

Management

Organizational Development and Change in a Global Economy

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Management

Part 1. Introduction to Organization Development and Change

Mariann Benke

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Source: Thomas G. Cummings - Christopher G. Worley

Introduction

- Mariann Benke
 - E-mail: benkem@ktk.pte.hu
- Research fields:
- Change management
 - Organizational Development
 - Management and Organization
 - Organizational Behaviour

Learning Objectives

- To provide a definition of Organization Development (OD)
- To distinguish OD and planned change from other forms of organization change
- To describe the historical development of OD
- To understand how leadership is linked to change activities
- To describe and compare three major perspectives on changing organizations.
- To describe how planned change can be adopted to fit different kinds of conditions
- To understand the different elements of a successful change program

Burke's Definition of OD

OD is a planned process of change in an organization's culture through the utilization of behavioral science technology, research, and theory.

French's Definition of OD

OD refers to a **long-range effort** to improve an organization's **problem-solving capabilities** and its ability to cope with changes in its external environment with the help of external or internal behavioral-scientist consultants.

Beckhard's Definition of OD

OD is an effort

(1) planned,

(2) organization-wide, and

(3) managed from the top, to

(4) increase organization effectiveness and health
through

(5) planned interventions in the organization's
“processes,” using behavioral science knowledge.

Beer's Definition of OD

OD is a **system-wide process of data collection**, diagnosis, action planning, intervention, and evaluation aimed at:

- (1) enhancing congruence between organizational structure, process, strategy, people, and **culture**;
 - (2) developing new and creative organizational solutions; and
 - (3) developing the organization's self-renewing capacity.
- It occurs through collaboration of organizational members working with a change agent using behavioral science theory, research, and technology.

Geert Hofstede

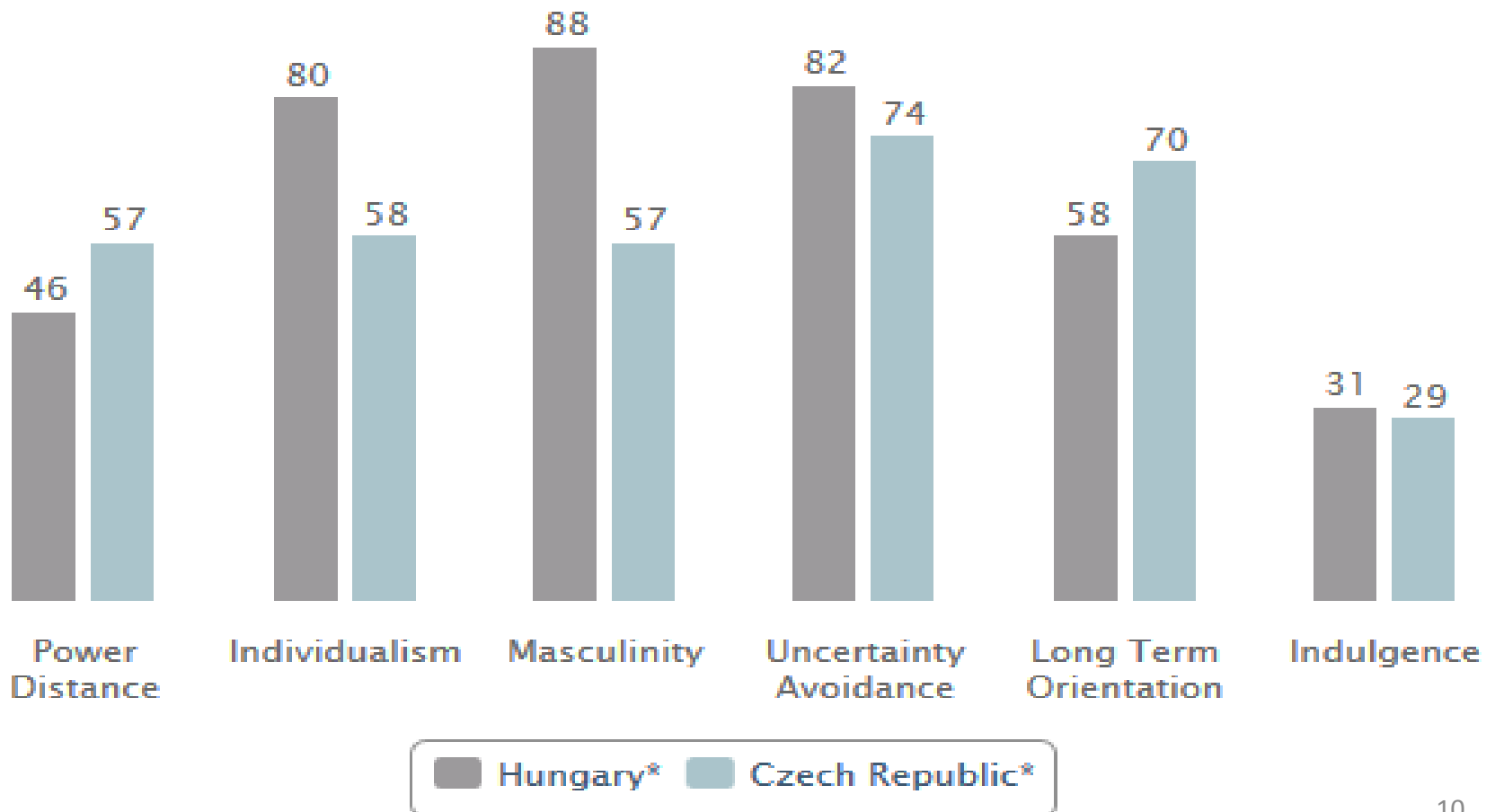
- Gerard Hendrik (Geert) Hofstede (born 2 October 1928)
- Dutch social psychologist, former IBM employee, and Professor Emeritus of Organizational Anthropology and International Management at Maastricht University in the Netherlands,
- well known for his pioneering research on cross-cultural groups and organizations.

Dimensions of national cultures:

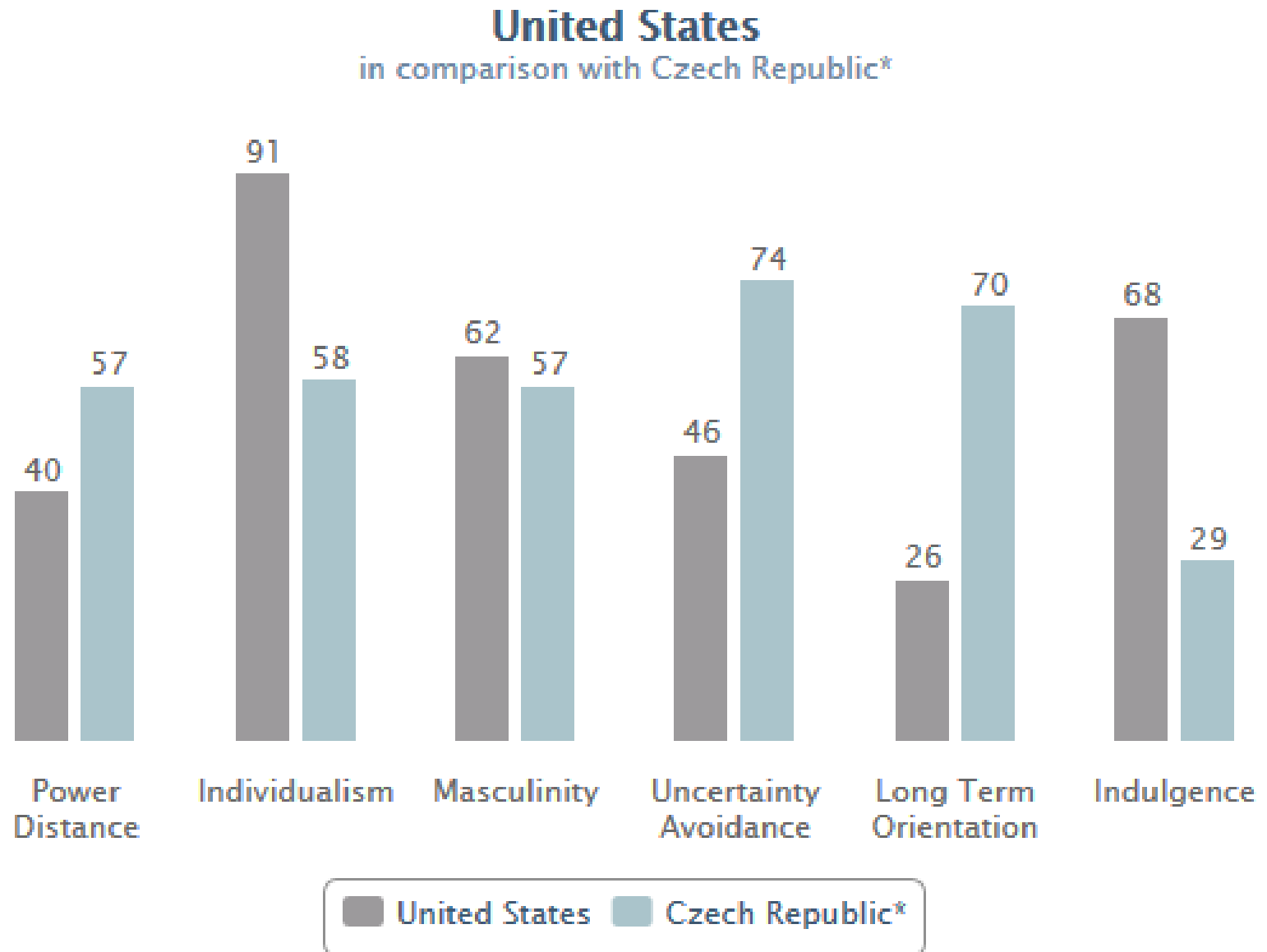
- Power distance index (PDI)
- Individualism vs. collectivism (IDV)
- Uncertainty avoidance index (UAI)
- Masculinity vs. femininity (MAS)
- Long-term orientation vs. short-term orientation (LTO)
- Indulgence vs. restraint (IND)

Culture differences by Hofstede

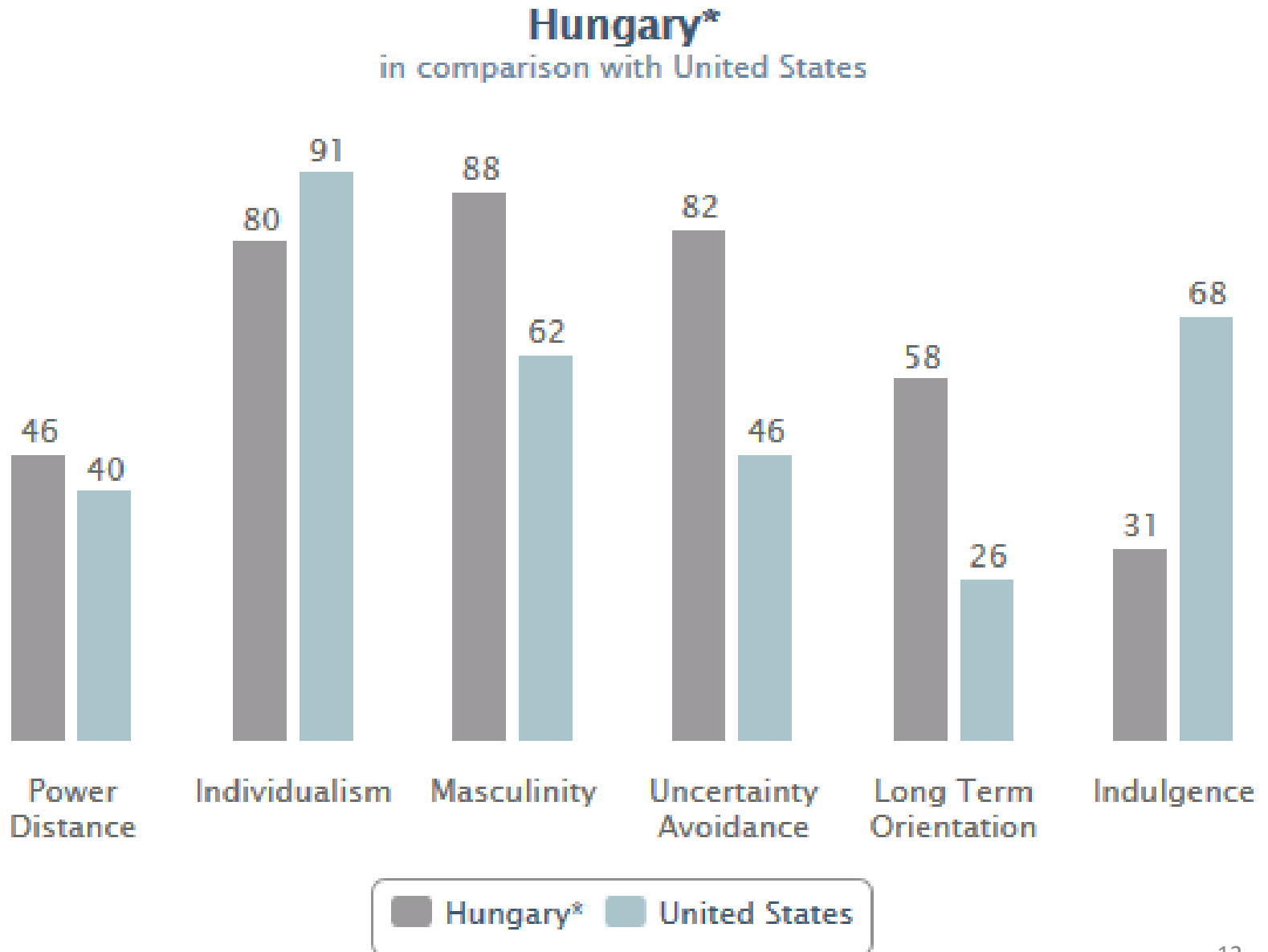
Hungary*
in comparison with Czech Republic*



