

ORGANIZATION DEVELOPMENT AND CHANGE

FOURTH EDITION

THOMAS G. CUMMINGS

EDGAR F. HUSE

Organization Development and Change



Fourth Edition

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UNIVERSITY OF SOUTHERN CALIFORNIA

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PREFACE

We live in a world of organizations. They provide us a means to earn a livelihood. They furnish us with basic necessities such as food, shelter, health care, and safety, and with luxuries such as automobiles, televisions, designer clothes, and personal computers. Most of us would find it extremely difficult to live without organizations. Yet, we have all experienced troubles living with them. Organizations can provide people with meaningful and productive work; they can also alienate people and make them feel dissatisfied and incompetent. Organizations can enable people to achieve amazing feats such as curing polio and putting a person on the moon; they can also block innovation and productive effort and contribute to inefficiency and waste.

The 1980s have witnessed an unprecedented emphasis on changing organizations to make them more responsive to today's highly competitive and uncertain conditions. Widespread attention has been given to developing ways to make organizations more humanly satisfying and productive. Government has called for "renewing" American industry—for making it more efficient, innovative, and competitive. Unions have demanded greater participation and quality of work life for their members. Managers and administrators have flocked to bookstores, conferences, training programs, and universities to learn new management practices and ways to improve organizational effectiveness. Academics and consultants have expended similar efforts in discovering these new approaches.

This book is about *organization development* (OD), an applied field of social science aimed at helping organizations to improve human fulfillment, productivity, and responsiveness to the environment. This discipline, just three decades old, is still evolving and growing. It includes a diversity of theories, approaches, and techniques, and is adding new concepts and methods at an astonishing rate. As with any new, fast-growing field, much confusion and misunderstanding surround organization development. Some people regard it as a single approach, such as team building. Others see it as the only way to solve organizational problems. Some regard OD as a way to keep everyone happy by letting employees do as they please.

The purpose of this book is to place the current theory and practice of organization development into a broad systems perspective and to describe in a clear and organized fashion the concepts, approaches, and techniques of OD. Organizations are viewed as open systems composed of interrelated parts and relating to external forces, and organization development is described as an evolving or changing system.

This book can be used in a number of ways. It serves as a basic textbook in organization development at both undergraduate and graduate levels. The book is organized to provide students with a comprehensive understanding of OD, starting with how it is applied to organizations, then major interventions used in OD, and finally the evaluation and practice of OD. The book can also serve as an independent study guide for those wishing to learn more about how organization development can improve productivity and human satisfaction. The book is intended to be of value to students as well as to OD professionals; managers and administrators; specialists in such fields as personnel, training, occupational stress, and human resource management; and anyone interested in the complex process known as organization development. The material contained in the book can be applied to a wide variety of organizations, both public and private.

Since the first two editions of the book were published, Edgar F. Huse, the father of this text, died. I was asked by West Publishing and Ed's wife, Mary Huse, to revise the book for subsequent editions. In keeping with the spirit of this pioneering text, the fourth edition of the book is a comprehensive, up-to-date account of organization development. It builds on the strength of previous editions and adds new material and approaches that have been developed in the four years since the third edition was published. Specifically, the text makes a major contribution to integrating traditional perspectives of organization development with newer approaches, including quality of work life, organization design, human resource management, and strategic change. It breaks new ground in presenting interventions for managing organization and environment relationships and for carrying out organization transformation. It also presents a comprehensive framework for managing organizational change and includes ethical guidelines for carrying out OD professionally. From a learning perspective, the fourth edition includes numerous applications of OD in action throughout the text and integrates relevant cases into the various parts of the book. This helps to make the material more real-world and challenges readers to apply the concepts and approaches to organizational situations.

