NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS MANAGEMENT

ORGANISATION DEVELOPMENT – CBU 4210

FINAL EXAMINATION – APRIL 2014

TIME ALLOWED: 3 HOURS 30 MINUTES

INSTRUCTIONS TO CANDIDATES

Answer question **one** and any **three** questions from section B.

INFORMATION TO CANDIDATES

i) Question one carries **40** marks.

ii) Questions in section B carry **20** marks.

iii) Questions may be answered in any order

iv) Credit will be given for the use of appropriate examples.

v) This paper contains **seven** questions.

This examination paper contains (20) printed pages

SECTION A

QUESTION 1

Case study: Aster Group

Introduction

The Aster Group is a thriving group of companies providing homes and housing-related services in central Southern and South West England. The Group has assets of over £420 million, annual turnover of over £65 million and employs over 680 staff. The operating companies own and manage over 15,000 homes and provide services to over 40,000 people.

Aster Group is one of the Housing Corporation’s Lead Investors and provides development agency services to other organizations and the New Futures partnership of regional and specialist housing associations. Aster Group operating companies have a substantial degree of operational independence but work closely together to gain maximum benefit from their combined strength and resources.

Residents and other clients play a strong role in influencing the operation, and surveys show that Aster enjoys high rates of satisfaction with the services it delivers, with around 90 per cent of tenants saying that they are very or fairly satisfied with their landlord. The strong growth over the last three years was recognized in 2006 when Aster Group was given the ‘Beacon Company’ award by the South West Regional Development Agency. It is the first housing association, and one of just a few not-for-profit organizations, to have been given this award, which ‘brings together some of the South West’s most forward thinking and ambitious companies to promote success and spearhead the growth of the region’. This status is given to companies that can demonstrate outstanding achievement across a range of criteria. In Aster’s case the rapid growth and influence of the Group was a factor in its nomination. Other companies can turn to Beacon Companies for examples of leadership and business performance.

Housing Corporation Assessment for Aster Group

Viable

The Group meets the expectations set out in the Regulatory Code in terms of financial viability.

Properly governed

The governing body gives effective leadership and control, has a wide range of skills and experience and, supported by appropriate governance and executive arrangements, is improving its own performance and that of the organization.

Properly managed

The Group generally meets the standard expected given the context in which it works and the available resources.

Development

The association demonstrates a good performance by achieving or exceeding its annual targets, maintaining good progress against targets during the year and delivering quality housing that meets our standards.

History, culture, orientation

The Aster Group's history can be traced back over a decade when Sarsen Housing Association was born out of a housing stock transfer from the Local Authority. The Local Authority Director of Housing became the new Chief Executive and a board was set up comprising four tenants, three representatives from the Council and eight independent people from the business and community.

For five years the Association focused on delivering on its original promise of improving homes to modern standards whilst keeping rents stable. Sarsen was efficient and effective in its operation. As a result it was able to begin to generate revenue surpluses in 2004, three years earlier than envisaged in the original plan. Both the board and the management then realized that they needed to develop their strategy further.

The board and the Chief Executive quickly became more entrepreneurial and began to seek out opportunities for growth and development. So, for example, during 1997 they began new initiatives – 'care and repair' for elderly people, developing new homes outside their original base and putting their toe in the water of market renting being just three. This was evolutionary change but they were beginning to be more confident of their capabilities and began to ask the more strategic question of where they might go from here.

Aster was 110th in the league table of housing associations, with 5,000 housing units. A relatively medium-sized association, to be in the top 50 it would have to grow to 10,000 units. Sadly the Chief Executive died suddenly in November 2001, sending a shockwave through the organization. The new Chair, John Heffer, had been in place just a week. Appointing an interim Chief Executive from in-house Aster began to look for someone to lead it who was entrepreneurial, pacesetting, had a track record but who would work with its values and its staff.