Culture differences by Hofstede



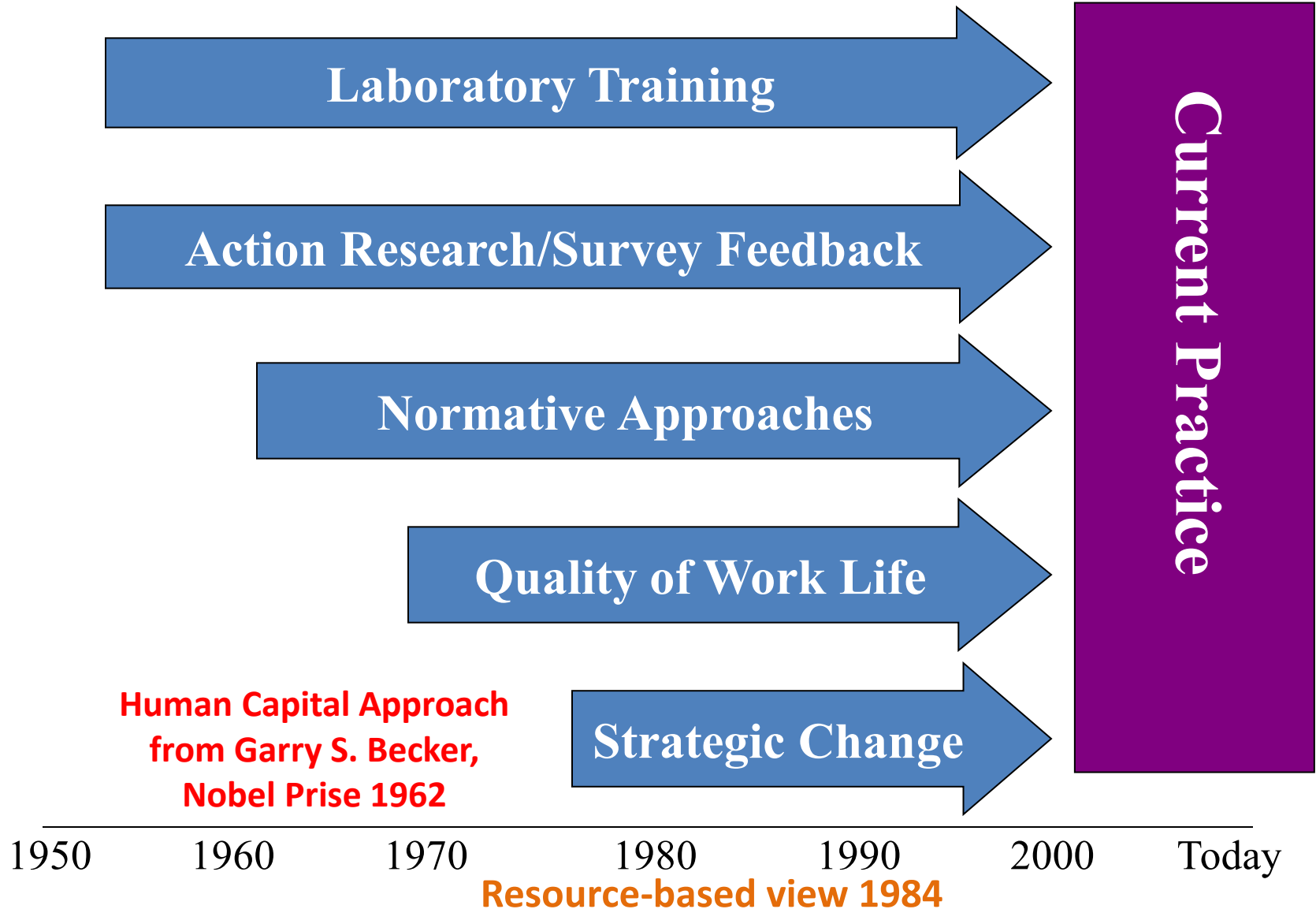
Culture differences by Hofstede



Organization Development is...

*a system-wide application and transfer of behavioral science knowledge to the planned development, improvement, and reinforcement of the **strategies, structures, and processes that lead to organization effectiveness.***

Five Stems of OD Practice



Part I:

The Nature of Planned Change

The OD Practitioner

Part II: The Process of Organization Development

Entering &
Contracting

Diagnosing
Organizations

Diagnosing
Groups & Jobs

Collecting
Diagnostic
Information

Feeding Back
Diagnostic Data

Designing OD
Interventions

Leading and
Managing
Change

Evaluating &
Institutionalizing
Change

**Part III:
Human
Process
Interventions**

Individual,
Interpersonal,
& Group
Process
Approaches

Organization
Process
Approaches

**Part IV:
Techno-
structural
Interventions**

Restructuring
Organizations

Employee
Involvement

Work Design

**Part V:
Human
Resources
Management
Interventions**

Performance
Management

Developing and
Assisting
Members

**Part VI:
Strategic
Interventions**

Competitive and
Collaborative
Strategies

Organization
Transformation

Part VII: Special Topics in Organization Development

Organization Development
in Global Settings

OD in Nonindustrial
Settings

Future Directions
in OD

OD planned
change:
M&A activity

- Mercedes + Daimler
Benz = Benz&Cie →
Mercedes-Benz
(1926 - ...) 😊

BENZ AUTOMOBILE



BENZ & CIE

RHEINISCHE AUTOMOBIL
U. MOTOREN - FABRIK
AKTIEGESELLSCHAFT

MANNHEIM

OD planned change: M&A activity

- BMW + Rover → (1994 – 1998) ☹️



OD planned change: M&A activity

- Daimler + Chrysler = DaimlerChrysler (1998 – 2005) ☹️



OD planned change: M&A activity

- Renault + Nissan → 1999 😊

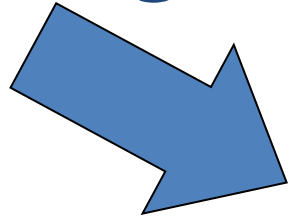


- Renault + Nissan + Mitsubishi → 2015 ?

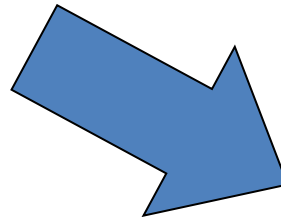


Lewin's Change Model (1954)

Unfreezing



Movement



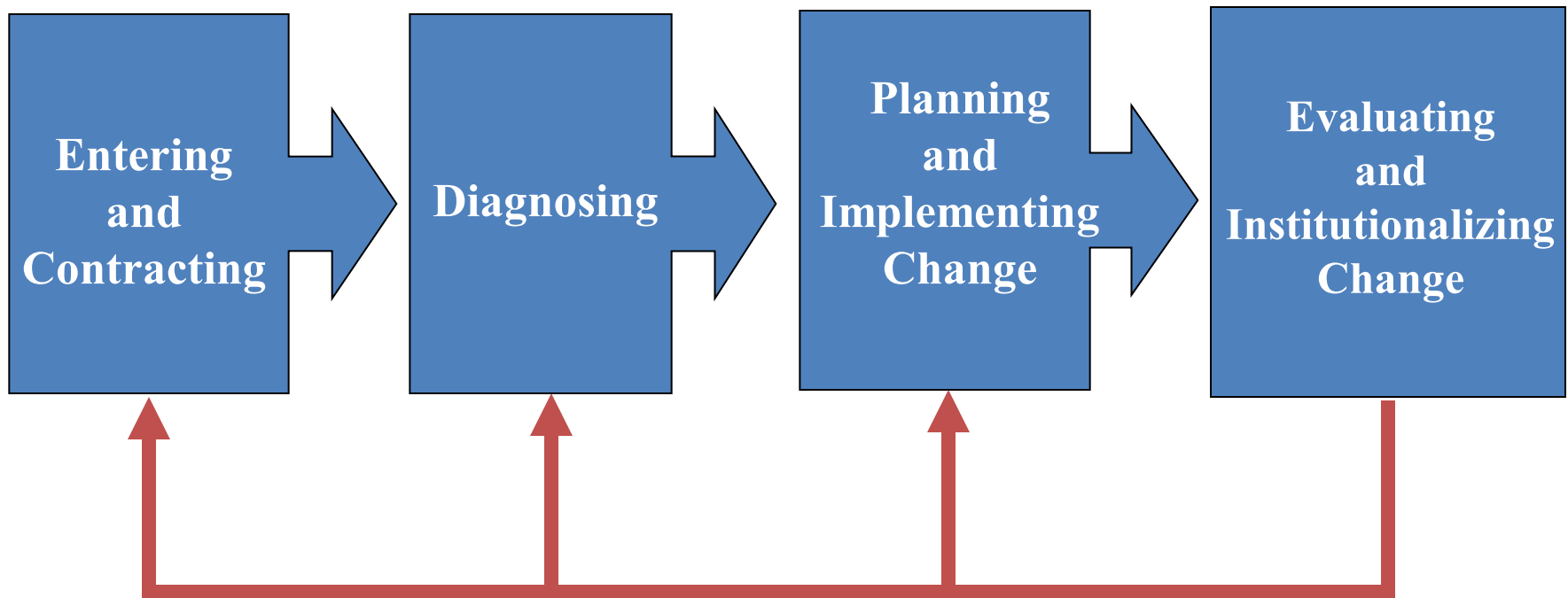
Refreezing



Kotter's 8-Step Process for Leading Change (1996)



General Model of Planned Change



Different Types of Planned Change

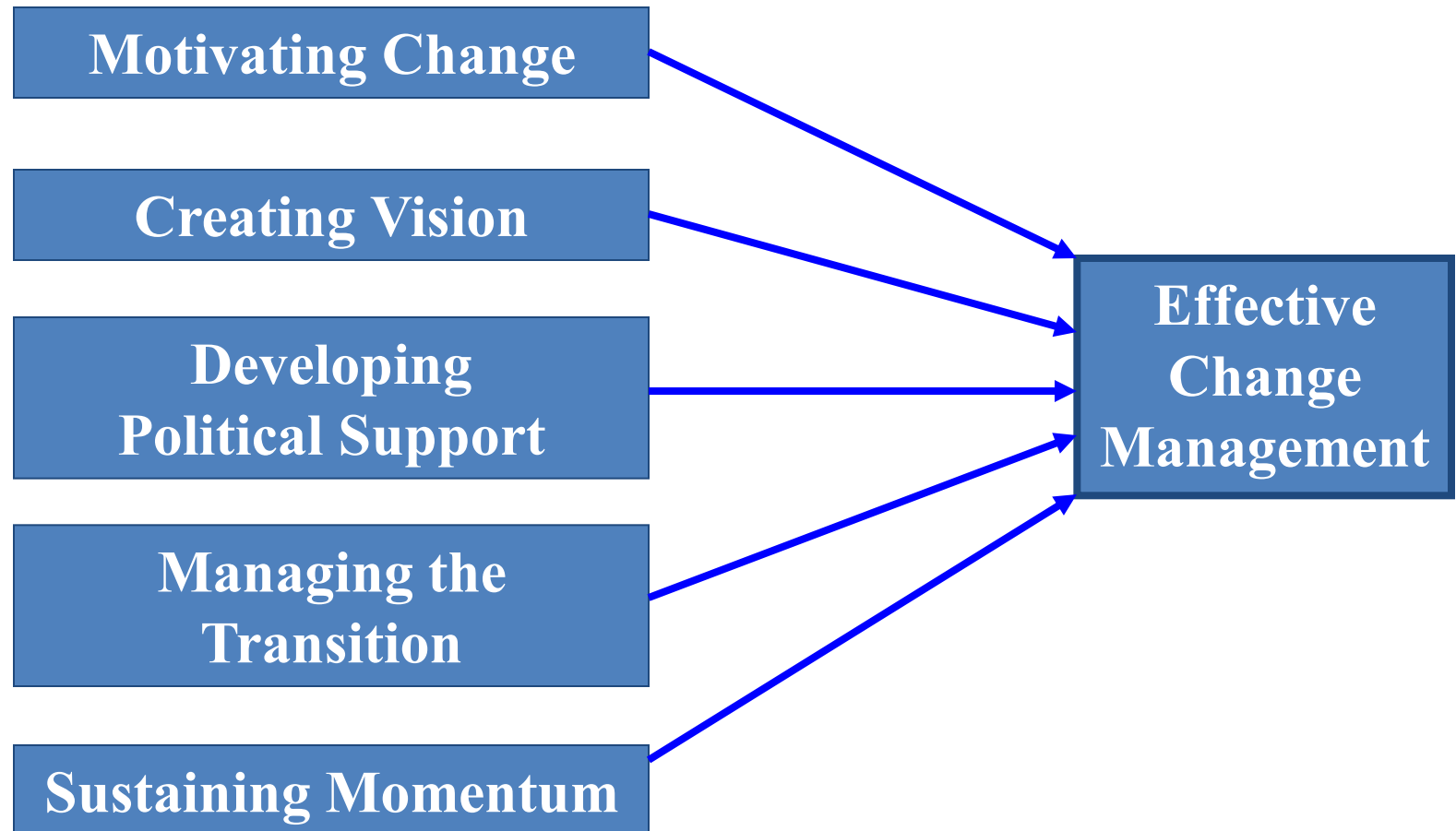
- Magnitude of Change
 - Incremental
 - Radical
- Degree of Organization
 - Over-organized
 - Under-organized
- Domestic vs. International Settings

https://www.youtube.com/watch?v=__IYNMdv9E

Critique of Planned Change

- Conceptualization of Planned Change
 - Change is not linear
 - Change is not rational
 - The relationship between change and performance is unclear
- Practice of Planned Change
 - Limited consulting skills and focus
 - Quick fixes vs. development approaches

Change Management Activities



Motivating Change

- **Creating Readiness for Change**
 - **Sensitize the organization to pressures for change**
 - **Identify gaps between actual and desired states**
 - **Convey credible positive expectations for change**
- **Overcoming Resistance to Change**
 - **Provide empathy and support**
 - **Communicate**
 - **Involve members in planning and decision making**

Creating a Vision

- Discover and Describe the Organization's Core Ideology
 - What are the core values that inform members what is important in the organization?
 - What is the organization's core purpose or reason for being?
- Construct the Envisioned Future
 - What are the valued outcomes?
 - What is the desired future state?

