

天津外国语大学(天外)
**Tianjin Foreign Studies University
(TFSU)**

Organizational Behaviour

**Online class starts at 08:00
(Beijing Time, GMT+8)**

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May 25, 2023

Managing Organizational Change

Learning Objectives. After completing this lecture, you should be able to:

- **Identify** the three stages of the general organizational change model.
- **Discuss** the advantages and disadvantages of internal versus external change agents.
- **Give** examples of how individuals and organizations resist change.
- **Summarize** the components of the model of organizational change and development.
- **Express** the degree to which change interventions are effective.
- **Describe** the guidelines for managing change.



Introduction

Change is arguably one of the most commonly used words in managerial and executive offices in virtually every type of organization around the world.

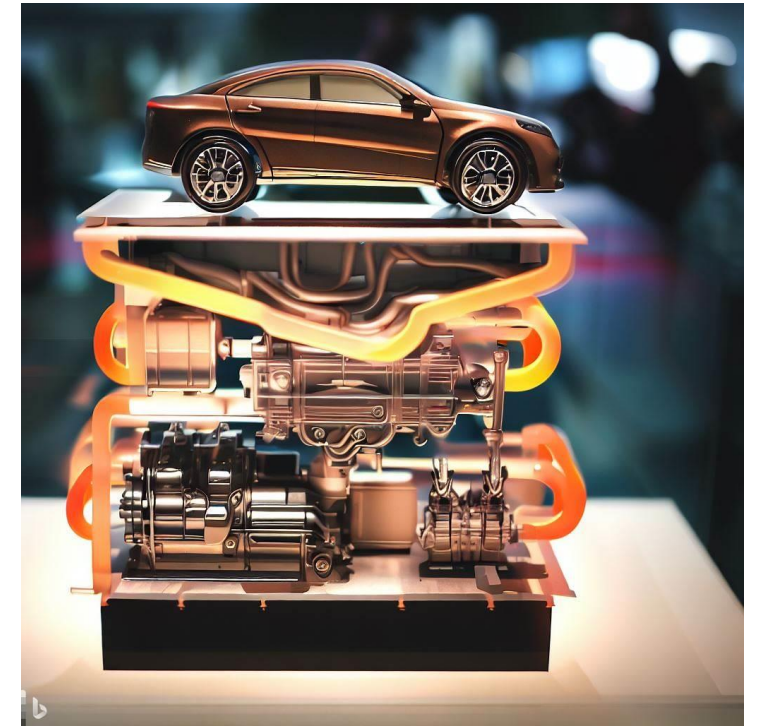
The combination of global competition, computer-assisted manufacturing methods, and instant communications has implications more far-reaching than anything since the beginning of the Industrial Revolution.¹ Popular literature and best sellers warn managers that their organizations' futures depend upon their ability to master change.² Change is a pervasive, persistent, and permanent condition for all organizations. Not only are managers faced with continual change, but also the rate of change has been accelerating. Some have described the growth in the rate of change faced by organizations as exponential.

Speed is the catchword of the day. However, as the Global OB suggests, speed must be treated carefully if it is to become an advantage.



A General Model of Organizational Change

Managers can design a theoretically sound change approach and not achieve any of the anticipated results because many of the employees don't buy into the changes or fear the changes will affect their jobs in a negative way, or management doesn't seem committed to the change initiatives and soon moves onto the next "big thing," and so forth. To understand what motivates people to change, Kurt Lewin developed a **three-stage model** which consists of unfreezing the old ways of doing things, moving employees to learn new behaviors, and then refreezing and reinforcing the new behaviors. Exhibit 1 illustrates these three stages and provides an example of each stage.



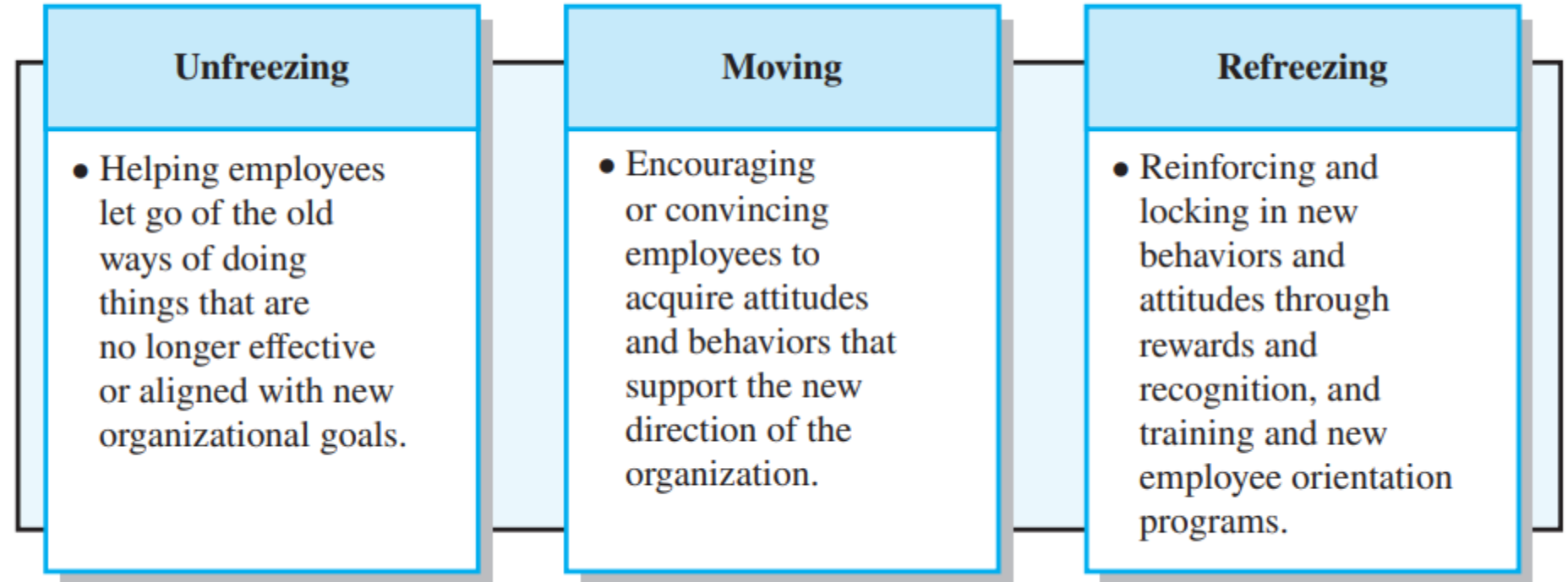
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A General Model of Organizational Change

Source: Adapted from Kurt Lewin, "Group Decisions and Social Change," in *Readings in Social Psychology*, ed. Eleanor E. Maccoby, Theodore M. Newcomb, and Eugene L. Hartley (New York: Holt, Rinehart, & Winston, 1958).



change agent

A person who acts as the initiator for change activities. Can be internal members of the firm or external consultants.

Change Agents: Forms of Intervention

Because managers tend to seek answers in traditional solutions, the intervention of an outsider is often necessary. The intervener, or change agent, brings a different perspective to the situation and challenges the status quo. The success of any change program rests heavily on the quality and workability of the relationship between the change agent and the key decision makers within the organization. Thus, the form of intervention used is a crucial consideration.

To intervene is to enter into an ongoing organization or relationship among persons or departments, for the purpose of helping improve effectiveness. A number of forms of intervention are used in organizations.



External Change Agents

external change agents

A person from outside an organization who initiates change.

External change agents (e.g., consultants) usually work under contract because they're typically involved only for the duration of the change process in an organization. They consult in a variety of organizations including universities, consulting firms, and training agencies. Many large organizations have individuals located at central offices who take temporary assignments with line units that are contemplating organizational change. At the conclusion of the change program, the change agent returns to headquarters.



<https://pixabay.com/illustrations/watch-over-protection-protect-1816311/>



internal change agent

A person, manager or nonmanager, working for an organization, who initiates change.

Internal Change Agents



The internal change agent is an individual working for the organization who knows something about its problems.¹² The usual internal change agent is a recently appointed manager of an organization that has a record of poor performance; often, the individual takes the job with the expectation that major change is necessary. How successfully internal change agents undertake their roles has been extensively studied in recent years.

Internal change agents are a rare breed. Jack Welch, former CEO of General Electric, estimates that no more than 10 percent of employees fit the category. Welch states that while all change agents must be leaders, not all leaders are change agents.

<https://pixabay.com/illustrations/watch-over-protection-protect-1816311/>



External–Internal Change Agents



Some organizations use a combination external–internal change team to intervene and develop programs. This approach attempts to use the resources and knowledge base of both external and internal change agents. It involves designating an individual or small group within the organization to serve with the external change agent to spearhead the change effort. The internal group often comes from the human resource management unit, but it can also be a group of top managers. As a general rule, an external change agent will actively solicit the visible support of top management as a way to emphasize the importance of the change effort.



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Each of the three forms of intervention has advantages and disadvantages.



The external change agent

The external change agent is often viewed as an outsider. When employees hold this belief, rapport needs to be established between the change agent and decision makers. The change agent's views on the organization's problems are often different from the decision maker's views, which leads to problems in establishing rapport. Differences in viewpoints often result in mistrust of the external change agent by the policymakers or a segment of the policymakers. Offsetting these disadvantages is the external change agent's ability to refocus the organization's relationship with the changing environmental demands. The external agent has a comparative advantage over the internal change agent when significant strategic changes must be evaluated.



The internal change agent

The internal change agent is often viewed as being more closely associated with one unit or group of individuals than with any other. This perceived favoritism leads to resistance to change by those who aren't included in the internal change agent's circle of close friends and personnel, but knowledge of this can be valuable in preparing for and implementing change. The internal change agent can often serve as the champion for change because of enlightened understanding of the organization's capability and because of personal persistence.



