

**The Impact of an Organizational Development Intervention on Employee
Inter-functional Coordination and Employee Synergy to Foster Innovation :
A Case Study of BST co. Ltd.
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Abstract

With the changing business environment have come environmental forces alerting organizations to foster innovation as a way to survive the turbulent situation and thrive with accessible opportunities. Organization development interventions (ODI), which focus on the human social system of an organization have gradually gained acceptance as mechanisms needed for organizational vitality. In addition, market orientation has been well documented in the literature as the key provenance of organizational innovation. However, while most studies have investigated the relationship between the three market orientation elements - customer orientation, competitor orientation, and inter-functional coordination with organizational innovation - this research focuses on determining the impact of an ODI on the improvement of employee inter-functional coordination and employee synergy in order to foster innovation in a multinational subsidiary organization which operates without the governance of a single authority. The research process follows an Action Research model. The results indicate that the planned ODI had a significant impact on the improvement of employee inter-functional coordination and synergy, while having some marginal impact on the improvement of innovation. This research also identified a positive relationship between employee inter-functional coordination and employee synergy and innovation within the organization.

Keywords: *Action Research, organization development intervention, inter-functional coordination, synergy, innovation.*

Introduction

Change has been a constant entity of the universe since it first came into existence. Change introduces, among other, newness, which can be seen either as an opportunity or as a problem.

In today's world, change has increased in amount and magnitude and its pace accelerated. As a result, it can create timely huge opportunities or, conversely, cause serious problems to organizations as the latter, as open systems, are inexorably affected by their external environment. Today's external environment, referred to as the "era of globalization," is one of the effects which change has brought.

This era of globalization has, among other, intensified competition making cost savings

programs a necessity for most organizations. And in order to better utilize resources for cost saving purposes, many multinational enterprises (MNEs) have focused on integrating mechanisms to co-coordinate and control subsidiaries via global strategies.

Typically, top management positions in multinational subsidiary organizations are regarded as middle-management from an MNE's perspective. They are not perceived as necessary by parent companies since MNEs subsidiaries are not required to adopt their own policies and strategies but are instead expected to follow set directions, guidelines, and strategies. Playing the role of followers, these subsidiary organizations are thus not taking many initiatives for themselves as they have little room to do so.

In addition, it is common practice to have the functional/division heads of the subsidiary organizations report directly to their functional manager/unit managers at headquarters. This

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arrangement leaves subsidiary organizations operating with no governance by a single authority.

One image that comes readily to mind to illustrate what such subsidiary organizations look like is that of a subsidiary organization having pillars but no roof. In other words, each function focuses, first and foremost on its own objectives and far less on the performance of the whole organization. This will often result in lower than optimal performance by such organizations.

Such practices create a new level of challenges for multinational subsidiary organizations. Given their need for planned change, one way to address such challenges is for these multinational subsidiary organizations to have Organization Development Interventions (ODIs). However, these should not be limited to this type of organizations but on the contrary extend to all other types of organizations so as to enhance their strengths while minimizing their weaknesses if they are to survive and thrive in the current turbulent globalizing environment.

This study focuses on ODIs in a multinational subsidiary organization: BST Co., Ltd.,² (BST) a subsidiary of one of the world's leading taste and scent companies. BST shares the same vision than its mother company, specifically, creating unique taste and scent experiences people love, and the same mission, focusing on customers, people, and innovation.

BST operates in a dynamic and competitive external environment, yet is able to survive rivalry in the marketplace thanks to an organization that is stronger than that of its competitors.

The current structure of BST is of a functional type. There is no single top position responsible for all functions. A scan of BST environment and internal elements revealed that BST complies with two out of the three areas outlined as its mission. Both customer and employee

orientations are reflected in BST customs and practices, but innovation is somehow missing. In addition, as a result of a functional organization structure, BST employees are working in their own silos, focusing on their own divisional performance.

Problem Statement and Research Objectives

Realizing the highly dynamic market place in which BST operates and in view of the mandate to focus on innovation as set forth in its mission, the researcher saw the need to implement a planned change program to promote innovation at BST. This program would enable the organization to comply with its mission and renew itself at a pace synchronized with its changing environment so it could continue to survive, stay healthy, and grow within its operating environment.

An assessment of the organization assessment found that teamwork among the different functions was rather low and seemed to be affecting BST's ability to innovate. This study's problem statement was thus articulated as follows: To determine the impact of an ODI on the improvement of employee inter-functional coordination and employee synergy in order to foster innovation in BST.

