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**Organizational  
development as  
a modern management  
tool for transformation  
of the company (case  
of Ukrainian energy  
company)**

*“You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete”*

Richard Buckminster Fuller

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## 1. Introduction

Globalization processes in the world of economics lead to a growing number of interconnections and interdependencies between different economical objects, make the businesses and organizations structures much more complicated and, as a result, it becomes rather difficult to manage them. In fact, organizational development as one of the methods of changes management is becoming more relevant, because of its impact on the company's activities and because it is a tool that, for the sake of development, maximizes human potential and uses modern managerial technologies.

While organizational development can be considered as one of changes management methods, it also can be one of the organization development directions. It is worth noticing that organizational development, in comparison with other methods of changes management,

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applies the behavioural approach, motivation and staff development, besides, organizational development always deals with development of the entire organization. As a whole this development is longer and larger in scale than any other methods of changes management, it uses evolutionary approach of organization development.

## 2. Methodology of organizational development

The issues of organizational changes can be found in foreign papers and in works of our scientists. The researches proposed numerous methods, models and techniques. The most popular directions of change are business process reengineering and organizational development.

The both directions derive from the need for a fundamental revision of the existing organization and conduct of business and the implementation of radical changes that affect the entire organization. The difference between these approaches is that in the case of reengineering the organization redesigns its processes and systems on the basis of which the business practice, people and organization culture change, while in the case of organizational development at the beginning there must be first trainings and informing of people and only after that the business conducting is started to be changed (Doroshuk, 2014).

The peculiarity of using organizational development as a modern management method is that this method incorporates modern management theories, psychology and sociology of management.

The concept of organizational development was introduced in the 1960s (Beckhard, 1969; Margulies and Raia, 1972), however, it should be noted that the first fundamental research in this field was done by Kurt Levin in the 1930s, in particular, he studied the field theory.

Nowadays there exist several approaches to organizational development (Burke and Noumair, 2015; French and Bell, 1998; Waclawski and Church, 2001) with I.Adizes (1998) (Greiner, 1972) methodology as the most popular, the mentioned theory provisions are used in the work taking into account the peculiarities of the development of the branch-forming enterprise infrastructure.

There are used so-called «hard» methods in organizational development, as well as in many other types of development: quality management, organizational design, process management, implementation of the concept of lean production, knowledge management, improvement of the management system, technological process changes, automation of management and informatization of management.

However, «soft» methods are of primary importance: it includes development of competences and skills of personnel, formation of organizational culture and values, of a management style, improvement of the remuneration system, the peculiarities of the change leader, organizational behaviour, personnel training, the formation of development teams, planning of staff's life and career (Doroshuk, 2015).

The concept of organizational development is successfully implemented both in small and medium business, as well as large companies and even public administration. Organizational development programs are different in different organizations, which may be due to: the size of the organization, the complexity of building the organization, industry affiliation, business characteristics, and other factors that will be described in the section. The purpose of the article is the formation of the approaches and stages of organizational development for a large vertically integrated company, ensuring the country's strategic security in the field of energy.

### **3. Organizational development concept**

Organizational development can be considered as one of directions of a company development. Depending on the object of development there can be distinguished the following point of views concerning organizational development:

- organization as a social formation - an open socio-technical system,
- organization as management function - spatial distribution and timing,
- organization as a characteristic of management system - the improvement of the system order can bring the increase of the company performance,
- organization as a process of streamlining the organization's activities or manifestation of joint activities, which is expressed in the creation of new and improved systems created and functioning of any kind,
- organization as a structure - a set of stable links between objects and management implemented in specific organizational forms that ensure the integrity of management and preservation of the main features despite various external and internal changes.

This paper shall focus on the organization development as social formation having a certain goal of existence, however not rejecting the possibility of using other tools. That is, organizational development is the development of an organization as an open socio-technical system.

So it can be proposed that organizational development as the continuous multidimensional nonlinear process integrating multidimensional local

changes in management technologies and employee behaviour, the process of transition of the enterprise into a new qualitative state, due to changes in the quantity, quality of its subsystems and links between them, which increases its survivability and competitiveness within the global economic space.

#### **4. Possibility to manage organizational development**

Development involves multidimensional local changes, therefore, for the management of development, one can use the concept of change management and one of its methods - organizational development, which is proposed to expand and consider not only the position of change in employee behavior, but also from the point of view of the introduction in practice of the organization of new management technologies, which will change it.

It should be noted that a number of authors, including the founders of the concept of organizational development, adhere to the view that organizational development cannot be managed, but it happens as it happens. However, there is another opinion that the author of the work adheres to - it is possible to manage the organizational development. This can be argued so.

