Introduction

Organisational Development (OD) is a term that has somewhat fallen out of favour with current thinking in management. There are several reasons for this. The first is that as often practised, OD came to be seen as synonymous with a certain orientation towards people and feelings that left little room for discussion of "hard" business concerns. In other words, some OD practitioners focused on the individual and their concerns and assumed that this would automatically lead to changes in the organisation.

Other reasons for the downplaying of OD were the recognition of the complexities of what real OD involved with the need for a totally integrated approach to all the facets of organisational development. An integrated approach needs to involve senior managers, those with the real power to change things in the organisation, and frequently this did not happen. Senior Managers saw that they were being asked to give their power to the OD practitioners and adopt OD values that were not necessarily congruent with their own perceived patterns of looking at the world. Thus much OD overlooked the realities of power and politics. Finally, as already mentioned, the links with real business issues - summed up by business strategy - were usually missing.

So why look at strategy and its links with OD at this time? There are now some concepts which have entered managerial thinking over the last decade. These form a bridge between OD and strategy. The key concept is that of "culture". This we will return to later. Much of the pioneering work in terms of raising awareness was done by Peters and Waterman (1983). The impact of the Japanese managerial style and the debates and discussions about their business success in the light of their Organisational cultures have also brought out much thought on strategy and links to culture (and hence to OD). The realities of political life in organisations have been recognised. Also crucial to the discussion is the recognition of the importance of "vision" in terms of company success.

Developing vision that is compatible with the organisation, and gaining employees' commitment to that vision, is increasingly becoming one of the key tasks of the senior management of any organisation. Supplying vision, lest the people perish, is a key task underlying the role of the chief executive. In order to gain commitment to vision, the individual motivations of employees and their own meaning systems must be understood - hence a strong link back to culture and OD.

Most senior managers (and management thinkers) now recognise that strategy and the achievement of that strategy is bound up with the culture of an organisation, Individual perceptions of the vision and strategy, and the consequent behaviours follow from this. This essential truth leads to a need to use the techniques of OD but within a far more comprehensive framework. It has been suggested that this combination of strategy linked to culture/Organisational development is the whole essence of senior managers' roles.

This paper describes a common framework that links strategy and organisation development - the Quadrant model of organisation. The links between this model and strategic thinking will be examined and then the interrelationship of strategy and organisation development. For this last aspect, the Organisational values, purposes and structures that form each of the four Quadrants will be described in more detail. To conclude, the process of strategy-setting leading to organisation development will be laid out.
The Quadrant Model of Organisations

Whenever any group of people get together for a common purpose we can talk of an organisation. This is the universally accepted definition of an organisation, that is - that of people united for a common purpose. Hence the family is an organisation, as are society, school systems, charitable foundations and, of course, commercial organisations. All these organisations, of whatever shape or size or form, industrial or social, have to carry out four functions if they are to achieve a common goal. These functions, in no priority order, are:

- Fitting in with others not in the organisation, i.e. following society's conventions, laws, satisfying external stakeholders
- Managing the environment, getting resources, trading outputs
- Doing practical tasks to accomplish their goal
- Keeping those in the organisation motivated and interacting effectively

The first and last functions can be classified as being concerned with "people". The second and third with the "task" aspects of the organisation. Similarly, the first two functions can be thought of as looking at aspects "external" to the organisation and the last two as looking at "internal" aspects. The four functions, for the sake of simplicity, can be shown diagrammatically as in Figure 1.

![Figure 1 Organisational functions](image-url)
Using this classification, the purpose, structure and effectiveness of different organisations can be examined. The first point to make is that all organisations need to ensure that all four Quadrant functions are being carried out to certain minimum standards. If this is not done then the organisation will collapse.

Illustrating this point with Quadrant I, that of external people, organisations of whatever kind that do not adhere to the laws of their society will be stopped from operating. This is as true of a commercial organisation as it is for a social club.

