

Managing Organizational Change in Turbulent Times

A positivistic approach to achieving sustainability

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Abstract

In general, financial crisis is described as a sudden loss of economic value (Kindleberger & Aliber, 2005). However, the root causes of the global downturn like disintegration of values and morals are less prominent in the literature. According to Kung (2009) the recent global financial crisis is not just market crisis but institutional as well as moral failure and the need for an ethical framework for the global economics has been identified by many countries. This article examines a Positive Organizational Scholarship as an approach to managing organizational changes in turbulent times. The POS emphasizes the values like: compassion, virtuousness, positive identity, positive leadership, positive social capital, resilience, and thriving. Instead of focusing exclusively on materialistic gains, the leaders should call their attention to developing satisfied, inspired, appreciated and creative employees. Organizational Development promotes this paradigm shift in contemporary management.

Introduction

Financial crisis is usually associated with situations where financial institutions suddenly lose a substantial part of their value, stock market crashes, financial bubbles burst, and currency and credit collapses (Kindleberger & Aliber, 2005). Researchers often describe this type of crisis in terms of reduced economic growth, diminished global trade, slowing pace of exports, implosion of the banking sector, disintegration of property markets, severe contraction in credit, and overflow of toxic assets (Manginr & Erdogan, 2011, Peavler, 2010).

While the focus is on main economic values as the representation or direct outcome of a financial crisis, the root cause of the global downturn seems to be less prominent in the literature. The recent global financial crisis is in fact not just market crisis but institutional as well as moral failure, as observed of by Kung (2009). According to Dunning (2001) the social and moral order is especially critical to the sustainability of global capitalism, and identified economic, social, cultural, and behavioral benefits, as well as economic and non-economic costs, i.e., “failures” and threats to long-term sustainability characteristic to the current global capitalist system:

1. Market Failure: inappropriate macroeconomic policies, excessive speculation (property and stock market), an inappropriately valued currency, manipulated exchange rates, cross-border and intrafirm transfer prices, bad timing of short-term debts, presence of a strong “black market” of goods and services, and the abuse of monopoly power.

2. Institutional Failure: inefficient functioning of the regulatory and supervisory systems, an inadequate legal and financial infrastructure, weak protection of ownership rights, lack of accountability and/or transparency, and inadequate standards in financial reporting.
3. Moral Virtues Failure: casino capitalism, bribery and corruption, lying, trust, and social responsibility, and excessive investor or institutional greed, falsified balance sheets, and illegal manipulation of the markets (Hemphill & Lillevik, 2011).

Kung (2009) argues that the need for an ethical framework for the global financial markets and global economics has been identified by many countries since the beginning of the current crisis. The new Declaration on a Global Economic Ethic outlines for all stakeholders in global businesses their individual responsibilities for humanizing the global economy: globalization needs a Global Ethic (Hemphill & Lillevik, 2011).

In October of 2009, a new Manifesto for a “Global Economic Ethic – Consequences for Global Businesses” was made public during a business ethics symposium at United Nations headquarters in New York City. The Global Economic Ethic Manifesto is a self-regulatory moral code of conduct “which is both interactive and interdependent with the economic function of the main institutions of the economic system: markets, governments, civil society, and supranational organizations” (Kung, 2009). The Manifesto establishes “a minimal fundamental consensus concerning binding values, irrevocable standards, and fundamental moral attitudes” (Parliament of the World’s Religions, 1993) and includes five universally accepted principles and values: the principle of humanity; the basic values of non-violence and respect for life; the basic values of justice and humanity; the basic values of honesty and tolerance; and the basic values of mutual esteem and partnership (United Nations Headquarters, 2009).

Moral virtues breakdown lies at the core of the failure of the markets and institutional failure. The focus on bottom line and continuous pursuit of better organizational performance for the sole purpose of better tangible outcome (financial performance) promoted a culture of selfishness, lack of integrity, questionable ethics, and mechanical view of wealth (as money, position, and materialistic possessions). In addition, most recent literature indicates that the argument that the primary responsibility of those running a business was to the owners or investors of the company “has been misinterpreted by business managers and provided justifications for engaging in any and all types of immoral, unethical, and illegal activities for personal gain and corporate greed” (Bejou, 2011). It is critical to point out however, that in this case greed is more of a public issue or structural problem, rather than an individual personality attribute. Faded humanistic values within businesses, created a culture where not being greedy within a social and economic system like capitalism, may be a pathological manifestation, an instance of personal weakness (Hansen & Movahedi 2010). Consequently, the entire world is now facing the global recession and the necessary equilibrium between a company's purpose and the needs of its communities was damaged.

