

Barbara Senior Stephen Swailes Colin Carnall

ORGANIZATIONAL CHANGE

SIXTH EDITION



ORGANIZATIONAL CHANGE



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Sixth Edition

ORGANIZATIONAL CHANGE

Barbara Senior
Stephen Swailes
Colin Carnall



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About this book

Introduction

If you have worked in an organization then you might have witnessed how hard it can be to change even the smallest procedure or practice. You might think you hear words of support for change, but then notice that nothing happens; the same old situation keeps coming around again. Or you might encounter opposition to a change that seems so necessary and helpful. Why is it that your colleagues, who are all part of the same set-up, can show so much resistance to what looks like a simple change for the better?

At the other end of the scale, large organizations try to push through big changes to transform the ways in which they operate. It is difficult to get accurate figures because of the difficulty of using a consistent definition of 'change', but there is some evidence that executives think that only a small proportion of change initiatives are fully successful in meeting their objectives. Some projects achieve partial success, but a lot of change initiatives fail to make any progress. However, most organizations are seeking to implement multiple change initiatives at any one time. Often these initiatives are either contradictory or place claims on the same resources if implementation is to be secured. There is growing evidence that an overall change programme management approach is essential for effective implementation to be achieved.

It is easy to find recipes to guide us through successful change initiatives. They make much sense at one level; who would not try to communicate a vision for the change, set some objectives and allocate responsibilities, for example? All organizations can do these things but they are not enough to ensure successful change. Change initiatives do not fail because organizations fail to follow a recipe; that would be far too simple. Rather, there are simply too many factors involved for recipes to work. It is possible to identify those features of change programmes that are more likely to lead to progress.

In this text we consider the complexity of organizational change to try and understand why change is so difficult to manage. Indeed, after reading it you might ask yourself whether 'managing change' is an illusion – a myth that can never be achieved. However, as you will see in Part Three of the text, a number of possibilities as to how change might be managed are discussed. We will also look at why some rapidly growing on-line businesses appear to be adopting new 'rules of the competitive game', and as a result are less constrained in achieving change. The text will examine the case for enhanced engagement of stakeholders in the change process

and will also consider the role that new data analytics can play in change management in both the public and private sectors.

The aim of this book

The overall aim is to discuss change in relation to the complexities of organizational life. The text takes both a theoretical and practical approach to organizational change and seeks to meet both the academic and applied aims of most business and management courses. Specifically, this text aims to be:

- *comprehensive* in its coverage of the significant ideas and issues associated with change from operational to strategic levels: change is also examined in terms of its effects at the individual, group, organizational and societal levels;
- *conceptual* in the way it explores and critiques theory and research on organizations and change;
- *critical* through its recognition of the limitations of much of the change literature and its inclusion of critical management perspectives;
- *practical* through descriptions and worked examples of different approaches to ‘doing’ change;
- *challenging* through asking readers to undertake activities relating to their work contexts: each chapter contains activities intended to personalize ideas from the text and to reinforce learning, and end-of-chapter discussion questions, assignments and case examples invite longer and more detailed responses;
- *balanced* in its use of case studies and examples, drawn from various types of organizations.

Who should use this book?

The text is intended for anyone interested in exploring organizational change and understanding how to make sense of it:

- *Undergraduate students* in the final year of business and management programmes should find the text gives a comprehensive and understandable introduction.
- *MBA students* who need to apply theory to the workplace will find the blend of theory and practice closely linked to the demands of their programme.
- *Students* on specialist Master’s programmes should find sufficient practical examples to illustrate theory, even if they have little practical experience of management and business.
- *Students on professional courses* that include organizational change will find it helpful.
- *Practising middle and senior managers* who wish to know more about change theory, models of change and its complexity in relation to how organizations behave will benefit from it.

Readers will benefit if they have some prior knowledge of organizational theory and behaviour and of experiencing at first hand the murky waters of change in

organizations. However, we have tried to make the text accessible to readers without any prior working experience.

Distinctive features

- **Clear structure.** The text is in three parts. Part One considers the broader environmental contexts within organizations – the causes of change and different types of change are discussed. Part Two opens up the organization to explore issues that are crucial to an understanding of organizational change and how it happens. Part Three addresses the more practical considerations of designing, planning and implementing change.
- **Chapter summaries and learning objectives.** Each chapter begins with a short summary and the learning objectives.
- **Boxed illustrations and activities.** Illustrations that expand on or give examples of points made in the text are used throughout. They include summaries of research papers and short case examples. Each chapter contains several activities that invite readers to think about theory and practice in relation to their own experiences of change in organizations.
- **End-of-chapter discussion questions and assignments.** Each chapter ends with questions that are intended to promote a more lengthy consideration of issues raised in the text. Many of the questions can be used to prepare for assessments that might occur within a particular programme.
- **End-of-chapter case examples.** The chapters in Parts One and Two end with a case example and case exercise, which help readers apply concepts, theories and ideas introduced in the chapter to real examples. Case questions are intended as a guide to thinking about the different aspects of the case in relation to ideas and themes running through the book.
- **Indicative resources.** Further reading is suggested at the end of each chapter.
- **Website links.** At the end of each chapter, several websites giving further information and support are provided.
- **Academic sources and references.** Full details of references used are given at the end of each chapter and in the author index.
- **Lecturer's Guide and PowerPoint slides.** A Lecturer's Guide is available, downloadable from go.pearson.com/uk/he/resources, to lecturers adopting this text. It includes commentaries on each chapter, in particular how to use the activities and the kinds of responses to be expected from students carrying out the activities and answering the discussion questions. Additional study work is suggested and PowerPoint slides are provided.

How to use this book

The text has a simple structure. Chapters in Part One are essential to readers new to organizational change. Readers with little knowledge of organizational behaviour will find Part Two especially important, and for those who have already studied

organizational theory and behaviour Part Two explores power, culture and leadership with special reference to change. Part Three provides methodologies for planning and implementing changes and closes with a review of current trends and issues in change theory and research.

Activities distributed throughout all chapters embed ideas and concepts in the text. Sometimes they invite readers to reflect on their workplace; other times they invite application of concepts and ideas to work situations. A useful strategy is to read through a chapter quickly first and then, on a second reading, carry out the activities.

Discussion questions, assignments and case examples enable readers to write at length on issues associated with organizational change. They are particularly useful as preparation for completing formal module assessments.

About the authors

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Barbara is Director of Highfield Consultancy. She recently retired from supervising doctoral students for the Open University. She is a Chartered Occupational Psychologist and a Member of the Chartered Institute of Personnel and Development (CIPD). She also has a Doctorate in Occupational Psychology. Her past experience is varied. After working in administration and running her own dressmaking and tailoring business, she entered the academic world, researching, teaching and directing courses in organizational behaviour and change at Liverpool John Moores University, the Open University and the University of Northampton, where she was Director of the Postgraduate Modular Scheme. She is the author (with John Naylor) of two books on work and unemployment and has contributed to Nik Chmiel's book on work and organisational psychology. She has published many papers on her research into teamworking and cross-cultural management.

Stephen Swailes, BSc, DMS, MPhil, MBA, PhD

Stephen is Professor of Human Resource Management at the University of Huddersfield. Starting out in scientific research, he worked in the water industry and later for a research and consulting organization. During this time, he became interested in understanding more about how people behave in the workplace and the complex field of organizational behaviour. After working in industry, he moved into teaching and was awarded a PhD for research on the nature of employee commitment and how changes in the workplace influence commitment. He has published over 50 papers and several book chapters on organization structure, teams and teamwork, and the management of high performing people. His main research interest now is on talent management and, in particular, how the idea of talent is constructed, the ethical issues arising from managing talent and how talent management influences organizational performance. He has written and edited multiple books on talent management and human resource management.

Colin Carnall, BTech (Hons), MSc, PhD, FRSA

Colin Carnall worked as an engineer and project manager in heavy engineering. He taught and researched at Henley Management College, Warwick Business School and Cass Business School. Appointed Professor of Management Studies at Henley in 1986, he held positions as Director of Graduate Studies and Director of Executive Education. Appointed Associate Dean, Executive Programmes and Professor of Strategic Management at Warwick in 2003, he was Director of Executive Education at Cass Business School from 2008 to 2013. He subsequently was a Director and Partner at Carnall Farrar Ltd – a Strategic Consulting firm. He has designed and led leadership development and strategic change programmes for organization programmes in the public and private sectors in the UK, Europe and Asia Pacific. He has published widely on both strategic change and leadership development.

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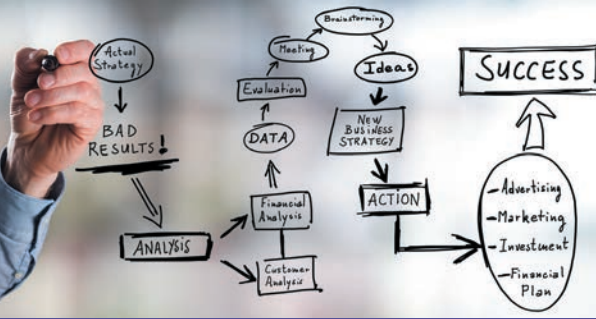
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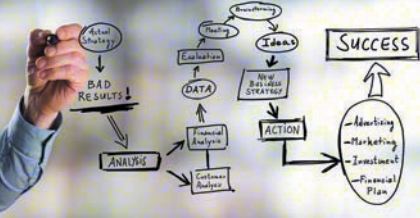


Part One

THE CONTEXT AND MEANING OF CHANGE

The rhetoric of business continues to tell us that the pace of change is accelerating and that anticipating and responding to change are essential for organizational survival. Indeed, it is easy to find examples of organizations, small and large, that have ceased to exist because events overtook them. Poor leadership and slow reactions to competitors are typical management problems linked to change failures.

Part One of this book explores the events that encourage and stimulate organizations to attempt change, large and small, as well as the political background against which attempts to bring about organizational change are played out. Chapter 1 begins by considering what we mean by 'organization' and how organizational life is influenced by many factors, particularly those originating outside the organization. Organizational activities are shown to be the outcomes of historical developments as well as the results of the day-to-day vagaries of political, economic, technological and socio-cultural influences. Chapter 2 investigates the nature of change in more detail.



Chapter 1

Organizations and their changing environments

In this chapter, organizations are defined as systems made up of formal aspects of management and operations that are heavily overlaid by informal aspects of life in organizations deriving from relations between people. Organizational systems are conceptualized as operating in three types of environment – temporal, external and internal – that interact with each other to create the ‘triggers’ of change.

Learning objectives

By the end of this chapter you will be able to:

- describe the general characteristics of organizations;
- identify triggers for change in a range of organizations;
- discuss the concept of organizations as systems operating in multidimensional environments and the implications for understanding the causes of organizational change;
- analyze the level of turbulence in organizational environments.

A view of organizations

At a simple level, we can think of organizations as the physical spaces that we work in and interact with. ‘Who do you work for?’ is a common question when we meet people, and our replies give a name and place to the organization that pays our wages or salaries. We might identify strongly with it; or maybe not. Tony Watson (2006) summarized definitions of organizations and noted that a common factor is the idea that organizations have goals that act as a glue holding together the various systems used to produce outputs. He also points out that although we may speak of ‘organizational’ goals, the goals are really those devised and promulgated by top managers. They may be very specific in terms of how those senior managers view the organization and might not be shared by everyone. Organizing and managerial action are then assumed to follow these goals.

So, organizations can be seen as people interacting in some kind of structured or organized way to achieve some defined purpose or goal. However, the interactions of people, as members of an organization, need managing to give shape and direction to their activities. This implies some structuring of their activities, which in turn requires a set of organizational roles (see Illustration 1.1). In addition, the activities of individual organizational members and their interactions

Illustration 1.1

What are organizations?

Richard Daft, a leading thinker on organizations, defines an organization as a social entity that has goals and purpose, that has deliberately designed structures to control and monitor the activities of members, and that operates within and is linked to an external environment (Daft, 2013).

Although organizations are real in their consequences, both for their participants and for their environments, they are essentially abstractions. Rational views of organizations see goals; future-oriented actions towards goals; actions shaped by structure, culture and human resource management practices; hierarchies in which action is cascaded so that smaller actions contribute to something bigger; roles that are created to control and manage action; and an awful lot of rules. And, of course, organizations attempt to change their practices as they acquire new information.

Rules can be formal – for example, the factory starts at 07.30; professional – for example, deriving from professional training and practice; legal – that is, things governed by the law;

standards – for example, rules set by a governing or accrediting body; and informal – for example, dress codes. Organizations have a life cycle and, even though their members change, some last for hundreds of years. Organizations will often contrive to shape how they are perceived in their sector to create a distinctive personality and reputation. Images and symbols are used to perpetuate the image. Boundaries between organizations may be very diffuse as collaboration is used more and more as a way of surviving. Organizations may overlap with professional institutions; consider, for instance, the overlap between healthcare and the medical profession. Institutions have a big influence on what people are prepared to do and on how they behave (Clegg, Kornberger and Pitsis, 2008).

Rationality gives those in power a sense of control such that they are bewildered when others do not follow them. But one person’s rationality is another person’s irrationality – which leads us nicely into understanding more about change.

with one another imply processes through which work gets done in order to achieve the organization's purposes or goals. Thus, we have organizations as entities and organization as ways of organizing. Above all, there is the requirement for decision making about the processes (the means) by which the goals (the ends) are achieved. Organizations also exist in relation to a network of other entities: competitors, investors, institutions and trade unions, for instance. While there are boundaries between these various entities, the boundaries can be either clear and rigid (for example, between competitors) or porous (such as between a supplier and a manufacturer).

This view of organizations draws on the concept of an organization as a system of interacting subsystems and components set within wider systems and environments that provide inputs to the system and receive its outputs. This is represented in Figure 1.1, which identifies the main elements of most organizations and their functioning. These are grouped into two main subsystems – the formal and informal. Thus elements of the formal subsystem include the organization's strategy – whether this is devised by a single person, as might happen in a small owner-manager company, or by a board of directors and top management group. Other components include the organization's goals and the means of achieving them through the production of goods or services. Management, as the formal decision-making and control element, is of course present in all organizations.

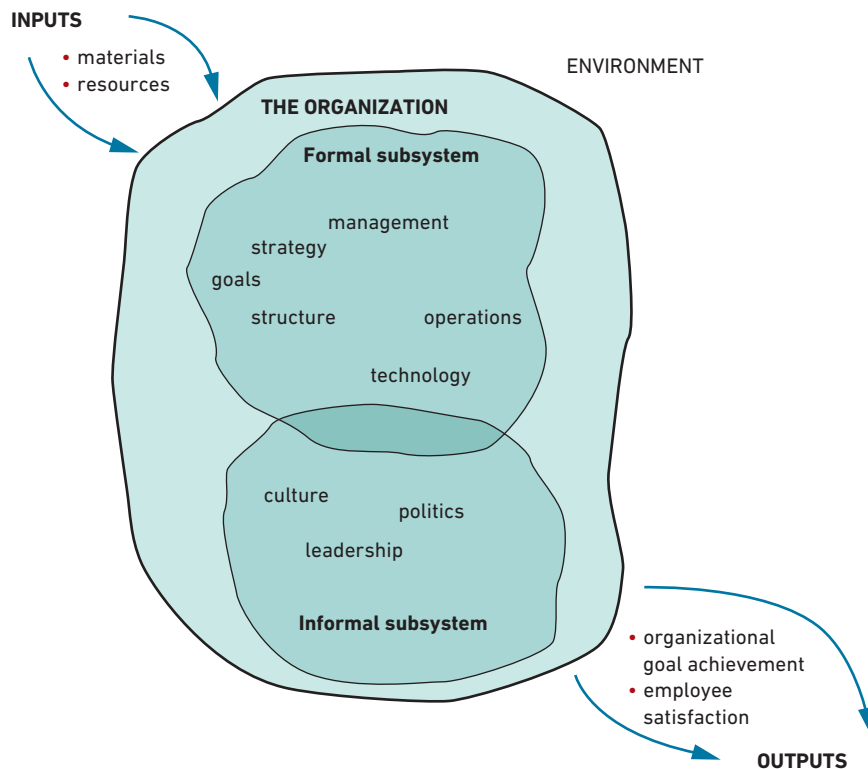


Figure 1.1 The organization as a system

It is clear from any examination of complex systems such as organizations that some kind of structuring of activities is required, and the concept of organizational structure is central to that of organizational systems. However, over 45 years ago Child (1973) drew attention to the role of other, far more intangible elements of organizational life, such as how the behaviour of organizational members might be driven by personal goals or organizational politics. Nadler and Tushman (1999) included the informal organization (patterns of communication, power and influence, values and norms) in their systems model of organizational behaviour. Stacey (2007) writes of 'legitimate themes' to describe the conversations that people are comfortable having in open discussions, and 'shadow themes' to describe conversations that people cannot have openly and that they would only have with a small number of trusted colleagues. Thus, the idea of the 'informal subsystem' encapsulates the more hidden elements of organizational culture and politics and the rather less hidden element of leadership – including those who are led.

These relatively stable subsystems and elements of organizational functioning interact with each other in some kind of transformation process. This means taking inputs such as materials, capital and knowledge and transforming them into product or service outputs. However, while the outputs can be thought of as the primary reason for the organization's existence, other outputs that are particularly relevant to the informal subsystem are employee commitment and satisfaction, given their potential to affect employee behaviour and thus organizational outcomes (Vermeeren, Kuipers and Steijn, 2014).

However, the concept of organizational systems as open systems has not gone without criticism. Silverman (1970) challenged the idea of organizations as systems since the notion rests on an assumption that defining an organization's goals is uncontentious and that, within the organization, there is consensus as to what its goals are. Based on Silverman's ideas, a contrasting view of organizations as being composed of individuals and groups with multiple different interests – who construe their actions in many different ways – came to the fore. Known as the 'social action' approach to understanding organizations, this became recognized as an alternative view to the idea of organizations as systems.

Stacey's (2007) idea of organizations as *complex* systems emphasizes the notion of unpredictability by emphasizing the multitude of interactions in and between the individual (psychological), social, organizational and environmental domains. He also stresses the difficulties or, as he sees them, impossibilities of trying to understand organizations and the people within them from the point of view of an objective outsider, as some open systems theorists have done. Having said this, the concept of organizational systems as *open* systems is an important one; organizations transform inputs into outputs, and the strategies employed are influenced by both historical and contemporary environmental demands, opportunities and constraints.

The next section traces some historical trends that have influenced organizational strategies and processes through time. This tracing of history acts as a prelude to a consideration of the more immediate environment of organizations today, and as they might present themselves in the future.

The historical context for change

During the agricultural age that prevailed in Europe until the early 1700s (Goodman, 1995), wealth was created in the context of a society based on agriculture, influenced mainly by local markets for both produce and labour and punctuated by uncontrollable factors such as bad weather, conflict and epidemics. During this time, the cycle of activities required to maintain life was predictable, even if for most people life was little more than at subsistence level. Of course this is a simplification. The wool trade in England exported throughout Europe long before the eighteenth century and the dominant power in world trade then was China. Nevertheless, whilst Euro-centric as a view, it does reflect the context within which people operated at that time.

The agricultural era was followed by the Industrial Revolution and the industrial age, beginning in the late 1700s, which drove industrial output in the UK and later in America well into the twentieth century. It was characterized by a series of inventions and innovations that reduced the number of people needed to work the land and, through the factory system, provided the means of mass production. To a large extent, demand and supply were predictable, enabling companies to structure their organizations along what Burns and Stalker (1966) described as mechanistic lines – as systems of strict hierarchical structures and lines of control.

This situation prevailed into the late twentieth century and of course still exists in many organizations. Demand came largely from domestic markets, organizations struggled to meet consumer demand and the most disturbing environmental influence on organizations of this era was the demand for products that outstripped supply. Henry Ford's remark that 'any customer can have a car painted any colour so long as it is black' summed up the supply-led state of the markets. Ford did not have to worry about customers' colour preferences; he could sell everything his factories produced.

Figure 1.2 characterizes organizations of this period as 'task based', with effort being put into increasing production through more effective and efficient production processes. The push during this period for ever-increasing efficiency of

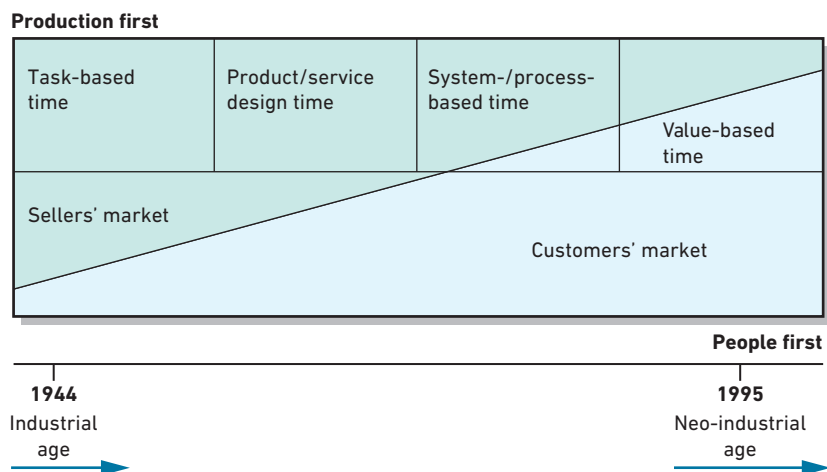


Figure 1.2 Market factors impacting on operations of Western organizations

Source: Based on Goodman, M. (1995) *Creative Management*, Hemel Hempstead: Prentice Hall, p. 38.

production supported the continuing application of the earlier ideas of Scientific Management (King and Lawley, 2013; Mullins, 2013) allied to Fordism, which was derived from Henry Ford's ideas of assembly-line production (see Wood, 1989). This was a period mainly of command and control, of bureaucratic structures and the belief that there was 'one best way' of organizing work for efficient production. As time passed, however, this favourable period for organizations began to end as consumers became more discriminating in the goods and services they wanted, and as technological progress brought about increased productivity to the point where supply overtook demand. A consequence of this was that organizations began increasingly to develop and access new markets for their outputs.

Towards the end of the twentieth century, organizations faced increasing competition from developing countries. In the West, this forced the decline and near elimination of some high-labour-cost manufacturing sectors (such as shipbuilding, textiles and clothing) and a shift from manufacturing to services such as banking, insurance, healthcare and education. In the neo-industrial age of the advanced economies, the emphasis has moved towards adding value to goods and services in contrast with the task-based, products/services-oriented and systems-oriented times of the past. The impact of the information age, which began around 1970, is captured by Jones, Palmer, Osterweil and Whitehead (1996):

... the pace and scale of the change demanded of organizations and those who work within them are enormous. Global competition and the advent of the information age, where knowledge is the key resource, have thrown the world of work into disarray. Just as we had to shed the processes, skills and systems of the agricultural era to meet the demands of the industrial era, so we are now having to shed ways of working honed for the industrial era to take advantage of the opportunities offered by the information age ... Organizations are attempting to recreate themselves and move from the traditional structure to a dynamic new model where people can contribute their creativity, energy and foresight in return for being nurtured, developed and enthused.



Activity 1.1

Consider how you would describe an organization that you know well in terms of its wealth-creating capacity. For instance:

- Which business sectors does it operate in?
- Does the organization operate at a local, regional, national or international level?
- In what ways does the organization need creativity and innovation to survive?
- What is the mix of employees – unskilled, skilled, professional?
- How well does it attract and keep high-performing employees?
- How much autonomy do employees have over the work they choose to do and how they do it?
- How much is decision taking devolved to the lowest level possible or kept in the hands of top management?

An uncertain future

Your responses to Activity 1.1 may show an organization operating in a fairly predictable environment with a sense of security about the future. More likely, other responses may suggest a more turbulent environment characterized by uncertainty about markets, fluctuating demand for its products, the ability to attract and retain good employees, whether employment will increase or decrease, and new and existing legal requirements. Most commentators on organizations agree that business conditions continue to be increasingly complex and more uncertain as the pace of change quickens and the future becomes more unpredictable (Dawson, 2003; Furnham, 2000; Nadler and Tushman, 1999). One of the best-known management thinkers, the late Peter Drucker, writing in 1988, maintained that future organizations would be almost wholly information based and that they would resemble more a symphony orchestra than the command-and-control, managed structures prevalent in the past (see Illustration 1.2).

Illustration 1.2

Organizations as symphony orchestras

Writing about the way that information technology was transforming business enterprises and how they would look today, Drucker observed:

A large symphony orchestra is even more instructive, since for some works there may be a few hundred musicians on stage playing together. According to organization theory, then, there should be several group vice president conductors and perhaps a half-dozen division VP conductors. But that's not how it works. There is only the conductor-CEO – and every one of the musicians plays directly to that person

without an intermediary. And each is a high-grade specialist, indeed an artist.

(Drucker, 1988, p. 48)

A study of a conductor-less orchestra (think about that for a moment) emphasized creativity from all musicians and the relationship between trust and control – specifically trust in the competence of others and trust in their goodwill (Khodyakov, 2007). The orchestra metaphor is useful to help us imagine how work organizations could function, if only . . .

With this vision of how organizations would change, Drucker predicted the demise of middle management and the rise of organizations staffed almost exclusively with high-grade, specialist staff. Middle management was a victim of the down-sizing so popular in the past 30 years (McCann, Morris and Hassard, 2008; Thomas and Dunkerley, 1999), yet the culling did not reach Druckerian proportions. However, for the United Kingdom, the projected growth in the numbers of professionals and knowledge-based workers and the decrease in numbers of lower-skilled workers is supported by economic forecasts (see Table 1.1). In a generation, the UK has gone from having a workforce where higher qualifications were rare, to one where higher qualifications are common and where far fewer people have no qualifications.

While the percentages shown in Table 1.1 may not appear particularly gripping at first sight, it is important to appreciate that, given the size of the UK workforce, large numbers of people will be affected by these changes. We will continue to see

Table 1.1 Percentage share of UK employment, 2002–2022

	2002	2012	2017	2022
Managers and senior officials	9.0	10.3	10.9	11.5
Professional occupations	16.7	19.6	21.2	22.0
Associate professional and technical	12.4	13.1	13.6	14.1
Administrative and clerical	14.0	11.8	10.7	9.7
Skilled trades	12.5	11.0	10.2	9.5
Personal services	7.6	9.0	9.8	10.4
Sales and customer service	8.6	8.4	8.0	7.8
Machine and transport operators	7.2	6.2	5.7	5.3
Elementary occupations	12.0	10.5	9.8	9.7

Source: Wilson, R., Beaven, R., Max-Gillings, M., Hay, G., and Stevens, J. (2014), *Working Futures 2012–2022*, Institute for Employment Research, University of Warwick.

significantly more people in managerial and professional jobs and in personal services. In contrast, we see falls in administrative and skilled jobs along with machine operators and people doing elementary work. The UK Office for National Statistics publication ‘Employee growth by region and industry (2012–2013)’ suggests that some of these trends have already occurred, with significant rises in three industry groups: the accommodation and food industry; the information and communications industry; and the professional and scientific and technical industry groups. These two sets of statistics indicate some of the challenges, both nationally and global, that employers are currently facing, as well as those they have yet to face in the future.



Activity 1.2

Linking to Illustration 1.2, if you work in an organization, think about the people you work with. What are your impressions of your trust in their goodwill and their competence? What might your colleagues think of you in this regard? What do your impressions of trust mean for the likelihood of successful change in the organization?

What seems uncontested is that both public and private sectors continue to face fast-moving change, even if the exact nature of the changes needed is not always clear. In the next section we look in more detail at the environmental forces that disturb organizational life and analyze the factors that trigger organizational change.

Environmental triggers of change

A single major event in recent history was the near meltdown of the banking and financial structures in Western developed economies, which, although a few had predicted it, hit us with speed and surprise. Lehman Brothers, the fourth-largest investment bank in the USA, went into what was then the world's biggest bankruptcy. *The Times* (2008) considered the collapse to have been avoidable and blamed it on an aggressive chief executive who was quick to talk yet slow to listen, backed up by weak board members. Other organizational pillars of the financial community fell or were baled-out. Confidence fell and fear spread among the business community.

The investments that we thought were in safe hands in prudently managed institutions quickly turned out to be anything but. Investments and pension fund values plummeted and the UK and US governments were forced into fast and decisive action – pumping billions into their financial systems to recapitalize the banks, keep them afloat and save themselves. Queues of people waiting to take their money out of high-street banks would surely have completely undermined confidence in the economy and possibly led to the downfall of governments. The financial crisis brought the dangers of unfettered profit maximization to the forefront with the public and the government. Capitalism came close to imploding. It was not until the end of 2014 that businesses in the United States and the United Kingdom began to revive, with gross domestic product increasing. However, recovery in the European Union was slower and patchy. Political uncertainty, with changes of governments, added to this. Alongside these macro-economic events, change is also triggered by events that touch the lives of individuals. Individual cases of child or patient abuse, whistle-blowing to expose bad practices, greed or cover-up also lead to calls for changes to procedures and practices in healthcare, education and business organizations.

We see from these examples that change is triggered by large and momentous events and also by events touching a single person that are so unacceptable that something has to be done – or at least appear to be done. In the latter case, it is as if people tolerate what they know are unacceptable situations, idly waiting for the critical incident that will act as a change trigger. Yet while we are all used to hearing calls for change, Burnes (2005, p. 73) observes that while change is all around us, examples of successful change are 'elusive'. Because it is so often a mantra of politicians and managers, change has attracted much theory development in an effort to explain how successful change works. Indeed, if there was a prize for the most theorized yet least effective management practice, organizational change would surely be a candidate!

Figure 1.1 depicts an organization as a system receiving inputs from its environment and releasing outputs back into it. The view of organizations existing as systems of interrelated elements operating in multidimensional environments has a number of supporters. Peter Checkland's (1972) work, for instance, is well known for the pioneering development of the soft systems model – an approach designed

specifically for analyzing and designing change in what Checkland terms ‘human activity systems’ – most frequently, organizational systems. Stacey (2007) uses systems concepts in his discussion of organizations and change. However, before reading any further in this chapter, please have a go at Activity 1.3.



Activity 1.3

For an organization that you know well, what are the main reasons why it has attempted to make changes to products, services, systems and/or structure? Who is actually set to benefit most from the changes that are being attempted?

When you completed Activity 1.3, did you list anything that falls under any of the following headings?

- changing customer requirements and changing demand for products/services;
- regulatory changes;
- trade union activity;
- actions by competitors;
- business performance (falling incomes or revenues);
- economic climate;
- advances in technology that affect production systems or products;
- production costs (materials, labour);
- the growth of e-commerce and use of the Internet;
- competition from other countries.

Brooks (2011, p. 3) regards the business environment as ‘a general concept which embraces the totality of external environmental forces which may influence any aspect of organizational activity’. It is worth noting that while some environmental changes are objective, even measurable, it is the ways that people interpret events that determine how an organization responds (Mason, 2007). Thus, the extent to which the environment is real is a social construction of reality. Similar organizations in the same sector, while battling with the same forces, may construct the significance of events quite differently. These different constructions arise from the following:

- how the characteristics and experiences of people filter information from the environment;
- how organizational cultures influence the ways that managers and others can interpret events;
- how organizational politics interpret signals from the environment;
- how the organization has developed in the past and what has worked and not worked;
- how the business sector as a whole interprets the information.

An organization's environment also includes broader influences, such as the internationalization of trade, the prevailing political ideology, attitudes to trade unions, changes from public to private ownership or vice versa, demographic changes and changes in family structure. This chapter now considers the environment in more detail and draws attention to the way changes in the organizational environment can trigger consequent changes in the ways an organization and its constituent parts operate.

Analyzing the environment

A common way of grouping different environmental factors is to examine political, economic, social and technological factors (PEST). Legal and ecological factors can be considered as well (PESTLE), although these are frequently categorized as political and economic. Figure 1.3 illustrates the PEST factors that, at some time or another, impact upon an organization's formal and informal subsystems and their components, as well as the product/service it offers and the markets it serves.

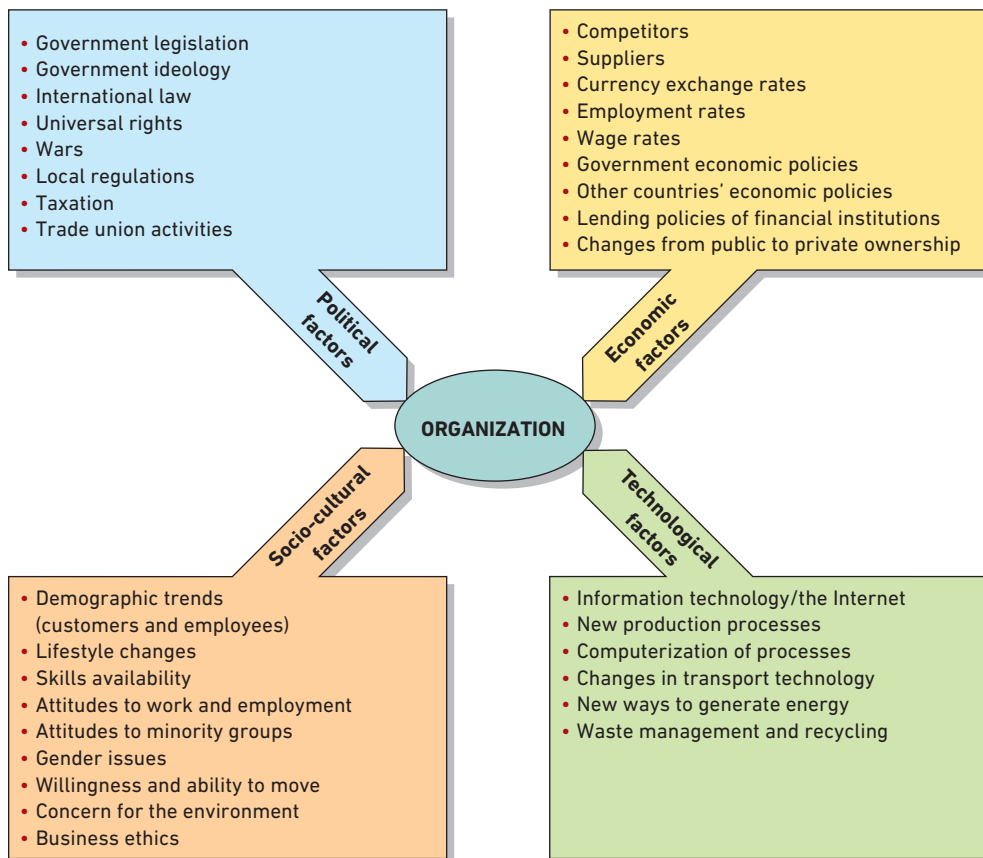


Figure 1.3 PEST factors and organizational change

Political triggers

A plethora of national and international bodies, elected and unelected, influence organizational life to a greater or lesser degree. Consequently, not only do changes in the political environment influence organizations directly, they also interact with changes in the economic environment. Examples include the government-inspired privatization of previously publicly owned institutions, such as the UK programme of privatizing utilities and railways, and/or the cooperation of different governments to stimulate trade.

Perhaps the most important aim for governments is to improve economic prosperity. They also act as lawmakers, passing legislation that requires employers to make changes. Consider how working practices have changed in response to legislation addressing discrimination, equal pay and flexible hours, for instance.

The general election in the UK in 1979 was arguably a turning point for management and is a good example of how political decisions influence organizations. The 1970s were characterized by poor industrial relations, ongoing strikes, stoppages and disputes. Union influence on the government and on employers and employees was significant. The Conservative government, led by Prime Minister Thatcher, introduced legislation to curb union powers and assert managers' right to manage. Business had to stand in the face of market forces or it would be allowed to fall. Government intervention through subsidies to prop up fundamentally unprofitable enterprises was no longer an option. The Labour government that swept to power in 1997 did little to change the prevailing government philosophy on this issue.

The collapse and break-up of the former Soviet Union led to the opening of fledgling market economies and thus to opportunity. Some former Soviet bloc countries are now in the European Union – unthinkable 30 years ago. Spurred on by the political belief that certain public assets would be far more efficiently managed in the private sector, the privatization programmes begun under Prime Minister Thatcher forced huge changes in the sectors affected. Competition was introduced into telecommunications, gas, electricity and water supply and other sectors. Managers faced new challenges and had to learn quickly if their organizations were to survive. Job security changed, as did the working patterns and routines of staff.

Thatcherism and policies from subsequent Labour governments forced big changes upon public-sector organizations; changes that have been emulated elsewhere (see Illustration 1.3). Governments are also major employers, and Illustration 1.3 summarizes changes to public service management in recent years. The New Public Management described in the illustration provides both a context and a reason for many change initiatives in the public sector in Europe and elsewhere.

Frameworks for inspection and audit have flourished, and ways have been found to evaluate and rank the performance of public organizations. Performance targets across a range of services and league tables of hospitals, local authorities and police forces, among others, have put organizations into the spotlight. If nothing else, this must raise the pressure on managers to act. Seeing public-sector managers on TV apologizing, explaining or justifying some action by their organization is now commonplace. The media is very quick to seize on even a minor failure of policy and put managers under intense scrutiny.

Illustration 1.3

New Public Management

New Public Management (NPM) is a term introduced about 1990 to represent new ways of political thinking about how public services should be managed. NPM originated in English-speaking countries but spread to many others. It stressed the role and importance of management in improving public service delivery. It was, and is, overtly managerial in its focus on the efficient production of services and its opposition to systems of self-governance by service providers.

NPM is thought to have originated in the idea that management practices that are successful in the private sector could and should be transferred to and implemented in the public sector. Politically motivated, NPM was an attempt to force two opposing operating systems and cultures together. Characteristics of NPM include:

- introducing competition or at least the principles of competition to public services;
- contracting-out some services to private-sector providers;
- introducing targets and explicit performance measures to public organizations and to individual employees;
- depoliticizing service delivery (separating politics from delivery);
- restructuring and separating purchasers from providers;
- budget cuts.

Several observers now feel that public management has moved on from NPM, but the legacy of NPM has doubtless had an impact on the ways that services are provided. The outcomes of NPM are mixed: for every successful outcome there is a failure (Pollitt and Dan, 2011), and a range of contextual factors helps to explain the outcomes of public management reforms.

Sources: Levy, R. (2010), 'New Public Management: end of an era?' *Public Policy and Administration*, 25(2), pp. 234–40.
 Gruening, G. (2001), 'Origins and theoretical basis of New Public Management', *International Public Management Journal*, 4, pp. 1–25.
 Pollitt, C. and Dan, S. (2011), *The Impacts of the New Public Management in Europe: A Meta-Analysis*, 14 December, COCOPS, European Union.

The UK government acted decisively in the winter of 2008 to save the country's financial systems, and similar actions were taken by other world leaders. Whereas 35 years ago new attitudes ushered in deregulation of financial systems, it does look as if deregulation went too far and allowed too many 'toxic' products that brought the sector to the brink. As governments had to take a stake in their leading banks there was an expectation that some things would change – for instance, restrictions on lending and risk taking associated with stronger links between performance and employee reward (particularly at the top).

The financial crisis of 2008 changed many things, especially in Western parts of the world. The period of relative prosperity before 2008 changed, with countries experiencing long periods of economic recession. These heralded an era of austerity across Europe, and in particular in countries in the south, which led to a reduction in business activity, higher unemployment and increasing national debt. New political parties of the left have emerged with different agendas for how their countries should be governed and how to stimulate economic activity and growth. The year 2014 saw the government of Greece taken over by a radical party of the left with policies directly opposed to those of its predecessor. As we look ahead towards the 2020s, it is clear that the political scene, and its effects on organizations public, private and voluntary, is uncertain and to some extent unpredictable, particularly in the east,

with the increase in efforts by some countries (as well as non-governmental radical groupings) to take over parts of other countries. Activity 1.4 asks you to reflect on some of these things.



Activity 1.4

Look again at Figure 1.3 and your answer to Activity 1.3.

What do your conclusions tell you about the interconnections between the various aspects of the PEST environment?

Can you make any interconnections between events and decisions made outside your country that will affect organizations in the country where you live and work?

Economic triggers

Activity 1.4 may show that some factors can be categorized in more than one way. This is normal and simply illustrates the fact that aspects of the organizational environment are interrelated and operate in complex ways to trigger change within organizations. However, because organizations operate in the main to make profits or, in the case of public organizations, to operate within budgets, some of their more serious concerns are with triggers for change in the economic environment. This includes a concern for competitors and other issues, such as exchange rates, corporation tax, wage rates and skills availability, which determine their ability to compete. At the time of writing there is a significant shortage of nurses in the UK National Health Service. There is a need to recruit and train more nurses in the UK, and too many nurses are leaving the NHS because they experience working conditions as poor for various reasons. The intention is to continue to recruit trained nurses from outside the UK, but there is an increasing recognition that this will deny the home country from which they have been recruited of nurses they have trained and this raises important ethical issues. So what may appear to be relatively straight-forward quickly becomes more complex in an inter-connected world.

Political and economic environments are closely related since political decisions shape economic outcomes and economic changes influence political decisions. In general, governments in developed countries aim to keep four key economic indicators in balance (Cook, 2011):

- economic growth;
- a healthy balance of payments;
- low inflation;
- low unemployment.

After a long period of stability in the UK and coincident with a new era of austerity linked to the government's deficit reduction programme, national output began to

fall as the long-lasting recession arrived in 2008. A casualty of recession is confidence. Both public and private organizations become less confident about the future; people start to worry about job security and their ability to provide for their dependents. Attitudes change too – what seemed a good idea yesterday is not so appropriate today. To argue that government expenditure has not fallen but rather has necessarily been re-prioritized and grown at a lesser rate makes little difference to people experiencing falling expenditure in specific areas such as school budgets. Priorities change, projects are shelved and structures change as organizations regroup and reposition in their competitive environment.

Structural changes in Western economies have coincided with an increase in knowledge-intensive jobs and fewer low-skill jobs (see Table 1.1), together with more flexible career patterns. Whereas having several jobs within a single lifetime career was normal, a response to contemporary market conditions for many is to have several jobs in several careers in a working lifetime. There has also been a shift in attitudes away from the paternal employer having the responsibility to look after employees and offer job security, towards employees being far more responsible for their own development and for ensuring their own employability. At the root of this are changes to the psychological contract between employer and employee – the sets of mutual expectations that each party has of the other (Rousseau, 2001, 2004; van der Smisssen, Schalk and Freese, 2013). Illustration 1.4 is an example of this.

Illustration 1.4

Zero-hours Britain

Number who rely on jobs with no guaranteed shifts leaps to 700,000

The UK business secretary has admitted that some organizations exploit the system of employing people on zero-hours contracts. In 2014, the Office of National Statistics (ONS) reported that an estimated 697,000 people were employed on zero-hours contracts compared with 586,000 in 2013 – a rise of 19 per cent in one year. Because workers often have more than one job, the figures showing the number of contracts offering no minimum hours rose from 1.4 million in 2013 to 1.8 million in the first 9 months of 2014, a 28 per cent increase.

Interestingly, it is not small employers offering these but some of the largest, including fast-food providers and pubs. The ONS said more than half of businesses in the hotel and catering sectors used these contracts, with universities and colleges being large-scale users. Many of these workers are women.

These types of contracts are justified by the employers' industry body as they create thousands of new jobs, giving the UK a high employment rate and lower unemployment than many other countries. By contrast, MPs from the Labour government speak of 'Victorian practices' and workers suffering from 'a rising tide of insecurity'.

Source: *The Guardian*, Thursday 26 February, 2015

Socio-cultural triggers

All the socio-cultural factors listed in Figure 1.3 influence the way organizations are set up, run and managed, as well as their capacity to attract people to work within

them. Examples of how changes in the socio-cultural environment influence attitudes to work and trigger changes include:

- expectations for continuous increases in the standard of living (recently challenged by austerity in some countries);
- demographic changes such as the age composition of the workforce and the mobility of labour;
- changes in family structures and the roles of men and women, which influence preferences for working hours and provision of child care;
- heightened awareness of equality and intolerance of unfair and unethical practices;
- heightened awareness of and sensitivity to cultural and religious differences.

Business practices in long-established organizations have a historical pedigree, and in light of socio-cultural changes need to be reviewed to ensure they do not contain any practices that could be seen as discriminatory. Recruitment, selection and promotion policies are particularly vulnerable. Organizational cultures can tolerate, even promote, sexist or racist banter, and where this happens managers have to act to eliminate it. For example, the Metropolitan Police have received steady criticism for being ‘institutionally racist’ – a criticism that seems slow to go away, despite apparent efforts by senior officers to change the operating culture.

Geert Hofstede (2005) pioneered a better understanding of how national cultures differ, which we discuss in Chapter 4, and his framework and others like it suggest that different cultural groups have different approaches to organizing. This influences the social and power relationships between employees and thus the ways that organizations are structured, as well as preferences for teamwork or individualism. A key implication is that what an organization does successfully in one country will probably not work so well if it is simply attempted elsewhere without at least some sensitivity being shown to cultural differences. Managers need to take care, when negotiating overseas contracts or working on projects in other countries, to study the business conventions and ways of operating before they go.

Changing population demographics influence the availability of skills and they influence markets. Healthcare providers are of course at the sharp end of demographics. Life expectancy continues to rise and increases demand for services, while new treatments stemming from technological progress can be beyond healthcare budgets. This puts pressure on government health spending, which is influenced by the state of the economy. Media interest in patients denied treatment forces healthcare providers to justify their rationing decisions. With new treatments becoming ever more costly, unless governments simply inject more money into healthcare, major changes will be needed to the decision processes and policies that govern who receives potentially life-saving or life-prolonging treatment. The behaviour and work practices in many different healthcare systems (e.g. state-provided free, insurance-based, voluntary, available on condition of payment) will approach patients (their customers?) in varying ways according to what the norms of the systems are and what patients can expect from them.



Activity 1.5

Take the list you made when doing Activity 1.3 and categorize each factor according to whether you consider it to stem from political, economic, technological or socio-cultural forces. Are there any factors that do not easily fit into one of these four categories?

Technological triggers

Examples of technology triggering change are many and varied and often have a long-run effect on the shape of society and organizations. Investment in technology is seen as a driver of productivity at the level of the organization and, by aggregating organizational output, a driver at national level. It drives productivity and change by replacing labour but at the same time it creates new and different jobs requiring new skills, which in turn has implications for educational organizations that can offer training for such jobs. It enables new products to be marketed – good examples are communication technologies and biotechnology. Consider for a moment the business opportunities created by the Internet and social media in the past ten years.