Writing a book is a difficult and intricate process that cannot be accomplished alone. Although it is impossible to recognize everyone by name, let me extend thanks to the following people who have been of influence and assistance:

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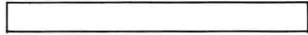
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Thomas G. Cummings

Palos Verdes Estates, California
Summer 1988

Organization Development and Change



Fourth Edition

CONTENTS

Preface **xi**

Chapter 1 General Introduction to Organization Development 1

What Is Organization Development?	1
Why Study Organization Development?	3
A Short History of Organization Development	5
Evolution in Organization Development	12
Overview of the Book	13
Summary	16
Notes	16
Application 1-1: Just Suppose	5
Application 1-2: Team Building in a Federal Agency	7
Application 1-3: Survey Feedback in a Bank	8
Application 1-4: Action Research at a School	9
Application 1-5: Productivity and Quality of Work Life at Saab	11

Process of Organization Development 19

PART I

Chapter 2 The Organization Development Practitioner 20

Who Is the Organization Development Practitioner?	20
Skills and Knowledge of an Effective Organization Development Practitioner	22
The Professional Organization Development Practitioner	25
Professional Values	31
Professional Ethics	32
Selecting a Consultant	36
Summary	37
Notes	38
Appendix: Ethical Guidelines for an OD/HSD Professional	40
Application 2-1: Personal Views of the Internal and External Consulting Positions	27
Application 2-2: Ethical Dilemma at a Forging Works	35

Chapter 3 The Nature of Planned Change 46

Lewin's Change Model	46
Planning Model	47
Action Research Model	47
Comparisons of Change Models	51
Integrative Model of Planned Change	51
Planned Change in Different Situations	56
Critique of Planned Change	60
Summary	61
Notes	62
Application 3-1: Action Research in a Mental Hospital	50
Application 3-2: Planned Change at the Piedmont Corporation	54
Application 3-3: Planned Change in an Underorganized System	59

Chapter 4 Diagnosing Organizations 64

What Is Diagnosis?	64
The Need for Diagnostic Models	65

A Diagnostic Model	66
Organization-Level Diagnosis	70
Group-Level Diagnosis	74
Individual-Level Diagnosis	80
Summary	86
Notes	86
Application 4-1: Systems Electronics Corporation	72
Application 4-2: Top-Management Team at Ortiv Glass Corporation	77
Application 4-3: Job Design at Mot Surgical Corporation	82

Chapter 5 Collecting, Analyzing, and Feeding Back Data 88

The Diagnostic Relationship	88
Methods for Collecting Data	90
Sampling	97
Techniques for Analyzing Data	98
Processes for Feeding Back Data	101
Summary	105
Notes	106
Application 5-1: Collecting Diagnostic Data at Northeastern Hospital	96
Application 5-2: Feeding Back Diagnostic Data at Northeastern Hospital	105

Chapter 6 Managing Change 108

Overview of Change Activities	108
Motivating Change	110
Creating a Vision	113
Developing Political Support	116
Managing the Transition	120
Sustaining Momentum	121
Summary	124
Notes	124
Application 6-1: Motivating Change at Xerox	112
Application 6-2: Creating a Vision Statement at AFG Industries	115
Application 6-3: Using Social Networks to Implement Change in a Consumer Goods Company	119
Application 6-4: Transition Management in a Large Manufacturing Company	121
Application 6-5: Sustaining Momentum for Change at Eastern Occupational Center	123

Chapter 7 Organization Development Interventions 126

Types of Interventions	126
Overview of Interventions	129
Choosing Interventions	134
Summary	137
Notes	138

<i>SELECTED CASES</i>	B. R. RICHARDSON TIMBER PRODUCTS CORPORATION	139
<i>TO PART I</i>	SUNFLOWER INCORPORATED	155

PART II Human Process Interventions 157

Chapter 8 Interpersonal and Group Process Approaches 158

T-Groups	158
Process Consultation	161
Third-Party Intervention	170

Team Building	174
Summary	185
Notes	186
Application 8-1: Unstructured Strangers T-Group	159
Application 8-2: Process Consultation at Apex Manufacturing Corporation	167
Application 8-3: Third-Party Intervention in a Government Agency	173
Application 8-4: Team Building with the PAL Management Team	181