In the case of commercial organisations it is debatable whether shareholders can be classified as external or internal to the organisation. However, for large commercial organisations, even though managers may mutter about them being run for the benefit of their shareholders, in practice shareholders are usually treated as outsiders who have to be mollified in order to let the managers continue to run the organisation. Hence the reaction of management teams to hostile take-overs, when looked at objectively, may in fact be beneficial to the shareholders but which the managers treat negatively because of their own needs. Nevertheless, if shareholders are unhappy about the way they are being treated then they will sell, stocks will plummet and the organisation may well go out of business or be merged.

The same logic applies to Quadrant 2, the external environment, or, in commercial terms, the market. Not being able to get resources, financial or material or, increasingly, information, will lead to the organisation being unable to function. This again is true for all organisations. The family cannot exist if there is no money or supplies coming in from the environment or if those in the family have no skills or services that others in the marketplace wish to purchase. In commercial organisations the equivalent would be manufacturing goods that no-one wishes to buy.

In Quadrant 3, internal task, the function is that of doing key tasks efficiently. Again these have to be done to a minimum acceptable standard. Obviously production in an efficient way is the raison d’etre of many commercial organisations, but the same need for efficient production applies to all organisations. In the family, certain tasks like cooking and housekeeping need to be done. If these are not accomplished to an acceptable standard, the family organisation will decline or break up. Similarly, if Ford fails to be as efficient in its manufacture of mass-produced cars as the Japanese, then its prices will rise with negative consequences for its survival.

The same reasoning applies to organisations in health care; they too need to be efficient and cost-effective, and here lie the seeds of the debate about emphasis on cost-saving being detrimental to the needs of the patient. This is an area to which we shall return.

Finally, the fourth Quadrant is that of internal people, looking after employees welfare, not- necessarily in monetary terms alone, and organising their interaction effectively through communication systems, status and power differentiation. Again there are minimum standards required in all organisations. If there is ineffective communication between employees the organisation will not function effectively. If employees’ needs are not being met they will go elsewhere and again the organisation will collapse.

If we split management between functional specialisms and general management, those with the role of directing the whole of the organisation, it can be seen that the functional specialists will be oriented towards each Quadrant. Production specialists fit into the internal task Quadrant, marketing into the external task, human resources theoretically into the internal people Quadrant and sales into the external people Quadrant. Human resources is only put into the internal people Quadrant theoretically because in practice many personnel managers tend to be task-oriented with the consequence that in many commercial organisations there is no-one at top management level representing the needs and priorities of the workforce. Finance as a function is slightly harder to define. It should, of course be a tool of general management in running a business; more often than not, however, if is a historic measure of efficiency rather than a proactive business tool, and as such fits into the internal task Quadrant.

General managers, those concerned with directing and developing the strategy of an organisation, should be immune from bias towards any particular Quadrant. They should sit squarely in the middle of the Quadrants choosing between them as the situation dictates. In practice, few mortals are capable of such even-handedness, therefore errors in directing organisations creep in.
A good general manager will be constantly balancing;
the needs of the market with that of the capacity to produce goods or services,
with
the needs of shareholders against those of the employees,
with
changes in legal requirements and society’s needs against efficiency,
with
ecological requirements against costs in a competitive market,
with
the many other choices that have to be made.

If this sounds familiar, it should be. By using the Quadrant model of organisations as a basis, the strategy making process is thrown into sharp relief.

**Strategic Thinking and the Quadrant Model**

Strategic thinking is in essence very simple. It is the definition of the means by which the mission of an organisation is to be achieved. Strategy formulation is the primary responsibility of the senior managers. It involves matching the values, skills and resources that people within the organisation possess to the needs and expectations of people outside the organisation. It involves being aware of all that may affect the organisation both from external and internal sources and from technological advances and developments in people’s thinking. Furthermore the multiple and sometimes conflicting objectives of all those involved have to be brought together. The factors analysed can be grouped very conveniently into the four Quadrants outlined.

