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Using the four HRD stages for organisational renewal

The four HRD stages

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Abstract Purpose of this paper: *Strategic change management teams are commonplace in contemporary organisations, but rarely are they strategic in their focus, processes or outcomes. Rather strategic change management teams have come to represent a new sort of management problem because they often tend to perpetuate poor management rather than strategic management. The purpose of this paper is to reinforce the importance of innovative, entrepreneurial and strategic practices in leading and managing organisational renewal.* Design/methodology/approach: *The author has developed a theoretical change management approach which draws on the four stages of human resource development. This process is applied to suit the unique conditions of Weston Transnational – a hypothetical organisation suffering from the early effects of poor strategic management.* Findings: *The proposed strategy comprises four stages of human resource development: investigation, design, implementation, and evaluation. These stages are overlaid by careful consideration of the critical ideas of inclusion, learning and change that are integral to the successful leadership of new initiatives.* Originality/value: *The framework appeals as having potential for wider applicability to many types of organisations operating in a variety of different contexts.*

In order for people to make decisions on their own, whether it is a work team or an individual, they need to have a framework for making that decision – providing that framework is the role of leadership. Leaders set out the vision and values and what their objectives are. They make sure everyone's aligned. Communication is not something a leader does when [they have] time; it's the very essence of leadership – Owens Corning.

Introduction

A plethora of change initiatives abound in the corporate sector and elsewhere. These initiatives, far from providing organisations with the entrepreneurial spirit necessary to drive change, often serve only to frustrate workers and satisfy the pockets of "change management" consultants. While several authors link organisational change with organisational learning, there is little case study evidence that explicitly links organisational learning and change with an overarching strategy of entrepreneurial action at all levels in the organisation. It is argued that building an entrepreneurial culture, in which members are central to decision making and action-taking, is of critical importance to effective workplace learning, problem-solving and achievement of organisational goals.

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This paper synthesises the organisational learning and culture literature to further develop the notion of an entrepreneurial culture. Further, it draws on the hypothetical case of “Weston Transnational” (WT) to demonstrate how an entrepreneurial culture can be developed that consider notions of inclusion, learning and change. This is achieved by developing a *change management strategy* to suit the unique needs of the company, so that it can initiate strategic change and respond quickly to changing circumstances in internal and external environments in ways that satisfy staff and clients.

Organisational culture

Culture, historically the realm of ethnographic and anthropological endeavour, is a term imbued with many layers of meaning. Research into culture has progressed beyond simplistic descriptions of the “workplace climate” toward a more holistic appreciation of the shared assumptions of organisational life adopted and adhered to by individual participants (Hunt, 1991; Schein, 2000; Schlechty, 1997). Culture is in perpetual flux because it is constantly evolving; shared values are built on over time to create a set of basic assumptions about “the way things are done” in the workplace (DeLuca, 1999; Schein, 1999).

Culture can refer to ephemera, behavioural patterns, espoused values, group norms, social mores and the general climate of workplaces, to list a few examples (Schein, 2000). Schlechty (1997) argues that culture “embodies what has been learned from others” (Schlechty, 1997, p. 41), while Schneider and Rentsch (Hunt, 1991) consider culture “as the values and norms underlying [...] routines and rewards” (Schlechty, 1997, p. 229). However, such definitions fail to account for the complexities of culture in contemporary organisations. Stacey’s (2000) definition that organisational culture is “that set of beliefs, customs, practices and way of thinking that [people] have come to share with each other through being and working together” (Stacey, 2000, p. 48), is reasonably consistent with this paper’s treatment of culture. From this perspective, superficial observations of culture within organisations begin to reveal more entrenched philosophies and values if analysed carefully (Schein, 1992).

The hardest aspect of culture to decipher, particularly for organisational “outsiders”, are underlying assumptions – those taken-for-granted beliefs and perceptions which are the “ultimate source of values and actions” (Schein, 1999, p. 16). Following Schein’s (1999) line of argument, organisational leaders tend to hire, support and retain people who subscribe to the organisation’s values. As time passes, and as individuals are persuaded to espouse the organisation’s goals and philosophies, such beliefs develop into shared perceptions. These basic, tacit assumptions reveal the deepest aspect of an organisational culture; how people think and feel about things and the way in which these perceptions shape group behaviours. Failing to understand the complexities of culture can cause ignorance about the circumstances which transform cultures, aside from the transformative behaviours of members acting as leaders. An appreciation of culture is important when attempting change, because disregarding colleagues’ core values and principles can be an impediment to success.

