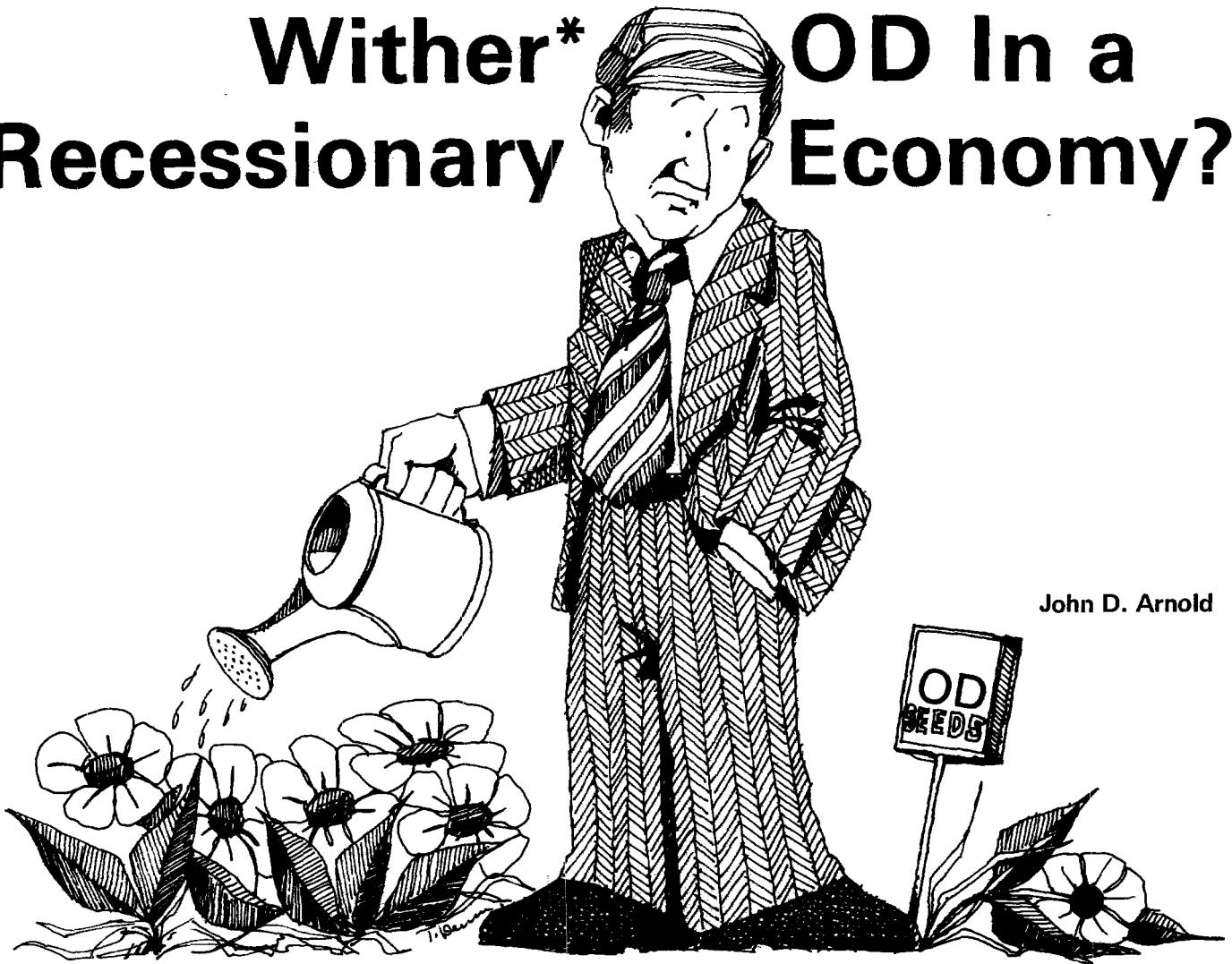


Wither* OD In a Recessionary Economy?



John D. Arnold

When "bottom line" becomes
the determiner, who stays and who goes?

Management and organization development professionals know from experience what happens when recessionary thinking grips the country. Our activities, and indeed our function, may be viewed as a "fringe benefit" which is liable to be sharply axed.