Developing Political Support

- Assess Change Agent Power
- Identify Key Stakeholders
- Influence Stakeholders

Sources of Power and Power Strategies for Change Agents

Individual Sources of Power

Knowledge

Others' Support

Personality

Power Strategies

Playing it Straight

Using Social Networks

Going Around the Formal System

Examples for human power

Ford 1968:

<https://www.youtube.com/watch?v=DZ509hHkHO8>

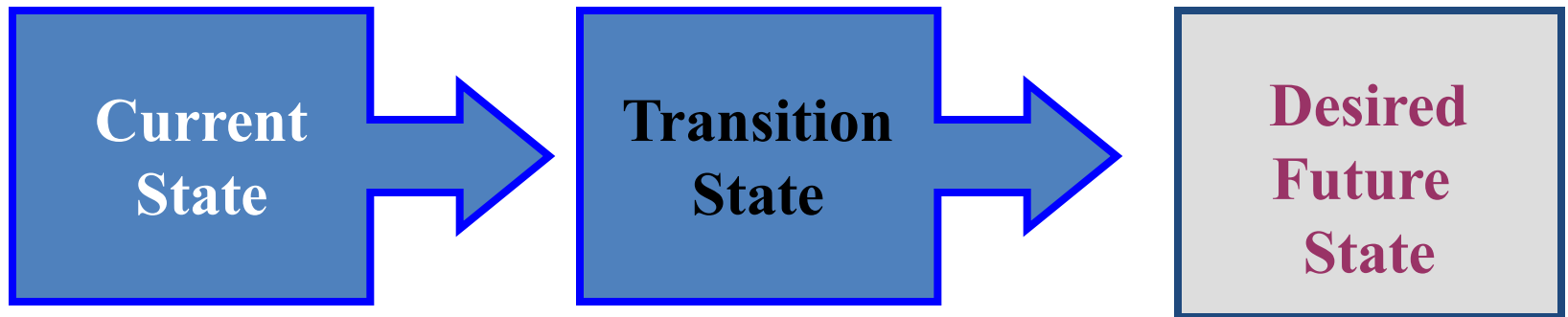
Iron Lady (1979 – 1990):

<https://www.youtube.com/watch?v=hZrAKdIX0SA>

Managing the Transition

- Activity Planning
 - What’s the “roadmap” for change?
- Commitment Planning
 - Who’s support is needed, where do they stand, and how to influence their behavior?
- Change-Management Structures
 - What’s the appropriate arrangement of people and power to drive the change?

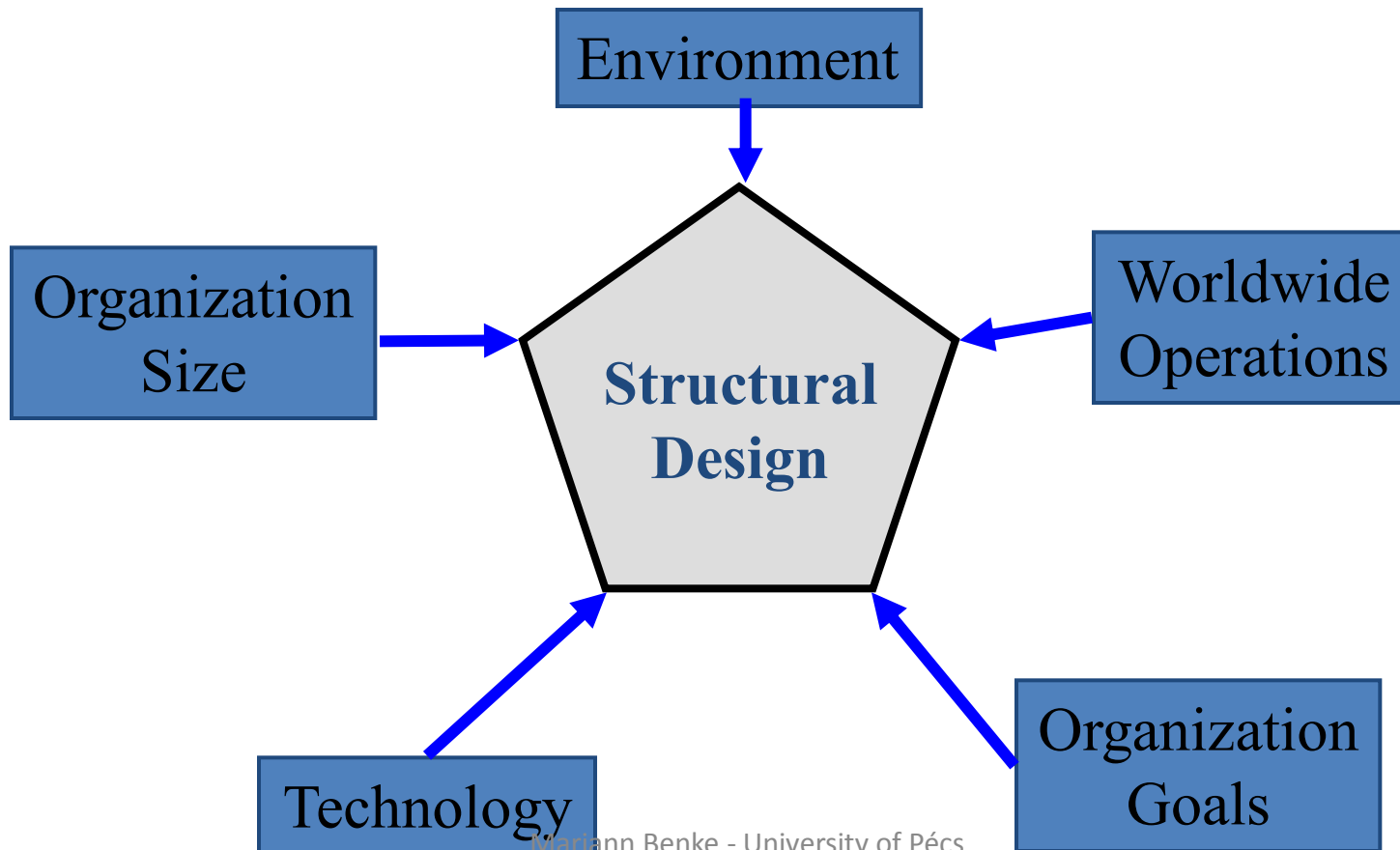
Change as a Transition State



Sustaining Momentum

- Provide Resources for Change
- Build a Support System for Change Agents
- Develop New Competencies and Skills
- Reinforce New Behaviors
- Stay the Course

Restructuring Organizations: Contingencies Influencing Structural Design



Structural Design

- **Functional Organization**
- **The Divisional Organization**
- **The Matrix Organization**
- **The Process-Based Structure**
- **The Network Organization**

The Reengineering Process

- Prepare the organization
- Specify the organization's strategy and objectives
- Fundamentally rethink the way work gets done
 - Identify and analyze core business processes
 - Define performance objectives
 - Design new processes
- Restructure the organization around the new business processes.

Management

Part 2. Global Economic Trends and Hungarian Facts

Dr. Roland Schmuck

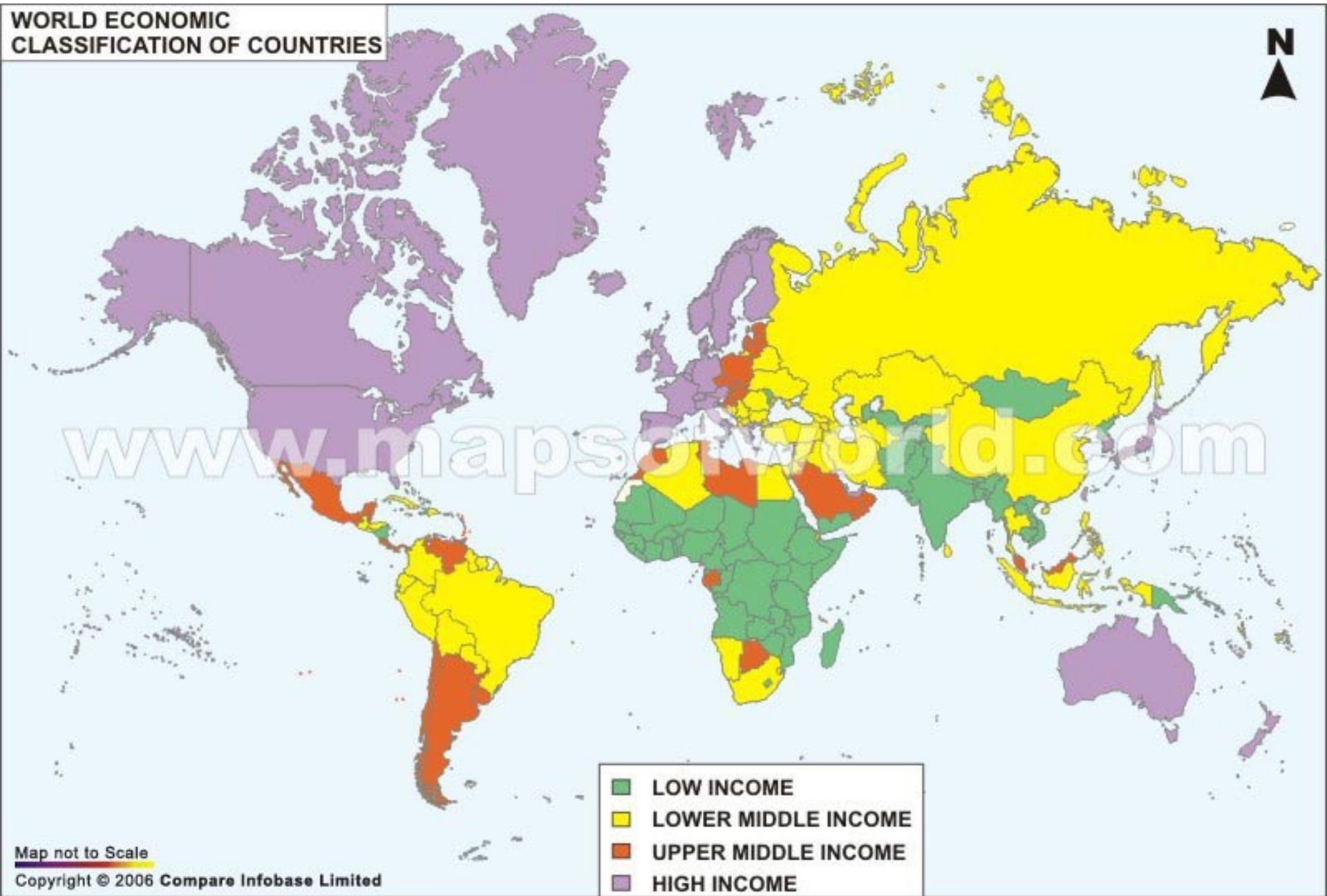
University of Pécs, Faculty of Business and Economics





Main source: Ellis-Williams: International Business Strategy

Introduction

- Dr. Roland Schmuck
- E-mail: roland@ktk.pte.hu
- Research fields:
 - Strategic Management
 - Change Management
 - Quality Management
 - Business Consulting

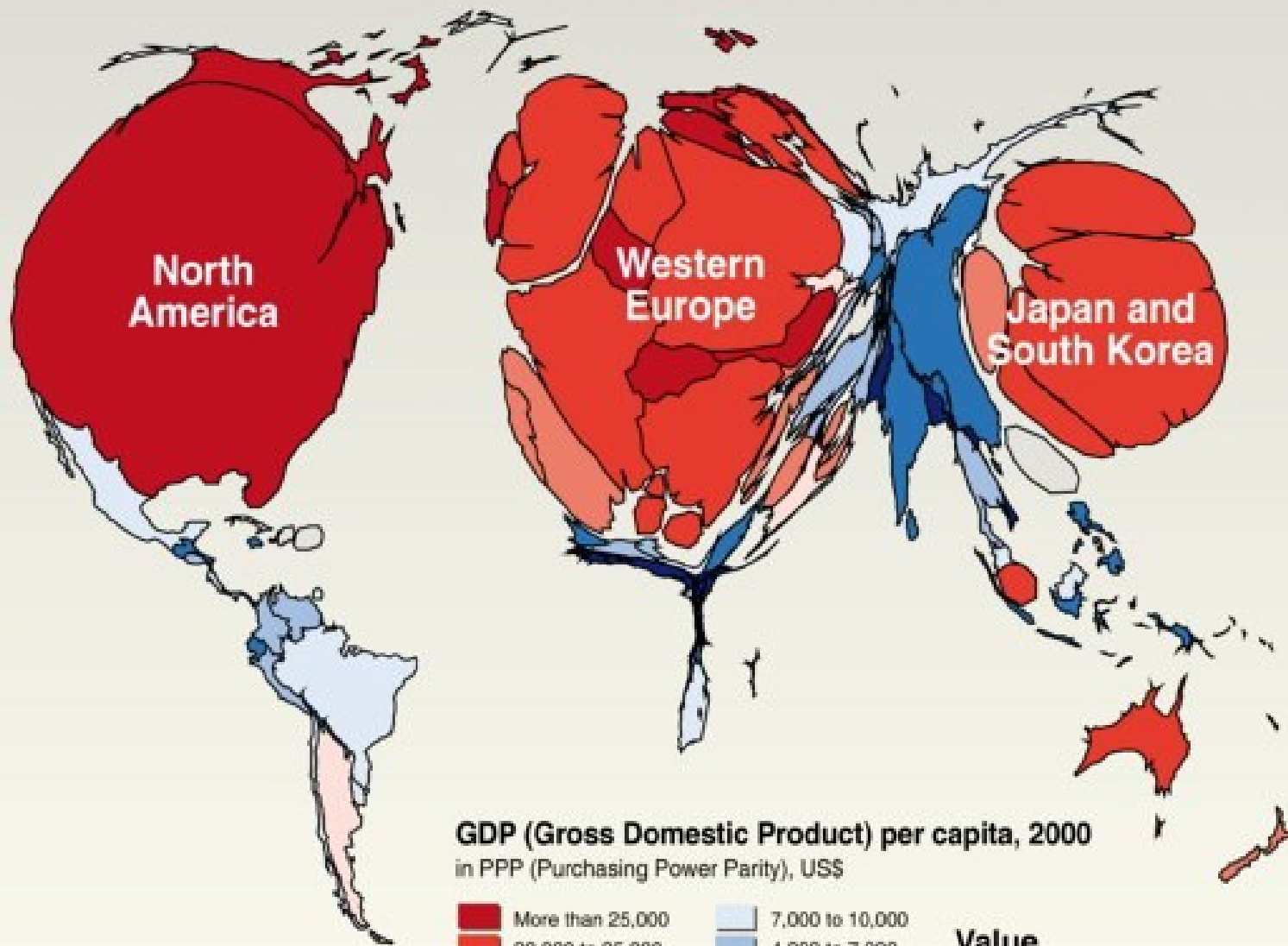
WORLD ECONOMIC CLASSIFICATION OF COUNTRIES



-  LOW INCOME
-  LOWER MIDDLE INCOME
-  UPPER MIDDLE INCOME
-  HIGH INCOME

Map not to Scale
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AN ALTERNATIVE VIEW OF THE WORLD



