

CHAPTER FORTY-ONE

Creating a Climate and Culture for Sustainable Organizational Change

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It happens all too often. A company introduces changes with high expectations of improving performance. When the changes fail to take root and produce intended results, the unfulfilled hopes lead management to introduce other seemingly promising changes. These, too, ultimately fail. The sequence repeats—an unending cycle of high expectations followed by failure and, inevitably, frustration on the part of management and cynicism on the part of workers.

There are several possible reasons for these dysfunctional spirals. Here, we concentrate on one key reason: that changes introduced fail to alter the fundamental psychology or “feel” of the organization to its members. As we detail below, it is this “feel” that directs and motivates employee efforts. Without changing this psychology, there can be no sustained change.

Here is the central point: *organizations as we know them are the people in them; if the people do not change, there is no organizational change.* Changes in hierarchy, technology, communication networks, and so forth are effective only to the degree that these structural changes are associated with changes in the psychology of employees.

When AT&T went through divestiture in the early 1980s, its greatest challenge was to change the psychology of its people, from the attitude “we are a monopoly and have time to do things the way we think best” to “we have to compete in the market and pay attention to our customers and the competition—and do so rapidly.” Divestiture provided the crisis necessary to

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implement change. But it was the thousands, if not millions, of specific changes in the organization's everyday policies, practices, procedures, and routines that altered the psychology and thus permitted the kind of changes that appear to have actually taken hold.

When GM experienced huge losses in market share, the automaker took the dramatic action of establishing a whole new subsidiary, Saturn. Given GM's entrenched bureaucracy, Saturn, to be competitive, had to be started from scratch. This meant simultaneously creating new structures, new technologies, and new relationships, both between workers and managers and between dealers and customers. These changes, coupled with putting new people into new places, took root, yielding a Saturn "feel" that employees as well as customers clearly recognize.

Most often, it takes a crisis to engender this kind of radical change—a divestiture at AT&T or significant losses of market share at GM. But whatever the stimulus, it takes equally radical action throughout the organization—through structure, through technology, *and* through people—to make change real and durable. And whether or not the change is sustained also depends on (1) the prevailing conditions at the start of the effort, and (2) the way the change is introduced.

HOW TO THINK ABOUT PREVAILING CONDITIONS

The prevailing thinking about the psychology of organizations differs. One firm "feels" like a dynamic and interesting place to work, while another "feels" stodgy and unproductive. The "feel of an organization" reflects both its *climate* and *culture*. The *climate* of an organization is inferred by its members. Such inferences are organized around two issues: (1) how the organization goes about its daily business—is it flexible, innovative, stodgy? and (2) what goals the organization pursues—quantity, cost containment, market share?

The inferences organizational members make about climate are based on the policies, practices, procedures, and routines that they are subject to, as well as on the kinds of behaviors that are expected and that get rewarded and supported. To change the climate from stodgy to innovative, AT&T had to stop certain practices (like basing new product introductions on internal readiness criteria) and start new practices (like rewarding speed of implementation of new services, or requiring less paperwork to take a discovery to market). To change customer perceptions of what it feels like to purchase a new car, Saturn had to reward and support dealers and stick to a fixed-price selling idea. These are only a few examples of what it takes to alter climate. Literally thousands of elements define a climate, and climate changes only when many of these everyday policies, practices, procedures, and routines change. But why change the climate?

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Changing the climate is important to changing what an organization's members *believe* and what they believe their organization *values*. These beliefs and values constitute the organization's *culture*. One good way to think about the culture of an organization—borrowing a page from anthropology—is to focus on what the people in the organization worship. Do they worship routine? innovation? quality? risk taking? Organizations can create climates for each of these, and the climates communicate what is to be believed and valued—what is to be worshipped.

When people in an organization experience practices that emphasize production quotas over quality, and when they are rewarded for simply getting the work done, rather than getting it done right, they will believe management values quantity. And so they will come to worship the same.