In terms of technology use, organizations can be seen in two ways. Most just adopt and use technology to help in the production and delivery of goods and services. However, some exist through the creation of technology itself – consider Microsoft, pharmaceutical manufacturers, telecoms companies and those who are searching for new ways to combat global warming, such as alternative technologies for generating energy. Their business is technology driven and they invest heavily in research and development in order to remain competitive.

Illustration 1.5

Spooks in the office?

The ease with which organizations can monitor how their employees use email and the Internet raises questions. Surveillance of employees is easy and, in the UK at least, organizations perhaps take a lead from a government that is routinely arguing why access to emails, mobile telephone records and Internet searches will make us all safer. Yet organizations need to be upfront about the surveillance

they are doing. They should give reasons for monitoring how employees use email and the Internet and clarify the extent to which they do it. If employees are disciplined over Internet use, they would have a strong defence if their employer had not followed above-board procedures and made them clear. Human rights and data protection legislation lurk in the background.

FT

Source: Smith, C. (2006) 'At Work with Big Brother', *Financial Times*, 11 December, p. 13.

The technologies that organizations use affect how they choose to structure for optimum efficiency. They affect the knowledge and skills that employers want and that employees need, and which lead to retraining and career change. Information and communication technology (ICT) enables teleworking, which contributes to

efficiency and influences work–life balance. It also shrinks time and space, enabling employees to communicate in new ways – for example, as members of virtual teams. It allows employers to carry out surveillance on employee activity, their use of emails and the Internet, thus raising questions about privacy and human rights (see Illustration 1.5). In some sectors, ICT enables employers to monitor how employees spend their time – for example, by measuring how long it takes them to complete jobs and comparing those times with standard job times. Where actual times exceed standard times, then management will intervene to advise, train and perhaps ultimately discipline the employee.

ICT has also influenced the relationships between citizen and state. Our shopping trips, car journeys and Internet usage (among other things) are monitored. Advances in human biology are raising questions about the ethics of medical research – for example, on human embryos – and seem likely to have a huge impact on health spending.

What is clear is that there are multiple rationales for the way in which organizations react or interact with triggers for change deriving from the PEST environment and perhaps constraints deriving from their own histories and the influences of their temporal environments. External and internal politics play a part in decisions to change. While rational decision making may seem attractive, and many persuade themselves that they are completely rational, personal circumstances, attitudes and emotions influence the way change is attempted. In addition, not only do triggers for change come from outside, but forces for change originate inside organizations – and these also need a response.

Internal triggers of a need for change

Changes can also be triggered by factors internal to an organization. Typically, these relate to how effectively the organization is adapting to external factors. The following are indicative of internal triggers for change (Huczynski and Buchanan, 2013; Johnson, Scholes and Whittington, 2014; Paton and McCalman, 2000):

- appointment of a new chief executive or other senior manager;
- falling organizational performance;
- a new vision and mission statement;
- high employee turnover, low employee morale;
- recognition or de-recognition of a union;
- relocation and/or redesign of a factory or office layout;
- the adoption of new technology;
- takeover, divestment or merger and acquisition;
- labour shortages or surpluses.

It is difficult to separate completely internal triggers for change from external ones, since decisions that appear on the surface as internal may be responses to some external event or in some way fit with the organization's strategy that is aimed at responding to external forces. This argument is taken up in more detail in Chapter 3. Meanwhile, as the next section shows, there are other ways of categorizing organizational environments that are more focused on organizations and change.

The future of work

We have seen that specific events occurring in an external environment, and other events internal to an organization, can trigger change. Environmental forces also act together to create a totality of pressures that stimulate change. One interesting angle on this is to consider how the nature of work is changing and what that could mean for organizations in the near future. A survey by the Chartered Management Institute (2014) reported the following trends that will affect business organizations:

- Technology is transforming how organizations function. By 2020, each person will have six different devices that will be connected to the Internet. As a result, people skills will become more vital to organizations.
- Managers will need to be able to lead teams consisting of workers who work flexibly, independently and in a broad range of geographical locations. Workplace structures will become wider, flatter and less hierarchical.
- Managers will have tools for analyzing staff emails and social media accounts in order to gauge staff engagement and manage performance.
- Diversity will become even more of a business imperative. Nearly one billion women are likely to enter the global workforce over the next decade. By 2020, women are expected to take up 56 per cent of the next increase in jobs in the UK.
- The proportion of black, Asian and other ethnic minorities in the UK population will rise to 20 per cent by 2051.
- Many of the young people joining companies today will live to 100 years and they will be working until they are about 85.
- Managers need to develop a business culture that makes ethics, corporate social responsibility and sustainability an integral part of the company's business model.
- Future leaders need to be agile, authentic, sustainable and talented.

This list is only a sample of some of the things that will affect the future of organizations and how they will need to change and adapt to them. Chapter 9 discusses these and other issues for the future in more detail.



Activity 1.6

Think about the future trends identified by the Chartered Management Institute (2014).

What sorts of changes will organizations have to confront if they are to respond to them?

What managerial attitudes would need to change?

Organizational responses to change

Thus far, the discussion has suggested that organizations operate in at least three types of environment. The first consists of the historical developments bringing changes over time. These range from those activities that are mainly sector focused

to those that rely more on knowledge and human capital – what Handy (1994) calls ‘focused intelligence’ – the ability to acquire and apply knowledge and know-how. These can be categorized as the *temporal environment*. This is an environment that influences organizations in at least two ways. The first is in a general way, through the cycles of industry-based innovation, which move organizations through a major series of developments such as those shown in Figure 1.2. The second, more specific way, is through the life cycle of the organization itself. This includes its particular history, built up from its founder days through periods of expansion and decline, all of which are instrumental in helping to explain an organization’s idiosyncrasies of strategy and structure, culture, politics and leadership style.

The second type of environment is the *PEST framework* (see Figure 1.3), and the third is the organization’s *internal environment*, which to some extent consists of those organizational changes that are the first-line responses to changes in the external and temporal environments. Figure 1.4 is a stylized depiction of the concept of organizations as systems operating in multidimensional environments, with all that this means for organizations and change. However, in some part, this way of conceptualizing the organizational environment misses its dynamic nature and the degree of *strength* of the winds of change.

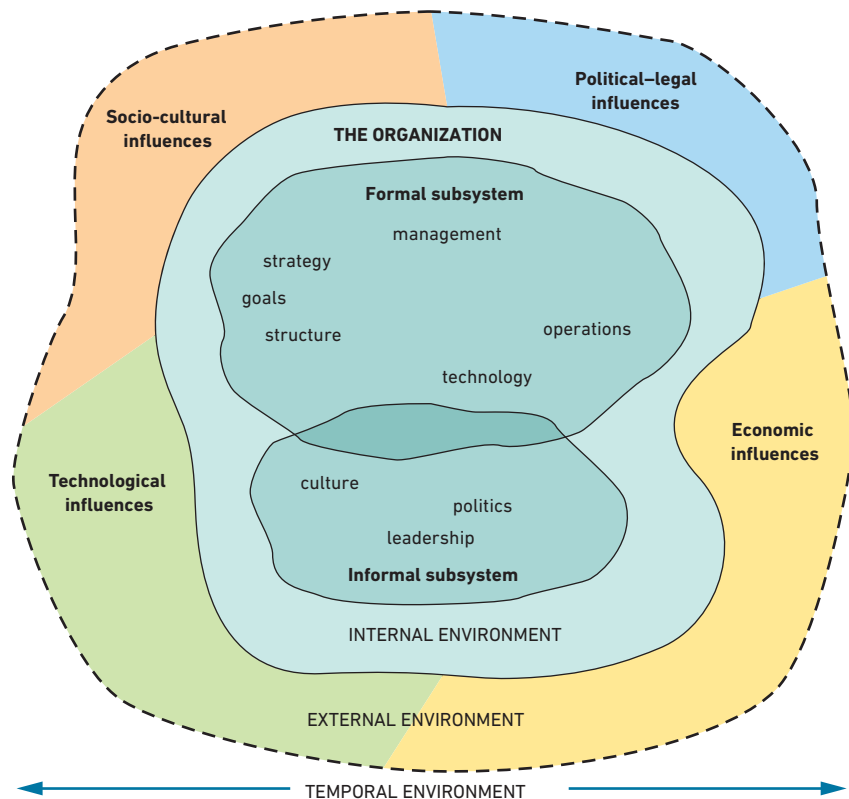


Figure 1.4 The organizational system in multidimensional environments

Environmental turbulence

The dynamics of an organization's environment can also be assessed in terms of the degree of environmental turbulence. Ansoff and McDonnell (1990) argue that a firm's performance is optimized when its aggressiveness and responsiveness match its environment, and they propose five levels of environmental turbulence:

- *Level 1: Predictable.* A repetitive environment characterized by stability of markets, where the challenges repeat themselves, change is slower than the organization's ability to respond and the future is expected to be the same as the past.
- *Level 2: Forecastable by extrapolation.* Complexity increases but managers can still extrapolate from the past and forecast the future with confidence.
- *Level 3: Predictable threats and opportunities.* Complexity increases further when the organization's ability to respond becomes more problematic; however, the future can still be predicted with some degree of confidence.
- *Level 4: Partially predictable opportunities.* Turbulence increases with the addition of global and socio-political changes; the future is only partly predictable.
- *Level 5: Unpredictable surprises.* Turbulence increases further with unexpected events and situations occurring more quickly than the organization can respond.

These levels can be compared to three different kinds of change situation proposed by Stacey (1996) – namely, closed change, contained change and open-ended change, which are described in Illustration 1.6.

Both Ansoff and McDonnell's levels of environmental turbulence and Stacey's closed, contained and open-ended kinds of change situation can also be related to Stacey's concepts of 'close to certainty' and 'far from certainty' (1996, p. 26). Thus, close to certainty describes a situation where organizational members face closed and contained change or, in Ansoff and McDonnell's terms, when the environment resembles Levels 1 to 3. As the degree of environmental turbulence moves from

Illustration 1.6

Closed, contained and open-ended change

Closed change

Changes for which the antecedent causes, consequences and implications are well understood and defined. Typically in well established markets where buyer behaviour is stable and predictable.

Contained change

In this situation a degree of evolutionary change in markets and technology may be underway. Whilst there is data on market trends, technology change may have resulted in new patterns of supply which will have impact on the organization in the medium term.

Open-ended change

Here significant and unpredictable changes are observed. There are new entrants to the market deploying disruptive technology which presents significant advantages over existing players. Senior managers may be unsure why business conditions are changing rapidly not how best to respond.

Source: Based on Stacey, R.D. (1996), *Strategic Management and Organisational Dynamics* (2nd edn), London: Pitman, pp. 23–24.

Level 4 to Level 5 or, in Stacey's terms, to a situation of open-ended change, organizations can be said to be far from certainty. These changing situations have significant implications for the actions of managers as they attempt to choose appropriate strategies to deal with them.

Activity 1.7 asks you to carry out an environmental assessment of an organization. It is a challenging activity and you will almost certainly say you need further information. However, organizations always exist in situations of imperfect knowledge and managers have to do their best in the circumstances. A start may be made by (simply?) identifying whether the forces for change are strong, moderate or weak. Strong forces cause a substantial decline or a substantial improvement in performance. Moderate forces have only minor impacts on performance. Weak forces are difficult to identify and to ascertain the impact of.



Activity 1.7

Think about two or three organizations with which you are familiar. Carry out an environmental assessment for each organization. To help you with this, consider:

- *the PEST factors and the organizations' internal environments;*
- *how past historical developments (either in societal or organizational terms) have influenced the organizations' strategies and operations.*

Using Ansoff and McDonnell's (1990) framework, make a judgement about the level of environmental turbulence prevailing for each organization.

Match these levels to Stacey's (1996) types of change situations.

Identify the similarities and differences in the three organizational environments.

What lessons can you draw about the probability of each organization responding to future environmental triggers for change?

The strength of the forces for change can be related to the degree of turbulence in the environment: the stronger the force the more probable it is that the environment is moving to Ansoff and McDonnell's (1990) Level 5. What this implies is that the ability to plan and manage change becomes ever more difficult as the forces and levels of turbulence increase. This is related to, and complicated further by, the different types of change that can be experienced by organizations.

Market-induced change

Some new organizations have evolved the means of combining technology and new business models that enable a more adaptive approach to responding to external pressures and opportunities. These organizations we refer to as 'gamechangers',

because they appear to have changed the rules of the competitive game in one or more sectors. Illustration 1.7 sets out Airbnb as one such example of a game-changing organization. There had long been firms offering portfolios of villas across multiple countries. But Airbnb entered the travel and holiday sectors utilizing on-line technology at scale. In a few years it had grown to a business valued at \$30 billion and handling 140 million guest arrivals in 2016. In 2018 it had evolved to a professionally managed organization employing 2,500 people and offering services from accommodation, restaurant reservations, provision of food and private chefs to ground transportation. It defines itself around the services customers need. As an organization it is networked. The majority of people and resources it deploys for its guests are neither owned nor employed by Airbnb. As the illustration notes, this is not without problems, but from an organization point of view it presents distinct advantages. Airbnb is not constrained by owning fixed assets such as buildings or vehicles, kitchens or other equipment.

Airbnb is one of a new breed of organizations seeking to exploit on-line technology and related tools such as data analytics and mobile telephony. These organizations seek to be highly geared to customer needs and can rapidly change the offering and enter new geographies because they are less reliant on owning fixed assets. Of course, airlines and hotel and restaurant chains have faced and resolved many of these problems as they expanded internationally. However, such enterprises have been substantially reliant on fixed assets being in place, and either had invested in airport slot time (airlines) or in brand building over time, (airlines, hotel chains). Conversely, Airbnb has invested in technology that was readily scaleable, such that high-paced cross-border expansion has been relatively inexpensive. Such organizations are therefore less constrained by legacy costs when looking at adapting to new opportunities.

Illustration 1.7

Airbnb

An international design conference was being hosted at the Fairmont, San Francisco. All rooms in the hotel were booked and all San Francisco's major hotels were also fully booked. This led the eventual founders of Airbnb, the 'home sharing' platform, to conceive the idea of renting out air mattresses on the floor of their own three-bedroom apartment. Faced by initial hostility and rejection of the business concept, the business has now grown to a \$30-billion private-market valuation. In 2016 Airbnb had over 140 million 'guest arrivals' and it continues to grow. At the same time, it listed 3 million apartments, houses and venues. Airbnb has been an industry 'gamechanger' in the holiday

accommodation business. The idea was not new but the range, standard and options of types of properties was distinctive.

Timing was also important. Following the recession of 2008, Airbnb offered an inexpensive means of securing travel accommodation for travellers, and a means of securing income for owners. The typical US host earned \$6,000 in 2015.

Airbnb offered low prices and a wide portfolio of options that, in turn, provided access to a multiplicity of neighborhoods, all organized digitally. We spend more and more time alone. Record numbers of people live alone. We spend more time alone in cars and while working. Airbnb conceived



Illustration 1.7 continued

a mission of helping people ‘belonging anywhere’ and offers guests unique spaces. The concept is not without its own difficulties. In many cities it is illegal to rent out space in your home. Other residents may not welcome transient visitors and there are the risks of vandalism, theft and breakages. Moreover, ensuring standards of accommodation across 3 million venues must be a challenge.

On 18 May, 2019, *The Sunday Times* ran an article in its business section under the title ‘Airbnb disappointments’, suggesting that there had recently been a surge of complaints from guests demanding refunds after arriving at accommodation and finding it dirty, unsafe or not what they expected. The article noted that Airbnb accommodates 2 million guests every night and most give a positive review. In 2018, 1,754 complaints were received – double that of 2017. The article quoted an Airbnb spokesperson as commenting that complaints are very rare and

the numbers support that. Moreover, most types of alternative holiday accommodation also receive complaints and it is not possible from the article to make any comparison. The growth of this may have implications for holiday insurance, to cover guests for misrepresentation of accommodation, but here it is simply worth noting that the scale of the business creates real challenges.

Airbnb grew quickly, initially without employing professional managers. It now is a company valued at \$30 billion and employs 2,500 people. Moreover, Airbnb quickly extended its range of services from accommodation into the ‘rest of the trip’ – offering restaurant reservations, provision of food and private chefs and ground transportation. But, in essence, Airbnb is a digital business offering accommodation and travel services. The business model is based on not owning real estate and a revenue of \$1.2 million per employee.

Traditional models for understanding organization change do not work well for these gamechanger types of organization. First, the focus of these models tends to be on a single organization rather than constantly changing networks with elements that can expand or contract in relation to changing demand. Second, these models are often focused on what limits change. They tend to comprise some combination of resistance to change from one or more key stakeholder groups and the impact of ‘legacy costs’ on key leaders and stakeholders to invest in innovation. The gamechanger organizations are less subject to these constraints and can therefore manage innovation more effectively. However, that is not to suggest that they are without challenges. One of these is how to promote and sustain brand and reputation when you do not control the assets being utilized. Nevertheless, for our purpose here we observe that these are new challenges that traditional models of change do not appear to be sufficiently developed to explain, or act as a guide for action.



Conclusions

Organizations operate in multiple environments (temporal, internal and external). The key task for organizations, and those who work in them, is to work with them and try to manage them – to constantly adapt and evolve the organization to match its operating environment. Indeed, the metaphor of evolution is quite powerful in imagining organizational change; it is not the strongest that survive,

but those that adapt best to the conditions that they are faced with. The Nokia case example at the end of this chapter shows that organizations have to move quickly or risk falling behind the market to a point where catching up becomes very hard, if not impossible. The purpose and focus of efforts to respond to environmental shifts, to stay ahead of a market, or to make up lost ground are essentially what managing organizational change is all about. This means understanding more fully how the formal aspects of organizational life respond to pressures from the internal, external and temporal environments – that is, how change is leveraged through strategy, structure and operational processes. In addition, it means understanding the more informal processes such as power, politics, conflict, culture and leadership.

However, all environmental scanning tools are limited in some way. It is difficult to identify all the determinants of change; sometimes they are impacting on an organization without it even noticing. Furthermore, the information gathered is subjective and filtered by different people who reach different conclusions about the right ways to react. Albright (2004) argues, however, that if managed effectively and applied progressively a continuous process of identifying, collecting and translating progressive information about external influences will benefit strategic decision making towards establishing a preparatory stance to environmental factors.

Having set the environmental scene in this chapter, Chapter 2 looks in more detail at the impact of the forces for change upon organizations, with a more detailed examination of the nature of change itself.

Discussion questions and assignments

- 1 To what extent do you think the open systems concept is helpful in understanding how organizational change might happen?
- 2 Give examples of environmental forces for change that are likely to significantly affect the way organizations operate over the next ten years. Justify your choices.
- 3 How realistic do you think it is to categorize types of change within an organization? What might be the advantages and disadvantages of doing this?
- 4 Carry out an environmental scan of an organization you know well. The following steps should help:
 - (a) Using the PEST framework, the results for one of the organizations chosen for Activity 1.7 and the suggestions in Figure 1.3, list those factors you consider could affect the future performance of the organization and/or the way it operates. Concentrate on those factors external to the organization.
 - (b) Indicate on your list where there are linkages between the various factors. Using a mind map may help.



- (c) Identify those factors that are critically important to the organization. Consider where they fit in the PEST framework. Are they also linked to the general movement of organizations into value-oriented time?
- (d) Finally, list the critically important factors and rank them according to the volatility of the external environment. Consider whether this volatility provides opportunities or threats to the organization and its future performance.

Through carrying out this process, you may have realized how much you know about the organization's environment but also how much you do not know! The outcome of this activity may be, therefore, not only an increased understanding of the environmental forces facing the organization, but also a realization that environmental scanning requires continuous vigilance and information analysis that must be used to help predict necessary changes within the organization itself.

Case example ●●●

Strategic change at Nokia

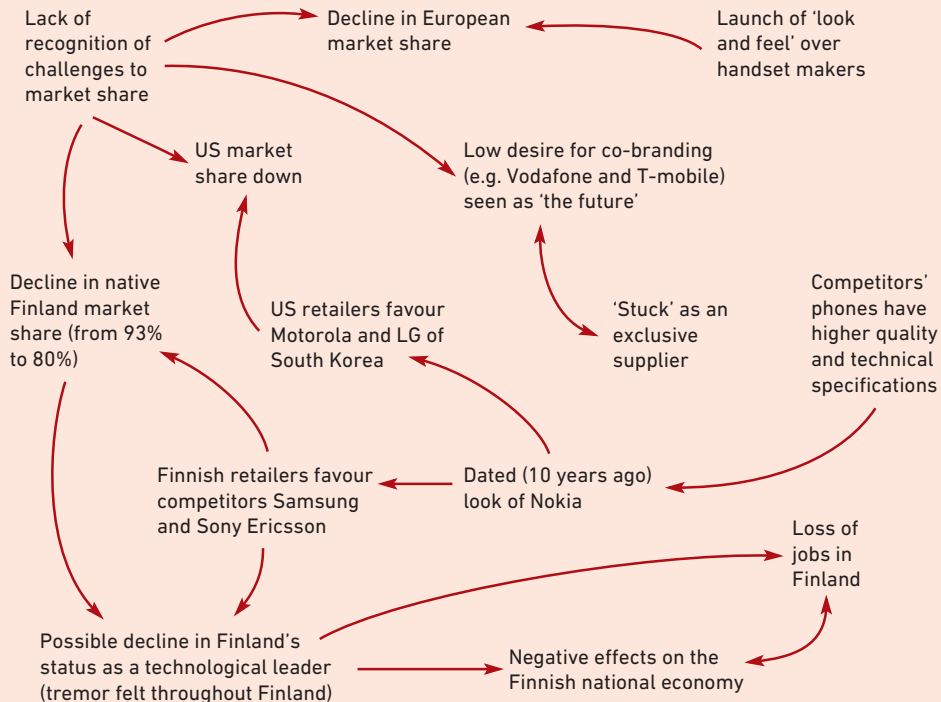
Based in Finland, Nokia transformed from being a diverse conglomerate into a world-leading mobile phone producer in the 1990s. Since then, the company has experienced very tough operating conditions in the face of competition from Samsung and products like the Apple iPhone. Substantial layoffs and plant closures took place across the world as Nokia missed out on consumers who were turning to smartphones. By concentrating on mobile phones, Nokia also faced intense competition from large volume producers in China with lower cost structures.

A new CEO was appointed from Microsoft in 2010 and he quickly sent a memo to all employees. The memo, rich in metaphor, became known as the 'burning platform' memo and basically said that Nokia had missed out on some big consumer trends and was now years behind the market and, while that was happening, top managers in Nokia thought

they were doing the right thing and making good decisions.

The new CEO accused Nokia of lacking accountability and leadership, of not collaborating enough internally and not innovating fast enough. He likened the situation that the company faced with being on a burning oil platform, the implication being that Nokia could stay where it is and perish in the flames, or jump into icy waters and have a chance of survival. Despite the new CEO's 'call to arms', market share, revenues, profits and share price continued to fall. In 2013, Microsoft purchased Nokia's mobile phone business and the CEO moved to Microsoft as part of the deal.

If Nokia continues to lose share in the market then the Finnish economy will suffer further. The company had helped put Finland on the map as a technological leader and employer of a lot of people.



Sources: Brown-Humes, C. and Budden, R. (2004), 'Not so mobile: Will Nokia now get the message of changing consumer tastes, new technology and stronger rivals?' *Financial Times*, 7 May 2004.
 'Nokia: From "burning platform" to a slimmer management model', available at www.ft.com. Accessed 1 June 2014.

Case exercise: Analyzing the causes of change

Situations of change such as that outlined at Nokia draw attention to the complexity of the change environment. However, we can do more than simply identify the various triggers for change. Analyzing the relationships between them – their systemic nature – is even more important. The multiple-cause diagram in the case example is an attempt to do this.

Multiple-cause diagrams have the power to capture the complex dynamics of change situations. They help bring about a deeper understanding of how changes in one variable can have far-reaching effects in other parts of the situation. They act, therefore, not only as a descriptive model, but also as an analytical tool for understanding and managing change.

- 1 Using further information from the Internet, write a brief account of how different elements of the temporal and competitive environments interact to influence the situation at Nokia.
- 2 Consider how you could use multiple-cause diagrams to 'picture' the multiple and interacting causes that bring pressure for change where you work, or in an organization that you know well.

Indicative resources

Brooks, I., Weatherston, J. and Wilkinson, G. (2011), *The International Business Environment: Challenges and Changes*, Harlow: Pearson Education. This text gives a detailed exploration of the business environment.

The Commission on the Future of Management and Leadership (2014) 'Management 2020: Leadership to unlock long-term growth', Chartered Management Institute (CMI), July. This is a future-looking report to give a context for the discussions in the remainder of the text.

Useful websites

www.guardian.co.uk Useful for current affairs articles relating to IT, politics and business.

www.ft.com Useful for business updates on a worldwide level.

www.statistics.gov.uk Useful for information relating to current UK and some European comparisons.

www.managers.org.uk The website of the Chartered Management Institute, which contains summaries of research reports on a range of management issues.

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Chapter 2

The nature of organizational change

This chapter introduces the different ways of conceptualizing the types of change that organizations encounter. A basic distinction is made between *convergent* change and *radical* change, which is characterized by transformations of strategy, mission and values as well as structures and systems. We also discuss *planned* change and *emergent* change and summarize complexity theory, which challenges the viability of planned change. Breakpoints that trigger change are considered, along with types of problems that managers can face. The chapter ends by looking at how research into change has itself changed.

Learning objectives

By the end of this chapter, you will be able to:

- describe and discuss the multidimensional nature of organizational change;
- analyze change situations in terms of the different types of change experienced;
- explain the limitations of the everyday approach to managing change arising from cultural, political and leadership influences;
- critically evaluate the theoretical perspectives relating to the types of change that organizations experience.

Types of change

A starting point for considering the nature of organizational change is Grundy's (1993) three 'varieties of change', as shown in Figure 2.1. The first, 'smooth incremental change', is change that evolves slowly in a systematic and predictable way. This type of change is reminiscent of developed economies from the 1950s to early 1970s, but it became less common by the 1990s. The vertical axis in Figure 2.1 represents the *rate* of change, not the *amount* of change. Thus, smooth incremental change, at whatever level, happens at a constant rate.

The second variety, 'bumpy incremental change', is characterized by periods of relative calm, punctuated by acceleration in the pace of change. The bumps can be likened to 'the movement of continental land masses where the "fault" enables periodic readjustment to occur without cataclysmic effect' (Grundy, 1993, p. 24). Triggers for this type of change are from both the environment and internal initiatives such as the periodic restructuring that organizations go through to improve efficiency. One way of categorizing smooth and bumpy incremental change is to see them as change that is associated more with the *means* by which organizations achieve their goals, rather than as a change in the goals themselves.

Grundy's third type is 'discontinuous change', which he defines as 'change which is marked by rapid shifts in strategy, structure or culture, or in all three' (p. 26). Examples include the privatization of previously publicly owned utilities, such as water supply and electricity generation and distribution, and the discovery of new business opportunities arising from technological innovation. Health scares rendering some food products temporarily unsaleable can have cataclysmic effects throughout an industry, as can a sudden lack of confidence in a financial institution. Thus, discontinuous change can be likened to change in response to sudden and unpredictable high levels of environmental turbulence.

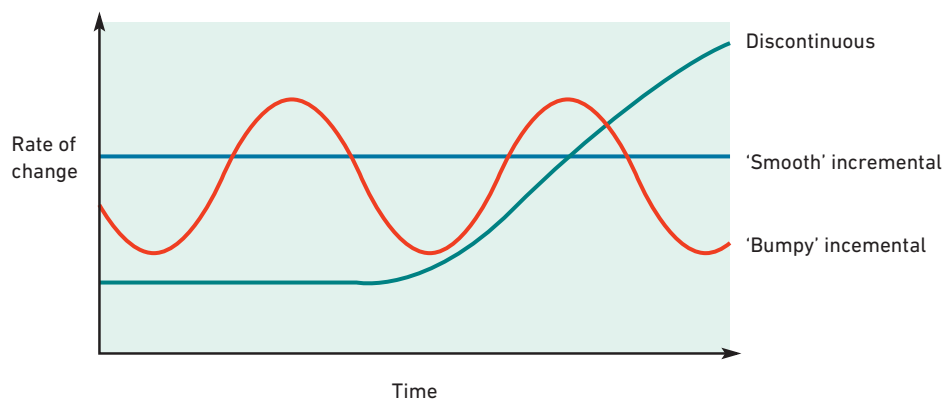


Figure 2.1 Grundy's major types of change

Source: Grundy, T. (1993), *Managing Strategic Change*, Reproduced by permission of Kogan Page Ltd.



Models of change

Models of change can help us understand how to organize and implement changes and can enable managers and others to establish the resources needed for change and to set out implementation plans. However, models of change are viewed as often too simplified to be useful for practitioners. Specifically, the linearity of the traditional models is viewed as a problem, with the argument that real world change is either far more complex than traditional models allow for or there are fundamental issues relating to the nature, role, constitution and governance of organizations in modern society that need to be considered.

The process of change can be summarized as comprising two elements. Leaders give ‘signals’ that changes are needed, which can be described and ‘pathways’ to change can be sketched out. Then plans/resources and support for implementation are provided. But without ‘followers’ no change is possible because leaders cannot do everything. As we shall see, success in change management to some extent is based upon identifying and supporting the people involved in change. But leaders must also provide resources, facilities, training, ‘space’ and ‘organizational cover’. What does this mean? Of course, implementation plans will go wrong, not work and be misunderstood. Often, indeed, people implement plans incorrectly simply because they do not understand. In these circumstances the change vanguard and early adopters must necessarily experiment, problem solve and so on in order to get things on the right track. Senior people need to provide those seeking to get things to work the time and resources to do so.

In turn, this argument suggests that the ideas that underpin any particular change initiative need to be influential throughout the organization. Ideas are considered in relation to problems we seek to resolve. We test them in practice. Thereby we learn how more effectively to resolve that problem. The positive feedback thus generated creates the learning that leads to changes being more fully established as people become more confident about the relevance of the ideas to their own situation. This gives rise to the possibility of using ‘social influence’ or ‘contagion models’ as a basis for assessing progress from initial concept through early adoption to the achievement of critical mass support for change. Ideas such as the ‘tipping point’ then become relevant. Is there a point where the accumulating evidence from experience is such that change becomes irreversible?

Where ‘social influence’ models are used this raises the same question about leadership. Which leaders, positioned where in the organizational system, are likely to be most influential? As soon as you accept the notion that social factors play a part, you must immediately question the idea that change is created on a straight-forward top-down basis. Even where the organization is a relatively simple affair, where change involves embracing new technology then we know that existing power bases become challenged. This is simply another way of accepting that, in that context, leadership may well come from different sources.

Kelman (2005) has published a study of changes to procurement policy and practice in the US government, which uses innovation theory to examine how positive feedback can create a self-reinforcing process that consolidates change. For

Kelman, the ‘change effort’ can feed upon itself. In effect, his claim implies that a ‘tipping point’ can be reached beyond which change is irreversible. In practice, this implies that one effective strategy for change implementation involves the following actions:

- identify people in teams who are respected members of those teams;
- convince them of the value of the intended changes;
- train them in the new methods and in change facilitation;
- encourage them to support other members of their own team through informal or on-the-job training;
- invest some of your training effort in the sharing of best practice across the teams;
- ensure that supervisors and others support and provide ‘organizational cover’ for the efforts of those ‘most respected co-workers’;
- senior executives to secure the ‘space’ for this to take place – for example, in relation to performance management processes.

Leaders then ‘deepen’ the impact of change by persisting in the changes, not moving on to other initiatives but rather constantly reinforcing existing efforts.

We will now consider four approaches to theorizing about how major changes can be implemented. These are:

- 1 ‘clinical’ approach;
- 2 linear approach;
- 3 ‘systems’ approach;
- 4 emergent change.

The ‘clinical’ approach

Here, the engagement of individuals and teams is seen as central to success or failure. Within this form of analysis, themes such as resistance to change, team effectiveness and dynamics as affected by changing circumstances and the leadership dynamics of change are each important. The concept of a ‘psychological contract’ between employer and employee and the attitudes of those involved in change are also central. French and Bell (1995) suggest that ‘organization development’ (OD) is an organizational change strategy that emerged in the late 1950s and early 1960s and evolved into an integrated framework of theories and practices capable of solving or helping to solve most of the important problems confronting the human side of organizations. It is about getting individuals, teams and organizations to function more effectively.

They go on to argue that OD is based on ‘valid knowledge’ about organizational dynamics and how to change them. For French and Bell, valid knowledge derives from the behavioural sciences such as psychology, social psychology, sociology, anthropology, systems theory and the practice of management. Organization development practitioners sought to create a credible basis for intervening in the management of organizations, whether in pursuit of a specific planned change or in order to build capability in the organization. OD seeks to do so by gaining and making use of valid knowledge. This knowledge primarily relates to people and how

they behave in, perceive and react to the organizational setting. Often the interventions are undertaken within a process known as 'action research'. OD practitioners, sometimes depicted as 'change agents', often lead these interventions.

There is potential value in this approach for those seeking to better understand the dynamics of change settings. Most large organizations conduct (or have specialist survey organizations conduct) regular attitude surveys of their employees and of customers. Such action research has found wide application. The concept was introduced by Lewin (1948), who argued that we study problems in order to solve them and we do so most effectively if our analysis of the problem is based on full and valid data, that all possible solutions are considered and that the one most appropriate is selected.

It is worth noting that 'resistance to change' was commonly seen as a problem that OD practitioners were particularly well positioned to resolve. Note here that this was not necessarily viewed solely as a matter of resistance to change among lower-level employees. Often it was seen as driven by 'vested interests' and could encompass behaviour from professional groups such as senior managers, clinical staff in hospitals, senior officers in the armed forces and so on. Moreover, resistance to change often takes various forms (see Carnall, 1986), from opposition to apathy or indifference.

However, the real value of the OD approach may lie in the ability of practitioners to reveal what is currently 'hidden' in terms of people and their views, ideas, perceptions, attitudes and so on. The idea of the psychological contract is that it is different from the more clearly specified economic contract in that the expectations that comprise the psychological contract are likely to be tacit, unstated and only partly understood. Finally, it should be noted that OD practitioners are among those who developed an interest in organizational cultures (Schein, 1996). Burnes (2004) noted that OD practitioners have developed their approaches along three main themes:

- 1 In practice, OD practitioners began to adopt an organization-wide perspective. Often, the problems they were asked to address were either organization wide or at least any serious attempt to resolve them required organization-wide action.
- 2 This developed into a focus on culture change programmes and on other organization-wide interventions, such as Total Quality Management, Kaizen, Six Sigma and others. Few if any large organizations, and many smaller ones, now fail to conduct attitude surveys of all employees on a regular basis, and increasingly client and customer attitudes are also regularly surveyed.
- 3 OD practitioners have adopted the action research approach as a basis for achieving change in client organizations and have been primarily concerned with issues of organizational effectiveness (see Argyris, 1990) and organizational health. They have typically conceived of organizational change as requiring the active participation of those directly involved in and affected by intended changes.

OD certainly represents an enormously influential mode of thinking about and practice in the change management field. It has focused attention on the people and behavioural issues in change management and provided a wealth of techniques to

help organizations change in an evidence-based way. By doing so it has helped to take account of the possible consequences of implementing change and provided the means for at least considering and working with these consequences.

Linear approach

The ‘managerial’ approach to change has tended to utilize models that describe change as a series of steps from vision to implementation – often of value because they at least specify the tasks that managers need to undertake. These models are also commonly criticized as too simple. The experience of managing a change of any magnitude is generally more complex, with many stops and starts and much ‘side-tracking’ along the way. Stacey (1995) is clearly of this view, identifying three assumptions leading to that conclusion, as follows:

- 1 Managers are able to identify organizational adaptations ahead of environmental changes.
- 2 Change is a linear process.
- 3 Organizations are systems tending towards static equilibrium (a stable state within which the organization’s position in its environment is ‘stable’).

These assumptions appear to characterize many models of organizational change. They might be re-worked to say that models of change tend to view the process as operating within the existing organizational system – that is, with senior executives starting and then dominating the process. Perhaps the most influential of these linear or managerial models was that proposed by Kotter (1990). However, Kotter did at least consider the importance of external stakeholders and recognized the need for constant adaptation and change. Kanter *et al.* (1992), responding to the distinction between incremental and transformational change, noted that the latter may be achieved via a ‘bold stroke’ or revolutionary approach, or by a series of incremental changes leading to transformation over an extended period of time. However, the missing concept here is that of ambition. For whatever reason, the bold stroke starts out with an ambitious challenge to the status quo, which is articulated as such from the outset. The incremental approach to transformational change may seek the same ambition but may proceed along a trajectory of change that leaves options more open. All of this is similar to the Beer and Nohria (2000) distinction between Theory E and Theory O change. Theory E change pursues the maximization of share-holder value through financial incentives, down-sizing and divestment. It is about tough choices driven by financial imperatives and financial performance. Theory O aims at incremental performance improvement through incremental interventions in the organizational culture, capability and the promotion of organizational learning. It could be argued that Theory E states tough and challenging strategic objectives in stark financial terms while Theory O obscures the tough choices in pursuit of organizational cohesion and long-term survival. That is to say, both seek the same result but Theory O seeks a trajectory to that outcome that will keep the organization in being. Theory E, once applied, may lead to rapid and disruptive change.

The linear paradigm reflects the influence of Lewin's well-known three-stage model of change (1948), which encompasses the following points:

- *Unfreezing*: a stage within which those involved come to recognize that something must change.
- *Moving*: a stage during which new ideas are tested and new ways of working emerge.
- *Refreezing*: a stage within which new behaviours, skills and attitudes are stabilized and commitment to change is achieved.

This view of change has influenced many subsequent authors, notably Kotter (1990). But it is too easy to condemn these ideas as being unitary in focus (taking only the concerns of the most powerful into account) and linear in approach (viewing change as sequential). Most authors do not take a unitary approach as such, although some argue that even where this is not explicit such an approach can be inferred. Be that as it may, there are obvious exceptions. For example, Dawson (2003) added context and the politics of change to the mix. His model comprises three stages – namely, conception, transition (tasks, activities and decisions) and operation (of new organizational arrangements).

Systems theory

Claimed by its adherents to take the whole system into account as the basic unit of analysis, rarely was this achieved in practice. The socio-technical systems theory school, originally based at the Tavistock Institute of Human Relations in the UK, was for many years the leading institutional base for research and thinking. Researchers such as Trist, Emery, Rice and others proposed to jointly optimize the social and technical sub-systems in work settings. In effect, the claim was that there existed a range of technological possibilities and options in any given setting and, therefore, there existed the possibility of 'organizational choice'. By going for a less-than-optimal technological design you might achieve an overall more effective design, where the design chosen created more satisfying and meaningful work, thus avoiding other performance-inhibiting behaviour such as absenteeism (Emery and Trist, 1963).

Other approaches within this body of work include 'open systems theory' (see Checkland, 1986) and the systems dynamics approach. The latter comprises work aimed at modelling social systems, made famous by the work of Meadows (1972) and recently applied to the field of organization change by Rieley (2001). Systems dynamics provides the analytical means of modelling social systems and can allow the study of various design options when rethinking an organization. The focus is largely on how to choose rather than on how to change, but clearly the process of choice is part of change and the fuller evaluation of options helps us avoid 'unintended consequences'.

Emergent approaches to change

Collins (2001) brought forward a model of organization and change that represented a significant step forward in the literature. It went beyond most linear models without losing the step-by-step logic inherent in them. He distinguished

‘great’ from ‘good’ companies, identifying as great those companies that have out-performed their sector peers and competitors on financial indicators such as share price over a period of twenty years and by an order of magnitude of between four and twenty-fold. He was able to identify 11 such companies. In this ‘good to great’ model there are two stages: build-up and breakthrough.

The focus therefore is not on a particular change programme, no matter how extensive or strategic, but rather on the characteristics and processes associated with achieving breakthrough change to sustained competitive advantage. This model overcomes one of the fundamental problems associated with the change literature – that of viewing any specific change in isolation from other changes going on the organization at the same time. Each stage comprises the resolution of three fundamental issues. These are presented in the model diagram as sequential steps, but we prefer to take them as issues to be resolved, to a large extent, in parallel:

- 1 *Build-up stage*, within which you need to appoint, nurture and encourage ‘level 5 leadership’. These are leaders who combine leadership qualities alongside a willingness to acknowledge personal limitations. It represents a counterpoint to the notion of the charismatic leader, but not a rejection of the idea. Thus, ‘level 5 leaders’ may well have charisma. Ultimately, the notion is that leaders need to inspire and connect with people.
- 2 *Breakthrough stage*, during which the organization needs to build a passion for its business, its products/services/sector/capabilities/technology and people. Moreover, the organization must learn to think and act in both a disciplined and decisive manner. For Collins, speed is important but so is discipline.

The essence of the approach is to say that organizations need to plan to provide certain defining characteristics of successful operation and ways of deciding, working and performing. If these are diffused throughout the organization, success will emerge. However, the most important point to note here is that the model does not require that we specify specific goals around the changes, but rather that we identify a direction of development along with a long-term goal of being a lead or ‘defining’ company within a particular sector, of out-performing competitors and so on. Incrementally, you would plan such goals, not least as part of an annual budget process. So, this is not simply a planned change model. Rather, it is a planned process of emergent change.

Both research and practical experience have shown the limitations of linear models of organizational change. Where any given change is one of a multiplicity of changes underway, linear models tend to offer lesser value. Commonly, organizations have hundreds of change initiatives underway. The idea of emergent change and the linked idea of emergent strategy (Mintzberg, 2001) were developed to provide greater realism to discussions on strategy formulation and change. They do so either by relying on complexity theory or by requiring less to be specified in advance. We ought to note that logically open systems theory is at least a precursor to this line of thinking.

Emergent theories were based upon complexity theory (Wheatley, 1992; 1996), leadership models of emergent change (Higgs and Rowland, 2005) and market-induced change (Piercy, 2004). A model of change leadership and change competencies in which leaders are viewed ideally as change enablers focuses on the leadership role as an actor in the change process. whereas the market-based approach looks at the role of incentives and rewards combined with disincentives, all utilized as a means of inducing change via competitive/collaborative behaviour in pursuit of economic goals. The Higgs and Rowland change leadership competence model has been tested initially through research at Shell.

The pace and scope of change

Grundy's three types of change make intuitive sense, but they are somewhat simplistic. While this also appears to be the case with Balogun and Hope Hailey's (2008) identification of change 'paths', they go further by suggesting four types of change (see Figure 2.2) mapped on two dimensions: scope (incremental or big-bang), and scale (realignment or transformation).

On the basis of numerous studies and case histories, Tushman, Newman and Romanelli (1988, p. 707) proposed a model of organizational life that consists of 'periods of incremental change, or convergence, punctuated by discontinuous changes'. They suggest there are two types of converging change: fine-tuning and incremental adaptation. Both these types of change have the common aim of maintaining the fit between organizational strategy, structure and processes. However, whereas fine-tuning is aimed at doing better what is already done well, incremental adaptation involves small changes in response to minor shifts in the environment.

		End result	
		Transformation	Realignment
Nature of change	Incremental	Evolution	Adaptation
	Big bang	Revolution	Reconstruction

Figure 2.2 Balogun and Hope Hailey's types of change

Source: *Exploring Strategic Change* by Balogun, J. and Hope Hailey, V.H. (2008), 3rd edition. Reprinted by permissions of Pearson Business

Both fine-tuning and incremental adjustments to environmental shifts allow organizations to perform better and optimize the consistencies between strategy, structure, people and processes. Yet Tushman *et al.* (1988) show how, as organizations grow and become more successful and develop internal forces for stability, these same forces eventually produce resistance to hold back further change. Thus, at times of major disruption and turbulence in an organization's environment, incremental adjustment will not bring about the major changes in strategy, structure, people and processes that might be required. When that happens, most organizations will need to undergo discontinuous or frame-breaking change if they are to survive. Thus, in the lifetime of most organizations, periods of relative tranquillity will be punctuated with (probably shorter) periods of frame-breaking change (see Illustration 2.1).

Illustration 2.1

Frame-breaking change

The need for discontinuous change springs from one or more of the following:

- *Industry discontinuities* – sharp changes that shift the basis of competition. These include: deregulation, privatization, technologies that replace (substitute) products or processes, the emergence of industry standards or dominant designs, major economic changes, legal shifts (e.g. patent protection, trade/regulator barriers).
- *Product life cycle shifts* – over the life cycle of a product, different competitive strategies are required. International competition may aggravate these shifts.
- *Internal company dynamics* – as organizations grow beyond the organization built around the founding entrepreneur, they give way to more bureaucratic management and revised organization structures.

The scope of frame-breaking change includes discontinuous change throughout the organization. Frame-breaking change is usually implemented rapidly. It is revolutionary, not incremental, and usually involves the following features:

- *Reformed mission and core values* – to fit and support new strategies.

- *Altered power and status* – reflecting shifts in the power and status that different groups have in the new era.
- *Reorganization* – new strategy requires a modification in structure, systems and procedures, a change of organization form.
- *Revised interaction patterns* – new procedures, work flows, communication networks, decision-making patterns.
- *New executives* – usually from outside the organization, they have no loyalty to the 'old ways'; a small number of symbolic people changes signals a new order.

Frame-breaking change is revolutionary in that the shifts reshape the nature of the organization. It requires discontinuous and concurrent shifts in strategy, structure, people and processes. Reasons for the rapid, simultaneous implementation of frame-breaking change include:

- *To create synergy* – from new people in new roles and new departments.
- *To overcome pockets of resistance* – which are more likely to develop if change is implemented slowly.
- *To leverage a pent-up need for change* – when old constraints are relaxed or swept away, change can become fashionable.

- *To control risk and uncertainty* – the longer the implementation period, the greater the period of uncertainty and instability; the quicker it is over, the sooner stability returns.

Source: Based on Tushman, M.L., Newman, W.H. and Romanelli, E. (1988), 'Convergence and upheaval: managing the unsteady pace of organizational evolution', in Tushman, M.L. and Moore, W.L. (eds), *Readings in the Management of Innovation*, pp. 705–17, New York: Ballinger.