External–Internal Change Agents

The third type of intervention, the combination external–internal team, is the rarest, but it seems to have a reasonable chance for success. In this type of intervention, the outsider's objectivity and professional knowledge are blended with the insider's knowledge of the organization and its human resources. This blending of knowledge often results in increased trust and confidence among the parties involved. The combination external–internal team's ability to communicate and develop a more positive rapport can reduce resistance to any forthcoming change



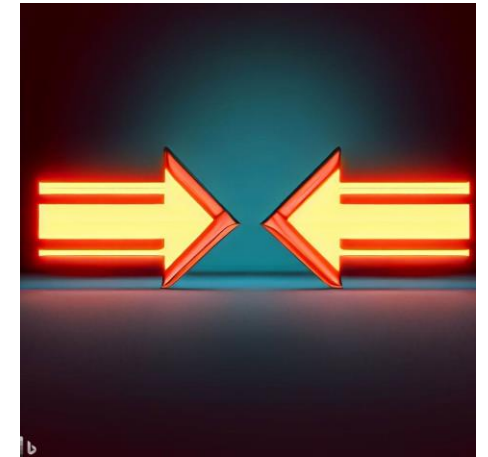
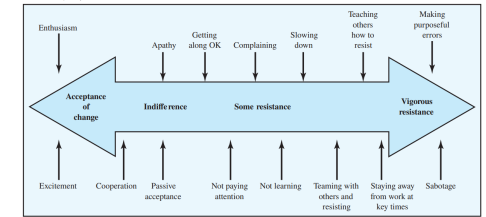
Resistance to Change

Even in situations in which change is clearly the best choice, there may be fear, anxiety, and resistance. The more significant the change in structure, task, technology, and human assets, the more intense the fear, anxiety, and resistance. A large portion of whatever fear, anxiety, or resistance occurs is triggered by changes in routine, patterns, and habits. Researchers, however, have been more specific in categorizing resistance to change that results from individuals and organizational factors.

Exhibit 2 presents a graphical portrayal of a variety of individual responses to a change in structure, technology, or people

EXHIBIT 17.2 Range of Individual Resistance Behaviors

Source: Concept for continuum and some behaviors stimulated by A.P. Goldstein, *Reducing Resistance: Methods for Enhancing Openness to Change* (Champaign, IL: Research Press, 2001).



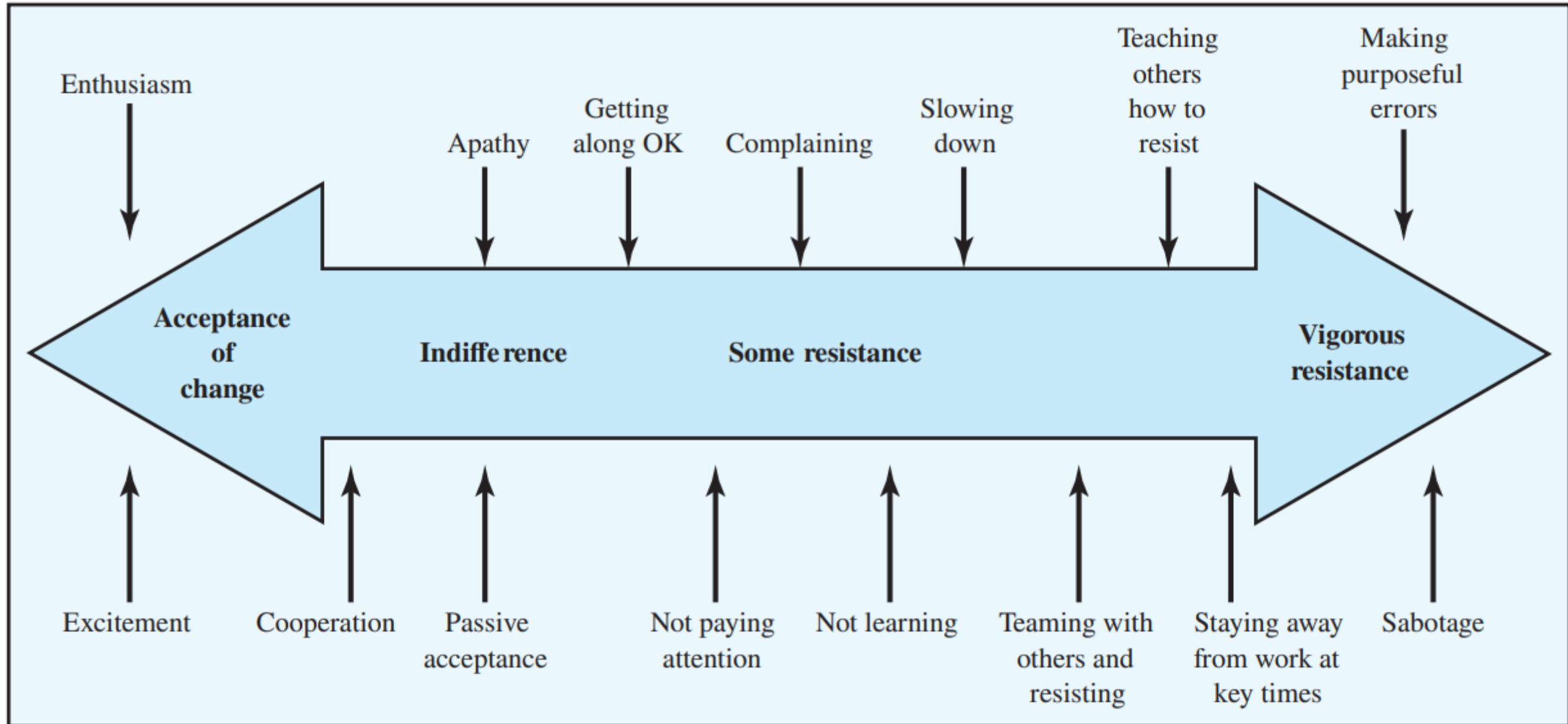
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Range of Individual Resistance Behaviors

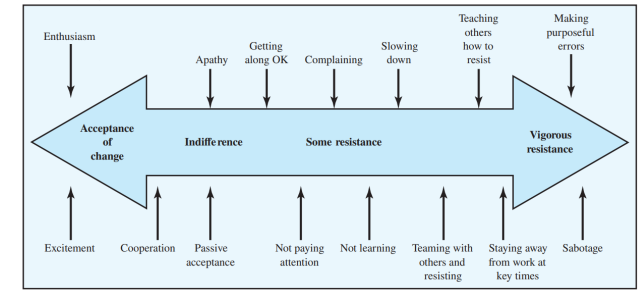
Source: Concept for continuum and some behaviors stimulated by A.P. Goldstein, *Reducing Resistance: Methods for Enhancing Openness to Change* (Champaign, IL: Research Press, 2001).



Individual Resistance

EXHIBIT 17.2 Range of Individual Resistance Behaviors

Source: Concept for continuum and some behaviors stimulated by A.P. Goldstein, *Reducing Resistance: Methods for Enhancing Openness to Change* (Champaign, IL: Research Press, 2001).



Reasons for resistance include the following:

- The threat of loss of position, power, status, quality of life, and authority.
- Economic insecurity regarding retention of the job or level of compensation.
- The possible alteration of social friendships and interactivity. Redesign, shifts in work processes, and movement of people are considered to be threats to friendships, patterns of social on-the-job interactions, and routines.
- The natural human fear of the unknown brought about by change. The inability to predict with certainty how the new organizational design, manager, or compensation system is going to work creates a natural resistance.
- Failure to recognize or be informed about the need for change.
- Cognitive dissonance created because one is confronted with new people, processes, systems, technology, or expectations. The dissonance or discomfort created by what is new or different is another typical social psychological human process.
- Feelings of inadequacy. People will seldom admit that they lack the skills to be good performers if a change occurs.
- Belief that what is going to be changed is wrong or a bad idea.



Individual Resistance

Each of these and other individually oriented points of resistance can be addressed through increased communication, information, and data. Face-to-face meetings, newsletters, e-mails, instant messages, company blogs, reports, speeches, conferences, and other methods of communication can lead to a better understanding and trust about changes. Other methods for dealing with individual resistance include having people participate in the entire change process, using change champions from within the group to serve as facilitators, and engaging in negotiations about the type and pace of changes. These approaches require management skill in leading the change approach.



Trust, faith

Trust, faith, and confidence in any change program are extremely important. Robert Shapiro, when serving as CEO of Monsanto, captured the essence of trust as follows:

You can't get to good morale by lying. . . . You can't get innovation that way. You find an enormous amount of time and effort is dealing with the trust of others. Look at all the inefficiencies of lack of trust. It tells you that an honest organization is going to be much more efficient. It just makes good business sense.



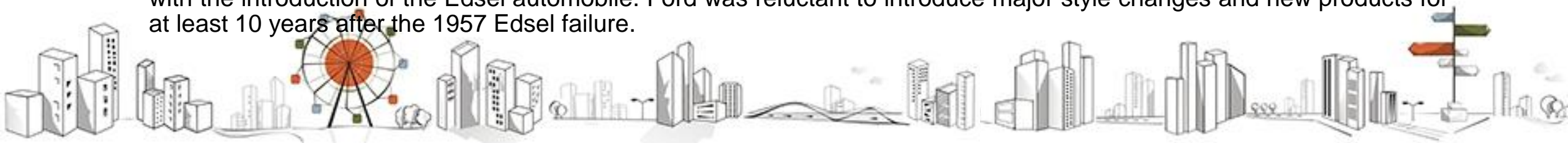
Organizational Resistance

A range of forces within an organization poses barriers to the implementation of changes in structure, tasks, technology, and behavior. These forces may be heightened when an organization consists of geographically separated operations, each potentially with distinct cultures, products, and competitive pressures. Organizational barriers to change include:



Organizational barriers to change include:

- The professional and functional orientation of a department, unit, or team. Engineers perceive changes from an engineering background and experience. Likewise, education, training, and learning shape sales and marketing teams' perceptions. The organizational unit also creates its own norms and standards of behavior. Changes may alter relationships that impact these norms and standards.
- Structural inertia. Organizations are structured to promote stability. The structural arrangement is created in a way that it resists changes or forces that generate instability. This same type of structure at the organization level also exists at the group and team levels. Strong norms are resistant to change because of group members' comfort with a certain flow and pattern.
- Perceived threats to the power balance in an organization. The fear of losing position, status, and resource power or leverage creates a strong backlash. Change in how products are sold in mall stores, online, and through catalogs created resistance in Sears stores, units, and subunits based on the perception of power and its distribution in the firm. The online unit wanted more resources allocated to it while the store managers resisted the untested venture into online retailing.
- Folklore and organizational memory, spurred by a previous failure, about the dangers associated with change. Because of Coca-Cola's failed experiment with changing the taste and flavor of Coke, future attempts to alter anything associated with Coke's formula will likely be met with skepticism, doubt, and caution. The same type of failure-driven resistance existed at Ford Motor Company for at least a full decade after the monumental financial losses associated with the introduction of the Edsel automobile. Ford was reluctant to introduce major style changes and new products for at least 10 years after the 1957 Edsel failure.