Climate and culture are interconnected. Employees' values and beliefs (part of culture) influence their interpretations of organizational policies, practices, and procedures (climate). We assert that sustainable organizational change is most assured when both the climate—what the organization's members experience—and the culture—what members believe the organization values—change.

Before looking at how change is introduced, let's review how our current understanding of organization climate and culture developed.

Organizational Climate

More than half a century ago, Kurt Lewin and his associates argued that different leadership styles create “social climates” that affect productivity in different ways. Their research showed that people were nearly equally productive under democratic and authoritarian leadership styles, but that they worked much more harmoniously and were more satisfied under a democratic leader.

Lewin's early work resulted in numerous applications of the climate concept to business and industry. For example, Douglas McGregor used the concept of climate in his now classic book *The Human Side of Enterprise*. He asserted that managers create a climate that reflects their beliefs about workers. If they believe that workers need to be cajoled into working, work only for money, or are not to be trusted to make important decisions, managers create a “Theory X” climate. If they believe in the inherent maturity and creativity of employees and trust their capacity to make decisions in the interest of the firm, they create a “Theory Y” climate.

In McGregor's view, beliefs shape how organizations function. Others have studied climates with regard to the goals organizations pursue, i.e., the climates that result when the organization pursues a goal of safety, or service, or innovation, and so forth. Taken together, this research helps to identify four key climate dimensions, the first three related to function, the fourth to goals:

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1. *The nature of interpersonal relationships.* Is there mutual sharing and trust or conflict and mistrust? Are relationships between functional units (e.g., between production and sales) cooperative or competitive? Does the organization support socialization of newcomers or a sink-or-swim approach? Do people feel that their personal welfare is important to those around them and to top management?

2. *The nature of the hierarchy.* Are decisions affecting work and the workplace made only by top management or are they made with participation from those affected by the decision? Is the organization characterized by a team approach to work or strictly an individualistic competitive approach? Does management have special perquisites that separate them from their subordinates, such as special parking or dining facilities?

3. *The nature of work.* Is the work challenging or boring? Are jobs adaptable by the people performing them, or are they rigidly defined so that everyone must do them the same way? Does the organization provide workers with the necessary resources (tools, supplies, information) to get the work done?

4. *The focus of support and rewards.* Are the goals of work and the standards of excellence widely known and shared? What gets supported: being warm and friendly to customers or being fast? Is getting the work done (quantity) or getting the work right (quality) rewarded? On what bases are people hired? To what goals and standards are they trained? What facets of performance are appraised and rewarded?

Obviously, then, researchers have included a wide range of issues in the study of climate, because climate encompasses the prevailing conditions across diverse organizational activities. Because of this diversity and the habitual nature of many elements, the climate of an organization is very difficult to change. Regardless of the focus of an organization's goals for change, the probability of actually having the change take root is enhanced when people feel their work is challenging, when they can participate in decisions regarding how the change will be achieved, and when their interpersonal relationships are characterized by mutual trust.

In brief, how organizations function for their members determines the degree to which change in the focus of people's energies and competencies will be sustained. An organization can't just alter a reward system and produce sustainable changes in behavior. It also can't just make boring jobs into challenging ones, or just improve the nature of interpersonal relationships, or just implement participatory decision making. It must do all of these things. Only by attending to the full range of these concerns will the psychology or feel of the organization be altered and the change take root.

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Organizational Culture

Because organizational culture concerns the firmly implanted beliefs and values of organizational members, it resides at a deeper level of people's psychology than does climate. Culture captures a less conscious, more subtle psychology of the workplace. Whereas climate's policies, practices, and rewards are observable, the beliefs and values of culture are not so directly visible.