Chapter 9 System-wide Process Approaches 188

Survey Feedback	188
Organization Confrontation Meetings	193
Intergroup Relations	196
Normative Approaches	201
Summary	212
Notes	212
Application 9-1: Survey Feedback at Winfield School District	190
Application 9-2: Organization Confrontation Meeting at a Unionized Plant	195
Application 9-3: Intergroup Relations at Canadian-Atlantic	199
Application 9-4: System 4 at General Motors' Lakewood Plant	205
Application 9-5: Grid Organization Development at the Sigma Plant	210

METRIC DIVISION	216
EXLEY CHEMICAL COMPANY	223

*SELECTED CASES
TO PART II*

Technostructural Interventions 227

PART III

Chapter 10 Structural Design 228

Organization Design Framework	228
Differentiation and Integration	230
Formal Structures	236
Collateral Structures	248
Summary	250
Notes	250
Application 10-1: Differentiation and Integration at Corning Glass Works	235
Application 10-2: Matrix Organization at Canadian Marconi Company	244
Application 10-3: Collateral Organization at Compu Corp	248

Chapter 11 Quality-of-Work-Life Approaches 253

Quality of Work Life: What Is It?	253
Sociotechnical Systems Perspective	259
Quality-of-Work-Life Applications	263
Quality of Work Life: Fad or Permanent Intervention?	278
Summary	280
Notes	280
Application 11-1: Pioneering Sociotechnical Systems Redesigns	263
Application 11-2: Union-Management Cooperation at General Motors and Shell	265
Application 11-3: High-Involvement Plant at Sherwin-Williams	270
Application 11-4: Quality Circles at HEB Grocery Company	274
Application 11-5: Flexible Work Hours at an R&D Facility	277

Chapter 12 Work Design 285

Designing Work for Technical and Personal Needs	285
Traditional Jobs	289
Traditional Work Groups	290

Enriched Jobs	290
Self-Regulating Work Groups	298
Summary	306
Notes	307
Application 12-1: Job Enrichment at the Travelers Insurance Companies	295
Application 12-2: Self-Regulating Work Groups at Alcoa	303

<i>SELECTED CASES TO PART III</i>	ACQUARIUS ADVERTISING AGENCY	311
	LORDSTOWN PLANT OF GENERAL MOTORS	313

PART IV **Human Resource Management Interventions** 321

Chapter 13 **Goal Setting and Reward Systems** 322

Goal Setting	323
Reward Systems	332
Summary	348
Notes	349
Application 13-1: Goal Setting at Tenneco	330
Application 13-2: The Scanlon Plan at De Soto	341
Application 13-3: Flexible Benefits Program at American Can Company	347

Chapter 14 **Career Planning and Development, and Stress
Management** 352

Career Planning and Development Interventions	353
Stress Management	374
Summary	383
Notes	384
Application 14-1: Career Planning Workshop at SmithKline Corporation	356
Application 14-2: Career Planning Program at Mobil Oil Corporation	362
Application 14-3: Assessment Center for Career Development at IBM	368
Application 14-4: Stress Management at Metropolitan Hospital	382

<i>SELECTED CASES TO PART IV</i>	DERCO UNITED CORPORATION	389
	A TAKE CHARGE, HARD-HITTING BOSS AT GENERAL ELECTRIC: IS THERE ANY FALLOUT?	392

PART V **Strategic Interventions** 395

Chapter 15 **Organization and Environment Relationships** 396

Organization and Environment Framework	396
Open-Systems Planning	400
Transorganizational Development	407
Summary	412
Notes	413
Application 15-1: Open-Systems Planning at Seaside Hospital	403
Application 15-2: The Jamestown Community Development Program	410

Chapter 16 **Organization Transformation** 415

Conceptual Overview	416
Culture Change	420
Strategic Change	431
Self-Designing Organizations	438
Summary	443
Notes	443

