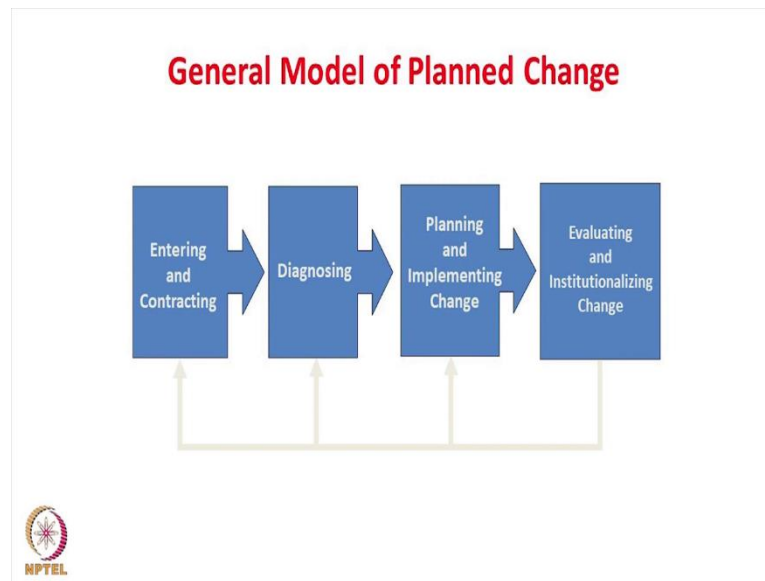**Organization Development and Change in 21st Century**
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Lecture - 06
**Diagnostic for Organization Development and Change**

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So, now we will look at the general model of planned change process. General model of planned change process starts with entering and contracting. Whenever an internal or external consultant is involved in the change process, there has to be a formal and conscious entering and contracting process. No plan or implementation of the change should start without diagnosis that you can consider as a thumb rule. Never ever we should approach any change process without diagnosis.

Even if organization says that we know what are the factors, we know these are things to be changed, internal or external consultant has to do his or her own diagnosis as well. Because diagnosis involves different perspectives, different people may end up collecting different data and different conclusions in the diagnosis process. If it is done internally it may reach to a different type of conclusion.

A person who is supposed to lead the change process or plan the change process must be involved directly in the diagnosis process. After the diagnosis process, we plan and implement the change process and then evaluation and the institutionalization of the

change process is required. You see a lot of feedback loops. Actually, this is not a strictly linear process, these steps can be overlapping and there can be a back and forth movement as well. Each step can give feedback to the previous and the later step.

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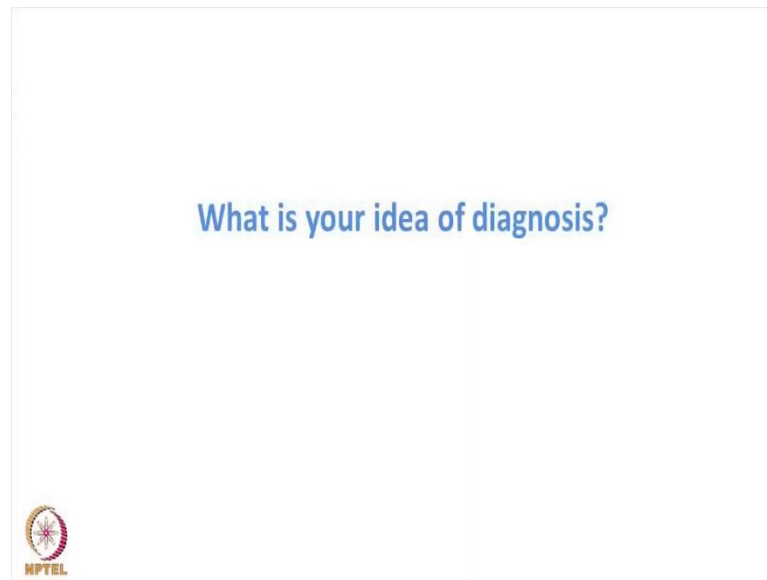
What is your idea about diagnosis? Where have you heard the term diagnosis? In the medical field. So, generally we hear the term at diagnostic centers. They do a lot of pathological tests based on the physiological indicators and use of microwaves or X-rays or sonography, that is how we hear about diagnosis.