One of those short-listed – Richard Kitson – wanted to know from his side whether Sarsen was ambitious, keen, prepared to take calculated risks and adventurous. A match had been made. Richard had experience within the public sector – leading and growing a local authority housing service, and within the housing association world – managing the fastest-growing region of a well respected national association with a long history of success, including managing large numbers of staff in an operation that was noted for its efficiency and its substantial development. He also had prior industry credibility as the President of the Chartered Institute of Housing.

Sarsen entered its second transition period as it moved further away from the local authority world, shedding a rather bureaucratic culture. One of the first tasks was to create a group structure to facilitate the growth that was the emerging strategic theme. One or two senior people left, of their own accord, and this provided the opportunity to recruit senior people with an ethos of not only delivering a stable high quality housing service but also those with an eye on proactivity, seizing development opportunities and the continuous improvement of existing services together with a move towards creating innovative new products and services.

The organization turned more outward, making connections, using its networks to get business, establishing a reputation with its stakeholders and attracting new blood into the organization. A formal new group structure was created in the autumn of 2003 and a new top team was formed with new teams underneath them. Silbury Group had been launched.

An important focus was to increase the capacity and capability across the organization. This required shifting the culture away from the traditional local government mindset. New members were recruited to the Group board, which became a blend of the old and the new, and a management development programme was launched for the top 30 managers. Individual managers and groups of staff were asked what the key organizational issues were and this in turn informed the design of the development programme.

A theme throughout this period was the relative stability of the board. There was a clear demarcation between executive management functions (the management team) and the governance (the board) and working relationships were always excellent. The board did change over time as the Group grew. It had to cope with governance issues over an ever increasing range of activities – hence one of the reasons to adopt a group structure, which enabled the different companies to be managed and have effective governance. And of course the board sought to get the requisite variety of people onto it with a mix of skills appropriate to the businesses being overseen. Interestingly the board was not committed to growth for growth's sake. In John's words, 'We are not bothered about being big but about being the best, and if growth can add to economies of scale and synergies then so much the better.'

Drivers for change

There were a number of internal and external drivers for change:

- the continuing shift away from a local authority culture to one of an autonomous not-for-profit business;
- the untimely death of the Chief Executive and consequential re-evaluation of strategy and need to appoint a new chief executive;
- the Housing Association world continuing to grow with the creation of organizations receiving the housing stock of local authorities, a particular feature of South East and South West England. This change was significantly increasing competition in the sector;
- a continuing housing crisis in the UK with house prices increasing dramatically year on year and not enough new homes being built to satisfy demand;
- migration of older people to the South and South West of the country looking to retire with affordable housing but also the necessary services for their population group; and
- a pivotal event was the Housing Corporation's decision to restrict the number of associations it did business with.

Rather than invest in over 350 separate organizations it decided to restrict itself to investing in around 70. Silbury had been 110th in the league so therefore needed to redouble its efforts to grow. A number of growth strategies were considered but two seemed to be paramount – the development team had been acquiring land and building new homes and was continuing to prove successful at that. But the board also began to think in terms of partnering, mergers or acquisition. They considered a number of associations informally but there were obvious reasons for not moving ahead – too different geographies, unaligned systems and processes and strategies, and different world views. However they became a preferred partner in their own right, scraping in at number 69 out of 71.

The Role of the Housing Corporation

The Housing Corporation is responsible for investing public money in housing associations which are registered with the Corporation (legally known as Registered Social Landlords) to provide homes that meet the needs set out in local and regional strategies and, through regulation, for protecting that investment and ensuring that it provides decent homes and services for residents… to encourage innovation and good practice and to promote improved performance.

The growth agenda had been set and they started actively to seek out potential partners. They already had links with one similar sized organization and both Chief Executives, Board Chairs and Vice-Chairs had a number of informal meetings to see if there was a match. All were keen on exploring each other's philosophies and the degree of compatibility. This wasn't just six people, it was who they represented. The informal meetings became formal and then there was widespread consultation with all stakeholders – especially tenants' representatives and staff. Testway – the other association – set 20 criteria for the selection of a merger partner.

The two Chief Executives realized they needed to acknowledge that there would be winners and losers from individuals' and different teams' perspectives. This led to some tricky but open discussions – 'let's think about this and come up with an acceptable formula'.