In order to prevent future market collapse of the current magnitude, those in charge, and those who lead, make decisions, and ultimately affect the nations need to revise an alternate, “the right way” of doing things and consider re-learning how to do “the right thing”. The field of Organizational Development can prove priceless in resetting the conscience of decision makers by focusing the managers on values other than materialistic, tangible assets, and the bottom-line.

Organizational Development: the forgotten values

The beginning of OD as an independent field emerged from humanistic values and ethical aspects like democracy or social justice. Researchers agree that human development, fairness, sincerity, choice, and positive assumptions about human nature are prominent in OD practice (Tannenbaum & Davis, 1969). The discipline is deeply rooted in the humanistic (importance of the individual), democratic (the right to be free, fair and equitable treatment, and justice through the law), and optimistic (progress is possible and desirable), values. Most importantly, with its focus on developing human potential and fulfillment through the work experience as a crucial component of developing organizations, OD has emphasized positive potentials in organizations throughout its history (Beckhard, 1969; French & Bell, 1995). OD as applied behavioral science focused on understanding and managing organizational change and as a field of scientific study and inquiry is deeply rooted in the belief expressed by McGregor (1957):

“The motivation, the potential for development, the capacity for assuming responsibility, and the readiness to direct behavior toward organizational goals are all present in people. Management does not put them there. It is a responsibility of management to make it possible for people to recognize and develop these human characteristics for themselves”.

McGregor’s assumptions about people clearly indicate humanistic roots of OD:

- Experiences in organizations result in passive and resistant behaviors; they are not inherent
- Motivation, development potential, capacity for assuming responsibility, readiness to direct behavior toward organizational goals are present in people
- Management’s task—arrange conditions and operational methods so people can achieve their own goals by directing efforts to organizational goals

From the values perspectives OD involves helping people to help themselves and is a shared effort that includes "all the activities engaged in by managers, employees and helpers that are directed toward building and maintaining the health of the organization as a total system" (Schein, 2006). In this context, the change is not something that should be done “to” people but done “with” people and OD provides "a process (and its associated technology) directed at organizational improvement" (Margulies, 1984).

Humanistic values proclaim the importance of the individual: respect the whole person, treat people with respect and dignity, assume that everyone has intrinsic worth, and view all people as having the potential for growth and development. Optimistic values posit that people are basically good, that progress is possible, and desirable in human affairs, and that rationality, reason, and goodwill are the tools for making progress Democratic values assert the sanctity of the individual, the right of people to be free from arbitrary misuse of power, the importance of fair and equitable treatment for all, and the need for justice through the rule of law and due process.

The prevailing focus of mid 90’s on the materialistic view of high business performance (financial performance, stock market, return on investment) and mechanistic view of human performance (task oriented evaluation of performance) made the humanistic OD values appear faded or even obsolete, ultimately fostering managerial behaviors leading to the global financial crisis In the recent years however, positive approaches to change, especially appreciative inquiry, have been very prominent (Bartunek & Woodman 2010). As Bushe & Marshak (2009) indicate, the positivity context shifted the OD field from a diagnostic focus on the negative and deficit (typical in early approaches to OD) towards a more dialogical approach based on social

constructionist principles of an organization open to endless possibilities embedded in the human imagination and collective will (Bushe & Marshak, 2009). Positive organizational change approach links OD and positive organizational scholarship movement, an offspring of “positive psychology”.

Positive Organizational Scholarship

In the past, individual organizational scholars have examined the topics related to positive and human side of enterprise; however, it was done without a specific ideological or philosophical framework or specific context linking the ideas and research outcomes of these various areas. In 2001, Kim Cameron, Jane Dutton, and Bob Quinn envisioned a new field of study to encompass these related research topics, coined the term positive organizational scholarship.

Just as positive psychology focuses on exploring optimal individual psychological states rather than pathological ones, positive organizational scholarship focuses attention on optimal organizational states—the dynamics in organizations that lead to the development of human strength, foster resiliency in employees, make healing, restoration, and reconciliation possible, and cultivate extraordinary individual and organizational performance. Positive organizational scholarship is a movement encompassing various approaches to studying organizations with particular emphasis on cultivation of organizational performance. The main premise of the movement is to energize and transform organizations through research on the theory and practice of positive organizing and leadership. The principle of positive organizational scholarship research is that by understanding the drivers of positive behavior in the workplace, organizations and individuals can flourish. POS does not adopt one particular theory or research method but draws from the full spectrum of theories and methods to understand, explain, predict, and create high performance.