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<th>Quadrant 2</th>
<th>Quadrant 3</th>
<th>Quadrant 4</th>
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*Figure 2: Using the Quadrants in a SWOT analysis*

Depending on the type of organisation, each of these Quadrants will have different importance. In business emphasis is usually on the task, more especially on the marketing Quadrant. This can lead to confusion if the strategy just concentrates on this aspect and ignores all the other factors. All Quadrants have to be taken into account in formulating strategy.

The four Quadrants provide a useful framework for strengths, weaknesses, opportunities and threats analysis (SWOT see Figure 2). In deciding which strategic option to pursue, managers need to look at their organisation in the light of each Quadrant’s strengths and weaknesses and consider these factors before going for various options. Links between Strategy and Organisational Development
What is the purpose of a strategy? It provides a means of:

- Setting the context of values and purpose of an organisation
- Clarifying and defining specific Organisational goals
- Providing guidelines for allocating resources in the most appropriate way to achieve the purpose and goals
- Guiding behaviours and activities as part of an integrative whole.

What is the purpose of Organisational development? It is to help an organisation achieve its purpose through a process of discussion and clarification of purpose, of examining structures and processes and developing those that are most appropriate for the organisation.

What is the difference between strategy and OD as it should be? There is no difference. As stated in the introduction OD had to a large extent been hijacked by those whose main concerns lay in Quadrant 4, the internal people aspect of the Quadrant model. In many ways this was inevitable. If there are no managers concerned with this Quadrant then some mechanism has to arise which deals with employees feelings and interests. Many managers lacking the interest or interpersonal skills simply could not cope with this area: hence they abdicated it to OD consultants. However, if OD is thought of in its true sense - a balanced development taking into account all the Quadrants - then it has to be guided by those responsible for developing and directing strategy. It is, in fact, synonymous with strategy. Both have to start with a profound sense of the purpose of the organisation, its values and goals. Both then need to construct appropriate means of turning the "vision" into reality. This process can be accomplished using the Quadrants.

Organisational Values, Purposes, Structures and Processes

Underlying organisational values are a key determinant in any development of strategy. The key values are of those with power in the organisation. However, if these are inconsistent with the mass of values held by the rest of the organisation, any strategy developed by those in power will not be fulfilled. The problems that senior management face in implementation often stem from their inability to judge, with accuracy, the underlying values that shape the culture and behaviours of individuals in their organisation. Let us take each Quadrants in turn and examine the characteristics that exemplify them. The resultant descriptions will have parallels to Handy and Harris’s cultures of role, task, power and individualistic, but without the negative connotations (Harrison, 1987).

Quadrant 1--Service Orientated, Clients as Individuals, Society’s Concerns
The key values of those in an organisation where Quadrant 1 predominates are service and caring for others in their own rights as individuals. There are usually moral or ethical concerns guiding these values. The prime purpose of organisations in Quadrant 1 is thus to serve their clients in the way that the clients themselves find most helpful and that recognises each client's individuality.

Anything else is seen as a betrayal of moral positions. Subjective feelings are what count; therefore the key criterion for judging success in organisations of this type is the satisfaction of the client. The ideal structure for this type of organisation is loose and flexible with the very minimum of authority. The reasons for this type of structure are twofold. First and foremost, responding to clients’ individual needs is only possible if the responders have room for using their individual initiative, rather than having to follow strict guidelines laid down by others in authority. Secondly by the very nature of their value systems, individuals working in organisations of this type will tend to be anti-authority.

Examples of these types of organisations would be the Health Service, Social Services, Churches, Charities, and Universities. Their prime purpose is to provide a service. They do not exist primarily to expand their market share, to be very efficient in the way they carry out tasks or for the benefit of those in them. However, they do have to do all these things to certain minimum standards, as discussed before.

