

## Assessing Organizational Capacity for Change: Evolution of a Research Stream

Presentation by  
Bill Judge to  
Dean's Research Seminar  
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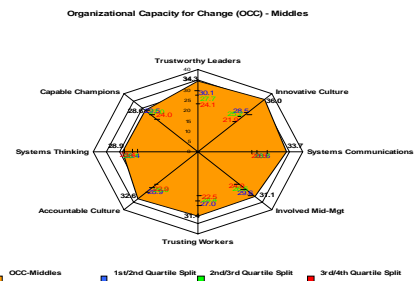
## My Research Interests & Values: Strategy Process Research

- Strategy implementation stream:
  - Strategic planning systems
  - Organizational innovation & creativity
  - Strategic alliances
- Strategic leadership stream:
  - Upper Echelons (CEOs & Directors)
  - Middle Managers
- Organizational Capacity for Change stream

## What is Organizational Capacity for Change (OCC)?

- Working with this concept from 1999 to present day
- Resource-Based View Perspective:
  - *Core Capabilities* are high level routines (or collection of routines) that, together with its implementing input flows, confers upon an organization's management a set of decision options for producing significant outputs of a particular type – Winter, 2000, *SMJ*: 983.
  - *Dynamic Capabilities* are the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments – Teece, Pisano & Shuen, 1997, *SMJ*: 516.
- **OCC**: A generalized dynamic capability that enables an organization to react to environmental change and/or anticipate future opportunities more quickly and effectively than its competition

## OCC Radar Chart: Graphical Scorecard



## Why is OCC Important?

- Widely recognized that roughly 70% of planned organizational change initiatives fail
- One reason for failure is lack of good diagnostic instruments
- Being an effective change agent is the new competitive mandate of the 21<sup>st</sup> century
- This tool provides a diagnostic instrument, as well as an organizational change scorecard, that can enhance overall organizational effectiveness

## Study 1: Developing a Reliable, New Construct

- Begin with literature review in 1999
- Distillation of fragmented literature into 8 key dimensions of change capacity
- Develop four items for each dimensions
- Test items for reliability on 160 organizational units with over 3,500 employees at senior, middle, and frontline positions from 1999-2005

Source: Judge, Douglas & Naoumova 2006 *Academy of Management Best Paper Proceedings*, Organizational Development & Change Division, Atlanta, Georgia

## Reliability Statistics for OCC Dimensions (N = 3,575)

Dimension	Mean Value	Alpha
Trustworthy Leadership	27.22	.92
Trusting Followers	24.85	.89
Capable Champions	26.25	.93
Involved Mid-management	26.26	.89
Innovative Culture	25.52	.89
Accountable Culture	26.18	.89
Systems Thinking	26.00	.90
Systems Communication	24.23	.92

## Study 2: Establishing Validity for OCC

- CEOs of 51 rural telecommunication firms in USA
- Independent variables:
  - Organizational adaptability
  - Environmental uncertainty
- Dependent variable: OCC
- Control variables:
  - Organizational size
  - Industry

Source: Judge, Douglas & Naoumova 2006 *Academy of Management Best Paper Proceedings*, Organizational Development & Change Division, Atlanta, Georgia

### Regression Analysis on Financial Performance in U.S. Rural Telecommunications Industry (N = 51)

Variable	Beta	T-value
Organizational Size	.34	2.65**
OCC	.34	2.64**
Adjusted R-Squared	.24	
F-value	8.71**	

\* p < .05  
\*\* p < .01

Source: Judge, Douglas & Naoumova 2006 Academy of Management Best Paper Proceedings, Organizational Development & Change Division, Atlanta, Georgia

### Regression Analysis on Organizational Predictors of OCC (N = 51)

Variable	Beta	T-Value
Adaptability	.28	1.78 †
Alignment	.01	0.04
Adjusted R-Squared	.04	
F-Value	1.99*	

† p < .10  
\* p < .05

Source: Judge, Douglas & Naoumova 2006 Academy of Management Best Paper Proceedings, Organizational Development & Change Division, Atlanta, Georgia