Organisational learning

The 1990s saw a flourish in organisational learning and management literature from many disciplines, and theorists began to adopt a systems perspective to describe the

complex interactions they saw between internal and external influences on knowledge creation and dissemination (Delahaye, 2000, p. 395). Senge (1990) is credited with popularising the term “learning organisation”, which is characterised by personal mastery, shared mental models, shared vision, team learning and systems thinking. Senge argues that people at all levels of an organisation “continually build and share knowledge” and effective leaders have to learn and lead with their “head, heart, and hand” (Drucker *et al.*, 1997, p. 32). He merges disparate theories about learning with leadership theory; a new paradigm surfaces that views leaders as lifelong learners charged with spreading and fostering commitment to new ideas and practices within an organisation.

Supporting this view, Rowley’s (2000) analysis of the learning dynamics within organisations reveals that workers are the source of knowledge and, although many organisations attend to the individual training and development needs of personnel, the revelation that organisations learn as a whole is a new phenomenon. The challenge for organisations seeking to become learning organisations is to facilitate learning and knowledge dissemination across all its facets. This enables members to adapt quickly to the external environment in such a way as to transform the organisation and its context (Pedler *et al.*, 1997). It is suggested that fostering an entrepreneurial culture in which workers act as both leaders and decision-makers takes full advantage of the organisational learning that takes place when clients and enterprise interface.

Toward a culture of entrepreneurship

Building an organisational culture that embraces entrepreneurship as an ideology poses a significant challenge to traditional management practices. For instance, it requires that staff be empowered to make decisions that affect their own job roles, and that staff learn from their daily interactions with clients and other stakeholders and share this knowledge with the company. The point that frontline workers engage constantly with the external environment through client and stakeholder interaction reveals that each staff member possesses a wealth of knowledge about how the organisation is perceived by outsiders.

An entrepreneurial culture offers workers an opportunity to take calculated risks and to lead innovation through ideas that further the organisation’s vision. It is for this reason that “visioning” has become a strategic management practice in many post-corporate organisations. Limerick *et al.* (2002) see visioning as “a mental image of how people and resources can be combined to satisfy some form of human need” (Limerick, 2002, p. 159). A company’s vision makes explicit its future direction, and it can have the effect of energising employees to communicate, participate and commit to new forms of entrepreneurial action. To do this, however, requires workers to be freed from established hierarchies and competitive workplace cultures to build networks and alliances inside and outside the company that strengthen its potential to grow and to seize opportunities as they arise. For example, entrepreneurs take full advantage of informal networks – not only to generate business for their company, but also to enhance relations and cultivate influence. Doing this is politically savvy; it guarantees that time and effort invested in creating substantial business partners and business networks pays off.

In summary, an entrepreneurial culture can be defined as one in which workers are empowered to build alliances, make decisions, share learnings and take risks to further the organisation's vision.

Setting the scene: WT

WT – a hypothetical company – is a large, international consulting firm. It has an annual turnover of \$35 million; has a core pool of 40 senior consultants with 100 ancillary staff; its client base spans Australia, Canada, New Zealand, Germany and the USA, and it has headquarters in each country's capital. WT is governed by a board of directors, and each head office has a strategic management team consisting of three senior partners, a chief financial officer (CFO) and a human resources director (HRD).

Until now, the general staff have had little input into the decisions made by the strategic team; consultants rely on their ability to influence senior partners before major decisions are taken. A quick examination of the artefacts in WT's Sydney office gives the impression that the firm is performing well financially; plush carpets, expensive artwork, marble floors and silver-coloured décor add an element of lavish luxury for visiting clients. Partners wear suits, consultants work in shirt-and-tie, and office staff dress in smart casual attire. However, a deeper examination of the organisation's culture is revealed by keenly observing staff interactions. Partners smile and greet their professional colleagues warmly, but there is little interaction with office staff from either partners or consultants. The Australian HRD's annual report for the previous fiscal year acknowledged the perception among ancillary staff that they were being ignored by the strategic management team, and that this could not be reconciled with the fact that office staff (and especially account managers) were constantly dealing with clients. The American HRD also noted that instigating new initiatives at WT was a difficult exercise because of the discord between the strategic decisions determined by senior partners and the resistance to change that emanated from the office. The board of directors, responsible for the international operations of the enterprise, subsequently recommended that a *change management strategy* be developed that would specifically involve all staff as leaders and decision-makers when new initiatives are developed, trialled and institutionalised across all facets of the company.