Application 16-1: Cultural Change at AT&T's General Business Systems	430	
Application 16-2: Strategic Change at Texas Instruments	437	
Application 16-3: Self-Design at Mega Glass Company	441	
PETER BROWNING AND CONTINENTAL WHITE CAP (A)	446	SELECTED CASES TO PART V
RONDELL DATA CORPORATION	452	
Evaluation and Practice of Organization Development	463	PART VI
Chapter 17 Evaluating and Institutionalizing Organization Development Interventions	464	
Evaluating Organization Development Interventions	464	
Institutionalizing Interventions	477	
Summary	486	
Notes	487	
Application 17-1: Assessing Job Enrichment at National Insurance Company	465	
Application 17-2: Persistence of Quality of Work Life at Shell Canada	485	
Chapter 18 Organization Development in Different Types of Organizations	489	
Organization Development in School Systems	489	
Organization Development in the Public Sector	496	
Organization Development in the United States Military Services	503	
Organization Development in Health Care	507	
Comments and Emerging Trends	512	
Summary	514	
Notes	515	
SURVEY FEEDBACK—A PILOT STUDY	520	SELECTED CASES TO PART VI
BUDGET MOTORS, INC.	522	
Chapter 19 Future Directions in Organization Development	525	
Toward Broader Conceptual Boundaries	525	
Toward Integrative Contingency Perspectives	526	
Toward a Science of Changing	526	
Toward Large-Scale Transformational Change	527	
Toward Managing Environments and Creating Strategic Alliances	528	
Toward Action Learning	528	
Toward General Management and Business Concerns	529	
Toward Greater Accountability and Rigorous Assessment	530	
Summary	530	
Notes	531	
Glossary	532	
Name Index	543	
Subject Index	553	

CHAPTER 1

General Introduction to Organization Development

This is a book about *organization development* (OD)—a process by which behavioral science knowledge and practices are used to help organizations achieve greater effectiveness, including improved quality of work life and increased productivity. Organization development differs from other planned change efforts, such as purchasing new equipment, floating a bond issue to build a new plant, or redesigning an automobile or a school curriculum, because the focus is on improving the organization's ability to assess and to solve its own problems. Moreover, OD is oriented to improving the total system—the organization and its parts in the context of the larger environment that impacts upon them.

This book reviews the broad background of OD and examines assumptions, strategies and models, intervention techniques, and other aspects of OD. This chapter provides an introduction to OD, describing first the concept of OD itself. Second, it explains why OD has expanded rapidly in the past 35 years, both in terms of people's needs to work with and through others in organizations and in terms of organizations' needs to adapt to a complex and changing world. Third, it reviews briefly the history of OD, and fourth, it describes the evolution of OD with respect to the current state of the field. This introduction to OD is followed by an overview of the rest of the book.

WHAT IS ORGANIZATION DEVELOPMENT?

Organization development is an evolving mixture of science and art. It is both a professional field of social action and an area of scientific inquiry. The practice of OD covers a wide diversity of activities, with seemingly endless variations upon them. Team building with top corporate management, structural change in a municipality, and job enrichment in a manufacturing firm are all aspects of OD. Similarly, the study of OD addresses a broad range of topics, including the effects of change, the methods of organizational change, and the factors influencing OD success.

Although a number of conceptions of OD exist, with considerable overlap among them, the following definition incorporates the most current views and is used in this book: *a systemwide application of behavioral science knowledge to the planned development and reinforcement of organizational strategies, structures, and processes for improving an organization's effectiveness.*

This concept emphasizes several features that differentiate OD from other approaches to organizational change and improvement.

First, OD applies to an entire system, such as a company, a single plant of a multiplant firm, or a department or work group. This contrasts with approaches

focusing on one or only a few aspects of a system, such as management information systems and individual employee counseling.

Second, OD is based on behavioral science knowledge and practice, including microconcepts such as leadership, group dynamics, and work design, and macro-approaches such as organization strategy, organization structure, and organization and environment relations. These subjects distinguish OD from approaches to change emphasizing applications of operations research and engineering. While focusing on the technical and rational aspects of organizations, these approaches tend to neglect the personal and social needs.