Strategies for Overcoming Resistance to Change

The range of individual and organizational resistance factors involves fear, anxiety, team behavior, and uncertainty. Analyzing change and resistance involves a number of key considerations. First, individuals and organizations must have a reason

Second, the more involved people at all levels of the hierarchy are in the change planning, implementation, and monitoring, the higher the likelihood of success. Changes that are imposed on employees with little warning are likely to be resisted to change.

Third, communication is an ongoing and not a onetime factor in successful change programs. Ever more communication is always needed in major change programs. Communication can educate and prepare the employees in a way that reduces fear, anxiety, and resistance. A growing number of CEOs like **Richard Branson** of the Virgin Group and Bill Marriott of his namesake company use blogs and other forms of social media to communicate changes with their stakeholders.

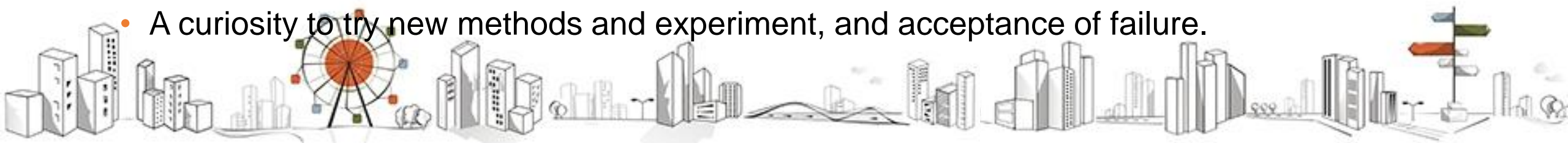


Strategies for Overcoming Resistance to Change

Finally, the creation of a learning organization or one that has the capacity, resilience, and flexibility to change is ideal. In learning organizations such as BNSF Railway, Samsung Electronics, Verizon, and Deloitte, employees share ideas, make recommendations, and participate voluntarily in change from the outset.

Learning organizations have the following characteristics:

- Open discussions and accessibility to information and data.
- Clear vision expressed at all levels.
- Strong emphasis on interdependence, worth, and importance of each person and unit.
- Clear goals and concepts of performance expectations.
- Commitment to learning, improving, and personal growth.
- Concern for measurable results whenever possible.
- A curiosity to try new methods and experiment, and acceptance of failure.



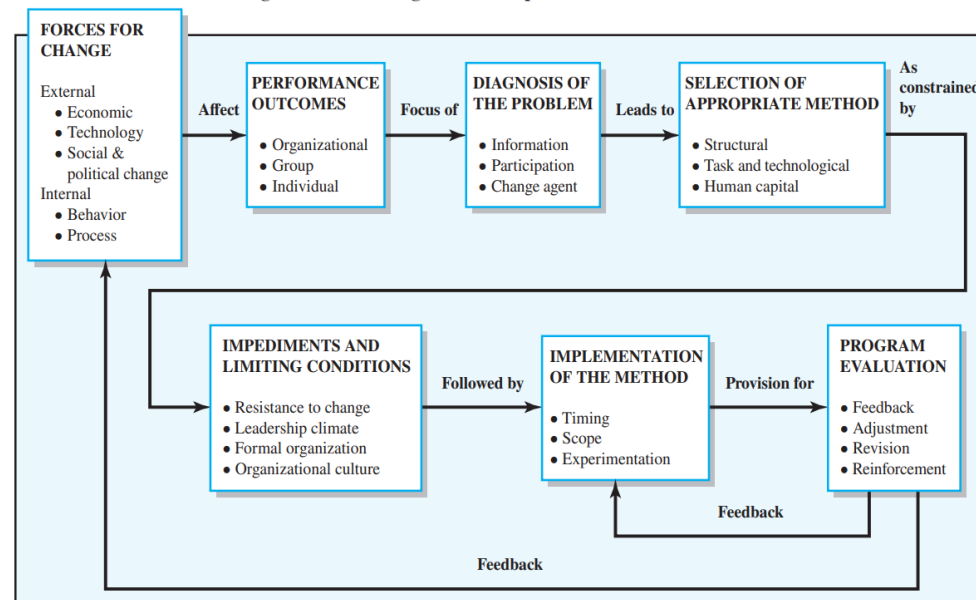
A Model of Organizational Change and Development

organizational development

The process of preparing for and managing change in organizational settings.

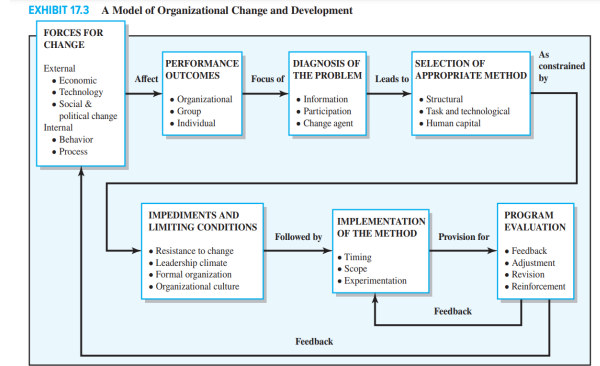
In order to help an organization develop in a certain direction, managers and leaders need to create meaningful and lasting change. One approach to this process of organizational development is illustrated in Exhibit 3.

EXHIBIT 17.3 A Model of Organizational Change and Development



Forces for Change

The forces for change can be classified conveniently into two groups: **external forces** and **internal forces**. External forces are beyond management's control. Internal forces operate inside the firm and are generally within the control of management. Understanding and effectively exploiting these forces may allow an organization to improve upon its competitive position. Allowing these forces to occur without reaction will allow competing organizations to seize an advantage



External Forces

Organizations seldom undertake significant change without a strong shock from their environment. The external environment includes many economic, technological, and social/ political forces that can trigger the change process. Those who study and practice organizational change agree that these environmental triggers are necessary but not sufficient to initiate change. Change also involves managers who are aware of the need for change and who take action.

The manager of a business has historically been concerned with reacting to **economic forces**

The second source of environmental change forces is **technology**.



External Forces

The third source of environmental change forces is **social and political change**. Business managers must be tuned in to the great social movements over which they have no control but that, in time, influence their firm's fate. Sophisticated mass communications and international markets create great potential for business, but they're also great threats to managers who can't understand what's going on. Finally, the relationship between government and business becomes much closer as regulations are imposed and relaxed.

Comprehending implications of external forces requires organizational learning processes. These processes, now being studied in many organizations, involve the capacity to absorb new information, process that information in the light of previous experience, and act on the information in new ways.



Internal Forces

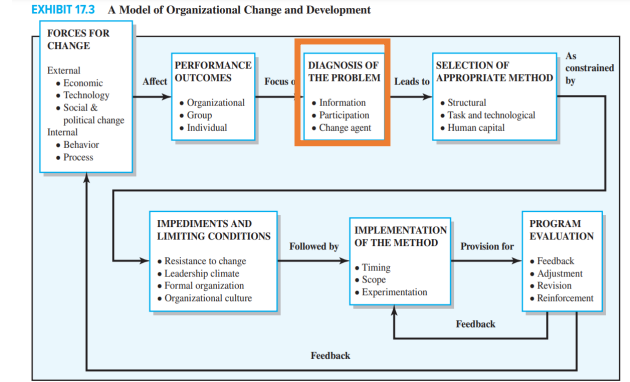
Internal forces for change within the organization can usually be traced to process and behavioral problems. The process problems include breakdowns in decision making and communications. Decisions aren't being made, are made too late, or are of poor quality. Communications are short-circuited, redundant, or simply inadequate. Tasks aren't undertaken or aren't completed because the person responsible did not get the word. Because of inadequate or nonexistent communications, a customer order isn't filled, a grievance isn't processed, or an invoice isn't filed and the supplier isn't paid. Interpersonal and interdepartmental conflicts reflect breakdowns in organizational processes.



Internal Forces

In many organizations, the need for change goes unrecognized until some major catastrophe occurs. The employees strike or seek the recognition of a union before management finally recognizes the need for action. Whether it takes a whisper or a shout, the need for change must be recognized by some means; and once that need has been recognized, the exact nature of the problem must be diagnosed. If the problem isn't properly understood, the impact of change on people can be extremely negative.





Change agents facilitate the diagnostic stage of organizational change and development process. Typically, they will work with top managers to gather information and opinions about the problem(s) that are affecting organizational, group, or individual performance. Experience and judgment are critical to this phase unless the problem is readily apparent to all observers. Ordinarily, however, managers can disagree on the nature of the problem. There's no formula for accurate diagnosis, but the following questions point the manager in the right direction:

1. What is the problem as distinct from the symptoms of the problem?
2. What must be changed to resolve the problem?
3. What outcomes (objectives) are expected from the change, and how will those outcomes be measured?



Survey and interviews

The survey is a useful diagnostic approach if the potential focus of change is the total organization. If smaller units or entities are the focus of change, the survey technique may not be a reliable source of information. For example, if the focus of change is a relatively small work group, diagnosis of the problem is better accomplished through individual interviews followed by group discussion of the interview data. In this approach, the group becomes actively involved in sharing and interpreting perception of problems. However, the attitude survey can pose difficulties for organizations with relatively low levels of trust in management's sincerity to use the information in constructive ways.

Identification of individual employees' problems comes about through **interviews** and human resources department information. Consistently low performance evaluations indicate such problems, but it's often necessary to go into greater detail. Identifying individuals' problems is far more difficult than identifying organizational problems. Thus, the diagnostic process must stress the use of precise and reliable information.



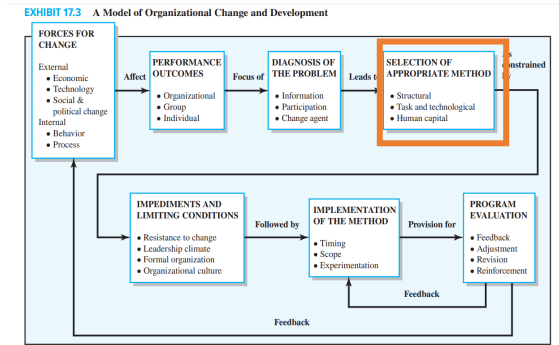
To summarize, the data collection process can tap information in several ways. Five different approaches are useful for assorted purposes

1. Questionnaire data can be collected from large numbers of people.
2. Direct observations can be taken of actual workplace behavior.
3. Selected individuals in key positions can be interviewed.
4. Workshops can be arranged with groups to explore different perceptions of problems.
5. Documents and records of the organization can be examined for archival and current information.