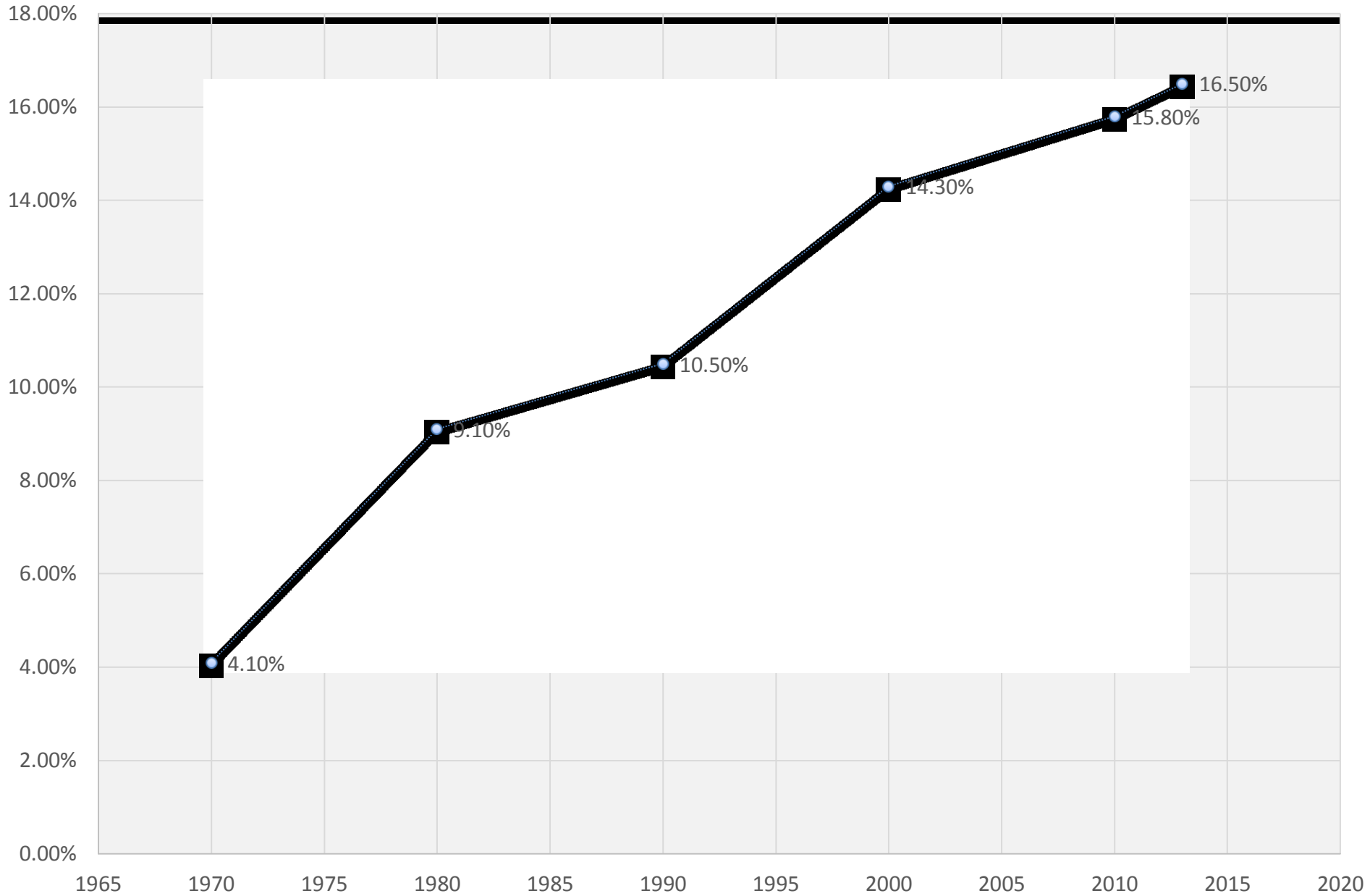
GDP (Gross Domestic Product) per capita, 2000
in PPP (Purchasing Power Parity), US\$

 More than 25,000	 7,000 to 10,000
 20,000 to 25,000	 4,000 to 7,000
 15,000 to 20,000	 2,000 to 4,000
 10,000 to 15,000	 Less than 2,000
 No data	

Value

This square represents 100 billion US dollars

USA import in GDP%



The „Triad”

- 1/5 of global population, 4/5 of world output (GNP)
- More manufacturing/service divisions
- Nationality of companies: outdated
- National governments can't stop the process
- Raising import penetration: interlinked nature
- Percentage growth of international trade is higher than growth of output
- Main competitors are becoming the foreign companies

Some are trying to stop the process...



European Union

- Population reduction
- Slower and unbalanced technology growth influenced heavily by government
- Economic policy in constant change, trying to adapt to the different national and regional markets of the Euro-land area
- Interest rates and money growth that are compromises for the different needs of different parts of the EU
- Government/cartel/regulation driven model in certain key sectors, linked to competition driven model in other parts

USA

- Fast growth
- Fast technology growth
- Economic policy geared to domestic requirements of large single market
- Interest rates and money growth to facilitate growth
- Free enterprise competition driven model

China

- Continued rapid growth in output and per capita incomes
- Trade liberalization
- Growth of large domestic market for cars, household goods and other manufactured products
- China accounts for:
 - 76% of world exports of leather goods,
 - 55% of textiles
 - 32% of radio, TV and communications equipment.
- Chinese economy continues to advance in the future

Is it worth?

