

A Holistic Equilibrium Theory of Organization Development

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This paper proposes a holistic equilibrium theory of organizational development (OD). The theory states that there are three driving forces in organizational change and development—rationality, reality, and liberty. OD can be viewed as a planned process of change in an organization so as to establish equilibrium among these three interacting forces. Existing OD theories, concepts and their implications for OD are explained from the perspective of this theory.

Key Words: Organization Development, Holistic Theory, Equilibrium Theory

Statement of the Problem

Despite the popular recognition of organization development (OD) as one of the core activities in human resource development (HRD) and organization management, there is no consensus regarding how to explain what should be the expected outcomes (Egan, 2001) of OD. First, scholars disagree what OD is and how to explain the concept adequately. Although a great amount of effort has been made to conceptualize OD and its related term organization change (Cummings & Worley, 1997; French & Bell, 1990), it is quite difficult to assess the literature because the OD field is hard to delineate. Second, there are different perspectives on the outcomes of OD or its dependent variables. Some view the purpose of OD as bringing about cultural change in organizations (Burke, 1994); others maintain OD is for organization effectiveness (Cummings & Worley, 1997); and yet some regard OD as a process to enhance organization's problem-solving and renewal capabilities to cope with environmental change (French & Bell, 1990; Hall, 1977). Third, while OD has been largely established on the applications of behavioral sciences, the field has produced numerous concepts and theories. No systematic effort has been made to synthesize the existing concepts and theories in a coherent framework. Some framework captures the process of OD, such as Cumming and Worley's (1997) framework of OD processes that include entering and contracting, diagnosing, planning and implementing, and evaluating and institutionalizing. Other researchers studied the determinant factors of OD that culminated in 13 factors identified by Burke and Litwin's (1992). Still another direction in OD research focused on the nature of organizational change, such as transformational change or transactional change. There has been inadequate theoretical effort to bring all the different streams of OD research into a confluence.

This paper attempts to assimilate existing OD theories and concepts in the literature by incorporating them into a holistic equilibrium framework that springs from two integrative theoretical sources—holistic theory and equilibrium paradigm.

Purpose of the Study

The purpose of this paper is to develop a holistic equilibrium theory of organization change and development. Particularly, a theoretical framework of organization development is proposed based on Yang's (2003) holistic theory and punctuated equilibrium theory (Gersick, 1991).

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This theoretical framework incorporates disparate terms of OD theories and practices. It will be shown that this theory is able to explain a wide range of existing OD theories and practices, and thus it carries the power to provide a holistic view of OD.

Theoretical Frameworks

Two theoretical frameworks provided the conceptual foundation for this study. The first one is Yang's (2003) holistic learning theory and the other is the punctuated equilibrium theory (Gersick, 1991). Holistic learning theory is a new conceptualization of knowledge and learning (Yang, 2003). It defines knowledge as a social construct with three distinctive and interrelated facets—explicit, implicit, and emancipatory knowledge. It further asserts that knowledge consists not only of the three facets but also of three knowledge layers (Yang, 2003). The knowledge layers include: foundation, manifestation, and orientation. The first layer is a stratum of foundation or premise, which serves as the basis for our knowing and determines the boundary of knowledge facets. Foundation includes those tacit assumptions that have been taken for granted and do not normally require proof. The manifestation layer represents the outcomes of our knowing. The orientation layer defines the direction and the driving forces of our actions. This theory also suggests that learning involves dynamic interactions among the three facets. An individual learner has to interact with an immediate social group or organization within certain social and cultural contexts.

The second theoretical foundation that guided this study is the punctuated equilibrium theory suggested by Gersick (1991). Drawing development models from six domains—adult, group, and organizational development, history of science, biological evolution, and physical science, the author conceptualized change as an alternation between long periods of equilibrium when stable infrastructures permit only incremental adaptations, and brief periods of revolutionary upheaval. The theory consists of two major constructs: deep structure and revolutionary period. Deep structure is the set of fundamental 'choices' a system has to make and it tends to be highly stable. The second major element of this theory is the revolutionary period. A system experiences periods of both equilibrium and revolution. During the equilibrium period, "the system's basic organization and activity patterns stay the same; the equilibrium periods consists of maintaining and carrying out these choices" (p. 16). The equilibrium period involves incremental change and adaptation without altering the deep structure. The revolutionary period occurs when incremental changes can no longer meet the needs of the development of the system and the deep structure begins to shift for a fundamental change. It ends when a new configuration of the deep structure is shaped.