Regardless of the data collection method, it is important to clearly understand a problem before initiating an organizational development activity. An effective and targeted needs assessment increases the likelihood that it will lead to improved organizational performance.



Selection of Appropriate Methods



Managers have a variety of change and development methods to select from, depending on the objectives they hope to accomplish. One way of viewing objectives is from the perspective of the depth of the intended change.

Depth of intended change refers to the scope and intensity of the change efforts. A useful distinction here is between the formal and informal aspects of organizations. Formal organizational components are observable, rational, and oriented toward structural factors. The informal components are not observable to all people; they are affective and oriented to process and behavioral factors. Generally speaking, as one moves from formal aspects of the organization to informal aspects, the scope and intensity increase. As scope and intensity increase, so does the depth of the change.



Structural Approaches

Structural approaches to organizational change refer to managerial actions that attempt to improve effectiveness by introducing change through formal policies and procedures. Actual structural reorganization is the most direct example of this approach. Mergers and acquisitions, as well as an interest in downsizing, may set the stage for a variety of structural reorganizations. Generally, restructuring tends to focus on creating flatter, more organic organizations.

One method representing a structural approach to organizational change that has demonstrated effectiveness is **management by objectives (MBO)**. Another structural approach is referred to as business process reengineering.

management by objectives (MBO)

A process under which superiors and subordinates jointly set goals for a specified time period and then meet again to evaluate the subordinates' performance in terms of those previously established goals.

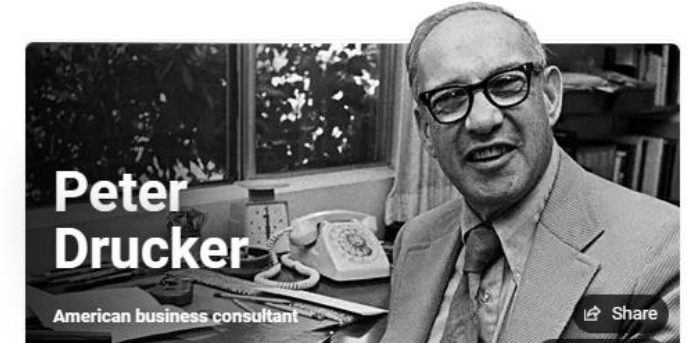


Management by Objectives Management by objectives (MBO)

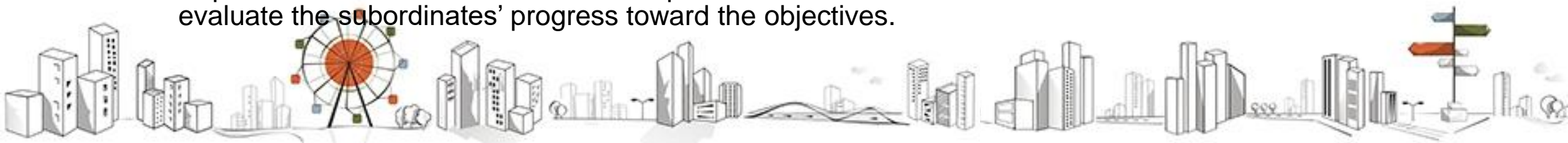
Management by objectives (MBO) is a process consisting of a series of interdependent and interrelated steps designed to facilitate planning and control, decision making, and other important management functions. It is also a management philosophy that reflects a proactive rather than reactive approach to managing. Successful use of MBO depends on the ability of participants to define their objectives in terms of their contributions to the total organization and to be able to accomplish them.

The original work of Drucker and subsequent writings by others provide the basis for three guidelines for implementing MBO:

1. Superiors and subordinates meet and discuss objectives that contribute to overall goals.
2. Superiors and subordinates jointly establish attainable objectives for the subordinates.
3. Superiors and subordinates meet at a predetermined later date to evaluate the subordinates' progress toward the objectives.



Peter Drucker was an Austrian-American management consultant, educator, and author who influenced the modern business corporation. He was also one of the first to depict management as a distinct function and being a manager as a distinct responsibility



Business Process Reengineering

Companies such as IBM, Microsoft, and Ford, through initiative to change work flow, processes, and design, helped create what eventually became known as business process reengineering. The objective of reengineering is to create processes, systems, and structures that instead of this objective catching the attention of managers, however, the notion of downsizing, introducing computerized systems to replace employees, and eliminating layers of management has dominated discussions, analysis, and critiques of reengineering

Reengineering consists of three strategies: **streamlining, integrating, and transforming.**



Business Process Reengineering

Streamlining breaks the core process into segments to eliminate waste, delays, and slow response time. An example of streamlining is to discover the most efficient way to redesign on-site, instructor-led training so that it can be delivered through online courseware.

Integrating is the unification of systems, processes, or work-related activities across functional lines, such as combining the course preparation, instruction, and graphical design and hosting activities in producing online courses to fit the diverse needs of online trainees.

Transforming involves benchmarking to locate “best in class” organizations. An example of transforming is to forget how the firm currently prepares and delivers online training courses. What do trainees want, when, and where? Is it possible to learn and pace the training skill, competency, or knowledge in such a way that each person literally controls and structures his or her own course?



Business Process Reengineering

The continued growth of technology, particularly computing technology, may be changing the face of reengineering. The concept of plug-and-play computer components is being applied to organizations. Rather than overhauling an entire process, this new approach looks at the organization much like a computer—a collection of parts fitted together to achieve an end. These parts or operations can be analyzed and swapped out to improve efficiency much the same way one would upgrade a computer. This perspective, possible only through the advancement in control and communication technologies, allows projects to be implemented and potentially provide returns much faster than traditional reengineering projects.



Task and Technological Approaches

Task and technological approaches to organizational change focus directly on the work itself that is performed in the organization.

Job enlargement, which increases range (the number of tasks performed), and job enrichment, which increases depth (the amount of discretion and responsibility the jobholder has), are primary examples of task approaches. **Example.** By allowing individuals to choose when they perform their assigned tasks, management is hoping to increase satisfaction, productivity, and performance while decreasing absenteeism and turnover.

Technological approaches emphasize changes in the flow of work. This could include, for example, new physical plant layouts, changes in office design, and improved work methods and techniques. Many technological changes are related to advances in equipment design and capability. **Example.** For example, mobile computing is allowing business to be done 24/7 from anywhere in the world



Task and Technological Approaches

An important aspect of task and technological approaches to organizational change is training. When jobs are redesigned, when work flow is changed, or when the use of new equipment must be mastered, training programs are an integral tool in providing the necessary new skills and knowledge. In fact, the most widely used methods for developing employee productivity are training programs. A distinction can be made between on-the-job training and off-the-job training. On-the-job training generally focuses on teaching specific skills and techniques needed to master a job. An advantage is that the employees are actually producing while undergoing training. **Example.** Google trains its new software engineers (known as “Nooglers”) by empowering them to collaborate with more experienced programmers while they learn the company’s coding practices and organizational culture.⁵⁰ This practice-based learning reduces isolation, enhances collegiality, and increases employee morale and job satisfaction.



Frequently, organizations have provided training that supplements on-the-job efforts. Some of the advantages of off-the-job training are:

1. It lets managers get away from the pressures of the job and work in a climate in which self-analysis and creative thinking are stimulated.
2. It presents a challenge to managers that, in general, enhances their motivation to develop themselves.
3. It provides resource people and material—faculty members, fellow managers, and literature—that contribute suggestions and ideas for the managers to “try on for size” as they attempt to change, develop, and grow.



5-minute break

Human Capital Approaches

Directly or indirectly, all organizational change efforts involve the human capital of the organization. MBO programs, for example, are designed to help individuals set realistic performance goals and objectives, and a variety of job training programs are aimed at increasing skills and knowledge needed to perform tasks. Thus, both the structural approaches and the task and technological approaches typically involve changes related to achieving fairly specific and narrow outcomes. What we are calling human capital or people approaches, however, are a category of change methods designed to result in a far less specific and much broader outcome of helping individuals learn and grow professionally, and perhaps personally.



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YOU BE THE JUDGE

RESISTANCE TO CHANGE?

Jason and Hannah work for Pierpont Global Software. The company has just undergone a large change in its reward and evaluation system. The 15-month change program is still being implemented in Jason and Hannah's unit. Hannah pays you a visit to complain about Jason's negative comments about the new reward and evaluation system.

She contends that Jason is talking to a group of young software engineers attempting to persuade them to resist, question,

and drag their feet on using the evaluation portion of the system. Hannah wants you to intervene and immediately stop Jason from influencing others. She also complains that Jason is so noisy in the work area that she and others are distracted from doing their work.

Should you immediately call in Jason and ask him what's going on? You be the judge.



The importance of change, learning, and human assets.

The “learning organization” philosophy stresses the importance of change, learning, and human assets. According to Peter Senge, a leading advocate, learning organizations value continuing individual and collective learning.⁵² To increase effectiveness, Senge argues, organizational members must put aside their old ways of thinking, learn to be open with others, understand how their company really works, develop plans everyone can agree on, and then work together to achieve those plans. Human asset approaches assist in achieving one or more of those objectives. The nearby OB Matters discusses some of the programs IBM utilizes to focus on diversity and the development of global markets.



Team Building

Team Building In recent years, organizations have shown renewed interest in effectively using work groups, or teams. Anyone who has ever operated a business or organized any kind of project requiring the efforts of several people knows the difficulties involved in getting everyone to pull in the right direction, in the right way, and at the right time. One approach to minimizing these difficulties is that of team building.

team building

A type of planned intervention that is meant to build self-awareness and camaraderie among members of a team.