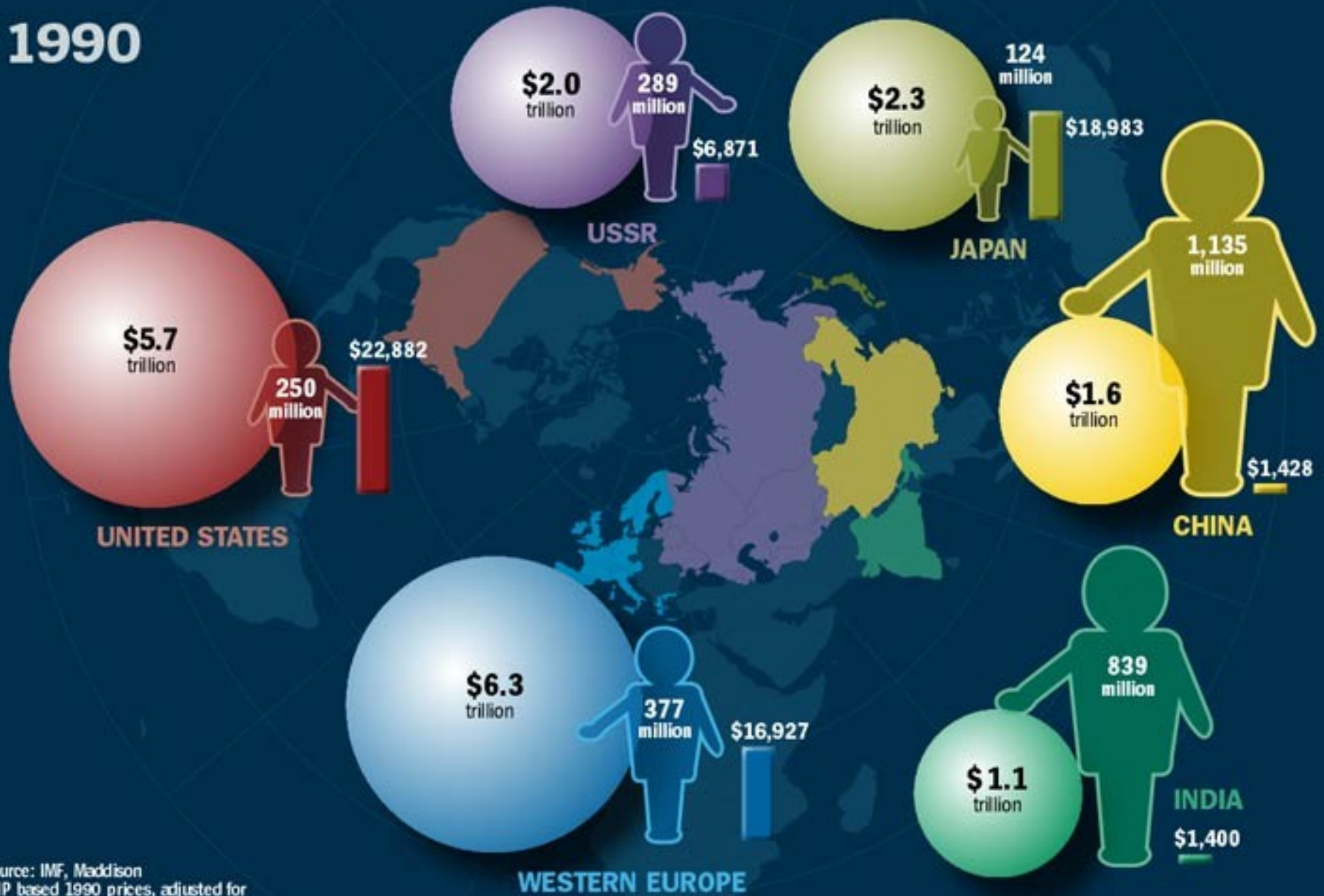
BEFORE

NOW



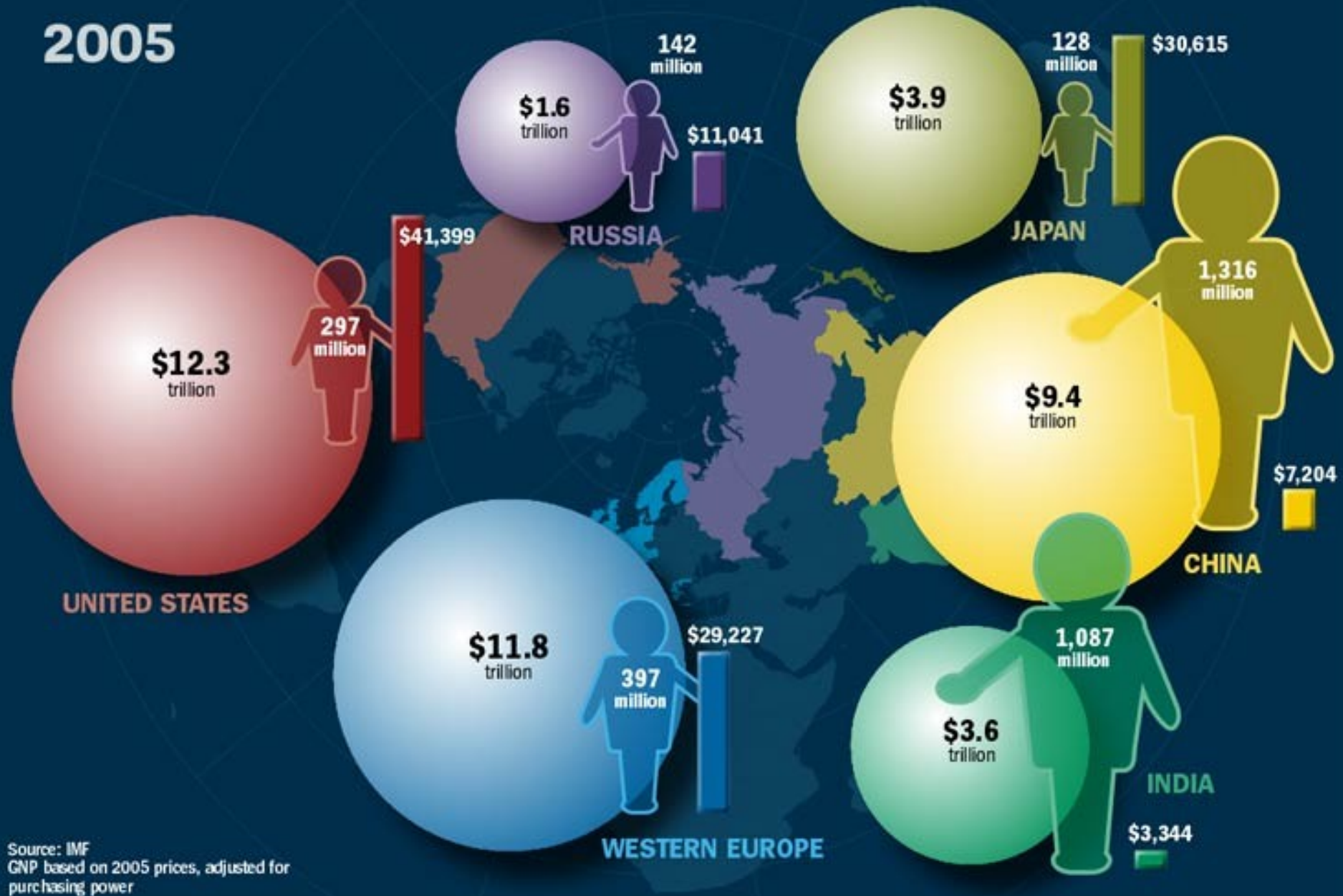
BEIJING, CHINA

1990



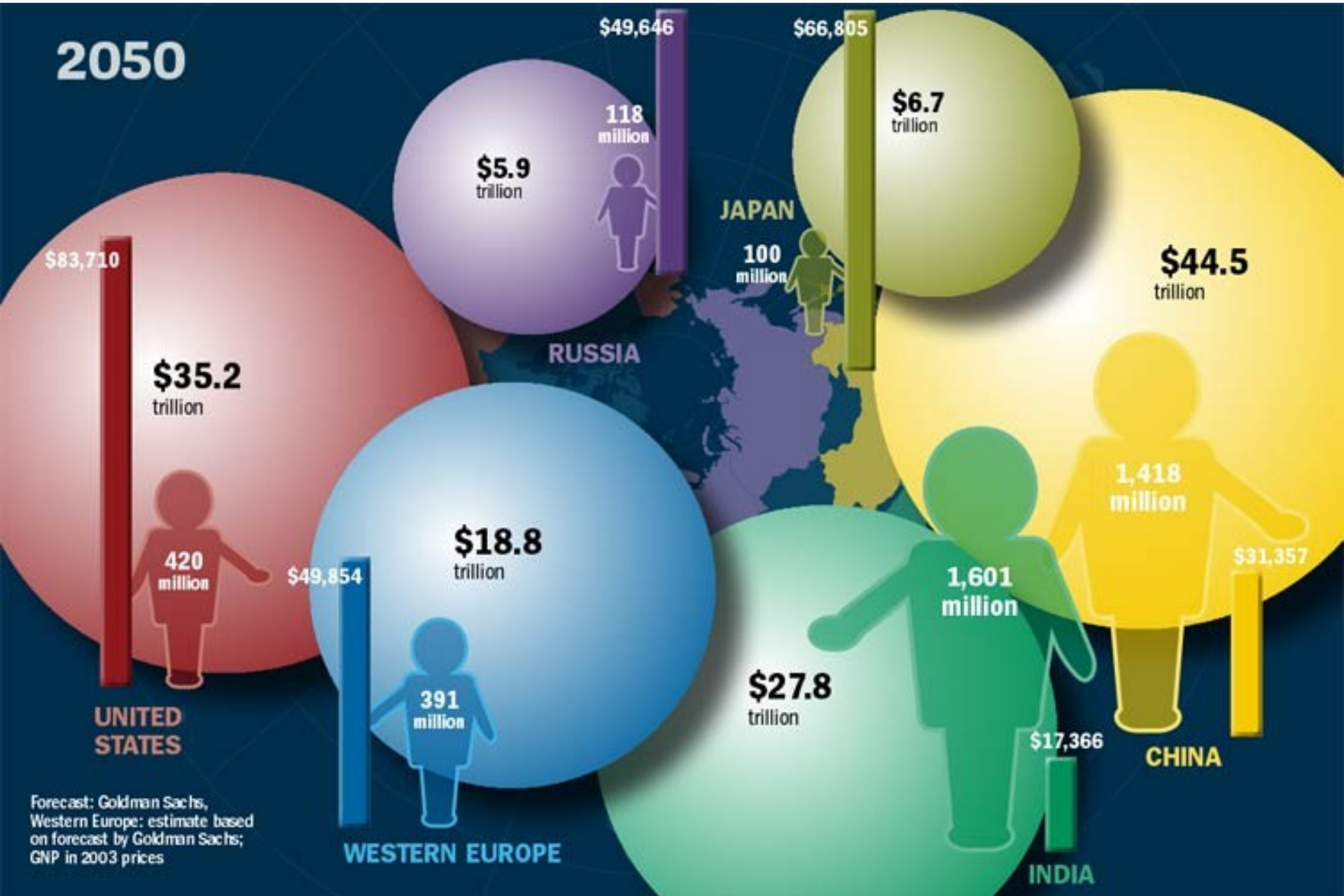
Source: IMF, Maddison
GNP based 1990 prices, adjusted for
purchasing power

2005



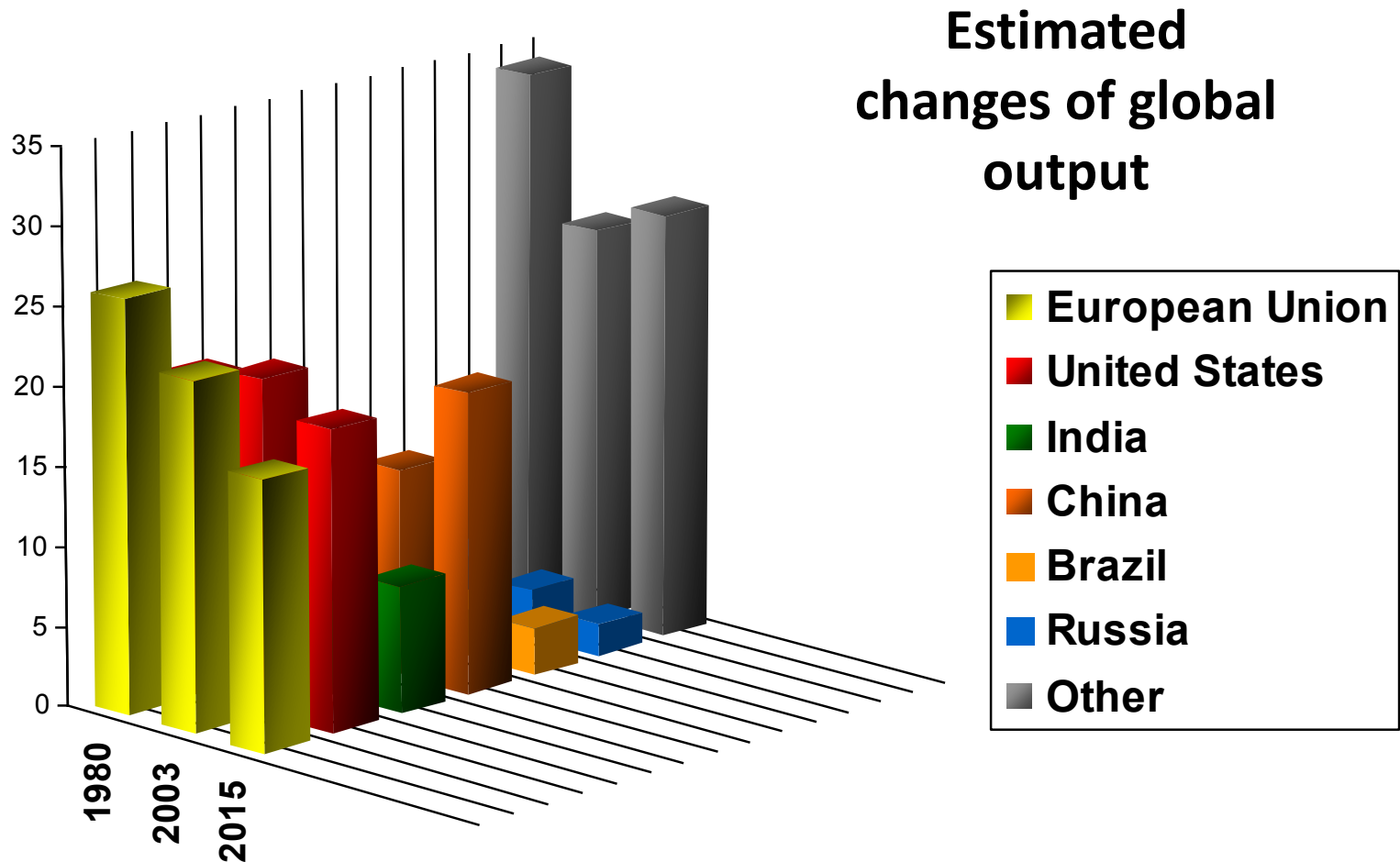
Source: IMF
GNP based on 2005 prices, adjusted for purchasing power

2050



Forecast: Goldman Sachs,
Western Europe: estimate based
on forecast by Goldman Sachs;
GNP in 2003 prices

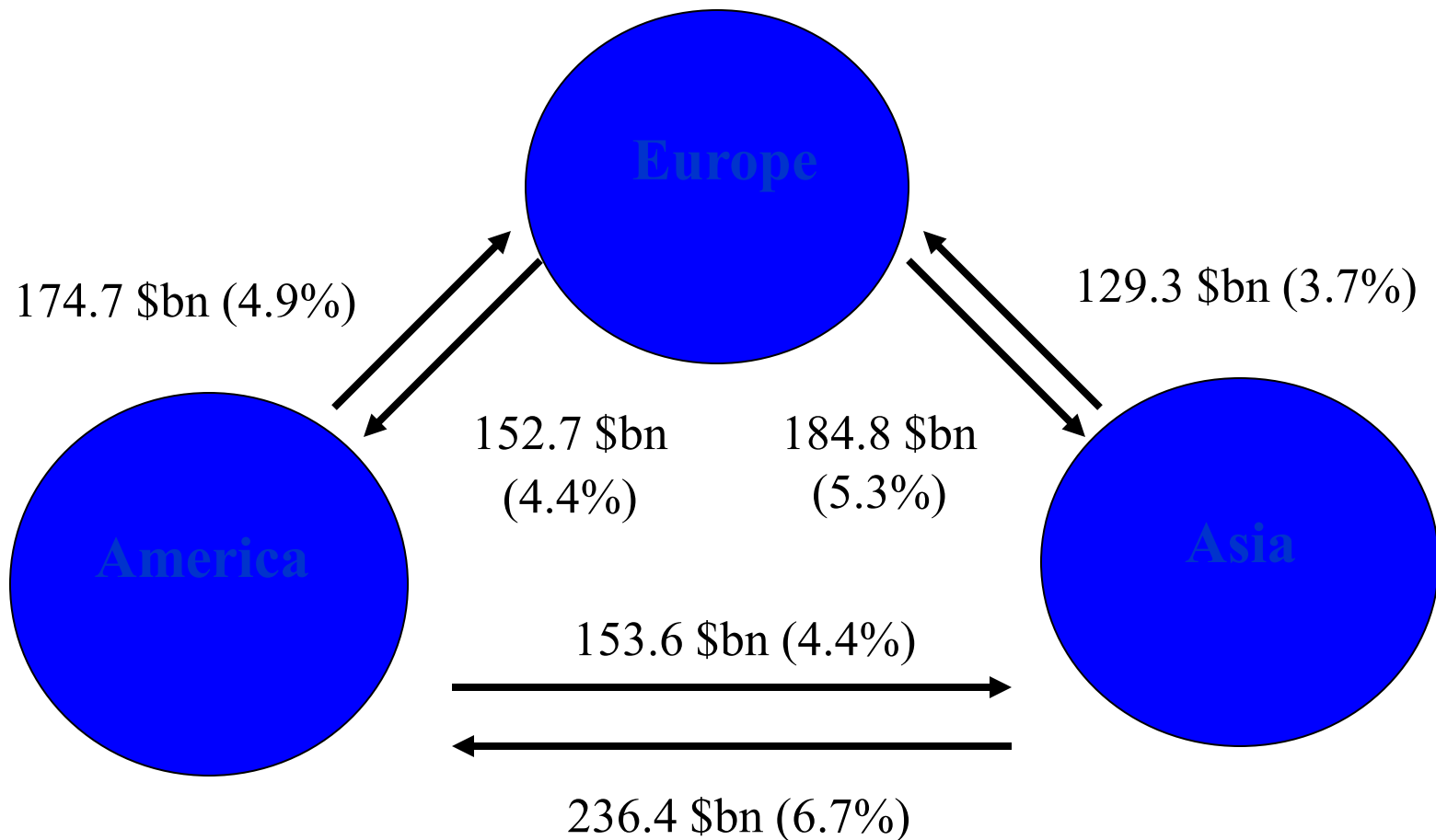
Europe's declining share of global output



GDP growth rates

	China	USA	European Union
1996	10.0%	3.7%	2.0%
1997	9.3%	4.5%	2.7%
1998	7.8%	4.2%	2.9%
1999	7.6%	4.4%	3.0%
2000	8.4%	3.7%	3.9%
2001	8.3%	0.8%	2.1%
2002	9.1%	1.6%	1.4%
2003	10.0%	2.5%	1.5%
2004	10.1%	3.6%	2.7%
2005	10.4%	3.1%	2.0%
2006	11.1%	2.9%	3.3%
2007	14.2%	1.8%	3.1%
2008	9.6%	-0.3%	0.5%
2009	9.2%	-2.8%	-4.4%
2010	10.6%	2.5%	2.1%
2011	9.5%	1.6%	1.8%
2012	7.8%	2.3%	-0.4%
2013	7.7%	2.2%	0.2%
2014	7.3%	2.4%	1.4%
2015	6.9%	2.6%	2.3%
2016	6.7%	1.6%	1.9%

Intra-Europe 1214.0 \$bn (35,4%)



Intra-Americas 270.4 \$bn (7.7%)

Intra-Asia 413.5 \$bn (11.8%)