For example, AT&T's culture prior to divestiture might have been described as customer-focused. People there might have said things like, "We stand for providing universal service to all customers." By "we stand for," they would have meant "we value" and "we believe in" service first and service at all cost. As evidence of these beliefs, emergency crews stood by in case some storm or construction project might disrupt service, and managers gave special recognition to employees for creativity in solving customer problems.

At the old GM, an assembly line mentality set the tone. Plant managers looked to new technology to speed up the line and were rewarded for the number of cars pushed out of the building each day. Conversations with plant managers and assembly line workers about what it was like to work there might have yielded comments like, "They don't care about quality or people here; they bring in these robots to get rid of people and churn out more product." The "they" here is top management; what top management believes is a large part of what constitutes the culture of an organization. To change this kind of culture, GM established the Saturn model in which people and technology are combined to produce quality. Now, a Saturn plant manager or worker might say something like, "They think quality is crucial. Even I have been convinced by the actions they have taken."

Here we see the connection between climate and culture. "The actions they have taken" refers to changes in practices (recalling the first one thousand cars shipped immediately upon discovering a problem) and the kind of behavior that is rewarded (a worker positively recognized for halting the assembly line to repair a faulty power screwdriver). In addition, annual bonuses are based in part on quality. These kinds of practices and rewards (climate) make people believe that management values quality (culture).

Writings about culture place great emphasis on the values and beliefs that appear to have guided the founder or founders of an organization. "Strong" cultures—where there is a pervasive sharing of the values that govern behavior—appear to have had strong founders. Hewlett-Packard, IBM, and J. C. Penney are often cited as examples of how a strong founder leaves a legacy in terms of organizational behavior—a particular style, characterized by specific policies, practices, and procedures identifiable as the founder's imprint.

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Sometimes current organizational members have trouble identifying this imprint. When asked why they do their jobs the way they do, members are likely to say, “Well, that’s the way we do things around here.” This difficulty makes changing organizational culture more problematic than changing climate. For example, the topic of culture was popularized by Tom Peters and Robert Waterman in their best-selling book, *In Search of Excellence*. But companies that have tried to become “excellent” by just following the edicts of the book found it extraordinarily difficult indeed.

We argue that companies encounter difficulty in changing themselves precisely because culture is not directly manipulable. If culture is rooted in the beliefs and values of the founder, one certainly cannot go back and declare that the founder had a different value system! The challenge is to attain new, shared perceptions of the beliefs and values central to an organization.

Basically, we propose that culture can be changed through a focus on climate. Climate reflects the tangibles that produce a culture, the kinds of things that happen to and around employees that they are able to describe. Only by altering the everyday policies, practices, procedures, and routines, thereby affecting the beliefs and values that guide employee actions, can change occur and be sustained. Change will not occur through new mission statements, speeches, newsletters, or a big party to kick off a new way of doing things, or even through changing the organization’s architecture. To communicate new values and beliefs requires changing tangibles—the thousands of things that define climate, that define daily life in an organization. Deeds, not words, are tangible.

Let’s look at some of the different tactics behavioral scientists have used in attempts to change organizations. These tactics target whole organizations, their goals, and the way they function. They include interventions designed to enhance relationships between functions and across levels, to implement a new technology throughout an organization, and to redirect organizations away from, for example, the worship of efficiency to the worship of quality (e.g., to total quality management).

MODELS AND METHODS OF TOTAL ORGANIZATIONAL CHANGE (TOC)

Experts have proposed numerous large-scale organizational interventions for making change happen: quality of work-life projects, organizational development, sociotechnical systems, management by objectives, new pay systems, collateral organizations, and TQM. Here, we offer a perspective for thinking

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about total organizational changes (TOCs) aimed at not only introducing but also sustaining change, and show how these organizational change efforts may be best understood through the climate and culture lenses.

We focus on what we call TOC because this kind of change is designed to simultaneously affect multiple policies, practices, procedures, rewards, and other features of multiple functions, units, and levels of an organization. It is the sort of change that can be sustained and can enhance organizational health and vitality over time. TOC is change that affects the psychology of everyone in an organization.