Figure 2.3 shows how organizational change can be mapped in terms of its pace (continuous or episodic) and its scope (convergent or radical) (Plowman *et al.*, 2007). Each of the four categories of change differs on the following dimensions:

- the driver of change – namely, instability or inertia;
- the form of the change – namely, adaptation or replacement;
- the nature of the change – namely, emergent or intended;

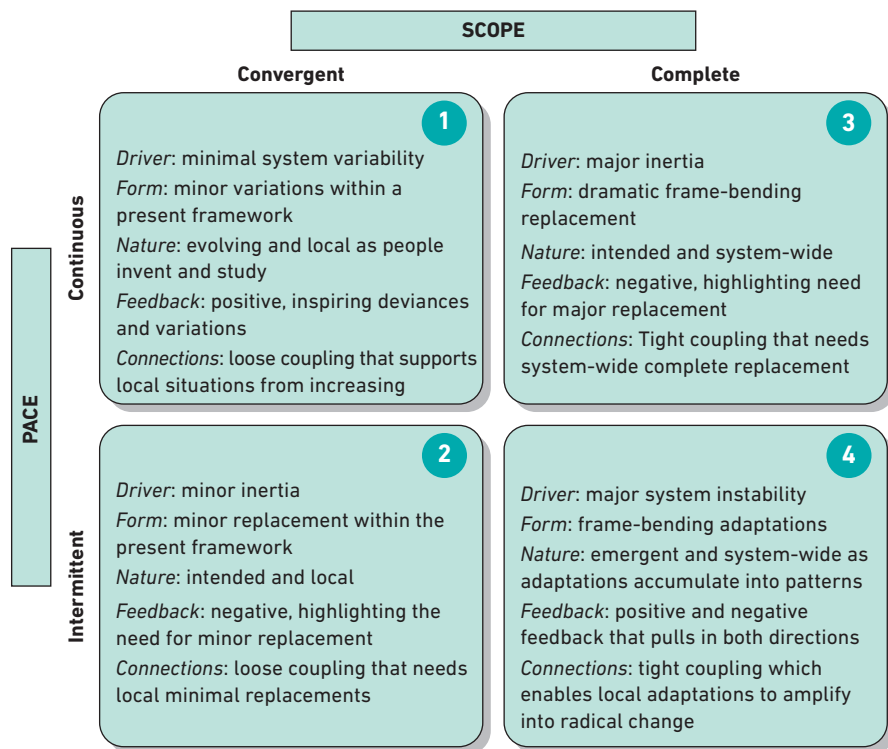


Figure 2.3 Plowman's four types of change

Source: Based on Plowman *et al.* (2007), 'Radical change accidentally: the emergence and amplification of small change', *Academy of Management Journal*, 50(3), pp. 515–43.

- types of feedback – negative feedback discourages deviations from the organization's current position, whereas positive feedback encourages deviation;
- types of connections in the system that are loose or tight.

The four quadrants portray four types of change:

- 1 *Continuous and convergent* change happens slowly and is channelled into improving systems and practices. Change happens within an organizational template; the template itself is not altered.
- 2 *Episodic and convergent* change occurs more quickly and perhaps as a result of a specific shock or crisis. Negative feedback pushes minor changes and keeps the template in shape.
- 3 *Episodic and radical* change happens quickly in response to a major shock or crisis. The template is altered through, for instance, a new top management team or new strategy.
- 4 *Continuous and radical* change arises out of an accumulation of small changes that gather momentum and lead to a new template being formed. If successful, the new template becomes established and is reinforced by new rules, values and norms.

A good example of attempted radical or frame-breaking change is provided by the public-sector reforms that have taken place in many countries (see Chapter 1, Illustration 1.3 on New Public Management). In short, the reforms have tried to move public services away from administration and compliance towards far more proactive strategic management. This requires injecting more competition and business-like behaviour into public management and as such requires organizations and employees to jettison old values and work with new ones. The amount of success that occurs, however, depends upon how the radical changes are attempted (Jones, 2002; Van der Voet, Groeneveld and Kuipers, 2014).

Fine-tuning to corporate transformation

Grundy (1993) does not claim any particular status for his typology of change, conceding that it is not empirically based. The typology proposed by Tushman *et al.* (1988) is based on more research, which is also the case put forward by Australian academics Dunphy and Stace (1993), which is discussed further in Chapter 6. The four types are shown in Illustration 2.2. Dunphy and Stace's scale types 1 and 2 are typical of Grundy's concept of smooth incremental change, while their scale types 3 and 4 are reminiscent of Grundy's bumpy incremental and discontinuous types of change respectively. The benefit of this model is in the detailed descriptions of each scale type and its testing with the executives, managers and supervisors of 13 Australian service-sector organizations. Organizations operating scale 1- and 2-type changes were in the minority in their small sample.

Illustration 2.2

Defining the scale of change

From **fine-tuning** (refining and updating methods, structures and processes)

to,

Incremental change (new products, new sales territory, improved production and logistics)

to,

Unit transformation (restructuring of divisions, new management teams, revised goals and objectives at divisional level)

to,

Corporate transformation (major changes to overall mission and strategy new technology and corporate level reorganization).

Source: Based on Dunphy, D. and Stace, D. (1993), 'The strategic management of corporate change', *Human Relations*, 46(8), pp. 905–20.

However plausible Illustration 2.2 appears, care must be taken with schema such as this based on a small sample of 13 organizations from one sector only. Nevertheless, this typology is similar to others (Plowman *et al.*, 2007; Tushman *et al.*, 1988). It is fairly clear that they found the same two types of change that are grouped by Tushman *et al.* under the concept of converging change. Both used identical names: 'fine-tuning' and 'incremental adjustment'. Where Dunphy and Stace go further is in splitting what Tushman *et al.* termed 'frame-breaking' change into two types: 'modular transformation' and 'corporate transformation'. This is a useful development in detailing more clearly the different levels at which frame-breaking change can take place. It still recognizes the implications of these types of change for goals and purposes, but identifies the fact that these may have different meanings at the departmental/divisional level than at the corporate/organizational level.



Activity 2.1

Look again at Dunphy and Stace's types of change in Illustration 2.2. Position an organization with which you are familiar on the following scale:

Fine-tuning Incremental adjustment Modular transformation Corporate transformation



How well does the type of change now being experienced by your organization fit the environment in which it is currently operating and that is likely to prevail in the foreseeable future?

Illustration 2.3**Explaining types of change**

Some new terms have been introduced in this chapter and for convenience they are summarized here:

- *Convergent* – this is fine-tuning of an existing configuration. The organizational configuration or template is not changed.
- *Planned* – deliberate actions designed to move an organization or part of one from one state to another and having discrete beginning and end points. Change is seen as something that managers can control.
- *Evolutionary* – as its name suggests, this is slow adaptation of existing systems or structures. Also termed continuous change. Although small in nature, changes are not trivial and are cumulative. They can trigger radical change.
- *Revolutionary* – fast-paced and affecting all or most of an organization at the same time. Typically, a planned move from one strategy and/or structure to another. It incorporates the idea of episodic change, which is intentional but is infrequent, not continuous.
- *Radical* – breaking away from a position such that a very different position is reached. Organizations or parts of them can be seen as being transformed from one template or blueprint to another. Also known as frame-bending or frame-breaking.
- *Emergent* – if the organization is seen as an evolving system then change arises out of experimentation and adaptation. Change is seen as something that managers create the right climate for.

Fine-tuning and incremental change are present in most organizations and, while they can be planned, are frequently associated with change as it *emerges* out of ongoing operations. The idea of emergent change has been linked with the concept of organizations as open systems (Wilson, 1992). Kast and Rosenzweig (1970), Checkland (1972) and McAleer (1982), among others, have produced detailed discussions of the concept of organizational systems. Briefly, these include the idea that organizations are striving to maintain a state of equilibrium where the forces for change are balanced by the forces for stability. Therefore, organizations viewed as systems will always strive to restore equilibrium whenever they are disturbed. According to this view, the organizational system is constantly sensing its environment in order to continuously adjust to maintain its purpose and optimum state.

Illustration 2.4**Holy breakfasts! Accidental radical change**

Churchgoers at a US city church were discussing new things to do. The group decided to offer hot breakfasts on Sunday mornings to homeless people. This idea was quickly implemented and soon volunteers were providing over 200 breakfasts. Within a few months a volunteer who was a doctor began to see people who wanted to discuss health questions. Shortly after, full-scale medical, dental

and eye clinics were in place. Within a few years, and with the support of grants, the church was running a day centre to help thousands of homeless people. Legal and job search support services were added.

Homeless people began to attend church services and this led to changes in dress codes and in the style of music – quite a shock to a church that had always attracted worshippers from the

wealthiest corners of society. The church's mission was changing and this brought conflict with the local business community, for whom the influx of homeless people into the district was unwelcome. These radical changes were not planned – a 'cycle of continuous radical change' had emerged.

Plowman *et al.* argue that existing theories of episodic or continuous change do not explain how small changes escalate and become radical.

Whereas radical change is usually seen as occurring in episodes (that is, with a beginning and end), the case of the church appears to show continuous radical change. No leadership crisis or financial crisis arose to trigger these changes – just an idea to serve hot breakfasts.

Source: Based on Plowman *et al.* (2007), 'Radical change accidentally: the emergence and amplification of small change', *Academy of Management Journal*, 50(3), pp. 515–43.

In an ideal situation, we might think that organizational sensing of the environment would be so effective because enough small incremental change would happen and make frame-breaking change unnecessary. If organizations responded continuously to the need for change, they would have no need for the periodic upheavals that become inevitable. In other words, through the continuous assessment of their environments, change should emerge almost 'naturally'.

However, managers and other employees can become so comfortable with what they do and what they believe is right and important that they become impervious to warning signs of impending or actual danger from the environment. According to Tushman *et al.* (1988), this is the effect of what they term the 'double-edged sword' of converging periods of change. Thus, the habits, patterns of behaviour, ways of finding out the best way to do things and the values that have become important and that have built up during periods of converging change, contribute significantly to the success of the organization. However, the organizational history (ways of doing things) built up during this period can also be counterproductive in creating organizational inertia and restricting the vigilance and reactions that the business environment requires, and may become a source of resistance to the need for more radical forms of change.

Johnson (1988, p. 44) refers to the organization 'paradigm' to describe the core set of beliefs and assumptions that are commonly and widely held by the managers of an organization, and which influence how information is interpreted and decisions made (Johnson *et al.*, 2014). The paradigm, which evolves and solidifies over time, includes assumptions about the organizational environment and how it should be interpreted and responded to. It is surrounded and protected by layers of cultural artefacts – symbols, behaviours, myths and rituals that make it legitimate. Paradigms capture and disseminate reality as far as the organization is concerned and are not, therefore, considered problematical.

However, gradually, and perhaps without noticing, the organization's strategy drifts away from what its operating environment is calling for (Harris, Dopsen and Fitzpatrick, 2009). Cast adrift, organizations may struggle to recognize forces for change or, if they are recognized, fail to grasp their significance because of the process whereby information is filtered through the paradigm. It is at these points that frame-breaking or revolutionary change becomes necessary to realign the

organization's purposes and operations with environmental imperatives, if it is not already too late.

From the discussion so far, it is clear that the process of strategic drift forces organizations into a more conscious deliberate *planning* of change, such as the four-stage processes of exploration, planning, action and integration discussed by Burnes (2004). Planned change describes situations where a change agent (a person or group that tries to alter human behaviour and/or organizational systems) takes deliberate actions with the aim of moving an organization or part of one from one state to another – for example, to a new structure, to more commercial behaviour or to altered working patterns. It contrasts with emergent change, which is change that arises out of ongoing activities. Of course, things do not always go to plan in planned change and some 'unintended consequences' can occur.

Illustration 2.5

Does change lead to more change?

Beck *et al.* (2008) conceptualize change as 'discrete modification of structural organizational elements' (p. 413). Whether planned or emergent, a popular theme in change research is to examine the effects of past change on the likelihood of future change. A core assumption is that experience of change leads to increased chances of further change; change today is more likely to lead to change tomorrow. Beck and colleagues identify three commonly analyzed change events:

- change of markets, such as finding new groups of customers and/or new products/services;
- change of organizational leadership;
- changes to rules and routines that comprise the basic structure of organizations.

The theory behind the 'change leads to more change' assumption is that the more an organization changes things the more it learns about how to do it successfully. People increase their competencies at

making changes of a particular type and raise their confidence as well. As competence and confidence rise, then the successful recipes will be applied to an increasing range of situations.

The alternative view is that since change is aimed at improving things, if it works there should be less need to change after change has been made. Not all change leads to improvements of course, but even unsuccessful change should enable people to modify the way they attempt it again. Beck and colleagues tested these two views and found that when conventional research methods were used, the first view was supported. When an improved method was used, they found that change led to a deceleration rather than an acceleration of future change. So, it seems that we still don't have a clear answer to this question.

Source: Based on Beck *et al.* (2008), 'Momentum or deceleration? Theoretical and methodological reflections on the analysis of organizational change', *Academy of Management Journal*, 51(3), pp. 413–35.

However, the distinction between emergent and planned change is not clear-cut. Wilson (1992) criticizes the idea that change can be planned logically and systematically. He argues that planned change is a management concept that relies heavily on a single view of the way change ought to be done. This view assumes that the environment is known and, therefore, that a logical process of environmental analysis can be harnessed in the service of planning any change. Wilson says this view emphasizes the role of human agency – that is, that executives and managers are able to invoke the changes they feel are necessary and

that this process is not problematic. His argument is that this view does not take account of the context in which change must take place – for instance, the cultural and political components that influence most, if not all, implementations of any planned change.

Jian (2007) provides an interesting account of what happened during one planned change episode and in particular to the unexpected outcomes that were seen, as shown in Illustration 2.6.

Illustration 2.6

Unintended consequences of planned change

Unintended consequences are those things that would not have happened if an actor (such as a manager) had acted differently, and are not what the actor had intended (Jian, 2007, p. 6). The scene for this illustration is a US insurance company. As a result of some acquisitions, the (new) top management team engaged consultants to tell it that it needed to cut costs and restructure. And so a plan was hatched.

Top management explained why change was needed and how important it was to keep the company's stock (share) price high. 'If we don't cut costs then we won't be able to generate the new business that we need' – was the general thrust of the message from the top. The basic message precluded consideration of other change paths and in doing so positioned top management as a dominant force. Employees were assured that they would be told of important things as soon as top management knew them. Much was made of not communicating anything before the communication was clear. Employees were assured that they would hear first and that this was important to ensure consistency. But top management was only going to communicate something that had been decided – not what things were *being* decided.

This positioned top management as being privileged to know things and to debate them and to decide on the best way forward. Employees were simply expected to execute their wishes. This background, Jian writes, sowed the seeds for

the unintended consequences. In this case, top managers were deciding on new structures and systems but it was up to employees to make sense of them – to figure out what the changes meant to them. To help them do this, employees used a grapevine to communicate the contradictions and stories around them. The picture constructed along the grapevine was one of management secrecy, betrayal as people were losing their jobs and unfairness because of cutbacks or increased prices to a range of employee benefits provided by the company.

Mass meetings of staff and management did little to help things and there were occasions where top management reiterated its position without appearing to appreciate employee concerns. Despite the well-intentioned information releases by management, rumours quickly followed them. This widened the trust gap between management and employees. Other unintended outcomes were higher stress and a loss of productivity as employees diverted energy into analyzing their situations rather than winning new business or cutting costs.

The key lesson from this real case is that managers need to appreciate the meaning of change as seen by employees. They need to help employees make sense of change and help translate new ways of doing things into everyday practice.

Source: Based on Jian, G. (2007), 'Unpacking unintended consequences of planned organizational change', *Management Communication Quarterly*, 21(1), pp. 5–28.

Quinn (1980) has also criticized the idea of planned change as something that is deliberately and carefully thought through and then implemented. His research into the decision-making processes of a number of organizations demonstrated that most strategic decisions are made in spite of formal planning systems, rather than

because of them. Reinforcing this idea, Stacey (2011, p. 154) summarizes the key points made by Quinn as follows:

- 1 Effective managers do not manage strategically in a piecemeal manner. They have a clear view of what they want to achieve and where they are trying to take the business. The destination is thus intended.
- 2 But the route to that destination, the strategy itself, is not intended from the start in any comprehensive way. Effective managers know that the environment they have to operate in is uncertain and ambiguous. They therefore sustain flexibility by holding open the method of reaching the goal.
- 3 The strategy itself then emerges from the interaction between different groupings of people in the organization – different groupings with different amounts of power, different requirements for and access to information, different time spans and parochial interests. These different pressures are orchestrated by senior managers. The top is always reassessing, integrating and organizing.
- 4 The strategy emerges or evolves in small incremental, opportunistic steps. But such evolution is not piecemeal or haphazard because of the agreed purpose and the role of top management in reassessing what is happening. It is this that provides the logic in the incremental action.
- 5 The result is an organization that is feeling its way towards a known goal, opportunistically learning as it goes.

Quinn terms this process ‘logical incrementalism’, in that it is based on a certain logic of thinking but is incremental in its ability to change in the light of new information and the results of ongoing action. Opportunism plays an important part in this process (see Illustration 2.7).

Illustration 2.7

Managing incrementalism in the development of corporate strategies

Start with unspecific general issues of concern. Then spend some time ‘*mulling over* an issue in your mind’ until you reach a conclusion that fits the organization’s strategy and purpose, and one that you can put to others without being dogmatic about it. In general, you will hear good suggestions on how to develop the idea into something concrete and, having brought in others to help refine it, you can put it forward more formally. You must be ready to deal with objections and other ‘gainsayers’. However, if you have thought of these possibilities in advance, you will be able to cope with them and ultimately reach your goal. However, there are, possibly, many steps and ‘trip-ups’ between the acceptance of your idea and its implementation. As James Quinn (1979), a leading thinker on strategy, said about

how executives manage incrementalism in the development of corporate strategies:

You know where you want to get to. You would like to get there in six months. But it may take three years, or you may not get there. And when you do get there, you do not know whether it was originally your own idea – or somebody else had reached the same conclusion before you and just got you on board for it. You never know.

A chief executive or a manager lower in the organization would follow the same basic process, but the former could drive it faster than someone lower down in the organization.

Source: Based on Quinn, J.B. (1979) ‘Xerox Corporation (B)’, copyright case, Hanover, NH: Amos Tuck School of Business Administration, Dartmouth College.

Predictable change

In some respects, change could be viewed as neither wholly emergent nor planned. As cycles of growth and activity are an essential part of survival, so the concept of an organizational life cycle (Greiner, 1972; Kimberley and Miles, 1980; Quinn and Cameron, 1983) has been used to describe the stages organizations go through as they grow and develop. Figure 2.4 illustrates these stages in terms of the size and maturity of organizations.

Greiner maintains that, as organizations mature and grow in size, their activities go through five phases, each of which is associated with a different growth period in an organization's life. In addition, as each growth period moves into the next, the organization goes through a shorter-lived crisis period. These are, respectively, the evolution and revolution stages shown in Figure 2.4. Illustration 2.8 is a brief description of a typical life cycle pattern that is complemented by Clarke's (1994) useful categorization of the characteristics and crisis points associated with each phase of growth (see Table 2.1).

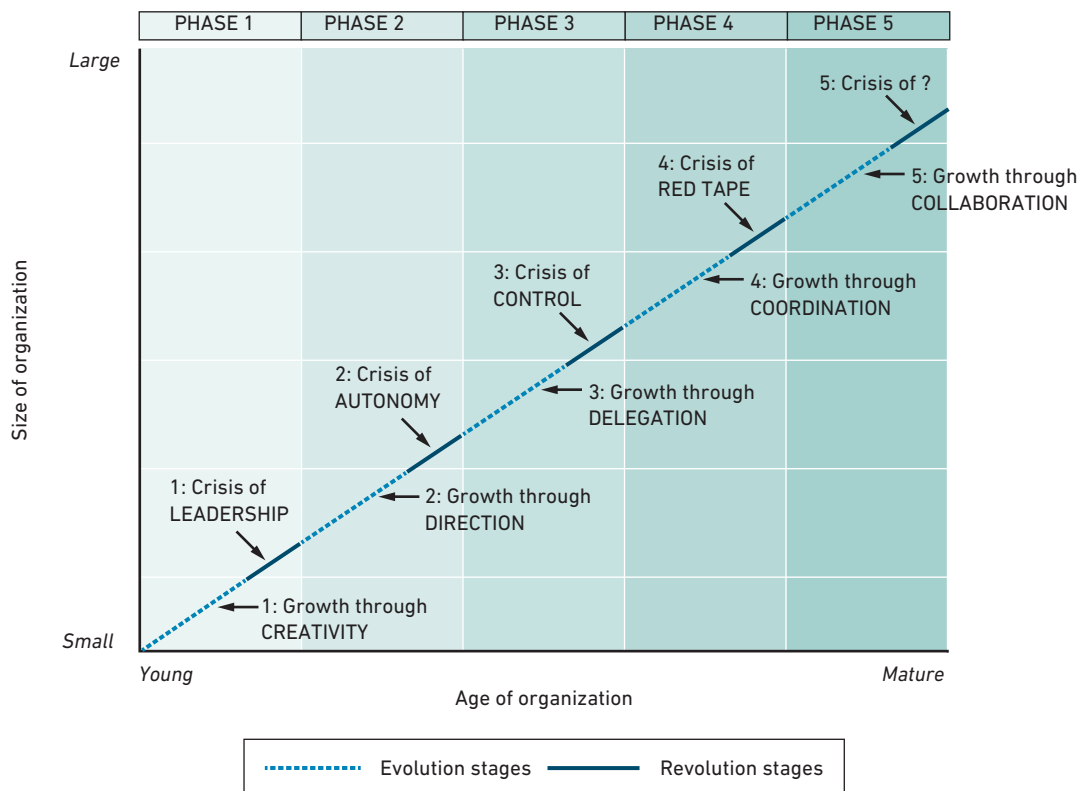


Figure 2.4 The organizational life cycle

Source: Adapted from *Harvard Business Review*. Greiner, L.E. (1972), 'Evolution and Revolution as Organizations Grow', July–August, p. 41.

Illustration 2.8**A typical life cycle pattern****1 The entrepreneurial stage**

In this first (often entrepreneurial) stage, the primary task is to provide a service or make a product. Survival is the key strategy. Organizational culture is fashioned by the founding entrepreneur. It may be a new organization, a new subsidiary or part of an established, larger organization. Success brings growth and the need to recruit more staff. Staff need managing and the question of future organizational strategy becomes more complex. The alternatives are to limit growth and remain small (but risk competitiveness), or to grow and recruit professional managers.

2 The collective stage

The organization begins to 'take shape'. Departments and functions begin to be defined and the division of labour is the dominant theme. The professional managers recruited tend to be strong leaders who share the same vision as the founders. Further growth brings the need for management control and delegation. The organization has begun to establish its position; internal tasks are allocated along with responsibility and autonomy to carry them out.

3 The formalization stage

Systems of communication and control become more formal. There is a need to differentiate

between the tasks of management – to make strategic decisions and to implement policy – and those of lower-level managers, who are expected to carry out and oversee operational decisions. Bureaucratization occurs as systems of coordination and control emerge, including salary structures, reward and incentive schemes, levels in the hierarchy, reporting relationships and formalized areas of discretion and autonomy for lower-level managers. The organization continues to grow, but burdened by the process of bureaucratization the need for the structure to be 'freed up' becomes pressing.

4 The elaboration stage

This is the stage of strategic change. The organization may have reached a plateau in its growth curve and may even show the first stages of decline in performance. Managers used to handling bureaucratic structures and processes usually have to learn new skills to achieve change, such as team work, self-assessment and problem confrontation. This stage may also include the rapid turnover and replacement of senior managers.

Source: Based on Greiner, L.E. (1972), 'Evolution and revolution as organizations grow', *Harvard Business Review*, July–August, 50, pp. 37–46.

**Activity 2.2**

Consider an organization you know well. Using the descriptions in Illustration 2.8 and Table 2.1, position the organization on the graph in Figure 2.4.

Greiner's model is useful for identifying an organization's situation and providing warnings of the next crisis point it may have to face, and helps in the planning of necessary change. It also helps managers and others realize that change is, to some extent, inevitable; organizations must of necessity change as they grow and mature. It therefore helps legitimize the need for change and can be used in discussions aimed at combating resistance to change.

So far in this chapter we have seen several ways of analyzing and describing change and the idea that change can be planned or can emerge out of what people

Table 2.1 Characteristics of Greiner's phases of growth

	<i>Phase 1</i> <i>Creativity</i>	<i>Phase 2</i> <i>Direction</i>	<i>Phase 3</i> <i>Delegation</i>	<i>Phase 4</i> <i>Coordination</i>	<i>Phase 5</i> <i>Collaboration</i>
Structure	<ul style="list-style-type: none"> • Informal 	<ul style="list-style-type: none"> • Functional • Centralized • Hierarchical • Top down 	<ul style="list-style-type: none"> • Decentralized • Bottom up 	<ul style="list-style-type: none"> • Staff functions • Strategic business units (SBUs) • Decentralized • Units merged into product groups 	<ul style="list-style-type: none"> • Matrix-type structure
Systems	<ul style="list-style-type: none"> • Immediate response to customer feedback 	<ul style="list-style-type: none"> • Standards • Cost centres • Budget • Salary systems 	<ul style="list-style-type: none"> • Profit centres • Bonuses • Management by exception 	<ul style="list-style-type: none"> • Formal planning procedures • Investment centres • Tight expenditure controls 	<ul style="list-style-type: none"> • Simplified and integrated information systems
Styles/people	<ul style="list-style-type: none"> • Individualistic • Creative • Entrepreneurial • Ownership 	<ul style="list-style-type: none"> • Strong directive 	<ul style="list-style-type: none"> • Full delegation of autonomy 	<ul style="list-style-type: none"> • Watchdog 	<ul style="list-style-type: none"> • Team oriented • Interpersonal skills at a premium • Innovative • Educational bias
Strengths	<ul style="list-style-type: none"> • Fun • Market response 	<ul style="list-style-type: none"> • Efficient 	<ul style="list-style-type: none"> • High management motivation 	<ul style="list-style-type: none"> • More efficient allocation of corporate and local resources 	<ul style="list-style-type: none"> • Greater spontaneity • Flexible and behavioural approach
Crisis point	<ul style="list-style-type: none"> • Crisis of leadership 	<ul style="list-style-type: none"> • Crisis of autonomy 	<ul style="list-style-type: none"> • Crisis of control 	<ul style="list-style-type: none"> • Crisis of red tape? ? 	
Weaknesses	<ul style="list-style-type: none"> • Founder often temperamentally unsuited to managing • Boss overload 	<ul style="list-style-type: none"> • Unsited to diversity • Cumbersome • Hierarchical • Doesn't grow people 	<ul style="list-style-type: none"> • Top managers lose control as freedom breeds parochial attitudes 	<ul style="list-style-type: none"> • Bureaucratic divisions between line/staff, headquarters/field, etc. 	<ul style="list-style-type: none"> • Psychological saturation

Source: Clarke, L., *The Essence of Change*, 1st Ed., ©1994. Reprinted and Electronically reproduced by permission of Pearson Education, Inc., New York, NY.

do. Another very important spotlight on change, and in particular an antidote to theories of planned change, is provided by complexity theory.

Complexity theory

The concept of 'complexity' and complex systems

Burnes (2005) provides a useful review of complexity theory, which is drawn on in the following text. Complexity theory is a set of ideas stemming from the study of natural systems such as weather patterns and animal behaviour and that draws on mathematical principles to help explain how organizations behave. Like natural

systems, it sees organizations as highly complex entities where a natural order comes to exist through the process of self-organization, where some form of overall order or coordination arises out of the local interactions between the components of an initially disordered system.

The concepts of *complexity* and *complicated* are frequently thought to be identical. However, while complicated systems can have very many elements and interactions between them, theoretically they can all be known. For instance, a computer is a complicated system, but not a complex one; an airplane is a highly complicated vehicle, but given sufficiently skilled designers, builders and maintenance staff, all its parts and how they operate can be described and understood. Complicated systems, although often difficult to understand, are ordered systems. By contrast, a complex system, as mentioned previously, is disordered in the sense that it is unpredictable.

One of the best-known proponents of complexity theory is Stacey, who together with colleagues identified three cornerstones of complexity theory (Stacey *et al.*, 2002; Stacey, 2011):

- 1 *Chaos theory* – chaotic systems are characterized by constant transformation analogous to the ways that species evolve. Events in chaotic systems are not proportional to the sum of causes and effects. Small events or perceptions of small events in an environment can lead to large changes in patterns of behaviour. These new structures and patterns are known as dissipative structures.
- 2 *Dissipative structures* – these need energy and impetus from outside, otherwise they reduce to next to nothing (dissipate). Analogous to natural systems, they can withstand large forces acting on them or undergo radical self-reorganization in response to small events. The new structures adopted are unpredictable but are stable arrangements arising from the constituents of the system.
- 3 *Complex adaptive systems* – these are made up of agents, each of which conforms to its own principles that shape its behaviour in relation to other agents. If we can understand how the agents (such as employees) behave individually, then this will help to understand, but not wholly explain, how the entire system will behave. An illustration of this occurs in the popular TV documentaries of meerkat colonies. The colony (system) functions as a result of different agents including dominant males, females caring for youngsters, juveniles, foraging parties and sentries.

The implications of considering organizations as complex entities, and in particular complex adaptive systems, having the properties listed, is that any type of change can happen at any time, whether planned or not, with unpredictable results. However, that is not to say that no change can be planned, but by being aware of the nature of these organizational systems, appropriate types of change can be made while always remaining aware that the unexpected probably will happen. For instance, Burnes (2005, p. 82) advises that managers should learn how to ‘promote self-organizing processes and how to use small changes to create large effects’. In place of bureaucracy delimiting what can and cannot be done, experimentation needs to be encouraged and mistakes/mishaps have to be accepted as part of the adaptive and more transformative change processes. This, of course, is not especially

new, and is reminiscent of the advice given by Peters and Waterman (1982) and Kanter (1989). Burnes, however, proposes three implications of applying complexity theory to organizations:

- 1 There is a need to move beyond 'narrow employee participation in change' towards far more democracy and equalization of power. This gives employees the scope to act.
- 2 The extremes of incremental change and large-scale transformation are not realistic and rarely work. Between the two extremes lies a continuous approach based on self-organization to improving products and processes.
- 3 To fuel the continuous change ideal, self-organization needs the presence of 'order-generating rules'. These rules evolve and are part of the processes of self-organization.

Despite its origins in natural sciences and mathematical principles, as far as understanding organizations goes, complexity theory is a set of ideas that acts as a metaphor for understanding how change happens and how it is sustained (Haynes, 2008; Murray, 2003). The metaphor gives managers new insights into how their organizations work and how they can conceive change, and those who act to effect it, in a new way.

Classic thinking about organizational change assumes that planning processes rely on the ability to join up causes and effects – for example, the assumption that certain actions will lead to certain outcomes. This model underpins the top-down approach to strategy analyses and implementation. Complexity theory, however, holds that change, of whatever type, will occur in systems that are some distance away from the simple equilibrium model. A more realistic description is that organizations exist in non-equilibrium conditions where cause and effect break down (Stacey, 1995). Any organization at a moment in time:

... is a result of every detail of its history and what it will become can only be known if one knows every detail of future development, and the only way one can do that is to let the development occur. The future of such a system is open and hence unknowable until it occurs.

(Stacey, 1995, p. 491)

Stacey argues that while managers and leaders can decide what their next action will be and attempt to implement it, they cannot determine the eventual outcomes of those actions in future time. An implication of this, and quite a big one, is that if complexity theory is an accurate portrayal of organizational life and behaviour, then it is difficult to use theory-testing, hypotheses-testing research to identify things that lead to success and then generalize from them. Hence, recipes for organizational change, albeit helpful as starting points, should be looked at with caution. In many circumstances, the type of change that occurs, as opposed to that which was planned, can be unpredictable and unexpected.

Complexity theory and the concept of complex adaptive systems have practical applications when considering organizational change. For example, Houchin and Maclean (2005) suggest that complexity theory gives us insights into how organizational patterns of order develop and how organizations learn and adapt. It views

organizations as existing in a state of non-equilibrium; a state in which forces of adaptation are acting on the parts of the system, pushing it towards an equilibrium that is rarely, if ever, reached. It rejects the notion that change from one stable state to another can proceed through a series of linear steps.

These authors, in line with others before them, perceive complexity theory as a metaphor giving new understandings about how change happens (Houchin and Maclean, 2005, p. 72). They give an ethnographic account of change in a newly formed agency, of around 500 employees, made up from several predecessor, conventionally structured and operated, organizations. The new agency had a remit to handle environmental regulation and protection. The managers of the new agency planned for a new structure, culture and processes based on democratic, participatory principles. However, it can be seen from Table 2.2 that after four years of studying the change, there were key differences between what types of change were intended and what actually emerged.

Houchin and Maclean offer a number of explanations as to why this alternative, unplanned equilibrium state came to exist. Apart from the unfamiliarity of the new ideas of how the organization should operate, the authors concluded that, in spite of the excitement of working for a new organization, some individuals' and groups' underlying anxieties about their futures and prospects led to destabilizing actions taken to reduce the effects of the changes. These actions were used by individuals to help them feel in control and as ways of reducing conflict. These in turn led to individuals reducing the amount of interactions with others (project groups, consultation, training events), which meant that actions designed to lead to new ways were infrequent and ineffective. Houchin and Maclean also propose that the order that developed did not emerge within the organization's legitimate systems, but within a 'shadow system' (see Stacey, 2002): the old network that employees had before the new organization was formed still existed, meaning that employees could, to a point, continue with their established working ways. In sum, the order that emerged in the new organization was largely the same as that which had existed in the organizations from which it was made up.

Table 2.2 Emergent order after four years

<i>Desired future state of the organization at the start of the four-year period – the desired equilibrium</i>	<i>Actual future state of the organization at the end of the four-year period – the new equilibrium</i>
1 Wide spans of control	1 Hierarchical organization
2 Emphasis on employee flexibility	2 Emphasis on traditional professional specialisms
3 Empowered managers, delegation to its lowest point	3 Increasingly restricted managers, increase in bureaucratic procedures
4 Emphasis on value for money	4 Emphasis on cost reduction
5 Strong culture	5 Regional independence
6 Influencer and regulator	6 Regulator – target-driven

Source: Republished with permission of John Wiley & Sons, Inc., from 'Complexity Theory and Strategic Change: an Empirically Informed Critique', *British Journal of Management*, pp. 149–66 by Houchin, K. and Maclean, D. Vol. 16 (2), 2005; permission conveyed through Copyright Clearance Center, Inc.

The concept of a shadow system, which works (sometimes unwittingly) to destabilize the legitimate system and establish a different organizational equilibrium, is crucial to understanding organizational change. This is particularly the case with transformational or frame-breaking change, including managements' attempts to change (sometimes all at once) organizational strategies, structures and processes. In addition, if these attempts are based on formal, logical reasoning that neglects the worries and unease felt by those expected to change, the chances of success are slim.

The tipping points of change

Another complexity theory concept that helps us to understand the nature of change is the idea of a tipping point (Boyatzis, 2006). Here, events occur and are contained within a system that leads up to and culminates in a tipping point. Illustration 2.9 is a good example of how unexpected change occurred not just in one organization, but across several organizations that were part of the same industry. This started with some actions that were considered unremarkable at the time, but which then led to a tipping point where a major part of that industry was brought down.

Illustration 2.9

Crossing the line: a tipping point in the hacking scandal

Politicians know that newspapers influence the outcome of elections through the stories they run and by supporting a particular party. In the UK in the 1990s and early twenty-first century a close, incestuous relationship developed between the media and senior politicians. Reporters and senior media figures used information to play one politician against another as a way of getting new stories. Some police officers allowed themselves to be corrupted by people in the media and supplied confidential information that was used to get stories – yet the police showed little interest in investigating claims that officers were accepting payment for information.

A culture had developed such that phone hacking had become widespread and targets included victims of crime, criminals, celebrities and politicians. When a member of the Royal Family was hacked, the police were forced into showing more interest in hacking allegations and this was compounded by public disgust when it was revealed that the family of a young murder victim had also been targeted by the hackers. Against this background, the British prime minister appointed, in spite of warnings not to, a former newspaper editor

who was tainted with hacking allegations to head up communications as his communications director. This person, along with others, was later convicted of criminal charges related to phone hacking and sent to prison. After years of denial and in the face of public outrage, the police had gathered large amounts of evidence that staff at the publishing organization, News International, had been involved in hacking. A popular UK 'red top' newspaper, *The News of the World*, was closed down in response to hacking revelations.

This story shows how politicians, the press and the police became far too close, to the point that criminality was being overlooked. The three main parties were in a cosy relationship that lasted for at least several years until someone's behaviour crossed a line and in doing so created a tipping point, after which each player had to act to explain and be seen to be correcting their past wrongdoing. Although the repercussions of phone hacking seemed extensive, with several prosecutions, only time will reveal whether the tipping point was enough to trigger genuine change in the culture that accepted hacking for so long.

Another good example of this phenomenon is the recent financial crisis. Several years of ‘easy’ money, readily available finance and rising property prices seemed to suit lenders and borrowers alike. Unfortunately, these halcyon days led to unsafe lending in the USA (sub-prime lending), which eventually caused great turbulence as the frailty of heavily interconnected financial systems was exposed. In September 2007, the UK bank Northern Rock tipped almost overnight from being a competitive institution to a complete lame duck when it asked the Bank of England for assistance. This erosion of confidence led to the first run on a bank (people queuing *en masse* to withdraw their money) in over 100 years. A government loan of £25 billion was needed to sustain the bank and to protect its customers. Other financial institutions were compromised by collapsing share prices. The UK government was forced into immediate action by the events that happened.

Share values in banking and finance crashed, the supply of money for lending fell and the terms and conditions of borrowing were tightened, making home ownership even harder for first-time buyers. The seeds of the UK credit crunch were sown when the generally prudent and careful building societies in the UK converted to banks around 20 years previously. Executives were in the enviable position of receiving bonuses beyond the comprehension of lesser mortals if their organizations met targets, and yet significant compensation if they failed to meet them or were sacked. Prudence had gone out of the window and in the language of change the ‘butterfly effect’ was set in train. This metaphor captures the idea that tiny variations in air pressure caused by the beat of a butterfly’s wings in one place can, in theory, set in motion a chain of weather events that lead to a hurricane on the other side of the world.

Illustration 2.10 is a good account of how decisions made at one point in time, with good intentions, can, at another point in time, turn stability into chaos as the possible outcomes of those decisions were not predicted, and may even (except with hindsight) have been unpredictable at the time. Equitable Life was a ‘prisoner’ of environmental forces that arose unexpectedly and that could be managed only with drastic results for its customers and itself.

Illustration 2.10

Equitable Life: creating chaos out of order

A good case of chaos emerging out of order is shown by the Equitable Life Assurance Society. For 200 years Equitable was a ‘safe pair of hands’ looking after life insurance and pensions, typically for society’s professionals – doctors, engineers, teachers and managers. However, in the years before 1988 it sold policies to some investors that guaranteed the pay-out of certain benefits. Time passed and interest rates rose and fell. A situation built up in which Equitable did not have enough money to keep paying out to those to whom it had guaranteed

returns. Realizing this, Equitable tried to stop paying out the rates it had guaranteed. But people with the guaranteed return policies wanted their money. Legal action was taken, ending up in the House of Lords where the Law Lords ruled that the policies had to be honoured. But where could Equitable find the money to honour its promises? Its answer was to take money from its policyholders who did not have guaranteed return policies and give it to those with guarantees.

The Lords’ decision caused Equitable to close to new business – not that anyone in their right mind

would have taken out a new policy with them. Most of its policyholders were worried about their investments and many looked to transfer their policies to a secure institution. Equitable's 200-year-old world collapsed and along with it the well-being of thousands of policyholders. Investors who decided to transfer their money out to another investment company saw the value of their policies reduced by transfer penalties. Even so, many investors cut their losses and transferred to what they hoped would be a safer investment company. The Lords' decision forced Equitable to seek a buyer, but with a £1.5 billion gap in its funds it was not an attractive proposition.

The point of this case is to illustrate how ongoing operations that seemed quite acceptable, even very desirable, built up an organizational time bomb that one day exploded. The events central to this case appear to be traceable to decisions taken by 'top'

managers under the influence of environmental forces. That said, if the Law Lords had come to a different decision then perhaps Equitable and thousands of its customers would have avoided so big a crisis. Thus, some environmental 'throw of the dice' was at play. We can also see how warning signs and signals were ignored. Before the turmoil, the Treasury had realized that Equitable would be insolvent if it had to find cash to meet its guarantees (Senior, 2001). Furthermore, the true poor performance of Equitable was an open secret in financial circles, yet it continued to pay out relatively high bonuses (and so top the league tables) in preference to putting aside funds that could be used when markets were less prosperous (Miles, 2000). The Board, in what seems to be a rather pathetic action, thought about suing former executives, financial advisors and auditors.



Activity 2.3

Look back at the section on 'environmental turbulence' in Chapter 1.

Which (one or more) of the five levels of environmental turbulence do you think fits the situation Equitable Life found itself in?

What type(s) of change was Equitable Life pushed into?

Having looked at how change is conceptualized and at how it might be possible to predict the next turning or crisis point (through application of the organizational life cycle concept), more needs to be done to develop ways of bringing about the necessary changes from one stage to another. It is useful, therefore, to have models and techniques for diagnosing the type of change situation prevailing at any one time in order to determine what kind of change approach to take.

Diagnosing change situations

Those who pretend that the same kind of change medicine can be applied no matter what the context are either naive or charlatans.

(Strebel, 1996b, p. 5)

Standard recipes for managing change are illusory because what works in one setting may not work in another. While some steps are good practice and so are likely to occur in change situations, the uniqueness of each workplace means that the ways that particular practices are implemented must differ.

The ability to diagnose change situations is, therefore, important if organizations are going to have any chance of responding to and managing change successfully. However, diagnosing an organizational situation is far from being an exact science. There are, though, some tools and techniques that can help. For instance, Greiner's model of the organizational life cycle is useful for drawing attention to periods when organizational change is likely to be needed. In addition, techniques such as stakeholder, SWOT and PEST analysis can lead to planned change and can increase awareness of the need for continuous incremental change. Multiple-cause diagrams, which help understand the relationships among events leading to outcomes, can lead to a better understanding of the interactions between the many different and often simultaneous causes of change.

There are, however, a number of other methods that can be used for anticipating when change is imminent and for deciding on an appropriate approach to use for its management and implementation.

Looking for breakpoints

To help organizations focus on environmental scanning for signals that could trigger change, Strebel (1996a) suggested a model of industry behaviour that is linked to an organization's competitive environment (see Figure 2.5). He uses the concept of the 'evolutionary cycle of competitive behaviour' to introduce the idea of 'breakpoints' – that is, those times when organizations must change their strategies in response to changes in competitor behaviour.

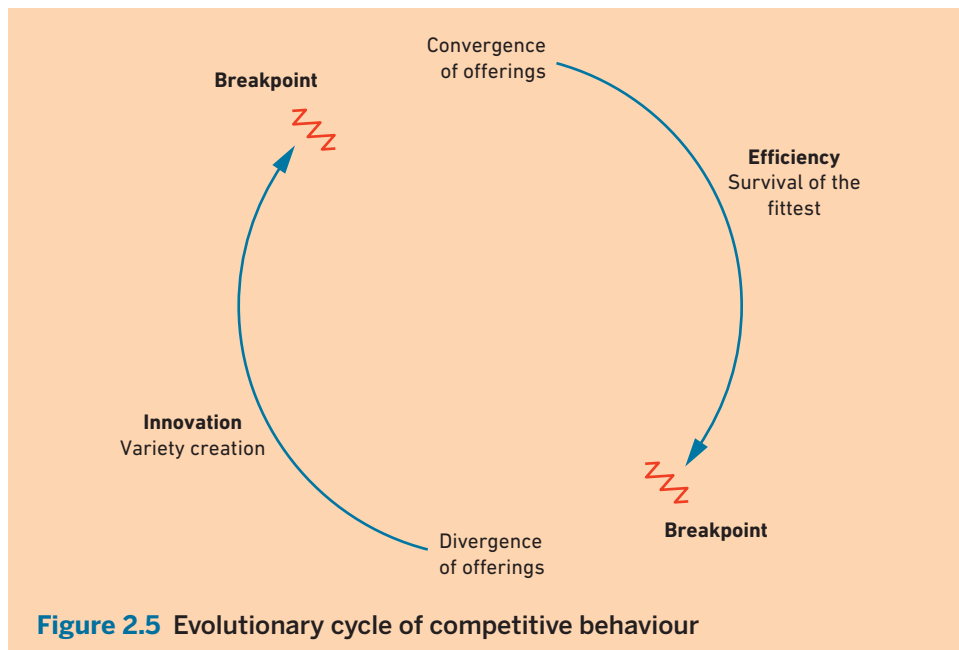


Figure 2.5 Evolutionary cycle of competitive behaviour



Source: From 'Breakpoint: how to stay in the game', *Financial Times Mastering Management*, Part 17 (Strebel, P., 1996) 1st March 1996, © The Financial Times Limited. All Rights Reserved.

The cycle of competitive behaviour involves two main phases. One is the innovation phase, when a new business opportunity is discovered. This triggers a breakpoint to introduce a phase in the evolutionary cycle that causes a *divergence* in competitor behaviour as the company attempts to exploit new opportunities with innovative new offerings. Strebel (1996a) says this phase corresponds to variety creation in the evolutionary cycle and, with respect to changes in product development, he says:

Divergent competitive behaviour aimed at enhancing the value of offerings continues until it becomes impossible to differentiate offerings because value innovation has run its course and imitation of the competitors' best features has taken over. As the offerings converge and the returns to value innovation decline, someone sees the advantage of trying to reduce delivered cost. Competitors converge on total quality management, continual improvement, and re-engineering or restructuring of the business system in an attempt to cut costs and maintain market share.

(Strebel, 1996a, p. 13)

This brings about the second of the two phases – *convergence*. During this phase, the least efficient leave the scene and only the fittest survive. This is a phase of cost cutting and consolidation, until the returns from cost reduction decline and people see the advantage of looking for a new business opportunity – bringing a new breakpoint, with the cycle starting all over again. In summary, the competitive cycle suggests that there are two basic types of breakpoint (Strebel, 1996b):

- divergent breakpoints associated with sharply increasing variety in the competitive offerings, resulting in more value for the customer;
- convergent breakpoints associated with sharp improvements in the systems and processes used to deliver the offerings, resulting in lower delivered cost.