They also agreed that a group structure would work best with a continuing fair degree of autonomy for individual businesses. All key players were involved and those people most likely affected were engaged.

As the grouping became more and more likely the meetings of necessity became more formal, but from the inception of the idea staff in both organizations were given full updates and asked to contribute their views. Managers recognized the need to disseminate information and build confidence throughout the new Group. So, when in April 2005 the grouping happened it seemed that no one really noticed – it was effected with the minimal degree of disruption. The Aster Group had taken off.

Following the successful grouping the board were becoming more and more comfortable with the decisions of the Chief Executive and fully supported him when, for example, he formed a working partnership with a black and minority ethnic housing association in an urban area – away from Aster's heartland. He also pushed for becoming one of the four strategic partners in an important sub-regional configuration of urban local authorities. Aster was bidding against national and established competition but was short-listed and successful, being described as coming with 'A fresh approach and a good team'. Currently it is a major player in the region and another housing association has since joined the Group.

Leadership

Although the previous Chief Executive had led the Association out of local authority control to being a stable housing association in its own right, he had done this with a rather autocratic management style. Richard Kitson was determined to move the organization away from that. A rather coercive style – useful in some situations – can lead to a risk-averse culture and create dependency upon its leader. Creativity and innovation can also be stifled. There were elements of all of these in the previous culture.

Richard managed this transition carefully. On the one hand he relied on voices from outside to feed back to staff and managers inside what sort of leader he was; and on the other hand he engaged in regular and open conversations with staff and all managers. Naturally they were apprehensive at first but, through staff briefings, conferences, small group and individual discussions, they saw that here was a man they could trust and follow, and who was open to ways in which they could contribute to the future.

His initial style can be described as pace setting – knowing where he wants to go, having the intellectual firepower to argue his corner, encouraging people around him to participate in creating the future, leading from the front and by example and taking people with him. What was interesting was how the culture as a result shifted from one of, ‘We don’t normally do this’ or, ‘I’m not sure we can do that’ to one of, ‘Let’s try’ and, ‘I think we can win this contract.’

In the longer term Richard is aware that he needs to spread the leadership across the senior management more and down into the organization. His challenge is to sustain the success by becoming a leader who is primarily a facilitator or enabler and also to continue to build the leadership capacity throughout all parts of the Group. The relationship between CEO and Chairman has been a critical success factor. They share similar viewpoints and both operate on the basis of no surprises for each other. Once convinced of the other’s arguments they are both willing to promote the arguments. The board seeks to challenge and test the ideas and suggestion from the management team and once satisfied that the thinking has been rigorous enough they tend to be happy for the managers to proceed. The Aster Board mirrors the Aster GMT in that they are focused on longer term strategic issues rather than this year’s bottom line. And as such the operating businesses have considerable autonomy in terms of day-to-day operations.

No shotgun wedding

Testway had a somewhat different route to the grouping. John Spens as Chief Executive had steered the association out of local authority control just four years before, delivery of a premier housing service to its tenants being a primary aim.

For Testway the first three years after the housing stock transfer was one of finding its feet, establishing its reputation and credibility and also, in a sense, discovering its new identity. By the spring of 2003 there was some pressure for change – managers and board members were beginning to ask what was next in the strategic picture. They recognized their vulnerability due to their size. The initial impetus of the transfer had made them fully aware that they hadn’t transferred out of local authority control just to stand still. They spent some time with an external adviser working out strategic options for the future. Their deliberations started by taking a long hard look at their internal capabilities and assessing the current and future market and external environment.

Through a combination of an ongoing working party and a series of board away days they developed the following options:

1. Stay as we are.
2. Stay as we are plus increased development activity.
3. Stay as we are plus increased development activity plus acquiring other local authority stock.
4. Growth through merger.

They concluded that if they could find the right partner then the fourth option was the best.