By using essays on critical theory in organizational science to consider POS research, and drawing from the principles of Gestalt psychology, it is argued that the important distinctions between POS and traditional organizational scholarship lie in POS's emphasis on positive processes, on value transparency, and on extending the range of what constitutes a positive organizational outcome. In doing so, it is concluded that the primary contribution of POS is that it offers an alternative to the deficit model that shapes the design and conduct of organizational research (Baker-Caza & Caza, 2006).

In 2002, Kim Cameron, Jane Dutton, and Bob Quinn founded the Center for Positive Organizational Scholarship (CPOS), dedicated to growing this important new movement in organizational research. According to the CPOS "Positive" indicates the discipline's affirmative bias; "organizational" focuses on the processes and conditions in organizational contexts; and "scholarship" reflects the rigor, theory, and scientific procedures that ground the POS approach. The CPOS distinguishes the following domains of excellence which indicate the areas of research of the Center:

Compassion

Work organizations are inevitably sites of human pain and suffering. This domain of excellence contains research that addresses three questions: What is compassion at work? Why does compassion at work matter? What are the conditions that foster compassion as an individual process and compassion-organizing as a collective capability?

Emerging from the same paradigm as corporate social responsibility, compassion is the guiding precept that a company's positive impact on its community is primary to its generation of profits for its shareholders (Bejou, 2011).

Organizational Virtuosity

Virtuosity refers to the attributes characterizing the best of the human condition (Cameron, Bright, Caza, 2004). The study of virtuous in and by organizations is focused on at least four questions: What is the impact of virtuousness on individual and organizational performance? Which specific virtues are associated with flourishing at work? What are the best measures and indicators of virtuousness in organizations? What is different about virtuousness organizations compared to normal organizations?

According to Cameron, Bright, & Caza (2004), a virtuous organization is one that “enables and supports virtuous activities” by elevating behavior of its members, this includes “individuals’ actions, collective activities, cultural attributes, or processes” facilitating propagation and maintenance of virtues in an organization. From the definition perspective, that virtue has at least three attributes: 1) moral goodness (what is good, right and worthy cultivation); 2) human being’s individual flourishing and moral character (strength, self-control, and resilience); 3) social betterment (beyond individual benefit, creates an unconditional social value regardless of external recognition). Although it is virtually impossible to prove that practically, virtuousness can guarantee organizational high performance (or positive changes), there are two reasons to believe that these two factors are in fact related and mutually supportive. These reasons are correlated with the nature of virtuousness: amplifying quality of virtue and buffering quality of virtue (Cameron, Bright, Caza, 2004).

Positive Identity

Individuals and collectives acquire and create different senses of who they are. This domain of excellence seeks to understand how individuals and collectives (i.e., groups and organizations) build a sense of who they are (an identity) that cultivates optimal functioning (a positive identity). One key way to think about a positive identity is in terms of the Reflected Best Self. The Reflected Best Self describes a positive identity that individuals build from how others see them at their best. CPOS conducts research that focuses on the impact of the Reflected Best Self as well as develops the tools that are available for developing a Reflected Best Self Portrait (CPOS).

From the practical perspective, one of most powerful and effective tools used in self discovery is the Enneagram, an ancient symbol of unity and diversity, change and transformation. According to Burke (2008) “there is growing evidence that people who are above average regarding self-awareness are likely to be high performers, particularly with respect to leadership and management. The Enneagram is a sound, tried-and-true technique for enhancing one’s self-awareness.” Because it integrates easily with organization development theory and practice, the Enneagram can serve as a powerful psychological resource for organization development work, as it does already for many organizations across the globe (Lapid-Bogda, 2005).

Another powerful tool in developing self-awareness, particularly the knowledge of own strengths, is the Strength Finder developed by Gallup Consulting. Gallup research has proven that “the best way to develop employees - and net the greatest return on investment - is to

identify the ways in which they most naturally think, feel, and behave, then build upon those talents to create strengths - the ability to provide consistent, near-perfect performance” . Applying proven behavioral economic principles, Gallup supports organizations to transform the way they work - and lead them to achieve greater levels of success by showing them how to better connect with their employees and customers. They argue that by doing so, they “measurably decrease costs and turnover rates and increase productivity and profitability by engaging dedicated, productive employees - and customers who can't imagine a world without them”.

Positive Leadership

Most people have experienced some form of personal empowerment or transformation, especially when faced with extreme challenges. During this transformation, people report having an altered self-concept, an increased awareness of external resources and the tendency to engage in new patterns of behavior. They report having an increased capacity to attract and lift other people to higher levels of performance. This captures the notion of the fundamental state of leadership (Quinn & Spreitzer, 2005). In this domain of excellence, it is critical to better understand how anyone can choose to empower themselves toward the fundamental state of leadership in everyday life to achieve intention, integrity, subordination and adaptability.