The vertical axis in Figure 2.6 represents the innovation–variety creation phase of the cycle of competitive behaviour; the horizontal axis represents the efficiency–survival phase. The vertical arrows denote periods of innovation (following divergence breakpoints) while the horizontal arrows denote periods of efficiency-seeking and cost-cutting (following convergence breakpoints). Over time, industries move up the diagonal with increasing customer value and lower delivered cost. Clearly some industries (e.g. those based on commodities) offer less opportunity for innovation and customer-value creation. Others (e.g. clothing and fashion) offer fewer opportunities for cost reduction. They evolve mainly through innovation.

Strebel's model is very useful in explaining the external environment in which organizations operate (Hayes, 2010), as is his advice on how to detect patterns in the environment that indicate a breakpoint might be imminent (see Illustration 2.11).

It is clear there are a number of issues associated with the identification of breakpoints. First, organizations need to have both formal and informal systems tuned in to searching for indicators in the environment. The formal systems will probably include environmental scanning, benchmarking, data collection and interpretation. In addition, the way in which organizations are structured must help to gather and interpret information. Just as important are the more informal aspects

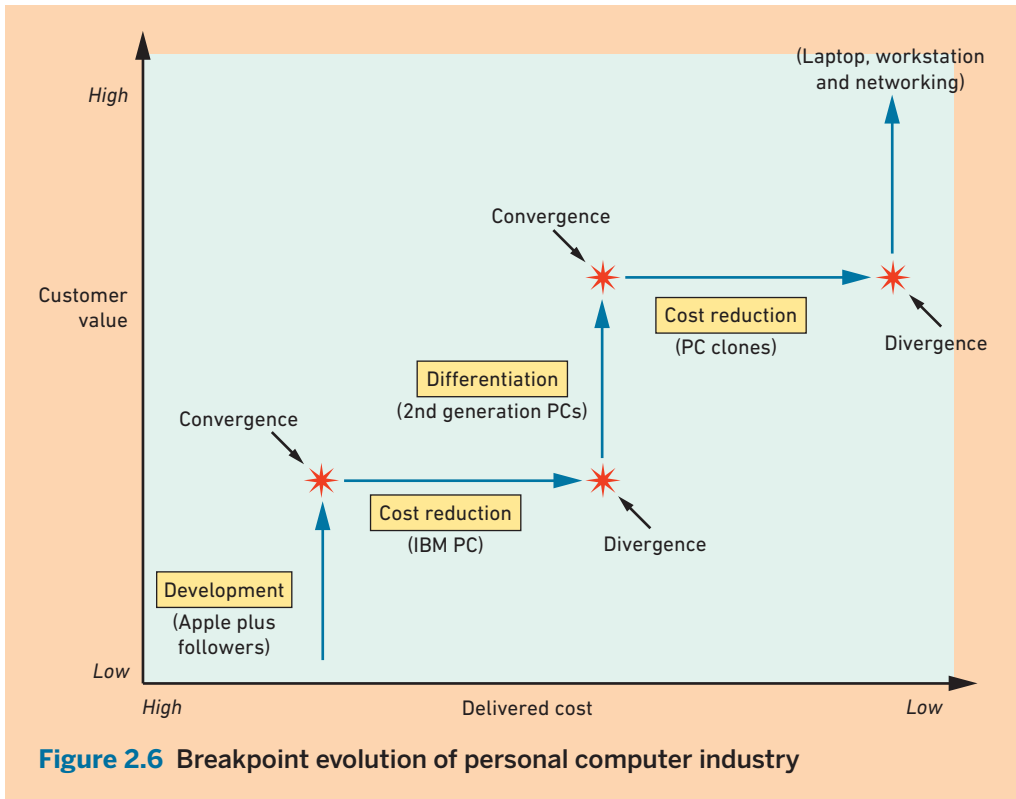


Figure 2.6 Breakpoint evolution of personal computer industry

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Source: From 'Breakpoint: how to stay in the game', *Financial Times Mastering Management*, Part 17 (Strebel, P., 1996) 1st March 1996, © The Financial Times Limited. All Rights Reserved.

of organizations, such as open attitudes on the part of managers and personnel, a degree of cooperation rather than destructive competition between divisions and departments, and a culture supportive of innovation and change (see the chapters in Part Two of this text).

Illustration 2.11

Looking for breakpoints with leading indicators

The timing of breakpoints is impossible to predict because they might be triggered by many different factors and because they require both a latent market and a supplier with the right business system. However, with an understanding of an industry's evolution it is possible to look for patterns indicating that a breakpoint may be imminent. Specifically, the competitive cycle can be used to look for leading indicators of a potential breakpoint.

The tendency of the competitive cycle to oscillate between divergence (variety creation) and convergence (survival of the fittest) provides the framework. Convergence is usually easier to anticipate because it is built on a situation that already exists. Typical indicators are shown in the following list. When several of these are in place, all that is needed is a player or event to trigger a breakpoint:

- *Competitors*: when convergence is visible in increasingly similar products, service and image (no differentiation).
 - *Customers*: when the differentiation between offerings looks increasingly artificial to customers and the segmentation in the market starts breaking down.
 - *Distributors*: when the bargaining power in an industry shifts downstream to distributors who play competitors against each other.
 - *Suppliers*: when they cannot provide a source of competitive advantage because everyone knows how to use their inputs.
- Divergence is more difficult to anticipate because it is based on a new offering that does not yet exist. However,
- if the following are in place, the industry is ready for a new offering that breaks with the past:
 - *Customers*: when an increasingly saturated market is accompanied by declining growth rates and restless customers.
 - *New entrants*: when restless customers are attracting new entrants.
 - *Competitors*: when declining returns may force them to experiment with new offerings or look elsewhere for profits.
 - *Suppliers*: when new resources and, especially, new technology are frequently the source of a divergent breakpoint.
 - *Distributors*: when they lag behind because they have to adapt to the new offering.

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Source: Strebel, P. (1996a), 'Breakpoint: how to stay in the game', *Mastering Management*, Part 17, *Financial Times*.

Although it is not a model to identify causes of change, the Burke–Litwin model usefully draws together the array of variables that come into play when a change is triggered (Burke and Litwin, 1992). The model contains 12 interrelated factors or variables and shows the interconnections between the operating environment at the top and individual and organizational performance at the bottom. As an open systems model, change could be initiated anywhere. However, a classic case would be that some environmental event influences leadership behaviour, which in turn affects management practices, which affect the working climate, which affects human motivation and through motivation affects performance. Environmental triggers may also force a re-think of mission and strategy, which affects the culture of the organization, which influences individual values, motivation and performance.

The model highlights how things are interconnected and illustrates the 'ripple effect' – that is, how a change in one factor or variable extends throughout the organization. It gives clues as to where managers could intervene to initiate change, and the knock-on effects. Not all variables in the model have the same weight (impact). For example, incremental, low-level change would involve variables in the lower part of the figure only and have little, if any, impact at the top level. Transformation and radical change are more likely, though not always, to begin at the top and would impact at the lower level.

The discussion so far has, to a large extent, concentrated on diagnosing change by scanning the organization's competitive environment. Another way of diagnosing change characterizes organizational problems (and therefore the need for change) in terms of their complexity, variability, people involvement and how much consensus there is on what constitutes the problem and what might bring a solution.

Hard (difficult) and soft (messy) problems

The discussion so far shows how situations forcing change vary in complexity and seriousness. A minor event in some part of an organization's internal environment can bring about (usually) small-scale change. By contrast, disturbances from the external environment will have a much more wide-ranging impact on an organization's strategy, structure and processes.

Sometimes, however, the signals that managers get are not clearly categorized as breakpoints; neither can they always be separated easily into issues concerned with competitors, customers, suppliers and distributors. These signals are frequently confused and diffuse, and it is not easy to see clearly just what type of situation prevails – the only things managers perceive are 'problems'. These problems may vary in complexity and seriousness, ranging from minor upsets to major catastrophes, from temporary hitches to gnawing 'tangles'. Paton and McCalman (2000) use the terms 'hard' and 'soft' to describe, respectively, these two types of problems. Another way of seeing situations is as difficulties and messes, the latter term based on Ackoff's (1993) article entitled 'The art and science of mess management'. Puzzles are relatively easy since they are well-defined problems that have specific solutions (Ackoff, 1974).

Illustration 2.12 demonstrates some differences between difficulties and messes and shows how difficulties are simply more limited sorts of problems, where possible solutions are conceivable. Messes are much larger and far more taxing for those who want some kind of change to 'solve' the problem. However, they are not just bigger than difficulties, they are qualitatively different.

Illustration 2.12

Difficulties and messes

Difficulties are bounded in that they:

- tend to be smaller scale and are less serious in their implications;
- can be considered in relative isolation from their organizational context;
- have clear priorities as to what might need to be done;
- generally have quantifiable objectives and performance indicators;
- have a systems/technical orientation;
- generally involve few people;
- have facts that are known and that can contribute to the solution;
- have agreement from the people involved on what constitutes the problem;
- tend to have solutions of which the type at least is known;
- have known timescales;

- are 'bounded', in that they can be considered separately from the wider organizational context and have minimal interactions with the environment.

Messes are unbounded in that they:

- tend to be larger scale and have serious and worrying implications for all concerned;
- are an interrelated complex of problems that cannot be separated from their context;
- have many people of different persuasions and attitudes involved in the problem;
- have subjective and at best semi-quantifiable objectives;
- have an absence of knowledge of factors and uncertainty as to what needs to be known;
- have little agreement as to what constitutes the problem, let alone what might be possible solutions;

- have usually been around for some time and will not be solved quickly, if at all – bringing about an improvement may be all that can be hoped for;
- have fuzzy timescales;
- are ‘unbounded’, in that they spread throughout the organization and sometimes beyond.

In distinguishing between these two types of problem, Stacey (2002) uses the terms ‘close to certainty’/‘far from certainty’ juxtaposed with the terms ‘close to agreement’/‘far from agreement’. Put simply, difficulties can be conceived as close to certainty in finding solutions that generally will have the agreement of most concerned. Messes are problems that are far from certainty in how they can even be conceived, let alone ‘solved’, and where there is little agreement among those involved with any potential changes.

With messes it can be hard to know where to begin a change. Reforming public services or dealing with climate change are examples of messes that face governments. It is a challenge for leaders of change to realize which they are dealing with – a difficulty or a mess. Engineers might think they are dealing with a temporary hitch when they really have a difficulty, which, although complex, can be dealt with and ‘solved’ by splitting the problem into separate parts. Executives might think they face a difficulty when they are really facing a mess, which requires a more holistic approach and might take many months or years to ‘solve’ (Ison, 2010; Mansfield, 2010). There are similarities here with the idea that in change situations there are differences between complicated systems and complex systems (Sammut-Bonnici and Wensley, 2002). Complicated systems can be highly detailed, but the details can be known and problems associated with these can usually be solved using logical rational reasoning – for instance, in the construction of a Boeing 747 or working out the best timetables for workers on production lines to achieve the most output.

By comparison, complex systems involve a great many elements and people, and are heterogeneous in terms of people, knowledge and information, all of which are interconnected. A common problem in change management is that managers are trained to solve complicated systems using logic and linear, sequential thinking far more than they are trained to resolve complex systems of parallel dilemmas that have no definitive solution (Higgs and Rowland, 2005).

The introduction of new working practices is an example of a messy problem. For instance, not everyone will agree there is a problem and a need for new working practices and there will be even less agreement about the best solutions. Some will interpret this action as a hidden agenda, such as a desire to reduce the workforce or an attempt to split up certain work groups. Others may view this optimistically in terms of getting extra experience and perhaps new responsibilities. Management is likely to think it a ‘good thing’, while trade unions will want to know the implications for their members. What is more, if the changes have implications for pay and status, the potential losers will see the world very differently from the potential winners.



Activity 2.4

- 1 Using the descriptions in Illustration 2.12, identify three 'difficulties' you have faced at work or in similar situations elsewhere.
- 2 Identify two or three 'messes' you have faced or been involved in.
- 3 Using Illustration 2.12, list the ways in which the difficulties differ from the messes. What might this tell you about ways of dealing with them?

The change spectrum

Asking a number of questions about a change situation may help to identify whether it is characterized by hard or soft complexity and whether it is more of a difficulty or a mess. Using the terms 'hard' and 'soft' to distinguish these two types of problem, Paton and McCalman (2000) have devised what they call the 'TROPICS' test to help locate a change situation on a continuum from hard to soft.

The TROPICS test, as with any analysis of problems, can only be a guide to the nature of the problem. What is important is to have undertaken exercises such as this to better understand the type of change situation faced, in order to guide the design, planning and implementation of any change. This is because problem solving and managing subsequent changes are not simply intellectual problems. As situations move away from being difficulties and towards a mess, they encompass issues that have emotional and social dimensions, requiring different kinds of approaches to resolve them. Simplistically, these approaches can be categorized as hard and soft and there are a number of models of change that, in broad terms, attach to these different approaches. These are considered further and in more detail in Part Three, when the issues of 'doing' change are addressed.



Activity 2.5

Take each example you thought of in Activity 2.4 and make a judgement as to whether your example is, overall, a hard or soft problem/change situation.

Did the activity confirm or refute your judgement of what is a difficulty and what is a mess in terms of your answer to Activity 2.4?

How change has changed

It is useful to address how change has itself changed over the past 50 or 60 years of management research, and this is summarized in Table 2.3. Key differences found in traditional and contemporary discourses are a move away from managerialist approaches to leading episodes of change caused by environmental and competitive triggers towards a state in which change is more of a 'taken-for-granted' aspect of

Table 2.3 The changing nature of change

<i>Comparator</i>	<i>Traditional discourse</i>	<i>Contemporary discourse</i>
Temporality	Episodes of change with discrete beginning and end points	A philosophy that continuous organizational change is necessary to cope with the environment
Ethos	Fixing problems, focusing on negative events	Recognizing that things working well can be improved, improving already positive situations
Inputs	Analysis of data, 'running the numbers'	Constructive ongoing dialogues about what's working
Targets	Tangible features of the workplace, systems, structures	In addition to traditional targets, the less tangible areas of organizations such as reputation and image
Drivers	Top and middle management	Involvement of people at all levels
Narratives	Managerialist, top-down, recipes for change	Debating what works, more focus on rhetoric of change in the particular organizational setting

Source: Based on Oswick *et al.* (2005), 'Looking forwards: discursive directions in organizational change', *Journal of Change Management*, 18(4), pp. 383–90.

organizational life in climates of continuous improvement in contrast to problem solving. This does not suggest that this is the way organizations have changed necessarily – anecdotally many traditional approaches have been used. The differences in the table reflect changes in the way change is discussed in the management research literature (Oswick *et al.*, 2005).

As time advances, theories of change get more convoluted and, arguably, less valid (Schwarz and Huber, 2008). Indeed, a general trajectory of change theory is to explain in ever increasing detail why there are few, if any, generalizations. Granted, we know the processes by which change happens and the content of change (that is, what changes), but the conditions for successful, large-scale change are unique to each situation. They are the accumulation of every moment in the organization's past and are the outcome of unfathomably complex networks, relationships and interactions between employees and stakeholders with an interest in the organization.

There are parallels between the questions 'why can some organizations manage big change successfully?' and 'why are some organizations much more successful than others in the same sector?'. Both questions can be answered through the complex arrays of relationships that exist between employees and others. As we saw in Chapter 1, change sometimes arises not because of discrete events but from new ideas, new ways of thinking. Change theory could be said to be calling for such an infusion of new ideas right now.

Engagement, a role for leadership in change

In an increasingly complex business environment, companies and organizations interact with others in a variety of ways. Evidently, they maintain important interactions with employees, the local community, customers and clients and other stakeholders including shareholders and other providers of finance. They interact

with suppliers. Decisions made by people in organizations may have an impact on the wider community. Whether we are concerned with product safety, environmental pollution, consumer protection, employment policies or other matters, we are concerned with aspects of the relations of organizations with society. So, when significant organizational change appears to be necessary, there are both pragmatic and ethical issues to be addressed because the changes can have a dramatic impact on employees, including managers, and on other stakeholders. Few people today hold to the view that the sole justification of business enterprise is to generate profits, although this may remain the most crucial objective of the business. It seems sensible to avoid oversimplification.

In the last 15 years or so there has been an increasing interest in both the case for and the most effective means of achieving effective employee engagement in organizational change (see Macleod and Brady 2008). An 'engaged' employee is one fully committed to contributing to an organization in relation to both the work they perform and also in relation to the reputation of that organization. It is important to note the relational component to the definition. In practice, an employee might be highly committed to the skill sets they possess and always carry out excellent work but may still lack commitment to the organization in terms of values and reputation. Therefore, the debate about engagement has been widened to a debate over stakeholder engagement. Hodges (2018) argues that success in organizational change is highly dependent on the advocacy of stakeholders. Organizational change is a multidimensional and emotional process and the employee experience of change represents an important dimension in their ongoing commitment to the organization. Anastasi (2018) presents a broader and more strategic analysis of engagement but also describes appropriate processes to implement engagement strategies. May (2007) highlights the important contribution of employees through organized problem solving to achieving improved efficiency through the implementation of simple ideas. Importantly, Toyota seeks to embrace customer feedback and ideas into problem solving, so here lies a classic application of stakeholder engagement. But does this mean that the case for stakeholder engagement rests solely on the pragmatic argument that it brings benefits through ideas?

An alternative argument would be based upon ideas of social responsibility and ethics. Both business and public corporations exist through right of privilege. The organization owns property, and though corporate laws exist, society can change its expectations of what is acceptable and endanger the existence of business. If the consumer for some reason chooses to withdraw support (stop buying a product, as in a boycott), this will affect profitability and the health of a business. Therefore, a form of social contract exists between business and society. If the public does not approve of an organization's product, it may withdraw its support. So, the organization needs to be aware of its public image in order to continue trading.

A more significant example of this can be seen in the activity of pressure groups who work to control and monitor the behaviour of organizations: airline companies that fly jet aircraft, the utilities that operate nuclear power plants and those firms that manufacture or supply drugs found to be dangerous have all been the target of pressure-group activities. For example, at the time of writing for this edition,

Boeing finds itself under substantial public scrutiny over aircraft safety issues having experienced two tragic crashes of the Boeing 737-Max jet. The aircraft is currently banned from flying and the Boeing share price and the reputation of the firm has been affected. Problems of this magnitude have an impact upon an organization's public image, and it can rapidly lose public support. Therefore, organizations, in their own interests, need to guard against bad publicity. If they do not respond to society's demands, then society in turn will withdraw its support. This will affect profitability. However, the controls society imposes on organizations lead to costs that need to be weighed against other costs and benefits. Too much control can inhibit innovation and this may limit competitiveness, which may lead to decline and loss of jobs. This has implications as it will then affect quality of life. A balance must be achieved.

The ethical dilemma

Large-scale organizations emerged from the nineteenth century onwards. These organizations began to employ professional managers and engineers, accountants, marketing professionals and so on. Equivalent organizations such as hospitals, local government organizations and railways employed professionals too. These organizations quickly became institutionalized, bureaucratic, specialized and often focused on quantity of service delivered rather than quality. To the extent that these features emerged, these organizations often lacked a shared sense of purpose, which meant that it was often difficult to make moral issues loom large in decision making. This is difficult enough where the moral choices appear clear cut. But what about decisions in which leaders are not asked to judge between right and wrong but rather between two rights? In many ways, this is the most challenging of leadership dilemmas because the understanding of how leaders come to choose between two or more options, each of which is likely to create positive outcomes, is the basis for signalling consistency of vision, strategy and leadership purpose throughout the organization.

Clark and Clegg (1998) argue that the paradigm underpinning management knowledge is changing. This is fundamental to any treatment of leadership in the context of organizational change, but also in the context of judging the ethics of leadership. Basing their analysis on various sources (notably Hamel and Prahalad (1994); Tapscott and Caston (1993); Cannon (1996); Naisbitt (1982, 1997); and de Geus (1997)), Clark and Clegg join Collins and Parras (1996) in noting the 'tyranny of "or"'. The 'tyranny of "or"' requires people to accept the idea of fixed choices. You may have change or stability. You can have low cost or high quality. You may create wealth for shareholders or do good. You can be idealistic and driven by values, or pragmatic and driven by economic motives. They argue that an 'intelligent' organization embraces paradox, that the route to sustainability lies in the acceptance of multiple options. Following de Geus, they argue that the paradigm shift now under way is from a world of organizations dominated by 'capital' towards one dominated by 'knowledge'. In a corporate world based on a knowledge paradigm, value is added by the exploitation of human ingenuity, innovation and knowledge. Here, people are treated as sources of creativity rather than as 'assets' to utilize.

The 'relational' perspective

Building on the work of Jacques (1968) and looking at the decisions leaders must make, Stewart (1982) notes that choice may be defined in terms of three elements: demands, constraints and choices. The leaders' freedom to choose and act is shaped by the interaction of the demands and choices applied to or available in the organization. Demands are definitions of what leaders are expected to get done and relate to the tasks built into the role and the accountability applied to them. Demands therefore derive from the environment and key stakeholders, the governance and regulatory arrangements within which the organization operates, colleagues' expectations and their own aspiratory ambitions, goals and values.

Demands can be either goal oriented or relationship oriented. Moreover, leaders are normally expected to build relevant cultures, foster positive attitudes and be catalysts for change. In consequence, then, leaders are expected to adjust the organization's response to the demands placed upon it if they or others feel the organization is not 'fit for purpose'.

Conversely, constraints provide the boundaries within which leaders operate. They are inherent within the organization's structure, culture, operating models and access to resources. This does not mean they are incapable of change over time. Constraints create routines, including cultural routines. These represent acceptable ways of operating or acting. Routines provide stability and order and therefore predictability. Routines are part of the 'psychological contract' with employees.

But change and innovation require resources. Organizational slack (free resource) has long been seen as linked to the ability to innovate (March, 1994). Choice represents the scope for leaders to operate in order to achieve future preferences or consequences. It is clear that the actions of managers can be judged either in terms of consequences (goal oriented) or in terms of appropriateness in relation to rules and norms, identity and the organization viewed as a community.

Limiting that judgement to the consequences alone brings the risk that there will be less cooperation and more opportunism. In this case, the organization is likely to be less able to adapt to changing circumstances. It has long been argued that complex and challenging environments requiring adaptability are best responded to through individual and team learning (see Tsoukas, 2006, for example). This is conditional on trust and openness and on cooperation (see Gratton, 2007). Gratton and Scott (2017) present this in the context of the consequences of living longer lives and the possibility of multiple careers and much more.

Additionally, where the relationships between actions and consequences are unclear or where preferences are themselves changing, then adaptive approaches become even more important. Thus it is that the organizational change literature involves an approach known as 'experience-based design' (see Carnall, 2007). The reality of the time pressures under which senior managers operate gives rise to a tendency for action orientation – albeit rather optimistic to equate this necessarily with an experimenting or learning-orientated approach. Nevertheless, the argument Carnall derives from this analysis is that the test of appropriateness is a better basis for judging managers and leaders as acting properly where they are seen as fulfilling

the obligations associated with their role, as judged in relation to circumstances and their identity. Where change and adaptability predominate, organizations can be attempting new changes before being able to consolidate the changes already in hand (see Carnall, 2007).

Cuilla (2004) argues that 'ethical leadership entails the ability of leaders to sustain fundamental notions of morality such as care and respect for persons, justice and honesty, in changing organizational, social, and global contexts'. She also makes a crucial point: leaders do not have to be power-hungry psychopaths to act other than ethically. Leaders are ordinary people in business, government, not-for-profit organizations and elsewhere, and they will make mistakes.

Further embedding the ethics and values of the organization in the entire employee population via the moral compass not only has the effect of reducing risk but also adds value by supporting other key principles of good operation, such as encouraging staff to:

- deliver excellent customer service;
- find ways to save money;
- work out better ways to do things;
- sell their organizations' qualities to customers, potential staff and the wider public.

For Northouse (2004), there are five principles of ethical leadership: respect others; seek to serve others; be fair and just in dealings with others; be honest; and seek to build a sense of purpose and community. Northouse (2004) rightly notes that much of the work on which he had relied to argue these five principles is anecdotal and based on opinion – it is not based on evidence. Interestingly enough, he notes that most leadership theories emphasize leadership from the leader perspective or the 'follower' context. Exchange theory takes a relational approach; it focuses upon the interactions between leaders *and* followers.

In discussing exchange theory, Northouse makes extensive use of Graen (1995), looking at a 'phase model of leadership making' that views the leader-follower relation as going through three phases: 'stranger', 'acquaintance' and 'partner'. In the latter 'partner' phase, the roles (of leader and follower) are negotiated, influence is reciprocal, exchanges are high quality and interests are group focused. 'Adaptive leadership' involves the leader being willing to take responsibility for creating the 'space' within which people can come to terms with tough decisions. In the Graen 'partner' phase, the leader brings a positive contribution to the relationship. If roles are negotiated and influence is reciprocal, that notion is very different from simply being follower centred. In seeking to operate adaptive leadership, the leader creates 'space'. What does that mean? In essence, it means that the leader will use his or her own authority and credibility to 'buy time'. When tough choices are to be faced, there will always be pressure for choices and action. Those to whom the leader must report will apply pressure on the leader.

Creating 'space' for followers to come to terms with the choices they are facing with their difficult consequences (because valued outcomes are being given up)

involves ‘managing’ or ‘coping’ with that pressure. If you focus on leadership as a relational process, you are forced to face a reality that many leadership models tend to minimize. Where tough choices are to be made, it is unrealistic to believe that all the leaders contribute is a vision that empowers others. Yes, he or she will seek to do that, but they will do much more – because otherwise the relationship is not reciprocal.

Thus far we have considered the case for employee engagement in change, and it is clear that the need for engagement can go beyond employees to other stakeholders. In Chapter 8 we will look at this in a case study on the emergence of new models of healthcare. For the moment, we note that the methods of organization development, which are also outlined in Chapter 8, are part of how employees are engaged in change. But these approaches are insufficient for various reasons. In practice, engagement in what are often organization-wide and complex changes requires a series of steps to be integrated into a change programme design:

- 1 Building cohesion around the objectives and content of change through company conferences, communications exercises, campaigns, cross-functional and cross-divisional work and the building of networks.
- 2 Setting up project and task groups to identify and solve problems with task forces and perhaps by setting up centres of excellence in key areas and benchmarking.
- 3 Focused training and development including action learning activities, tailored development activities and business process reengineering programmes.
- 4 Career management to focus on defining and building the needed capabilities and competencies.
- 5 Setting up change governance linked to the top team and incorporating the voices of key stakeholders.

Thereby, an overall change programme covering key steps, resources, time scales, project plans, performance measures and an implementation programme can be established. In Chapters 8 and 9 these ideas will be considered within an approach to defining change architecture, to ensure the most effective implementation of changes.

Conclusions

Organizational change can be categorized in three dimensions: pace, scope or content, and planned–emergent. As the typologies reviewed here show, not only are there different types of change, change also appears differently at different levels of an organization. Planned change can lead to unintended outcomes that can lead to escalating positive or negative events. Change also occurs as an unintended outcome of decisions elsewhere. Complexity theory questions whether planned change is possible. Of course managers can plan, but to what extent are the changes that happen actually connected to their plans? There is still doubt around the question of whether change today makes change tomorrow more or less likely – more research is needed in this area. Strebel’s model of change at the industry level is

Table 2.4 Environmental conditions and types of change

<i>Environmental forces for change</i>		<i>Types of change</i>				
Ansoff and McDonnell (1990)	Strebel (1996a)	Tushman <i>et al.</i> (1988)	Dunphy and Stace (1993)	Balogun and Hope Hailey (2008)	Grundy (1993)	Stacey (1995)
Predictable	Weak	Converging (fine-tuning)	Fine-tuning	Adaptation	Smooth incremental	Closed
Forecastable by extrapolation	Moderate	Converging (incremental)	Incremental adjustment	Evolution		Contained
Predictable threats and opportunities			Modular transformation	Reconstruction	Bumpy incremental	
Partially predictable opportunities	Strong		Corporate transformation	Revolution		
Unpredictable surprises		Discontinuous or frame-breaking			Discontinuous	Open ended

useful in looking to the wider environment for triggers of change. This model, together with the TROPICS test, can be used to analyze situations where change is considered desirable, in order to understand which approach might be adopted in order to make it happen.

Chapter 1 examined the different environments in which struggles for organizational survival take place. Table 2.4 summarizes the similarities between the theories and research discussed in Part One, which sets the scene for the more detailed discussion of change in Part Two.

Discussion questions and assignments

- 1 Discuss the proposition that: 'All change can be categorized as either incremental or radical.' Use examples from your own experience to support your argument.
- 2 To what extent are Dunphy and Stace's four types of change helpful in working with 'real-life' examples of change? Illustrate your answer with examples from organizations you know well.
- 3 Discuss Quinn's (1979) contention that change occurs through a process of 'logical incrementalism'. Give examples to support your argument.
- 4 To what extent do organizational messes get treated as if they were difficulties? What are the organizational consequences of this? Does it matter how change situations are classified?
- 5 To what extent do you think the environmental scanning tools are effective in diagnosing the environment for organizations? Are there situations when they might not be effective?

Case example ●●●

Professional service firms

Professional service firms occur in sectors such as architecture, law and accounting. These sectors are characterized by extensive and long traditions of professional practice, highly regulated professional training and examination, and a professional partnership (PP) style of organization. The PP model means that the firm can operate quite differently to a typical limited company. Professional service firms may have many partners in the business and there are tax advantages that normal limited companies do not have. On the other hand, each partner is liable for any wrong-doing by other partners and the liabilities of the firm – so their personal risk is much higher.

Firms of accountants, lawyers and doctors, among other professional groups, tend to be similar because they conform to a sectoral archetype of what a professional firm should look like. Their structures and methods of organizing are similar because they want to conform to the social expectations that exist in their sectors. These expectations push for structural and organizational conformity as a way of legitimizing the firm in its sector. Without legitimacy, a firm would struggle to be seen as a serious operator.

However, competitive and institutional pressures in the various sectors have caused professional service firms to re-think their business models. The main pressures at sector level were increasing competition and the need to be far more efficient. Partners in the firms began thinking about the merits of changing the organizational form away from a partnership to a managed professional business (MPB), which typically has a more hierarchical governance structure, more centralized decision making, more separation of management from professional tasks and tighter management control.

Across the various professional sectors, however, research has shown that some firms in a sector have made the transition from PP to MPB, whereas others have not. This is intriguing because, since external conditions affect firms in a sector in the same way, different outcomes from attempts to change look like they have explanations lying inside the firm.

Three PP firms providing legal services were studied (Lawrence, Malhotra and Morris, 2012) and the triggers for change in the firms included: a profit crisis;

the retirement of a senior partner; a merger between two partnerships; under-performance; high-profile partners leaving for jobs in other partnerships and taking their teams with them; demands for new types of professional service following regulatory change; and high profitability, which increased commitment to stronger management control.

Key changes at the three law firms over a ten-year period included:

- *Law firm 1* – Some roles were abolished and an executive committee was turned from being decision making to advisory. Divisional structures were introduced along with a principle of divisional autonomy. The service portfolio was refocused around two market sectors and the creation of a new third business division. Different reporting systems were introduced, as were formal procedures for HR practices such as hiring and promoting.
- *Law firm 2* – A new management team was formed and made up equally of partners from two merged firms. The central management team was expanded and appointed/replaced heads of particular law practice groups. At first the portfolio was expanded to reflect the two firms that merged, but this was later refocused into two major practice areas. System changes included HR and billing. Financial systems identified partner performance and led to counselling and the managed exit of poor performers. Over several years there was continuing resistance to the changes by some groups.
- *Law firm 3* – Strengthened central management and adoption of the vocabulary used by corporate clients (such as talking of the ‘board of directors’ and ‘shareholders’) and a refocusing on core law practice areas and reduction of other areas. New appointments were made from outside, alongside promotions at senior level. A new firm-wide strategic planning and monitoring system was introduced. Specialists were hired to manage HR and marketing. Stronger people management such as processes to measure partner performance were introduced.

Case exercise

1. Using the various models given in this chapter, how would you classify the attempt to change from a professional partnership to a managed business?
2. Given that competitive and institutional forms are the same in each sector, why have some firms made a successful transition and others not?

Indicative resource

Balogun, J. and Hope Hailey, V. (2008), *Exploring Strategic Change* (3rd edn), Harlow: Financial Times, Prentice Hall. This book focuses on the change process itself and is a good text for considering change at the strategic level.

Useful websites

www.ft.com The *Financial Times* website has a useful search facility to find examples of organizations that are responding to change.

<https://www.youtube.com/watch?v=eakKfY5aHmY> This video clip, while perfectly illustrating a flock of birds on the move, also illustrates the concept of 'self-organization' as discussed in this chapter.

<https://www.futurelearn.com/courses/complexity-and-uncertainty> This website is from a programme of free courses (generally produced by universities). The name of the course referenced here is 'Decision Making in a Complex and Uncertain World'.

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The idea of organizations as systems operating in a wider environment was developed in Part One. The strategy an organization pursues and the way in which it is structured form part of the response to environmental forces and have a big influence upon the capacity to respond to and initiate change.

Strategy and structure can be thought of as the more formal, overt aspects of how organizations function. As important, however, are the more informal, covert aspects of organizational life such as organizational culture (set in the context of national culture), organizational politics, as well as the way the organization is led.

Part Two investigates these aspects of organizational life in terms of their relations with the external environment and the opportunities and constraints for change. The four chapters in Part Two reflect this focus and prepare the ground for the more practically oriented material on the designing and implementing of change in Part Three.

Chapter 3 considers how organizations structure their activities, while Chapters 4 and 5 concentrate on culture and politics and their significance for the success of change processes. Chapter 6 discusses leadership and its impact on change.



Chapter 3

Organizational design, structure and change

This chapter introduces the characteristics of different organizational designs and structures. Advantages and disadvantages of each are given in relation to organizational performance and the ability of organizations to introduce and implement change. Network and virtual organizational forms are examined in the context of best-fitting contemporary business environments. Factors influencing designs and structure are introduced, along with explanations of structural inertia and why structural change is not easy to implement.

Learning objectives

By the end of this chapter you will be able to:

- define what is meant by organizational design and structure;
- explain the organizational forms that are commonly found;
- discuss the relationship between strategy and structure;
- evaluate the contingency relationships between organizational structure, size, technology and the external environment;
- assess the extent to which different structures can cope with and adapt to a variety of change processes.

The meaning of organization structure

Social systems usually group people in different ways to get work done. In order to achieve goals and objectives, organizations need ways of dividing work up and allocating it to their members. The allocation of responsibilities, the grouping of workers' activities and their coordination and control are basic elements of structure.

At a simple level, structure is something managers design and put in place to enable efficient production and delivery of the organization's outputs. It 'describes the way an organization is configured into work groups and the reporting and authority relationships that connect individuals and groups together' (Swailes, 2008, p. 191).

Organization structure and design are not the same, and the difference is worth noting. Design refers to the way a structure might be drawn on an organization chart. Organizational designs are 'managerialist responses' to the contingencies thrown up by the environment and the main framework for understanding organizational design is called contingency theory (Clegg, Kornberger and Pitsis, 2008, p. 528). Large organizations, for instance, typically organize around centralized decision making; here the contingency (size) is shaping the response (centralization). Design shows the formal reporting relationships and areas of responsibility drawn to impress the organization's various stakeholders. Yet if you have worked in an organization you will know that, very often, employees ignore the formal design in order to get things done – they use the actual operating structure, not the formal design. So, we can see structure as the incarnation of a design, with 'patterned regularity' being a dominant feature of structure (Willamott, 1981, p. 470).

Keeping the design/structure distinction in mind is also important since the real working structure of an organization can be seen as something that is socially constructed (Bate, Khan and Pyle, 2000). Changes to design can have no impact on the social structures that are overlaying them and through which things actually get done. 'Empty restructuring' is the phrase used by Paul Bate (1995) to describe what happens when managers change designs but disregard the overlaying social interactions. Social structures can be seen as informal structures that are not designed by management but are the outcome of friendship and interest groupings, as well as groups that serve political purposes (see Chapters 4 and 5), and are not always related to the organization's goals.

The dimensions of structure

Organization structure can vary in many ways, but a classic study identified the following six primary dimensions (Pugh, Hickson, Hinings and Turner, 1969):

- 1 *Specialization*: the extent to which there are different specialist roles and how they are distributed.
- 2 *Standardization*: the extent to which an organization uses regularly occurring procedures that are supported by bureaucratic procedures of invariable rules and processes.
- 3 *Formalization*: the extent to which written rules, procedures, instructions and communications are set out for employees.

- 4 *Centralization*: the extent to which authority to make decisions lies with the apex (top) of the organization. Decentralization refers to attempts to push decision making down to lower levels in the hierarchy.
- 5 *Configuration*: the shape and pattern of authority relationships; how many layers there are and the number of people who typically report to a supervisor.
- 6 *Traditionalism*: how many procedures are 'understood' in contrast to being written; how commonly accepted is the notion of 'the way things are done around this organization'.

Derek Pugh and his colleagues also established four underlying dimensions:

- 1 *Structuring of activities*: the extent to which there is formal regulation of employee behaviour through the processes of specialization, standardization and formalization.
- 2 *Concentration of authority*: the extent to which decision making is centralized at the top of the organization.
- 3 *Line control of workflow*: the extent to which control of the work is exercised directly by line management rather than through more impersonal procedures.
- 4 *The support component*: the relative size of the administrative and other non-workflow personnel performing activities auxiliary to the main workflow.

Support for these dimensions was provided by Child (1988), who added:

- the way sections, departments and divisions are grouped together;
- systems for communication, the integration of effort and participation;
- systems for motivating employees, such as performance appraisal and reward.

It is clear from this that structure is a multidimensional concept such that organizations can be structured in many different ways according to where they fit on the dimensions listed previously. Every organization has a unique structural 'fingerprint'. Despite this, it is possible to discern similar ways of designing organizations and to identify some general patterns. There is also evidence to show that some types of structures are a better fit with environments than others and we discuss this later. First, it is necessary to understand the broad types of structures used.

Structural types

Bureaucratic structure

One of the best-known ways of structuring is the bureaucratic form (King and Lawley, 2013). Three ideas that are central to the concept of bureaucracy are: the idea of rational legal authority, the idea of 'office' and the idea of 'impersonal order' (from Henderson and Parsons' translation of Weber (1947) found in Pugh, 1990).

These ideas are based on:

- a continuous organization of official functions bound by rules;
- a specified sphere of competence – that is, differentiation of function;

- the organization of offices (positions) that follows the principle of hierarchy;
- the separation of members of the administrative staff from ownership of production or administration;
- no appropriation by the incumbent of their official position;
- administrative acts, decisions and rules formulated and recorded in writing, even in cases where discussion is the rule or is essential.

Illustration 3.1 summarizes the characteristics of the pure form of bureaucratic structure.

Illustration 3.1

Bureaucracy

Weber specified several characteristics of his ideal organization structure, of which the main four are:

- 1 *Specialization and division of labour*: work is finely divided between well-defined and highly specialized jobs or roles.
- 2 *Hierarchical arrangement of positions*: roles are hierarchically arranged with a single chain of command from the top of the organization to the bottom.
- 3 *A system of impersonal rules*: the incumbents of roles (or positions) carry out their duties impersonally in accordance with clearly defined rules.
- 4 *Impersonal relationships*: coordination of activities relies heavily on the use of rules, procedures and written records and on the

decision of the lowest common superior to the people concerned.

Other characteristics of a bureaucracy identified by Weber are: the selection of officials solely on the basis of technical qualifications; appointment, not election; remuneration by fixed salaries with a right to pensions; only under certain conditions can the employing authority terminate an employment; the employee can leave at any time; and a system of promotion according to seniority or achievement, or both.

Source: Based on Weber, M. (1947), *The Theory of Social and Economic Organisation*, Free Press, translated and edited by Henderson, A.M. and Parsons, T. in Pugh, D. (1990) *Organization Theory: Selected Readings*, Penguin. (German original published in 1924).

The bureaucratic form is an enduring approach to structuring that is still found in most, if not all, large public-sector organizations. For instance, McHugh and Bennett's (1999, p. 81) account of an attempt to bring about change in a large public-sector agency describes organizations like it in the following way:

A rigid bureaucratic maze typified structural formation within many such organizations with the majority of members having narrowly defined and highly specialized jobs, and being protected from making decisions through their constant deference to authority and reference to their rule books.

The difficulties expressed by McHugh and Bennett regarding the problems of changing such a structure are consistent with Weber, who was convinced of the case for the bureaucratic form. For instance, he says (Pugh, 1990, p. 12):

It would be sheer illusion to think for a moment that continuous administrative work can be carried out in any field except by the means of officials working in offices . . . For bureaucratic administration is, other things being equal, always, from a formal, technical point of view, the most rational type. For the needs of mass administration today, it is completely indispensable.

Illustration 3.2 is a brief description of a construction company called The Beautiful Buildings Company. The organization chart illustrates its current bureaucratic structure. The company is used later in this chapter to illustrate other types of organizational structures that try to overcome problems of bureaucracy.

Illustration 3.2

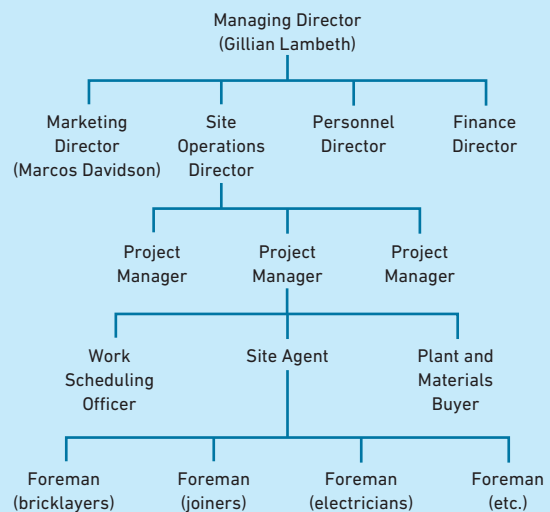
The Beautiful Buildings Company

The Beautiful Buildings Company designs and builds a variety of different buildings. It is known for its imaginative designs and the construction of a range of factory and other industrial buildings, and prides itself on having won contracts to build a new civic hall in one of the world's leading cities. Just over 12 months ago it took over a smaller building company specializing in home building for middle- to higher-income families. It would like to develop further into the area of commercial office buildings.

During the past 20 years the company has grown from operating solely in the UK to securing contracts in Australia and North America, and it has footholds in a number of mainland European countries.

The BB Company is headed by Gillian Lambeth, the daughter of the previous owner. There are a number of directors reporting to Gillian who are each in charge of one of the company's main functions. Marcus Davidson, the Marketing Director, has been the person most involved in promoting the company's activities outside the UK.

Currently the company is structured on typical bureaucratic lines, as illustrated in the simplified chart.



Activity 3.1

- Obtain an official organization chart for an organization that you know well. To what extent would you regard the organization's structure as indicative of a bureaucratic structure and indicative of how work actually gets done?
- To what extent does the organization of work conform to Weber's bureaucratic principles?
- For organizations structured as bureaucracies, what barriers might exist to structural change?

Of particular interest are the differences between individual perceptions of organization structures and the formal design chart, and the stories told by senior management. Jackson and Carter (2000), for instance, offer a strong argument for the view

that structure is not, in the case of organizations, something *concrete* and *objective*, but essentially *abstract*. Adopting what they term a ‘post-structuralism’ approach to explaining structure, they maintain (in contradiction to Weber) that there is no obvious and *natural* way of ordering the management of organizational activities. What is more, they maintain that what one person perceives or experiences as perhaps an authoritarian, oppressive structure, another person perceives as democratic and fair.

Weber would have supported the second of these two views, as his bureaucracies were intended to portray neutrality and fairness in the way people were treated. However, the term *bureaucracy* has, more recently, taken on negative connotations of undesirable and burdensome rules and regulations, and an overwhelming feeling of control.

Flatter structures

In a search for better responsiveness to markets, and sometimes to reduce operating costs by removing layers of management, some organizations have tried to ‘flatten’ their core design. In flatter structures, widening the span of control (the number of people reporting to a supervisor) reduces the number of levels in the structure, while retaining the same number of staff. One rule of thumb is that the more similar jobs are at any one level (job standardization), the more people a manager can coordinate and control. Managing many people doing very different kinds of jobs requires more managerial attention, which limits the effective span of control. Another general rule is that the more decision making is decentralized (thus reducing the burden on each manager), the broader the span of control can be. Other factors that affect the span of control are the physical location or geographical spread of subordinates, the abilities of subordinate staff and the ability and personal qualities of the manager concerned (Mullins, 2013).

With regard to the number of levels in the structure of the organization (the ‘scalar chain’ or ‘chain of command’), Drucker (1999) suggests that these should be as few as possible. Too many levels bring difficulties in understanding and communicating objectives both up and down the hierarchy. In a study of over 300 US companies, Rajan and Wulf (2006) found that the number of managers between the CEO and the lowest managers with profit centre responsibility fell by over 25 per cent between 1986 and 1998. Possible explanations include:

- *Increased competition* – each managerial layer takes time to make decisions and faster decision making is needed as competition intensifies. Hence, removing layers should accelerate decision making. Tougher competition may also be raising the complexity of the decisions that are needed. Flatter hierarchies seem more conducive to greater creativity by decision makers compared to a ladder of micro-managers.
- *Better corporate governance* – this may have contributed to the elimination of layers of management.
- *Information technology* – if this increases the capacity of middle and junior managers to make decisions then the effective span of control can increase.

Rajan and Wulf conclude that while CEOs are more directly connected ‘deeper down’ the organization and across more business units (akin to centralization), there is a trend to push decision-making authority downwards (akin to decentralization). This is an interesting finding that suggests that centralization and decentralization are not reciprocally related and that they can coexist. However, it is important to note that organization charts tell only a partial story. They do not describe processes such as influence and communications. A means of doing so (organigraphs) is discussed in Illustration 3.3

Illustration 3.3

Organigraphs

Mintzberg and van der Heyden (1999) devised the ‘organigraph’ to illustrate how organisations really work. The emphasis is on relationships and flows rather than formal structures. Organigraphs include **sets**, **chains**, **hubs** and **webs**.

Sets are components or groups of people who rarely interact with other parts of the organisation.

Chains are systems converting inputs to outputs.

Hubs are where people, material or information flow.

Webs show how information flows.

Source: Based on Mintzberg, H. and van der Heyden, L. (1999), ‘Organigraphs: drawing how companies really work’, Harvard Business Review, Sep/Oct, pp. 87–94.