It was at this time that the Housing Corporation announced its intention to limit the number of its strategic partners (external driver) and also, following a number of performance issues, it was decided to replace its development team (internal driver). Informal links were made with the neighbouring Silbury, which offered help resourcing the development function. Continuing in that vein of cooperation, the two Chief Executives started to seriously discuss the possibility of closer working between the two associations.

The grouping criteria were agreed and both parties looked at whether there was indeed a match. The other partner needed to be:

- of equal size (and equal partners);
- an active developer;
- high performing:
    - upper quartile
    - meeting Housing Corporation Key Performance Indicators

   - low rent arrears
   - efficient turn around of vacant properties
   - good repairs record
   - good rent collection;
- reputable (e.g. with the Housing Corporation);
- with a geography that would be different enough to avoid overlap but close enough to produce synergies;
- financially strong;
- with a natural synergy when it came to attributes such as stability, being a charity and having similar values.

The Testway board went through a rigorous process of analysis and assessment of the 35 or so associations within the distance specified and filtered them down to 10. A series of meetings and further appraisal reduced the possibilities down to just three or four. However, there was one clear front runner. The board were already witnessing the two CEOs working well together and trusting one another and they recognized that there was most likely a good cultural fit.

Staff and tenants were kept updated with open communication and consulted about all of the options. The grouping proposal went through the usual due diligence processes – assessing the financial, cultural, commercial and legal risks; the two Annual General Meetings; and a number of board meetings. The difficult issues were put on top of the table (not under the table!) and discussed, with a clear challenge on the tricky issues – 'What's best for the business?' The grouping was ratified. As a symbol of the beginning of the new organization and to demonstrate that it was a merger of equals a new name was given and Aster was born.

The transition period – one year on

Aster Group is now beyond the honeymoon period. At a high level there was a cultural fit – and indeed the set of espoused values are very much values in practice – but the devil will always be in the detail and differences have emerged. This is not surprising, given the somewhat different backgrounds, some different attitudes and different sets of competencies. So a period of learning how to live together was experienced. But, continuing the wedding metaphor, they decided against an exit clause or pre-nuptial agreement.

The glue in the first few months was the two Chief Executives (or rather the new Chief Executive and his Deputy Chief Executive). They kept the dialogue going as and when differences or issues emerged.

Aster’s vision of ‘passion for excellence, pride in performance’ is encapsulated in its mission to be a leading provider of high quality affordable homes and services and to help create thriving and successful communities. Its business objectives for 2006–2009 are:

1. Achieving excellent customer and community focused services.
2. Delivering more new homes.
3. Strengthening the foundations.
4. Maintaining robust businesses.
5. Developing our people.

The Group has adopted a set of values that underpins how it operates. These are to be customer responsive, honest, open and true to their word and fair to all. Within this there is a strong emphasis in involving and responding to the needs of customers.

On a detail level the cultures, although similar, had different emphases. There were many more similarities than differences, but where there were differences they needed to be identified and discussed and worked through to reach a common understanding and an appropriate way of working together. There were good and bad aspects to each of the cultures, but there was enough openness for people to say, ‘Hang on a minute, let’s talk about this’.

Also there was a difference in life stage – one had been autonomous for almost a decade, the other until quite recently had still been wrestling control away from the local authority (which found it hard to relinquish control).

A number of binding and bonding interventions have helped the different companies operate alongside each other, managing the ‘what’s tight – what’s loose’ tension between each other and the centre. An expanded management development programme has brought the senior managers together on a number of occasions and there are clear signs that a new Aster culture is emerging.

Many staff – often the managers – have embraced the change wholeheartedly and have been focused on making things happen by just doing it. Others further away from the decision-making process felt it was more like the proverbial emotional roller-coaster. The pace of change was such that on an emotional level there were a lot of feelings to deal with and on a task level there were quite a number of things that needed doing or clarifying. Whenever a new structure is implemented there are always issues around the difficulties of managing and control – where are decisions made, where the power and authority lie, who has clarity about roles and responsibilities.