By simultaneously focusing on multiple levels, functions, and persons, TOC stands in sharp contrast to the “silver bullet” approaches: new personnel selection strategies, new training programs, new pay and compensation programs, job enlargement/job enrichment, and team building. Silver bullet strategies, unlike TOCs, almost never hit the target in a way that changes the “feel” of an organization, for two reasons:

- They fail to address the wide variety of issues requiring simultaneous attention.
- The changes attempted get absorbed by the existing climate; they literally disappear.

By failing to attend to a wide variety of issues, the silver bullet strategies never get implemented completely, much less sustained, because the attempt is too narrow in perspective. This narrowness fails to generate sufficient momentum to redirect people’s energies and competencies, so workers persist in past behaviors that are familiar and comfortable. It is not surprising, therefore, to find that the initial positive effects of many silver bullets quickly fade with the passage of time.

The persistence of steady-state behaviors, literally the maintenance of equilibrium or homeostasis to which humans naturally gravitate, yields the second reason; the attempted change is merely absorbed into the existing climate. The impact of some silver bullets is too weak to budge an organization that is off center or out of equilibrium. It needs an impact with massive force. This is a variation of the Powell doctrine, named for General Colin Powell, chairman of the Joint Chiefs of Staff during the Gulf War, which called for the use of decisive, overwhelming force when undertaking a mission. We think that to achieve organizational change that is sustainable, nothing less than overwhelming change—total organizational change—is required.

Below, we describe three approaches to TOC that have received considerable attention from both researchers and managers. These approaches have made changes in organizations. But we argue that, had the approaches

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explicitly considered the importance of climate and culture, the effects might have been more impressive, more lasting, and more effective.

Three different philosophies about what truly matters in organizations have guided these change efforts: the human potential philosophy, the sociotechnical philosophy, and the total quality philosophy.

Change Based on the Human Potential Philosophy

The changes emanating from this philosophy can be traced to the human relations and sensitivity training movements of the 1950s and 1960s and the self-actualization movements of the 1960s and 1970s (based heavily on the work of Abraham Maslow). These two streams of orientation to change have merged and evolved, becoming what can be called the organizational development (OD) perspective. This perspective rests on a number of assumptions about people and their relationships in organizations:

- People desire growth and development and can be creative when they have these opportunities.
- People value interpersonal interaction, both with peers and with superiors, making the formal and informal nature of such relationships a salient feature of organizational life.
- People need trust, support, and cooperation to function effectively; zero-sum, win-lose competition in organizations is not useful, and may even be destructive.

Research suggests that organizations, when they learn to operate under assumptions like these, can function more effectively in terms of employee attitudes and productivity, as well as financial performance. But the whole organization needs to change. Consider what happened in one assessment of human relations training.

The company had trained first-line supervisors to be more sensitive, concerned, and interpersonally flexible with their subordinates, in keeping with a human relation orientation. In fact, participants in the training program enhanced their sensitivity and flexibility by the end of training. However, a follow-up after training found few, if any, lasting effects for the training.

To make a long story short, the researchers found that trainees failed to use what they had learned in training unless their bosses also accepted the new sensitivity and flexibility the trainees displayed back on the job. These results are representative of other such efforts. *Such early human-potential interventions failed to attend to the entire system.*

Readers familiar with the organizational development literature might argue with our earlier suggestion that OD fails to emphasize the climate and culture of the organization. But OD makes the assumption that attention to the social

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and self-actualizing nature of people will produce effort and commitment to the organization. By leaving unspecified the focus of these efforts—the imperative goals and direction of their employing organization—OD omits a central issue of climate. As noted earlier, our definition of climate includes a focus on goals. There needs to be performance-related support and rewards to yield truly sustainable performance enhancements.

