

Few men ever were such powerful magnets for both admiration and revulsion. [There were] two Taylors. One a mechanistic engineer,

dedicated to counting, rigid control, and the rationalization of work, an unfeeling authoritarian who turned his own neurosis into repressive methods anathema to working people. . . . The other was a humanitarian social reformer, who believed workers could produce more with less stress, achieve greater equity in their output, and cooperate with management for the good of society. This [latter] Taylor has hardly been recognized publicly since 1925. (pp. 25–26)

Taylor was probably the first industrial engineering consultant, and as an organization change agent, he believed deeply that taking a rational, “scientific” approach would provide the best opportunity for change. He recognized that workers were “feeling animals,” to use his words, and that they should be treated humanely. Data collected systematically, analyzed carefully, and applied rigorously, if not rigidly, would in the end produce the primary set of methods that would achieve the greatest efficiencies and have the most powerful and lasting effect on the organization.

Taylor’s impact on organizational work, especially those enterprises that rely predominantly on technology and engineering, should not be underestimated. Some would argue that he is not only the father of scientific management but also the father of the whole field of industrial engineering. Initiatives that today we call *reengineering* and *business process engineering*, for example, have evolved from Taylor. Other related activities of today include ISO 9000, six sigma, and total quality management. These days, it may not be politically correct to claim to be a devotee of Frederick Taylor, but to be involved in any of the techniques and methods just mentioned is to live in his long shadow.

The Hawthorne Studies

Whereas Taylor’s work was steeped in the disciplines of economics and engineering, the Hawthorne studies, as they turned out, were significant contributors to psychology and sociology. “As they turned out” is the operative phrase here, because the studies at the outset were not unlike Taylor’s, for example, investigating the effects of lighting changes on worker productivity. In the early stages of their investigation, the research team was dumbfounded by the results. The assumed cause–effect linkage between illumination and productivity did not exist. Something else was clearly going on.

Beginning in 1924 and continuing into 1933, the Western Electric Company sponsored a series of experiments for studying worker productivity and morale at its Hawthorne Works, in Chicago. The researchers, from the Harvard Business School, were led by Fritz Roethlisberger, T. N. Whitehead, Elton Mayo, and George Homans, and by W. J. Dickson of Western Electric. Full discussion of these studies is presented in Roethlisberger and Dickson (1939).

The studies can be categorized according to types of experiments, types of workers studied, and time period. The four categories of experiments, listed chronologically, were as follows:

The illumination experiments

The relay assembly group experiments

The interviewing program

The bank-wiring group studies

The intent of the investigators was to determine the effect of working conditions on productivity and morale. In the illumination experiments, lighting was changed in a variety of ways for a test group consisting of women. A control group was also studied. As lighting was increased, productivity increased, but to the surprise of the investigators, productivity continued to increase even when lighting was subsequently decreased to significantly less than it had been originally. Other variations were tried. In some cases, even when the researchers pretended to change the illumination, the women responded positively and productivity increased. Throughout these experiments, regardless of whether the workers were in the test group or the control group, production either increased or did not change significantly. The researchers concluded that if light was a factor with respect to employee output, it was only one among many. They further hypothesized that worker attitude was a significant factor.

The next series of studies, the relay assembly group experiments, were conducted with a group of six women who assembled part of the standard telephone. The variables studied were shorter working periods, incentive pay, personal health, and supervision. The conditions of the study were that (1) the women worked in a special, separate area, (2) they were continuously observed by a researcher, (3) they were consulted by

the researcher-observer prior to any change, and (4) although the observer served as a supervisor of sorts, it was clear to the women workers that he was not a formal part of management. Over a period of 2½ years, in spite of many changes, productivity steadily increased to a level 30% higher than it had been before the experiments, and morale among the six women improved steadily. Their absentee record was superior to that of the other regular workers, and there was no turnover. Also, regardless of the direction of the change the researchers made, output continued to increase over time. The conclusion was that there is no cause-and-effect relationship between working conditions and productivity. The women themselves told the researchers that the primary factors contributing to the increase in productivity were as follows:

More freedom on the job

No boss

Setting their own work pace

Smaller group (Their pay was based on their performance as a small group, as opposed to the usually larger one of 30 or more; thus, they had more control over the relationship between their performance and pay.)