As mentioned earlier, in health care, there is always a debate between those who see the need for more efficient means of operating services, and those who see emphasis of task efficiency as taking away focus
on the well-being of the patients. Presumably both sides see their position as being of greatest benefit to their clients.

There is no easy answer for this dilemma. It does highlight the need for balanced general managers, who, in setting strategy and priorities for their unit within the health service, will take both positions into account and deliver health care that ensures that patients feel better without neglecting the task or cost side, and vice versa. It is difficult in industry to think of many examples where organisations exist with this orientation—perhaps PR agencies, where there may be a tendency to over-service clients and neglect costs. However, what is certain is that this type of organisation is being demanded more and more by consumers and this is one of the main trends that Tom Peters is promoting to his audiences.

**Quadrant 2 - Marketing Orientation, Control of Environment, Interaction**

The values of those in organisations with the external task marketing orientation of Quadrant 2, are to do with growth and expansion, competitiveness within the marketplace, both for raw materials and resources and for customers and buyers of their products or services. Unlike those in Quadrant 1, people here do not see the customer as an individual, rather as a consumer of whatever the organisation can sell to them. The prime focus of the organisation is to manage its environment—external people. Finance, competitors, government are regarded as different factors to be taken into account in managing the environment. People are seen as no more important than any of the other factors. Hence the propensity of those with this orientation to develop elaborate means of classifying the market, e.g. socio-economic groups, etc. The key criterion for judging success is how well the external environment is being controlled by the organisation. The need for growth and expansion makes sense in this context because the more market share, for example, the more control the organisation has over the environment. Products or services are usually seen as a means to the end of attaining this goal rather than intrinsically of quality in themselves.

The ideal type of structure for this organisation is one that can react to the marketplace and deliver products/goods according to the generally identified trends that the particular market or environment has. Usually matrix organisational structures are found. The matrix has several benefits in helping the organisation attain its prime purpose of control - it provides a good means of collecting data from a variety of sources, usually geographical and product - differentiated, and collating the information in clearly defined ways. There is flexibility, but within these a defined modus operandi which allows the organisation to plan and co-ordinate its strategy most effectively. Strategies of these organisations are usually couched in terms of growth, of market share, of being better and bigger, for the reasons already stated.

Examples of organisations such as these are Xerox, Unilever, and General Electric, now that Jack Welch has redefined its aims, and many other marketing organisations. A key indicator of their orientation is to look at their business decisions; if these seem mainly to do with growth for the sake of growth, than for clearly defined business reasons, then the organisation is probably operating within a Quadrant 2 framework. Examples of such decisions abound (after mergers), with usually very negative consequences for those shareholders and employees of the original organisation. The advertising industry and the merger of so many accounting firms are good examples.

The suggestion is not that growth in itself is right or wrong - simply that the well-tempered strategist recognises this arena as one, just one, of the very many vital components that go towards a complete strategy. When this does not happen, the business plan ends up looking like a marketing plan and nothing else.

There are many examples of non-commercial organisations that fit into this Quadrant. The armed services of whatever country have, as a prime purpose, the duty to control their country's external environment and make it safe. This then turns quite readily sometimes into a policy of expansion. It may be argued that the army, for example, has a very hierarchical organisation, but this is true only of the actual fighting elements. When staff advisors are brought in, intelligence-gathering arms, and the whole interrelationship of the different functions of the modern army is looked at, it becomes extremely complex and in fact very similar to a matrix organisation.

**Quadrant 3 - Production, Quality, Efficiency**
The values that people have in organisations with a Quadrant 3 orientation will be concerned with efficiency and quality of the products themselves. People with these values concentrate on and enjoy producing things that are well-made according to their own internal standards. In other words, a better mousetrap will be made because ultimately the organisation wants to make better mousetraps, regardless of whether there is a market, or individual customers, to buy them. The prime purpose of organisations with this orientation is therefore efficient and better production. Success is judged on how well this is done. Within this there will often be a dilemma between cost and quality considerations but this is usually seen within the context of internal clashes of values, without reference to the external world.