When "bottom line" becomes the overwhelming determiner of who stays and who goes, management and OD in many corporations and government agencies

**Editor's note: "Wither" (to become dry and sapless), instead of "Whither" (to what situation, position or degree) intended by the author.*

finds that its support, and in some cases its clientele, has suddenly vanished. In such a climate, how can management and OD professionals demonstrate not simply their *interest* in contributing to corporate profitability and organizational effectiveness, but also their *ability* to impact the "bottom line" favorably?

Although not wishing to claim prescience, the author addressed this problem at the First International Training and Development Conference in Geneva slightly over a year ago in a paper entitled: "Synergetics: An Organization Ef-

fectiveness Strategy for the 1970's."* This article is an extension of that paper brought up to date and made more relevant by the energy crisis and its apparent economic effects.

Constructive Re-Thinking

Certain principles which may have become ingrained in some management and OD professionals deserve re-thinking in the "no-nonsense, no-frills" management climate of 1974:

1. Programs and activities have

tended to focus on either development of a person's analytic skills on the one hand or interpersonal skills on the other . . . "logic" vs. "feeling."

2. Too much of management and OD programs and activities appears to be overly concerned with learning in a *classroom*, without commensurate concern with the transfer of learning to the real operating environment.
3. Management and OD approaches continue to be heavily "means-oriented" rather than "ends-focused," that is, classroom theory and exercises are based on how others have solved their problems rather than the real "gut issues" faced

by the trainee-organization in the here and now.

Logic Vs. Feeling

Too often, "logic" training is seen as: *mechanistic* (the "magic box" or formula approach); *rigid* (not compatible with the way people work and think); *unrealistically time consuming* in view of day-to-day pressures on most managers; an *inadequate* substitute for knowledge, experience, judgement, and even intuition; and *unfeeling and unappreciative* of the "human element."

The "feeling" style type of training is seen as the *soft* side of managing, with a basic premise that solid analyses and decision-making will somehow come about if people just become more open and trusting in their work relationships and communications. This is not true, of course; while attitudinal training can result in such positive benefits as increased concern with the working environment, improved ways of communicating, and even "organizational renewal," it often does not help in getting to the crux of a problem at hand or getting a task accomplished in the most time-effective and productive way.

Clearly, neither "logic" nor "feeling" alone provides an effective OD strategy. Only when the techniques are totally—or synergistically—merged, is it possible to apply the full power of *both* to effectively detect opportunities and identify problems at early stages of development, analyze them in order to decide *what* to do and *how* to do it, and best implement plans which involve *managing the human equation*.

Classroom Vs. On-the-Job

Successful training involves two phases: *acquisition* and *maintenance* of behavior. This subdivision of the training function separates

the process of acquiring a skill from the process of examining the environment in which it will be used.

Behavior acquisition commonly occurs within the classroom. Behavior maintenance, however, requires that it occur frequently, that it be reinforced and not punished, and the behaviors which conflict with it are not reinforced. Conditions such as these can be contrived within the classroom, of course, but they occur naturally and inevitably on the job, given that the acquired behavior was worth training for in the first place.

Indications that training has overemphasized the acquisition (or classroom) phase and underemphasized or neglected the maintenance (or use) phase—or that training subjects do not relate sufficiently to the job environment—are heard in the following quotes from managers concerning their companies' management development and OD programs and methods:

"You've got to learn the whole rigamarole before you can apply it."

"It just doesn't fit the problems—not to mention the boss—I have."

"The method worked in the classroom where the instructor knew all the answers."

"As soon as the right problem comes along, I'll try it."

These comments are all echoes of a single cry: "If you want to help me, help me where I hurt . . . reach me in terms of *my* environment, *my* tasks, *my* style, *my* work relationships, the pressures *I* face—and *my* objectives."

Means Vs. Ends

While "means-oriented" programs and activities may be personally rewarding, they will continue to be treated—certainly

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when the chips are down—as non-essential luxuries by senior managers. Unfortunately, one has only to compare the 1974 budgets of some management and OD departments with the '72 and '73 budgets to find confirmation of this. Premises which have supported the objectives and views of management and OD professionals during times of comfortable profit margins may have to be discarded in the recessionary period ahead. One ASTD member said to me concerning his OD function: “We want to be loved . . . and we want to be *valid*.”

An approach aimed at demonstrably “bottom line” results and organizational improvement must be based on the *reverse* premise. Only when an organization can measure the payout from management and OD, is it apt to recognize its validity, and only then is there a likelihood of our profession being not only “loved,” but perceived as *vital*.