The ability to manage organizational development is determined, first of all, by the human factor, since a person deliberately seeks ways to improve the situation; secondly, knowledge of the cyclical nature of the development of socio-economic systems, which allows for the provision of growth reserves.

The need of management of organizational development is determined by the goals of the organization and its employees, as well as the development of the organization as its immanent feature.

#### **5. Features of organizational development of a large energy company**

As an object of organizational development the work considered a large vertically integrated company. The study of the unique experience of the organizational development of a large company, which forms the state infrastructure in the field of energy, made it possible, on the one hand, to highlight the peculiarities of the organizational development of such companies, on the other hand, to allocate a general scheme of organizational development, working for all types of organizations. In this section of work we will focus on the peculiarities of the organizational development of large companies in the energy sector. *SE NAEK "Energoatom" is a large company with vertical integration (Table 1), capable of self-sufficiency.*

**Table 1. The staff of the state enterprise SE NAEK “Energoatom”  
in 2014-2016, men**

Index name	Men per year		
	2014	2015	2016
Accounting number of full-time employees of the accounting staff	35149	35186	34947
Total women	11669	11687	11605
Total men	23480	23499	23342
Total managers	4873	4891	4870
of them women	680	667	663
of them men	4193	4224	4207

**Source:** [http://www.energoatom.kiev.ua/ru/actvts-16/sustainable\\_development-98/social-100/news-109/gender\\_policy-103](http://www.energoatom.kiev.ua/ru/actvts-16/sustainable_development-98/social-100/news-109/gender_policy-103) (28.01.2019 – access date)

The analysis of the gender of the workers of the SE NAEK “Energoatom” in 2014-2016 shows that the ratio of the number of both men and women during the last three years remains practically stable: women - at the level of 33% and men at the level of 67%.

The company consists of the directorate, which manages the entire complex of the enterprise; separate structural subdivisions; service and auxiliary units. This provides an opportunity to carry out organizational development by a cascade: in the directorate, separate structural divisions and service departments, structural units of separate structural divisions.

One of the tasks of NAEK Energoatom is to ensure the energy security of the country. SE NAEK Energoatom is included in the List of objects of state ownership of strategic importance for the economy and security of the state, approved by the Decree of the Cabinet of Ministers of Ukraine No. 83 dated March 4, 2015. According to the results of comparing key performance indicators of NPP power units with the requirements established by international standards, the company is completely safe and reliable, and therefore has significant potential for further development. Taking into account the impact on economy and welfare of the Ukrainian citizens, it is very important to guarantee positive result of organizational development for the company and for the country as well.

SE NAEK "Energoatom" is a state unitary commercial enterprise; therefore, with its development, one of its instruments is corporatization, it is important to take into account the experience and forms of corporatization of large enterprises in Ukraine that are of strategic importance to the country's economy and security; as well as streamline relations with the public, necessary for the successful corporatization of Energoatom.

Influence of globalization (integration) processes, aimed at cooperation in the field of ecology and safety of nuclear energy. In particular, it concerns issues of mutually beneficial international cooperation, expansion of electricity exports to the EU, investment attraction for the construction of new power units.

The peculiarity of the organizational development of SE NAEK "Energoatom" as an infrastructure of the state will be not only changes in the company itself, but also a change in the structure of the electricity market. The electricity market model, created by analogy with the British pool, will be replaced by a balancing system in conditions of liberalization of the electricity market.

The company is a town-forming enterprise, since the number of employees of the nuclear power plant is not less than half of the population of the administrative-territorial units in whose territory the nuclear power plants are located. Therefore, the city-forming function must be preserved in the course of organizational development and in the process of corporatization.

## **6. Stages of organizational development of the energy company**

Stage 1 - Team formation. Organizational development can be most effectively implemented through process counseling, first proposed by K. Levin (1951). The tool for managing change and organizational development involves the involvement of a third-party consultant - the agent of change, the facilitator, the consultant. An agent of change can provide expert counseling, independently defining development paths and offering them for implementation, or process counseling, when the agent changes, using knowledge of the organizational development and change management methodology, as well as knowledge and skills of working with group dynamics, and has diplomatic skills and is able to build trusting relationships, direct the process of change into the right direction.

Organizational development is a complex and multi-faceted process involving a large number of participants, because organizational development is not a spectator's sport, it involves a team, each member of which develops in the process of change (table 2).