### Regression Analysis of Environmental Predictor of OCC (N = 51)

Variable	Beta	T-value
Environmental Uncertainty	.36	2.73**
Adjusted R-Squared	.11	
F-Value	7.44**	

\*\* p < .01

Source: Judge, Douglas & Naoumova 2006 Academy of Management Best Paper Proceedings, Organizational Development & Change Division, Atlanta, Georgia

### Study 3: OCC & Environmental Performance in Bulgaria

- Collaboration with Detelin Elenkov
- Data: Surveys administered to 1 senior executive, 1 middle manager, and 1 frontline worker from 31 manufacturing firms in Bulgaria
- Independent Variable: OCC (primary)
- Dependent Variable: Relative Environmental Performance (archival)
- Control Variables: Organizational Size (archival) & Prior Organizational Profitability (archival)

Source: Judge & Elenkov 2005. Journal of Business Research, 58: 893-901

### Regression Analysis on Relative Environmental Performance in Bulgaria (N = 31)

Variable	Beta	T-value
Organizational Size	.12	.82
Prior Profitability	-.16	-1.09
OCC	.79	5.31***
Adjusted R-Squared	.47	
F-Value	10.01**	

\* p < .05

Source: Judge & Elenkov 2005. *Journal of Business Research*, 58: 893-901

### Regression Analysis on Relative Environmental Performance In Bulgaria (N = 31)

Variable	Beta	T-Value
Organizational Size	.05	0.32
Prior Profitability	-.14	-0.89
OCC: Top-Bottom Differences	-0.73	-4.78***
Adjusted R-Squared	.48	
F-Value	8.12***	

\*\*\* p < .001

Source: Judge & Elenkov 2005. *Journal of Business Research*, 58: 893-901

### Study 4: OCC & Firm Performance in Russia

- Collaboration with Tom Douglas and Irina Naoumova through the Federal Retraining Program in Russia
- **Data:** Structured interviews with 91 Russian firms
- **Independent variable:** OCC
- **Dependent variable:** Firm Performance
- **Control variables:** Organizational Size, Industry Sector, Proximity to Moscow

Source: Judge & Douglas. Under review at *Journal of Management*

### Study 5: OCC & Strategic Ambidexterity

- Collaboration with Chris Blocker
- **Problem:** How exploit existing markets while exploring new markets (e.g., rewiring the plane while flying it)?
- **Strategic Ambidexterity:** A firm's ability to combine exploration and exploitation strategies across product, market, and resource domains" – Aulakh & Sarkar (2005)
- **RQ:** Could OCC be an antecedent of strategic ambidexterity?

Source: Judge & Blocker 2008 *European Journal of Management*, forthcoming

## Conceptual Link between OCC and Strategic Ambidexterity

**Proposition 1:** OCC is positively related to strategic ambidexterity.

**Proposition 2:** The OCC-SA relationship is strengthened during periods of high environmental uncertainty and weakened during periods of low environmental uncertainty.

**Proposition 3:** The OCC-SA relationship is stronger for high levels of organizational slack, and weaker for relatively low levels of organizational slack.

Source: Judge & Blocker 2008 *European Journal of Management*, forthcoming

## Study 6: OCC and Multiple Performance Outcomes in U.S. Hospital Industry

- Collaboration with Consulting Division of Joint Commission Research in Chicago
- **Data:** Survey of 700 U.S. hospitals in 2007
- **Independent variable:**
  - Organizational Capacity for Change
- **Dependent variables:**
  - Financial Performance
  - Quality & Patient Safety
- **Control Variables:**
  - Hospital Size: Number of FTEs
  - Hospital Ownership: For-profit versus non-profit
  - Hospital Type: General versus Specialty

## Conclusions

- "Truth" comes in the social sciences through refinement and extension within theory-based research streams, not individual research studies
- OCC is a rigorous and relevant new construct in the management literature with a reliable and valid measurement scheme as well as a graphical scorecard for communicating results
- OCC has been shown to be associated with a wide variety of financial and non-financial firm performance measures, as well as strategic ambidexterity, in the USA and Eastern Europe
- There is still much to be learned about OCC