Horizontal differentiation – the departmentalization of work

The decision on which way to departmentalize frequently relies on the characteristics of the work to be done, the size of the organization, the physical locations of activities and the need to maintain a balance between high-level strategic decision making and lower-level operational imperatives. Power struggles also play a part. Some organizations design around functional areas, others departmentalize by product, customer or geographical region. Each method of structuring has its advantages and disadvantages.

Multifunctional structures

Multifunctional structures are a common structural form, particularly in the stages of an organization’s development when the early entrepreneurial phase gives way to a more settled phase of sustained growth (see Figure 2.4 in Chapter 2). Large corporations of the early twentieth century were mostly structured on these lines due to the emphasis in early management theories on specialization, span of control, relationships, authority and responsibility (Cumings and Worley, 2009). Common functional specialisms are purchasing, production, marketing and finance.

Functional structures serve organizations well as they move from Greiner's (1972) 'growth by creativity' stage in a company's development to the 'growth by direction' stage (see Figure 2.4 in Chapter 2). However, as they grow and diversify in customer and product markets, they pass through what Greiner calls a 'crisis of autonomy'. This is characterized by demands for greater autonomy on the part of middle managers, who frequently possess greater knowledge about markets and operations than top management. As different product groups can experience different market conditions, organizing around products rather than functions can be more efficient. Illustration 3.4 lists the advantages and disadvantages of functional structures, together with the factors that provide the forces for moving towards them.

Illustration 3.4

Advantages and disadvantages of functional structures

Advantages

Departmentalization by function has advantages in its logical mirroring of the basic functions of business. Each function has its high-level representative to guard its interests. Tight control is possible at the top. It encourages the development of specialist skills and expertise and provides a career structure within the function. Training can be organized along specialist lines. In organizations where technical skill gives competitive advantage, the functional structure can enhance this.

Disadvantages

As organizations grow and diversify, or locate in geographically distributed places, coordination of activities across functions can become more

difficult. Functionalism sometimes encourages narrow thinking, which works against innovation that requires cooperation across functions. Important market intelligence can be overlooked. Functional structures limit the opportunity for the development of general managers.

Contingency factors

These are based on the factors suggested by Cummings and Worley (2009):

- stable and certain environment;
- small to medium size;
- routine technology, interdependence with functions;
- goals of efficiency and technical quality.

Multidivisional structures

It is easy to imagine the problems that The Beautiful Buildings (BB) Company might have with a multifunctional structure. Its current and hoped-for activities cross at least four product areas (public buildings, industrial buildings, houses/homes and commercial accommodation). Each of these product areas is governed by different sets of customer expectations, research and design problems, and building regulations. Each is prey to different environmental influences. Departmentalizing by product might then be a sensible move for BB. Figure 3.1 shows how the organization structure could look if designed around its markets.

Multidivisional structures are built around outputs rather than inputs. They overcome the dangers of poor coordination and responsiveness and allow faster responses to market conditions. This was the reason for Unilever's restructuring, which began in 2004, as they clearly saw advantages in restructuring around product markets (see Illustration 3.5).

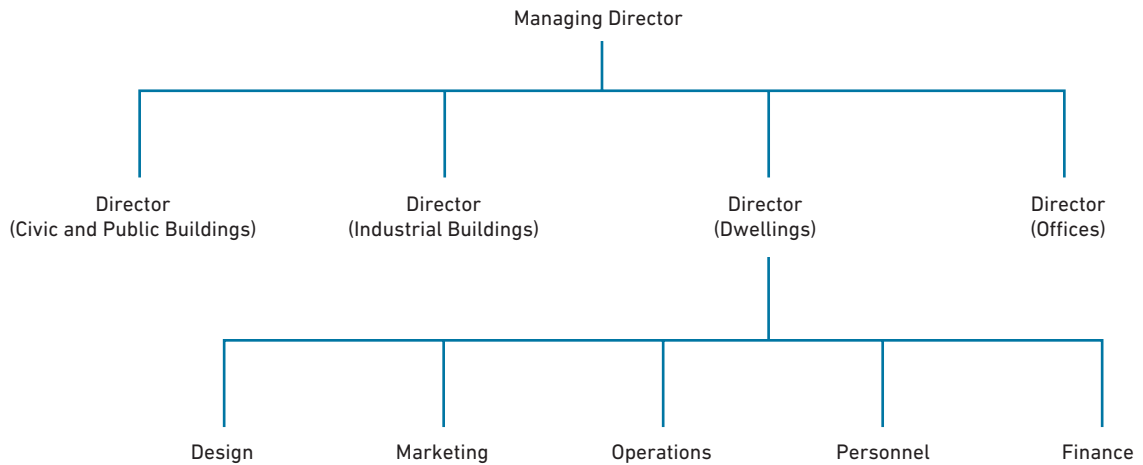


Figure 3.1 The BB Company – departmentalization by product

Departmentalization by product or service has the advantage of maximizing the use of employees' skills and specialized market knowledge. There is more opportunity for innovative ideas for new or modified products to flourish. Product differentiation facilitates the use of specialized capital. Product divisions can be made profit centres in their own right, thus making them responsible for budgets and sales. Differentiation by product makes it easier to concentrate on different classes of customer, particularly when different products coincide with different customer groupings. Where a product division has its own set of business functions, these can be coordinated towards the product markets. Lastly, this type of structure offers good opportunities for the training of general managers.

Illustration 3.5

Structural transformation at Unilever

Unilever is a leading supplier of fast-moving consumer goods, operating global brands such as Birds Eye, Flora, Marmite and Ben & Jerry's. The Group operated in around 100 countries in the early part of the 21st Century. In response to competitive pressures and performance challenges Unilever restructured from a structure comprising Operating Divisions and regional businesses supported by functional and professional services provided at Group and Operating Division level. The new corporate structure was based on product sales at country level combined with outsourced services. This

was intended to deliver sales and service closer to market, speedier decisions and greater simplicity plus reduced costs.

However such a change could create fragmentation and duplication across the country businesses and make innovation harder to achieve. So the 'One Unilever' concept was combined with the further restructuring of the operating divisions into centres of excellence where the purpose here included that of driving product innovation as well as performance improvement.

Disadvantages include a possible overlap of functions from one product division to another – that is, duplication of central service and other support activities. Overall administration costs tend to be higher than in pure functional structures. Where business functions are not wholly devolved, product-based divisions are ‘top sliced’ to provide resources for more centralized functions. This can be felt by product line managers as burdensome overheads, which detract from their overall profits. Top management may have more difficulty in controlling what happens at the product divisional level. Coordinating policy and practice across product areas can be complex.

Matrix organization

The essence of a matrix design is that a typical vertical hierarchy is overlaid with a horizontal structure commonly designed around big projects. Employees find that they report to different people for different areas of responsibility. Figure 3.2 shows a hypothetical matrix structure for an advertising agency. In this case, the heads of marketing, finance, personnel and research and development form the vertical lines of reporting, while the different customer bases represent the divisions that operate horizontally across the structure.

Faced with shortening product life cycles, Texas Instruments realized that its traditional functional hierarchy would not cope with the need to reduce time to market and introduced a ‘balanced matrix’ structure in one of its divisions. A key finding from the restructuring was that initially performance fell but improved later on (Bernasco *et al.*, 1999).

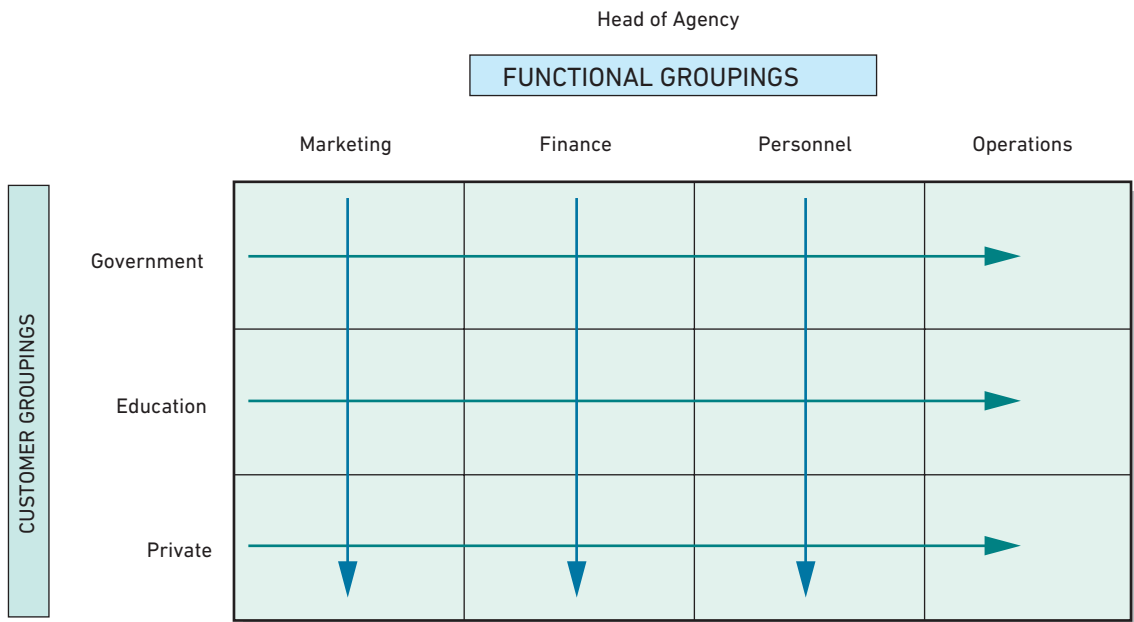


Figure 3.2 Matrix structure for an advertising agency

Drawing on Davis and Lawrence's (1977) work, Bartol and Martin (1994) maintain that organizations that ultimately adopt a matrix structure usually go through four identifiable stages:

Stage 1 is a *traditional structure*, usually a functional structure, which follows the unity-of-command principle.

Stage 2 is a *temporary overlay*, in which managerial integrator positions are created to take charge of particular projects (e.g. project managers), oversee product launches (e.g. product managers), or handle some other issue of finite duration that involves co-ordination across functional departments. These managers often lead or work with temporary interdepartmental teams created to address the issue.

Stage 3 is a *permanent overlay* in which the managerial integrators operate on a permanent basis (e.g. a brand manager coordinates issues related to a brand on an ongoing basis), often through permanent interdepartmental teams.

Stage 4 is a *mature matrix*, in which matrix bosses have equal power.

(Bartol and Martin, 1994, pp. 321–2)

Cummings and Worley (2009) suggest that matrix structures are appropriate under three important conditions. First, there needs to be pressure from the external environment for a dual focus, such as university lecturers focusing on teaching quality and capturing research grants. Second, a matrix structure is of benefit when an organization must process a large amount of information. This is particularly useful when organizations operate in an environment of unpredictability or need to produce information quickly. Finally, there must be pressures for sharing resources that matrices support.

Matrix structures rely heavily on teamwork, with managers needing high-level people-management skills. The focus is on solving problems through team action. In a mature matrix structure, team members are managed simultaneously by two different managers – one is their functional line manager and the other the team or project leader. This type of organizational arrangement therefore requires a culture of cooperation, with supporting training programmes to help staff develop their teamworking and conflict-resolution skills. Illustration 3.6 summarizes the advantages and disadvantages of matrix structures, together with the factors that provide the forces for moving towards this type of structure.

Illustration 3.6

Advantages and disadvantages of matrix structures

Advantages

With a matrix design, specialized and functional knowledge is connected to all projects. There is increased flexibility in being able to form and re-form cross-functional teams. These teams can monitor their own localized business environments

and move quickly to adapt to changes in them. Matrices facilitate mechanisms for dealing with multiple sources of power. By allocating functional staff to one or more projects on a permanent or semi-permanent basis, loyalties to the projects are built. Matrix structures allow for flexible use of



Illustration 3.6 *continued*

human resources and the efficient use of support systems.

Disadvantages

Matrix structures are complex and can be administratively expensive. They can be difficult to introduce. There can be confusion over who is ultimately responsible for staff and project outcomes, particularly if things go wrong. The dual arrangement and need for enhanced communications between the 'arms' of the matrix can increase the potential for conflict, particularly between the functional and project managers. Unhelpful power struggles and conflict can arise. Staff may have to juggle their time between different projects or divisions and project managers may

make competing and inconsistent demands on staff who work across more than one team.

Matrix structures work well when:

- a dual focus on unique product demands and technical specialization is crucial;
- there is pressure for high information-processing capacity;
- there is pressure for shared resources (for example, resources are scarce).

Source: Adapted by Cummings, T. and Worley, C. (2009), *Organization Development and Change* (9th edn), Mason, OH: Thomson South-Western, from McCann, J. and Galbraith, J.R. (1981), 'Interdepartmental Relations' in Nystrom, P.C. and Starbuck, W.H. (eds) *Handbook of Organizational Design: Remodelling Organizations and Their Environment*, vol. 2, New York: Oxford University Press.

**Activity 3.2**

Matrix-type organizations occur frequently in construction, aerospace, marketing and management consulting firms, in which professionals work together on a project (Koontz, 2010).

Using your general knowledge, attempt to design a matrix structure for the way The Beautiful Buildings Company, as a whole, might operate.

New organizational forms

The main point about new organizational forms is that they are an attempt to go beyond the classic bureaucratic models. Figure 3.3 illustrates the transition from bureaucracy to what Morgan (1989) calls the 'project organization' and the 'loosely coupled organic network'.

According to Morgan (1989), the project organization carries out most of its activities through project teams. Functional departments exist, but only to play a supporting role. The main work of the organization is done wholly through teams that rely for their success on being 'dynamic, innovative, powerful and exciting', and to which senior management tries to give free rein within the strategic direction of the organization:

The organization is much more like a network of interaction than a bureaucratic structure. The teams are powerful, exciting, and dynamic entities. Co-ordination is informal. There is frequent cross-fertilization of ideas, and a regular exchange of information, especially between team leaders and the senior management group. Much effort is devoted to creating shared appreciations and understandings of the nature and identity

of the organization and its mission, but always within a context that encourages a learning-oriented approach. The organization is constantly trying to find and create the new initiatives, ideas, systems, and processes that will contribute to its success.

(Morgan, 1989, p. 67)

The project organization has overlapping characteristics with what Mintzberg (1983, p. 262) calls the 'adhocracy'. The adhocracy, as its name suggests, is an *ad hoc* group of people (mainly professionals) who are brought together for a single purpose associated with a particular project. The team is usually short-lived – for example, a group of professionals coming together to make a film – and once the project is complete the team will disband. Adhocracies are characterized by having few formal rules and regulations or standardized routines. The shape of the organization is flat, but with horizontal differentiation generally high because adhocracies are staffed mainly by professionals, each with their own specialism.

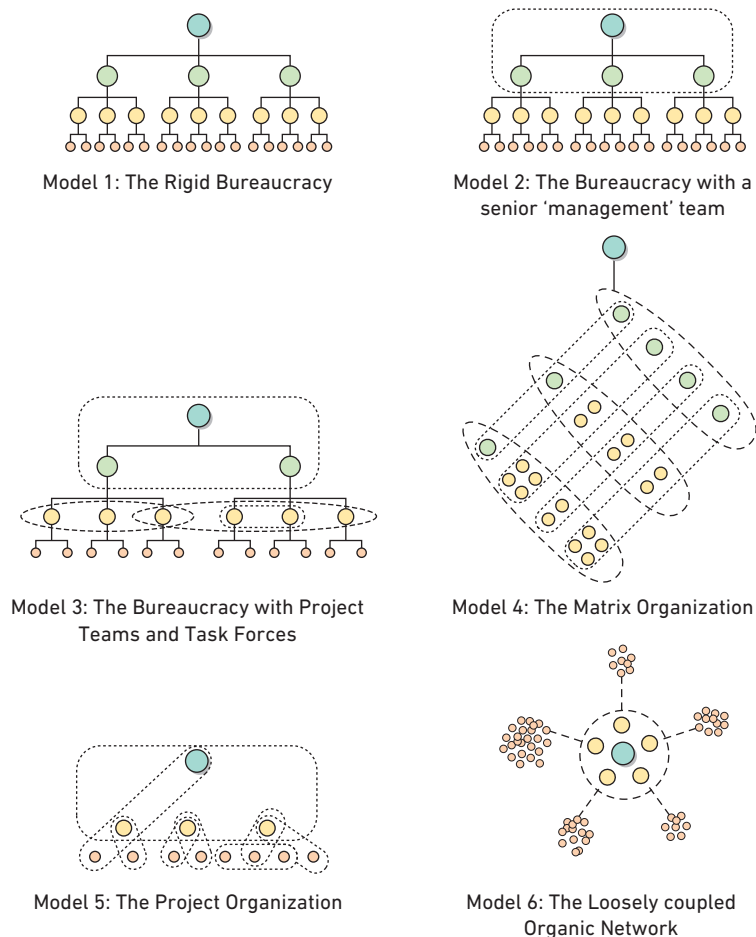


Figure 3.3 From bureaucracies to matrix, project and network organizations

Source: Adapted from Morgan, G. (1989) *Creative Organization Theory. A Resource Book*, London: Sage, p. 66.

The project organization usually employs its own staff. The adhocracy may also do this, but may additionally have staff who work on a contract basis, in contrast with Morgan's (1989) description of the loosely coupled organic network. In terms of a continuum of organizational forms, this type of network organization might be seen as furthest from the rigid bureaucracy. The loosely coupled organic network describes a form of structure that, rather than employing large numbers of people directly, operates in a subcontracting mode. The small number of permanent staff set the strategic direction and provide the necessary operational support to sustain the network. However, while project teams and adhocracies have limited lives, the loosely coupled network can be a permanent structure. Figure 3.4 depicts three types of network – internal, vertical and dynamic – while Illustration 3.7 sets out the advantages and disadvantages of network organizations.

Illustration 3.7

Advantages and disadvantages of network organizations

Advantages

They enable flexible and adaptive responses to fast-moving environments and have the potential to create 'the best of the best' organization to focus resources on customers and markets. Due to the fast pace and flexible nature, each organization can leverage its distinctive competence. This structure can expand rapidly if needed. In addition, they can produce synergistic results.

Disadvantages

Managing lateral relations across autonomous organizations is difficult. It is also difficult motivating members to give up some of their autonomy to join the network. There are also issues relating

to sustaining membership, and benefits can be problematic. Networks may give partners access to knowledge and technology that one partner may want to keep confidential.

Network structures:

- work well when operating environments are complex and uncertain;
- fit organizations of all sizes;
- fit situations where organizational specialization and innovation are critical;
- operate well in worldwide operations.

Source: Cummings, T. and Worley, C. (2009), *Organization Development and Change* (9th edn), Mason, OH: Thomson South-Western.

Internal networks

According to Snow *et al.* (1992, p. 11), the internal network 'typically arises to capture entrepreneurial and market benefits without having the company engage in much outsourcing'. Internal networks are typical of situations where an organization owns most or all of the assets associated with its business. However, it has usually created 'businesses within the business' that, although still owned by the organization as a whole, operate independently in terms of the discipline of the market. The argument is that if they are subject to market forces, they will constantly seek to improve performance. A typical example would be a training and development unit that, on

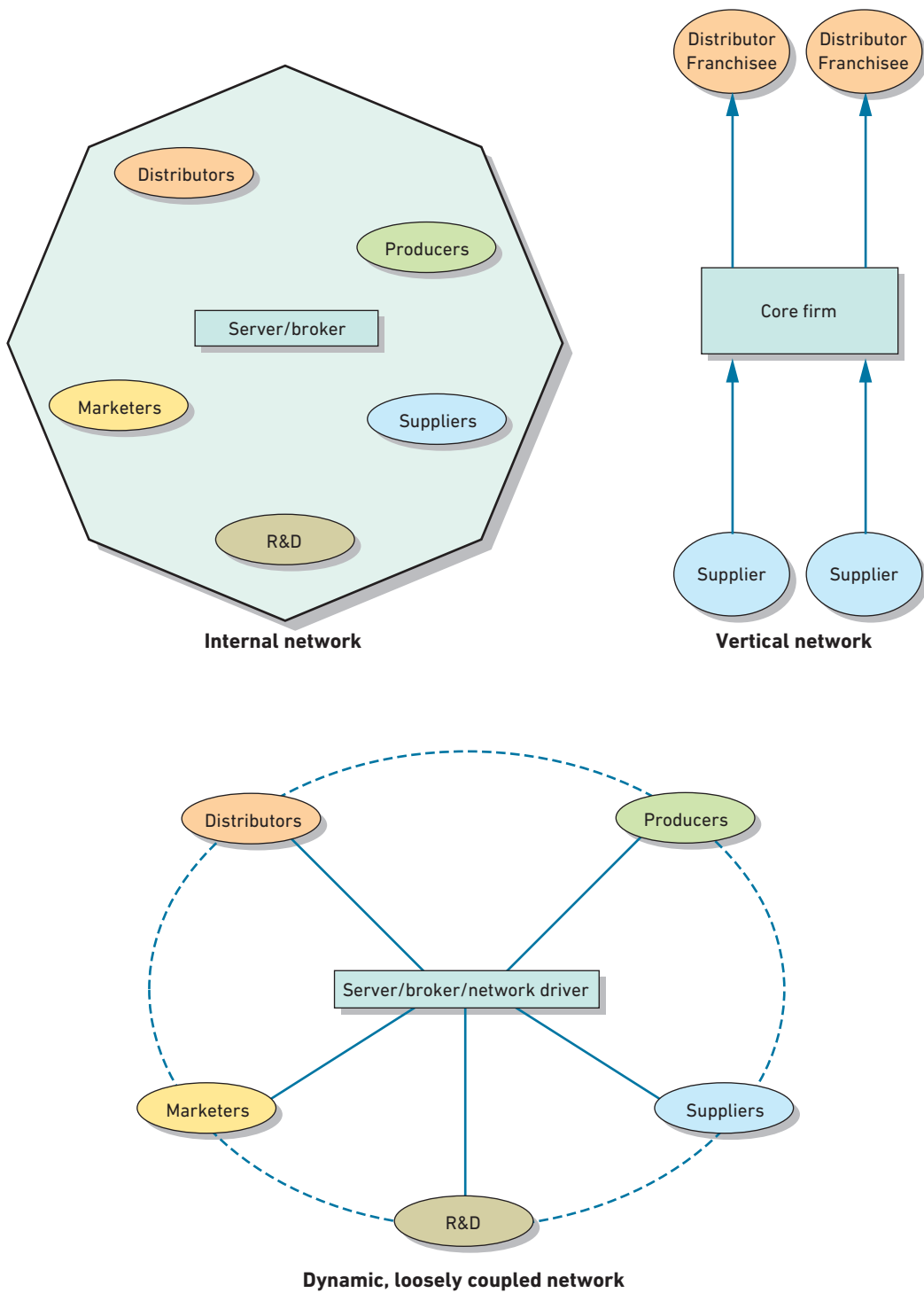


Figure 3.4 Common types of network

the one hand, 'sells' its services to its parent organization and, on the other, seeks to sell its services outside. The internal network is similar to Morgan's (1989) description of a project organization.

Vertical networks

The vertical network (Hinterhuber and Levin, 1994) is typical of the situation where the assets are owned by several firms but are dedicated to a particular business. This is similar to what Snow *et al.* (1992, p. 13) call a 'stable' network that consists of 'a set of vendors . . . nestled around a large "core" firm, either providing inputs to the firm or distributing its outputs'. Thus the core organization spreads asset ownership and risk across a number of other independent organizations and gains the benefits of dependability of supply and/or distribution. Toyota could be perceived as the core firm within a stable network of subcontractors, many of which had plants within the production complex surrounding Toyota in Toyota City (Clegg, 1990, referring to Cusamano, 1985).

Dynamic, loosely coupled networks

For Snow *et al.* (1992, p. 14), the dynamic network organization is the one that has 'pushed the network form to the apparent limit of its capabilities'. This form operates with a lead firm (sometimes called the 'server', 'broker' or 'network driver') that identifies and assembles assets that are owned by other companies. The lead firm may, itself, provide a core skill, such as manufacturing or design. However, in some cases the lead firm may merely act as broker. The dynamic network is probably the form nearest to Morgan's loosely coupled organic network.

Illustration 3.8 describes TFW Images, a communications and image design organization where the lead firm provides the core skill of design and 'brokers' other activities such as photography and illustration, printing, translation and marketing.

Illustration 3.8

TFW Images

TFW Images was formed in 1989 by two former employees of IBM who became the managing director and creative director of the new company and were very soon joined by a sales director. The main business of TFW Images is communications in its widest sense. Examples of its activities are designing corporate brochures such as annual reports as well as advertising material, designing and organizing conferences and all the material that goes with them, creating company logos and other symbols of corporate identity.

TFW Images' main client was IBM. In fact, the rise of the company coincided with the large-scale changes IBM went through as it refocused its efforts away from large-scale business computing markets towards personal computers. As technology began to displace jobs, TFW Images was able to take advantage of the willingness of companies such as IBM to outsource some of their design requirements.

In a volatile market, one reason for the company's success is its ability to maintain a flexible structure that could be tailored to the demands of the market.

Essentially, TFW Images is an organization that 'brokers' services from other organizations to bring its products to the market. Rather than employing printers, photographers, illustrators, market researchers and additional writers and designers directly, it closely associates with other companies and independent consultants who offer these services. Telecommunications facilitate the transfer of the part-finished products from one sector of the network to another.

Most recently, TFW Images has joined in partnership with Omni-Graphics, a well-established design company operating in publishing and arts.

Given the equality of skills and size of the two organizations, the benefits of the partnership come from their complementary activities (TFW Images is business oriented while Omni-Graphics is arts oriented) and the financial advantages that will flow from this. The management of the two partner organizations will remain separate and both will keep their own names. Thus, to clients nothing will have changed. Yet, conceptually and financially, a new overarching organization has been 'virtually' created.

(This is a real example in which the names of the companies have been changed.)

However, whether dynamic networks operate in a partial or pure broker capacity, they are unlikely to function effectively without good and effective communications between their component parts. This is what is likely to distinguish dynamic or loosely coupled organic networks from the more 'in-house' internal and stable networks. For instance, TFW Images could not operate without fast and effective information technology links to the other organizations. Telecommunications links enable TFW Images' design team to send its output anywhere to be modified, marketed, printed or manufactured. Except for its relatively permanent status, the company might be likened to what some are now calling the 'virtual organization', particularly given its link-up with Omni-Graphics.

The virtual organization

Virtual organizations use information and communication technology to link people, assets and ideas to create and distribute things without having to rely on conventional organizational boundaries and locations. They have been defined as 'a geographically distributed organization whose members are bound by a long-term common interest or goal, and who communicate and coordinate their work through information technology' (Ahuja and Carley, 1998, p. 742). Because of their dependence on information technology, the people in them seldom meet (Burkhard and Horan, 2006). Illustration 3.9 summarizes the key attributes of the virtual organization.

It seems clear from Illustration 3.9 that network (particularly dynamic network) and virtual organizations are suited to organizational environments that are themselves dynamic. The emphasis in these forms of organization is on horizontal rather than vertical structuring and the concept of partnership rather than command and control. However, organizations structured on these principles have implications for employment and the reward expectations of employees, whether full-time, part-time, contract or in other kinds of relationships with the organization. Network and virtual organizations are only able to offer stable, secure employment to a few. The idea of the ultra-flexible firm is attractive for the owners and core staff, but can

bring a sense of 'being used' to those who are employed on a short-term contract basis, particularly if these people are employed in temporary, perhaps part-time, less-skilled, lower-paid jobs. Lack of commitment may not be restricted to the lower paid. More highly-paid consultants and contractors will give service as long as it suits them, but may leave as soon as something more attractive comes along.

Illustration 3.9

Characteristics of the virtual organization

- Informal communication is high because of a general lack of rules, procedures and reporting relationships. Formal communication is less because there is less formal hierarchy in the organization.
 - Communication networks: extensive informal communication reveals patterns of communication.
 - Groups exist, dispersed and connected by electronic communications,
- but the group members do not meet much, if at all.
- They are non-hierarchical and decentralized (in theory at least).
 - Virtual organizations are less permanent than alternative structures and can break apart once their objectives are met.

Source: Ahuja, M. and Carley, K. (1998), 'Network structure in virtual organizations', *Organization Science*, 10(6), pp. 741–57.

The main issue for organizations is not whether one form of structure is any better than another. It is whether the structure currently adopted is one that is able to facilitate the achievement of the organization's purpose and respond to the need for organizational change in the prevailing environmental circumstances. Illustration 3.10 describes the concept of the post-bureaucratic organization, which seeks to respond to external concerns and to customer problems.

Illustration 3.10

Post-bureaucratic organization

A post-bureaucratic model of organization assumes 'shifting intra and extra-organizational boundaries, recourse to a contingent labour force, teamwork and consensual decision making' (Briand and Bellemare, 2006, p. 65), but there are serious questions about the extent to which organizations like this actually exist and whether employees are more emancipated.

Briand and Bellemare (2006) reviewed an attempt by a Canadian public scientific research centre to adopt a post-bureaucratic structure. Staff numbers reduced by about 25 per cent, divisions were merged, management levels were reduced and performance indicators introduced. Government funding reduced for the centre. Sound familiar? In theory, the reforms were an attempt to go post-bureaucratic, for instance by:

- placing much greater focus on servicing consumers not on itself;
- focusing on results above processes;
- linking funding more closely to performance.

Reforms were far-reaching but led to 'disorder and insecurity' (p. 72). A problem that arose was a clash of values. Post-bureaucratic models are rooted in private-sector values (efficiency, teamwork, innovation) and these conflicted with stronger concerns for ethical and democratic values. They found that the new organization, as experienced by employees, intensified surveillance and produced a new structure of domination. The case raises doubts as to whether anything approaching a post-bureaucratic form was achieved in this instance.



Structuration theory, actor networks and institutional theory

Structuration theory

So far, we have emphasized the tangible side of design and structure. However, structuration theory offers an alternative view of organizational structure as structuration theorists regard structure not so much as ‘patterned regularity’, but as something that emerges from ‘the routine behaviour of people, (which in turn) influences those behaviours’ (Cunliffe, 2008, p. 37).

Organizations have structure, within which the departments and divisions are used to arrange and contain distinct, but sometimes overlapping, activities. It is in these structures that people (whom Giddens terms ‘actors’) do their work. Structuration theory, developed by Giddens (1984, 1991), focuses on the reciprocal nature of interactions between structures and the actors within them. Organizational structures allow us to do some things but not others; they give certain freedoms but also lay down boundaries within which these freedoms are exercised.

As well as departmental and divisional structures, structure can be seen in the rules and operating procedures that have to be followed – job descriptions are an example. These procedures influence what we do and how we do things. Consider what you would do differently at work if you were liberated from the constraints of your organization’s structure. However, by abiding by the rules and following procedures, we enforce, reinforce and perpetuate them.

Hence there is a relationship between actions and structure. Giddens (1991, p. 204) explains structuration theory as offering a way of understanding how actors create the social systems in which they work, while simultaneously being creations of them. We create structures and then become dependent upon them.

Consequently, actors have to be knowledgeable in relation to the social systems in which they act. They need to know how the systems function and what will be the consequences of the actions that they contemplate or enact. Supplementing this general awareness of actions and outcomes is a need to be thoughtful and reflective about oneself. Reflection helps actors to monitor what they are doing and to change and adjust future actions. By virtue of their knowledge and reflection, actors are free agents to decide whether they will contribute, or not, to events. Knowledge and reflection give at least limited power to intervene and try to influence what is going on.

According to structuration theory, structures exist only in the sense that actors/agents continue to reinforce them. In a bureaucratic organization it is only by routine referral of decisions to, say, a ‘director of this and that’, that a certain part of the structure functions. If actors ignore the director, then that part of the structure would not exist, except in the flesh. So, structures only exist in so far as we continue to reinforce them. They do not exist in and by themselves.

Giddens (2001, p. 668) argues that although we are constrained by aspects of society, the same aspects ‘do not determine what we do’. Drivers can choose to

drink and drive, albeit at greater risk of accident and punishment. We are not simply unquestioning followers of society's norms and values – people do make choices. Social structures and individual actions are therefore linked and are in a constant state of renewal. There are democratic political processes for electing leaders of nations that have evolved over centuries. The leaders influence government actions and the actions of government agents such as local authorities and the police. If all voters refused to vote, the political structure would have to change.

Sometimes at work you might have thought that 'the structure gets in the way', or 'the structure won't let this good idea happen'. However, if we see structures not as a fixed thing that organizations are built upon but as a dynamic thing, a set of rules and procedures that can be changed, then new views open up. Of course, from a practical point of view it may be very sensible to conclude that 'the structure will get in the way' and move on to something more fruitful. However, from a critical point of view, structuration theory provides a new perspective on structure – seeing it as a social construction and as a collective consciousness.

Structuration and change

What this means for organizational change is that the paths followed and the outcomes achieved are influenced by how actors understand the organization and the social settings that they are in. In similar organizations in terms of size and product/market, facing the same or similar business challenges, it is the actors' pattern and depth of understanding that explain why different strategic paths are followed and why different outcomes are reached.

Sarason (1995) also uses the idea of organizational identity to explain why organizations differ. As well as seeing the outcomes of change initiatives being dependent upon how well actors understand their organizations, outcomes are also shaped by a sense of identity. Do actors see their organization as a dynamic risk taker, not afraid to take bold decisions and learn from mistakes, or as a nervous and cautious place? Illustration 3.11 shows how organizational identity can both restrain and catalyze change.

Chu and Smithson (2007) give an account of applying structuration theory to an attempt by a major motor manufacturer to implement e-business, claiming that structuration theory was useful:

... in understanding the interaction between the e-business initiative (agency) and the organizational structures. It facilitated the examination of the heterogeneous systems of meaning, power relations and norms of the different stakeholder groups. The interaction of agency and structure was easy to apply ... It also helped us to understand the complex structures that guide, facilitate and contain peoples' working lives while the notion of duality shows how these structures are themselves constructed, maintained and sometimes changed by the people concerned.

(Chu and Smithson, 2007, p. 386)

By 'duality', they mean that 'structure is both the medium and the outcome of human interaction' (p. 372).

Illustration 3.11**Changing organizational identity**

One of the authors of this text worked for an organization that provided technical and management consulting to manufacturing and retail supply chains. For about 70 years it provided services to organizations only in high-labour-cost countries, largely in northern Europe and North America. For decades, this strong organizational identity impacted upon all discussions and decisions and shaped strategic direction. The company would never do business with low-labour-cost producers, even though business would have been easy.

Slowly, however, as new manufacturing capacity in southern Europe and Asia came on-stream in the 1980s and became an undeniable threat to European and North American companies, new business opportunities emerged and the organizational identity began to transform. Suddenly it was OK to talk about working with low-cost producers and this led to what, for the organization, was a transformational strategic change. For decades, strategic actions reinforced the same organizational identity, but then new actions began to signal a new identity.

Giddens introduced the concept of structuration to explain how social structure is made and re-made. Structure and action are intertwined since the constant repetition of action strengthens the constraining structure. Giddens called this the duality of structure: 'all social action presumes the existence of structure. But at the same time structure presumes action because "structure" depends on the regularities of human behaviour' (2001, p. 669). Structuration theory explains, therefore, how the constant repetition of behaviour perpetuates structures whether they be good, bad or indifferent. It is only through behavioural change that old structures and the constraints that go with them are dismantled and re-made.

Actor-network theory (ANT)

The actor-network concept (Latour, 2005) recognizes that actors build networks involving other actors, which can be human or non-human (individuals, groups or animals). Non-human actors could be management systems in place before a change is attempted (Langstrand and Elg, 2012) or a species around which human actors are manoeuvring. For instance, conservationists dedicated to the reintroduction of the Red Kite in England would see the bird as an actor in the network. Actor networks can also be seen operating on a global level – for example, the decision to invade and occupy Iraq involved political networks of institutions and key individuals such as presidents and prime ministers, anti-war groups, arms manufacturers and construction companies, among others. Gao (2005) applied ANT to analyze change in China's telecommunications market. The market was defined as a non-human actor and the public, the state and the operators made up three groups of human actors. Stanforth (2007) applied ANT to help understand the causes of e-government success or failure.

Actors create networks and thus themselves – but these networks are undergoing constant transformation and renewal. At any point in time we can imagine

a social entity to be made up of interconnecting networks, but ‘there is no social order. There are only endless attempts at ordering through the formation and stabilization of networks’ (Stanforth, 2007, p. 39). Think of the past few months in your life. Perhaps you have made new friends and contacts who sympathize with what you are trying to achieve? In or out of work, they may open up some of the resources that you need. Perhaps there are one or two actors that you have given up on and who, if you get your way, will not feature in your network much longer?

Van der Duim and van Marwijk (2006) use ANT to explain innovation in the sense that innovation means new ‘patterns of coordination between people and organizations, technologies and environmental phenomena’ (p. 450). In the case of an organization – for example, one trying to implement a new project – ANT helps to explain how the social order is built. It involves the idea of ‘translation’, which involves explaining things in ways that persuade actors to fit with what a network is trying to achieve. Conservationists would try to persuade farmers to adopt particular land management practices that will raise breeding populations of birds and animals. Objections and queries by farmers, perhaps about economics, might be met by rationalizations of species decline and the non-financial value of biodiversity. Successful translation involves four stages:

- 1 *Problematization*: here the project is ‘sold’ to actors as a way of tackling their problems if they sign up to it.
- 2 *Interessement*: this is about translating/projecting the rationale for and the concerns that go with a project onto others involved and then stabilizing a network.
- 3 *Enrolment*: if interessement occurs then the behaviour of those involved is geared to achieving the outcomes desired by the enrolling actors.
- 4 *Mobilization*: if enrolment is successful then a new network will exist that works towards outcomes and solutions that fit the initial rationale for project set-up.

One of the features of recent and contemporary business and public management is the growth of networks in getting things done. For example, public spending constraints, the sheer size and complexity of projects, the specialist knowledge needed and the risks involved have led to much more collaboration between organizations in a sector and/or a region. ANT explains how and why the networks that are initiated are more or less successful. It describes how ways of ordering at time 1 that are not capable of delivering are altered, so that they are viable at time 2. If the four stages of translation are achieved, the outcome is known as a *collectif*: something that could not be achieved before is now achievable through the collectif.

ANT was also used to study change in a US telecommunications company (Sarker, Sarker and Sidorova, 2006). Examining the failure of change, they observed that while leadership, vision and communication were put forward as key ingredients of change success, top management needed to ‘(re)define the interests of human and non-human elements in the organization consistent with those of the initiative’ (p. 81). It is not just about top management sharing a vision but about making

connections between the interests of multiple actors and the global mission held by leadership. It is also about persuading others that their interests are best served by connecting up to the global vision.

Dent (2003) explored ANT in relation to a UK hospital threatened with closure. For instance, a hospital contains networks of professional groups of clinicians, managers and administrators and it is networked with external organizations under the National Health Service umbrella. For long periods these networks can be fairly stable, albeit showing minor reconfiguration as interests evolve. Periodically, something happens to disturb the relative peace, such as new legislation or new government directives and targets, with subsequent disturbance to the roles of professionals and their relationships to managers, noting of course that many professionals are also managers. Dent found that *interessement*, the coming together of agents into a network, involves ‘persuasion, intrigue, calculation and rhetoric’ (Miller, 1992), and that these tools were used in the processes of actors reconfiguring to help their network resist the disturbances. Using ANT, Dent was able to ‘delineate more clearly the complex configuration of relationships within which a hospital is embedded. In particular, it facilitated the exploration of the changing professional–management relations’ (p. 123).

‘Translation’ helps to understand how the different interests of the several actors become aligned into a socio-technical arrangement. Even non-human actors are seen to have interests – for example, the interests of skylarks are appropriated into the interests of human actors in a conservation scheme. Collectively, the interests of other actors are appropriated and translated into the interests of each actor. When interests are internalized by the several actors then an actor network exists.

Figure 3.5 shows actors in a speed reduction initiative in a particular locality. Double-headed arrows represent alignment of interests of the three initiating actors. This diagram is a simple model to which could be added national government, which has road safety targets, as well as self-styled road-safety groups. The model shows drivers as being a target of the actor network, and uninvolved in interest sharing. Of course, one could represent drivers’ interests, but for simplicity they are not shown.

The socio-political context includes pressure put upon police and local government to reduce accidents and injuries and the general efforts to raise awareness of the dangers of excessive speed. There may be localized pressures, such as the presence of schools or an accident ‘black spot’. An additional interest affecting drivers is the punitive regime – that is, what happens to them if they are convicted of speeding. In time, the socio-political contexts change, and the interests of the actors change. If drivers’ attitudes to speeding changed such that ignoring speed limits became far less common, then the need for an actor network would diminish. If the penalties in the form of fines for speeding were substantially reduced or increased this would impact upon the interests of law enforcement actors.

Actor-network theorists regard structure as ‘the process of organizing’ people, technology, knowledge and other things into a stable network (Cunliffe, 2008, p. 49). Illustration 3.12 provides an example of just one form of structure.

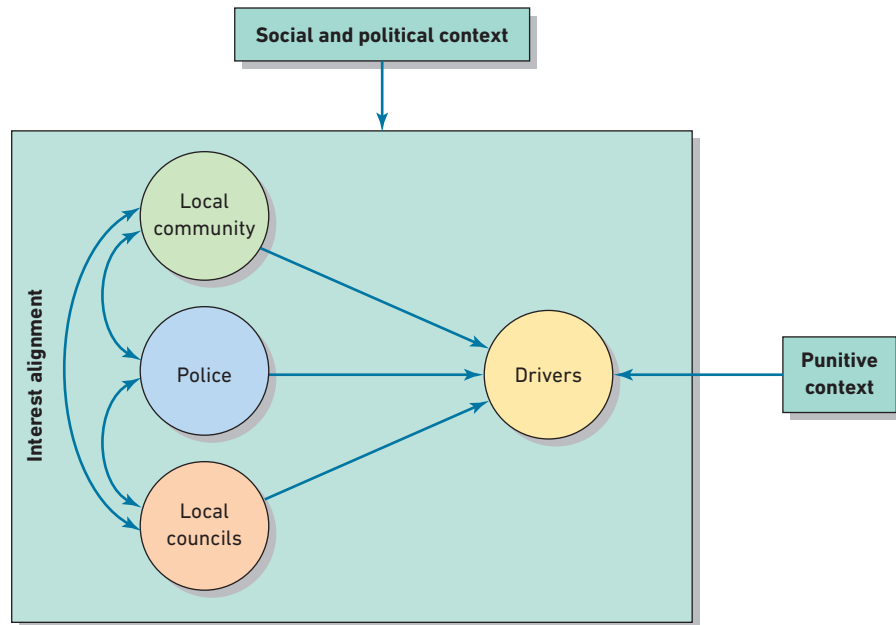


Figure 3.5 Actor network

Illustration 3.12

Plane Stupid

Protest groups are a feature of our times, and in December 2008 one group made the headlines for 'invading' Stansted Airport near London. Stansted is a busy regional airport – so much so that there are plans to build another runway, much to the consternation of the locals. Protesters are often well-educated and/or middle-class people of all ages, and associate with a group called Plane Stupid.

What is of interest here is the way the group organizes. It is said to be based on the 'rhizome concept' developed by Deleuze and Guattari (1980) as a non-hierarchical way of connecting people to share ideas. Taking the name from the type of plant, the rhizome connects any point in the group to all other points. It is not built around units but around dimensions. It does not have a beginning or end, rather it has a middle from which it keeps growing.

Unlike classic organizational structures, which have both lines and positions, the rhizome has only lines of connection. Anyone who has dug a root of potatoes will know what the rhizome looks like – there are lots of potatoes all connected to each other and to the original seed potato from which everything grew. The rhizome organization uses horizontal connections and communications, unlike the vertical, horizontal and hierarchical communications found in typical structures that resemble family trees.

Whatever we think of their tactics of disruption, for protest groups this way of organizing seems effective, and for students of organization structure quite interesting.

Source: Deleuze, G. and Guattari, F. (1980), *A Thousand Plateaus: Capitalism and Schizophrenia*, translated by B. Massumi, 2004; Gourlay, G. and Montague, B. (2008), 'Meet the plane stoppers', *Sunday Times*, 14 December, p. 18.

Institutional theory

The earlier part of this chapter dealt with structures as if they are a rational choice – things that are shaped by internal drives for improvement and by best fit with environmental pressures and opportunities. Institutional theory, which has much in common with structuration theory, emphasizes the cultural influences on decisions about design and structure (Amis and Aissaoui, 2013). The people who decide what organizations should look like are ‘suspended in a web of values, norms, rules, beliefs and taken for granted assumptions that are at least partially of their own making’ (Barley and Tobert, 1997, p. 93). The combination of these things gives the culture of the organization its unique identity and the culture influences decisions about structure that may be sub-optimal. Rather than seeing organizations as ‘rational actors’, albeit operating in a complex world, institutional theory ‘views organizations as captives of the institutional environment in which they exist’ (Tolbert and Zucker, 1983, p. 22).

Through culture, institutions work within a bounded rationality that restricts the range of responses and raises the likelihood that certain types of behaviour will occur. Institutional theory is not a theory of change, but it is a way of explaining the similarities of arrangements that are often found in a sector, and can explain why things do *not* change. Before going further, though, it is necessary to distinguish between an organization and an institution. Barley and Tobert (1997, p. 94) describe institutions as ‘socially constructed templates for action, generated and maintained through ongoing interactions’, and herein lies the similarity to structuration. They go on to define institutions as ‘shared rules and typifications that identify categories of social actors and their appropriate activities or relationships’ (p. 96).

Business organizations can be thought of as existing and operating in institutional fields – each field having a particular set of assumptions and practices. Organizations in the same sector are influenced by the same field and this explains why they structure and operate in very similar ways. Institutions are created out of action but, once created, they tend to restrict actions within them. Hence, we find institutions inside organizations, and the structures that are found in organizations reflect those institutions. A good analogy is with speech and grammar. The sentence ‘The dog ran after the cat’ has a particular meaning. If ‘cat’ and ‘dog’ are transposed, the sentence has a different meaning. Grammar brings structure to speech and institutions bring structure and meaning to organizations. Another analogy is the idea of scripts, such that people are playing to scripts in their day-to-day behaviour. For example, we defer to the same people for decisions even though we know they will give us the same scripted answer – perhaps something like, ‘It’s a good idea but don’t bother pushing it because Jim in marketing doesn’t like it’.