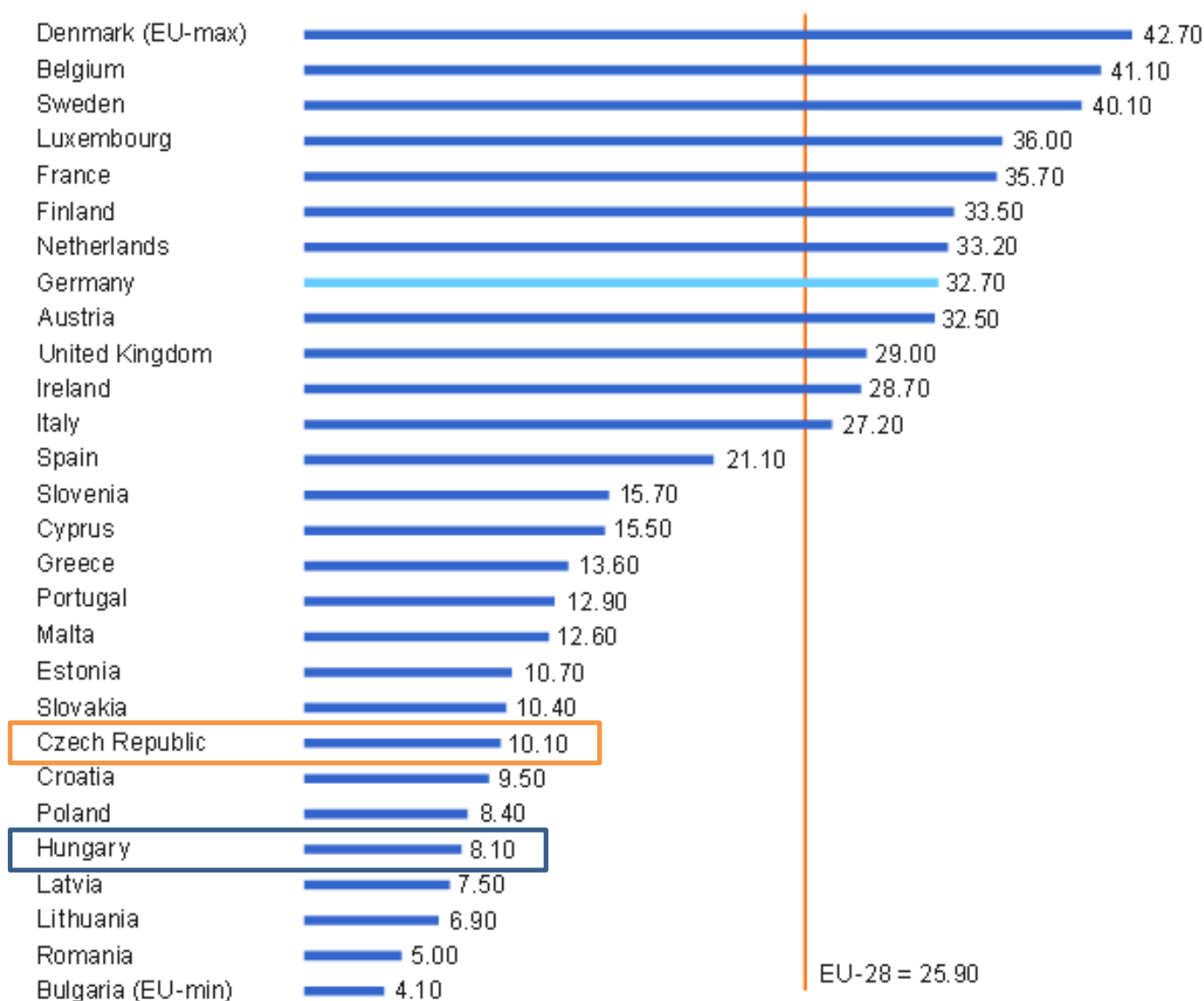
Key: \longrightarrow = Exports to

Others: 14.9%

Figure 3.5. Projected merchandise trade in US\$ billion and as a percentage of world trade for the year 2005 [GATT Report]

Labour cost in the private sector, 2015

per hour worked in EUR



Source: Own computations on the basis of Eurostat data.

Direct investments

- Problem:
 - Increasing costs at home country
 - Rising exchange rates making exports too expensive
- Result:
 - Increasing foreign investments:
 - Accumulated incoming FDI: Hungary 119.800 millions USD; Czech Republic 147.600 millions USD

...never has an economy passed so quickly as Japan from non-industrialized backwater, through industrial giant, and now towards threatened industrial dinosaur - all in one generation.

Foreign Direct Investments (2016)

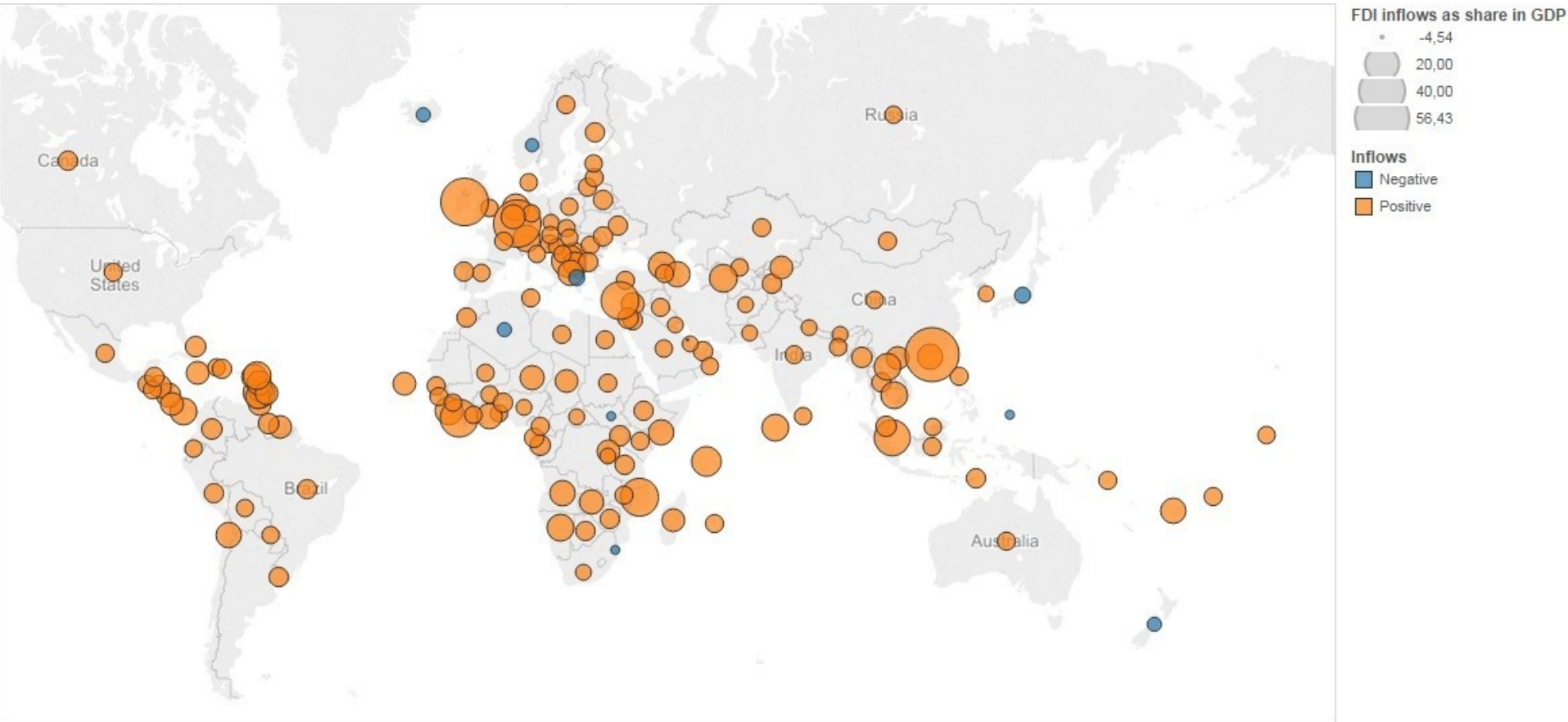
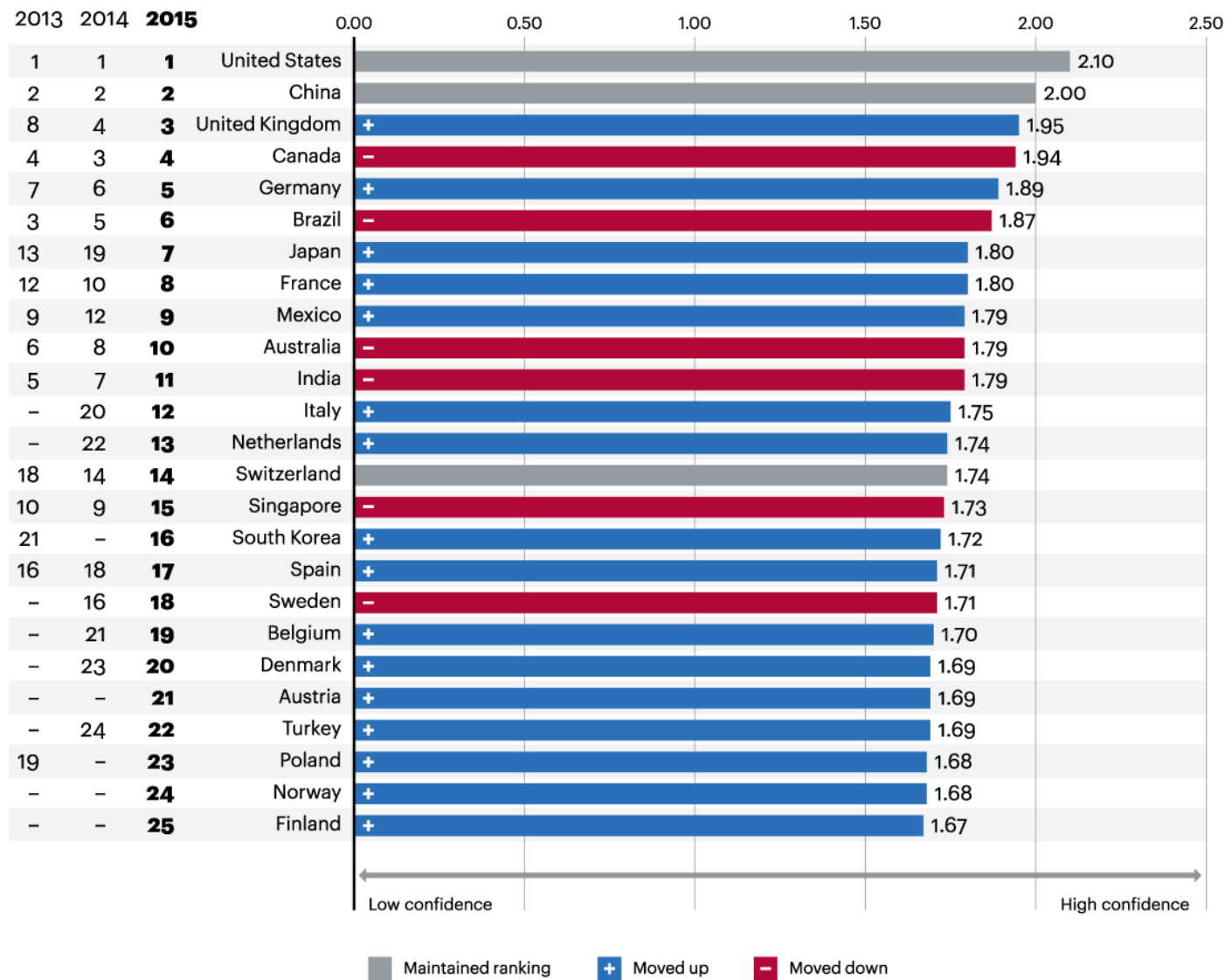