Change Based on the Sociotechnical Philosophy

The sociotechnical philosophy embraces the idea that paying attention to either social issues or technological issues alone is not enough. This approach argues that effective change is a product of *integrating* the social and technical aspects of work. This concept emerged out of post-World War II efforts, led by the Tavistock Institute in England, to understand how to improve workplace performance.

An early study in this line of research provides a good sense of the sociotechnical philosophy. The study concerned the consequences of introducing a new method of mining coal in England, called the long-wall method. In this method, coal is mined by an automated blade that slices coal off the side of a coal seam. The blade deposits the coal on a belt, which takes the coal to the surface. In contrast, the then-traditional method of mining coal was for teams of men to work progressively into a seam of coal, extracting the coal and placing it into trains. When the long-wall method was instituted, the teams were dismantled and workers were placed at strategic places along the belt, alone, to ensure smooth operation.

The implementation of the new automated process resulted in worker distress and a drop in productivity. The sociotechnical interpretation of these findings attributed these results to the dismantling of the work teams and the poor way in which the new procedures were introduced. There was no worker participation in either the design or the implementation of the new technology.

Although this study was conducted almost fifty years ago, we continuously run into organizations that confront similar problems regarding the introduction of new technologies—such as computer-aided design or computer-aided manufacturing—and deal with them in the same failing manner by ignoring the social impact of the change.

The message emerging from the sociotechnical systems perspective on organizational change is that technology and the social nature of work do not stand alone. If technological and social changes are integrated, performance improvements can result.

However, the sociotechnical approach to change, like organizational development, does not emphasize what is in the heads of employees in the organization, except in regards to how they think about the content of their work and

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their social relationships at work. Again, as in OD, what employees believe the organization's goals to be (e.g., where they should direct their energies and competencies, and what kinds of behaviors are rewarded and supported) is not part of the explicit matrix of issues addressed.

Change Based on the TQM Philosophy

Total quality management was pioneered in Japan by W. Edwards Deming and Joseph M. Juran after World War II, as part of General McArthur's rebuilding program. Their ideas began receiving notice in the United States during the early 1980s and have been elaborated upon by many, many others (Philip B. Crosby, for example).

The TQM approach involves changing many facets of organizational functioning. Whereas the human potential and the sociotechnical approaches to performance enhancement focus on relatively narrow, albeit organization-wide, issues, TQM focuses on the customer and requires every facet of the organization to be involved.

With this focus, TQM comes closest of the three change perspectives described here to providing a climate and culture frame of reference for change. Also, because TQM is a TOC effort to meet the needs of the customer, it emphasizes the broadest range of issues and activities regarding the goal of sustained organizational change. These include such changes as:

- Preplanning during the product design stage, involving engineering, production, quality assurance, marketing, and human resources.
- Training employees to be able to deliver high quality.
- Developing expectations of high quality in employees through selection, training, and reward systems, and by supplying them with the necessary supplies, equipment, and information to deliver that quality.
- Encouraging employees to discuss and resolve quality issues, not hide them.
- Working with suppliers to assure defect-free parts, and accepting only perfect parts.
- Eliminating the concept of an acceptable quality level and, instead, adopting the concept of continuous improvement with the goal of zero defects.

TQM models of organizational effectiveness go so far as to identify the principal barrier to the successful implementation of a TQM program: "weak management." The following are attributes of weak management that inhibit change:

- Management has structured an organization in which both operational as well as strategic decisions must be pushed up through many layers to the top for resolution. Deviations from this protocol are punished. Thus, decision making in the organization is sluggish.