The most appropriate type of structure for this organisation is a clearly defined hierarchy. The reasons for this are that; only with this clarity can people know exactly what needs to be done, continue doing it more and more efficiently, become more skilled at it, and be able to understand how the components of the organisation fit together in the most efficient manner. To have a matrix organisation such as those organisations in Quadrant 2 would lead to duplication of effort, which is unthinkable, and much confusion as there would be no one boss for most people in the organisation. The totally flexible organisation of Quadrant 1 would be even further removed from this ideal. So control and definition are essential for efficient production. Typically this applies to most manufacturing organisations, but it also applies to some retailers whose aim is to standardise every store regardless of location or local customer wishes.

The usual strategy for these organisations is to be product-led rather than customer, or market-driven. As stated earlier, the product orientation can be quality-driven or that of cost and price. If it is the latter, then strategies will concentrate on economies of scale; if the former, then value-added premium features. In both cases, however, as already mentioned, strategy is seen in terms of the product.

Quadrant 4 - Organisational Members, Caring and Respect
The main values of people within this orientation are to do with the relationships between those in the organisation. The organisation is run for the benefit of those in it and it is their concerns that are paramount. Fairness and concern for each other are overriding concerns within a clear social set of behaviour codes. Conflict will be frowned upon, as internal harmony is the key measure of success. Outsiders may be dangerous, especially if they hold different sets of values which might threaten the well-being and consensus of the group. Work is seen as a shared experience.

The types of structures that are most suited for these organisations are ones where there are maximum opportunities for social interaction and communication. They are not necessarily democratic; often, in fact, status is seen as very important. What is also essential is that everyone understands and follows the social conventions, so the structure must emphasise this. Examples of Quadrant 4 organisations are Professional Associations, Trade Associations and Trade Unions. There are certain elements of this Quadrant in Japanese organisations, with loyalty to the firm i.e. other members, being absolutely key and above all this loyalty to the Japanese nation. The organisation then provides identity and meaning for those in it and often becomes the focus of their whole life. Decision-making is a function of discussion and emerges from the group (Waterman, 1987).

The type of strategies adopted by these organisations is based on the needs of their members and satisfying these. Usually once this is done the organisation can count upon the total commitment of its members. Competing organisations will be seen as the enemy, whatever is done is done to defeat them as in a war.

The Process of Strategy and Organisation Development
The starting point for any strategy is to clearly identify the prime purpose of the organisation. Then how to achieve that purpose, taking into account all necessary external and internal factors. From the previous section it can be seen that a convenient classification for purposes is the Quadrant model. Hence the purpose could be:

- To provide individual service to stakeholders (of whatever kind)
- To deal effectively with the environment (market, financial, physical, etc.)
- To produce goods efficiently in terms of either cost or quality
To provide rewards to those in the organisation (in whatever term they desire)

Once the prime purpose is established there will then need to be certain minimum standards of performance laid down in the other Quadrants if the organisation is to survive. But these are secondary to the one main purpose. Often profit-making organisations lose sight of this and start to define themselves in financial terms. This ignores the fact that profit and return on capital ratios are measures of efficiency, not ends in themselves. Managers for example, may talk about the main objective in a commercial organisation as being that of maximising returns to the shareholders. They then by their actions negate this, by fighting hostile take-overs because they themselves may lose power instead of considering the best interests of their shareholders.

Having established the purpose then the next stage is to develop the most appropriate strategy for achieving this purpose. This must take into account a number of factors discussed earlier but essentially can also be related to the Quadrants. Therefore, if the organisation has as its prime purpose that of producing goods efficiently, then its strategy must, of necessity, involve cost-reduction methods and focus on internal methods of production. This does not mean that the organisation will focus on this to the exclusion of the marketplace or employees, rather simply that this is its starting place. The different strategy types are shown in Figure 3.