What is the aim of diagnosis in the medical science? To know how a system is functioning. So, in that way diagnosis in the organization development is also the same, the objective is to know how this system is functioning. But at the same time there is a difference between the way it is understood in the medical science and the way it is understood in the organizational science and organization development. What is the difference?

Difference is that in the medical science diagnosis is generally unidirectional in nature. Some symptoms are asked and then mostly the diagnostic report is created by an outsider based on objective data whereas, in the organization development diagnosis is a collaborative process where data is created in a participative manner and the study is also done in a participative manner.

How to reach the conclusion is not only the job of the person who is doing diagnosis. The conclusions are arrived with the joint understanding and conversation between the client and the consultant. So, that is the difference between diagnosis in the medical science and in the organization development.

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Diagnosis is defined as a collaborative process, as we just discussed. It is between the organizational members and OD consultant. OD consultant maybe an insider or outsider to collect pertinent information. What is pertinent information is jointly decided by the organizational members and OD consultant, analysis is also a joint process. Further, drawing the conclusion is a joint process and action planning and intervention is also a joint project.

So, diagnosis is a collaborative process between the organizational members and OD consultant to collect pertinent information, analyze it and draw conclusions for action planning and intervention. Many of you have worked in the software industry. You know that there is a person who is responsible for coding and there is a person who is responsible for collecting the requirement or making the software architecture.

In the organization development, the person who is responsible for diagnosis can be compared to the person who collects the requirement and s/he is also a person who is the architect of the system. Because here in the diagnosis in OD process, person who does the

diagnosis is also responsible to make a broad framework for action planning and intervention. So, we understand how important this skill is.

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There are some points for reflection. What is an organization? What metaphor comes to your mind and what is the limitation and potential of a metaphor? So, someone said organization is a living organism, someone also said that organization is like a living system. Can you think about some other metaphors?

Organization is like a family, society. All of you are engineers, but it's strange that nobody said that organization is a machine. Is organization not like a machine? It is supposed to be an efficient machine. Why do we not call it a machine, but we call it more organism and family and society. Why machine metaphor is not appealing to you whereas, metaphor of organism and society came more easily to you?

Student: People are involved.

Because people are involved. Machines are very predictive but people are not. So, that is the limitation of that metaphor. To some extent an organization can be compared with the machine metaphor, but then there is a limitation to this metaphor. This metaphor is good to understand that there is an input, there is some process and there is some output. But the whole predictability involved in the machine is not visible in an organization or any other place where human beings are involved.

What is the limitation of the metaphor of organism? Organism is one organism, it is not similar to a society or family. So, the kind of complexity which comes with biology within the organism increases manifold when the complexity reaches to social interactional level. Family and society are much more complex than an organism because there is much more interaction of the independent entities going on at the society and the family level.

So, we can learn about organizations by looking at these metaphors. If we understand the metaphor of a machine, then we can look at the efficiency criteria better. If we understand organizations like an organism, then we can look at what are the life-giving forces and what are the nutrients for an organization.

If we look at organizations like a family, then we look at what nurtures the relationships in the family and what kind of relationship one person has with other person. That understanding can be achieved when we look at organizations with the metaphor of family and society.

So, we can understand that metaphors have potential. Metaphors can define any phenomena, but they cannot define it hundred percent and all metaphors have limitations.

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Metaphors (or Images) of organizations we live with (Morgan)

- Organization as machines
- Organization as organisms
- Organization as brains
- Organization as cultures
- Organization as political systems
- Organizations as psychic prisons
- Organization as flux (networks)

Gareth Morgan in Images of Organizations

Gareth Morgan in his famous book called Images of Organization talks about organization as machine, organization as organism, organizations as brain because organization is a system which constantly creates and processes information from within and without.

Organization as cultures. Culture is shared values and beliefs, rituals, norms, heroes and it is reflected in certain artifacts. We see organizations are also like cultures which have shared norms, beliefs they follow, certain rituals and artifacts.

Organization can also be understood as a political system. Like any human system, organizations can have a powerful group and a powerless group. How they are influencing each other, what are their struggles, what is the nature of their interaction, all that can be understood much better if we look at organization as a political system.