New Premises For Old

Following are a set of premises which may help management and OD people achieve their professional goals *even* in a recessionary economy.

1. The principal vehicle for skill improvement should *not* be “decision-making, management-style” or other classroom model, but *the job to be done*: The tasks which have to be wrestled with are the actual work relationships, day-to-day pressures and managing processes as they exist in the organization.

2. Any methodology that is to be implemented from a practical day-to-day operating viewpoint must use analytic and behavioral concepts and managing tools in such a way that *managers don't need to be concerned about their source or validity*. They should see them as practical because *they*

have developed the concepts and tools themselves, under the guidance of the OD professional, rather than the professional “laying it on them.”

3. The management and OD approach, method and activities must key to the real “gut issues” of where the organization is hurting in terms of its *external environment* (marketplace, government regulation, money, market status, etc.); its *management climate* (how decisions are made, how conflict is resolved, how goals are set and the degree of commitment they win, etc.); and the *substantive issues* which have to be dealt with both long term and day-to-day.

4. Management and OD professionals—like any consultants—must view themselves not as change agents but as the catalyst/facilitators who *help managers become change agents themselves*.

5. Finally, the managers must view the experience in the light of *the job that has to get done . . .* with the attitude: “We're here to help solve the problem.” rather than “We're here to be trained.”

Following is a case study illustrating the successful implementation of the basic premises just outlined.

An OD Case Study

Five of the six operating companies in the Caribbean area owned by a major international paper company, had experienced serious losses over a long period. Seven area presidents in six years had attempted to reverse the red-ink situation. None of the first six had met profit goals. Morale was low and relationships between the area and its mainland headquarters were poor. Local managers felt threatened, harassed, mistrusted and misunderstood.

The corporate director of manpower planning and OD, working

with the area president and a regional vice president, identified four pre-conditions to restoring the area as a profitable and viable business venture. These were:

1. An integrated *business team* be developed for the six companies. This goal must include effective meshing with headquarters' staff and management.

2. An opportunity-seeking “can do” attitude must be developed to replace the confusion and frustration felt by area managers.

3. A common frame of reference and language must be developed for business planning and decision-making.

4. The area's business goals must be widely shared and understood within the area management group, and genuine commitment to business plans must be obtained.

It was decided that any method used to bring about change in the operating effectiveness of the companies should involve to the greatest extent possible the area and headquarters executives and managers who would be responsible for implementing the change. It was also decided that both management groups should evolve and legitimize planning, problem-solving and decision-making processes *within the context of the actual problems, issues and opportunities facing them*.

After evaluating a range of management, technical, and psychological consulting and OD services, the three men selected the author's organization, Applied Synergetics Inc., to assist them in developing and implementing the necessary programs to reach the goals they had set forth.

The Approach

The author's approach is essentially to help managers “think through” and achieve their own solutions to key issues, problems

and opportunities, using a set of management concepts and tools which, while designed by the consultant, is actually developed by the managers themselves under his guidance and is focused on the issues facing them. The actual content of the approach leads directly to what each organization unit identifies as its particular problems, opportunities and objectives.

The approach begins with an "Opportunity Detection and Diagnosis" phase which provides managers with an accurate reading of what they face. When the managers have signed off on this phase, by recognizing their challenges and giving their commitment to a "game plan," they then go to work in one or more "Operations Improvement Work Conferences." Here, the actual opportunity-detection, problem-solving, decision-making and forward-planning is done and specific operating plans are developed for implementation during the next few weeks and months. The consultant works hand-in-glove with the internal management and OD staff throughout these sessions to *help the management team help itself* and assure that their plans are likely to achieve their objectives.

A feature of the Opportunity Detection and Diagnosis phase is a copyrighted "Change Managing Climate Survey." This was administered to the paper companies' managers to provide data on how goals and objectives were set, how decisions were arrived at and implemented, how problems were resolved, conflicts dealt with, etc. Steps were taken to assure anonymity of respondents.

Feedback Report

This information, combined with the results of interviews with management and operating per-

sonnel, customers, vendors and others who know the organization, was analyzed and summarized in a "Feedback Report." This report identified the critical issues requiring early resolution and outlined a "game plan" for attacking the issues revealed to have the highest priority. Through discussion—a "discovery," rather than a "teaching" process—it was revealed what changes had to take place to develop a "can do" attitude, the managing tools necessary to turn the earnings situation around, and the opportunities that respondents thought the companies might be neglecting that could be profitably pursued.