Johnson, Smith and Codling (2000, p. 573) define scripts as ‘the cognitive schema informing behaviour and routines appropriate in particular contexts’. They applied institutional theory to privatization – the deinstitutionalization of public-sector templates and the institutionalization of private-sector templates. To enact change, the scripts used by actors have to change. New scripts develop through experiences as people move from a familiar set of routines to experimentation with another. Barley and Tobert (1997) also saw scripts as more than cognitive schema, considering

them as behavioural regularities – that is, something that can be observed. They suggest that the accreditation processes used by universities are examples of scripts in action, as elaborated on in Illustration 3.13.

Illustration 3.13

University accreditation: institutionalization in practice

Universities are very sensitive to league tables, and in particular to their position in them. The tables rank universities on a combination of factors such as staff/student ratios, research income and the percentage of staff with doctorates. Let's face it, when we know how we are being measured we tend to divert attention into bettering our performance on those measures. One of the accolades that business schools seek is accreditation by bodies such as the Association of MBAs (AMBA) and the European Quality Improvement System (EQUIS). A common accreditation strategy is as follows:

The school applies for accreditation having checked itself against broad criteria set by the accrediting body.

If the application is accepted, the school writes a set of self-assessment documents (SADs) detailing and reflecting on its performance in relation to accreditation criteria. Changes to operating methods are likely to better align with the criteria.

A small panel of senior academics drawn from top business schools is despatched to the school, which entertains them for several days during which the panel meets and questions a range of groups representing the school's activities (research, teaching, consulting and so on).

The panel writes a report including recommendations and conditions for accreditation that is considered by the board of the accrediting body.

The actors are playing out a script. As well as scripts operating at a grand level, we can also see scripts at individual level and influencing individual participation in the accreditation visits. The school, if it is smart, will be briefing groups of employees before they have meetings with the panel and debriefing them afterwards so that issues can be passed on to the next group. Those in charge bang on with exhortations such as, 'We can be really proud of X so make sure you tell them about it, but make sure they never get to know about Y'.

We are not suggesting that the outcomes can be taken for granted, or that the processes are not useful – far from it. Useful recommendations and ideas for change usually come out of these processes, and accreditation, if achieved, is a valuable thing. Yet the scripts used lead to similar outcomes and push schools to look and behave in similar ways. The scripts used in these events lead to a bounded and institutionalized level of performance improvement.

Institutional theory explains how the principles of organizing are accepted and perpetuated and how conformity to norms leads to particular outcomes. Survival of the main protagonists (typically top managers) and conformance with norms explain actions more so than rational responses in the search for better performance. For example, institutional theory provides a good theoretical explanation for the recent financial crisis. Ashby, Peters and Devlin (2013, p. 2,681) found that:

Structural features of financial institutions (for example compensation arrangements) hindered individual reflexivity and critical evaluation and reinforced the natural tendency of individuals to pursue their own self-interest by making extreme risks seem both acceptable and deniable. At the industry level, the observation that building strong collective beliefs of invulnerability was widespread supports this finding.

These beliefs were reinforced by optimistic economic forecasts and weak interventions by regulators. Ashby and colleagues argue that introducing more regulation and capping banker bonuses, for example, will not change the underlying problematic attitudes to risk in the financial sector; deeper cultural change geared around better risk-management procedures is called for.

Institutional theory is useful to explain why things exist as they do, and stay as they are, but is less informative about how change to institutions occurs (Kondra and Hinings, 1998). One of the reasons for this is the idea of *isomorphism*, which refers to the tendency of organizations in the same field to adopt the same or similar structures and ways of thinking and doing, which leads to isomorphism of performance. Indeed, performance standards can themselves become institutionalized. Three reasons for this can be put forward (Kondra and Hinings, 1998):

- 1 People who think they can see ways of improving things do not bother to pursue their ideas because compliance with norms is much easier.
- 2 Mimetic behaviour occurs (that is, when organizations copy each other's behaviour) and is perhaps more likely to persist when performance measures are not well defined, as is the case with public-sector organizations. Day, Armenakis, Field and Norris (2012) use mimetic behaviour to explain why a university simply copied downsizing tactics being used elsewhere, and by taking such an uncritical approach to what it was doing created big problems for itself.
- 3 Mimetic behaviour can also occur because of risk aversion. A dominant coalition (such as a management team) can argue that not implementing what might be a performance-enhancing action in the short term is an efficient strategy in the long term when the risks of the actions are considered. If the coalition can be confident of return X in the future, why seek greater than X when there is a risk that the actual return could be less than X?

Greenwood and Hinings (1996) go further, however, in showing how institutional theory connects to a theory of change. They propose three characteristics of neo-institutional theory (neo-institutional theory includes developments to the original theory).

- *Institutional context* – organizations embed institutions, even though these institutions have little or no impact on performance. The professional partnership form of organizing stems from the philosophy that professionals in a business venture should be jointly liable for their professional decisions. Accountants and lawyers, for instance, typically organize as partnerships. Clearly, it is an effective way of organizing, otherwise they would not keep doing it, but this is an institutional feature rather than a rational analysis of the most efficient way to organize.
- *Templates* – pressures from institutions push organizations in the same sector to adopt the same or similar forms and designs – that is, templates for organizing, shaped by underpinning ideas and values. These arise from mimetic behaviour and lead to isomorphism in the sector. Hence, institutional theorists focus more on what they term 'populations' of organizations in a particular field, seeing them as networked and interconnected and subject to the institutional pressures in the field. Universities illustrate the point well. There are about 100 universities in the

UK, which serve different segments of the market, but there are, arguably, more similarities between them than there are differences in the way they respond to the institutionalization of higher education.

- *Resistance to change* – templates for organizing cover not just designs and forms but also ways of thinking and thus inertia. Institutional theory therefore emphasizes the stability of arrangements and, while accepting that change occurs, sees change as ‘reproduction and reinforcement of existing models of thought and organization’ (Greenwood and Hinings, 1996, p. 1,027). It explains convergent and incremental change much more than radical change, which is far more problematic. Greenwood and Hinings point out the reciprocal nature of the relations between an organization and the field it is in. A university, for instance, does what the field expects of it and behaves in ways that are acceptable to the field. Behaviours manifest as policies on a wide range of issues affecting staff and students (policies that would look very similar if put side by side), similar products delivered to students in similar ways, similar ways of allocating work to employees and similar ways of measuring performance.

To help explain the pace and scope of change, two additional concepts are used: tight coupling and sectoral permeability (Greenwood and Hinings, 1996). Tight coupling occurs when a sector exerts a high level of influence and control over the structural templates that organizations in the sector use. Professional practices and public organizations are subject to high levels of regulation and expectations, and are examples of tight coupling. Any new organization entering the field would be subject to such pressures to comply and conform. Contrast this with a new private business venture – let’s say to design and manufacture fashion accessories. So long as it complies with the law, no one is concerned about how it is organized or about how it organizes. Similarly, in new sectors that form around a technological breakthrough, the institutional pressures will be less well developed so we could expect change to be less impeded by inertia.

Sectoral permeability describes how much a sector is insulated from others. A sector with low permeability experiences a low influx of people from other sectors, so the transfer of ideas is within the sector, not across sectors. Where permeability is higher and people come into the sector from other sectors, we would expect a higher import of ideas and thus higher rates of radical change. Examples of where institutional theory has been used include analyzing change in accounting and financial systems (Tsamenyi, Cullen and Gonzalez, 2006), in law firms (Sherer and Lee, 2002) and in professional associations (Greenwood, Suddaby and Hinings, 2002).



Activity 3.3

Think of one small part of an organization that you know well and try to identify where the routine actions of people are creating structure and structural relationships.

Then consider why these situations exist – for example, individual management styles, dominating personalities or organizational politics.

How amenable are these structures to change?



Activity 3.4

If you work in an organization, consider the institutional field that it operates within. Identify aspects of organizational design and structure that exist because of conformity to that field and not because they add value in themselves.

Influences on structure

Choosing how to structure is not straightforward and choices are closely linked to many factors, as Figure 3.6 shows. As identified previously, one of the most important links is the relationship between strategy and structure – as an organization changes its strategy to respond to environmental triggers, so should its structure change to maintain the strategy–structure relationship. However, apart from technological advances outside the organization, which may force changes in production methods or in the way that services are delivered, it is the organization’s own use of technology, particularly information technology, that will affect the way in which it is structured. The earlier discussion shows also how organizational structure is likely to change as organizational size increases.

Less tangible are the roles that organizational culture and politics play on structure, one way or another. That is why in Figure 3.6 these two factors are shown as mediating variables rather than as direct influences. There is nothing set, however, in the way all these variables should be regarded. Figure 3.6 is offered as a helpful descriptive device for summarizing the factors that influence organizational forms, rather than as a tried-and-tested model of how they work in practice. Even so, there is a body of literature that helps us understand which organizational structure is most appropriate to which set of circumstances. Before moving to this, it is worth pausing to think why ‘good’ or appropriate organizational structure is so important to the efficient and effective operation of organizations.

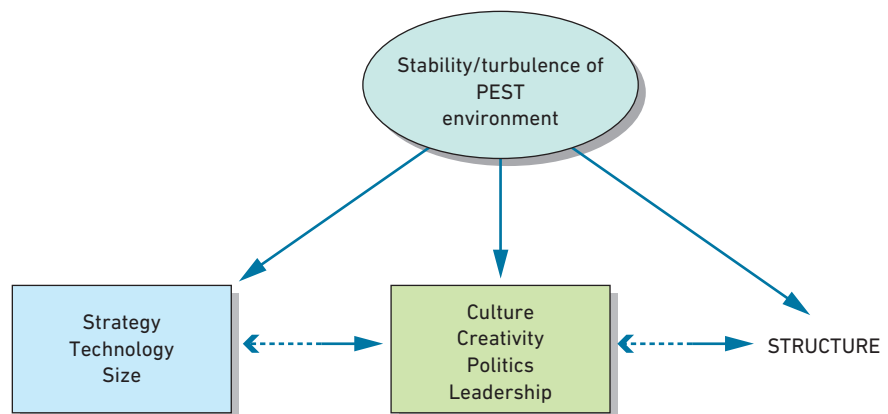


Figure 3.6 The determinants of organizational structure

The consequences of deficient organizational structures

The consequences of a deficient organizational structure are shown in Illustration 3.14. What is interesting about this list is that some of the main ‘dys-functions’ listed (such as motivation and morale) could be regarded as having little to do with structure. Yet, as the other points make clear, structural deficiencies could very well be major contributing causes.

Illustration 3.14

Organization structures: characteristic problems

Using the work of Child (1988), Handy (1984), Hastings (1993) and Goffee and Jones (1996) it is possible to identify characteristic problems of organization structure, as follows:

- 1 Motivation may be low because decisions are inconsistent, arbitrary or poorly communicated. People may hold unclear responsibilities or have confusing reporting lines. They may be subject to contradictory pressures from other parts of the organization. There may be little attempt to agree clear priorities.
- 2 Decisions may be inadequate because information may be inadequate. Decisions may not be communicated effectively, or decision making may be fragmented.
- 3 There may be problems of conflict between departments because of a lack of coordination. People rarely work in teams from across departments or units and there is little attempt to generate shared views between planners and those who carry out the work. Feedback between departments is poor.
- 4 Costs may be rising because excessive paperwork and procedures are both costly and distract people from important issues, such as meeting client needs.



Activity 3.5

- 1 Considering an organization that you know well, to what extent do any of the four consequences of structural deficiencies listed in Illustration 3.14 apply to it?
- 2 If you think that some of these deficiencies are present, what does this imply for the way the organization is structured? What changes for the better could be made?

Strategy–structure fit

For the purpose of this discussion, the definition of strategy given by Johnson *et al.* (2014, pp. 3–4) is used: ‘strategy is the long-term direction of an organization’. There are two advantages of this definition:

- 1 It can include both deliberate, logical strategy and more incremental, emergent patterns of strategy, as well as allow for both deliberate and unplanned actions and outcomes.
- 2 It can include both strategies that emphasize difference and competition, and those that recognize the roles of cooperation and even imitation.

Strategies can exist at three levels: corporate level, business level and operational level (Johnson *et al.*, 2014, p. 7). In order to function effectively, an organization's structure should be in tune with its strategy. Changes in organizational strategy are nearly always linked to changes in structure.

Chandler's strategy–structure thesis

Chandler (1962) found that the owner-managed companies that were predominant during the 1800s usually started with a single product line and a structure where the owner-manager took all major decisions and monitored the activities of employees. This type of organization had an 'agency' structure, given that key subordinates acted as agents of the owner-manager to ensure their wishes (Miles and Snow, 1984).

As companies grew, they became more complex and were more likely to employ professional managers who began the process of dividing the organization into different functional areas. The appearance of the functional organization (around 1900) enabled growth to occur, particularly through acquiring suppliers to ensure guaranteed inputs, and through market penetration. As such strategies led to restructuring, Chandler concluded that structure follows strategy.

The 'structure follows strategy' dictum is widely accepted and the reason why different structures associated with different strategies was simply economic efficiency. Amburgey and Dacin (1994) show that although there is a strategy–structure relationship, it is not a simple, one-way path; strategy has a stronger influence on structure than structure has on strategy.

Mintzberg's forces and forms

Mintzberg (1991) offers the concepts of forces and forms, which can be loosely translated as strategy and structure. Figure 3.7 illustrates the seven forces, each of which is associated with a particular form. The seven forces that drive the organization are:

- The force for *direction*, which can be likened to having a 'strategic vision'. This gives a sense of where the organization must go as an integrated entity.
- The force for *efficiency*, which balances the costs and benefits – the lower the ratio of costs to benefits, the higher the efficiency. The force for efficiency tends to encourage standardization and formalization, focusing on rationalization and restructuring for economy.
- The force for *proficiency* – that is, for carrying out tasks with high levels of knowledge and skill.
- The force for *concentration*, which means the opportunity for particular units to concentrate their efforts on serving particular markets. This is necessary in organizations that are diversified in structure.
- The force for *innovation*, which encourages the search for new products or services or for different ways of delivering them. The force for innovation encourages adaptation and learning.
- The forces for *cooperation* and *competition* are the forces Mintzberg calls 'catalytic'. *Cooperation* describes the pulling together of ideology – that is, the culture

of norms, beliefs and values that ‘knit a disparate set of people into a harmonious, cooperative entity’ (Mintzberg, 1991, p. 55). *Competition* describes the pulling apart of politics in the sense of politics as the non-legitimate, technically non-sanctioned organizational behaviour. Mintzberg uses the term ‘configuration’ to describe the form an organization is driven towards by this system of forces (see Illustration 3.15).

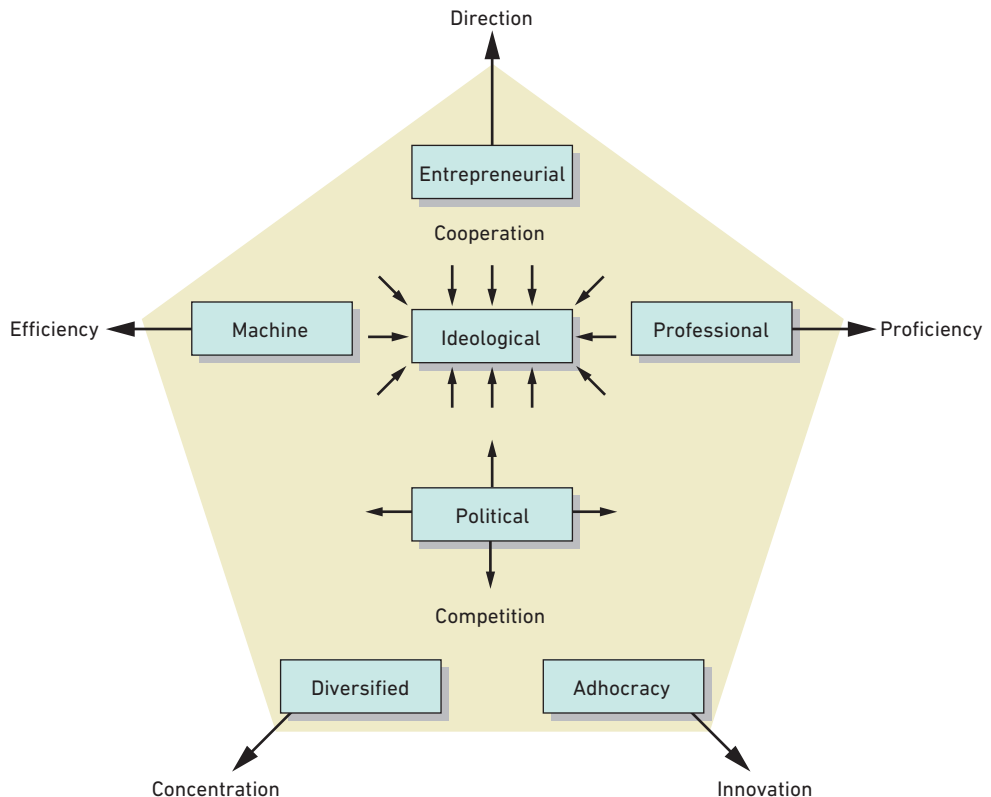


Figure 3.7 A system of forces and forms in organizations

Source: 'The Effective Organization: Forces and Forms', *Sloan Management Review*, Winter 1991, 32 (part 2) p. 55. (Mintzberg, H. 1991), Copyright © 1991 by Massachusetts Institute of Technology. All rights reserved. Distributed by Tribune Media Services.

Illustration 3.15

Mintzberg's organizational forms

- **Entrepreneurial form** – tends to be low in formalization and standardization, but high in centralization, with authority located in a single person.
- **Machine form** – high formalization and standardization, centralized authority vested in rules and regulations, functional departments.

- **Professional form** – high in complexity and formalization, but low in centralization; allows the employment of trained specialist staff for the core work of the organization.
- **Adhocracy form** – very low in standardization and formalization, little hierarchy, much use of temporary project teams.
- **Diversified form** – a combination of functions and products, with products dominating; they can

be of matrix form or organized as divisions on the basis of products/markets.

These five forms are based on Mintzberg (1979, 1983). His 1991 paper, on which much of this section is based, adds the *ideological* and *political* forms, giving as examples the Israeli kibbutz and a conflictual regulatory agency respectively. However, these two forms are uncommon.

The *entrepreneurial* form tends to dominate when the forces for direction are paramount. This tends to be in start-up and turnaround situations and in small, owner-managed organizations. The *machine* form tends to appear when the forces for efficiency become paramount, for instance in situations of mass production and mass service organizations. Hospitals, accounting practices and engineering consultancies illustrate the *professional* form of organization that results from the force for proficiency. The drive here is for perfecting existing skills and knowledge rather than inventing new ones. This is different from the force for innovation that pushes organizations into an *adhocracy* form, which is characterized by independent project teams with fluid structures. Finally, the *diversified* form arises as a result of the force for an organization to concentrate on more than one distinct product or market. Each division will have a different structure and enjoy considerable autonomy from the small central headquarters.

Mintzberg calls the fit between the forces and forms that organizations take ‘configuration’. ‘My basic point about configuration is simple: when the form fits, the organization may be well advised to wear it, at least for a time’ (Mintzberg, 1991, p. 58). This argument supports the proposition that organizational structure should align with organizational strategy. The implications of this are that, as an organization’s strategy changes, so must its structure if tensions, contradictions and, eventually, crises are not to ensue. However, strategy is not the only factor upon which structure is contingent.

Other influences on structure

Size

The classic study by Pugh *et al.* (1969) found that size (measured by the number of employees) was positively correlated to overall role specialization and formalization of procedures. Child (1988), from his studies of the effects of size on organizational performance, found that large organizations performed better when bureaucratically structured and vice versa for small organizations.

However, in current times, organizations could be considered large even though they do not directly employ very many people. For instance, organizations with

self-governing profit centres consisting of businesses in their own right (but supplying only the main organization), could be considered large, even though they do not employ, directly, all the individuals concerned. Therefore, the relationship of organizational size and structure is tenuous.

Technology

All organizations use technology of some sort to convert inputs into outputs, and the choice of technology (such as small batch, large batch or mass production) has a big influence on organizational structure – particular forms of organizing (including role specialization and formalization of work) are best suited to particular systems of production (Woodward, 1965). By contrast with Woodward, who concentrated on production technologies, Perrow (1967) defined technology more generally and suggested that technology could be viewed as a combination of two variables: ‘task variability’ and ‘problem analyzability’. Thus, a task that is highly routine would be low in task variability, and vice versa. In other words, variability refers to the number of exceptional or unpredictable cases that have to be dealt with. Problem analyzability refers to the extent to which problems are clearly defined and can be solved by using recognized routines and procedures – that is, whether a task is clearly defined or whether it is ambiguous in terms of the task itself or how it might be completed. Where task completion requires innovative thinking, it is likely to be low on problem analyzability.

Perrow used these two dimensions to construct a two-by-two matrix that provided a continuum of technology ranging from the routine to the non-routine, as shown in Figure 3.8. The cells in the matrix represent four types of technology: routine, engineering, craft and non-routine.

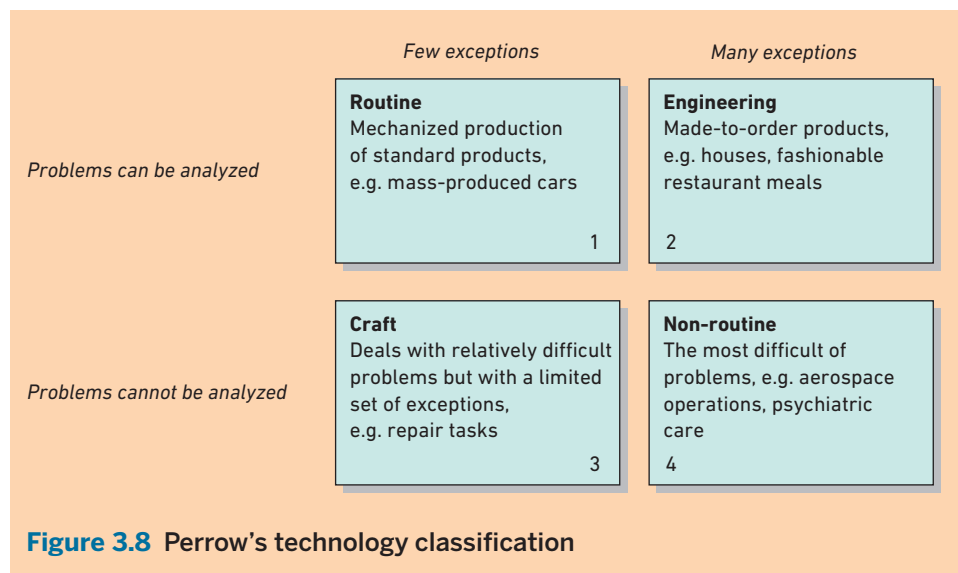


Figure 3.8 Perrow's technology classification

FT Source: Based on summaries by Robbins, S.P. (2003) *Organizational Behavior* (10th edn), Englewood Cliffs, NJ: Prentice Hall and Mullins, L. (2005) *Management and Organizational Behaviour* (7th edn), Harlow: Financial Times Prentice Hall.

Like Woodward, Perrow argued that each type of technology would produce the best organizational performance if linked to an appropriate structure. Consequently, the technologies described in cell 1 are most likely to fit well with mechanistic structures. Cell 2 technologies require mechanistic structures but with aspects of organic organizational forms. Cell 4 technologies link most closely to much 'looser' organic structures (perhaps of the matrix, project or network type), while cell 3 technologies require mainly organic structures with aspects of mechanistic bureaucracies.

Research in this area is very difficult to undertake because it needs to take place over long time periods. However, in their research on Italian manufacturers, Colombo and Delmastro (2002) found that advanced manufacturing technologies as well as new human resource management practices favour organizational change.

Information technology

Information and communication technologies give managers the ability to push information closer to the point where it is used, and to increase responsibility on employees to use them effectively. Information, communications and technology (ICT) has had the following impacts on structure (Mukherji, 2002):

- supporting decentralization by enabling communication and control from a distance, and assisting matrix and network structures;
- increasing the routinization of some jobs;
- reducing hierarchy;
- creating much closer links across supply chains;
- making the boundaries between divisions in an organization, and even between organizations, fuzzier and less relevant;
- revolutionizing how small businesses can operate – for example, through the Internet.

Robbins (2003) talks of 'boundaryless' organizations, where both internal and external boundaries are eliminated. He refers to Lucas' (1996) use of the term 'the T-form (or technology-based) organization'. The removal of internal vertical boundaries flattens the hierarchy, with status and rank minimized. This type of organization uses cross-hierarchical teams, which are accustomed to coordinating their own work. The removal of external barriers against suppliers has been mentioned already. With regard to customers, the increasing use of what Hollinger (2000) refers to as 'e-tailing' makes the buying of goods from a wide range of producers and retailers much easier for those linked up to the Internet.

The breaking down of organizational barriers extends also to the home/work boundary. Lyons (2000, p. 60) says:

For many people, the division between work and life is becoming blurred . . . people now live and work in the post-farm, post-factory setting. They travel, they work at home. They even work while they travel – in hotels, planes, cyber cafés, and at 'touch down spaces'.

This division is becoming blurred mainly because of the ability of workers to maintain contact with their offices and organizations through the use of email, tablets

and mobile phones, which can also be used to send and accept emails and other telecommunications. Cooper (2000, p. 32) remarks: 'The future of employment seems to lie either in small and medium-sized businesses or in outsourced and portfolio working for virtual organizations.' These issues are examined in Illustration 3.16.

Illustration 3.16

ICT and retail banking

One of the most vivid examples of how technology impacts on structural change at sector and organization level is found in retail banking (Consoli, 2005). The main breakthroughs over the years have been:

1965	Automated bank statements are produced
1966	The first credit card in the UK is introduced
1967	Database management systems automate money transfers
1970s	Microprocessors enable branches to become fully automated
1970s	Automatic teller machines spread ('holes in the wall')
1982	Microchips in cards enable direct debiting
1990s	Internet banking enables services from anywhere

In conjunction with changes to the ways retail banking is regulated, technology has reshaped the speed and convenience of transactions. It has also increased consumers' exposure to fraud, and for investors their ability to get money out relies upon the operating system working. Given recent events in financial markets, it is easy to imagine a bank

shutting down its e-banking systems in order to keep your money in times of emergency! Consoli (2005, p. 472) argued that technological change 'triggers the emergence and/or demise of activities, competences, processes and services at the firm level. At industry level the pace of change is driven by the amount of interaction between organizations, suppliers, consumers and regulators.'

He found that the disappearance of competition between branches had led to the decline of the vertically integrated structures that had been commonplace. There was now far more need to coordinate a bigger range of services, some of which would be outsourced. ICT has been at the root of 'radical transformation' by incumbent organizations and has enabled the entry of new organizations that have reshaped the boundaries and structure of the banking industry.

In light of the credit crisis of 2008, we might wonder how much these structural changes have also enabled the creation of very high-risk (toxic) products that, coupled with a failure of corporate social responsibility, created the conditions for the crisis in the first place.

The influence of the external environment on structure

Environmental stability and turbulence

One of the best-known studies on the effects of the environment on organizational structure (Burns and Stalker, 1961) concluded that organizations had different structures depending on whether they operated in stable environments that changed little over time or in dynamic, changeable environments. Two main structural types were found: mechanistic structures that were more suited to stable unchanging environments; and organic structures that were more suited to the unpredictable, more dynamic environments.

Mechanistic structures conform to Morgan's models 1 and 2, shown in Figure 3.3 (bureaucracies and bureaucracies with a senior management team), and Mintzberg's 'machine' form of organization (see Illustration 3.15). Organic structures resemble

Morgan's models 4, 5 and 6 and Mintzberg's 'adhocracy' and 'diversified' forms of organization.

Key characteristics of organic forms are the harnessing of knowledge and experience upon tasks rather than specialized task definitions, emphasis on communication across the organization (not just up and down) and fast changes to how tasks are defined. While the organic form is generally thought best for large organizations in complex environments, Sine *et al.* (2006) argue that the theory breaks down with new ventures in turbulent environments. They found that new ventures, which are by nature very flexible, can lack the benefits of structure such as role clarity and higher efficiency. New ventures with more role clarity and specialization in the founding management teams outperformed others.

Waldersee, Griffiths and Lai (2003), in a study of major changes in Australian organizations, found that mechanistic organizations could implement technological and structural change successfully but were not so good at implementing social change – that is, attitudinal, behavioural and cultural. Organic organizations were good at technical, structural *and* social change.

Robbins (2003) also addresses the issue of environments specific to different parts of organizations. He suggests that environments can be characterized in terms of three key dimensions. The first is the *capacity* of the environment, which refers to the degree to which it can support growth. The second is the degree of *stability* in the environment; stable environments are low in volatility, whereas unstable environments are characterized by a high degree of unpredictable change. The third is environmental *complexity* – that is, the degree of homogeneity or heterogeneity among environmental elements. Given this three-dimensional definition of environment, Robbins concludes that the scarcer the capacity and the greater the degree of instability and complexity, the more organic a structure should be; the more abundant, stable and simple the environment, the more mechanistic a structure should be.

Socio-cultural influences

The discussion so far has concentrated on macro-influences on organizational structure: size, technology and environment. Increasing size pushes organizations towards increasingly bureaucratic structures, which remain an efficient way to organize large-scale activities. By the same token, the desire of employees for more flexible ways of organizing their home/leisure/work relationships, coupled with the opportunities for self-employment and/or virtual forms of working, may force organizational structures into newer forms.

Regardless of the size of organizations and type of technology used, more flexible working patterns and ways of structuring the work appear to be increasing. An interesting issue, however, is whether this trend is a result of initiatives taken by employers for the sole benefit of business or in response to the changing expectations of the labour force. For instance, Cooper (2000, p. 32) says:

Since the industrial revolution, managerial and professional workers have not experienced high levels of job insecurity, so will people be able to cope with permanent job insecurity without the security of organizational structure?

In contrast, Bevan (2000, p. 20), reporting on work/life balance, found that employees who have benefited from more flexible work arrangements imply few difficulties as they choose arrangements to suit their particular home and life circumstances. The benefits to employers and businesses seem to outweigh the disadvantages.

It is difficult to know whether most people who work on production lines and supermarket checkouts would prefer to do something else. Work serves many purposes besides being a source of income. However, according to Robbins (2003):

While more people today are undoubtedly turned off by overly specialized jobs than were their parents and grandparents, it would be naïve to ignore the reality that there is still a segment of the workforce that prefers the routine and repetitiveness of highly specialized jobs.

Not everyone is suited to working in highly organic or loosely structured networks, let alone working in virtual organizations.

People choose organizations as much as organizations choose people. Those working in organizations are more likely to remain in organizations whose structures, with their particular degree of centralization, formalization, specialization and traditionalism, suit their individual and group preferences and needs. Designing organizational structures that satisfy the needs of those working in and associated with them is not straightforward. Indeed, designing organizational structures for change, while at the same time ensuring that the needs of the market and of employees are met, is as much an art as a science.

Organizational structure and change

There is no one best way to design organizational structures or any particular form that will guarantee successful performance. Depending on factors such as strategy, size, technology used, the degree of predictability of the environment and the expectations and lifestyle of employees, an organization could well be successful and respond to the need for change whether it was structured along bureaucratic, mechanistic lines or as one of the newer network forms.

Care must be taken, however, not to assume that these contingency relationships are straightforward and that, provided the 'formula' is learned and applied, success will result. Robbins (1993, p. 528), drawing on the work of Child (1972) and Pugh (1973), states that: 'Strategy, size, technology and environment – even when combined – can at best explain only fifty per cent of the variability in structure.' In addition, the idea that there is a one-way causal relationship between an organization's environment and its structure is questionable.

While organizations are influenced by their environments, some are able to exert some control over them – for example, oil producers by cutting or increasing production. The political environment can be influenced by lobbying, customers influenced through advertising and people's expectations of employment influenced by the way organizations design jobs. Organizations in monopoly markets are well placed to influence their environments. In times of high unemployment, the introduction of technology that significantly changes working practices will be easier because the bargaining power of employees is low.

If organizations are able, to some extent, to manipulate their environments to suit their strategies and structures, this will enable them to preserve existing structures and operational arrangements. The pressure to do this is evident from Mullins' (2005, p. 648) statement that: 'Developing organizations cannot, without difficulty, change their formal structure at too frequent an interval. There must be a significant change in contingency factors before an organization will respond.' This implies a considerable time lag between situational change and changes in structure. Therefore, even if changes in strategy, size, technology and environmental factors do build forces for changes in organizational structure, there are other factors that may accelerate or, more likely, impede this process.

The case example of 'Strategic change, technology and policing' illustrates how pressure on expenditure can facilitate a new focus on the use of technology as a 'force multiplier' to aid more effective targeting of activity. The case also shows the importance of collaborative working across public agencies as they seek to work together to deliver a 'place based' approach wherein targets are shared.

Case example ●●●

Strategic change, technology and policing

In 2010, Harvard's Kennedy School of Government published a report that, in the United States, expenditure on policing had quadrupled between 1982 and 2006. Police chiefs were facing new challenges of cutbacks, reduced force numbers, mergers and consolidation. At the same time federal subsidies were falling. Between 2011 and 2013 federal support for all criminal justice programmes reduced by 43 per cent. While there were many differences in detail, a similar pattern of reduced expenditures, falling police and support staff numbers and mergers and consolidation has characterized policing in the United Kingdom over recent years. Not least, county forces have been merged in some cases and some joint serious crime units established across existing boundaries.

One response is to adopt new technology but finding the means to adapt to and operate within new and reduced cash limits has required police forces to re-think how they work. Camden, New Jersey is an urban area with a population of 77,000 and a high incidence of crimes. It is located across the Delaware River from the city of Philadelphia. Camden disbanded its entire police force. A newly reconfigured Camden Community Police Department then rehired the majority of its former and now unemployed officers and hired another 100 officers at lower pay and benefits and thereby created a new regional force.

Underpinning the Camden plan was an intention to operate a 'smarter' police force using technology as a 'force multiplier'. The new force has established a 'tactical operational intelligence centre', which combines data across an array of cameras, automated licence plate readers and other devices. Real-time information is available to officers on patrol, and the centre provides information on all patrol car locations to help with deployment where needed.

Research indicates that social media, licence plate readers and video streaming from wearable and in-car devices are technologies being increasingly deployed. In future, nationwide wireless broadband will mitigate existing interoperability and communications problems often experienced during storms, terror attacks and so on. Text messaging is a next-stage development, which can enable a real-time crime centre that can collect relevant data (arrest records, photographs, etc.) and provide it to officers in the field. The police response to cyber crime presents new challenges. In the United Kingdom attention is focused on the use of multiple technologies including electronic notebooks and sensor networks, which enable the tracking of individuals and vehicles.

The Metropolitan Police now operates a Twitter feed. A recent study of the feed's operation after



the Woolwich shooting showed that 'a substantial response was generated'. Follow up was an issue, however.

Other innovations include attempts to monitor and better understand crowd behaviour. Note, also, that some forces are using drones as a substitute for helicopters. The emergence of these innovations is leading to a transformation of policing. What purposes does it and should it serve? How is the view of purpose underpinned by values? With new challenges to respond to, such as human trafficking or terrorism, alongside public expenditure constraints and an ever-increasing and vocal demand from communities about policing priorities, the need to achieve effective transformation is a major change leadership challenge.

What should a police service look like in five years? Specialist capabilities (such as fighting human trafficking, cyber-crime, crimes against children) will be organized working across geographical boundaries. More police actions in the field will be intelligence led and evidence based. Will this make it more, or less difficult to build team working in localities and to engage with local communities? The complexity of the challenges to be faced requires the police service to attract and retain a workforce of trained and confident professionals. Digital policing will facilitate evidence-based policing but should also be developed to provide for greater public access to police services. The demands for value for money and for enhanced safety for local communities will push the service to deliver a more integrated service and to work closely with community partners.

The transformation required will include changes at local level, including significantly enhanced crime prevention efforts and programmes: the targeting of recurring problems, multi-agency working, enhanced data sharing and integration and moves toward 'place-based' approaches. Serious investment in workforce will be essential, including reward and recognition systems, and effective leadership development. Digital policing requires attention to the ways police use the Internet, the response to on-line and cyber-crime and the creation of digital investigation and intelligence capabilities. Enabling the continuing delivery of services while these changes are underway is partly about the use of technology but also pushes services forward to more effective joint working between local authorities, emergency services and the police. This will include integration of 'back office' functions and moves towards common standards of working. Increasingly specialist units (such as serious crime) will operate across force boundaries.

This transformation will require changes to police governance. There is a shift toward centrally driven and target-based policing programmes in priority areas, but a greater emphasis on locality as well. Central government is bound to wish to retain a critical role in policing but there is a move to value local differences and local accountability.

Sources: 'Policing vision 2025', published by the Association of Police and Crime Commissioners and the National Police Chiefs Council, UK; 'Future cops: how technology is set to change policing', BBC News, www.bbc.co.uk/news/technology.



Activity 3.6

In the case example on strategic change, to what extent are these changes driven by external pressures and technological opportunities?

Organizational arrangements are involved, but to what extent are 'place' and decentralization to localities and teams important?

Reorganization was involved, but learning to collaborate across organizational boundaries was even more important. Do you agree? Can you think of similar examples in your own organization, or one with which you are familiar, such as a local hospital or college?

Successful structural change is difficult to achieve without some sort of unintended adverse consequences. One context in which structure is routinely debated is in the provision of public services: for example, the possible ways in which healthcare and local government could be structured for optimum efficiency. Despite this clearly defined terrain, there is little information on whether the purported benefits of structural change ever arrive and whether any benefits outweigh the costs and disruption to services (Andrews and Boyne, 2012). In their study of local authorities, Andrews and Boyne (2012) found that impending structural change introduced levels of uncertainty such that the performance of the authorities deteriorated before new structures were implemented.

Similarly, in private-sector organizations there has been increasing doubt that changes to organization structures achieve very much. Therefore, efforts at change have focused on intended outcomes and business model change. What outcomes are planned changes intended to deliver? How are these outcomes to be achieved? In what ways is the business model to be changed in order to get these intended outcomes? How can we assess progress towards these outcomes? What measures of performance are to be used?

One of these factors is associated with the concept of 'strategic choice' (Child, 1972), and draws attention to the power of senior managers to choose which criteria they will use in assessing what organizational changes should take place. Managers who may lose power and/or position are unlikely to choose those alternatives that, from a logical-rational point of view, maximize the organization's interest. Robbins (1993, p. 528) summarizes this view of structure as the 'power-control' explanation of organizational structure – that is, 'an organization's structure is the result of a power struggle by internal constituencies who are seeking to further their interests'. Thus, given the discretion available to management, rather than changes in organizational structure being logically planned and implemented, what results will be a structure that 'emerges' to satisfy not only the imperatives of the internal and external environments, but the personalities and power needs of dominant stakeholders.

Structural inertia and population ecology

As we have emphasized, organizations scan their environments and change their designs accordingly. Usually this is incremental adjustment affecting only a small part of the business, and part of being a good manager is the ability to adapt structures smoothly to bring about desired effects and avoid unintended outcomes that have adverse impacts on operations. Substantial changes to organizational designs and structures are much less frequently attempted.

From this perspective, organizations are *adapting* to their environments using a form of 'social Darwinism' (Hannan and Freeman, 1979, p. 930). In what has become a classic paper in its field, Michael Hannan and John Freeman suggested, however, that not all of the variation that we can observe in the way organizations are structured can be explained by adaptation. They introduced the idea that there

exists in organizations pressures and processes that bring about a level of structural inertia, as Illustration 3.17 shows. Adaptive flexibility decreases with increasing inertia, such that when inertia is high the organization is more likely to fall victim to the forces of natural selection – that is, cease operating. Internal forces creating inertia include:

- Past investment (sunk costs) in plant, technology and people that is not easily switched into other tasks (see Colombo and Delmastro, 2002).
- Decision makers having to work with incomplete information about environments (bounded rationality). Because people have incomplete information, they cannot be sure that decisions will bring about the desired changes – so unless the situation is drastic, people stay with the structure they know and wait until new information is obtained.
- Structural change that means disturbance to the ‘political equilibria’ that exist at any point in time. In a structure existing at time 1, people receive a particular set of benefits that accrue from their past investments in the organization (such as time spent working hard to get promoted). At time 1, benefits are distributed in a particular way across the employees. If, at a later time, structural change happens, then that distribution of benefits (prestige, influence, income) will also change and so individuals are likely to influence (and if necessary resist) change to protect or enhance the benefits they are receiving. Resistance can be big enough to put off future reorganization.
- Organizational history leads to ways of operating that become embedded. Organizations survive because they have sets of successful routines that are used to solve problems and that automatically come into play following particular signals from the environment. By their embedded nature, these routines are very difficult to modify and act to lock an organization into a particular structure.

External forces include:

- The barriers to exiting one industry and entering another, such as regulation, capital investment and market knowledge.
- The costs of acquiring specialist knowledge about unfamiliar markets.
- Organizations acquire a certain public legitimacy from their past actions, which can act as an asset. Attempts to move into new areas can be compromised by lack of legitimacy in those areas. For example, failing shoe factories do not change into hospitals; fundamental structural change of this magnitude simply does not happen.
- A successful adaptive strategy for one organization may not lead to successful adaptation by another – there is no general strategy that all organizations can follow.

Inertia theory suggests that because older organizations have more stable and standardized routines, they will have higher inertia. Likewise, as size increases, so does predictability and inflexibility and thus inertia. Hence, both age and size should

increase resistance to change (Kelly and Amburgey, 1991). Organizational complexity is also assumed to raise inertia and hence increase the duration of reorganization and the risk of failure. Complexity in this context is not the number of departments but the links between them. If a unit can reorganize without affecting others, then complexity is low. If changes in one unit require responses in other units, which in turn require further changes in the initiating unit, then complexity is high (Hannan and Freeman, 1984).

To better understand the links between organizations and environments, Hannan and Freeman (1979) borrowed ideas from biology, and in particular ideas about how populations of species survive. Although it is true that every organization has a distinctive structure (in terms of rules, processes and activities), groups of organizations share a 'blueprint' that allows them to be considered similar enough to be thought of as a species. Although there are many owls, for instance, each type of owl is a separate species adapted to survive in a particular environment. Organizations with similar blueprints are similar in terms of their vulnerability to the environment and constitute a population of organizations in the same sense that there is a population of tawny owls.

Although broad structural types are found (multifunctional, for instance) from looking at exactly how organizations function, it is clear that organizations with the same general structure are uniquely different. In the same way as we can ask why there are so many different plants and animals, we can ask why there are so many types of organizations (blueprints). In answer to this:

In each distinguishable environmental configuration one finds, in equilibrium, only that organizational form optimally adapted to the demands of the environment.

(Hannan and Freeman, 1979, p. 939)

Forms that are not optimally adapted are 'selected out' of business. Yet we can see that organizations have to adapt, and this calls for a certain level of slack in the structure. Slack can be seen as resources that are not committed and that can be used – some might call it waste or inefficient use of resources.

While adaptation explains to some extent whether organizations survive or not, it is not the only explanation. Hannan and Freeman (1979) argued that selection rather than adaptation is important. Structural inertia impedes adaptation such that organizations drift away from their environment and are replaced by others that are better equipped to survive. A powerful fact in favour of this argument is that lists of the top 100 or top 500 companies in a country change over time. What proportion of the organizations in business 50 years ago are still trading? How many companies in the top 100 list of 1980, 2000 and 2010 are still in business? There are no exact answers to these questions, but it is likely that the attrition rate is quite high. Failure is common. Selection rather than adaptation is a strong argument here. Inertia also explains why it seems many organizations need to experience a 'survival-threatening crisis' before they embark on meaningful change processes (Schaefer, 1998).

Illustration 3.17**Resisting arrest?**

The first decade of the twenty-first century saw new forms of terrorism, and in 2008 three men were convicted in the UK of offences relating to planning to bring down aircraft with 'liquid' bombs. Yet according to a former senior police officer, the structure of policing in the UK could impede the fight against terrorism (Hayman, 2008).

Policing in England and Wales is still substantially organized around counties that are themselves largely administrative districts dating from medieval times. While adequate for local policing, coordination across county forces could get in the way of a long and at times fast-moving surveillance operation where targets are moving around. Communication systems do not always line up and 'the lines of command and control

become stretched'. Local resources may not be sufficient to provide what a particular operation needs.

Plans to reduce the 43 police forces and create fewer but larger forces, each with a more strategic capability, struggle to gain favour. Hayman implies that this is due to an inability to resolve 'competing interests' in policing and to placate egos. Presumably these are the egos of senior officers who could see their forces disappear in mergers and perhaps see their posts eliminated. Structural change in policing and the creation of a national counter-terrorist force appear to be compromised by structural inertia and police politics.

Source: Based on Hayman, A (2008), 'Police politics are stalling our war on terror', *The Times*, 10 September, p. 28.



Conclusions

We have seen that design is not the same as structure, the latter having a stronger social action perspective. Design change is influenced by strategy, size, production technology, ICT and environment. Different organizational forms have been described. Defective designs and structures have serious consequences for organizational performance. Redesigning an organization's structure has to be carefully planned, with change taking place as current business performance is sustained. This implies a mixture of incremental and transformational change.

Chapter 1 showed how organizations are, to some extent, a product of their history. In addition, organizations have existing structures, workforces (who are used to working in them), existing cultures, current businesses to sustain and, in many cases, trade unions to satisfy. Given this context, it is interesting to see how organizations have managed to adapt their formalized structures and developed matrix and virtual organizations layered over their existing structures to ensure responsiveness in fast-moving operating environments.

Small businesses with less than 200 people make up the majority of organizations worldwide, and the traditional approaches to structure will need adapting to fit. Managers need to be vigilant about changes in the environment and respond to them, but if restructuring is to make a difference it has to change what people do – not just how they are grouped and who they report to. Without an alteration in behaviour, changes to design do not have much impact on the 'real' structure. People push their own interests, and networks of aligned interests are continually forming and dissolving.

The next chapter extends this discussion by exploring the links between culture and change.

Discussion questions and assignments

1 Consider the following statement:

Starting from scratch underplays the fact that significant redesign has to be planned and implemented in a real-life context that won't go away. Hospitals' re-engineering projects run into the problems of physician power. Government projects are often stifled by a context where people can't see the need for fundamental change. In manufacturing and service organizations, plans to implement a new way of doing business are often undermined by the thinking and mindsets of the old way. These realities have to be actively managed and changed if new initiatives are to succeed.

(Morgan, 1994)

To what extent do these or similar issues apply to your own organization, or one you know well? What issues arise and how can they be managed?

2 In spite of the talk about network and virtual organizations, most organizations conform to more traditional structure types. Why is this?