Borrowing from the concept of equilibrium, Yang (2003) further elaborated on the holistic learning theory by proposing human behavior as a result of maintaining equilibrium among the three forces that are driving the knowledge facets—rationality, reality, and liberty. It was suggested that although these driving forces operate in three competing domains (i.e., cognitive, behavioral, and affective), they interact with each other and it is such interactions that determine individual behavior in a particular situation.

Research Method

The present study has utilized theory building methods suggested by Dubin (1983) and Van de Ven (2004) in developing an integrative theory of OD. The purpose of this study was to build a new integrative theory of OD by incorporating both fundamental driving forces for change from the holistic theory and equilibrium/disequilibrium process from the punctuated equilibrium theory. An extensive review was conducted by two researchers to identify key concepts from the two theoretical frameworks as the basic units for the new theory. Such review was also extended to existing major theories and models and related findings. The researchers then identified interactions

among key units and their relationships with the OD process.

A Holistic Equilibrium Theory of Organization Development

Based on the holistic learning theory and punctuated equilibrium theory, we will build a holistic equilibrium theory of OD. We will first identify three key dimensions of organizations and then explain the concept of OD by viewing the organization as a complex system and examining the OD process as a part of the system. Lastly, we will re-examine these OD concepts and theories under the holistic equilibrium perspective.

Identifying Three Key Dimensions of an Organization

The holistic theory maintains that in order for an organization to function, they have to possess shared understandings. Similar to individual knowledge, group and organizational knowledge can be viewed as a social construct with three facets and each of the facets has three layers. Following the holistic learning theory, we identify three key dimensions of an organization — technical, practical, and critical dimensions as listed in Table 1.

Table 1. *Three Key Dimensions of an Organization*

	Key Dimensions of an Organization		
	Technical	Practical	Critical
Manifestation (Surface)	Rules, regulations, policies, standard operation procedures, technical specifications, formal communication channels and formats.	Process, practice, social norms, customs, conventions, shared understandings, intuitions, insights, routines, technical know-how, mental models.	Mission, aspirations, morale, organizational fairness and justice, ethical and moral standards, meanings.
Foundation (Deep Structure)	Institutionalized Technical Knowledge (System & Strategy)	Collective Practical Knowledge (Process & Practice)	Dominated Critical Knowledge (Value & Vision)
Orientation (Driving Force)	Efficiency, optimization (Rationality)	Effectiveness, flexibility (Reality)	Freedom, value realization (Liberty)

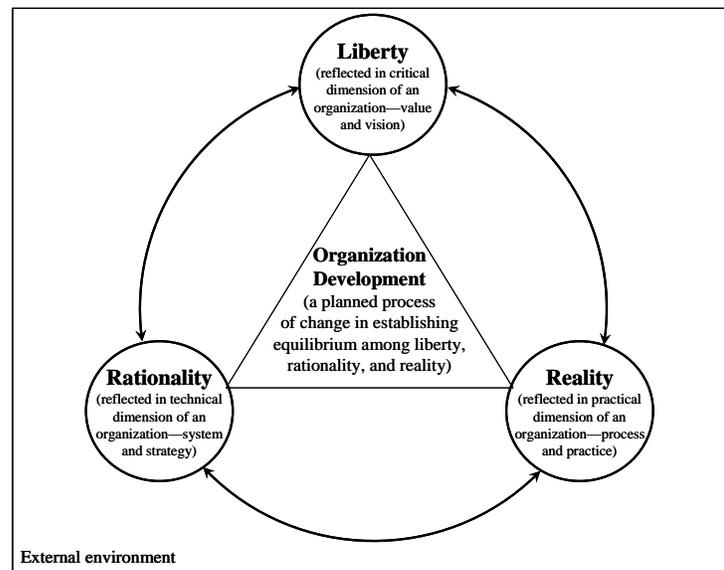
Modified from Yang (2003)

Explaining Organization Development

As argued above, an organization has three key interrelated dimensions—technical, practical, and critical dimensions, and that these dimensions are directly influenced by three corresponding driving forces—rationality, reality, and liberty. Based on the holistic theory and the punctuated equilibrium theory, the holistic equilibrium theory proposes that OD can be viewed as a planned process of change in an organization that involves establishing equilibrium among the three driving forces which are in constant interaction with one another—liberty, rationality, and reality, for the purpose of improving the organization's efficiency, effectiveness, and fulfilling its responsibility, through the alteration of either one or all of the three key organizational subsystems—techno structure, human process, and critical value system. Here equilibrium refers to a relatively stable situation or state in which different forces are balanced. An organizational change often takes place in either of technical and practical dimensions; such change can be viewed as a transactional change. A change in the critical dimension is transformational change and it normally causes profound changes in two other dimensions (i.e., in their deep structures). Figure 1 presents the

conceptual framework of OD as a process of establishing equilibrium among the three changing forces.