Managing change is one the key issue faced by contemporary organisations; it is a complex process of balancing agendas, finding pragmatic solutions to problems and building an alliance of support for new initiatives. An overarching change management strategy that focuses on *process* in instigating change over personalities is the preferred approach for WT. First, it will deliver a framework for continuous change management and, second, it will go some way ensuring that innovative ideas are seized quickly and acted on.

The four stages of human resource development

The four stages of human resource development will be used to determine the best change management strategy for WT. According to Delahaye (2000, p. 15), these four stages are *investigation*, *design*, *implementation* and *evaluation*, and each stage has its own methods of inquiry. For the purposes of this paper, the investigation stage will propose some objectives or parameters for a change management strategy; the design stage will develop the strategy for WT; the implementation stage will indicate how the

strategy will be institutionalised as a workplace practice; the evaluation stage will pose questions that could be used by the company to appraise the effectiveness of the strategy.

The investigation stage

Stone (2002) argues that the need for change in a company becomes apparent when a gap emerges between the organisation's performance and its desired performance level or future state. Determining where such gaps exist is the role of the investigation stage, which normally includes a needs analysis to identify what strategies or interventions will deliver for the organisation. The earlier description of WT provides evidence of a number of necessary requirements for its change management strategy; namely:

- that clear processes exist;
- that the process is inclusive of all staff;
- that consideration is given to the organisational culture and to the people involved in leading change;
- that suggestions and ideas need to be acted on and carried through; and
- that accountability needs to be reconciled with risk-taking in a climate where innovation and responding to change has become a priority.

These requirements can also be regarded as objectives necessary for designing and implementing an organisational change or innovation.

The design stage

Three broad approaches. Dunphy (1981) details three broad categories that frame change management approaches: *change by edict*, *change by adaptation to technology* and *change by improving human relations*. The first category, change by edict, is characterised by an enforced change directed by an authoritative entity, such as board of directors or a new policy. Such changes can be radical and usually occur as the result of an organisation having to respond to their environment to survive. The second category refers to the way in which organisations are compelled to respond to ubiquitous information and communications technologies – and the greater the change in technology, the greater the impact on human relations. The third category places emphasis on good interpersonal relationships. Using these three categories, WT is presented with three broad approaches for its change management strategy.

The first approach emphasises efficiency, speed and action. The decision represents a change from “on-high” as the board of directors have linked change to policies and guidelines. The second strategy highlights open lines of communication as the key to successfully implementing change as well as embracing the idea of consultation and discussion with employees. Conversely, the third approach is typical of a “bottom-up” strategy that encourages staff to put forward their ideas and learnings in an inter-office staff team which cuts across the office hierarchy. It also provides considerable opportunities for dealing with staff resistance before serious issues arise. What is interesting to note about the third approach is that it is framed in much the same way as a mission statement or organisational goal. This is a deliberate device which will allow WT to formulate a strategic vision for its enterprise.

The WT board had a very specific concept of how change would be handled; specifically, the board called on all staff to be “leaders and decision-makers when new initiatives are developed, trialled and institutionalised across all facets of the company”. The third approach to change management outlined in Table I – improving human relations – satisfies the board’s desire to be inclusive of all staff, and to rely on their ability to suggest new initiatives and to own the process of implementing them.

This approach has four themes: opening lines of communication; sharing learnings; devolving decision-making; and seeking out good ideas and new initiatives from staff. A change management strategy designed around these themes would include a variety of structural elements to enhance inter-office communication, and it could quite possibly involve information and communications technologies.

Details of the plan. At the beginning of the new fiscal year, the Australian staff have an annual “PD day” where they are given time off from their usual work to undertake personal and interpersonal professional development. One of the large sessions attended by all staff provided an opportunity for WT employees to put forward their own ideas about changing leadership and management practices in the company. What emerged from this facilitated, open discussion were ideas that staff considered essential to a successful change management strategy for WT.

These ideas (Table II) were taken on board by management when they formulated an overarching change management strategy for WT Australia. Similar collaborative processes were undertaken in the other WT offices, and each office produced its own set of management practices. What was significant about all of the plans were staff teams and flatter hierarchies, frontline leadership and open communication forums so that staff could share problems of mutual interest.