In line with this problem statement, this study set forth the following objectives for itself:

1. To investigate whether the ODI would affect employee inter-functional coordination, employee synergy, and innovation in the organization.
2. To investigate whether employee inter-functional coordination and synergy together would influence innovation in the organization.

Review of the Literature

A review of the relevant literature on the topic at hand suggests that innovation in organizations can be enhanced when organizations adopt a market-orientation approach (Bear & Vickers 2006; Dobni 2008; Grinstein 2008; Han et al. 1998; Houston 1986; Hult et al. 2004; Narver et

² For confidentiality purposes, a fictitious name was used for the organization considered in this study.

al. 2004). The three key components in a market orientation approach are customer orientation, competitor orientation, and inter-functional coordination (Webster 2003). Results from the initial organizational assessment indicated that BST exhibited good levels of customer-orientation and competitor-orientation, but a low level of inter-functional coordination (in this study the concept of inter-functional coordination is referred to in terms of cross-functional team or CFT).

The literature also suggested that through unity in diversity, synergy does promote innovation (Schein 1992).

Since the planned change process of this study focused on the employees in the organization and since, as human beings, employees are affected by emotions and feelings or spiritual beliefs, this study focused on enhancing both the task aspect (employee inter-functional coordination) and attitude aspect (employee synergy) of teaming in order to foster innovation at BST.

Although Dundon (2002) suggested that innovation includes four key components: creativity, strategy, implementation, and profit, the researcher saw it fit to combine the profitability component with the strategy one, hence delineating the components of innovation in the organization as: (i) creativity – discovering a new idea or approach; (ii) strategic perspective – determining whether the idea is new, useful, and going to generate higher value than cost for the organization; (iii) implementation – bringing the new, useful, and profitable idea into action.

This study approaches innovation in terms of Efficiency or Incremental Innovation; a new concept for improving what already exists and one that concerns itself with minor changes. The rationale for this study to adopt the Efficiency or Incremental type of innovation as its focus is that the context of BST needs the very beginning step for practicing innovation. Nonetheless, this does not mean that this study rejects the other two

higher levels of innovation – Evolutionary innovation and Revolutionary innovation.

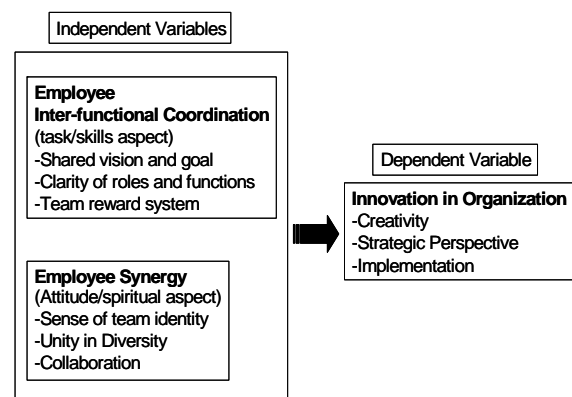
Conceptual Framework

In this study's conceptual framework (Figure 1), innovation is the dependent variable. It includes three sub-concepts: (i) creativity, (ii) strategic perspective, and (iii) implementation.

In order to foster innovation at BST, two independent variables suggested by the literature and deemed suitable for BST context were adopted: (i) employee inter-functional coordination and (ii) employee synergy. Inter-functional coordination includes both the task/skill aspect and synergy the attitude/spiritual aspect.

Each variable comprises three sub-concepts, which, with regard to inter-functional coordination, are: (i) shared vision and goal, (ii) clarity of roles and functions, and (iii) team reward systems. As to employee synergy, they are: (i) a sense of team identity, (ii) unity in diversity, and (iii) collaboration. These various elements form the content of this study.

Figure 1: Conceptual Framework



Source: created by the author for this study

Research Framework

The change process in this study follows an Action Research approach. The study is divided into three connected stages: a Pre-ODI stage, ODI stage, and Post-ODI stage.

The Pre-ODI stage, as its name indicates, was

the beginning stage when a sense of need for an ODI emerged. The organization was thoroughly diagnosed and the ODI developed.

The project then moved into the ODI stage, the implementation stage. This stage spanned over four months from the end of August to the end of December 2009. During this stage, the ODI was implemented as planned; action results were monitored and evaluated and the action plan revised per evaluation feedback. The interventions set the following targets:

- Identify the shared vision and goals;
- Clarify roles and functions;
- Establish team performance evaluations and team rewards;
- Arrange for team building activities;
- Enhance cross-functional interaction, social associations, and interpersonal relationships.

The interventions took into consideration the suitability of the company culture, technology, climate, time, and budget.