What helped people during this time was the development and communication of a clear strategy, the reflection back of a core set of values that were role-modelled by senior mangers, a sequence of staff briefings and cascades and the establishment of an annual staff conference to celebrate success, involve and engage staff in the future direction and test out ideas. It seems that there has been no period of consolidation – the Group grows, other partners seek to join and change continues at a similar fast pace.

Project management

Both the technical and psychological aspects of the project management of the grouping process were conducted with openness and no hidden agendas. A key question all parties returned to when there were difficult decisions to be made was, ‘What’s good for the business?’ Staff were asked for their views and ideas about what form the partnering should take.

An external project manager was appointed who had the sponsorship of the two Chief Executives. The project manager was called in from outside for a number of reasons:

- the project seemed too big for anyone to take ownership of and do their business as usual as well;
- they wanted an experienced credible project manager for such a high-profile initiative; and
- both associations welcomed an objective third party.

The project itself was run along effective best practice project management guidelines with a detailed plan of activities, all tasks having a responsible person owning it and clear reporting procedures. A key wish was for there to be limited staff upheaval, certainly no redundancies, and indeed with the growth agenda, promotion of cross-organization staff opportunities.

Terms and conditions differed in the different parts of the Group and whilst some integration has taken place many of the differences are actually down to the varied levels of maturity and development of the businesses and the fact that the same set of policies and procedures wouldn’t necessarily fit across the whole. There no doubt will be convergence over time if appropriate. Part of the process is defining what is tight and what is loose – movement towards one integrated IT system makes sense; a coordinating HR function with semi-autonomous units in the businesses might also evolve. Financial control systems and diversity and equality policies emanate out of the centre – but financial management is left with individual businesses. A central tenet is to give as much autonomy as possible to individual businesses provided they perform against business plan and budget. Where there is scope for efficiencies and synergies, grab them.

Organisational development

During the initial period of change prior to the grouping, external consultants were brought in to help Silbury manage organizational change. As part of the mobilization process all managers and a cross-section of all staff were invited to give feedback as to how they saw the organization, what the key issues were and what some of the solutions might be. The following were the main themes to emerge from the discussion groups and interviews with managers.

Developing common purpose, values and shared understanding of objectives

Some managers and staff were very clear about what the Group's vision and values were. Others were not so sure. People needed more clarity about what the new organization would look and feel like in the future.

Developing a shared understanding of what sort of organization we need to build for the future

People saw the need to further develop the vision and values for the organization through greater communication and engagement, both vertically and across the organization.

Managing for growth

Balancing the drive for growth whilst maintaining and improving the level of current service emerged as quite a creative tension. Ways had to be found to increase management capacity and capability.

Balancing between managing and leading

Managers needed to shift the balance from managing the increasing complexity of the Group (planning, organizing, controlling and problem solving) to demonstrating leadership and strategic thought (through setting a direction, aligning people, motivating and inspiring).

Where do we need to innovate as managers/management team?

More creative and innovative ways of doing things were needed to get to grips with the challenges. That included creating an environment where some risk taking was more acceptable and mistakes were inevitable but could be learnt from.

Individual and collective energy

Managers needed to be able to match their efficiency (doing things right) with their effectiveness (doing the right things). As roles, responsibilities and structures change the challenge on an organizational level seemed to be, ‘Where should managers’ time best be deployed and how much can they empower their staff?’

Personal responsibility

Managers acknowledged the shifting culture and are generally and genuinely signed up to developing it and taking their part in shaping it. However, it might be difficult to step fully into the new role of manager and leader and even more difficult to develop staff to play their part.

Developing management and leadership capacity and capability

A series of workshops were designed to address these issues:

- to help managers share knowledge and understanding across the whole Group;
- to develop skills to better manage change;
- for managers to understand their management style and the impact it has on others; and
- to address the important and pressing issues arising from a dynamic and changing organization.

In addition three working groups were set up to:

- develop practical ways in which people will ‘buy-in’, own and act out the values;
- develop ways for managers to keep their ‘finger on the pulse’ – know the key issues

emerging for staff and the organization to take action on; and

- generate ideas as to how people can take on responsibility and grasp opportunities.