Critics would suggest that devolving decision-making about management issues to general staff displaces the role of leadership from the top, and that consensual decision-making is a slow and tedious process. The answer to them is that a bottom-up strategy creates a situation in which staff not only have a greater influence over their daily work and broader work strategy, but also have a greater claim in the successful management of the company in which they become key players. The stakes are high for self-managing teams when they are directly accountable for their decisions and

Change by edict	Adapting to technologies	Improving human relations
The board resolves – that new initiatives are made explicit in a policy directive, and strategic management teams are charged with responsibility for communicating the essential features of the change, fostering commitment to new practices or ideas, and for ensuring compliance with the new initiative	The strategic management team will endeavour to focus on opening lines of communication with staff to ensure that new initiatives have been subjected to an appropriate amount of staff consultation and input. The company’s intranet will be utilised better for this open communication, and staff will be encouraged to contribute to online ideas forums and bulletin boards	Because staff have a wealth of knowledge about our clients and our business, WT’s management is committed to opening lines of communication, sharing our learnings, devolving decision making and seeking out good ideas from our people that will further develop our company as a market leader in consultancy. Inter-office staff teams will be a feature of our strategy to lead change initiatives and spin-offs

Table I.
Three approaches to change

Source: After Dunphy, 1981

Inclusion practices	<p>Each WT office should have two staff teams, each replacing the strategic management team that existed previously. In effect, this will flatten the organisational hierarchy and counter bureaucratisation</p> <p>One staff team could focus on improving service provision to clients, while the other team could focus on building the company's business using outreach practices (such as networking, corporate sponsorship, philanthropy, marketing, etc.)</p> <p>Each week all staff will be encouraged to share an hour-long lunch break at a designated place. This will be an opportunity for informal discussions and group planning over lunch among office staff and consultants in a collaborative way</p>
Learning practices	<p>Teams should meet regularly during the week. At the end of the week, staff will determine their priorities for action for the following week. Staff should be encouraged to reflect on their performance during the previous week in a no-blame climate of encouragement and trust</p> <p>Whole-of-staff meetings may be called to discuss issues of importance to both teams. Staff teams, however, will be encouraged to network with one another to open lines of communication and to solve problems</p>
Change practices	<p>Teams would need to be given the freedom to develop their own agendas and practices, and this could involve developing a charter towards which teams can direct their efforts</p> <p>Individual staff members are to be encouraged to develop their own initiatives and ideas, and to present these to their team for approval by consensus</p>

Table II.
Suggested changes to management to facilitate inclusion, learning and change

actions; they have to model the message to ensure that they build and retain management's trust. Because people are WT's greatest asset, consensual decision-making ensures that work issues are subjected to human-oriented evaluation and are given just consideration as to how they may best work (or work against) each team members' ability to ensure that the organisation develops. It provides adequate opportunity for frontline workers to lead.

The implementation stage

WT's staffs are generally wary and sceptical of change, and it is for this reason that careful thought must be a precursor to any framework for implementing a new practice or innovation. The effectiveness of organisational change depends on how employees perceive the innovation, and aligning the initiative for positive perceptions involves time to garner support. According to Fullan (Brady and Kennedy, 1999, p. 223) there are four main criteria that employees use to assess an initiative:

- (1) Does the change address a need and will it work?
- (2) Does the change make clear what individuals will actually do?
- (3) Will the change affect the individual in terms of time, excitement and competence, and challenge to existing priorities?
- (4) Will the change produce rewards reinteraction with peers or others?

Taking full account of Fullan's ideas, improving human relations at WT as a way of managing change:

- addresses the need for a coherent approach to instigating, leading and managing new initiatives;
- provides a team structure for perceived problems or hurdles to be dealt with; and



- allows staff greater interaction across a flatter hierarchy in a manner that fosters devolution and collaborative individualism (Limerick *et al.*, 2002).

And, when considering a new initiative that requires change:

- that staff have input as to how the trial initiative is implemented;
- that a period of trialling the initiative be undertaken so that staff can (literally) *see* the new initiative at work, making explicit to observers those specific changes to their work;
- that a strong case supporting the initiative is made, enunciating qualitative examples of how employees benefited from enhanced interaction with colleagues and improved performance; and
- that the initiative improves collegial relations in a non-threatening way through the use of non-coercive management strategies, directed by the team, such as collaborative decision-making and approval by consensus.