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- Management has not adequately updated operating systems and technology, resulting in an organization barely able to stay afloat, even before adding on a TQM-type effort. The infrastructure of the organization has decayed so far that the first step must be on the infrastructure, rather than on total quality.
- Management's dealings with lower-level employees are less than completely honest and open, sometimes harsh, and typically disrespectful. Understandably, the employees' morale is low. They are therefore unwilling to endorse virtually any initiative undertaken by management.
- Management has a history of initiating change efforts that do not come to fruition, at least in part because management has failed to articulate its objectives. Therefore, employees do not know why changes are initiated and do not know toward what goals they should focus their energies. Without such focus, the change process appears chaotic.
- Management often has avoided making tough decisions and/or has been unwilling to stick to difficult courses of action. Consequently, employees view management as lacking determination, courage, and strength. This negative perception of management constitutes perhaps management's greatest weakness.

These attributes represent real obstacles to implementing TQM, or in fact any total organizational change. These barriers are also the elements of management that must be altered for change to actually occur, be sustained, and produce positive results.

Although this description of management weaknesses—and the previous list of changes constituting a typical TQM program—are representative, they in no way capture all alternative forms of TQM. For our purpose here, we want to show the wide range of issues that need to be addressed simultaneously to bring about TOC. We think of all of these changes related to TQM as an integrated attempt to create a climate and culture for quality. Thinking about it this way frames the issue, indicating the absolute necessity of sending the message of quality to everyone through, once again, literally thousands of alterations in the ways things are done.

It becomes increasingly clear in discussing TQM that TOC entails changing the very many facets of organizational functioning, rather than one or two dimensions of the organization. Let's return to our outline of the four major elements of climate presented earlier in the chapter and review the implications of TQM for the changes that might be required. Recall that the four dimensions presented were labeled as follows:

1. The nature of interpersonal relationships
2. The nature of the hierarchy

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3. The nature of work
4. The focus of support and rewards

If one were putting TQM into place on the basis of these climate dimensions, all of the following would be relevant:

- Goals would have to be set both within work units and across organizational levels.
- Goals would have to be operationalized by specifying the relevant outcomes of work on which support and rewards would now be focused (for example, support and rewards targeted on customers).
- The change in rewards also should entail a change toward a group incentive plan that rewards the collective attainment of the customer-defined goals.
- The focus on customers also should require change in the hierarchy of the organization, since it has been shown that lower-level employees (such as tellers in banks) may have the best understanding of customer requirements and the changes needed to meet them.
- Once subordinates are recognized as sources of important customer information, the nature of supervisor-subordinate relationships should be changed.
- Management support for customer service should be made tangible by involving lower-level workers in the design of updated equipment, and by empowering them with flexibility in carrying out their work.

Taken together, this relatively short list of changes would contribute to what could be called a strong climate for customers. Creating such a strong climate should yield an effect on performance more powerful than any change that focuses on only one aspect of organizational functioning. In fact, creating such a climate will yield the view that management really does believe in putting customers first, and values how they are treated. A customer-oriented culture will then exist.

Many of the guidelines provided above are used by Ritz-Carlton to create a climate and culture that allows them to succeed as an ever-expanding, upscale hotel chain in a very competitive market. At Ritz-Carlton, each hotel employee is part of a team whose members are empowered to do whatever it takes to satisfy a customer. These employees are guided by a credo, called the “Gold Standards,” that specifies desired behaviors. More importantly, there are policies, practices, procedures, and routines designed to support and reward employees engaging in these desired behaviors. Ritz-Carlton makes every employee feel like a valued person. The employee motto is “We are ladies and gentlemen serving ladies and gentlemen.” Guests and employees alike are

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treated the right way; there are no mixed messages in Ritz-Carlton's climate and culture.

Likewise, consider the complexity of the IBM Rochester plan to pursue market-driven quality. Over a fifteen-year period, IBM Rochester attended to the following facets of the organization to achieve TOC focused on quality:

- Defect prevention, through process improvements, improvement teams, defect removal computer modeling, and verification testing
- Process management, through a focus not only on technological processes but on product installation, software installation, distribution logistics, and the active involvement of customers in all of these processes
- Information analysis, through the use of online tests to obtain and communicate information about the manufacturing process, about orders, and with regard to maintaining real-time customer relationships
- Employees, through integration of quality into performance appraisals, rewarding professional accomplishments (e.g., patent applications and inventions), establishing contact with customers for employees at all levels and in all functions, and through continuous education and training

At IBM Rochester, an emphasis on quality pervaded all facets of the organization, from products to customers to employees—and resulted in the 1990 Malcolm Baldrige Award.