Third, whereas OD is concerned with planned change, it is not in the rigid, formal sense typically associated with business planning. Rather, OD is more an adaptive strategy for planning and implementing change than it is a blueprint for how things should be done. It involves planning to diagnose and solve organizational problems, but such plans are flexible and often revised as new information is gathered about how the change program is progressing. If, for example, employee motivation were a concern, a job enrichment program might begin with plans to assess the motivation potential of existing jobs and to redesign those jobs if necessary. These plans would be modified if the assessment discovered that job design was not the problem, but that a poor reward system was reducing employee motivation.

Fourth, OD involves both the creation and the subsequent reinforcement of change. It moves beyond the initial attention to implementing a change program to a longer-term concern for stabilizing and institutionalizing change within the organization. For example, the implementation of a job enrichment program might focus on ways in which supervisors could give workers more control over work methods. After workers had more control, attention would shift to assuring that supervisors continued to provide that freedom. This assurance might include rewarding supervisors for managing in a participative style.

Fifth, OD encompasses strategy, structure, and process changes, although different OD programs will focus more on one kind of change than another. A change program aimed at modifying organization strategy, for example, might focus on how the organization relates to a wider environment and on how those relationships can be improved. It might include changes both in the grouping of people to perform tasks (structure) and in methods of communicating and solving problems (process) to support the changes in strategy. Similarly, an OD program directed at helping a top management team become more effective might focus on interactions and problem-solving processes within the group. This focus might result in the increased ability of top management to solve company problems in strategy and structure.

Finally, OD is oriented to improving organizational effectiveness. This involves two major assumptions. First, an effective organization is able to solve its own problems. OD helps organizational members to gain the skills and knowledge necessary to do this problem solving. In this sense, OD differs from other forms of planned change in which external experts either directly solve organizational problems or recommend firm solutions to those problems. Second, an effective organization has both a high quality of work life and high productivity. It is able to attract and motivate effective employees who then perform at high levels. Moreover, the organization's performance is responsive to the needs of external groups, such as stockholders, customers, suppliers, and government agencies, that provide the organization with resources and legitimacy.

This definition helps to distinguish OD from other applied fields, such as management consulting and operations management. It also furnishes a clear conception of *organization change*, a related focus of this book. Organization change is a broad phenomenon involving a diversity of applications and approaches, including economic, political, technical, and social perspectives. Change in organizations can be in response to external forces, such as market shifts, competitive pressures, and technological innovations, or it can be internally motivated, such as by managers trying to improve existing methods and practices. Regardless of its origins, change does affect people and their relationships in organizations and thus can have significant social consequences. For example, change can be resisted, sabotaged, or poorly implemented. The behavioral sciences have developed useful concepts and methods for helping organizations to deal with these problems. They help managers and administrators to manage the change process. Many of these concepts and techniques are described in this book, particularly in relation to managing change.

Organization development can be applied to managing organizational change. However, it is primarily concerned with change that is oriented to improving the organization's ability to solve its own problems. It is intended to change the organization in a particular direction, toward improved problem solving, responsiveness, quality of work life, and effectiveness. Organization change, in contrast, is more broadly focused, and can apply to *any* kind of change, including technical, managerial, and social innovations. These changes may or may not be directed at making the organization more developed in the sense implied by OD.

WHY STUDY ORGANIZATION DEVELOPMENT?

In each of the previous editions of this book, a strong case was made for the relevance of OD in terms of organizations having to adapt to increasingly complex and uncertain technological, economic, political, and cultural changes. We argued that OD can help an organization to create effective responses to these changes, and in many cases, to proactively influence the strategic direction of the firm.