We can also look at organization as a psychic prison. People adopt certain rules and they start living those rules in the organization and that is reflected in their behaviour and the quality of the interactions. In an organization people just adopt certain roles, they start taking those roles as reality and those roles start defining their nature of interaction and from that perspective as well organization can be understood.
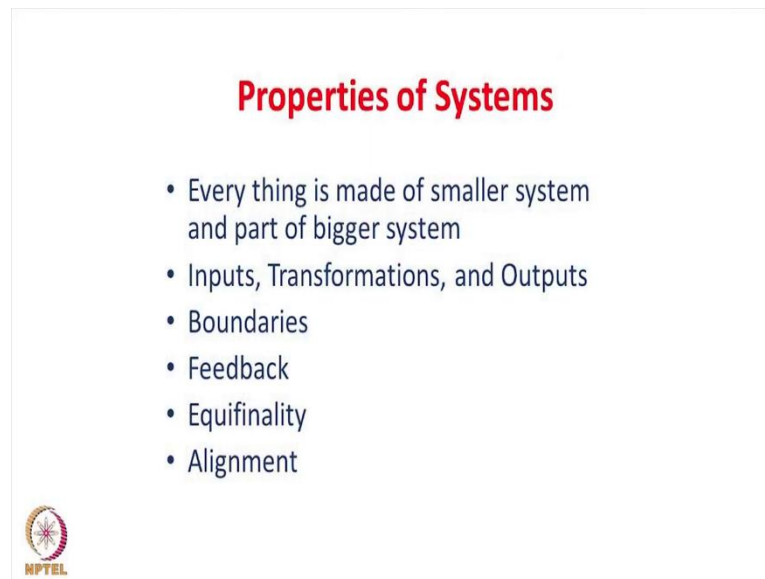
Organization can also be understood as a flux, where there are so many networks in the form of interactional chains. And, those interactional chains form the networks and those networks are the reality of the organization. We need to understand what are the value chains and what are the networks and what is the nature of that network operating there. So, it is a famous book that you can read. It talks about the power of metaphors to understand any organization.

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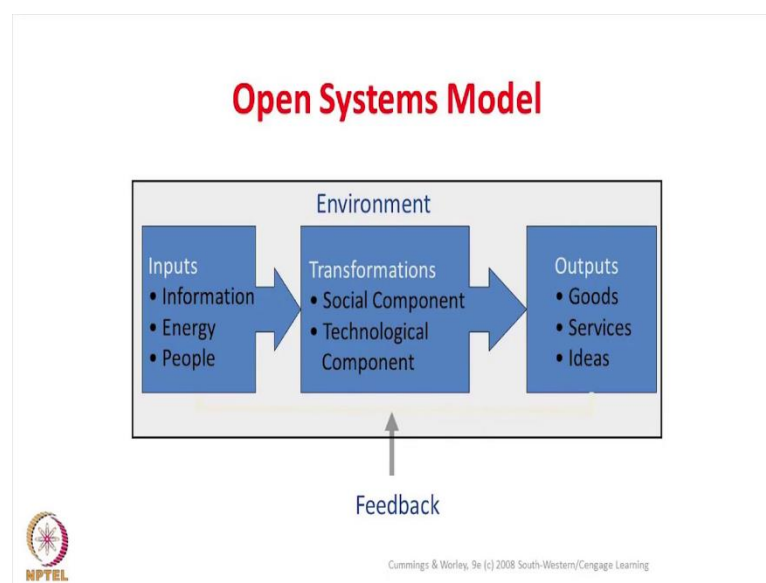
The metaphor which we are using in this course is, like some of you said, organization as open system. Any system will have certain input; it has a transformation process and output. So, organization as a open system has some inputs like information, energy and people, organizations. The business is nothing, but transforming their input, input i.e. social component or technological component, which results in some good services or ideas and all these 3 components keep giving feedback to each other.

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Let us look at what are the properties of a living system. First and foremost, for a systems thinker everything is system. Everything is part of a bigger system and made up of a smaller system. We learn it from the fundamental physics and the particle physics that every time physicists thought they reached the fundamental particle, instead of the particle they actually found a system.

First, they thought that there are electrons, there is nucleus, but when they looked at nucleus, they found that nucleus is also made up of neutron and proton, and neutron and proton are not isolated particles. They also form a system because neutron keep emitting positron keep emitting pi plus meson and getting converted into proton and proton keep absorbing that meson and keep getting converted into neutron.

And then there are so many fundamental particles quarks and protinos etcetera in the nucleus and positrons outside of the nucleus which suggest that even at the subatomic level there is nothing like particle, there is always a system. At the higher level, atoms are a part

of molecules and molecules are a part of organisms. Organisms are a part of the society, society is part of a ecosystem and earth is only one ecosystem, a sub ecosystem which is part of the much larger system. So, everything is made up of this smaller system and is part of the bigger system.