**Table 2. Subjects of organizational development management of SE NAEK "Energoatom"**

Type of the subject of changes	Internal	External
First stage subjects	Managers of the company and its separate subdivisions, middle-management	Agents of changes, consultants - Areva, Deloitte and others. Supervising and regulating organs - IAEA, ENVSEC (the Environment and Security Initiative) project, Supreme Council of Ukraine (Verkhovna Rada), the Cabinet of Ministers of Ukraine, Ministry of Energy and Coal Industry of Ukraine, the National Commission for State Regulation of Energy and Public Utilities of Ukraine (NCER), State Nuclear Regulatory Inspectorate of Ukraine Changes Donor - European Bank for Reconstruction and Development
Second stage subjects	Company workers, the team on changes implementation, cross-functional teams	External participants and their expectations (i.e. the consumers expect quality products at optimal prices; international partners expect opportunities for cooperation, provided the new model of the electricity market is implemented)

Source: own study

Stage 2 - Dynamics of the Life Cycle. The starting point of organizational development can be considered the definition of the current stage of the company's life cycle. This gives an opportunity to describe the main achievements, as well as typical problems of growth, and, most importantly, to understand the direction of development - the transition to the next stage of development. In addition, in the diagnostic of organizational development, significant tools are used: from diagnostic interviews and questionnaires to analyzing key indicators of the company and identifying the mathematical dependencies of development indicators. It should be noted that in the diagnostics of organizational development, the qualitative research methods prevail: questionnaires, interviews, graph-analytical method, method of logical-semantic modeling, analysis of managerial mistakes, etc.

At the moment, Ukraine's nuclear energy is in the fourth stage of the life cycle «adolescence». This stage is characterized by good administration of organizational processes, control, which, however, holds back the search and selection of development areas due to the too rigid system of regulations. That

is, emerging development ideas are hampered by excessive administration. The problems of this stage are the emergence of stiffness («aristocracy») and unfulfilled entrepreneurship, when the owner and management do not support new ideas for business development, which leads to its disappearance. Overcoming these problems is possible by generating new ideas, as well as by maximizing the involvement of personnel in the process of ongoing reforms through training, development of competences, formation of development teams, and so on. The transition to the next stage of the life cycle opens the prospects for innovation, the development of new technologies, and investment. The transition to the next stage of «prime» is possible due to strategic planning, organizational innovation, non-bureaucratic planning procedures, structural reorganization, delegation, and some decentralization.

Stage 3 - management of value. From the point of view of the author, it is recommended to add the analysis of the life cycle by analyzing the level of the company on the theory of spiral dynamics K. Graves (1970). The universality of the theory of spiral dynamics lies in the fact that it can be applied to countries, organizations and individuals. This theory makes it possible to describe not only the level of development of the entire company, but also of its individual elements, subcultures. Thus, HR-services is in the green level of development, while the values of production units and marketing services are described by the red level.

The main values of the SE NAEC “Energoatom” are safety; professionalism; safety culture; openness, truthfulness and reputation; preservation of human resources; knowledge management; corruption prevention; social responsibility. Such a list of values makes it possible to attribute this company to the blue level, which is not surprising, since the company ensures the country’s energy security (having a fundamental idea) and has regulated activity (this is due to strict adherence to technology and security achievement). However, in the long run, the use of only such values will restrain the growth of the company, since the growth of the company’s efficiency, motivation and personal interest in the final results are the values of the next orange level.

The company is already transitioning from blue to orange level, which is reflected in the company’s orange vision, which includes: a market-oriented company, increasing market share, pursuing a decent international level, building new capacities.

The actual implementation of this transition is the preparation and conduct of the corporatization of the company with a change in the organizational and legal form and an increase in the efficiency and market orientation of the