Figure 1. *A Holistic Equilibrium Framework of Organization Development*



The above definition assumes that there are three fundamental driving forces for changes of organizations—liberty, rationality, and reality. Here these primary driving forces need to be interpreted under a holistic perspective. First of all, liberty refers to the freedom from normal restraints in conduct. It is determined by dominant value and vision of an organization, and reflected in the critical dimension of the organization. An organization has critical knowledge indicated by its mission, managerial philosophies, perceived social responsibilities, morale, organizational fairness and justice, ethical and moral standards, and meanings. We view liberty as the degree to which organizations are striving to achieve their missions, aspirations, and perceived responsibilities under the constraints of available resources. While most resources are limited or scarce, the ultimate direction of liberty tends to be infinite and unbounded. In addition, holistic theory suggests that social justice has direct interaction with the force of liberty. Greenberg (1990) maintains that justice is “a basic requirement for the effective functioning of organizations and the personal satisfaction of the individuals they employ” (p. 399).

Secondly, rationality is viewed as the state where organizations conduct business based on sound judgments and being consistent with or based on logic. Holistic theory suggests an organization’s rationality is normally reflected in its technical dimension such as established system and strategy. An organization has to have technical knowledge to fulfill its mission and such technical knowledge is usually embedded in those institutionalized knowledge such as strategic plans, formal rules, regulations, policies, standard operation procedures, technical specifications, and communication channels and formats. Technical knowledge is defined as institutionalized explicit knowledge integrated by organizational members. An organization’s technical dimension also includes its structure because it dictates the way in which the interrelated individuals and groups are constructed. Therefore, we view rationality as an organization’s intentional effort to maximize its business outcomes under the condition of given resources and information. Rationality as a driving force tends to orient toward efficiency and optimization.

Thirdly, reality represents the world faced by an organization, no matter it is observable, accessible or

understandable or not. According to Wittgenstein (1961), there are four levels of the nature and conception of reality: (1) phenomenological reality is intuitive and unique experience of individuals, (2) truth refers to a consensus interpretation for an experience among individuals, (3) fact is any statement or interpretation about the world that has been proved to be true, and (4) axiom is a self-evident truth upon which other knowledge must rest. The holistic theory posits that reality directly influences the practical dimension of the organization. Organizations have practical knowledge such as social norms, conventions, shared understandings, intuitions, insights, routines, technical know-how, mental models, and perceived environmental changes. This dimension resides in its process and practice. Business process is usually regarded as the specific ordering of work activities cross time and place. Practice reflects the ways in which organizational members perform various tasks. At the first level, reality influences organizations through members' implicit knowledge (Crossan, Lane & White 1999; Yang, 2003). Because the world is complex and ever-changing, we tend to have different perceptions and conceptions about what is going on. Nevertheless, reality as a driving force has consistent demands for all organizations—being effective and flexible.

The holistic equilibrium theory suggests a dialectical perspective regarding the interrelations among the three forces and corresponding organizational dimensions. The three driving forces interact with each other and such interactions determine individual and organizational change and learning. Organizational change can be caused by changes in one or all of the three forces and takes place in any of the three organizational dimensions. We suggest that all human systems are driven by the three fundamental forces moving toward infinity and counteracting each other. In any human system, individual freedom and social justice are naturally unbounded and thus liberty tends to be inherently unlimited. Zero degree of liberty means a human system is dead. Liberty is bounded by rationality (reasonable possibilities) and reality (practical feasibilities) in a particular situation. Rationality also implies an infinite direction for its inherent tendency to maximize the outcome of an action. Rationality is also bounded by both liberty (the desired direction of maximization) and reality (limited knowledge and resources). Similarly, reality can be conceptualized as a force moving toward the infinite complexity and chaos. It is counteracted by the two other forces—liberty (human value and motivation) and rationality (cognitive capabilities of making sense of the unknown world and organizing the known world logically). In sum, we suggest that all human systems are influenced by three interacting forces (liberty, rationality, and reality) and that OD is a planned effort in establishing equilibrium among these forces for the purpose of overall organizational performance (as indicated by efficiency, effectiveness, and responsibility). OD takes place in either one or all of the three key dimensions—techno structure (system and strategies), human process (process and practice), and critical value system (value and vision).