After four months of interventions, the project was moved into the Post-ODI stage, the last stage of the study. This stage was to assess the effects of the interventions to determine: (i) if improvement on employee inter-functional coordination, employee synergy, and innovation in organization had occurred, and if so, to what extent, and (ii) if employee inter-functional coordination and employee synergy together had a positive relationship with innovation in the organization.

Research Methodology

This study deployed both qualitative and quantitative methods which complemented each other. It covered data related to employees' behaviors, the meaning of behaviors, viewpoints, and feelings.

Under the qualitative method, observations were used to gather data relating to employees' behaviors and the meaning of the said behaviors, while semi-structured interviews were used to gather data relating to employees' private views and feelings.

Under the quantitative method, a survey questionnaire was used to gather employees' viewpoints. A 7-point Likert-type scale ranging from 1 = Definitely disagree, 2 = Disagree, 3 = Inclined to disagree, 4 = Not certain, 5 = Inclined to agree, 6 = Agree, and 7 = Definitely agree was applied in the questionnaire.

The subjects of study for all the instruments in this research were BST employees. While the observations covered all employees in general, the survey involved fifty-one cross-division and cross-job level employees. The semi-structured interview was conducted with ten employees who were randomly selected from different groups of job functions.

Data from the observations were analyzed by content analysis and data from the Semi-Structured interviews by using a combination of content analysis and a four-perspective analysis following the BrainMap model (see note 1) (Tayko & Talmo 2010). Data from the survey was processed by SPSS and the analysis done by Paired t-test, 95% significance level, 2-tailed and by Regression, 95% significance level, 2-tailed.

Summary of Findings

In keeping with the two objectives of this study, four main categories of findings were established: Findings 1 pertain to whether employee inter-functional coordination changed after the ODI; Findings 2, to whether employee synergy changed after the ODI; Findings 3, to whether innovation in the organization changed after the ODI; and Findings 4, to whether there was an association between the joint effect of employee inter-functional coordination and employee synergy to innovation in the organization.

Findings 1

- Observations

Data from observations made at the pre-ODI stage relating to employee inter-functional coordination indicate that employees concentrated more on their divisional goals than on the shared organizational ones: employees

were not working in alignment toward a common goal; the roles and functions of some positions were not clear to them; they placed higher value on rewards from divisional performance than on rewards from organization-wide performance; and they focused more on individual and divisional rewards than on the overall organizational team rewards. These observations imply that the team reward system at the pre-ODI stage was not effective. Conversely, data from observations made during the post-ODI stage relating to employee inter-functional coordination show that employees were interested in the performance of other divisions, which affected the overall performance of the organization. Efforts of employees from different divisions were aligned: employees cared about organizational performance and goals; their roles and functions became clear to them; and they were motivated by the ODI team reward.

- Semi-structured interviews

Data from the semi-structured interviews reveal that the responses of employees at the pre-ODI were mostly limited to the I-Control perspective with a few comments regarding I-Pursue and I-Preserve perspectives. Data from the post-ODI stage, in contrast, demonstrate that employees' responses of employees had broadened and shifted. Responses at the post-ODI stage covered all four perspectives and there was a higher number of responses with respect to each perspective. In addition, twenty-six out of thirty responses were more positive in nature at the post-ODI stage. Respondents who did not have more positive viewpoints were those who were neutral or relatively satisfied with the level of employee inter-functional coordination at the pre-ODI stage.

- Survey

Survey results relating to employee inter-functional coordination at the pre-ODI stage show the mean to be 4.86 and the standard deviation 0.63, whereas the post-ODI results point to a mean value of 5.22 with a standard deviation of 0.43. The post-ODI mean was

higher than the pre-ODI one by 0.36; this incremental change in the mean has a statistical significance at 95%, 2-tailed confidence level.

- Conclusion

The qualitative method resulted in a clear post-ODI increase in employee inter-functional coordination and the quantitative one recorded a significant change at a 95% confident level, 2-tailed. In short, there was a major change of employee inter-functional coordination as a result of the ODI.

Findings 2

- Observations

Data from observations at the pre-ODI stage relating to employee synergy show that, in general, employees identified themselves with their divisions rather than with the whole organization and had a negative attitude about the company. There were some issues about their sense of team identity: they had a negative attitude about their colleagues; did not accept some of them; there was low trust among them; cross-functional employees were not in unity; employees from different divisions did not collaborate with one another; there was a low level of cross functional collaboration; and employees were committed to individual success. Sharply contrasting, data from observations at post-ODI related to employee synergy indicate that employees from different divisions: had good personal relationships; had positive attitudes about the organization; cared for one another and for the organization; and accepted, respected, and valued one another. There was also a good level of collaboration among employees from different divisions.