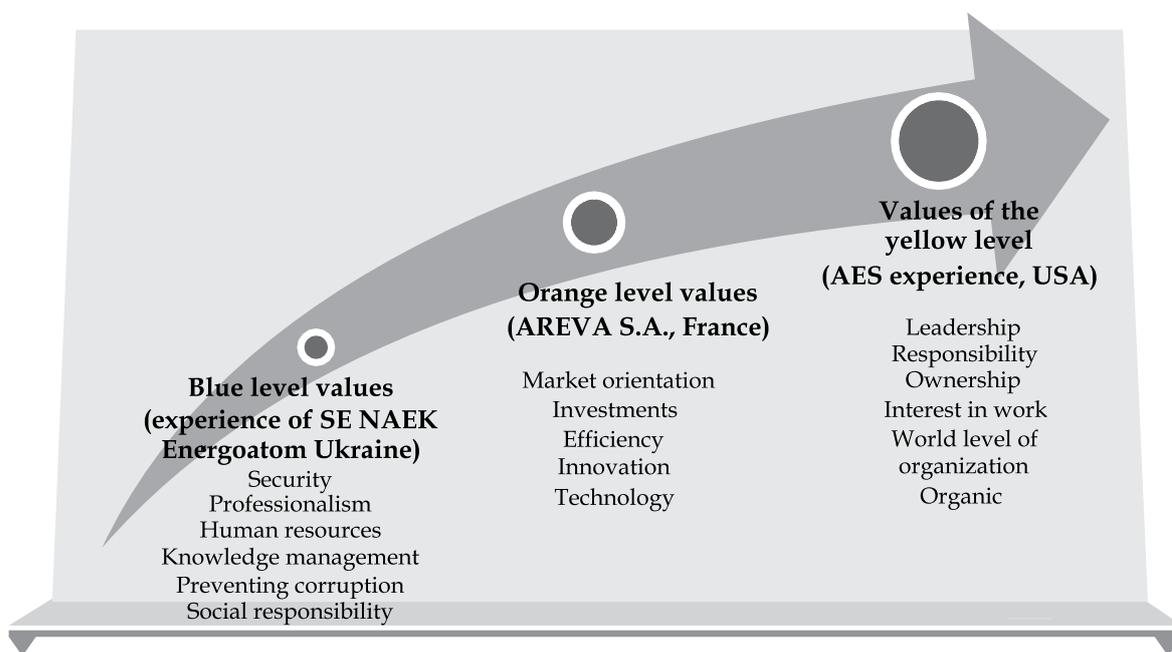
company. Corporatization is possible in two ways: priority - creation of a single enterprise based on all the property that is on the balance sheet of SE NAEC "Energoatom"; alternatively - the creation of several separate public joint-stock companies.

The experience of the functioning of the energy organizations of the yellow level (according to K. Graves) or the so-called turquoise, described in (Laloux, 2014; Bakke, 2005) is interesting. AES (Applied Energy System) was founded in 1982 in the USA by Roger Sant and Dennis Bakke. The company quickly grew to one of the world's largest electricity producers and suppliers, with 40 thousand employees in 2000. The enterprises are located in 31 countries on all continents - from Argentina to El Salvador, from Hungary to Kazakhstan, from South Africa to Tanzania.

The founders of the company tried to ensure that the number of employees in one enterprise did not exceed 300-400 people, who were divided into 15-20 teams of 15-20 people each. The team was in charge of budgeting, allocation of work, safety, planning, maintenance, hiring and firing employees, counting working hours, training, evaluating the quality of employees, salaries, capital expenditures, supplies, product quality control, except for the team determined the long-term strategy, relationships with local communities, charity. A "rule 80-20" was introduced in the company: every AES employee from a cleaner to an engineer, on average, must spend 80% of his working time on basic duties and be ready to join one or several working groups in the remaining 20% of the time. The history of AES, among other things, demonstrates how, after a change in leadership, a company can return to traditional management.

Stage 4 - implementation tools. Improving the efficiency of the company and maximum involvement in the company's development processes is achieved through the formation of a strategy map in the balanced scorecard. Key Performance Indicators (Key Performance Indicators, KPI) are performance indicators of a business unit or enterprise that helps an organization achieve its strategic and operational goals. The use of key performance indicators gives the organization the opportunity to assess their condition the implementation of the strategy. KPIs allow controlling the business activity of employees, departments and the company as a whole. This allows maximizing the involvement of all personnel in the achievement of the company's goals. Part of the performance indicators are given in table. 3

The data in Table 3 show a significant increase in indicators already at the end of 2018 in the case of successful implementation of the development strategy.



**Figure 1. evolution of the values of energy companies: the experience of Ukraine**

Source: own study; Bakke, 2005; <https://en.wikipedia.org/wiki/Orano>  
(access date – 28.01.2019)

Managing a company on the basis of a balanced scorecard allows clearly formulating goals based on the SMART principle and form a system of personnel interest in achieving goals.

Strategic methods and organizational development tools are aimed at changing the qualitative characteristics of the enterprise in the long run: creation of a new enterprise, mergers, diversification, modernization, restructuring, reengineering, liquidation of divisions.