WT also saw the opportunity to use the third approach to change management articulated in Table I to develop a vision statement for its business. After a period of discussion and feedback, consensus was reached about an organisational vision statement – “Building outreach, sharing ideas, taking action”. It was thought that this vision encapsulated the idea of a cyclical process that began with entrepreneurial activity, involved organisational learning and ended with a plan of action. Not only does this fit neatly with WT’s change management strategy, but it also mirrors the organisation’s desired performance and provides a platform from which to motivate staff.

The evaluation stage

The final stage of human resource development involves evaluation. In terms of evaluating the proposed change management strategy for WT that focuses on improving human relations and developing a more entrepreneurial culture, a number of questions have been formulated to assess the effectiveness of new initiatives as they are implemented at WT.

Disappointment regarding the failure of new initiatives can be avoided by working through the questions:

- (1) Does the initiative align with WT’s goals? What modifications would need to be made to the initiative so that it does?
- (2) Was the change process consultative?
- (3) Were the appropriate staff involved, and were the appropriate staff teams included in decision-making?
- (4) Is the initiative working? For whom is it working/not working?
- (5) Did the change occur too quickly? Is more time needed?

This is *before* any change is undertaken, ensuring all avenues for its successful implementation are explored thoroughly. The last question in the series alludes to the quickening pace of change in organisations generally, and it is quite often the case that new initiatives are hurried without careful consideration of how particular organisational cultures might be impacted by the change. Carefully planning change



to avoid failure, and having realistic expectations, can prevent a tangible excess of pressure to produce success too quickly.

The questions above draw on theories of organisational learning that stress goal-setting and reflection. The questions can be viewed as a *process* in their own right, and, as such, they provide a valuable opportunity for staff teams to reflect on their experiences individually, and as a whole team, and to share their learnings as they experience change initiatives.

Further, it would be ideal to conduct a proper evaluation of the programme using Kirkpatrick's model of evaluation for human resource development after any change initiative is implemented and institutionalised at WT (Delahaye, 2000, p. 351). This would provide a quantitative and qualitative means for evaluating the reaction of staff to the change, the learning that took place throughout the process of implementation, the changes in behaviour of staff, and the impact of the change on the organisation as a whole.

Summary and concluding comments

This paper has outlined a change management strategy that, it is argued, could act as an overarching framework for developing human resource potential among staff. To illustrate its potential, it has been applied to the hypothetical organisation, WT.

The proposed strategy comprises of four stages of human resource development identified by Delahaye (2000) – *investigation, design, implementation and evaluation*. These stages are overlaid by careful consideration of the critical ideas of inclusion, learning and change that are seen as integral to the successful leadership of new initiatives. What sets the strategy apart from many others promulgated as solutions to organisation renewal is its fundamental focus on both learning and entrepreneurship. That is, the strategy is not just about moving to a different positioning, but rather it is one that genuinely sees change as an opportunity for strategic organisational growth, driven by the notion of learning as a prime element of, and goal in, the change process. The entrepreneurship focus acknowledges the often stated, yet frequently unrealised catch-cry that people are an organisation's most valuable resource. It does this by genuinely valuing and drawing on the knowledge and insights held by the workers in the organisation. In essence, it is about connectivity – a term borrowed from the communications industry – between key personnel within the organisation and between these people and the organisation's external clients.

Taking the notions of learning and entrepreneurship seriously requires real engagement of staff in the change process, such that the related ideas of collaboration, commitment and open communication become change management values or principals, not simply rhetoric. Importantly, the key evaluation questions identified above provide an opportunity for, and a means by which, critical reflection can take place on how well the change management strategy is evolving, not only in a summative end-on sense but also a formative ongoing one.

Certainly, as applied to the hypothetical organisation WT, the framework appeals as having potential for wider applicability to many types of organisations operating in a variety of different contexts. From a research perspective, examination of the framework as it might be applied in a real organisation that fosters and values entrepreneurship would give researchers an opportunity to assess staff interactions and work performance under a new set of conditions. At the least, discussion about the

framework should facilitate a different discourse about improving human relations – as well as developing opportunities for frontline workers to lead – for the benefit and betterment of organisations of all types and operating in a variety of contexts.

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