The rapidly changing conditions of the past four years not only confirm this argument but make it seem almost understated. According to several observers, many organizations are in the midst of unprecedented uncertainty and chaos, and nothing short of a management revolution will save them.¹ Tom Peter's latest best-seller, *Thriving on Chaos*, lays out a host of numbing facts about the pressures facing modern organizations.² The forces impacting the organization environment include:

- Technological revolutions in the design, manufacture, and distribution of products and services, such as computer-aided design and manufacturing, and electronic linkages among producers, customers, and suppliers.
- Heavy foreign competition from developed and newly industrialized countries, such as Germany, Japan, and Korea.
- Record numbers of mergers, acquisitions, divestitures, leveraged buy-outs, joint ventures, and business start-ups and failures.
- Consumer demands for services and products having more options and alternatives, and for superior quality and convenience.
- Globalization of financing and business, with exchange rates, trade policies, and national politics becoming increasingly intermingled and volatile.

- Labor force demands for more involvement, discretion, and appreciation, with rapid increases in the number of two-wage-earner families.
- Public calls for less taxes and government control coupled with demands for higher levels of service and responsiveness.

Peters argues that these forces are interrelated and changing rapidly, making a highly uncertain and chaotic environment for all kinds of organizations, in manufacturing and service industries and in the public and private sectors. Although Peters may be overstating the case somewhat, there is no question that these forces are profoundly impacting organizations. Application 1-1 illustrates what it might be like to face these chaotic conditions.³

Fortunately, a growing number of organizations are undertaking the kinds of organizational changes needed to survive and prosper in today's environment. They are making themselves more streamlined and nimble, and more responsive to external demands. They are involving employees in key decisions and paying for performance rather than time. They are taking the initiative in innovating and managing change rather than simply responding to what has already happened.

Organization development is playing an increasingly key role in helping organizations to change themselves. It is helping organizations to assess themselves and their environments and to revitalize and to rebuild their strategies, structures, and processes. OD is helping organizational members to go beyond surface changes to transform the underlying assumptions and values governing their behaviors. The different concepts and methods discussed in this book are increasingly finding their way into government agencies, manufacturing firms, service industries, educational institutions, and not-for-profit organizations. Perhaps at no other time has OD been more responsive and practically relevant to organizations' need to operate effectively in a highly complex and changing world.

In terms of personal development, OD can enhance career progression and success, and can enrich work life. OD is obviously important to those who plan a professional career in the field, either as an internal consultant employed by an organization or as an external consultant practicing in many organizations. A career in OD can be highly rewarding, providing challenging and interesting assignments working with managers and employees to improve their organizations and their work lives. In today's environment, the demand for OD professionals is rising rapidly, and career opportunities should continue to expand in the United States and abroad.

Organization development is also important to those who have no aspirations to become professional practitioners. All managers and administrators are responsible for supervising and developing subordinates and for improving their departments' performance. Similarly, all staff specialists, such as accountants, financial analysts, engineers, personnel specialists, or market researchers, are responsible for offering advice and counsel to managers and for introducing new methods and practices.

Organization development can help managers and staff personnel to perform these tasks more effectively. It can provide the skills and knowledge necessary for establishing effective interpersonal and helping relationships. It can show personnel how to work effectively with others in diagnosing complex problems and in devising appropriate solutions. It can help others become committed to the solutions, thereby increasing chances for their successful implementation. In short, OD is highly relevant to anyone having to work with and through others in organizations.

APPLICATION 1-1

JUST SUPPOSE

Suppose you are considering next year's strategy for a maturing product. Imagine trying to manage a situation involving:

- a new Korean competitor
- an old Japanese competitor continuing to reduce costs and to improve quality
- a dozen domestic start-ups, each headed by talented people claiming a technological breakthrough
- one old-line domestic competitor that has slashed overhead costs by 60 percent and is de-integrating via global sourcing as fast as it can
- another old-line domestic competitor that has just fended off a hostile takeover; in doing so, it may have (odds 50 percent) sold off the division that competes with you to another strong competitor with a great distribution system
- a competitor that has just introduced an electronics-based distribution system that wires it to each of its 2,500 principal distributors, slashing the time required to fill orders by 75 percent
- yet another competitor that is tailor-making its products to suit the requirements or tastes of tiny groups of customers, thanks to a new, flexible computer integrated manufacturing (CIM) system
- consumers demanding consistently high quality in every component of the product, from inner workings to fits and finishes
- a wildly gyrating currency market that confounds your own global sourcing decisions
- the probable interruption of supply from two offshore manufacturing plants where governments have defaulted on loan interest and principal payments