- Semi-structured interviews

Semi-structured interviews at the pre-ODI stage revealed that employees' responses were limited mainly to the I-Control perspective and the I-Preserve perspective with a few responses regarding the I-Pursue perspective. Post-ODI data show that employees' responses had broadened and shifted, covering all four perspectives. In addition, twenty-three out of

thirty post-ODI responses were more positive. Respondents who did not reply with a more positive viewpoint were those who were neutral or relatively satisfied with the level of employee synergy at the pre-ODI stage.

- *Survey*

Results pertaining to pre-ODI employee synergy indicate a mean value of 5.02 and a standard deviation value of 0.67 whereas post-ODI results show a mean value of 5.26 and a standard deviation value of 0.64. The post-ODI mean was higher than the pre-ODI one by 0.24. This change of mean reached a 95% confident level, 2-tailed.

- *Conclusion*

The qualitative approach reveals a clear increase of employee synergy after the ODI and the quantitative one a significant change at a 95% confident level, 2-tailed; all of which showing that there was a major change of employee synergy after the ODI.

Findings 3

- *Observations*

Data from observations at the pre-ODI stage relating to innovation in organization demonstrate that there was a relatively low level of creativity: employees did not apply a strategic perspective in relating to organizational performance; and there was a low level of new ideas put into practice. Conversely, according to the data from the post-ODI observations relating to innovation, there was a relatively high level of creativity: employees seldom applied a strategic perspective relating to organizational performance; and there was a relatively low level of new ideas put into practice.

- *Semi-structured interviews*

The pre-ODI semi-structured interviews show that employees' responses were limited mainly to the I-Control perspective with a few pertaining to the I-Pursue perspective. On the other hand, post-ODI data indicates that employees' responses had shifted and broadened, covering all four perspectives. In addition, twenty out of thirty post-ODI responses were

more positive. The majority of respondents who did not respond more positively were those who were neutral or relatively satisfied with the level of employee synergy at the pre-ODI stage. However, two respondents replied negatively at both the pre- and post-ODI stages.

- *Survey*

Results relating to innovation in the organization at the pre-ODI stage show a mean of 4.67 and a standard deviation value of 0.64, whereas the results at the post-ODI stage indicate a mean of 4.75 and a standard deviation of 0.63. The mean at post-ODI was higher than the mean at pre-ODI by 0.08. This change of mean failed a statistical test at 95% confident level, 2-tailed, which, in this particular case means there was incremental change in the mean value of innovation after the ODI; however, the increment of change in the mean value failed statistical significance at 95% confident interval.

- *Conclusion*

Findings from the qualitative approach suggest that there was a moderate post-ODI increase in innovation and those from the quantitative approach that there was only directional improvement of innovation, not significant at a 95% confident level; which brings to the conclusion that there was only post-ODI directional change of innovation.

This directional post-ODI change of innovation can be explained as follows:

- Although the relevant literature suggests that market orientation promotes innovation, market orientation consists of three elements. This study focuses only on the third element of market orientation, namely, innovation in organization.
- When taking a closer look at the sub-variables of innovation by the organization, data from both the survey and observation instruments indicate that although there was a high level of improvement in creativity, there was a low level of improvement in strategic perspective and implementation.
- Evidence from the semi-structured

interviews provides insight that the reason for the low-level strategic perspective was that employees were not serious in putting new ideas into practice. As to the low implementation, it can be accounted for in various ways: limited time of employees; possible risk to employees; putting new ideas into practice not part of employees' job requirement; and employees' low intention of applying new ideas.

Findings 4

- Qualitative

Findings from the pre-ODI observations and semi-structure interviews indicate that the level of employee inter-functional coordination, employee synergy, and innovation were rather low. However, at the post-ODI stage the levels of employee inter-functional coordination and employee synergy were enhanced and turned out to be relatively high. Still, while the level of innovation moved up, it ended at a moderate level; which means that there were changes in both the independent and dependent variables. This also means that the direction of change was positive although the degree of change in the independent variable was high, whereas the degree of change in the dependent variable was only moderate. Given that the ODI was planned, designed, and implemented to have a direct impact on the two independent variables and was not planned, designed, nor implemented to have a direct impact on the dependent variable-innovation, the post-ODI increase in innovation can be attributed to the influence of the increase in employee inter-functional coordination and synergy. It can therefore be concluded that there is a positive, but weak relationship between employee inter-functional coordination and employee synergy with innovation in the organization.