Created with AI by prompt Team Building, lego style

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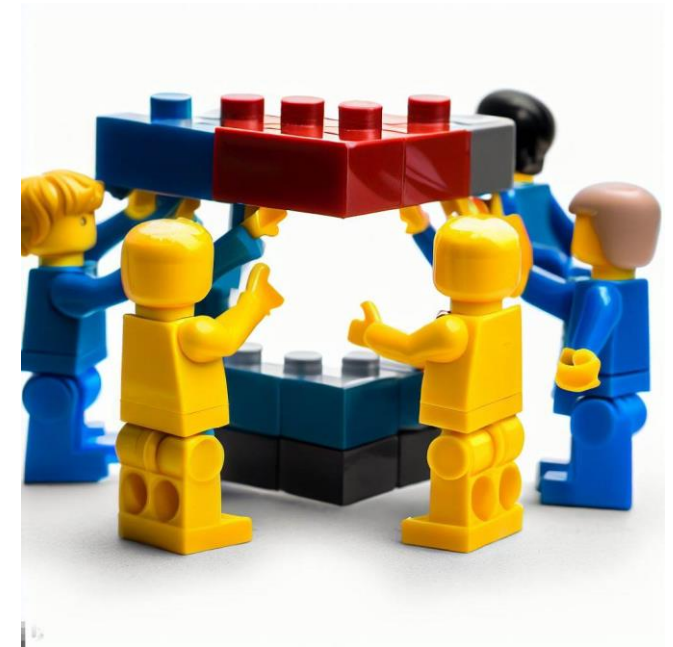


Team Building

The purpose of team building is to enable work groups to get their work done more effectively, to improve their performance. The work groups may be existing or relatively new command and task groups. The specific aims of the intervention include setting goals and priorities, analyzing the ways the group does its work, examining the group's norms and processes for communicating and decision making, and examining the interpersonal relationships within the group. As each of these aims is undertaken, the group is placed in the position of having to recognize explicitly the contributions, positive and negative, of each group member.

team building

A type of planned intervention that is meant to build self-awareness and camaraderie among members of a team.



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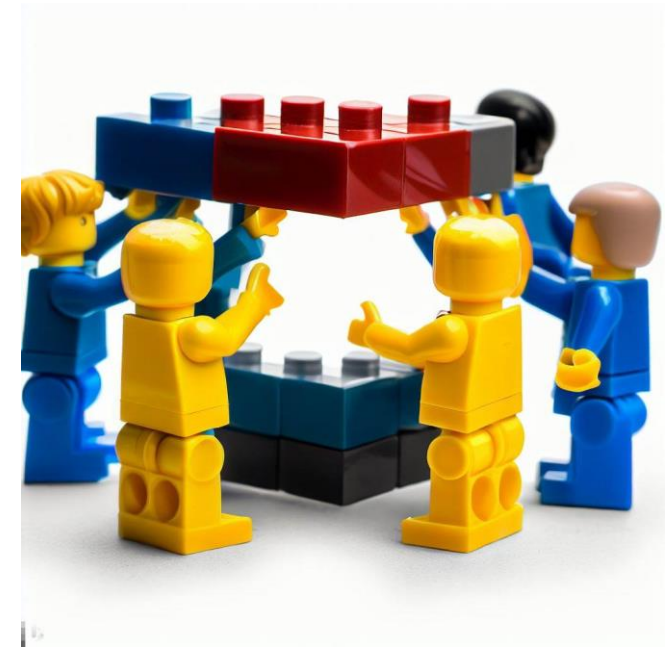
Team Building

Team building is also effective when new groups are being formed because problems often exist when new organizational units, project teams, or task forces are created. Typically, such groups have certain characteristics that must be overcome if the groups are to perform effectively. For example:

1. Confusion exists as to roles and relationships.
2. Members have a fairly clear understanding of short-term goals but not long-term ones.
3. Group members have technical competence that puts them on the team and think that is sufficient.
4. Members often pay more attention to the tasks of the team than to the relationships among the team members.

team building

A type of planned intervention that is meant to build self-awareness and camaraderie among members of a team.



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GLOBAL DIVERSITY IS KEY TO IBM'S SUCCESS

Today more than ever, workforce diversity is a global workplace and marketplace topic. More companies are asking, “Do we look like our customers? Is our culture one that fosters inclusiveness and tolerance in each country where we do business?”

Tom Watson, Jr., president of IBM from 1952 to 1971, identified three cornerstones of his firm’s approach to business: (1) respect each individual, (2) provide the best service possible to each customer, and (3) excellence must be a way of life. Watson led IBM to appreciate diversity long before the concept became popular, committing IBM to a global marketplace. This commitment remains today. IBM in its interpretation of diversity includes race, gender, physical disabilities, lifestyle, age, religion, economic status, geography, and sexual orientation.

A few examples of how IBM addresses global diversity include:

- A \$50 million Global Work/Life Fund that operates in more than 42 countries around the world to address employee work/life issues.
- More than 200 global Business Resource Groups—collaborations among talented, diverse IBMers who voluntarily come together with the ultimate goal of enhancing the success of the company’s business and people.

- A supplier diversity program that expands purchasing opportunities for businesses owned and operated by underrepresented groups, including minorities, women, veterans, and the LGBT community.

IBM sees a direct link between diversity and its success as an innovative company. Ginni Rometty, IBM’s current chairman and CEO, sums it up this way: “IBM thinks about diversity the way we think about innovation—both are essential to the success of our business. When we incorporate diversity into our business, we create better innovations and outcomes.” The company demonstrates its commitment to diversity by example, by financial support, and by positive business results. IBM is consistently named as one of DiversityInc’s Top 50 Companies for Diversity based on its CEO commitment, human capital, and supplier diversity.

Sources: Company website, “Diversity & Inclusion brochure,” <http://www.ibm.com>, accessed June 11, 2016; DiversityInc, “The 2016 DiversityInc Top 50 Companies for Diversity,” <http://www.diversityinc.com>, accessed June 11, 2016; Susan Adams, “10 Great Companies for Women in 2015,” *Forbes*, <http://www.forbes.com>, accessed June 11, 2016; Glenn Llopis, “Diversity Management Is the Key to Growth: Make It Authentic,” *Forbes*, June 13, 2011, <http://www.forbes.com>; J. T. Childs, Jr., “Managing Workforce Diversity at IBM: A Global HR Topic That Has Arrived,” *Human Resource Management*, Spring 2005, pp. 73–77.

Ethics Training

While many organizations have codes of ethics, with few exceptions ethics training, particularly organization-wide effort, is a relatively recent development. While the content and methodology of ethics programs vary widely, most may be categorized as focusing on one or both of two general objectives:

- (1) developing employee awareness of business ethics and
- (2) focusing on specific ethical issues with which the employee may come in contact.

By helping to develop employee awareness of ethical issues in decision making, organizations hope to:

Enable recognition of ethical components of a decision.




- Legitimize ethics as part of the decision-making process.
- Avoid variability in decision making caused by lack of norms or awareness of rules.
- Avoid confusion as to who is responsible for misdeeds.
- Provide decision-making frameworks for analyzing ethical choices.








Mentoring Programs

Formal mentoring programs at companies like **Ernst & Young**, Sodexo, **KPMG**, and Royal Bank of Canada represent another type of organizational change technique. A mentor is a knowledgeable individual who is committed to providing support to other, usually junior, organizational members. Mentoring programs help individuals develop by providing specific job instruction, disseminating organizational cultural norms and values, dispelling organizational myths, and generally transferring knowledge gained through years of being part of the organization. Mentoring relationships, of course, are not new; mentors and “mentees” have existed as long as formal organizations have.




Professional services company

KPMG International Limited is a multinational professional services network, and one of the Big Four accounting organizations, along Ernst & Young, Deloitte, and PwC. The name "KPMG" stands for "Klynv...

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Founders William Barclay Peat · James Marwick · Roger Mitchell · Pie... [+](#)

Headquarters [London, England](#) · (Legal) · [Amstelveen, Netherlands](#) · (... [+](#)

Key people Bill Thomas · (Global Chairman)



Number of employees 265,000 (2022)

Area served Worldwide

Services [Actuarial](#) · [Assurance](#) · [Financial](#) / [Legal](#) / [Tax advice](#) · [Cons...](#) [+](#)






Revenue [US\\$34.64 billion](#) (2022)

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Mentoring Programs

Information You Can Use

GETTING THE MOST FROM YOUR MENTOR

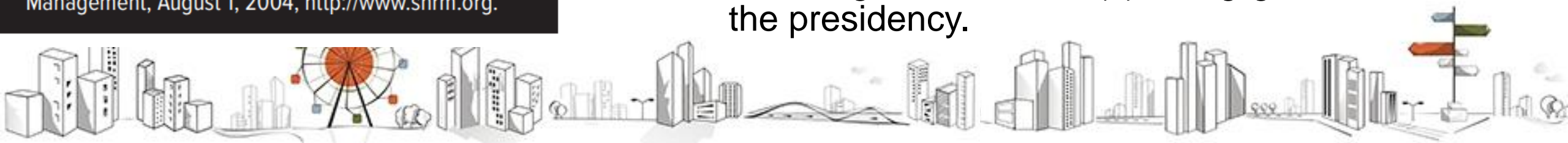
Individuals who display the following behaviors will gain more from their relationships with mentors:

1. Commit to learning.
2. Use active listening.
3. Be receptive to constructive feedback and coaching.
4. Focus on career and personal growth.
5. Develop a personal vision.

Source: Adapted from "Mentoring Series Part I: The Value of Mentoring," Society for Human Resource Management, August 1, 2004, <http://www.shrm.org>.

A number of positive benefits to the organization have been identified as outcomes of mentoring programs.⁵⁹ These include

- (1) early identification of talent that might otherwise go unnoticed,
- (2) sensing by mentors of employee attitudes and morale, and
- (3) transmission of informal organizational expectations (corporate culture). Organizational benefits of mentoring can accrue at all levels of the company, up to and including the individual(s) being groomed for the presidency.



天津外国语大学(天外)
**Tianjin Foreign Studies University
(TFSU)**

Organizational Behaviour

**Online class starts at 08:00
(Beijing Time, GMT+8)**

Ivan Monich, PhD
June 01, 2023

We stopped here on May 25, 2023

Mentoring program

Formalized mentor–mentee relationships should always be voluntary for both parties. And companies should not assume that every longterm employee who has the interest would make a good mentor. In this regard, some individuals should be discouraged from assuming this role, and it is a good idea for all prospective mentors to receive training or coaching on effective mentoring relationships. Finally, organizations must understand that not everything passed from mentors to mentees will be factually correct or organizationally desirable. The potential payoffs, however, both in terms of individual and organizational change, make such programs worth considering.