The way they were treated

This series of experiments had clearly shown the researchers the importance of worker *attitude* and provided information about factors other than physical working conditions that contribute to positive worker attitude. Managers at Western Electric were impressed with these studies, particularly with what they perceived to be a considerable amount of latent energy and willing cooperation that could be tapped under the right conditions.

In an attempt to investigate attitude more thoroughly, a third set of studies was launched in 1928. This program began as a vast data-collection process using individual interviews. Some 21,000 interviews were conducted by 1930. The interviews tended to become counseling sessions, and the researchers learned a great deal about employee attitudes, particularly those relating to supervision, worker relationships, and the importance of perceived status. A major outcome of these

interview studies was learning how to teach supervisors about handling employee complaints: teaching them that an employee's complaint frequently is a symptom of some underlying problem, one that exists either on the job, at home, or in the person's past.

The researchers' desire, however, was to investigate social relations on the job more extensively. Thus, the final set of studies was conducted with a bank-wiring group of 14 men. This group's job was to wire and solder banks of equipment for central connecting services. Again, the group was separated for study, and data were collected by observers. The findings of this study concerned the importance of group norms and standards and the informal organization. For example, a group norm for rate of productivity significantly influenced the level of individual performance, and informal authority from influential group members often overrode formal authority from the supervisor.

The Hawthorne studies are significant as a precursor to our understanding of organization change for the following reasons:

They demonstrated the important influence of psychological or human factors on worker productivity and morale.

They signaled the criticality of certain variables for worker satisfaction: autonomy on the job (workers being able to set their own work pace), the relative lack of a need for close supervision of people who know their jobs, receiving feedback on the direct relationship between performance and reward, and having choices and some influence over change.

They ushered in more humanistic treatment of workers on the job.

They provided evidence for later theory, such as Herzberg's motivation-hygiene notion. The hygiene portion of Herzberg's theory is that there is no direct cause-effect relationship between working conditions and productivity (Herzberg, Mausner, & Snyderman, 1959).

They provided the stimulus and data for much of what we now know about group dynamics, especially in a work context. The bank-wiring group was analyzed thoroughly by Homans, and this study, plus others in the series, resulted in his theory about work groups, his leading-edge thinking about group norms, and his now classic book *The Human Group* (Homans, 1950).

A quotation from Roethlisberger (1980) is a fitting conclusion for this discussion:

What all their experiments had dramatically and conclusively demonstrated was the importance of employee attitudes and sentiments. It was clear that the responses of workers to what was happening about them were dependent on the significance these events had for them. In most work situations the meaning of a change is likely to be as important, if not more so, than the change itself. This was the great *éclaircissement*, the new illumination, that came from the research. It was an illumination quite different from what they had expected from the illumination. (p. 33)

Industrial Psychology

Industrial psychology is now called *industrial and organizational psychology*, and the expanded label reflects changes in the field. In earlier days prior to, during, and immediately after World War II, industrial psychology was largely limited to business, industrial, and military organizations. Its primary thrust was testing, along with studies of morale and efficiency. Questionnaires for selection and screening were created by the hundreds and then tested for reliability and validity. As a result of the war effort, psychological testing came into its own. Industrial psychologists were also involved in training and development, especially supervisory and management training, during and after the war.

A research project conducted at the International Harvester Company by Edwin A. Fleishman (1953) during the late 1940s and early 1950s was typical of this era of industrial psychology. It combined supervisory training and the development of a psychological test. This series of studies, conducted over a period of more than three years, was highly significant for another reason; however, it provided useful background for our current understanding of organization change.

Fleishman (1953) was interested in the study of leadership and in the consequences of supervisory training: whether supervisors' attitudes and behavior would change as a result of a 2-week training program on leadership principles and techniques. Using several questionnaires, Fleishman took measures before the training and immediately after the program. Measures were also taken from a control group of supervisors and from the bosses and subordinates of both groups, the trained and