The tactics for achieving these strategies can again be classified by the Quadrants given earlier. Tactics could include price changes, sales mix changes, product pruning, investment in more efficient production systems, training of more skilled staff, promotion and change in the image of the organisation, lobbying for change in taxation, acquisitions, and whatever else seems appropriate.

The structure of the organisation then follows naturally on from the purpose and strategy, as it should do. Here is where the process of organisation development takes over in ensuring that the structure and processes that are happening within the organisation are in line with the purpose and strategy already decided. The tools of those involved in this next step need to be both analytical and people focused The analytical techniques involve working with strategic concepts and designing the structure of the organisation to fit the strategy, as discussed above within the framework of the Quadrants. The people side involves communication and building commitment. This latter aspect is not easy as there will be political issues and different points of view to reconcile.
One of the key ways in which people can be brought on board in terms of commitment is through training and development. This is also essential in developing the necessary competencies in individuals in order to meet the strategic purposes. It is absolutely vital as a tool in the armoury of the organisation development process. Unfortunately, although the situation has much improved, a great deal of training remains based on the needs of the individual without reference to the strategic purpose (Hussey, 1990). This is not the case with Japanese management for example (Ellison, 1990), where strategy implementation is very much seen as resulting from the involvement and commitment of all employees. This is where the more traditional techniques of organisation development can come into their own, i.e. participation and team-building.

Different organisations have different value systems, as discussed earlier. When these are classified according to the Quadrant model, it can be seen that there are some strategies which will be doomed to failure without drastic blood-letting and Organisational change. The reasons for this are simple, people adopt the values of the organisations that they are in, or are attracted to organisations which already have values compatible with theirs. Attempts to implement strategies that require a shift from these values will meet with substantial resistance. Individuals’ value orientations can be typed in the same way as that of organisations (Kilmann. Lyles and Mitroff, 1997). Sometimes it may be easier, or cheaper, to replace key people in order to implement a new strategy than attempt to retrain them or change their values.

Examples are numerous where failure to recognise the essential nature of the organisation, its values and those of the individuals in it has led to failure of implementation of desired strategy. One of the main issues of chief executives in the 1990s is their failure to implement change as they wish it to occur. But this has always been the case. It is just that now the problem is thrown into sharp relief because of the more turbulent requirements of the environment, which keep demanding radical new strategies. Rolls-Royce, for example, had been very much oriented to excellence of product and high quality - a trait that is admirable but which led to its downfall because it lost sight of the need to deliver these products to a market in cost-effective ways.

Rolls-Royce changed, but only after the trauma of bankruptcy. Similarly, many new privatised companies have had to change their business strategies to compete commercially. This involves having to change the whole structure of their organisation and, even more importantly, the values of their employees. Usually this shift of values involves moving from a bureaucratic internal orientation of Quadrants 4 (and possibly 3) to a...
more externally focused set of values, i.e. Quadrants 1 and 2, marketing and customer-focused. Here is where organisation development in its fullest sense can build and help implementation of strategy by understanding all the types of values as defined by the Quadrants and developing appropriate structures and training in line with the strategy.

Conclusions

Strategy and organisational development, in essence, are concerned with the same thing, namely helping the organisation to achieve its purpose. However, organisational development became identified with a certain orientation towards people and as a consequence lost sight of the vital link to organisational purpose.

Classifying organisations into four Quadrants, each representing particular functions that all organisations have to engage in, shows that organisational values, purposes and structures form an integrated link. It is clear that the task of the general manager or strategist is to allocate priorities and resources between the four Quadrants. Organisation development needs to be viewed in its truest sense of orienting the organisation to deliver in terms of this strategy. In the cases of fundamental shifts of purpose or of strategy, the task of orienting individuals, i.e. changing their values may prove too difficult and necessitate replacement or traumatic change. Fundamentally, however, values, purposes, strategy and organisational development should now inform each other in any organisation that seeks to be fully effective. The task of making this happen involves all, whether strategist or trainer or OD practitioner.

References