There is always an input, transformation and output. So, what does that mean? Can we never understand any reality because if everything is connected to everything else; that means, we cannot study anything, but that is also not the case. Systems thinking and system science suggest that though everything is connected to everything else there is a possibility of making some artificial boundaries.

So, the great systems thinker Bateson says that boundaries are necessary, but they are not necessities. That simply means if we have to understand a system, we can draw a tentative boundary and look at the interaction of certain variables within that boundary. And, we can have a representative description about that system and based on that representative description we can understand the reality about the system and can think about what input and what change can be useful for that.

In order to understand what chains are necessary, we need to identify in a system what are the nodal points, what are the critical forces, where by introducing some change a major change can be introduced within the system. That is the utility of having a boundary. So, understanding of the system requires identifying a boundary. Any living system is a living system because it takes feedback. The taking, receiving and ability to respond to feedback is one of the most important signs of a living system.

Another characteristic of a living system is equifinality; that means, the same final outcome can be achieved from different routes in different ways. We are talking about organizational change process, organizational growth can happen in competency building based approaches. Organizational growth can also happen by adopting more economic value creation-based approaches.

Organization change, we have seen, have been led by some autocratic leaders. Those changes have also been led by some democratic leaders. So, there is a range of possibilities of arriving to and achieving one final reality and multiple ways can reach to the same final outcome. This is the characteristic of equifinality and alignment. A system is good and healthy when its components are aligned to each other.

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So, the key for effective diagnosis when we using the systems perspective is that we need to know what to look for at each organizational level and we also need to recognize how the levels are affecting each other. And here level means organizational level, group level or department level and individual level. These are 3 different systems within the organization. They have a separate input and output process and all 3 affect each other. Let us look at how organization as a diagnostic system may look like.

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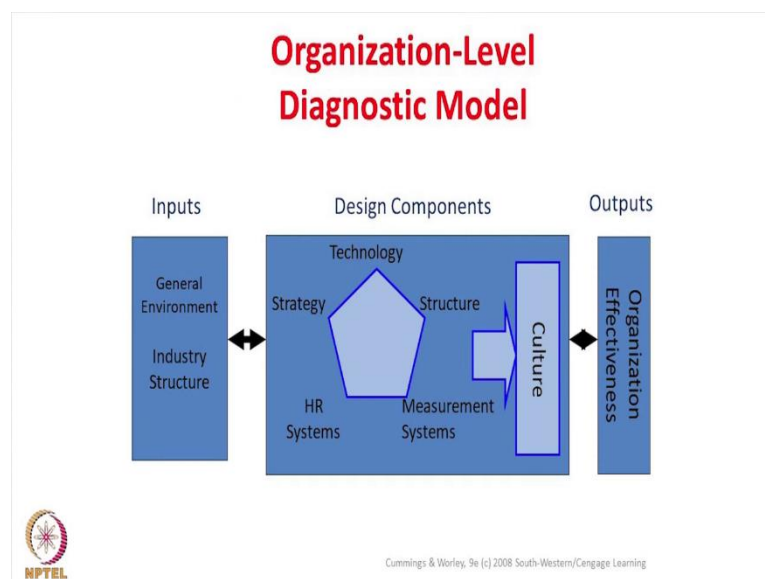
So, if we superimpose the systems model over organization what we see is input design component and output. In the input, what is the input for organization? Input for organization is general environment where it is operating and the industry structure. Now, if I keep looking at the industry structure and do not look at the general environment, I may lose out on many business opportunities. Because banks were not knowing, many banks did not think that competition may not come from another bank but from a telecommunication company.

We discussed in the very first session that Walmart entering into the distribution of medicines is a threat to an organization which has core business in selling pharmaceuticals. Google started making phone systems, it is certainly a threat and competition to the conventional telecommunication organization. So, an organization needs to look at the industry structure, but they also need to look at the general environment because competition can come from many unforeseen angles and fields and these inputs then form the designed component.

Technology simply means what are the means, how sophisticated are the ways of converting inputs into output. How sophisticatedly we are doing it? Technology may not be the most advanced technology, but technology has to be the more appropriate technology. Appropriate for the strategy I am following and the kind of value I am giving and customer is expecting. A strategy in a very simple way is a pathway to achieve long term objective.