- Quantitative

Results from a regression analysis indicate that the two independent variables could explain the fluctuation of the dependent variable at 0.157

(the Adjusted R Square value) with a significance value of 0.006. This means there is a significant positive correlation between employee inter-functional coordination and employee synergy with innovation in the organization, although the impact of employee inter-functional coordination and employee synergy on innovation in the organization is at a low level.

- Conclusion

Findings from both the qualitative and quantitative methods indicate a positive but weak relationship between the independent and dependent variables. Accordingly, it can be concluded that the change of employee inter-functional coordination and employee synergy has a positive but weak effect on the change of innovation in the organization.

Summary of Overall Findings

Findings from the qualitative and quantitative methods were consistent with each other:

- There was significant post-ODI improvement in terms of employee inter-functional coordination and synergy;

- There was directional - but not significant - post-ODI improvement in terms of innovation in the organization;

- The change in terms of employee inter-functional coordination and synergy was positive but showed a weak association with the change pertaining to innovation in the organization.

These findings imply that while the designed ODI and its implementation were effective in providing a positive effect on employee inter-functional coordination and synergy, the increase in terms of employee inter-functional coordination and synergy resulted in an improvement in respect of innovation at BST that was marginal. Nonetheless, the objectives of this study were fulfilled.

Discussion

This research project focused on a human change management process to provide empirical evidence on the relationship between

employee inter-functional coordination, employee synergy and innovation in a multinational subsidiary organization in Thailand. It is considered important for both academic and practical reasons:

Regarding its theoretical importance, the integration of the study's content, context, and process makes this study original and adds new knowledge to the related literature with regard to (i) the impact of an ODI on employee inter-functional coordination, employee synergy, and innovation in the organization and (ii) the impact of employee inter-functional coordination and employee synergy on innovation in the organization.

Regarding its practical importance, the study provides three benefits: (i) it helps BST be able to comply with its mission; (ii) it facilitates the process for BST employees to perform better and be able to continuously adjust themselves to its changing environment; and (iii) drawing from the content and process of this research, it will urge BST employees to realize the power of "connectivity" and be more productive, so that the company can survive, develop, and grow in this complex, uncertain, and constantly changing world.

Conclusions and Recommendations

The findings of this study imply that:

- Improved employee inter-functional coordination and employee synergy can lead to improvement of innovation in the organization – albeit still marginal. Which means management can enhance innovation - marginally and eventually significantly - in an organization by substantially improving employee inter-functional coordination and employee synergy.

- Cross-functional teams can be amplified by the mutual effects of the following factors: shared vision and goals; clarity of roles and functions; team reward system; team identity; unity in diversity; and collaboration. This also suggests that management can improve the task/skills aspect of teamwork by establishing a shared vision and goals, clarifying employee

roles and functions, and by implementing a team reward system. Simultaneously, management can improve the attitude/spiritual aspect of team through a sense of team identity, unity in diversity, and collaboration.

- Employee teams can be a powerful agent of change in an organization. So management should involve employees in a change plan because employees usually have valuable insight about the organization and their participation minimizes change resistance from employees.

- An organization is an open system and as such is forced to change under the influence of both external factors and internal factors. However, the development of organization can also be expedited by a change plan or a planned intervention. Therefore for the benefit of the organization, management should consider implementing an ODI in the organization.

Limitations

The sample size of the survey was limited to 51 respondents as this investigation, an action research study, focused on one company, so the researcher looked only at employees of the organization considered for this study.

Based on this research, three recommendations can be made for further studies:

1. When designing and implementing an ODI on employee inter-functional coordination and employee synergy to foster innovation in the organization, future studies should take into consideration factors such as time, risk, job requirement, and level of intention to comply with new ideas.

2. In order to enrich this study topic and make it more general, conclusive, and sectoral, this researcher recommends that further studies extend the research to other organizations whose environmental interferences are different from BST's.

3. Finally, this researcher recommends that further studies examine the relationship between the other two elements of market orientation (customer and competitor

orientation) and innovation in organizations.

Notes

1. The BrainMap model describes four different thinking styles: I-Control perspective, I-Explore perspective, I-Pursue perspective, and I-Preserve perspective. The I-Control perspective is related to consistency, certainty, standards, time-related issues. The I-Explore perspective is related to creativity, flexibility, freedom of ideas and variety. The I-Pursue perspective is related to results, activity, productivity, and performance. The I-Preserve perspective is related to affinity, relations, harmony, and posterity. Any shift or wider coverage of perspective implies a change in a person's viewpoint and indicates that the person has more insight, higher wisdom, better connectivity, and emerging of synergy.

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