IMPLEMENTING TOC

We want to repeat that the amount of change that can be expected from initiating something like TQM is in relation to where an organization stands prior to the intervention. In what follows, we present some ways that TOC might be more successfully managed to create the kinds of climate and culture required for sustained change:

1. Ensure that the organization is prepared to handle a major organizational change. As our previous discussion of barriers to TQM indicated, the following questions must be asked, and answered in the affirmative:

- Is employee morale high?
- Does management have a track record of successfully implementing major changes?
- Is management known for confronting tough decisions and sticking to difficult courses of actions?

If the answers to such questions are negative, then rethink moving ahead with a proposed TOC, and direct efforts at getting one's "organizational house" in order. If the environment is unready, TOC will fail.

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2. Be aware that proposed TOCs incongruent with existing organizational climate and culture require tremendous amounts of time and effort. Analyze the proposed change in terms of the four dimensions of climate: the nature of relationships, of hierarchy, of work, and the focus of support and rewards. Try to understand, in advance, the effort required to change each of these four dimensions of climate. If, as in TQM, the customer is the ultimate focus, ensure that all levels and functions have identified who their customers are, and that they understand their links to the end-user consumer

3. Plan the TOC in as much detail as possible. Communicate that plan widely, by deed as well as by word; put your money where your mouth is. Begin by specifying, in writing, the goals of the change. Follow the goals up with written systems and procedures for implementation. Follow the written procedures with support systems and rewards that implement the goals. Remember that implementing only technical or only social systems will produce incomplete results.

4. Pay particularly close attention to the organization's reward systems in order to ensure employees are focusing their energies and competencies on implementing and sustaining the change. Determine specifically what behaviors will need to be rewarded. Plan to link both monetary and nonmonetary rewards to the specified behaviors.

5. Recognize that, for the change to be sustained, resources must be allocated for maintenance as well as implementation. For instance, consider the costs of periodically updating operating systems and technologies. Moreover, treat the cost of periodically training personnel in order to reinforce the change as an essential budget item.

6. Monitor the effectiveness of the TOC. Recognize the change will need to be adjusted over time. Do not assume that the change will never be abandoned.

It is critical that the organization recognize the role of groups at all levels. The sheer size and complexity of TOC efforts create problems of coordination that cannot be managed by a single individual. Thus, achieving an integrated change effort requires that the TOC be led by the top management team.

To succeed in leading the change, the members of top management must not only move their respective parts of the organization in accord with the change but must also embody and model the essence of the new climate, such as communicating and sharing resources with one another. A top management team's success in delivering sustained improvements through systemwide change in climate and culture greatly depends on that team's ability to arrive at a shared vision and to be uniform in its commitment to the TOC and to its goals.

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Middle managers and supervisors also play an important role in transmitting the envisioned change throughout the organization. Individually, they create and establish the practices and rewards that are necessary to sustain the change in their areas of responsibility. Without their full understanding and commitment, TOC is doomed. But such knowledge and motivation on the part of middle managers and supervisors doesn't only come from above. In fact, it is largely a product of peer interactions. That is, members of the groups in the middle can learn from one another about the nature and demands of the change and can reinforce each other for efforts in support of the change. Two conditions must be met, however, before these behaviors will occur:

1. Middle managers and supervisors must see themselves as belonging to cohesive peer groups. This cohesion helps promote communication, positive interaction, and influence among peers.
2. The goals of these middle manager and supervisor groups must be congruent with those of the TOC. Conflicts between team goals and broader organizational goals will not only obstruct the change but also breed resistance to it.