A SHORT HISTORY OF ORGANIZATION DEVELOPMENT

A brief history of OD will help to clarify the evolution of the term as well as some of the problems and confusions that have surrounded its development. OD emerged from four major backgrounds. The first was the growth of the National Training Laboratories (NTL) and the development of training groups, otherwise known as sensitivity training, or *T-groups*. The second background was the early work in survey research and feedback. The third stem of OD was the classic work on action research conducted by social scientists interested in applying research to managing change. Kurt Lewin, a prolific theorist, researcher, and practitioner in group dynamics and social change, was instrumental in the development of all three areas. His work led to the initial development of OD and still serves as a major source of its concepts and methods. The fourth background is the approach focusing on productivity and the quality of work life.

Laboratory Training Background

This stem of OD pioneered laboratory training, or the T-group—a small, unstructured group in which participants learn from their own interactions and evolving dynamics about such issues as interpersonal relations, leadership, and group dynamics. Essentially, laboratory training began in the summer of 1946, when Kurt Lewin and his staff at the Research Center for Group Dynamics at the Massachusetts Institute of Technology (MIT) were asked by the Connecticut Interracial Commission and the Committee on Community Interrelations of the American Jewish

Congress for help in research on training community leaders. A workshop was developed, and the community leaders were brought together to learn about leadership and to discuss problems. Meanwhile, at the end of each day, the researchers discussed privately what behaviors and group dynamics they had observed. The community leaders asked permission to sit in on these feedback sessions. Reluctant at first, the researchers finally agreed. Thus, the first T-group was formed in which people reacted to data about their own behavior. The researchers drew two conclusions about this first T-group experiment: (1) feedback about group interaction was a rich learning experience and (2) the process of "group building" had potential for learning that could be transferred to "back-home" situations.⁴

As a result of this original experience, the Office of Naval Research and the National Education Association provided financial backing to form the National Training Laboratories, and Gould Academy in Bethel, Maine, was selected as a site for further work (since then, Bethel has played an important part in NTL). The first Basic Skill Groups were offered in the summer of 1947. The program was so successful that the Carnegie Foundation provided support for programs in 1948 and 1949. This led to a permanent program for NTL within the National Education Association.

A new phenomenon arose in 1950. An attempt was made to have T-groups in the morning and cognitive-skill groups (A-groups) in the afternoon. However, the staff found that the high level of carryover from the morning sessions turned the afternoon A-groups into T-groups, despite the resistance of the afternoon staff, who were committed to cognitive-skill development. This was the beginning of a decade of learning experimentation and frustration, especially in the attempt to transfer skills learned in the T-group setting to the "back-home" situation.

In the 1950s, three trends emerged: (1) the emergence of regional laboratories, (2) the expansion of summer program sessions to year-round sessions, and (3) the expansion of the T-group into business and industry, with NTL members becoming increasingly involved with industry programs. Notable among these industry efforts was the pioneering work of Douglas McGregor at Union Carbide, of Herbert Shepard and Robert Blake at Esso Standard Oil (now Exxon), and of McGregor and Richard Beckhard at General Mills. Applications of T-group methods at these three companies spawned the term *organization development*, and equally important, led corporate personnel and industrial relations specialists to expand their roles to offer internal consulting services to managers.⁵

Applying T-group techniques to organizations gradually became known as *team building*—a process for helping work groups become more effective in accomplishing tasks and satisfying member needs. Application 1–2 presents an example of team building in a federal agency.⁶ Sponsored by the Civil Service Commission, team building has been used extensively in the federal government to increase productivity and collaborative problem solving. For example, it has been used in the U.S. Treasury, the Federal Executive Institute, and a number of other federal areas.