Based on the above explanations, specific propositions of the holistic theory of OD could be drawn:

1. An organizational change is associated with a disequilibrium caused by a change in one, two, or three of the driving forces of an organization;
2. An OD effort is a planned action in establishing an equilibrium among the driving forces;
3. Transformational change is associated with transformational learning and changes in all three dimensions;
4. The process of organizational change and development consists of a relatively long period of equilibrium and short period of disequilibrium.

Explaining Existing OD Theories and Concepts

Lewin's Change Model. Lewin's (1947) force field analysis conceptualizes the organization as a dynamic balance between two opposing strands of forces, the driving forces and the retaining forces. The driving forces push the organization in the direction of change, while retaining forces act counter to the driving forces. When the driving forces overpower the retaining forces, an organization change can pull through. While on the contrary, if the

retaining forces overpower the driving forces, the change does not take off. When the two kinds of forces are in balance, the organization is in a state of equilibrium. A similar vein that runs through Lewin's model and the holistic equilibrium model is the notion of dynamic balance. An organization is the result of the equilibrium achieved out of the ever-present dynamic interactions among the three driving forces. The forces, examined independently, are working in different directions toward different goals. The organization has to establish certain balance among the three forces in order to survive and thrive. A difference between the two conceptualizations is, in Lewin's model, forces are either driving forces or retaining forces that are against each other. However, the reality is that different forces are not always in direct opposition to each other. Instead of positioning the forces in direct opposition, the holistic equilibrium theory avoids dualism by placing the three forces in conflicting but collaborative positions.

Lewin's (1947) three-stage change model perceives planned change as progressing through three stages, unfreezing, moving, and refreezing. All three stages could be explicated by the holistic equilibrium theory. Unfreezing can be conceived as the breakdown of the equilibrium among the three forces. It means a movement in one, two, or three of the forces from their original states. This movement distorts the balance maintained among the three forces to a point where the old equilibrium no longer holds true.

The second stage of change, moving, refers to the process of cognitive restructuring. It entails the development of new beliefs, attitudes, values, and behavioral patterns. In light of the holistic equilibrium theory, this stage involves movement in one, or two, or all three dimensions, beliefs, behavior patterns, and attitudes and values. When the movement is driven by the three forces toward a coordinated state—a new equilibrium, the change is likely to achieve its third stage of refreezing. However, if the movement in the three forces orient toward disparate directions, the change is not likely to reach its maturity.

The third stage of change, refreezing, indicates that new beliefs, attitudes, values, and behavioral patterns are solidified and integrated into the rest of the system (Schein, 1972). In the conceptualization of the holistic equilibrium theory, this stage is reflected in the re-establishment of a new equilibrium among the three forces.

Organizational Change Theories. Astley and Van de Ven (1983) classified organization theories into four categories, natural selection view, system-structural view, collective-action view, and strategic choice view. Natural selection view perceives organizational change as a natural evolution of environment variation, selection, and retention. This view emphasizes the total control of the external factors on organizations. It posits that environment as the reality influences organizations but it neither recognizes the role of internal factors nor identifies the direction of change. Three other views assume that the organization could utilize its internal resources to achieve change goals. The holistic equilibrium theory underlies all three types of change theories.

The system-structural view is congruent with classical management theories and the theory of bureaucracy (Astley & Van de Ven, 1983). Theories in this category share a common deterministic belief that organizations are shaped by impersonal mechanisms such as job roles that have prescribed expectations and responsibilities. Put in the framework of the holistic equilibrium theory, change theories under this perspective have a predominant focus on the technical dimension of the organization. They tend to value rationality and the priority is placed on maximizing efficiency based on preset constraints. However, they overlook the other two constituents of an organization, the practical and the critical dimensions. Overlooking the practical dimension blinds the organization from examining the practicability of a certain change effort given the implicit needs, interests, and interactions among organizational members. Similarly, OD interventions cannot afford overlooking the critical dimension. Organizational members share common values and attitudes toward how the organization should work. A change effort needs to ensure that values and visions it reflects can gain acceptance among organization members.

The collective-action view holds that the organizational change is a process of “collective bargaining, conflict, negotiation, and compromise through partisan mutual adjustment” (Astley & Van de Ven, 1983, p.247). This view emphasizes the practical dimension in the holistic equilibrium theory. However, it overlooks the other two other dimensions. The practical dimension is blown out of proportion compared with the other two aspects. While acknowledging and accommodating the needs, interests, and dynamics of organizational members, OD efforts under this view do not consider rational optimization of job roles and thus may slow the change process down because the negotiation process of involved members may take a lot of time and resources. The added benefit of having full acceptance and consensus of a change effort may not be able to offset the high cost of enduring negotiation.