Figure 1

2015 FDI Confidence Index® ranking and scores

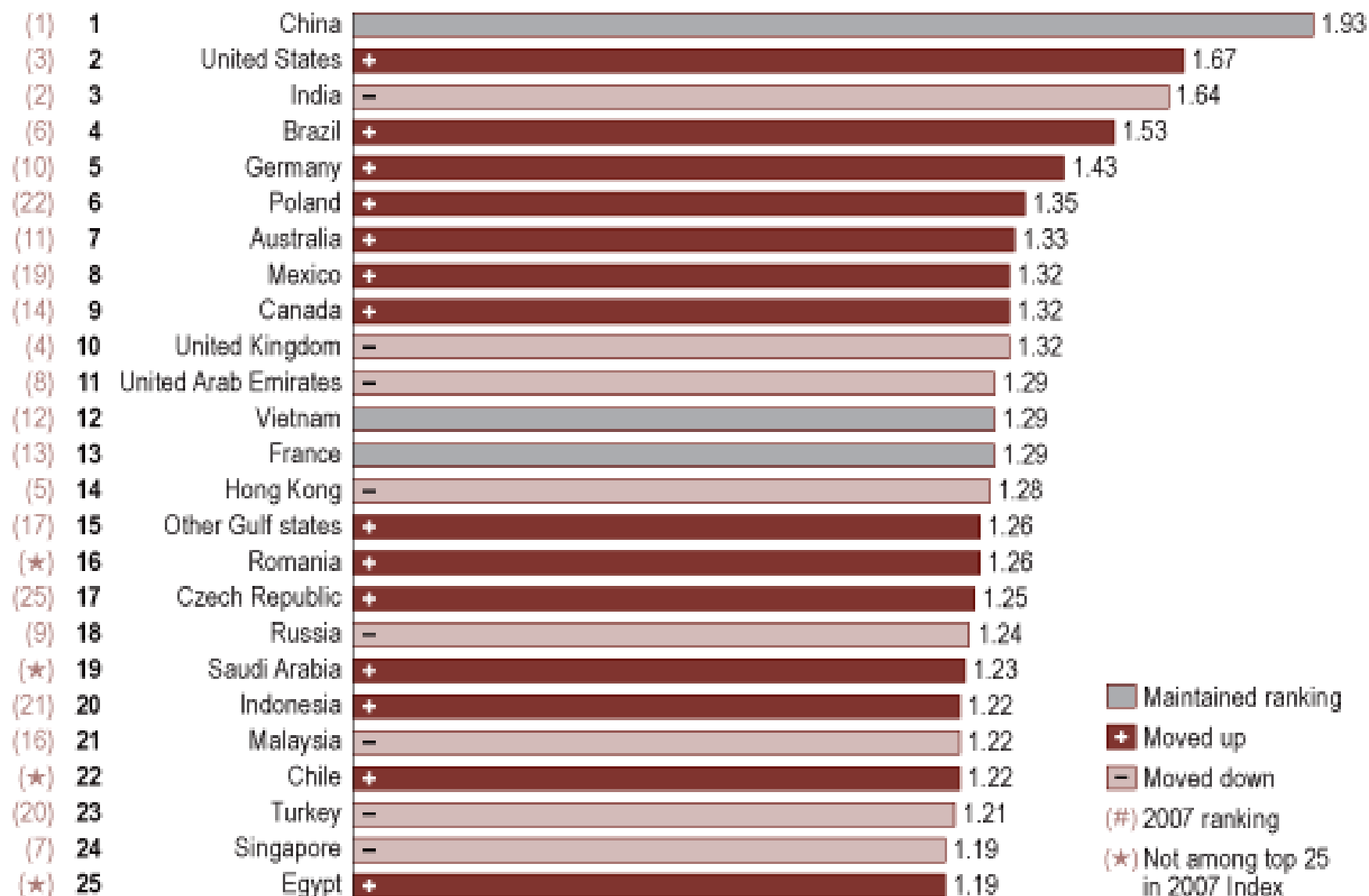
Ranking

Values calculated on a 0 to 3 scale



2010 FDI Confidence Index®

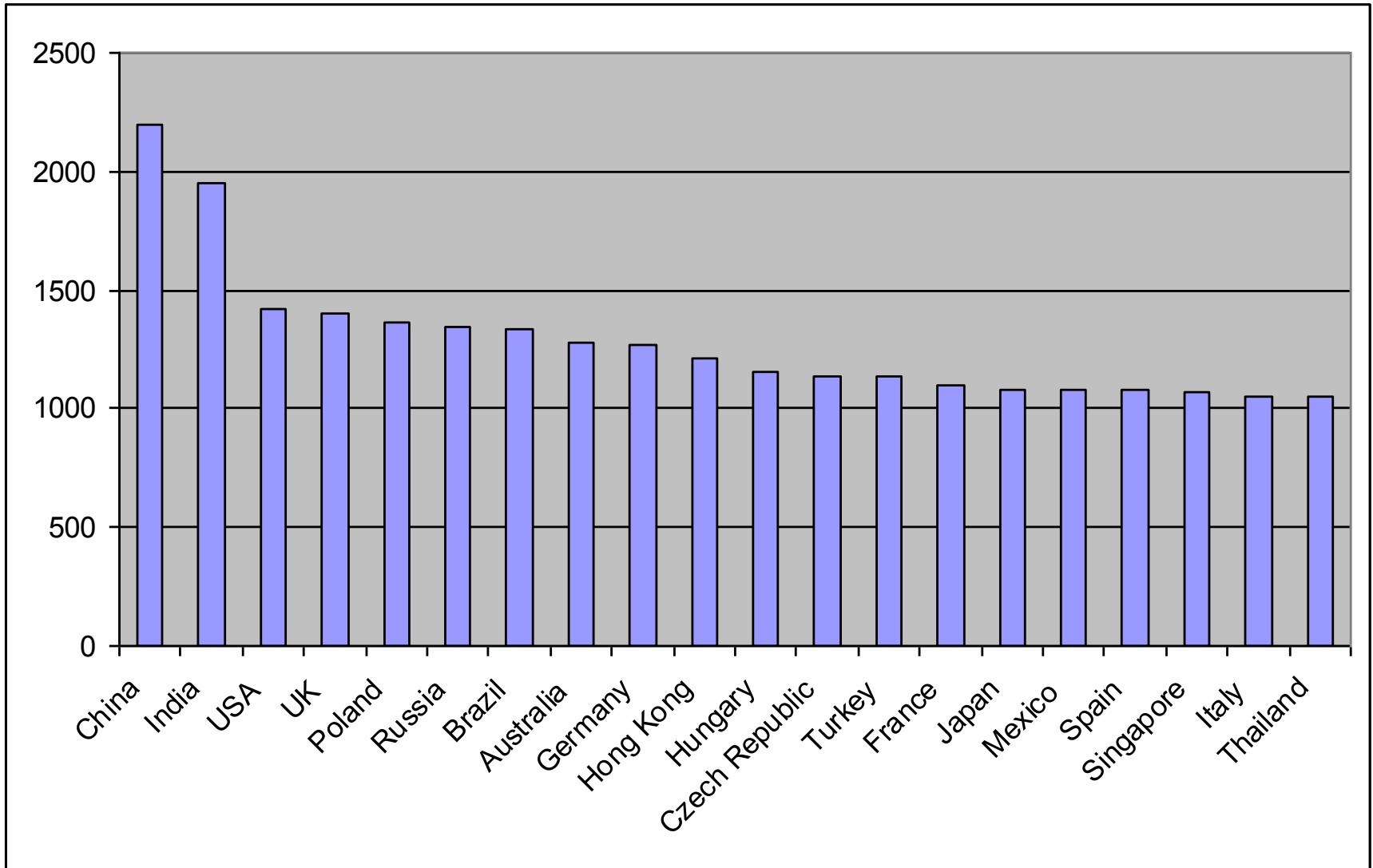
Top 25



Source: A.T. Kearney analysis

Low confidence Values calculated on a 0 to 3 scale High confidence

FDI confidence index (2005)



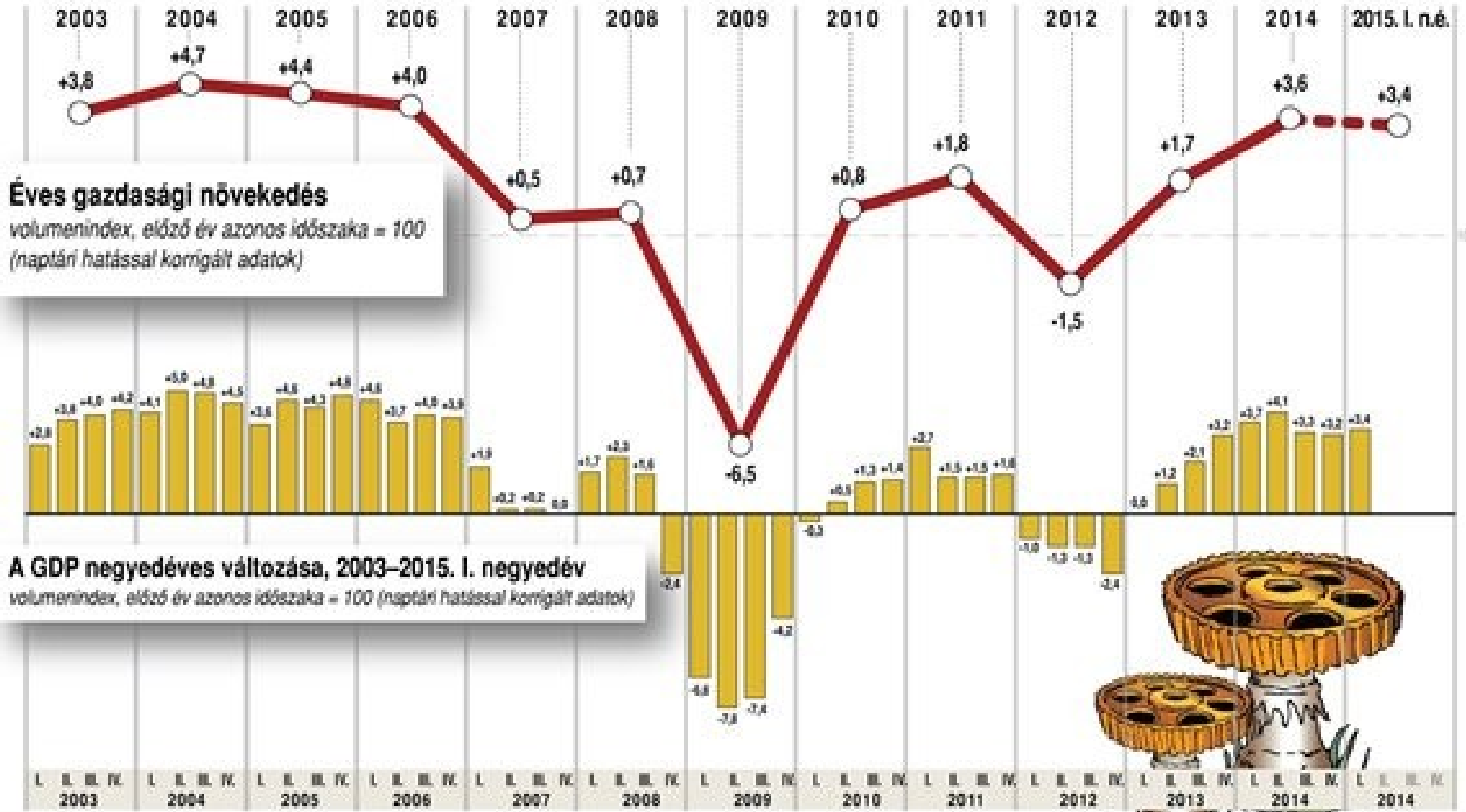


The worst hyper-inflation in the world



1,000,000,000,000,000,000,000 Pengő

Change of Hungarian GDP (2003-2015)







Hungarian Passenger Car Market 2012

53.059 units

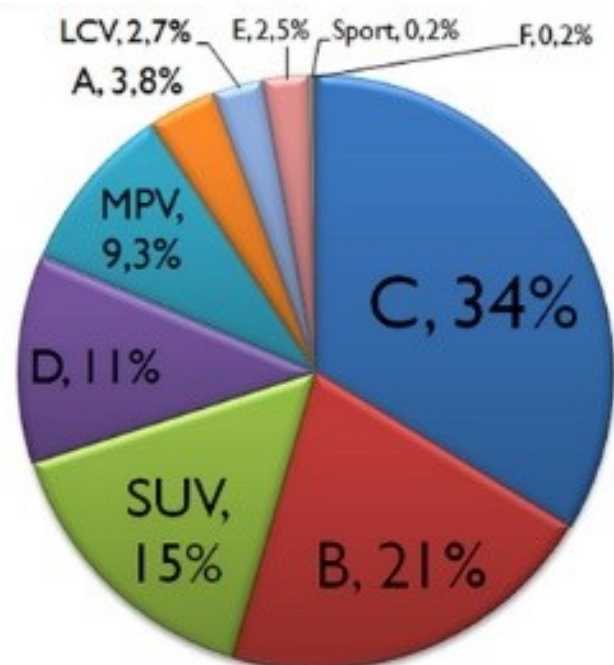
+18%

LCV Market: 10.900 (-5%)

Group	Units Sold	Market Share
1 VW Group	12.017	23%
2 GM	8.056	15%
3 Renault	5.590	11%
4 Ford Motor	5.196	9,8%
5 Suzuki	3.300	6,2%
6 Hyundai Motor	3.032	5,7%
7 Fiat-Chrysler	2.771	5,2%
8 Nissan	2.346	4,4%
9 Toyota	2.322	4,4%
10 PSA	1.524	2,9%
11 BMW	1.516	2,9%
12 Volvo	1.137	2,1%
13 Daimler	1.095	2,1%
14 Honda	1.065	2,0%
15 Mazda	486	0,92%
16 Mitsubishi	169	0,32%
17 JLR	101	0,19%
18 Subaru	100	0,19%
19 SsangYong	12	0,02%
20 Lada	11	0,02%

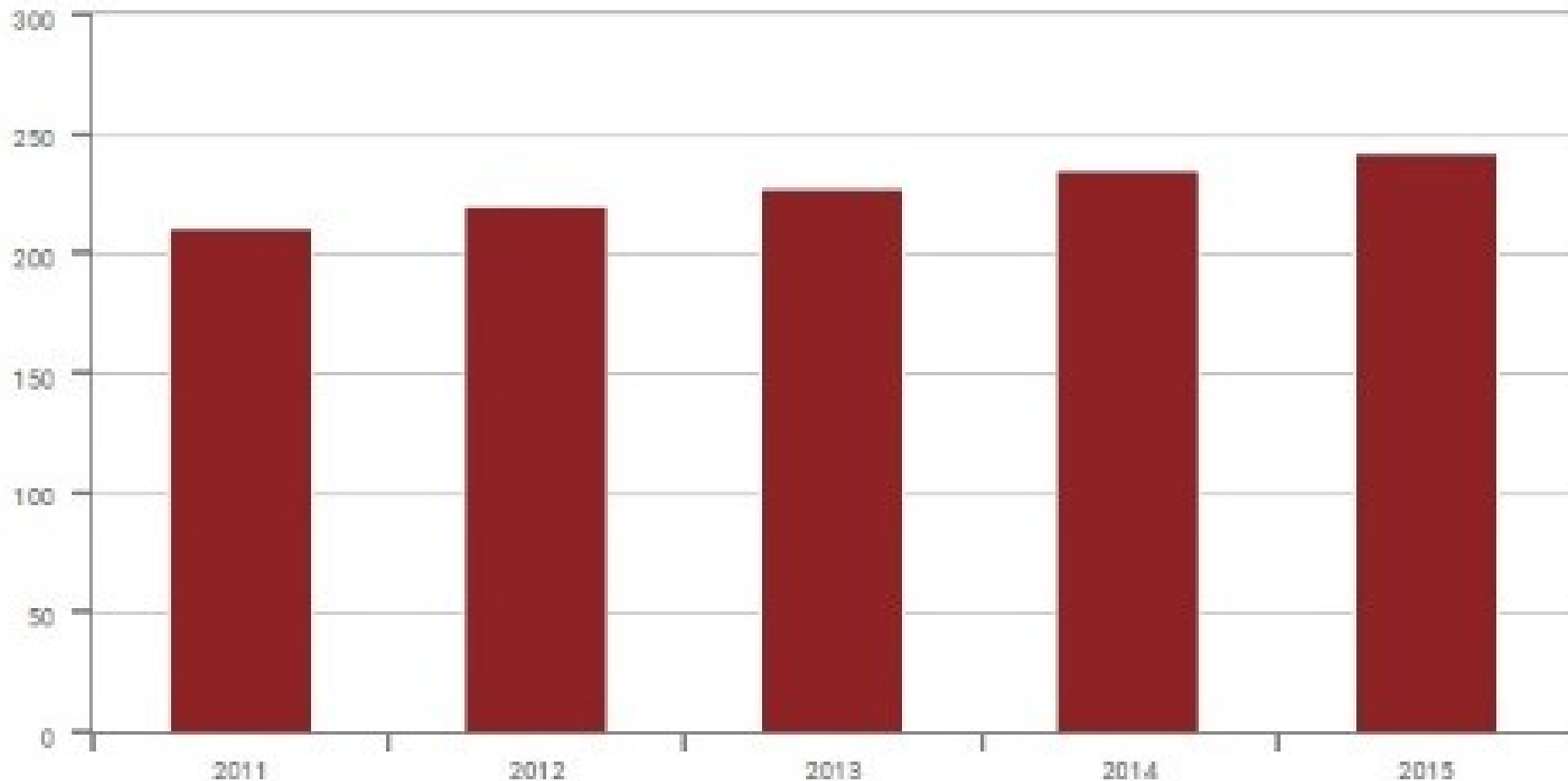
Group	Change 2012/11
1 JLR	159%
2 Suzuki	107%
3 Fiat-Chrysler	85%
4 Nissan	60%
5 Lada	57%
6 Daimler	41%
7 BMW	36%
8 Subaru	30%
9 GM	29%
10 Hyundai Motor	19%
11 Renault	16%
12 Volvo	9%
13 Ford Motor	5%
14 VW Group	4%
15 Honda	-2%
16 PSA	-4%
17 Toyota	-8%
18 Mazda	-15%
19 Mitsubishi	-16%
20 SsangYong	NB