## 7. Conclusions

Organizational development provides an opportunity to find the most suitable tools for finding further ways of functioning, development and how to increase the overall company performance. The paper suggests simultaneous use and analysis of the life cycle, and the theory of spiral dynamics, allows for the most complete idea of the company's visions, missions and values, that is, the guidelines for setting goals and development strategies. The process consulting applied on organizational development ensures that the opinions

**Table 3. Examples of performance indicators for SE NAEK “Energoatom” development strategy**

Index name	Calculation meth	Measure- ment Unit	Fact		Forecast	
			2016	2017	2018	2019
Capitalization ratio	Loan capital / Total cost of capital (reflects the use of personal capital)	Coeff.	1.67	7.63	15.25	26.08
Activity cost-effectiveness	Net profit / Net income	Coeff.	4.9	5.7	6.3	8.7
Net profit	The difference between the financial result of non-operating activities and income tax (the difference between all income and all expenses)	UAH mln	1 719	2 192	2 795	3564

**Source:** own study: [http://www.energoatom.kiev.ua/files/file/tep\\_12\\_2017\\_balans.pdf](http://www.energoatom.kiev.ua/files/file/tep_12_2017_balans.pdf) (28.01.2019 – access date)

of the majority of executives and influencers of the company will be taken into consideration, and consequently it becomes possible to work out a collective decision and to implement it in the company, which facilitates the growth of the company’s human and social capital. This approach allows not only achieving the development goals, but also moving to a new level of organization structure based on self-governance, integrity and the existence of an evolutionary goal. All this will allow turning from changes forecasting and control of the future and building a company that organically shapes the goals and independently chooses the level of development it wants to achieve. Prospects for research in this direction is the decision of the question of the choice of organizational development tools and methods of work with the personnel.

## Summary

### **Organizational development as a modern management tool for transformation the company (case of Ukrainian energy company)**

The article is aimed at formation of the approaches and stages of organizational development for a large vertically integrated company, ensuring the country’s strategic security in the field of energy. The methodological basis of this work is the theory of

the company's life cycle, and it is proposed to complement the mentioned theory with the theory of spiral dynamics, reflecting the evolution of the company's values.

The approaches to organizational development are analysed and organizational development is defined. The possibility and necessity of management of organizational development are substantiated. As a result of the study, there were described the features of the organizational development of large energy company, and this is for the first time. The analysis of publications and world experience in the development of energy companies allowed proposing four basic stages of organizational development: team building and life cycle dynamics, value management and implementation tools.

There is offered the use of organizational development as an instrument of management, which enables to achieve not only company development goals, but also to manage its values, achieve maximum employee involvement in development, and to shift from the management of the company to team work. Further research in this area it is advisable to carry out in detail the stage of organizational development and description of each stage's tools.

**Keywords:** *organizational development, change management, company values, country's strategic security, transformation the energy company.*

### **Streszczenie**

#### **Rozwój organizacyjny jako nowoczesne narzędzie zarządzania transformacją firmy (na przykładzie firmy energetycznej Ukrainy)**

Celem artykułu jest kształtowanie się podejść i etapów rozwoju organizacyjnego dużej pionowo zintegrowanej firmy, zapewniającej strategiczne bezpieczeństwo kraju w energetyce. Podstawę metodologiczną artykułu stanowi teoria cyklu życia firmy, korzystanie z której proponuje się uzupełnić teorią dynamiki spiralnej, odzwierciedlająca zmiany wartości firmy.

Przeanalizowano podejścia do rozwoju organizacyjnego i zdefiniowany jest rozwój organizacyjny. Uzasadniono możliwość i konieczność zarządzania rozwojem organizacyjnym. W wyniku badania po raz pierwszy zostały opisane właściwości rozwoju organizacyjnego poważnych firm energetycznych. Analiza

publikacji i międzynarodowego doświadczenia rozwoju firm energetycznych pozwoliła zaproponować cztery główne etapy rozwoju organizacyjnego: kształtowanie zespołu, dynamika cyklu życiowego, zarządzanie wartościami, narzędzi wdrożeniowe. Korzystanie z rozwoju organizacyjnego jako narzędzia zarządzania pozwala nie tylko na realizację osiągnięcia celów rozwoju firmy, ale również na zarządzanie jej wartościami i osiągnięcie maksymalnego zaangażowania pracowników do rozwoju. Co w perspektywie doprowadzi do tego, że zarządzanie firmą zastąpi praca zespołowa. Późniejsze badania w tym kierunku docelowo przeprowadzać w fazie szczegółów rozwoju organizacyjnego i opisu instrumentów każdego z etapów.

### **Słowa**

**kluczowe:** *rozwój organizacyjny, zarządzanie zmianami, wartości firmy, strategiczna bezpieczeństwo kraju, przekształcenie firmy energetycznej.*

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