Managers and staff were involved, in a variety of ways, with developing the ongoing agenda for change. In addition to the workshops there were staff briefings, staff discussion groups and a staff conference (which now continues annually) where the forward agenda was communicated, ideas generated, and potential obstacles highlighted and worked on collaboratively. A key component of the grouping was the bringing together of all the managers from both organizations. They spent time together over two days addressing the following challenges:

- meeting and getting to know one another's organizations and ways of working;
- developing a shared view of Aster's strategic opportunities;
- identifying some of the practical synergies for individuals and constituent businesses; and
- agreeing key lines of ongoing organizational development.

As a result of the workshop three working parties were set up, initially with managers from across the Group and then involving staff. The key themes to be addressed were:

Direction – guided by Aster's vision and values and taking account of the strengths and weaknesses of the Group, where would you want Aster to be in five years' time?

Improvement – examine current service improvement practices to confirm, a) whether they are appropriate for Aster Group and, b) how they can better engage and be made more meaningful to staff and customers.

People – taking account of the staff surveys across Testway and former Silbury Group, examine and made recommendations of what we need to do to make the Aster Group a better place to work.

At the time of writing a further housing association has joined and once again managers and staff have been enfolded into the Group. Roles and responsibilities, synergies and business opportunities were all discussed openly and frankly. Whilst still embedding the previous grouping, Mendip Housing Association approached Aster as it was desperately seeking a partner. It needed support, protection, guidance and advice. Aster GMT recognized the resource implication and recruited a dedicated person to deal with these aspects of the Group's development. The joining criteria were different for Mendip. Whereas Testway had a reputation for award-winning community development and Silbury had a reputation for development, Mendip had expertise in care and support and the elderly. The process was the same as for Testway/Silbury but was concertinaed into a much shorter timeframe.

A key creation has been the concept of the Aster Group Manager – someone who not only exhibits good management and leadership within his or her own area of the business but who has rights and responsibilities across the Group both at an operational level (for example, spotting and sharing best practice, efficiencies and economies of scale) and a strategic level (for example, shaping and responding to the external environment and key partners, contributing to leadership thinking and development of strategy across the whole organization).

The challenge for the Aster Group going forward is how to maintain momentum in its growth strategy whilst embedding the changes that have already been made; and how to manage change fast enough for the senior management but at the right pace for staff to continue to perform effectively and provide an excellent service to their customers. Of course, since Aster is now the largest in the South West the relationship with the Housing Corporation has changed from one where it was needing to seek attention and probably had very limited influence, to one where it plays an important part in the Corporation's plans and as such could always pose a risk if it doesn't perform. Aster very much sees itself as a true partner with the Corporation – the challenges now being to continue the growth strategy, staying on the preferred list of partners and having to make year-on-year efficiency savings as laid down by the regulatory authorities.

Source: Housing Corporation's Assessment, June 2006.

Required:

(a) Critique the interventions that were used in the case. **[10 marks]**

(b) What assumptions have been made about employees as individuals, in groups and in systems in this change effort? **[10 marks]**

(c) What advice would you offer to senior management to sustain the change effort? **[10 marks]**

(d) Which subsystems have been targeted for this change effort and why? **[5 marks]**

(e) Which subsystem(s) would you have used as an entry point and why? **[5 marks]**

SECTION B

QUESTION 2

Organisation Development is a unique change programme in many respects. Evaluate this statement. **[20 marks]**

QUESTION 3

'Organizations are open systems in active exchange with their environment.' Discuss.

[20 marks]

QUESTION 4

Elaborate on the 'values and assumptions about people in groups' of organisation development perspective. **[20 marks]**

QUESTION 5

Map out a chronological model of the organisation development process, highlighting the activities involved in each stage. **[20 marks]**

QUESTION 6

‘There is no one best consulting role for an organisation development facilitator.’ To what extent do you agree or disagree with this accession. **[20 marks]**

QUESTION 7

‘Bell suggests that organisation development is certainly more than a passing fad, and will be around for a long time.’ Discuss. **[20 marks]**

END OF EXAMINATION PAPER