When leaders appreciate and use their gifts and their talents match the organization's needs, organizations benefit. At the same time, when leaders overuse their gifts, leadership strengths soon become leadership weakness (Lapid-Bogda, 2005).

Positive Social Capital

Positive social capital (PSC) is an innovative concept that examines the vast field of social capital through a POS lens. PSC considers the means by which social capital is created, and the ends to which social capital is used. Social capital is positive if the means by which social capital is created expands the “generative capacity” of people and groups. Social capital is positive if helps people grow, thrive, and flourish in organizations and thereby achieve their goals in new and better ways. Topics and tools in this domain include high-quality connections, energy networks, and generalized reciprocity (CPOS, 2011).

Resilience

This domain of excellence explores the conditions that cultivate a capability to bounce back from adversity for individuals, groups and organizations. It considers the causes and effects of resilience as a capability of individuals, groups and organizations (CPOS, 2011).

Thriving

Work contexts often have toxic effects on human vitality and health causing workers to languish and feel stuck. We know much less about how work contexts can enable positive health, wellness, and positive functioning. To this end, in this domain of excellence, there is a need to better understand thriving – those times when people feel progress and momentum marked both by a sense of learning (greater understanding and knowledge) and a sense of vitality (aliveness). The research and practice in this area focuses on why individual and collective thriving matter as well as how organizations can enable and sustain thriving in organizations (SPOS, 2011).

Thriving is closely related to the emotional state of happiness. In the article *The Benefits of Frequent Positive Affect: Does Happiness Lead to Success?* Lyubomirsky, King, Diener

(2005) stated that numerous studies show that happy individuals are successful across multiple life domains, including marriage, friendship, income, work performance, and health. The authors suggest a conceptual model to prove these findings, arguing that the happiness–success link exists not only because success makes people happy, but also because positive affect produces success. The results of the study revealed that happiness is associated with and precedes numerous successful outcomes, as well as behaviors paralleling success. Furthermore, the evidence suggests that positive affect—the hallmark of well-being—may be the cause of many of the desirable characteristics, resources, and successes correlated with happiness (Lyubomirsky, King, Diener, 2005).

Conclusion

When thinking about the organizational change as the mean to develop more humanistic, moral, and positive organizational climate as a mean of prevention of global crisis, one of the critical starting points is to know what exactly needs to be changed or created. Namely, it needs to be determined what “an organization” means – system, structure, people, or technology?

For some authors, the ontological issue is whether organizations are treated as ‘things’ or ‘processes’, i.e. whether the focus is a structural entity, ‘the organization’, or the process, ‘organizing’ (Van de Ven and Poole, 1995). The most plausible answer is neither or combination of both. An organization is in fact a living organism composed primarily of people (processes, systems, and technology within the organization are also created by people). Since the richness of the human soul and its spiritual gifts are main drivers for happy and fulfilling life same should be true at the organizational level. Satisfied, inspired, appreciated and creative employees make up better organizations. It is therefore more critical than ever, to pursue a real self-knowledge, in order to reach the deeper truths of the soul, our talents, and creative forces within people.

Organizational Development field’s positive standpoint on development of thriving, ethical organizations has a tremendous potential in the reform of business management and crisis prevention. First, OD offers an objective perspective while bringing in a variety of OD tools that go beyond the teaching world. Second, the OD approach – because of its objectivity and behavioral sciences roots – can propose more holistic approach to healing the management approach to organizational performance and economic survival. For example, the creativity factor should be applied widely to this type of reform. According to Woodman (2008), creativity is a function of dialectical tensions experienced by the system. In order to relieve these tensions and establish equilibrium, organizations create. Apparently, this capacity to create, potentially a powerful lever of change – has been ignored (Woodman, 2008). OD has a great opportunity to follow this path by developing the theory stimulating the recognition of needed creative behaviors ethical and outcomes and true “out-of-the box” thinking. Finally, through its positivistic-optimistic approach to developing people in general, OD can help managers to refocus their thinking from survival to sustainability, from training to education, from managing to leading, and from motivating to inspiring. The managers should think about the future of their organizations by addressing the needs of people who make up the organizations. Especially in turbulent times, this type of thinking promotes the culture free of greed, corruption and disintegration of basic human values, and can be a propelling force for a major paradigm shift in order to prevent the global crisis or minimize the potential destructive impact of the current crisis.

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