Case example ●●●

Suits you Sir. . . .

UK retailer Marks & Spencer has over 1,000 stores in Britain and Europe. Its financial performance is basically sound, but city analysts see it as declining. Recent performance is disappointing despite a series of efforts to revitalize it. Several top management teams have tried but with only partial success. After another round of disappointing results, bookmakers took bets on when the new(ish) chief executive would be replaced.

This is a company in which a great strength may have become a problematic weakness. For a long time, M&S was, and in many respects still is, a high-street stalwart: dependable, reliable and offering good value. At its peak performance in the 1990s, it became one of the most profitable retailers in the world and one of the UK's largest listed companies. Following

this peak position there was a battle for control of the company and several changes of personnel at the top.

The biggest challenge has been to have a clothing range that appeals to a young audience while not putting off the loyal older customers. Other, more general, challenges are how to deal with the increasing number of customers who shop on the Internet, and stiffening competition from Waitrose for its food lines and from John Lewis, a more diversified department store chain. Food sales have held up well, but the biggest problem was customers turning away from clothing and general merchandise. New appointments were made to oversee strategy and purchasing in the problem areas.

Off the record, company directors were reported as saying that the once highly successful business model of combining food and clothing is now broken.



On top of that, the international stores are not performing particularly well, along with the Internet arm of the business. In mitigation, the depressed state of

the UK economy since 2008 needs to be taken into account; several other retail chains have closed down completely.

Question

- 1 Consider the complexity of making changes in a company of this size and structure. What might the company be risking in trying to raise financial performance?



Source: Based on 'Are you being served?' *The Sunday Times*, 13 January 2013, Business Section, p. 6.

Indicative resources

Daft, R.L. (2010), *Organization Theory and Design* (11th edn), South-Western, Cengage Learning. A comprehensive text on design and structuring.

Huczynski, A.A. and Buchanan, D. (2013), *Organizational Behaviour* (8th edn), FT Prentice Hall. This book has a good coverage of structure and design in Chapters 14 to 16.

Watson, T. (2006), *Organising and Managing Work* (2nd edn), Harlow: Pearson Education. The aim of this text is to provide a resource for understanding present-day work activities and how they are managed. Chapter 7, relating to structure and culture, is particularly relevant.

Useful website

www.lancs.ac.uk/fass/centres/css/ant/antres.htm These items will provide useful further reading.

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Chapter 4

Culture and change

This chapter explores the concept of culture as it influences organizational life and organizational change processes. The meaning of culture at organizational and national levels is discussed and different models and typologies are compared. Ways of diagnosing and describing culture are discussed, together with the links between organizational culture and change and the difficulties of changing organizational culture.

Learning objectives

By the end of this chapter you will be able to:

- recognize the importance of culture and its role in relation to organizations and change;
- explain the meaning of culture;
- compare and contrast different cultural models and typologies;
- identify the origins of organizational culture;
- examine how cultural differences impact upon organizational change.

The informal organization

Organizations are made up of formal, tangible components such as structure, systems, technology, goals and financial resources. These formal organizational features are, in the main, susceptible to the process of *planned* change. However, as Chapter 2 showed, organizational life is not as neat and tidy as this implies. This was captured by French and Bell (1990, 1999), who used the ‘iceberg’ metaphor to represent the formal and informal organization (see Figure 4.1). The iceberg metaphor depicts two contrasting aspects of organizational life: the visible part, above water, contains the formal and easily seen aspects of organizations; the invisible part contains the more covert aspects of organizational life including the values, beliefs and attitudes held by management and employees, the emergent informal groupings that occur, the norms of behaviour that are rarely talked about but that influence how things are done and the politics of organizational life that drive decisions and actions.

The iceberg metaphor points to the overt and covert aspects of organizations and emphasizes that the informal systems, as well as being largely hidden, are the greater and perhaps the most troublesome part of the organization. French and Bell (1990, p. 18) considered that: ‘Traditionally, this hidden domain either is not examined at all or is only partially examined.’ However, recognition that the informal organization exists and that it has a powerful influence on organizational activity is reason enough to examine how it impacts upon the extent to which organizations can deal with change.

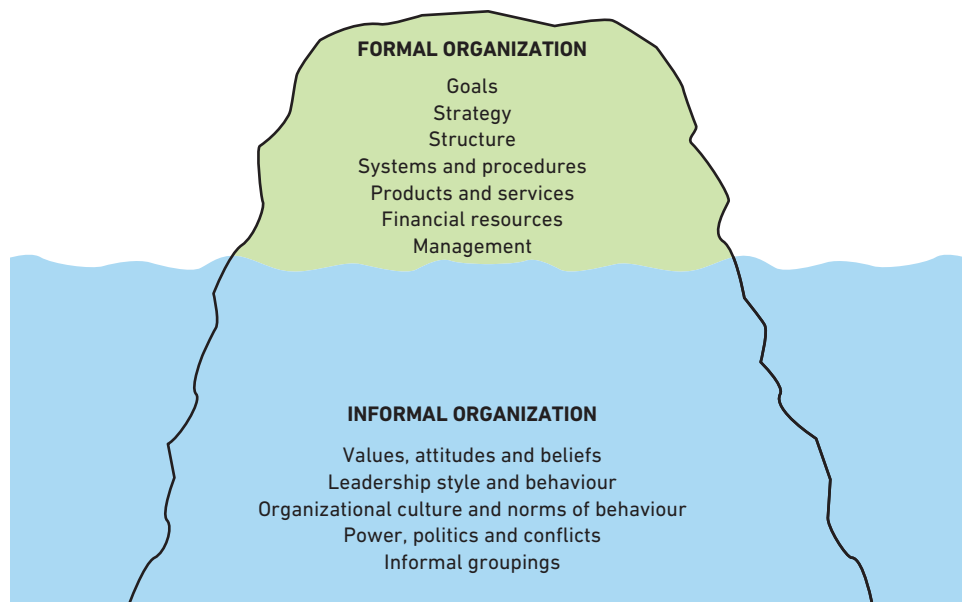


Figure 4.1 The organizational iceberg

Culture, politics and power represent much of what is included in the informal organization. Furthermore, they play a crucial role in helping or hindering the process of change, as Morgan (1989) observes: 'The culture and politics of many organizations constrain the degree of change and transformation in which they can successfully engage, even though such change may be highly desirable for meeting the challenges and demands of the wider environment.' Regardless of how well change might be planned in terms of the more formal organizational characteristics, it is the hidden and informal aspects of organizational life that will ultimately help or hinder an organization's success.

The meaning of culture

Kroeber and Kluckhohn (1952, p. 181) examined over 100 definitions of culture and offered this summary definition:

Culture consists in patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiment in artifacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values.

Another much-quoted definition by Hofstede (1981, p. 24) is that:

Culture is the collective programming of the human mind that distinguishes the members of one human group from those of another. Culture in this sense is a system of collectively held values.

These definitions refer to culture at national and societal level, but they have much in common with the way we think about organizational cultures:

The culture of the factory is its customary and traditional way of thinking and of doing things, which is shared to a greater or lesser degree by all its members, and which new members must learn, and at least partially accept, in order to be accepted into service in the firm. Culture in this sense covers a wide range of behaviour: the methods of production; job skills and technical knowledge; attitudes towards discipline and punishment; the customs and habits of managerial behaviour; the objectives of the concern; its way of doing business; the methods of payment; the values placed on different types of work; beliefs in democratic living and joint consultation; and the less conscious conventions and taboos.

(Jaques, 1952, p. 251)

Some further definitions of culture include:

A set of understandings or meanings shared by a group of people. The meanings are largely tacit among members, are clearly relevant to the particular group, and are distinctive to the group. Meanings are passed on to new group members.

(Louis, 1980)

Culture is 'how things are done around here'. It is what is typical of the organization, the habits, the prevailing attitudes, the grown-up pattern of accepted and expected behaviour.

(Drennan, 1992, p. 3)

Drennan's definition is short and to the point. In pointing out that culture is about how things are done in a particular setting, it draws attention to how things are not done and to ideas and behaviour that would not be welcome or acceptable. The connections between culture and what is possible in a particular culture are, therefore, becoming clearer.

These definitions imply that culture can be described and that it delineates and differentiates one human grouping from another – possibly even different groups within the same organization. Culture has cognitive (to do with thinking), affective (to do with feeling) and behavioural characteristics. However, this does not mean that different cultures are easily identified and, on the whole, this is not so. Schein (1992, p. 6) sums this up by referring to organizational culture as:

The deeper level of basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously and define in a basic 'taken for granted' fashion an organization's view of its self and its environment.

By its nature, culture is deep-seated and, therefore, is likely to be resistant to change. On the other hand, Bate (1996, p. 28) argues that: 'Culture can be changed, in fact it is changing all the time.' The issue is the degree of change to which culture can be subjected over the short and long term and the process for changing it. Much depends on the perspective adopted and the type of change proposed. Three perspectives can be identified: that culture *can* be managed; that culture *may* be manipulated; and that culture *cannot* be consciously changed (Ogbonna and Harris, 1998). Most of the research on culture change deals with managing and manipulating culture. The third perspective, if true, presents problems for change agents, who will perhaps need some external and perhaps unpredictable forces to make change happen. The recent collapse in financial systems may help to catalyze change in the reward/risk culture that characterized banks, for instance. This chapter concentrates on issues associated with the first two perspectives, on the assumption that much of what is said would apply if culture change occurs spontaneously rather than as a result of a more planned process.

Advice on how to *achieve* culture change is plentiful (for examples, see Bate, 1996; Carnall, 2007; Hartmann and Khademian, 2010; Ogbonna and Harris, 1998; and Sims, 2000). However, there is general agreement that there is a need to:

- 1 Assess the current situation.
- 2 Have a good idea of what the aimed-for situation looks like.
- 3 Work out the 'what' and 'how' of moving the organization, or part of it, away from its current culture to what is perceived to be a more desirable one.
- 4 Intervene to bring about cultural change.
- 5 Monitor outcomes and adjust as needed.

The five steps above are all very logical/rational but, as we will see, very difficult to implement.

The ingredients of culture

At the most basic level we can list some characteristics of culture, and descriptions of culture can be framed in terms of these characteristics. For instance, Brown (1995, p. 8) lists the following:

- artefacts;
- language in the form of jokes, metaphors, stories, myths and legends;
- behaviour patterns in the form of rites, rituals, ceremonies and celebrations;
- norms of behaviour;
- heroes (past and present employees who do great things);
- symbols and symbolic action;
- beliefs, values and attitudes;
- ethical codes;
- basic assumptions about what is important;
- history.

Robbins and Judge (2013) give seven characteristics of culture (see Illustration 4.1). Have a look at these and then attempt Activity 4.1.

Illustration 4.1

The characteristics of organizational culture

- 1 Innovation and risk taking.** The extent to which employees are encouraged to be innovative and take risks.
- 2 Attention to detail.** The degree to which employees are expected to exhibit precision, analysis and attention to detail.
- 3 Outcome orientation.** The degree to which management focuses on results or outcomes rather than on the techniques and processes used to achieve those outcomes.
- 4 People orientation.** The degree to which management decisions take into consideration

the effect of outcomes on people within the organization.

- 5 Team orientation.** The degree to which work activities are organized around groups rather than individuals.
- 6 Aggression.** The degree to which people are aggressive and competitive rather than easygoing.
- 7 Stability.** The degree to which organizational activities emphasize maintaining the status quo in contrast to growth.

Source: Robbins, S.P. and Judge, T.A. (2013), *Organizational Behaviour* (15th edn), New Jersey: Pearson Education, pp. 512–13.

The seven characteristics of organizational culture are useful but do not tell us how they may be related or ordered. In practice, there is no basis in evidence to present a systematic framework of how the various factors creating a culture are related. We can suggest that values underpin the emergence of culture and that the manifestation of culture is evidenced by the ways people behave. These include organizational practices, rituals and symbols and who people are influenced by within the organization. Values may be one of the foundations of a culture, but practices, rituals and symbols create the immediate ways in which culture comes to be perceived.



Activity 4.1 Appraising your own organization

The scales below relate to the organizational culture characteristics listed in Illustration 4.1. Indicate on each scale how you rate your own organization (or one you know). If possible, ask others who know the organization to do the same. You could find some different views of the culture emerging.

Organizational culture characteristics

• Innovation and risk taking	High	←————→	Low
• Attention to detail	High	←————→	Low
• Outcome orientation	High	←————→	Low
• People orientation	High	←————→	Low
• Team orientation	High	←————→	Low
• Aggressiveness	High	←————→	Low
• Stability	High	←————→	Low

Analyze how your views and your colleagues' views differ. Consider why their views differ to yours.

Schein (2004) suggests three levels ranging from the shallowest to the deepest: the *artefacts* level (the visible organizational structures and processes such as language, environment, rituals, ceremonies, myths and stories); the *espoused values* level (the organization's strategies, goals, philosophies); and the *basic underlying assumptions* level (the unconscious, taken-for-granted beliefs, perceptions, thoughts and feelings that are the ultimate source of values and actions). However, the values level is, apparently, split into two levels by Schein, who distinguishes between the beliefs, values and attitudes associated with the espoused values level and the deeper level of basic assumptions. Dyer's (1985) four-level model proposes *artefacts*, *perspectives*, *values* and *tacit assumptions*.

The characteristics in Illustration 4.1 are amenable to being *used* to describe culture in practical terms. However, the levels model can be used in similar fashion. In this case, the process requires interpretation of signs and symbols, as well as language used, to assess the prevailing values and underlying assumptions about how the organization operates.



Objectivist and interpretive views of culture

List and levels models show how the concept of culture can be imagined and described. Alvesson (1993), Bate (1996) and Brown (1995) all draw attention to the distinction between two classifications of culture. The first, of which the list in Illustration 4.1 might be considered an example, treats culture as a critical variable that partly explains why organizations differ in the ways that they operate. This is an objectivist or functional view of culture (Alvesson, 1993). Alternatively, culture can

be defined as a set of behavioural and/or cognitive characteristics (Brown, 1995), such that culture sits alongside structure, technology and the environment (for instance) as one of the variables that influence organizational life and performance. In summary, this view of culture implies that organizations *have* cultures (see Brooks and Bate, 1994) and further implies that changing cultures is not that difficult if certain procedures are followed.

A second view interprets the meaning of culture as a metaphor for the concept of organization itself. Pacanowsky and O'Donnell-Trujillo (1982, p. 126), for instance, remarked that: 'Organizational culture is not just another piece of the puzzle. From our point of view, a culture is not something an organization *has*; a culture is something an organization *is*' [authors' emphasis]. Gareth Morgan (2006) used the metaphor of 'organizations as cultures' in a range of instances that present different images of organization:

Shared meaning, shared understanding and shared sense making are all different ways of describing culture. In talking about culture we are really talking about a process of reality construction that allows people to see and understand particular events, actions, objects, utterances, or situations in distinctive ways. These patterns of understanding also provide a basis for making one's own behaviour sensible and meaningful.

(Morgan, 2006, p. 134)

Morgan maintains that members of organizations are creating the organization itself. In essence, this means that organizations are *socially* constructed realities and that, rather than being defined by their structures, rules and regulations, they are constructed as much in the heads and minds of their members and are strongly related to members' self-concepts and identity. This view of culture implies that, if an organization's culture is to be understood, it is necessary to look at the routine aspects of everyday life as well as at the more obvious and more public signs, symbols and ceremonies, which are more frequently associated with organizational leaders. It also implies a requirement to examine how culture is created and sustained. This means recognizing that culture is part of a much bigger historical pattern, and therefore that 'more often it is a *recurrence* rather than just an occurrence' (see Bate, 1996, p. 29). A model of organizational culture that brings together the idea of culture as congruent with everything that happens in an organization is the cultural web described in Illustration 4.2 (Johnson *et al.*, 2014).

The cultural web

It can be seen from Illustrations 4.2 and 4.3 that the cultural web is all-encompassing in the organizational elements that it includes. Johnson *et al.* (2008) draw attention to the influence of prevailing organizational paradigms (the beliefs and assumptions of the people making up the organization) in any attempt to bring about strategic change. They do not go as far as Morgan in equating culture fully with organization, but neither do they completely objectify culture as separate from other aspects of organizational life.

The cultural web is a useful tool that can be applied as a way of revealing organizational cultures. In contrast, Morgan's suggestion that organizations *are* cultures discusses (among other things) differences in national cultures, including the way these have formed through historical processes. The notion of culture as a metaphor for organization also recognizes that subcultures can coexist in the same organization. This is reinforced by Alvesson (1993), who recommends combining perspectives at three levels:

- the organization as a culture (unitary and unique);
- the organization as a meeting place for great cultures (which includes national ethnic and class cultures);
- local perspectives on organizational subcultures.

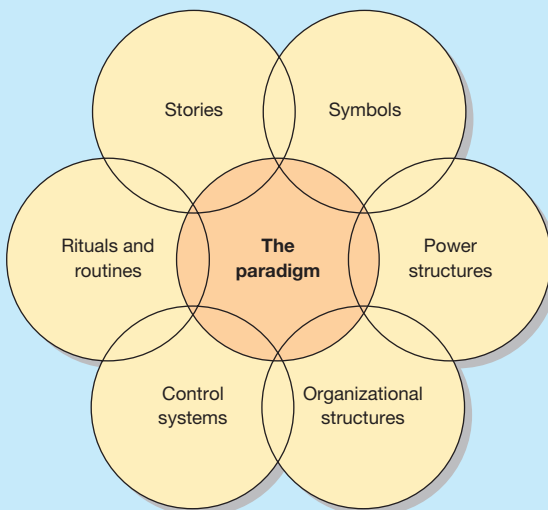
Illustration 4.4 is an account of when organizational cultures and subcultures (influenced, perhaps, by national cultures) clashed to the detriment of both companies involved.

Illustration 4.2

The cultural web

Johnson *et al.* (2008) explain the different elements of the cultural web as follows:

- The *routine* ways that members of the organization behave towards each other and that link different parts of the organization make up 'the way we do things around here', which at their best lubricate the working of the organization and may provide a distinctive and beneficial organizational competency. However, they can



also represent a taken-for-granted approach to how things should happen that is extremely difficult to change and highly protective of core assumptions (and people) in the paradigm.

- The *rituals* of organizational life, such as training programmes, promotion and appraisal procedures, point to what is important in the organization and reinforce 'the way we do things around here'. They signal what is important and valued.
- The *stories* told by members of the organization to each other, to new recruits and to outsiders embed the history in the present and flag up important events and personalities, as well as mavericks who 'deviate from the norm'.
- The more *symbolic* aspects of organizations, such as logos, office furnishings, titles, status differentials and the type of language and terminology commonly used become a shorthand representation of the nature of the organization.
- The *control systems*, what gets measured and the reward systems, emphasize what it is important to monitor in the organization and to focus attention on.
- *Power structures* – the most powerful managerial groupings in the organization are likely to be the ones most associated with core assumptions and beliefs about what is important.
- The *formal organizational structure*, or the more informal ways in which the organizations work, are likely to reflect power structures and, again, to delineate important relationships and emphasize what is important in the organization.

Source: Based on Johnson, G., Scholes, K. and Whittington, R. (2008), *Exploring Corporate Strategy: Texts and Cases* (8th edn), Harlow: Pearson Education.

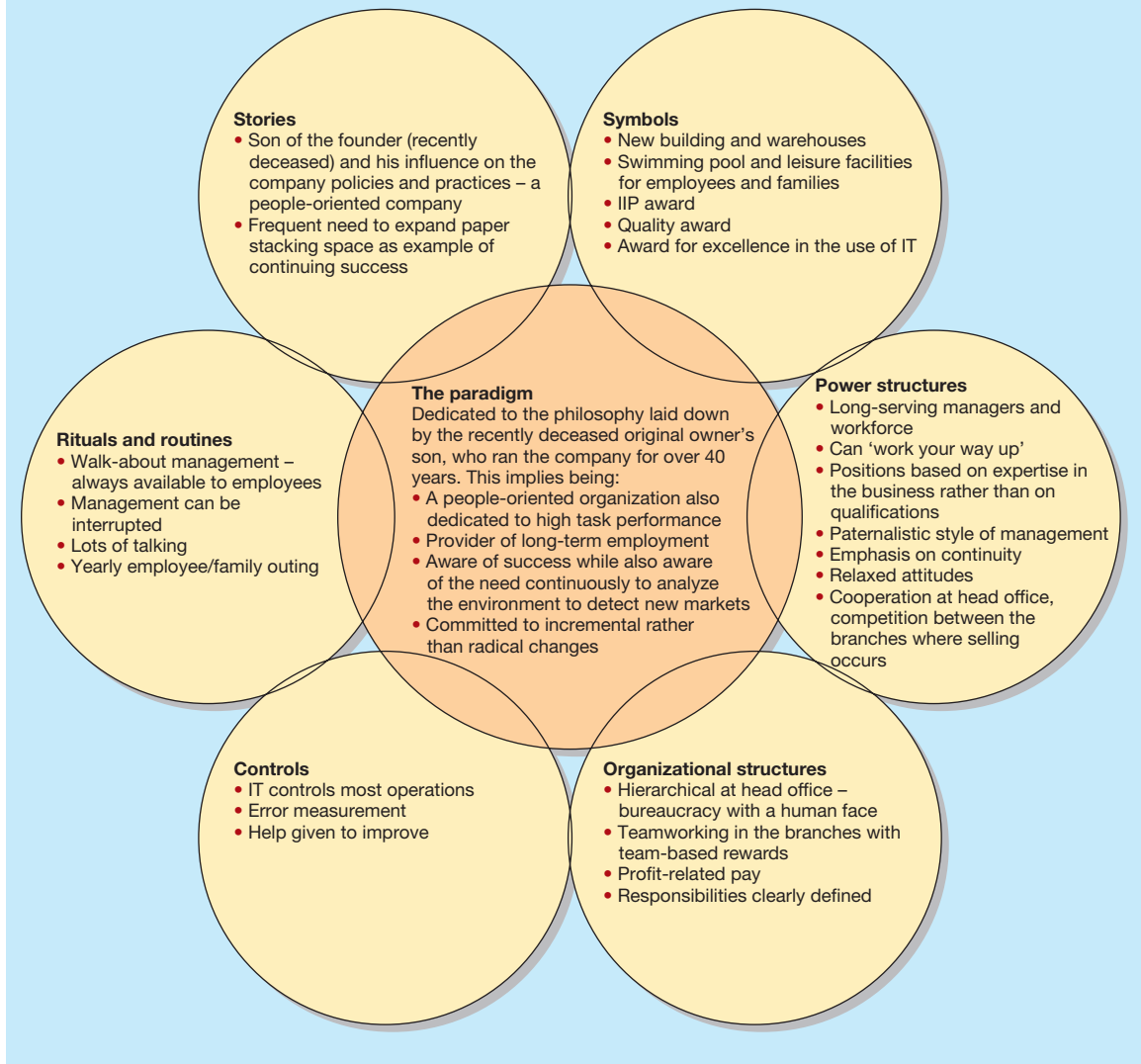
Illustration 4.3**A cultural web of Paper Unlimited, a large UK-based paper distributor****Activity 4.2 Creating a cultural web for your organization**

Illustration 4.3 shows the cultural web for an organization involved in paper production. Using this as a guide, construct a cultural web for an organization you know well.

If you wanted to initiate strategic change in the company that you have described, which features of the culture present the biggest barriers to change and how would you go about changing them?

Illustration 4.4**Daimler and Chrysler: cultural differences in a merger**

The auto industry has a long history of mergers and acquisitions. One high-profile merger took place in 1998 between German company Daimler-Benz (best known for Mercedes perhaps) and US car producer Chrysler. At the time, Daimler wanted to expand into new markets and develop new products. As the company stood, however, executives felt that this would not be achieved through Mercedes alone and that a link with another auto producer was needed. Chrysler, although the most profitable vehicle producer at the time, was aware of overcapacity in the industry and executives felt that there had to be a shake-out of manufacturers. To compete, Chrysler felt it needed a partner. After full due diligence investigations, focusing on the assets and financial structures of the two organizations, a decision to merge was made.

During negotiations by the merger teams, some socio-cultural issues emerged. Daimler was never going to be seen as the junior partner but was happy with the idea of 'a merger of equals'. Would the merged organization be German or American? There was no way that Daimler could end up as American, so it was agreed that the new company would be German. A new name, DaimlerChrysler, was agreed – reflecting the strength of the German position.

When the two companies were being integrated further, socio-cultural issues came out. Rewards for the top American executives were far higher than their counterparts in Germany. However, Daimler employees flew first class because this fitted the company's market position, whereas only the top Chrysler executives flew first class, and reconciling travel policies took six months to resolve. Working patterns also differed. For instance, there were

differences in dress codes, informal versus formal behaviour in business meetings, the ways decisions were made and the hours worked. Financial reporting in the USA was geared to quarterly reporting, unlike the annual cycle seen in Germany.

Another problem was the culture surrounding the two brands. One was a luxury brand built around superior engineering and the other was more associated with a brash American image and 'blue collar' purchasers. The two companies 'didn't just make cars differently; they lived in different worlds' (Badrtalei and Bates, 2007, p. 310).

The upshot of this was that the merger quickly began to falter. Financial performance collapsed and in 2001 the merged company announced big job losses and closure of plants to turn around a loss-making situation. Chrysler had benefited from Mercedes (for example, through the use of shared production systems and components), but benefits to Daimler were harder to find. In 2007, Daimler sold 80 per cent of its stake in Chrysler for \$7.4 billion – far less than it had invested in the venture.

Mergers and acquisitions only make sense if they create more than the partners were already achieving when separate. On this measure, this particular partnership was a failure. Analyzing the causes of failure in a case like this could rely on economic, market and technical explanations and they cannot be overlooked. However, it does seem that cultural clashes were inevitable in this case and that they were not sufficiently accounted for in pre-merger analysis.

Source: Based on Badrtalei, J. and Bates, D.L. (2007) 'Effect of organizational cultures on mergers and acquisitions: the case of DaimlerChrysler', *International Journal of Management*, 24(2), pp. 303–17.

The cultural compass

Hall (1995) offers a model that appears to accommodate the three levels of culture proposed by Alvesson (1993). The compass model of culture and its associated culture typologies have been developed through an apparent interest in cultural differences in 'partnerships', by which Hall means inter-company relationships typically

in the form of alliances, mergers or acquisitions, and which are based on two components of behaviour. The first of these is *assertiveness*, which is the degree to which a company's behaviour is seen by others as being forceful or directive:

Companies which behave in high assertive ways are seen to be decisive, quick and firm. There is little hesitation in their action. If they introduce a new product or enter a new market they do so with full force . . . Low assertive companies behave in more slow and steady ways. They are careful to consider what they do before they take firm action. They introduce a new product or enter a new market step by step, keeping their options open. Unlike the one-track mind of the high assertive company, the low assertive company has a 'multi-track mind'.

(Hall, 1995, p. 52)

The second behavioural component of culture in this model is *responsiveness*, which is the extent to which an organization's behaviour is seen by others as being emotionally expressed. Thus:

Companies which behave in high responsive ways are seen to be employee friendly, relaxed or spontaneous. These companies give the impression that they compete on feelings more than on facts. In industry gatherings, high responsive companies tend to be very 'likeable'. They seem more open than other companies. Low responsive companies behave in more reserved or closed ways. They are not so much liked as 'respected'. They tend to be more rigid, their employees serious. Low responsive companies compete more on facts than on feelings.

(Hall, 1995, pp. 54–5)

Behaviours that indicate high assertiveness include being individualistic, pushy, controlling and fast moving. Behaviours that indicate high responsiveness include being sensitive, compromising, trusting and loyal. Hall maintains that the four different combinations of the two behavioural components (high or low assertiveness and responsiveness) result in four different cultural styles. Figure 4.2 illustrates the compass model, so-called because each of the four styles is labelled as one of the four points of the compass. The various characteristics of high–low responsiveness versus assertiveness are shown in each quadrant.

Competing values framework

Quinn and Rohrbaugh (1983) proposed a competing values model as a way of understanding variations in organizational effectiveness. The model represents a framework or cognitive map used by people when they describe organizations and it has since been adapted to interpret culture (Cameron and Quinn, 2005; Kwan and Walker, 2004; Howard, 1998; Igo and Skitmore, 2005). The framework is a familiar 2×2 matrix in which the vertical axis represents flexibility and change versus stability and control. The horizontal axis represents an internal, person-centred focus versus an external, organization-centred focus. Each of the four quadrants represents one of four models or cultures, as shown in Figure 4.3.

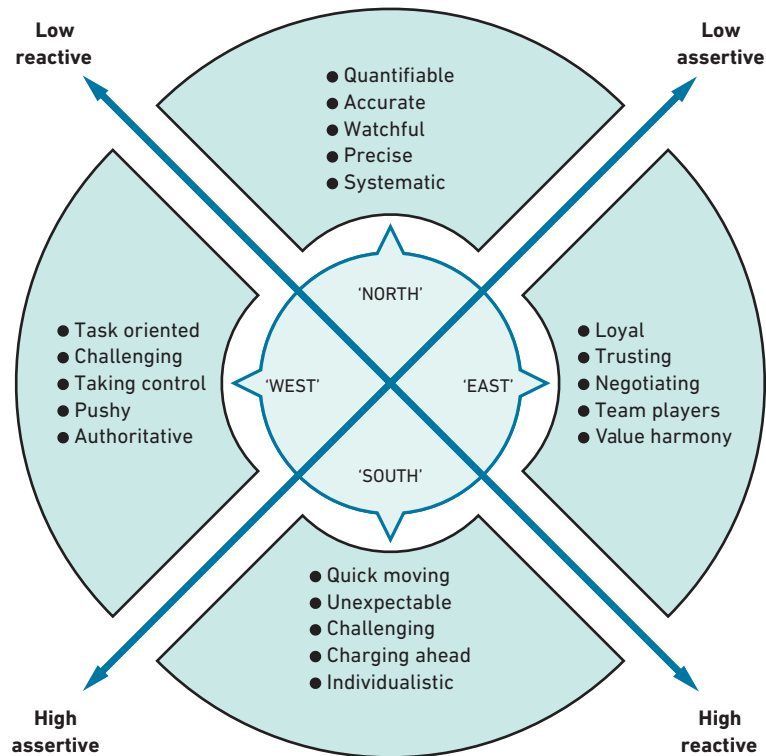


Figure 4.2 The compass model: characteristics of each style

Source: Based on Hall, W. (1995) *Managing Cultures: Making Strategic Relationships Work*, Chichester: Wiley, p. 58.

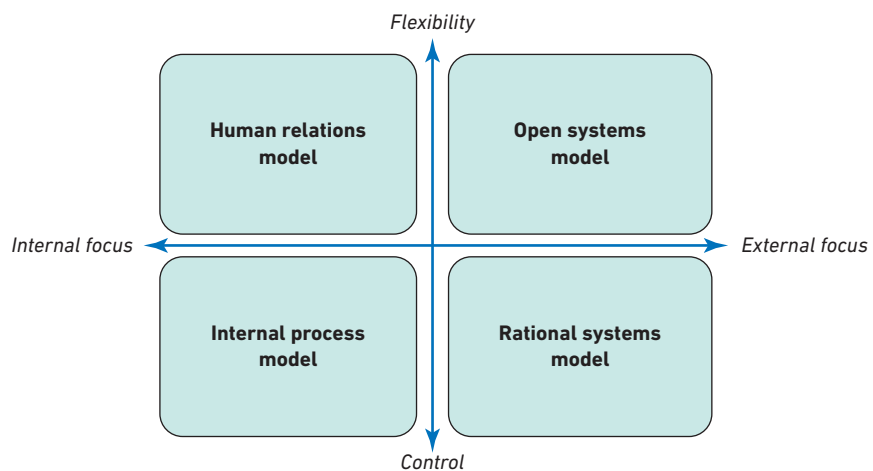


Figure 4.3 Competing values framework

Source: Adapted from Quinn, R.E. (1991) 'A competing values framework for analysing presentational communication in management contexts', *Journal of Business Communication*, 28(3), pp. 213–32.

The human relations model embodies flexibility and a focus on people. Morale, cohesion, team spirit and training and development are valued, with the end focus being on well-being and personal development. The open systems model embodies flexibility with an external focus. It is about being adaptable, looking for growth and acquiring resources, with the focus being more on the organization than the people in it. The rational system model embodies an external focus and control. Managers will emphasize planning, goals, target setting and monitoring in the pursuit of efficiency and productivity. The internal process model embodies a people focus with control. Information management and communication are valued in the pursuit of stability and control (Quinn and Rohrbaugh, 1983).

The diagonals connect models that are in stark contrast to each other, such as human relations and rational systems. The four cultures illustrate the ongoing conflicts (the competing values) of life in organizations. The competing values framework does not suggest that organizations fit into one of the four types, nor does it suggest that one model is better than another. What it emphasizes is that these tensions coexist. Managers seek growth but there are forces for stability. They seek high productivity but also want high levels of cooperation between employees. Although any attempt to reduce the undeniable complexity and uniqueness of culture to models such as this is oversimplifying, they are useful in cutting through the myriad views of culture.



Activity 4.3 Competing values?

Thirty years have passed since the competing values framework was introduced. Perhaps management has changed since then. To what extent do you think that the four values are in competition? For instance, can organizations focus both on their employees and on the organization? Can they have flexible approaches to work with an overlay of managerial control and centralization?

So far, we have seen several attempts to objectify and describe, or even measure, culture. This is useful in helping us understand cultures even if they do not capture the rich description achieved through ethnographic studies in single organizations. Consequently, it is useful to consider other typologies that allow a relatively easy comparison of one culture with another.

Organizational culture types

Culture as structure

This view of culture draws on descriptions of different structural forms for its expression. Charles Handy (1993) proposed four types using the Greek gods for inspiration. Handy referred to organizational culture as atmosphere, ways of doing things,

levels of energy and levels of individual freedom – or, collectively, the ‘sets of values and norms and beliefs – reflected in different structures and systems’ (p. 180). He suggested four organizational culture types, as shown in Illustration 4.5.

Illustration 4.5

A structural view of organizational culture

The power culture

A power culture is one in which a single person or group dominates. Handy refers to this culture as a *web* in the sense that a spider in the middle of its web senses and is connected to all movement elsewhere in the web. Decision making is centralized. This type of culture is seen as essentially political, since decisions are taken on the basis of influence rather than through a logical rational process. Power is held centrally by virtue of personal charisma or the control of resources. Family businesses, small entrepreneurial companies and, historically at least, trade unions are likely to have this type of culture. The strength of the culture depends on the strength of the centre and the willingness of other organizational members to defer to the power source. Handy likens this culture to the Greek god Zeus who ruled by whim and impulse, by thunderbolt and shower of gold from Mount Olympus.

The role culture

Handy likens a role culture to a *Greek temple*. The patron god here is Apollo, the god of reason, the argument being that role cultures work by logic and rationality. The pillars of the temple are strong in their own right, and activity is controlled more by rules and regulations than by personal directive from the top. The base of the temple is seen as coordinating activity, rather than overtly controlling it. Emphasis is on defined roles and occupants are expected to fulfil these roles but not overstep them. Role cultures flourish in stable situations and are the least conducive to change.

The task culture

The task culture is represented by a *net*. The dominant concept in a task culture is project work associated with matrix-type structures. Handy pushes the Greek mythology association somewhat here in suggesting Athena, whose emphasis was on getting the job done. The task culture, therefore, is not particularly concerned with personal power or hierarchy, but with marshalling the required resources to complete work efficiently and effectively. People are connected via networks. Decision making is devolved to the project groups to enhance flexibility of working method and to speed up the outcomes. The task culture is said to flourish where creativity and innovation are needed, particularly in organizations concerned with research and development, marketing, advertising and new ventures.

The person culture

According to Handy, this culture is unusual as it exists only to service the needs of the participating members. It does not have an overarching objective as is found in more conventionally structured organizations. Examples of person cultures are barristers’ chambers, doctors’ centres and small consultancy firms. Person cultures have minimal structures and can be likened to a cluster or galaxy of individual stars. Handy proposes Dionysus as its patron deity – the god of the self-oriented individual.

Source: Based on Handy, C. (1993), *Understanding Organizations*, London: Penguin, pp. 183–91.



Activity 4.4

Consider your own organization in terms of Handy’s four cultural types. Which description best matches the culture as you see it?

Culture, strategy and environment

Deal and Kennedy (1982) also proposed four generic cultures: the tough-guy, macho culture; the work-hard/play-hard culture; the bet-your-company culture; and the process culture. Their model takes account of the organization's competitive environment (see Illustration 4.6).

Illustration 4.6

Deal and Kennedy's typology

The tough-guy, macho culture

People in macho cultures regularly take high risks and receive rapid feedback on what they do. Examples cited are police departments, publishing, sports and entertainment. In tough-guy cultures the stakes are high and there is a focus on speed rather than endurance. Staff tend to be young and financial rewards come early, but failure is punished harshly. Burn-out, internal competition and conflict are normal. This means tantrums are tolerated and people try to out-do each other. However, while tough-guy cultures can be highly successful in high-risk, quick-return environments, they are less suited to long-term investments. Being unable to benefit from cooperative activity, these organizations tend to have a high turnover of staff and thus often fail to develop a strong and cohesive culture.

The work-hard/play-hard culture

This culture exists where there is low risk but quick feedback on actions, such as sales organizations that incorporate hard work and fun. Persistence, keeping at it and working to recognized procedures are typical of work-hard/play-hard cultures. The risks are small because an individual sale is unlikely to severely damage the salesperson. In addition, production systems are built to withstand temporary hitches. However, being selling oriented, all employees gain quick feedback on their performance. Heroes in these organizations are the super-salespeople who turn in volume sales. Contests, conventions and other means of encouraging intense selling are used. Yet the culture emphasizes the team because it is the team that makes the difference, not the achievements of single individuals. However, although work/play cultures can achieve high sales, this can be at the expense of quality.

Bet-your-company culture

These cultures are typical of organizations where the risks are high and the feedback on actions and

decisions takes a long time. Bet-your-company organizations are those that invest heavily in projects that take years to come to fruition. Examples include aircraft manufacturers and oil companies. In contrast to tough-guy cultures, people in bet-your-company cultures bet the company rather than themselves. Consequently, there is a sense of deliberateness that manifests itself in ritualized business meetings. All decisions are carefully thought through. Decision making tends to be top down, reflecting the hierarchical nature of the organization. The survivors in these organizations respect authority and technical competence and have the stamina to endure long-term ambiguity with limited feedback. They will act cooperatively, and have proved themselves over a number of years – immaturity is not tolerated. Bet-your-company cultures lead to high-quality inventions and major scientific breakthroughs, but their slow response times make them vulnerable to short-term economic fluctuations. However, these companies may be those that the economy needs most.

The process culture

This culture is typical of organizations where there is low risk and slow feedback on actions and decisions. Examples (at the time of the research 30 years ago) were banks, insurance companies, public and government organizations and regulated industries. (Banks, as we have discovered to our cost, were in fact deregulated.) Working with little feedback, employees have no sense of their own effectiveness or otherwise. Consequently, they tend to concentrate on the means by which things are done rather than what *should* be done.

Values tend to focus on technical perfection, working out the risks and getting the process right. Protecting one's back is what most employees do, so the people who prosper are those who are orderly and punctual and who attend to detail. The ability to weather political storms and changes



Illustration 4.6 *continued*

becomes a desirable trait. In process cultures there is considerable emphasis on job titles and status and the signs that symbolize them, such as style of office furniture. Position power is desired. Staying with

the organization is valued through long-service awards. Process cultures are effective when dealing with a stable and predictable environment, but find it difficult to react quickly to changing circumstances.

Deal and Kennedy's typology dates from the 1980s, and while the cultural types may still be relevant, it is questionable in light of political and regulatory changes whether the examples of each type given are still valid. Deal and Kennedy (2000, p. 169) agreed that previous assumptions needed revising. For instance, banks (as examples of process cultures) have evolved more into sales-type organizations but do not, perhaps, yet fit the work-hard/play-hard culture suggested for sales-oriented companies. Figure 4.4 shows Trompenaars and Prud'homme's (2004, p. 67) depiction of these four types with more up-to-date examples of each culture. Even this recent update raises questions about the placement of banks in the process-culture category. Given their more recent behaviour, a 'bet-your-company' category might seem more fitting.

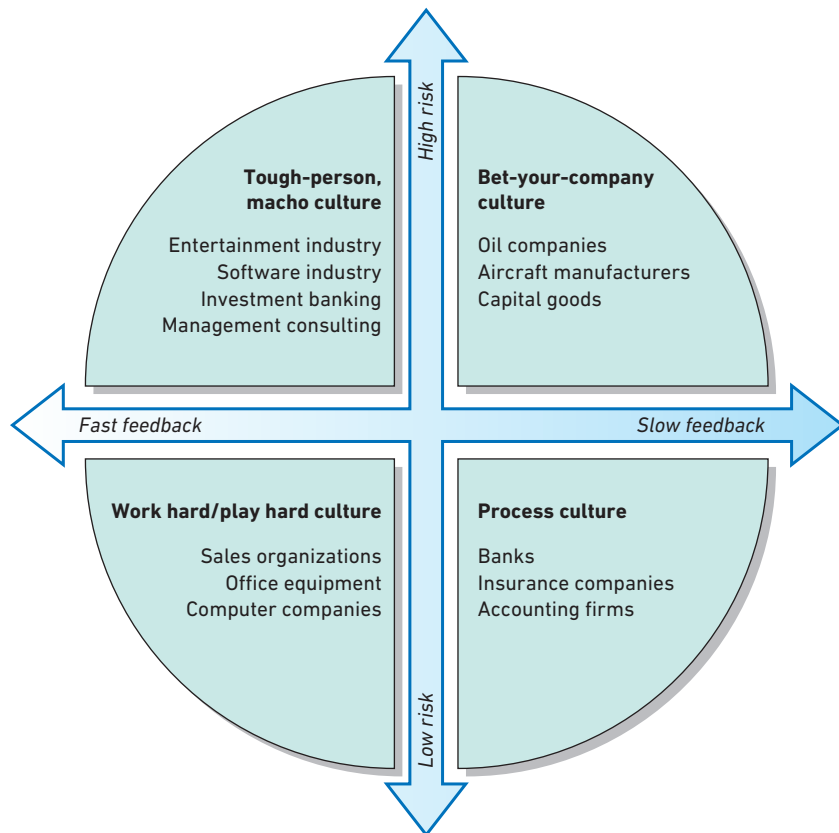


Figure 4.4 Deal and Kennedy model for corporate culture

Source: Reprinted by permission of John Wiley & Sons Ltd on behalf of Capstone Publishing Ltd. Trompenaars, F. and Prud'homme, P. (2004) *Managing Change Across Corporate Cultures*, Chichester: Capstone Publishing.

In contrast to previous emphases on links between culture and the internal and external environment, Scholz (1987) brought these together, using three dimensions. The external-induced dimension of organizational culture draws on Deal and Kennedy's four culture types. The internal-induced dimension identifies three culture types (production, bureaucratic and professional) that derive from organizational structure characteristics. The evolution-induced dimension goes beyond earlier models in its relationship to the strategic orientation of the organization and its environment. From these three dimensions, five culture types are identified:

- 1 *Stable*, with a time orientation towards the past and an aversion to risk.
- 2 *Reactive*, with a time orientation towards the present and an acceptance of 'minimum' risk.
- 3 *Anticipating*, also oriented towards the present but more accepting of 'familiar' risks.
- 4 *Exploring*, with a time orientation towards the present and the future and an acceptance of increasing risk.
- 5 *Creative*, looking forward to the future and accepting risk as normal.

Thus far we have seen how culture is expressed and have noted the influences of dominant personalities, professional norms and market economics, among others, on shaping organizational culture. Organizational history also plays a part. Another important overlay comes from national cultural differences.

The influence of national culture

The literature on cultural similarities and differences between nations contains a long-standing question in the form of the convergence–divergence debate. In summary, those who support the convergence view argue that the forces of industrialization and globalization as well as increasing organization size will push organizations, whatever their location, towards particular configurations with respect to strategy, structure and human resource management practices. In addition, the growth of international and multinational organizations increases the need for 'international managers' to conform to standardized management practices, whichever part of the world they are in.

Opposing this view (for example, Hofstede, Hofstede and Minkov, 2010; Javidan *et al.*, 2006), the divergence debate argues that differences in language, religion, social organization, laws, politics, education systems, values and attitudes will, of necessity, mean that national cultures will not converge but continue to remain distinct, such that there inevitably will be local differences in the organization cultures even within multinational companies.

For Trompenaars (2001), each organization has its own unique culture, probably created unconsciously, based on actions and behaviours of senior executives, founders and other core people – those who built it originally and any who subsequently changed it. Culture is an acquired body of knowledge about how to behave and

shared mindsets, and includes cognitive frameworks. His model utilizes the sources of national cultural differences in corporate culture on a number of dimensions:

- universalism vs pluralism (do we focus on rules and procedures or rely on our relationships when we seek to get things done?);
- individualism vs communitarianism (do we think organizations should focus attention on individuals or on groups?);
- specific vs diffuse (are relationships superficial and transactional or deep and go beyond the workplace?);
- inner directed vs outer directed (is action focused inside the organization or externally?);
- achieved status vs ascribed status (is value seen in who people are or in the position they hold?);
- sequential time vs synchronic time (is attention to people and problems in sequence or jointly?).

The connections between this study and the Hofstede work are evident enough, but it seems clear that Trompenaars' work has application to corporate culture generally. Thus, for example, where ascribed status is important in defining people's worth in a given organizational setting, there has to be real questions about how easy it would be to introduce change because change would be likely to undermine those definitions of worth. While his concern was with the sources of national cultural difference, it seems clear that the model reveals much about corporate culture.

It is clear that attitudes to risk, the feedback people get and the timescales associated with feedback are important factors in understanding the emerging complexity to which Schein (2004) points. It is also probably true that we ought to examine the mechanism through which culture is formed, because while these factors clearly are important they can hardly be used to explain the emergence of long-lasting cultures. For example, it would stretch incredulity to claim that the attitude to risk remains stable over time, between generations of employees, but we would need to believe that to be true were we to seek to explain the emergence of a particular culture on that basis.