Sales by Segments



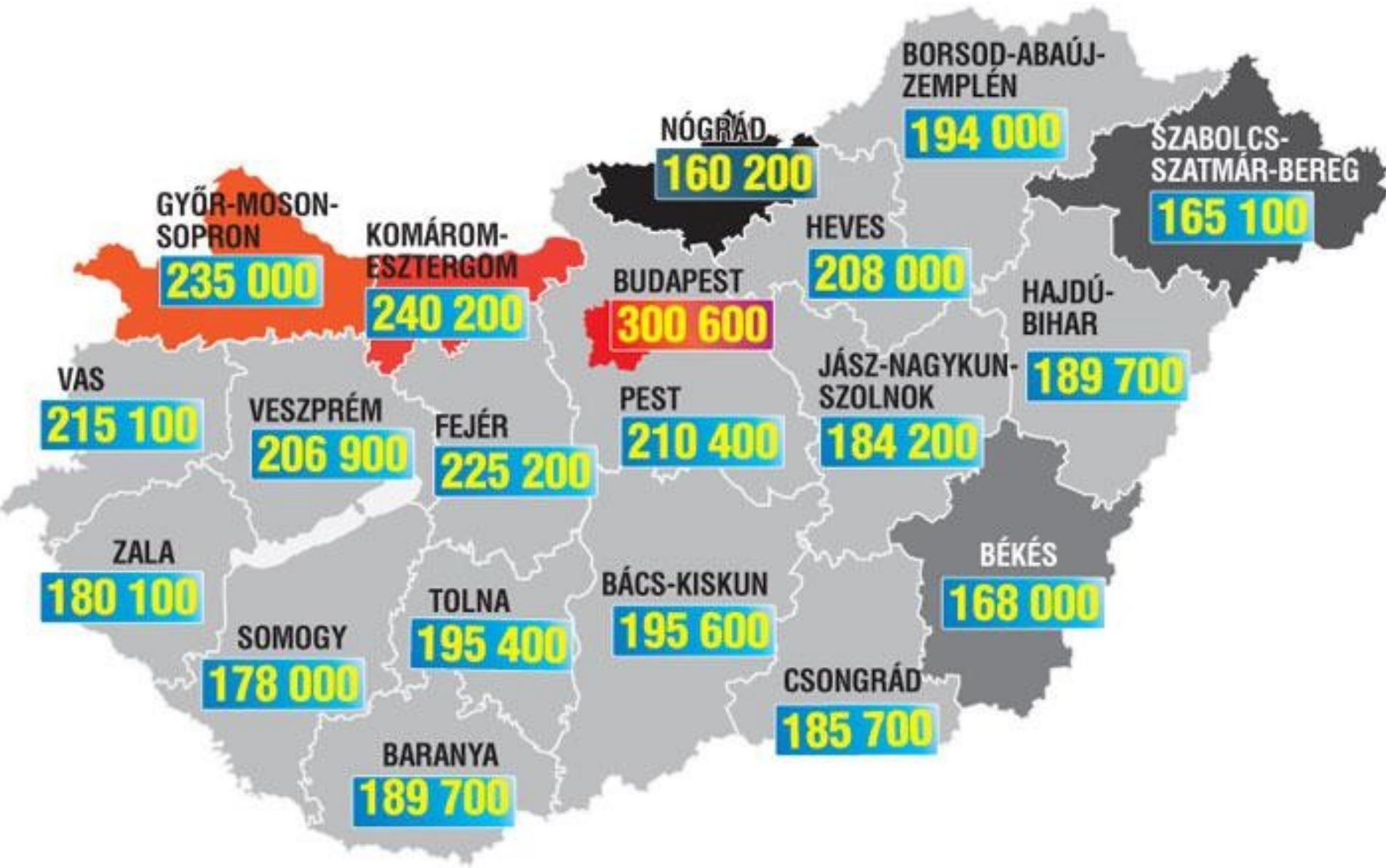
Average gross wages in Hungary (in the period of January-May)

Thousands of forints

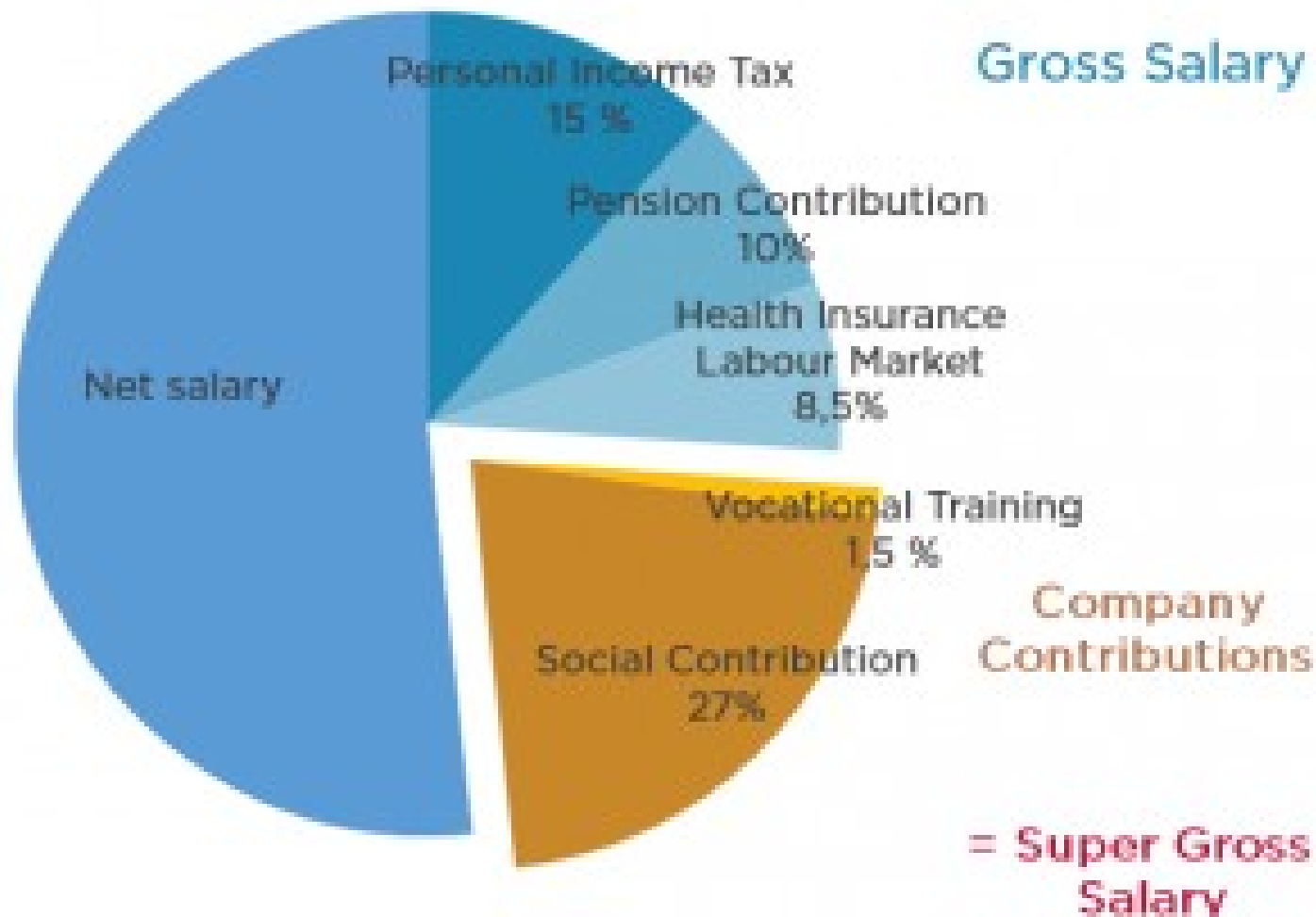


1 CZK = 12 Hungarian Forints
240.000 Forints = 20.000 CZK

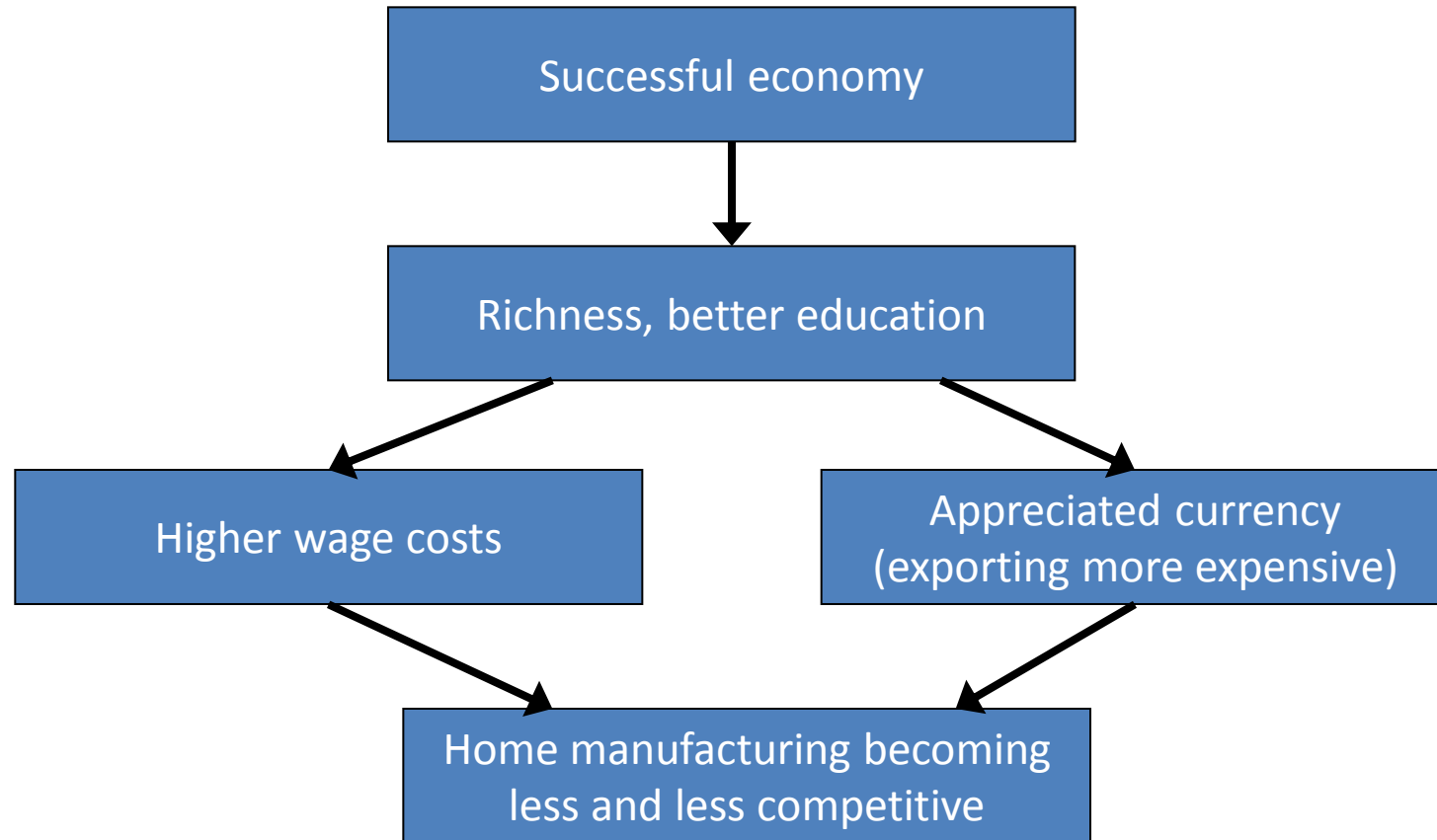
Monthly wages in regions



Salary in Hungary



Dynamic adjustment



Dynamic adjustment

- Undermines the success of the previously rapidly growing economies
- Enables new countries to become preferred production base
- Trade protection:
 - Temporary solution
 - Removes the competitive pressure
 - After protection is removed: adjustment is more dramatic

Winners and losers

- The dynamics of the world economy create instability and change
- Who is the winner and who is the loser?
 - „Winning” becomes increasingly expensive as wages and currencies are adjusted upwards.
 - Loser economies: unemployed workforce is available at reasonable cost and backed by a weak currency, causing economic growth in long-term
- The adjustment process is slow, with changes in political, technological and social factors.

Management

Thank you for your attention!

Mariann Benke & Dr. Roland Schmuck
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