The author's organization conducted a five-day Operations Improvement Work Conference for 24 managers and other professionals representing all the major functions of the headquarters unit and six companies. It was a shirt-sleeves affair in which all area managers and key sales representatives "faced off" with key managers and other professionals from headquarters.

The key to the work conference was that, after some initial simulation exercises designed to refine the management skills of the participants, the officials began implementing details of the game plan—in other words, working on actual company problems. They operated as teams in their usual functional relationships (boss-subordinate, task force or project team, etc.).

Some weeks after the work conference, the author organization staff members followed up the progress of the various teams to see how successfully they had resolved their key issues and whether the managing methods developed at the work conference were working for them in their day-to-day operating environments. Not surprisingly, they

discovered that the learned concepts were still being applied and were continually evolving improved methods of scanning for and detecting opportunities; setting specific measurable objectives and prioritizing them; developing alternative solutions; making decisions and solving problems (especially "people-managing" problems); planning and troubleshooting plans; and improving communications within and between functions and organizations.

Program Results

The results of this program—applied across six companies and therefore broad enough to draw some valid conclusions—provide a convincing demonstration, for any profit-oriented management group, of the success of the OD approaches used:

1. Companies met profit plans for the first time in seven years (four of the five exceeded profit plans).

2. Average return-on-investment for the six companies increased 8.6 per cent.

3. The companies' largest volume customer reduced credit terms from net 120 days to 1 per cent 10 days and *paid* \$690,000, with no discount, to make his account current. Both unit price and volume of shipments to their customer were increased. The area president estimates: "This one program saved us more in interest along than the entire cost of the Applied Synergetics program."

4. One company reduced its accounts receivable from 104 days outstanding to 44 days outstanding.

5. An improved shipping system was devised which enabled the companies to reduce raw material inventories from eight to two months.

6. Indirect overhead expenses

were reduced to the level of three years earlier, even though volume had almost doubled.

7. Finally, a \$90 million sales contract was successfully negotiated despite constraining corporate policies and severe competition. It has been most profitable.

Career Effects

What have these results meant to the management and OD people and other professionals involved?

The project immediately came to the attention of the chief financial officer of the paper company who then used the author's organization's approach to improve communications between corporate and field financial operations. Later, when he became president of another large corporation, he employed the concepts and tools with his board of directors and group presidents, and one of his operating companies has adopted it.

The corporate vice president-personnel and employee relations used the approach to enhance the services of his functions to the corporation.

The director-manpower planning and OD has joined another corporation as worldwide director for manpower staffing and OD and has used the approach in his new job.

Both the regional vice president and the area president have moved to positions of larger responsibility within the paper company and have applied their earlier-acquired OD experience there.

Conclusion

In the uneasy year 1974, taking time to carefully "think through" the desired results which any management organization development activity ought to produce in terms of increased profitability, market penetration, reduced turn-

over, etc. will go a long way to assure that our profession is viewed as "bottom line" oriented.

An unusual effort will have to be made to mesh the interpersonal, behaviorally oriented kinds of OD work with the "hands-on" skills which managers must have to keep the organization ship afloat in the rough economic seas which lie ahead. Not only can OD professionals strive to bring this level of common sense to whatever programs and activities they develop and implement, but by their "can do" attitude they may be able to turn some of the negative, axe-wielding thinking which may prevail in an organization into an opportunity to "fine-tune" the management processes being used to cope with such problems as the energy crisis.

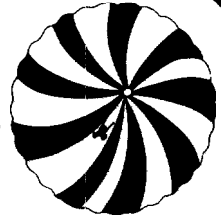
When economic problems cause "now" shock, the tendency often is to eliminate people and programs within the organization. Truly, it is a challenge to our profession to focus on and realize how these same people and programs can be redirected and refined to create new opportunities for business and organizational improvement and profit-making.

USERBTD

*Copies available from the author on request.

John D. Arnold is founder/president of Applied Synergetics Inc., Waltham, Mass., a consultant/training firm which specializes in helping management and organization development professionals as well as senior executives and middle management teams of both companies and government agencies. He is a member of the American Society for Training and Development. His firm serves clients in the United States, Canada and Latin America.

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