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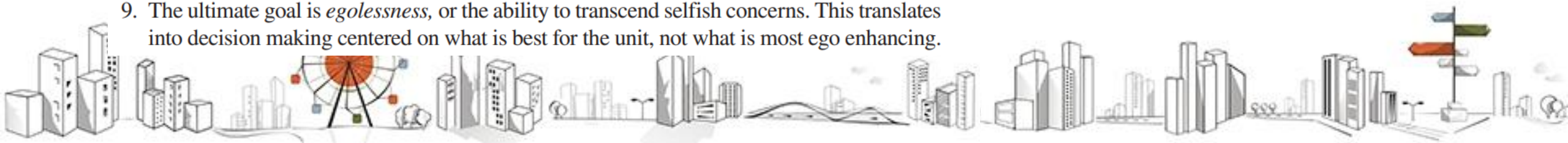
Introspection Development

Dealing with constant change, both planned and unplanned, is a significant facet in a growing number of work situations. Companies are learning that taking time for reflection can be an invaluable activity for many organizational members. Major companies, such as Aetna, PepsiCo, and AT&T, are incorporating various forms of introspection training into their management change programs. AT&T, for example, devotes approximately 20 percent of its annual executive training budget to courses that encourage development of introspection. Introspection involves a close examination of one's own thoughts and feelings. Some companies, such as AT&T, support specific training courses. Others, like Patagonia, the outdoor sportswear company, allow employees to take periodic sabbaticals to renew and recharge themselves.



Regardless of the approach, successful introspection has a number of goals:

1. *Developing objectivity.* Successful reflection requires objectively seeking and processing information about oneself.
2. *Learning.* Learning must result from introspection, not just once, but continually. The objective is to create a process that filters experiences through reflection to produce better decisions.
3. *Improving self-confidence.* Reflection is designed to help individuals become comfortable with their weaknesses as well as their strengths.
4. *Increased sense of personal responsibility* and willingness to look internally rather than projecting blame for negative outcomes externally.
5. Successful introspection should create an *increased tolerance for ambiguity and paradox*, attributes that are becoming virtual requirements for mastering today's organizational environments.
6. *Action taking.* Introspection does not mean we have to change, but it should enable us to more easily change when it is appropriate to do so.
7. *Achieving a balance in life.* Helping to sort out priorities in the conflict between work demands and one's nonwork life is an important payoff of successful introspection.
8. Introspection should open an individual's access to *creativity and intuition*, thus fostering innovation and higher-quality nonprogrammed decision making.
9. The ultimate goal is *egolessness*, or the ability to transcend selfish concerns. This translates into decision making centered on what is best for the unit, not what is most ego enhancing.



Multifaceted Approaches

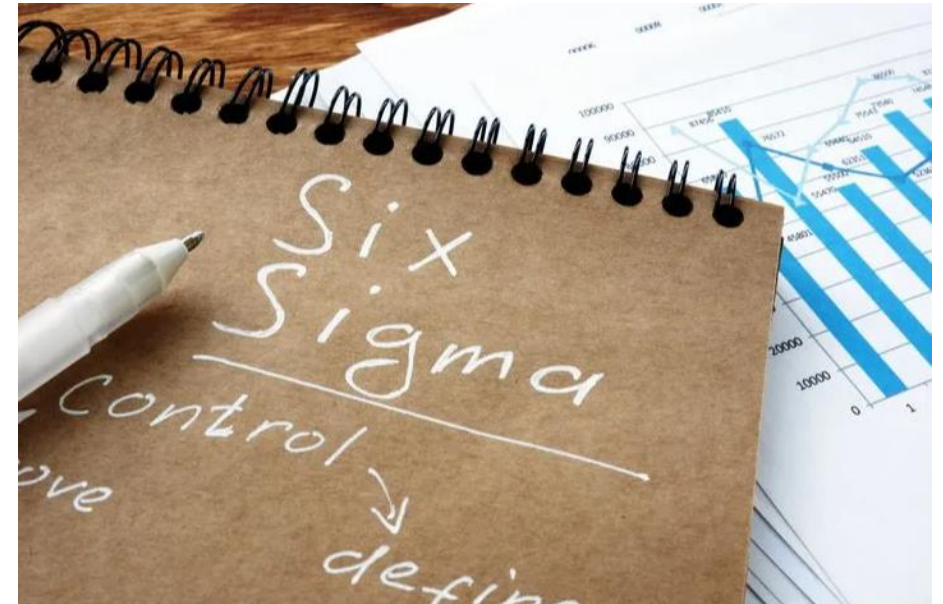
Not all organizational change interventions fit neatly into one category or approach. Sometimes techniques from different categories may be used together in a multifaceted approach to development. As an example, a silver-mining company combined team building (a human asset approach) and MBO (a structural approach).

Other interventions may be considered multifaceted because the technique used is itself so broad-based that it cuts across two or even all three categories. One such program is total quality management, or TQM. TQM is both a philosophy and system of management that, using statistical process control and group problem-solving processes, places the greatest priority on attaining high standards for quality and continuous improvement. Organizations such as IBM, Xerox, Ford, Nestlé, Caterpillar, Honeywell, and Motorola have adopted some form of total quality management.



Motorola's program

Motorola's program, for example, focuses on achieving "Six Sigma quality." Six Sigma is a statistical measure that expresses how close a product comes to its quality goal. One sigma means approximately 68 percent of products reached the quality objective; three sigma means 99.7 percent have reached the goal; six sigma is 99.999997 percent perfect, or only 3.4 defects per 1 million parts.



Six Sigma

Six Sigma is a methodology for process improvement developed by a scientist at Motorola in the 1980s³. It is a set of techniques and tools for process improvement that provides organizations with tools to improve the capability of their business processes⁴. Six Sigma practitioners use statistics, financial analysis, and project management to achieve improved business functionality and better quality control by identifying and then correcting mistakes or defects in existing processes³.

Six sigma performance measurement is the activity of recording and analyzing the quantifiable aspects of a process to improve its efficiency and quality¹. Six sigma metrics are common measurements that businesses use to track process quality, such as defect rate, cycle time, and waste¹. One of the most critical metrics of six sigma is DPMO, which stands for defects per million opportunities¹. DPMO measures the capability and performance of any process or feature, and compares it to a standard of 3.4 defects per million opportunities, which is considered high quality in six sigma¹.



TQM

There are many different versions of TQM. In actual operation, one company's TQM program may appear quite different from another company's. Despite large operational differences, the major components of most TQM programs are similar. One researcher describes key TQM components in the following manner

Goal: The goal of TQM is to establish quality as a dominant organizational priority, vital for long-term effectiveness.

Definition of quality: Quality is satisfying the customer. All quality improvements must begin with an understanding of customer needs and perceptions.

Nature of the environment: TQM changes the boundaries between the organization and its environment. Entities formerly considered part of the environment (suppliers, customers) are now considered part of organizational processes.

Role of management: Management's role is to create a system that can produce quality results; managers and the system are responsible for poor quality.

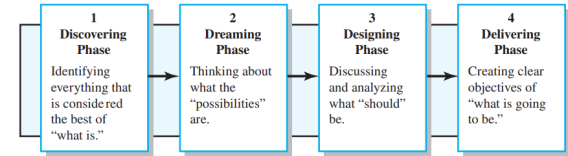
Role of employees: Employees are empowered to make decisions and take necessary steps to improve quality within the system designed by management. Additional training provides needed skills for this broader role.

Structural rationality: The organization is restructured as a set of horizontal processes that start with suppliers and end with customers. Teams are organized around processes to facilitate task accomplishment.

Philosophy toward change: Change, continuous improvement, and learning are necessary. Ideally, all organizational members are motivated toward constant improvement.



Appreciative Inquiry



appreciative inquiry (AI)

A method of focusing on positive or potential opportunities. An approach that asks questions and requires answers in an attempt to seize and improve upon an organization's potential.

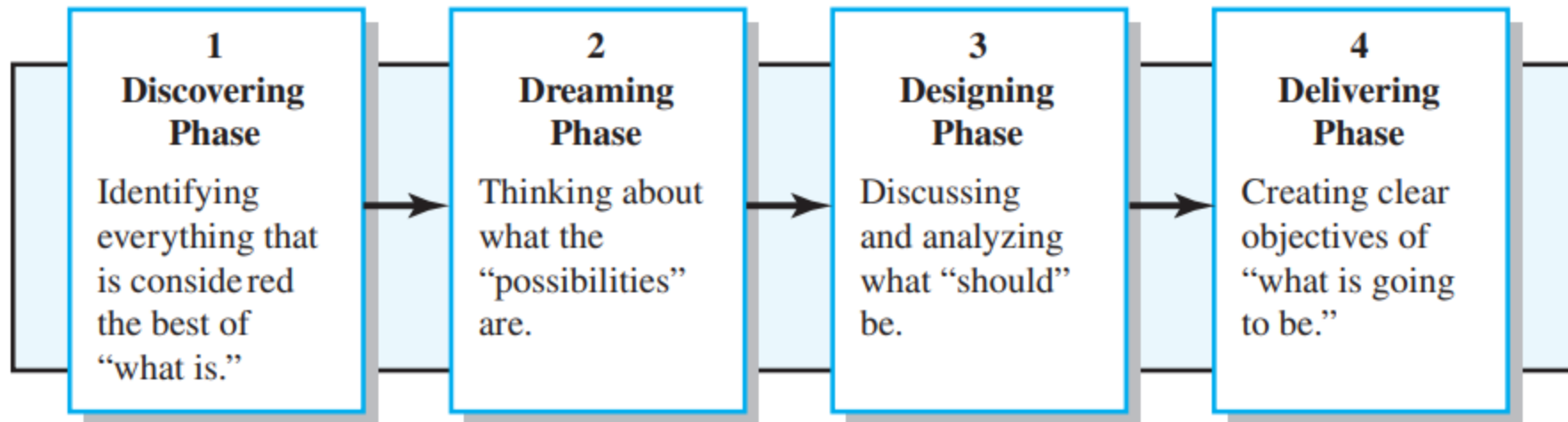
Appreciative inquiry (AI) is a method of focusing on positive aspects or potential opportunities. AI proposes that organizations and individuals are creative enough to develop programs, relationships, and behaviors that address success, personal growth, and fulfillment. It searches for and attempts to bring out the best in people, the organization, and the external environment. AI involves the art and practice of asking probing questions that can strengthen an individual's or an organization's ability to anticipate, seize, and initiate positive potential.

AI is described in a variety of ways:

- A methodology that takes the idea of the social construction of reality by using metaphors and narratives.
- A radically affirmative approach to change that lets go of problem-based management.
- A model of much-needed participatory science.