In the strategy course, you must have studied that there are 3 generic strategies; cost, leadership, niche and differentiation. A strategy is a strategy only if there is a choice. If there is no choice there is no strategy and when there is a choice, we know that all generic strategies cannot be followed. If all the generic strategies cannot be followed by one organization, we need to make the choices. What are the choices? What are the choices for achieving the long-term objectives? What is the pathway I am adopting to achieve the long-term objective? That is the strategy.

Structure means how a task is divided? What is the kind of structure in an organization? Is it a functional structure? Is it a divisional structure? Is it a metric structure, team-based structure, virtual structure, boundaryless structure? Is the structure helping the organization to achieve its objective and strategy, that is the next question.

We need to know that the structure should help an organization to achieve the strategic objective and technology should help a structure to function well. If very sophisticated technology is not helping the structure to work properly, we need to change the structure or change the technology. Then comes how we measure the performance. Many years ago, organization performance measures were very financial in nature. You look at ROI, profitability, market share and if you are doing well on these fronts you think that the organization is doing well.

But now we realize that there are financial measurements and there are strategic health measurements. Strategic health measurements may involve employee morale, value of the employer branding, employee motivation, customer centricity, innovation, creativity, sophistication in the learning processes, social climate, spiritual climate, moral climate, and ethical climate. All these can constitute the measurement system.

Organization's financial health talks about the past, but organization's strategic health which includes all these factors talks about the future that is why they are called leading indicators. So, measurement should have a good component of the leading indicator as well. Then, we have HR system.

How we are measuring whether my people have the right skill, mindset and capability and knowledge to deliver results based on which we are assessing the organizational performance. If I am aiming to achieve organizational performance in terms of the morale, innovation, profitability and efficiency, then we need to know that HR measurement should also be included. We need to assess the people on their creativity, on their efficiency, on their product knowledge and the knowledge of the process as well. So, all these factors have to be in sync with each other.

And the combined effect of these 5 factors is culture. And culture is an overarching concept. It is like water to a fish that is an overarching concept including the physical as well non-tangible forces in the organization and that leads to the output in the form of organization effectiveness.

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Key Alignment Questions

- Do the Design Components fit with the Inputs?

- Are the Design Components internally consistent? Do they fit and mutually support each other?

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So, we need to ask do the design component fit with the input and are the design components internally consistent, do they fit and mutually support each other. For any organization diagnosis, we need to look at these factors. These factors are drawn from the basis of the systems approach and understanding of an organization as a living system. And we need to ask the questions about alignment and appropriateness of the different components. That is the starting point of an organizational development process.

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Business Challenge and Need for Change: An Example

BizSoft were one of the first Indian IT firms. A software development company working in the fields of ERP, Product Life Cycle Management, Automation using Machine learning and Big data analytics. Its revenue source is Oil and Gas companies, infrastructure , Pharma and media Companies. The size of company is about $500 millions after a recent acquisition. Like any other organization in this domain BizSoft also need to master the technological advancement in Block chain, AI, ML, Big Data, IOT and so on. The project size is becoming smaller and need for digitization is increasing amongst the clients for whom they have worked and working on ERP projects. The question for this organization is how to reach to the big league of the IT companies of the size of $2000 millions. The profitability is fine. PE ration is 10.5 and Net Profit Margin is about 15%. They are good and professional. They tend to have a more difficult time attracting and retaining talent. Many of its peers which started almost same time or even after them like Infosys, Cognizant have made it big and they also come to the league of these companies. How should they approach this challenge systematically?

If we apply this logic to our first small case study which we started our discussion with, we need to look at what is the input for this organization. The input is changing industry requirement and expectation. What is the design component? What is the strategy? A strategy probably till now was focused more on cost arbitrage now they have to move up in the value chain. We also need to look at whether their design is helping the organization to serve their client better, are their measurement system proper.

If an organization wants to achieve different kinds of projects, projects of the higher value and higher complexity, it is a part of the assessment process of my delivery manager or my business leaders. If I want my people to be more strategic in nature, we need to look at whether we are training people and making them competent so that they can not only talk about the technology, but also talk about the business with their client.

And for that they need to understand client's business and then only organization can hope that the people who are interacting with the client will be able to convince the customer to have project which are more complex in nature, which are more value adding and which are more long term. So, we need to look at these 5 factors in this organizational setting and then we can go about the development process.