The strategic choice view holds that organizational change is the process when “environment and structure are enacted and embody the meanings of action of people in power” (Astley & Van de Ven, 1983, p.247). Theories in this view emerged as an antithesis to the system-structural view. This view describes the organization in which both environment and structure are enacted to embody the meaning and actions of individuals, particularly those in powerful positions. This view corresponds with the critical aspect of the organization in the holistic equilibrium theory and it emphasizes the ultimate goal of an organization: value realization. It tends toward the fundamental mission of an organization, but may overlook technical and practical dimensions. Although it does account for a techno structure to a certain extent, it emphasizes that individuals have a choice to change and manipulate it through negotiations to fit the objectives of the top management. Without the supports and counter-balances of two other dimensions, the meaning of a strategic action won't last long.

OD Interventions. Cummings and Worley (1997) reviewed major OD interventions. Illuminated by the holistic equilibrium theory, existing OD interventions can be viewed as being driven by any or all of the three forces—rationality, reality, and liberty, taking place in the three organizational dimensions accordingly. For example, human process interventions, organization process interventions, and employee involvement interventions are related to changes in the practical dimension of an organization (i.e., process and practice). The restructuring, work design, organization and environment relationships interventions are related to changes in the technical dimension (i.e., system and strategy). Interventions such as organization transformation and developing and assisting members are mainly caused by changes in the critical dimension and then involve two other dimensions. Performance management is related to changes in both the technical and practical dimensions.

The human process interventions include T-groups, process consultation, third-party interventions, and team building. These interventions center on how a group actually works. They concern less about how the rational structure or optimal work relations should be built. Rather, they pay more attention to the realistic interactions among a group of people. They attempt to help people discover and understand the implicit rules and the invisible links that come into play when a group of people work together. Organizational process interventions work on the same practical dimension. They are concerned about inter-group interactions and organization wide interactions.

Techno structural interventions such as restructuring organizations, work design, and organization and environment relationship interventions mainly address the change issues occurring in the technical dimension. These interventions target at optimizing the organizational system and structure, or maximizing efficiency through coordination of job roles, or obtaining a best fit between the organization and its environment. They are driven by rationality in achieving the highest degree of efficiency possible.

Some OD interventions are primarily caused by changes in the critical dimension. Developing and assisting members interventions are focused on helping people choose occupations, achieve career objectives, and adapt to changing work demographics. Such interventions try to gel individual interests with the organizational interests so

that organizational members can perform better. Organizational transformation aims at changing the basic character or culture of the organization (Cummings & Worley, 1997). It entails a paradigm shift when organizational members find new ways of adapting to the changing conditions of the environment. Such change involves huge alteration of the critical dimension of an organization. It takes on a revolutionary mission and thus can cause punctuation.

Few OD interventions bring about changes in multiple dimensions. For example, OD interventions targeting at performance management are largely influenced by the forces of rationality and reality while assuming little change in the critical dimension. Such interventions apply scientific methods for setting goals, establishing reward systems and appraisal systems; they also take into calculation human motivations and interests. They create a link between technical and practical dimensions by building practical factors into a rational system.

Conclusions and Implications

In summary, organizational changes, major OD theories, and OD interventions can be explained by the proposed holistic equilibrium theory. Most of the OD interventions only facilitate change in one of the three forces or only two of them, while changes in all three forces are usually present. Non-holistic perspective implies a partial view when pursuing OD efforts. In order for an OD project to succeed, all three forces and dimensions should be examined for possible movement and a certain balance among them needs to be established.

The above discussion suggests that the holistic equilibrium theory possesses substantial power to describe organizational changes, and to reconstruct existing OD theories, concepts, and models. The proposed theory creates a common conceptual framework for a wide range of OD theories and frameworks. It provides (1) a common language for discussing organizational changes, (2) a diagnostic tool for OD practitioners when facing an organizational change, (3) a new classification of OD theories and interventions, and (4) an integrative model that incorporates existing research.

The holistic equilibrium theory could create a shared platform for researchers and practitioners to discern different organizational changes and capitalize on the usefulness of each kind of OD effort. It calls for attention to all three driving forces in an organization that constantly interact with each other and cause changes, and to the fact that an equilibrium among the three forces need to be established for OD efforts to pay off.

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