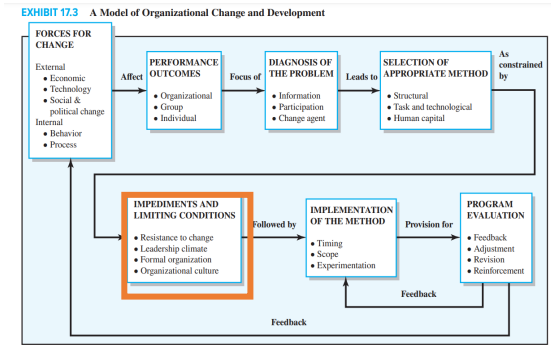


4-D Framework for Appreciative Inquiry



Impediments and Limiting Conditions

The selection of any change method should be based on diagnosis of the problem, but the choice is tempered by certain conditions that exist at the time. Scholars identify three sources of influence on the outcome of management change programs that can be generalized to cover the entire range of interventions: leadership climate, formal organization, and organizational culture.



Leadership Climate

The nature of the work environment that results from the leadership style and administrative practices of managers is termed the leadership climate. It can greatly affect a program. Any program that lacks management's support and commitment has only a slim chance of success. The style of leadership may itself be the subject of change. For example, TQM attempts to move managers toward a certain style—open, supportive, and group centered. But participants may be unable to adopt such styles if the styles aren't compatible with their own manager's style. One approach to leadership—transformational leadership—has as its basis a vision of transformation or change



formal organization

The recognized and sanctioned structure, policies, and rules of a unit or institution.

Formal Organization

The **formal organization** includes the philosophy and policies of top management, as well as legal precedent, organizational structure, and the systems of control. Of course, each of these sources of impact may itself be the focus of a change effort. The important point is that a change in one must be compatible with all of the others. It may be possible to design organizations that not only facilitate change, but actually welcome change



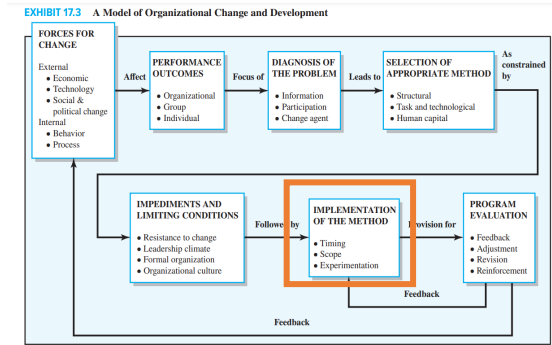
organizational culture
The pervasive system of values, beliefs, and norms that exists in any organization. The organizational culture can encourage or discourage effectiveness, depending on the nature of the values, beliefs, and norms.

Organizational Culture

Organizational culture refers to the pattern of beliefs resulting from group norms, values, and informal activities. The impact of traditional behavior that's sanctioned by group norms, but not formally acknowledged, was first documented in the Hawthorne studies. A proposed change in work methods or the installation of an automated device can run counter to the expectations and attitudes of the work group, and, if such is the case, the selected method must be one that anticipates and manages the resulting resistance.



Implementing the Method



The implementation of the change method has two dimensions: **timing and scope**.

Timing refers to the selection of the appropriate time at which to initiate the intervention.

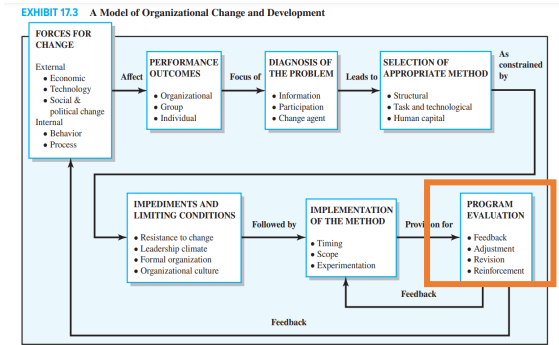
Scope refers to the selection of the appropriate scale.

Timing depends on a number of factors, particularly the organization's operating cycle and the groundwork preceding the program. Certainly, if a program is of considerable magnitude, it's desirable that it not compete with day-to-day operations; thus, the change might well be implemented during a slack period. On the other hand, if the program is critical to the organization's survival, then immediate implementation is in order. The scope of the program depends on the strategy. The program may be implemented throughout the organization. Or it may be phased into the organization level by level or department by department. The optimum strategy uses a phased approach, which limits the scope but provides feedback for each subsequent implementation



Evaluating Program Effectiveness

Bringing about effective change represents an expenditure of organizational resources in exchange for some desired result. The resources take the form of money and time that have alternative uses. The result is in the form of increased organizational effectiveness: production, efficiency, and satisfaction in the short run; adaptiveness and flexibility in the intermediate run; survival in the long run. Accordingly, some provision must be made to evaluate the program in terms of expenditures and results. In addition to providing information to evaluate a specific organizational change effort, evaluation provides a literature that can be accessed by others who are deciding whether to undertake OD. Reviews of the relative efficacy of interventions appear regularly.⁷⁷ The evaluation phase has two problems to overcome: obtaining data that measure the desired results and determining the expected trend of improvement over time.



Evaluation model

Generally, an evaluation model would follow the six steps of evaluative research:

1. Determining the objectives of the program.
2. Describing the activities undertaken to achieve the objectives.
3. Measuring the effects of the program.
4. Establishing baseline points against which changes can be compared.
5. Controlling extraneous factors, preferably through use of a control group.
6. Detecting unanticipated consequences.



How Effective Are Change Interventions?

Information You Can Use

STEPS TO TAKE WHEN MANAGING CHANGE

A manager confronted with the need to plan and implement change would be well advised to consider the following points:

1. Management and all those involved must have high and visible commitment to the effort.
2. People who are involved need to have advance information that enables them to know what is to happen and why they are to do what they are to do.
3. The effort (especially the evaluation and reward systems) must be connected to other parts of the organization.
4. The effort needs to be directed by line managers and assisted by a change agent if necessary.
5. The effort must be based on good diagnosis and must be consistent with the conditions in the organization.
6. Management must remain committed to the effort throughout all its steps, from diagnosis through implementation and evaluation.
7. Evaluation is essential and must consist of more than asking people how they felt about the effort.
8. People must see clearly the relationship between the effort and the organization's mission and goals.
9. The change agent, if used, must be clearly competent.

Research reviews of the record-of-change efforts conclude that multimethod approaches have better success than singlemethod ones. Nicholas, for example, compared effects of sensitivity training, team building, job enrichment, and job redesign and concluded that no one method is successful in all instances (an expected conclusion).⁸¹ But he also found that significant changes occur when several methods combine. One such combination includes three discrete steps involving all levels of the organization. The three steps are

- (1) all employees participate in goal setting, decision making, and job redesign;
- (2) employee collaboration is developed through team building; and
- (3) the organizational structure is reorganized to accommodate the new levels of participation and collaboration.

Application of these three steps can go a long way toward meeting some arguments against specific methods. The overriding managerial concern is transfer of learning to the work environment. Only under these circumstances can methods be considered effective.



Conclusion

What then can managers do when they recognize the need to change their organization? Although no absolute guarantees can ensure success in every case, the accumulated experience of people involved with organizational change offers some guidelines.

Organizational change is a significant undertaking that managers should go about in a systematic way. The model for managing change offers a systematic process for bringing about organizational effectiveness.



Summary of Key Points

You are given 7 minutes to make a review of the key points, then we will proceed to the questions. The file has been sent to you in our chat.

Summary of Key Points (Week 14)

- The need to consider organizational change arises from changes in the internal and external environment. Globalization, emerging competitors, new technologies, demographic shifts, new markets, and organizational alliances cause organizations to change their structures, processes, and behaviors. Even in the absence of environmental changes, organizational processes and behavior may become dysfunctional for achieving organizational effectiveness.
- The diagnosis of present and potential problems involves the collection of information that reflects the level of organizational effectiveness. Data that measure the current state of production, efficiency, satisfaction, adaptiveness, and flexibility must be gathered and analyzed. The purpose of diagnosis is to trace the causes of the problem. In addition to serving as the base for problem identification, the diagnostic data also establish the basis for subsequent evaluation.
- To diagnose the problem, managers can consider these analytical questions:
 What is the problem as distinct from its symptoms?
 What must be changed to resolve the problem?
 What outcomes are expected, and how will these outcomes be measured?
 The managerial response to these questions should be stated in terms of criteria that reflect organizational effectiveness. Measurable outcomes such as production, efficiency, satisfaction, adaptiveness, and flexibility must be linked to skill, structural, task and technological, and human resource changes necessitated by problem identification.
- Through diagnosis, management associates the problem with structural, task and technological, and human asset causes and selects the appropriate intervention. If employee participation is inappropriate because the necessary preconditions don't exist, management must unilaterally define the problem and select the appropriate method. Whatever the sources of the problem, the intervention must include provision for learning principles.
- The last step of the process is the evaluation procedure. The ideal situation would be to structure the procedure in the manner of an experimental design. That is, the end results should be operationally defined, and measurements should be taken, before and after, both in the organization undergoing change and in a second organization (the control group). If the scope of the program is limited to a subunit, a second subunit could serve as a control group. An evaluation not only enables management to account for its use of resources but also provides feedback. Based on this feedback, corrections can be made in the implementation phase.



YOU BE THE JUDGE COMMENT

RESISTANCE TO CHANGE?

Should you immediately call Jason in to determine what is going on? No, a better approach is to check with others in the unit to determine if Hannah is accurate in her analysis, while also listening to determine the opinions about the reward and evaluation system changes. By immediately stepping in and facing Jason with accusations made by his colleague, you're moving too quickly.

The problem between Jason and Hannah may have nothing to do with the accusations being made. Is this typical behavior for Jason? Is Hannah a meddler or a gossip? Is Hannah looking out for the best interest of the company? What do other team members say or indicate about the change? Your first steps should be diagnostic before deciding how to proceed next. Diagnose, listen, and then respond if it is necessary to take action.



Review and Discussion Questions

1. Discuss the 4-D framework used in conducting appreciative inquiry. How is it different from a traditional diagnosis approach used in organizational change?
2. Newly formed organizational units, project teams, or task forces often have problems or characteristics that must be overcome if the groups are to perform effectively. What are they?
3. Why do some managers sometimes misdiagnose a problem or situation?
4. Explain why programs to bring about significant change often must use more than one form of intervention.
5. As a manager, what ethical dilemmas might you face when instructed to downsize your department by one-third in order to increase the organization's long-run chance of survival?