Groups at the lower levels of the organization—the work groups—perform an absolutely essential function of interpreting the TOC for individual employees. The meaning that individuals attach to the new practices and rewards come from the “shared sense making” that goes on in work groups. Through their interactions and shared interpretations, employees form perceptions about the organization and its imperatives. These perceptions constitute the climate to sustain implemented change.

Sustainable TOC therefore requires that groups at all levels of the organization be managed. They are the glue that holds the change effort together, the medium for communicating the intent and substance of the change, and the means by which the change becomes enacted behaviorally. Managing groups means communicating to groups, hiring people for groups, socializing and training people in groups, rewarding group accomplishments, and allocating resources to groups.

SUMMARY

The literature on TOC reviewed here reveals some potentially powerful techniques for bringing about sustainable organizational change. These techniques work because they send strong, tangible messages to employees, both about how the organization will change the way it functions and about the new focus of the organization.

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Effective organization change occurs when new climates and cultures are created and maintained. No single climate or culture is best for achieving sustained change. Different climates and cultures can be equally effective for different organizations, depending on their industry, their markets, and the nature of their work force. However, *what people in an organization experience as the climate and believe is the culture ultimately determines whether sustained change is accomplished.*

Top management is responsible for climate and culture, and thus for the degree to which TOC is implemented and sustained. The practices it puts into place and the values it communicates determine the climate and culture. At AT&T, GM, Ritz-Carlton, and IBM Rochester, change took root only after management stopped talking and started acting. Yet even then, actually achieving change required years of effort until the hoped-for benefits of the change years were realized.

The climate and culture vantage point to total organizational change offers a realistic view of the many opportunities for management to bring about sustainable change. The more of the opportunities attended to, the more likely the change is to be implemented, sustained, and successful, thereby breaking the spiral of dysfunctional failures.

Selected Bibliography

- An introduction to the history of the study of organizational climate can be found in A. E. Reichers and B. Schneider, "Organizational Climate and Culture: Evolution of Constructs," in B. Schneider (ed.), *Organizational Climate and Culture* (San Francisco: Jossey-Bass, 1990). Much of the material on climate in this chapter can be found in more detail in that book.
- A comprehensive treatment of the organizational culture concept can be found in H. M. Trice and J. M. Beyer, *The Cultures of Work Organizations* (Englewood Cliffs, NJ: Prentice-Hall, 1993).
- Writings on organizational change are voluminous. Writings on change that fit the model we espouse—total organizational change—can also be found in E. E. Lawler, III, *High Involvement Management* (San Francisco: Jossey-Bass, 1986). With regard to readiness for change, a perceptive introduction is found in M. Sashkin and K. J. Kiser, *Putting Total Quality Management to Work* (San Francisco: Berrett-Kohler, 1993). For materials on change specifically related to total quality management (TQM), and the source of the materials on IBM Rochester, see the book by J. W. Spechler that reports on companies that have been successful in competing for the Malcolm Baldrige Award: *Managing Quality in America's Most Admired Companies* (San Francisco: Berrett-Kohler, 1993). W. L. French and C. H. Bell provide a comprehensive treatment of organizational development in their book *Organizational Development: Behavioral Science Interventions for Organizational Improvement*, 3rd ed. (Englewood Cliffs, NJ: Prentice-Hall, 1984).

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A brief review of alternative models of organizational change can be found in B. Schneider, "Organizational Behavior," *Annual Review of Psychology*, Vol. 36, pp. 573-611, 1985.

The importance of groups and teams to the issues raised here is summarized in R. A. Guzzo and G. P. Shea, "Group Performance and Intergroup Relations in Organizations," in M. D. Dunnette and L. M. Hough (eds.), *Handbook of Industrial and Organizational Psychology*, 2nd ed., Vol. 3 (Palo Alto, CA: Consulting Psychologists Press, 1992).