Review and Discussion Questions

6. Describe the relationship among the steps of the general change model depicted in this chapter and the process of unfreezing–movement–refreezing.
7. How would you go about designing a training program that would cause managers in a small firm to recognize the need to change the way they manage if their industry has become more competitive in recent years?
8. How do employees resist change and what can managers do to overcome resistance?
9. When was the last time you changed a specific behavior (e.g., began to exercise, went on a diet, studied a new subject)? How successful were you in achieving and sustaining the change? Explain.
10. Explain why organizational and individual change programs should be evaluated and why such an evaluation is so difficult to do.



Task 01. Case-study 01: Nucor Corporation: Innovation, Change, and Motivation

The document has been sent to you in our chat. Questions:

1. How would you describe the culture of Nucor?
2. Why is the type of executive pay practice at Nucor not found in many other companies?
3. If innovative solutions to problems are needed at Nucor, how do you think they will emerge? That is, will internal or external forces bring about the needed innovations? Explain.

500 Part Five Organizational Design, Change, and Innovation

Case

Case 17.1: Nucor Corporation: Innovation, Change, and Motivation

It was about 2 p.m. when three Nucor Corp. electricians got the call from their colleagues at the Hickman, Arkansas, plant. It was bad news: Hickman's electrical grid had failed. For a minimill steelmaker like Nucor, which melts scrap steel from autos, dishwashers, mobile homes, and the like in an electric arc furnace to make new steel, there's little that could be worse. The trio immediately dropped what they were doing and headed to the plant. Malcolm McDonald, an electrician from the Decatur, Alabama, mill, was in Indiana visiting another facility. He drove down, arriving at 9 o'clock that night. Les Hart and Bryson Trumble, from Nucor's facility in Hertford County, North Carolina, boarded a plane that landed in Memphis at 11 p.m. Then they drove two hours to the troubled plant.

No supervisor had asked them to make the trip, and no one had to. They went on their own. Camping out in the electrical substation with the Hickman staff, the team worked 20-hour shifts to get the plant up and running again in three days instead of the anticipated full week. There wasn't any direct financial incentive for them to blow their weekends, no extra money in their next paycheck, but for the company their contribution was huge. Hickman went on to post a first-quarter record for tons of steel shipped.

What's most amazing about this story is that at Nucor it's not considered particularly remarkable. "It could have easily been a Hickman operator going to help the Crawfordsville [Ind.] mill," says Executive Vice President John J. Ferriola, who oversees the Hickman plant and seven others. "It happens daily."

In an industry as Rust Belt as they come, Nucor has nurtured one of the most dynamic and engaged workforces around. The 23,700 nonunion employees at the company, based in Charlotte, North Carolina, don't see themselves as worker bees waiting for instructions from above. Nucor's flattened hierarchy and emphasis on pushing power to the front line lead its employees to adopt the mindset of owner-operators. It's a profitable formula: Despite weak global market conditions in 2015, Nucor paid out a quarterly cash dividend to shareholders for the 43rd consecutive year.

Nucor gained renown in the late 1980s for its radical pay practices, which base the vast majority of most workers' income on their performance. This was a

major, dramatic change in pay systems at the time. An upstart nipping at the heels of the integrated steel giants, Nucor had a close-knit culture that was the natural outgrowth of its underdog identity. Legendary leader F. Kenneth Iverson's radical insight was: Employees, even hourly clock-punchers, will make an extraordinary effort if you reward them richly, treat them with respect, and give them real power.

Nucor is an upstart no more, and the untold story of how it has clung to that core philosophy even as it has grown into the largest steel company in the United States is in many ways as compelling as the celebrated tale of its brash youth. Iverson retired in 1999. Under chairman and CEO Daniel R. DiMicco, a 23-year Nucor veteran who retired in 2012, the company expanded to 23 plants while still managing to instill its unique culture in all of the facilities it bought, an achievement that made him a worth successor to Iverson. Current CEO John J. Ferriola has worked for Nucor for more than 25 years in various positions—from manager of maintenance at a Texas mill to the company's chief operating officer.

Nucor's performance, even in a weak market environment, has been exceptional. It has grown into a company with 2015 net sales of \$16.4 billion, up from \$4.6 billion in 2000. "In terms of a business model," says Louis L. Schorsch, president and CEO of Nucor rival Mittal Steel USA, "They've won in this part of the world."

At Nucor, managing and leading is about an unblinking focus on the people on the front line of the business. It's about talking to them, listening to them, taking a risk on their ideas, and accepting the occasional failure. It's a culture built in part with symbolic gestures. Every year, for example, every employee's name goes on the cover of the annual report.

At times, workers and managers exhibit a level of passion for the company that can border on the bizarre. Executive Vice President Joseph A. Rutkowski, an engineer who came up through the mills, speaks of Nucor as a "magic" place, representing the best of American rebelliousness. He says, "We epitomize how people should think, should be."

Compared with other U.S. companies, pay disparities are modest at Nucor. Today, the typical CEO

makes more than 400 times what a factory worker takes home. Last year, Nucor's chief executive collected a salary and bonus less than half that average. Paul Hodgson, senior research associate at the Corporate Library, an organization that researches corporate governance issues, and an expert in the field who rarely has anything good to say about CEO compensation, calls Nucor's system a "best practice." Adds Hodgson: "Not too many companies get my vote of approval."

Executive pay is geared toward team building. The bonus of a plant manager, a department manager's boss, depends on the entire corporation's return on equity. So there's no glory in winning at your own plant if the others are failing. When Ferriola became general manager of Nucor's Vulcraft plant in Grapeland, Texas, in 1995, he remembers he wasn't in the job two days before he received calls from every other general manager in the Vulcraft division offering to help however they could. (Vulcraft manufactures the steel joists and decks that hold up the ceilings of shopping centers and other buildings.) "It wasn't idle politeness. I took them up on it," says Ferriola. And they wanted him to, he notes. "My performance impacted their paycheck."

This high-stakes teamwork can be the hardest thing for a newly acquired plant to get used to. David Hutchins, a frontline supervisor or "lead man" in the rolling mill at Nucor's first big acquisition, its Auburn, New York, plant, describes the old way of thinking. The job of a rolling mill is to thin out the steel made in the hot mill furnace, preparing it to be cut into sheets. In the days before the Nucor acquisition, if the cutting backed up, Hutchins would just take a break. "We'd sit back, have a cup of coffee, and complain: 'Those guys stink,'" he says. "At Nucor, we're not 'you guys' and

'us guys.' It's all of us guys. Wherever the bottleneck is, we go there, and everyone works on it."

As Nucor grows, existing facilities making products that overlap with those of acquired plants may need to find new businesses to branch into. So Nucor employees have to innovate themselves out of tough spots and into more profitable ones. Changes have to be made often to adapt to the environment. The Crawfordsville plant is among those that have felt some squeeze. It's famous as the place that pioneered the commercialization of the thin-strip casting of steel that made it possible for minimills such as Nucor to compete with the industry's old guard. But Crawfordsville is not on a large waterway, a disadvantage at a time of high fuel costs. As Nucor's oldest sheet mill, it can't make sheets as wide as many of Nucor's other mills, including a giant plant in Decatur acquired in 2002.

Questions

1. How would you describe the culture of Nucor?
2. Why is the type of executive pay practice at Nucor not found in many other companies?
3. If innovative solutions to problems are needed at Nucor, how do you think they will emerge? That is, will internal or external forces bring about the needed innovations? Explain.

Sources: Company website, "Nucor 2015 Annual Report," <http://www.nucor.com>, accessed June 12, 2016; Kathryn Orl, "America's Best Employers 2016: #26 Nucor," *Forbes*, <http://www.forbes.com>, accessed June 13, 2016; organization website, "John Ferriola Profile," *Steelworks*, <http://www.steel.org>, accessed June 13, 2016; "Ferriola Named Steelmaker of the Year by the Association for Iron & Steel Technology," *PR Newswire*, May 17, 2016, <http://www.prnewswire.com>; "Daniel DiMicco," *Industry Week* 260, no. 12 (December 2015), p. 19; Nanette Byrnes and Michael Arndt, "The Art of Motivation," *BusinessWeek*, May 1, 2006, pp. 56–58.



2007574042李弈乐LiYile

Nucor has a unique corporate culture that is centered around the principles of teamwork, innovation, and empowerment. Nucor's culture is characterized by a commitment to excellence, collaboration, and continuous improvement.

2007574023GongXirui

Nucor's culture is one of openness and inclusivity, one that listens to each employee, accepts opinions, and improves employee performance by creating a respectful and empowering work environment.

Zuo Zhiye

Nucor has this flat management system, which respects and motivates every employee and makes them feel that it is their own business to fight for the company

Yile Qin

1、Nucor's core culture is that managing and leading is a focus on the people on the front line of the business. It's about talking to them, listening to them, taking a risk on their ideas, and accepting the occasional failure.

zhangyingying张颖滢

Nucor's flattened hierarchy and emphasis

on pushing power to the front line lead its employees to adopt the mindset of

owner - operators .

2007574085lei xinyi

The company adopts a flat management mode, with less restrictions on employees and more power. Moreover, the company gives employees full respect and enough rewards, and can communicate with employees in depth, listen to their opinions and even accept their occasional failures, so that employees have a real sense of accomplishment and are willing to take the initiative to serve the company.

3. If innovative solutions to problems

200717Wangyifei

Nucor's flattened hierarchy and emphasis on pushing power to the front line lead its employees to adopt the mindset of owner-operators. Employees, even hourly clock-punchers, will make an extraordinary effort if you reward them richly, treat them with respect, and give them real power.

2007574073nimeng

The core culture is to adopt a flat management model to reduce restrictions on employees. Give employees full power, respect their opinions, and implement corresponding reward measures.

record for tons of steel shipped.

What's most amazing about this story is that at Nucor it's not considered particularly remarkable. "It

company with 2015 net sales of \$16.4 billion, up from \$4.6 billion in 2000. "In terms of a business model," says Louis L. Schorsch, president and CEO of Nucor

The job of a rolling mill is to thin out the steel made in the hot mill furnace, preparing it to be cut into sheets. In the days before the Nucor acquisition, if the cutting

ers 2016; #26 Nucor." Forbes, <http://www.forbes.com>, accessed June 13, 2016; organization website, "John Ferraris Profile," Steelworks, <http://www.steel.org>, accessed June 13, 2016; "Ferraris Named Steelmaker of the Year by the Association for Iron & Steel Technology," PW Newswire.



Thank you