Gerhart (2008), who re-examined Hofstede's and Javidan *et al.*'s GLOBE studies' statistics (2006), concludes that the differences between national cultures may not be as strong as had been argued and, therefore, they do not necessarily constrain organizational cultures. On the other hand, he also says that his findings do not mean that national cultural differences are unimportant, and in some circumstances might or might not influence organizational cultures. He concludes: 'Therefore, organizations may have more discretion in choosing whether to localize or standardize organizational culture and related management practices (either to the forces of industrialization or nation cultures) than is suggested by conventional wisdom' (p. 255). However, the power of existing cultures cannot be underestimated, as Illustration 4.7 shows.

Illustration 4.7

Driving change at Ford

In an interview for the *Harvard Business Review* (1999), Jacques Nasser, Chief Executive Officer of Ford Motor Company, spoke of his attempt to bring about radical change in the company 'mindset' of everyone working there. According to the interview account, Nasser asked his employees in 200 countries 'to think and act as if they own the company'. 'To adopt, in other words, the capital markets' view of Ford – to look at the company in its entirety, as shareholders do.' Nasser says that this is 'a radically different mentality for Ford'. This mentality (or culture as it might be termed in the context of this discussion) is very different from the one that has, apparently, prevailed for much of the time since the company was formed over 100 years ago – one Nasser describes as: 'A collection of fiercely independent fiefdoms united under the flag of their functional or regional expertise'. Each division in this 'collection' appears to have its own organizational subculture for which, as Nasser comments, there were 'legitimate historical reasons'.

Elaborating on this he says: 'Think about Ford's history in three chunks: from its founding in 1905 to the early 1920s, the late 1920s through to the 1950s, and the 1960s through the 1980s.' The first period was one of 'colonization' and the opening of assembly plants (which were smaller versions of the original company in Detroit) in other countries, but with very little competition from other automotive companies. The second period was one of 'intense nationalism', with large automotive companies growing up in the United Kingdom, France, Germany, Australia, all making their own vehicles and exporting them to others – but in their own regions. The third period saw the rise of regionalism and the emergence of the European Union and the North American Free Trade Association (NAFTA). It was this period that saw the entrenchment of the regional and functional fiefdoms.

Nasser comments that, given the prevailing environment at that time, this arrangement worked

very well: squeezing 'every last ounce of efficiency out of the regional model'. However, he goes on to say that this model does not work any more in the current environment of increasing globalization of capital, communications, economic policy, trade policy, human resources, marketing, advertising, brands – and so on. Consequently, there is a perceived need to 'reinvent' Ford as a global organization with a single focus on consumers and shareholder value.

Nasser talks of striving for some kind of DNA that drives how Ford does things everywhere. This includes a global mindset, an intuitive knowledge of customers and a strong belief in leaders as teachers. However, this does not mean that the same products are produced and sold everywhere. What it does mean is that, although Ford cars have many common systems that bring scale efficiencies, they can also be tailored to individual local markets. What is more, although Ford would like to see common reward systems for staff wherever they work, Nasser recognizes that different cultures have different attitudes to pay and rewards – for instance, about the balance between fixed and variable rewards. What is also clear is that different tax laws require different attitudes to employment, stock purchase and so on.

Having said all this, it is clear that Nasser was looking for a significant cultural shift. The article describes, in some detail, the approach taken to help this to happen – an approach based on a multifaceted teaching initiative, led by senior and middle managers and aimed, eventually, at all Ford employees wherever they are located. Nasser said: 'The Ford you see today has no resemblance to the Ford of five years ago. If you dissected us and inspected every blood vessel, we're different; our DNA has changed. I don't think we'll go back.'

Source: Based on Nasser, J. and Wetlaufer, S. (1999), 'Driving change: an interview with Ford Motor Company's Jacques Nasser', *Harvard Business Review*, March–April, pp. 76–88.

The diversity of national cultures

Illustration 4.8 summarizes a widely referenced framework that describes the cultural orientation of societies in terms of six basic dimensions.

Illustration 4.8

Six different cultural orientations of societies

- 1 *People's qualities as individuals in terms of whether people are seen as basically good or basically bad.* Societies that consider people good tend to trust people, while those that consider people bad tend to start from a premise of mistrust and suspicion.
 - 2 *People's relationship to their world.* Some societies believe they can dominate their environment while others believe the environment and themselves to be inseparable and, therefore, that they must live in harmony with it.
 - 3 *People's personal relationships in terms of individualism or collectivism.* Some societies encourage individualism and the notion of being self-supporting, with achievement being based on individual worth, while others are more group oriented, where people define themselves as members of clans or communities (which might be the work organization) and consider the group's welfare to be more important than the individual.
 - 4 *An orientation to either doing or being.* Societies that are doing and action oriented stress accomplishments that are measurable by standards believed to be external to the individual; societies oriented to being are more passive, believing that work should be enjoyed and they should live more for the moment.
 - 5 *People's orientation to time.* Some societies are past oriented, believing that current plans and actions should fit with the customs and traditions of the past, while future-oriented societies justify innovation and change in terms of future pay-offs, believing radical change to be desirable as well as acceptable.
 - 6 *People's use of space.* Societies differ on such matters as offices in relation to status, the designation of public space compared to private space and the separation of managers from subordinates.
- Source: Kluckhohn, F. and Strodtbeck, F.L. (1961), *Variations in Value Orientations*, Evanston, IL: Row Peterson.

Regarding the good–bad dimension or trust–mistrust dimension, the way one group of people regards another will differ according to whether they start with the assumption that people are trustworthy or that all people will cheat if given the opportunity. This translates, for instance, into whether information is freely available, the extent of surveillance and how one group's actions are interpreted by another.

Adler (1997) describes the strong individualistic tendencies of Americans, as evidenced in their use of assertive language and their recruitment and promotion practices based on criteria relating to individual knowledge and skills. This contrasts with more group-oriented societies such as Japan, China, Indonesia and Malaysia, which put more stress on assignments, responsibilities and reporting relationships in collective terms. People in collective societies are more likely to gain employment through personal contacts who can vouch for their trustworthiness and ability to work with others. Favouring family friends when making

decisions is not seen as unusual, but it would be less acceptable in more individualistic societies. Adler points out that different time orientations impact significantly on attitudes to timekeeping and punctuality and influence the length of time someone might be given to show their worth in a job, and the focus on short-term or long-term results.

The concept of geographically identifiable, culturally differentiated regions based on national boundaries is supported by substantial evidence (Hofstede, 2001; Hofstede, Hofstede and Minkov, 2010). This research initially found four dimensions within which cultures could be described and a fifth dimension was added based on further studies that incorporated Chinese and Confucian values (Minkov and Hofstede, 2010). These five dimensions are described in Illustration 4.9.

Illustration 4.9

Hofstede's dimensions of national culture

Power distance

Power distance refers to how a society deals with the fact that people are unequal – for instance, in physical and intellectual abilities. Some societies let these inequalities grow over time into inequalities in power and wealth, whereas others try to play down inequalities. In high-power distance societies, inequalities of power and wealth are accepted not only by the leaders but also by those at the bottom of the power hierarchy, with corresponding large differences in status and salaries. In low-power distance societies, inequalities among people will tend to be minimized, with subordinates expecting to be consulted by superiors over decisions that affect them, and to be treated more as equals of those with the power. Status differentials vary according to power distance.

Individualism/collectivism

Individualism/collectivism refers to relationships between an individual and their fellow individuals. In an individualistic society, the ties between individuals are very loose. Everybody is expected to look after self-interest and perhaps that of their immediate family. Individuals in these societies have high freedom of action. In collectivist societies the ties between individuals are very tight. The concept of the extended family is important and can reach out to work groups and organizations. Everybody is supposed to look after the interests of their in-group, which will protect them when they are in trouble.

Masculinity/femininity

Masculinity/femininity refers to the degree to which social gender roles are clearly distinct. In high-masculinity societies, the social division between the sexes is maximized, with traditional masculine social values permeating the society. These values include the importance of showing off, of making money and of 'big is beautiful'. In more feminine societies, the dominant values – for both men and women – are those more traditionally associated with the feminine role of nurturing and caring, putting relationships before money, minding the quality of life and that 'small is beautiful'.

Uncertainty avoidance

Uncertainty avoidance refers to how a society deals with the fact that time runs only one way – from the past to the future – and that the future is unknown and, therefore, uncertain. Some societies are more comfortable with uncertainty than others. Uncertainty avoidance manifests, for example, in the creation of rules, systems and procedures to cope with events. People in low-uncertainty avoidance societies tend to accept each day as it comes and are comfortable with a higher degree of risk taking. Societies demonstrating strong uncertainty avoidance characteristics socialize their people into trying to beat the future. Precision and punctuality are important in a context of fear of ambiguous situations and unfamiliar risks.



Illustration 4.9 *continued***Long-term/short-term orientation**

Different societies look at the past, the present and the future in different ways: some societies give a high priority to maintaining traditions and are cautious about change to the society; others are less connected to the past and are more open to change. Societies with a long-term orientation stand for the fostering of virtues oriented towards future rewards, in particular perseverance and thrift. People living in these societies have a respect for traditions and fulfilling social obligations. 'Saving

face' is important. Leisure time is not important. Societies with a short-term orientation look more to the present and the immediate future. There is an emphasis on quick results. People in these societies care more about fixing present and near-future problems than seeking sustainable long-term solutions. Status is not a major issue in relationships. Protection of one's reputation (face) is important, and ideas about what is good or bad are firmer (more absolute) than in societies with high long-term orientations.

When countries are mapped in terms of their relative scores on the five dimensions, some logical groups and clusters emerge. Scandinavian countries group together around collectivism and consensus. Germany, Austria and Switzerland group together around efficiency. The UK, North America, Australia and New Zealand emphasize individualism and personal achievement. France, Spain, Italy and Japan group together based on bureaucracy and high power distance (Burnes, 2007, p. 206). Table 4.1 shows the culture score summary data for ten countries.

Figure 4.5 illustrates four organizational models that refer to empirically derived relationships between a country's position on the power distance/uncertainty avoidance matrix and models of organizations implicit in the minds of people from the countries concerned. Hofstede (1991) uses the metaphors of a

Table 4.1 Culture dimension scores for ten countries

<i>Country</i>	<i>Power distance</i>	<i>Individualism*</i>	<i>Masculine**</i>	<i>Uncertainty avoidance</i>	<i>Long-term orientation***</i>
China	High	Low	Moderate	Moderate	High
France	High	High	Moderate	High	Low
Germany	Low	High	High	Moderate	Moderate
Hong Kong	High	Low	High	Low	High
Indonesia	High	Low	Moderate	Low	Low
Japan	Moderate	Moderate	High	High	High
Netherlands	Low	High	Low	Moderate	Moderate
Russia	High	Moderate	Low	Low	Low
United States	Low	High	High	Low	Low
West Africa	High	Low	Moderate	Moderate	Low

*A low score implies collectivism. **A low score implies feminine orientation. ***A low score implies short-term orientation.

Source: Adapted with permission from Hofstede, G. (1993), 'Cultural constraints in management theories', *Academy of Management Executive*, February, p. 91. Copyright © Geert Hofstede.

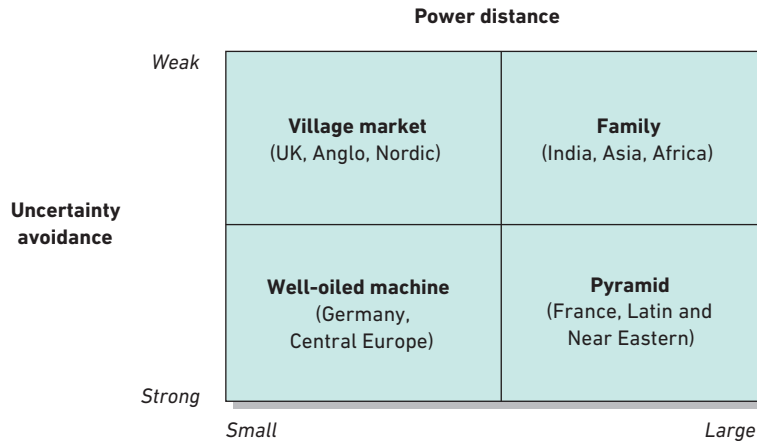


Figure 4.5 Implicit models of organization

Source: Adapted with permission from Hofstede, G. (1991) *Cultures and Organizations*, Maidenhead: McGraw-Hill. Copyright © Geert Hofstede.

village market, a well-oiled machine, a pyramid and a family to describe different approaches to organizing. Thus, people from countries with a 'village market' culture do not have the same need for hierarchy and certainty as those from a pyramid-type culture. These contrast with people from cultures reminiscent of 'well-oiled machines' – such as Germany – where hierarchy is not particularly required because there are established procedures and rules to which everyone works. People who live in countries or regions located in the 'family' quadrant – such as India, West Africa and Malaysia – are said to have an implicit model of organization that resembles a family in which the owner-manager is the omnipotent (father) figure.

It is clear that if these differences between cultural groupings exist, and assuming any convergence between them is slow, there is a good chance that they will influence organizational cultures in correspondingly different ways. The grouping together of countries into the four models depicted in Figure 4.5 is an oversimplification of the complexity of national cultures, let alone differences within countries, but it is helpful in appreciating that differences can and do exist.

However, while there are arguments against attempts to quantify and compare things as complex as national cultures, other research on this topic has supported Hofstede's basic propositions. Laurent (1983) for instance, focused on the views of senior and middle managers in a large number of different organizations, spread across nine European countries and the USA. Laurent's hypothesis was that the national origin of managers significantly affects their views of what proper management should be. From his survey, Laurent identified four dimensions, which he labelled: 'organizations as political systems'; 'organizations as authority systems'; 'organizations as role-formalization systems'; and 'organizations as hierarchical-relationship systems'. Laurent concluded that France and

Italy score highly on all dimensions – meaning that they were politicized, hierarchical, had high degrees of role formalization and believed in the authority of individuals. Denmark and the UK were positioned similarly to each other, with low levels of hierarchy and politicization, moderate degrees of belief in individual authority and high levels of role formalization. Sweden had the lowest score in terms of hierarchical relationships, with moderate scores on the other three dimensions.

The GLOBE framework

The Global Leadership and Organization Behaviour Effectiveness (GLOBE) study extended previous work on national cultures (see House *et al.*, 2004). The research reported in this study spanned 62 countries in ten world regions, taken from a very wide range of organizations and sectors. GLOBE specifically tried to understand how cultural values connected to organizational behaviour.

The study found nine dimensions of national culture that show similarities to Hofstede's typology, with the main differences (at least linguistically) being the addition of dimensions relating to concern for performance and concern for gender equality. However, there is some debate about the validity of all nine dimensions (see Minkov and Blagoev, 2012), though Hofstede (2006) argues that after allowing for 'data reduction', the nine dimensions are a strong reflection of his earlier work.

Based on these rankings, GLOBE data suggests the following for the countries shown (partly tongue in cheek). The Swiss are exercised by achievement, future planning and minimizing uncertainty. The Swedes are exercised by assertiveness and group collectivism. The English seem relatively average, although they are relatively short term in their outlook. The Italians seem relaxed about most things but do like a bit of power distance. Hungarians seem most of all to be concerned with gender equality. Koopman *et al.* (1999) concluded that European countries do fit in 'culture clusters' and cautioned against the idea of a European culture. Culture clusters are explained by differences in language roots (such as Germanic versus Latin), geographic proximity, post-war Soviet expansion, religion (for example, Protestant versus Catholic) and political/economic systems, among other things.

Some of the cultural dimensions found in studies of this type correlate with national prosperity (or poverty), which poses an important question of whether some dimensions are proxies for levels of economic development rather than true cultural differences.

Based on interviews with human resource directors in 40 large European companies, Calori and De Woot (1994) suggested the clusters of management systems shown in Figure 4.6.

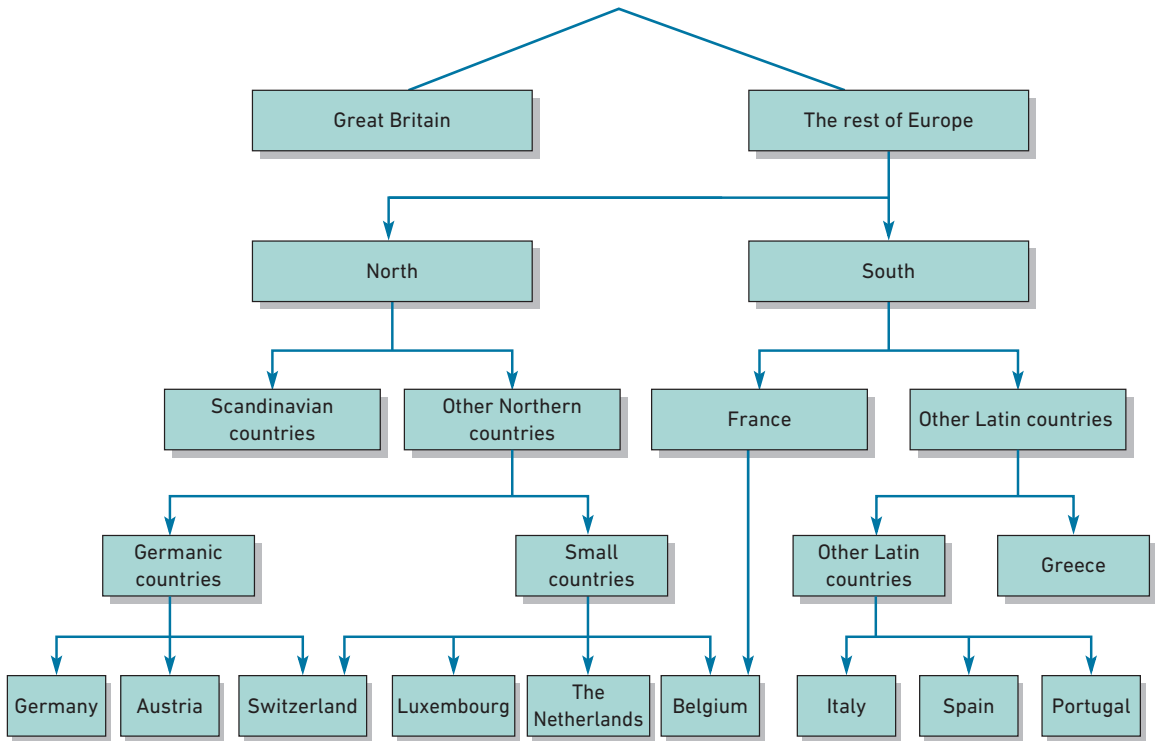


Figure 4.6 Clustering of management systems in Europe

Source: Based on Calori, R. and De Woot, P. (1994) *A European Management Model Beyond Diversity*, Hemel Hempstead: Prentice Hall, p. 20.

Carlton and De Woot (1994) sought to understand contrasts they observed between industrial relations in the UK as compared to Southern Europe and Germany. Southern Europe seemed to have more state intervention, protection of local markets, more family businesses and greater reliance on elites (particularly in France). Germany appeared to have stronger links between industry and finance, more professional training of managers, a clearer sense of collective purpose and a long term focus regarding investment. In the UK the focus was more short term, with emphasis on returns to shareholders as compared to other stakeholders, with capital markets acting more independently of industrial concerns. There was a higher level of variable pay for senior executives in the UK.



Activity 4.5

Consider the country groupings and characteristics identified by Calori and De Woot in Figure 4.6. To what extent do any of these characteristics agree with your own experience?

World Values Survey

In addition to the research and models already discussed, the World Values Survey is another attempt to understand national cultures and how they are changing. Inglehart and Baker (2000) offer some revealing findings about the convergence–divergence debate from their longitudinal analysis of 65 societies. They found evidence for both ‘massive cultural change and the persistence of distinctive cultural traditions’ (p. 19). They found that economic development promotes a shift away from traditional values to less religious values, such that if economic development continues then institutionalized religious systems will decline. Consider the fall in religious observance in Protestant industrialized Europe, for example.

Societies that enter a post-industrialist era see a departure from absolute norms. However, the historic cultural roots, such as Protestantism, Islam or Confucianism, persist in shaping societies. So, rather than converge, societies are changing but moving in parallel, ‘shaped by their cultural heritage’ (p. 49). Inglehart and Baker also caution against seeing cultural change as ‘Americanization’. In contrast, they found that the Nordic countries (Denmark, Finland, Norway, Sweden) best illustrate the culture that others are moving towards.

National culture and organizational culture

Activity 4.5 shows how difficult it is to fit national culture into categories, yet it would be hard to argue that differences of this type do not exist. In addition, the evidence points to close relationships between national culture and organizational culture. For instance, Furnham and Gunter (1993) provide examples of organizations in Australia, Israel and Denmark (low scores on power distance) having common organizational structures. Their structures incorporated low centralization of decision making and flatter pyramids of control, reminiscent of Handy’s task culture. These structures contrasted with those in countries such as the Philippines, Mexico and India, which scored highly on power distance. Here, organizations were typified by strict hierarchical structures and centralized decision making, reminiscent of Handy’s role culture.

National cultures overlay principles, practices and assumptions that affect management practices such as selection, development and reward, and as such influence interpersonal relationships and individual performance. Indeed, one of the GLOBE dimensions relates to a performance orientation in national culture. However, variations between organizational cultures in the same country (within-country variations) are more influential than national cultural differences (Gerhart and Fang, 2005; Gerhart, 2008). Put another way, in a cross-border merger the two organizational cultures have more bearing on outcomes than the two national cultures. In a study of international alliances, differences in professional cultures had the most disruptive effect on outcomes, followed by organizational culture, which was more disruptive than differences in national cultures (Sirmon and Lane, 2004). Professional cultures exist in groups of people in similar occupations and develop through education,

training, the way knowledge is generated and the way competence is demonstrated – consider differences in engineering, literature and accounting, for instance. In a study of organizations in the USA, Brazil and India, Nelson and Gopalan (2003) found clusters of organizations with cultures matching the national culture (isomorphic) and clusters that rejected national values (rejective). This led them to suggest that debates about *either* convergence or divergence are unhelpful, and that it would be better to talk about how forces for convergence interact with forces for divergence in the local setting.



Activity 4.6

Look again at Figure 4.5, which positions four models of organization on Hofstede's power distance and uncertainty avoidance dimensions. Consider Deal and Kennedy's four culture types described in Illustration 4.6 and consider how far each can be related to one or more of Hofstede's organizational models. What conclusions can you derive from this?

Both Adler (1991) and Hofstede (1994) draw attention to the way that organizational theory, as it relates to factors such as motivation, decision making and leadership, is culturally determined. Because most management and organizational theory derives from research in Western universities, particularly in the USA, caution is advised before extending it uncritically elsewhere. For instance, cultures that value participative styles of leadership and decision making may not be welcomed in societies that see consultation by leaders as a weakness, and where workers would be embarrassed if consulted by their managers.



Organizational culture and change

Wilson and Rosenfeld (1990, p. 237) say: 'The pervasive nature of organizational culture cannot be stressed too much.' We contend that this is to a large extent true, and particularly so with respect to organizational change. However, as discussed previously, organizational cultures come in many forms, and therefore are likely to have varied influences on efforts to bring about change. These influences are depicted in Figure 4.7.

Cultures in defence against, or in support of, change

An examination of the elements in Figure 4.7 will give some idea of how each one could obstruct or support change. One element of organizational design that is particularly relevant to the ease with which change comes about is that of an organization's structure. Indeed, some of the typologies of organizational culture, discussed

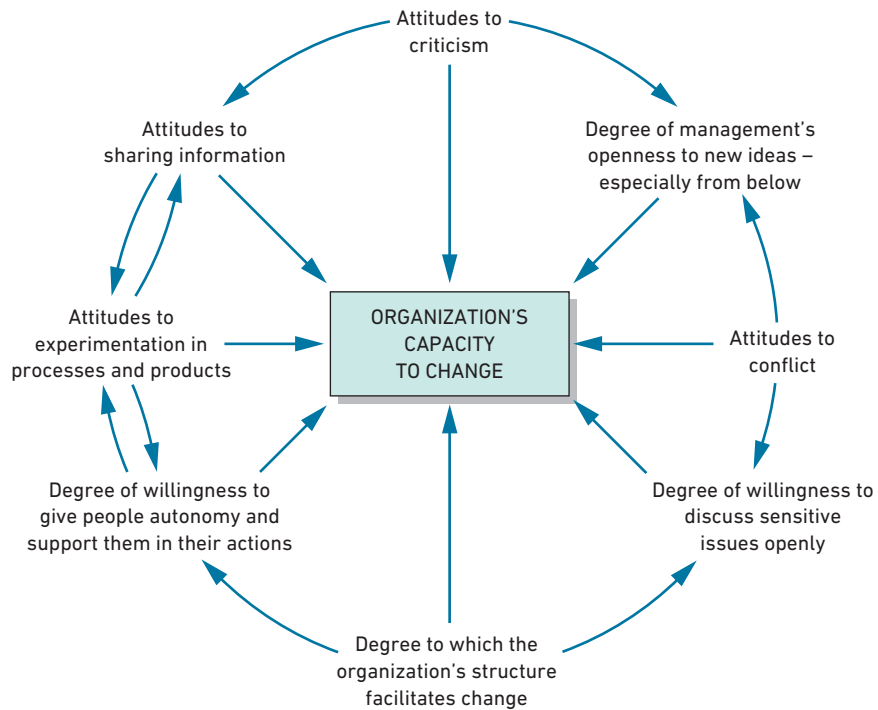


Figure 4.7 Organizational culture and change

earlier in the chapter, are closely related to types of organizational structure. Burns and Stalker's (1961) classic research is a good example of the merger of the concepts of structure and culture, as is seen in their argument that organic types of organization are far more likely to be able to respond to the need for change than mechanistic forms. However, this is not to say that mechanistic-type organizations *defend* against change, but they are less open to it. They are, however, unlikely to support, without serious trauma, the frame-breaking, transformational or revolutionary types of change discussed in Chapter 2. Structural characteristics as well as attitudes, beliefs and values are more likely to act as barriers.

Kanter (1983) describes two extremes of organizational culture that differ not only in structural characteristics, but also in the underlying attitudes and beliefs of the people working in them. The first she calls a 'segmentalist' culture and the other an 'integrative' culture (see Illustration 4.10).

In addition, she offers the following ten 'rules for stifling innovation':

- 1 Regard any new idea from below with suspicion – because it is new, and because it is from below.
- 2 Insist that people who need your approval to act first go through several other levels of management to get their signatures.
- 3 Ask departments or individuals to challenge and criticize each other's proposals (that saves you the task of deciding – you just pick the survivor).

- 4 Express your criticisms freely and withhold your praise (which keeps people on their toes). Let people know they can be fired at any time.
- 5 Treat identification of problems as signs of failure, to discourage people from letting you know when something in their area isn't working.
- 6 Control everything carefully. Make sure people count anything that can be counted, frequently.
- 7 Make decisions to reorganize or change policies in secret, and spring them on people unexpectedly. (That also keeps people on their toes.)
- 8 Make sure that requests for information are fully justified and make sure that this information is not given out to managers freely. (You don't want data to fall into the wrong hands.)
- 9 Assign to lower-level managers, in the name of delegation and participation, responsibility for figuring out how to cut back, lay off, move people around or otherwise implement threatening decisions you have made. And get them to do it quickly.
- 10 And, above all, never forget that you, the 'higher-ups', already know everything important about this business.

Illustration 4.10

Segmentalist and integrative cultures

Segmentalist cultures:

- compartmentalize actions, events and problems;
- see problems as narrowly as possible;
- have segmented structures with large numbers of departments walled off from one another;
- assume problems can be solved by carving them up into pieces that are then assigned to specialists who work in isolation;
- divide resources up among the many departments;
- avoid experimentation;
- avoid conflict and confrontation;
- have weak coordinating mechanisms;
- stress precedent and procedures.

Integrative cultures:

- are willing to move beyond received wisdom;
- combine ideas from unconnected sources;
- see problems as wholes, related to larger wholes;
- challenge established practices;
- operate at the edge of competencies;
- measure themselves by looking to visions of the future rather than by referring to the standards of the past;
- create mechanisms for exchange of information and new ideas;
- recognize and even encourage differences, but then are prepared to cooperate;
- are outward looking;
- look for novel solutions to problems.

Source: Based on Kanter, R.M. (1983), *The Change Masters*, London: Routledge,

Goffee and Jones (1996) offer another approach to the analysis of culture. For them, culture is about the presence, or absence, of community. Building upon the ideas of social theorists such as Durkheim, they argue that *sociability* (the extent to which people like each other, mix with each other in and out of work) and *solidarity* (the extent to which there are shared goals) are important components of corporate

culture. These two dimensions lead to the identification of four cultures. We have modified the Jones and Goffee model here. In this adaption, where sociability is high but solidarity is low, we have a team culture. Going back to our idea of differential cultures between teams and the organization, the solidarity within the team may be high while solidarity for the organization as a whole could be low. This is a typical scenario, where a good line manager is able to inspire the team even if the rest of the organization is not of such a high standard of team cohesiveness. This happens naturally in many organizations based on the capability of line managers. Across the organization, in areas where sociability and solidarity are high, you see a network culture emerging, characterized by easy and effective vertical and horizontal communication. This is the secret of an effective matrix structure. This indicates that for maximum effectiveness, culture and structure must be mutually supportive.

More importantly for these authors, the issue is about identifying whether an organization has a culture that is positive to change – in other words, adaptive. A positively oriented culture is more likely to be an adaptive culture. Here, they rely partly on Kotter and Hesketh (1992), who identify values and behaviour common in adaptive versus non-adaptive cultures, as follows:

- *Adaptive cultures*: customer focused, value people, value change and improvement, focus on needs of stakeholders, open-minded approach to innovative ideas.
- *Non-adaptive cultures*: value structure, orderly decisions and clear process, risk aversion is high, silo mentality prevails due to emphasis on process and structure.

Here, the idea of culture change through incremental steps rather than one jump starts to develop. Mindsets and structures cannot be changed overnight, and from analysis of successful change programmes we know that successful change can take years to complete. The time taken from the acceptance of a need to change to the change becoming an accepted part of everyday practice and embedded in culture, could be between three and six years even if successful – and often these initiatives are not, for reasons explained elsewhere.

Organizational learning and types of change

Argyris (1964) pointed to the difference between two kinds of learning. *Single-loop learning* is indicative of a situation where an objective or goal is defined and a person works out the most favoured way of reaching that goal. In single-loop learning, while many different possibilities for achieving personal or organizational goals might be considered, the goal itself is not questioned. Single-loop learning is also referred to as ‘individual learning’ – that is, learning that an individual achieves but that seldom disseminates into the organization in any coherent way.

In contrast, with *double-loop learning*, questions are asked not only about the *means* by which goals can be achieved, but about the *ends* – that is, the goals themselves. Johnson (1990) refers to this type of learning as *organizational relearning*,

which he says is a ‘process in which that which is taken for granted and which is the basis of strategic direction – the paradigm – is re-formulated’ (p. 189). Given that the organizational paradigm lies at the heart of the cultural web, this implies change throughout the organization in all aspects of its behaviour.

Individual or single-loop learning is most likely to be the dominant form to occur in a segmentalist or defensive culture. The characteristics of this type of culture act significantly against the sharing of information and openness that are required for organizational learning to take place. Therefore, while a segmentalist culture could be sufficient for the types of change that Dunphy and Stace (1993) define as ‘fine-tuning’ and ‘incremental adjustment’, it will be unable to cope with the kind of radical thinking required to bring about change in the organization’s direction – strategic change. In addition, the inability of an organization to operate double-loop learning contributes to the process of ‘strategic drift’ (Johnson *et al.*, 2014), which can lead to change being forced upon organizations.

People can learn, but can an organization learn over and above what its people learn? Organizations can, of course, store knowledge in databases and systems that capture past learning. Furthermore, an organization’s culture does capture and express accumulated learning – recall the blunter definitions of culture as ‘the way we do things around here’ and the way cultures perpetuate stories and recipes. The idea of organizational memory was explored by van der Bent *et al.* (1999) in the case of a Dutch electronics firm. They identified four ‘memory carriers’: culture, structure, systems and procedures. By following a major change programme in the firm over several years, they concluded:

- 1 Change managers must become intimate with the memory carriers at the start of a change intervention. Organizational memory, while a force for stability, is also a barrier to change. Which carriers can impede the change?
- 2 Memory carriers are not isolated; rather they are interconnected. Efforts to change one carrier must appreciate how it will touch upon others. Both the carriers and their relationships need attention.
- 3 Not all carriers lead to organizational learning. In this study, memories led to learning where the changes were more complex and hard to achieve. Use of memories operated at a deep level and influenced change issues that employees felt were important to the organization. Remembering was more likely in relation to important organizational issues.
- 4 Outcomes of change are influenced by the spirit in which they are pursued as much as the intended changes *per se*. Organizational memory is part of that spirit.



Cultural change to effect organizational change

Culture is, by definition, a dominant influence on organizational life. It follows, then, that in order to bring about significant organizational change it may be necessary to change an organizational culture, which means changing many, if not all,

elements of Johnson *et al.*'s (2014) cultural web. It is clear that cultures *do* change, but generally over longer time periods than is hoped for or assumed. What is less clear is *how* a culture can be changed.

Assessing cultural risk

Schwartz and Davis (1981) thought that culture could be changed, and devised a way of measuring culture in terms of descriptions of the way management tasks are typically handled in company-wide, boss–subordinate, peer and interdepartmental relationships as a way of assessing the degree of cultural compatibility with any proposed strategic change. The approach was based on two dimensions – the level of organization change intended and the extent of cultural compatibility or ‘fit’ between the planned changes and the prevailing culture. Where the conclusion of the assessment indicated low risk, mitigation was not needed. Conversely, where high risk was perceived, significant leadership and organizational development effort was needed for change to be successful.

At this stage we ask readers to carry out Activity 4.7 as this gives a way of making judgements about how an organization’s culture fits with any required changes. The framework for this comparative assessment is shown in Figure 4.8 as a matrix that allows elements of the proposed strategy changes to be positioned against their importance to the strategy and the degree to which they are compatible with the culture. For instance, if a change to a matrix structure is needed yet the culture resembles a role culture, the need for a matrix structure would be positioned in the top right cell of the matrix in Figure 4.8 (high importance but low cultural compatibility). Other elements of the changes might be low in level of culture compatibility but if they are of low importance in the overall change strategy they would be positioned towards the lower right-hand part of the matrix.

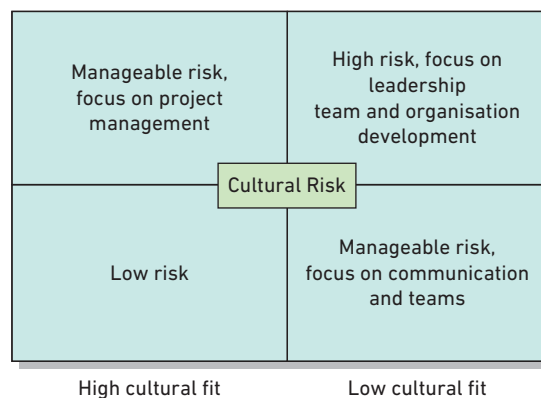


Figure 4.8 Assessing cultural risk, based on Schwartz and Davis (1981)



Activity 4.7

For an organization you know well, use the matrix set out in Figure 4.8 to consider the appropriate organizational strategies for achieving change in the three conditions of high risk in the need for change, high risk in the need for cultural fit and high risk in the need for both.

The relevance of culture change to organizational change

Assessing cultural risk helps management pinpoint where resistance to change could occur because of incompatibility between strategy and culture. This allows managers to make choices regarding whether to:

- (a) ignore the culture;
- (b) manage around the culture;
- (c) try to change the culture to fit the strategy; or
- (d) change the strategy to fit the culture, perhaps by reducing performance expectations.

Ignoring the culture

Ignoring culture could be dangerous and seems likely to carry a high risk of future problems such as disruption to operations and lack of progress.

Managing around the culture

The second option – managing around the culture – is a real possibility given that there are, in most cases, more ways than one of achieving desired goals. For example, where a change strategy appears to require reorganization into product or market divisions but where the demands of customers across differing regions make it difficult to commit to such a structure, it may be possible to use business teams and to rethink performance measures. In another situation, the need to deploy technology in new markets may seem to require a matrix approach, but the culture is substantially one that emphasizes functional working. It may be possible to use programme coordination across functions to make progress, but only if supported by new performance measures and effective reporting to the top team.

Changing the culture

The third option, deliberately changing the culture to fit the desired strategic changes, is a popular form of management intervention (Chatman, 2014; Ogbonna and Harris, 2002). However, as much of the literature cautions, this can be an extremely difficult and lengthy process, particularly if culture is strong (Scholz, 1987; Furnham and Gunter, 1993; Wankhede and Brinkman, 2014).

Structural changes have seen an increase in the employment of professional and knowledge workers, and for some workers an erosion of security of employment and predictable career paths. Two problems arise from this. The first is that knowledge workers are less likely to be open to cultural manipulation because of their professional and technical backgrounds and allegiances. Second, where there are histories of downsizing or layering in an organization, some cynicism about the purposes and consequences of change seems inevitable, at least in the short term. As such, 'employees in general may be less receptive to evangelical calls for shared cultural values' (Hope and Hendry, 1995, p. 62).

Beer, Eisenstat and Spector's (1993) view that trying to change attitudes and values directly is futile is still relevant – particularly their comment that the way to bring about organizational change is first to change behaviour, as behavioural change will then help to change attitudes and values. Thus, Beer *et al.* argue for changing the organizational context (people's roles, responsibilities and the relationships between them) first, in an effort to change behaviour and attitudes. This view of change rests on the assumption that changing organizational structures, systems and role relationships, which comprise, in the main, the formal aspects of organizational life, will bring about desired cultural changes incorporating organizational members' attitudes and beliefs. Many (arguably uncritical) models of planned change subscribe to this view, such as the 'Six steps to effective change' shown in Illustration 4.11.

Illustration 4.11

Uncritical approaches to culture change

The following six steps relate to transformation of a supply chain (Halm, 2014).

- 1 Identify a best practice operating model to create a vision of what the new supply chain configuration would look like.
- 2 Implement a comprehensive governance system for the change project.
- 3 Aggressively transition to the new organization structure involving new jobs, new job descriptions and new appointments, and rapid action to fill new jobs.
- 4 Proactively manage stakeholders, employee engagement and communications. This involves tailored communications with stakeholder groups and engaging employees as 'change ambassadors'.

- 5 Define and implement new business processes and allocate personal accountability.

- 6 Develop employee capabilities and reinvent the culture using teamwork and alignment meetings to enable employees to converse around accelerating project performance.

Although steps like these occur regularly in change recipes, the complexity of some steps (such as 'reinvent the culture') are highly complex and usually need far more than just teamwork and meetings if they are to be successful.

Source: Based on Halm, D. (2014), 'The 30% solution', *OD Practitioner*, 46(1), pp. 42–8.

Supporters of the two 'culture can be changed' and 'culture cannot be changed' camps can both find support in the literature. Methods of attempting culture change call upon education and persuasion or, in some cases, coercion to help bring about changes in attitudes (Anthony, 1994), and storytelling to communicate

values, norms and ideology (Dolan and Bao, 2012). Other tactics involve changing human resource management practices (Barratt-Pugh, Bahn and Gakere, 2013), which can involve reshaping selection, promotion, reward and redundancy policies to 'refresh' the composition of the workforce by attracting and retaining people with the beliefs, values and attitudes that are associated with the desired culture.

Illustration 4.12 portrays an example of a large organization that was able to manage around its culture for a number of years and during that time still succeeded in growing and developing in the global market. However, to achieve longer-term success, the organization decided to create a strategy that would ultimately attempt to change the culture.

Illustration 4.12

Cultural change at the BBC

Now over 90 years old, Auntie Beeb (the BBC) is a strong yet vulnerable institution. Funded out of compulsory TV licence fees, it enjoys a guaranteed income, yet following an explosion of new satellite TV channels the BBC is exposed. After all, when viewers can choose the satellite packages they want, why should UK residents be forced to pay the BBC an annual licence fee just to own a television?

By the 1990s the belief in the supremacy of market forces in the UK had extended to include the creation of quasi or internal markets in some public organizations. In the BBC, this was attempted by separating the people who commissioned programmes (the purchasers) from those who produced them (the providers). This change was aimed at transforming the organization away from a highly bureaucratic outfit, ill-suited to change, into a market-driven organization better placed to respond and compete. According to an account written by BBC insiders, the first phase of the BBC's change programme dealt with restructuring and faster decision making (Grossman and Smith, 2002). The second phase was aimed at changing the culture. Top management decided upon four priorities:

- clarifying purpose and vision;
- changing culture by altering how employees behaved;
- developing leadership to reflect and articulate a new culture;
- shifting internal and external perceptions of the corporation.

The new vision emphasized being 'the most creative organization in the world'. Quite a challenge! Communication was a big part of the cultural change programme and this included listening to how employees felt about the organization. Employees said they were concerned about lack of leadership, feeling undervalued, lack of rewards for creativity and a risk-averse culture. Constructive criticism was encouraged. Staff expressing concerns and ideas were asked to put forward solutions and take ownership of them. Change had to be positive and all staff had a responsibility to play their part. Key principles were: 'just do it'; make workspaces better for all; live the values of the BBC; understand what leadership is and demonstrate it; value people; inspire creativity everywhere; and stay in touch with viewers and listeners.

This summary account is not untypical of management-led change. Indeed, if a management group decides to try and change organizational culture, then these are the sorts of things that are usually attempted. But did it work? Harris and Wegg-Prosser (2007) offer a revealing account of change in the BBC from 1991 to 2002 and are rather doubtful.

Staff attitude surveys showed improvements, but were these merely reflecting employees' feel-good ratings while they thought someone was showing interest in them? The sight of a chief executive brandishing a 'Cut the crap – make it happen' card would probably be welcome in many workplaces and may well have enthused staff to think and act



Illustration 4.12 continued

differently. But how sustainable was it? In short, several years later the producer-choice initiative had not brought about the behavioural and cultural changes intended, according to Harris and Wegg-Prosser (2007). The crap-cutting chief executive left in 2004. The strong bureaucracy that prevailed had evolved and absorbed the narratives of strategic

change and the new mechanisms within it. The point of this illustration is that major initiatives run over several years can struggle. Rather than being a story of decisive organizational changes, the BBC story can be seen as 'surges of managerial control overlaying periods of creative autonomy' (Harris and Wegg-Prosser, 2007, p. 299).



Conclusions

The concept of culture is complex given its application to societies, organizations and groups, all of which interact one with another. Efforts to describe national culture typically produce a set of bipolar dimensions on which cultures vary. Different studies have produced similar schema. Managers working across international borders need to appreciate cultural differences and, in particular, the implications for the way work is organized and the behavioural expectations of employees.

Organizations can be seen *as* cultures rather than *as having* them. Every culture is unique, yet many typologies have been produced in efforts to describe and classify their common features and the main types found. Within an organization, different subcultures can exist that reflect different histories, personalities and professional norms. When people join an organization they learn how to act according to expectations and norms, even though outside the organization they may behave differently. Selection processes often look for cultural fit in prospective employees and can be used to support large-scale employee turnover. Given that organic and integrative organizational cultures are said to support change, and given the increasing requirement for creativity and innovation in organizations, it seems reasonable for many organizations to attempt to change their cultures in these directions. However, attempts to change culture are frequently problematic. Consequently, if attempting to change culture is too risky, then ways of managing around the culture, or even changing the strategy to take account of the culture, are needed.

Discussion questions and assignments

- 1 Drawing on your experience, consider how realistic it is for managers to try and change organizational culture.
- 2 To what extent does an organization's structure influence its culture and its capacity to work with change?

- 3 Review the evidence for and against the notion that national cultures are converging.
- 4 Drawing on typologies of culture, prepare a presentation to demonstrate how cultural types relate to different types of organizational change.
- 5 How could organizations that are moving towards a merger or acquisition begin to carry out a cultural audit? In particular, how could they assess the compatibility of their respective cultures to identify possible problem areas that could impede integration?
- 6 To what extent can an organization culture change while still retaining the majority of its employees?

Case example ●●●

The Civil Service

Governments come and go, each promising to deliver change and reforms to improve the economy and society. But government policy and strategy are filtered through and buffered by a civil service and it looks as if long-running attempts to reform the British Civil Service have met with little success. A recent report into the way the Civil Service works found it relied too much on 'generalist amateurs', distrusted outsiders (including people in government), was overly tolerant of poor management and was an organization where promotion was linked to tenure and conformity rather than innovation. Similar conclusions were made in a previous review in 1967 – so it seems the criticisms have been around for quite a time! Other criticisms levelled at the Civil Service are that it is too big, over-staffed, that sickness absence is high, and that it is a 'wet blanket' that smothers ideas.

The Civil Service recruits some of the smartest graduates available and has rigorous selection processes – so we can safely assume that its employees are quite capable of understanding what government ministers want to do. However, working in Whitehall is characterized by conformism to rules and procedures rather than risk taking; conformity gets rewarded and is what gets people promoted. Several recent

high-profile projects have been delayed and/or have seen costs over-run. The culture is one of caution and of giving advice to ministers (arguably good characteristics), but it is also characterized as being weak, particularly when it comes to making changes to itself.

One of the tensions, of course, is that most ministers are often in post for a short time only, perhaps only a few months, whereas the nation has to be administered for the long run. Arguably, it is in the public interest to have a cautious civil service to intervene between short-lived ministers, many of whom, despite their new ideas, have little experience of anything outside politics and public relations.

The situation has been described as a power struggle fought at the highest level between senior career civil servants and government ministers. Another observer concluded that people just have different views and there are vested interests that get in the way of making changes. A former UK prime minister remarked that the 'traditional skill set of the Civil Service' is not what is required to drive through the changes needed; at least the changes needed by government.

Source: Based on 'Subtle and courteous, this is a power struggle at the highest level', *The Times*, 14 January 2013, pp. 8–9



Case exercise

- 1 Assuming that the claims made about the Civil Service are fair, why do you think that the Service has been able to resist cultural change over such a long period?
- 2 Why do you think that successive governments have been unable to introduce cultural change in the Civil Service?



Indicative resources

Cameron, K.S. and Quinn, R.E. (2011), *Diagnosing and Changing Organizational Cultures: Based on the Competing Values Framework* (3rd edn), San Francisco, CA: Jossey-Bass. A good basic text in this area.

Hofstede, G.H. (2010), *Cultures and Organizations: Software of the Mind* (3rd edn), London: McGraw-Hill. This book is an essential read for any student or manager interested in work relating to culture, both at national and organizational level.

Schein, H.E. (2004), *Organizational Culture and Leadership* (3rd edn), San Francisco, CA: Jossey-Bass. This book covers national and organizational culture in depth and contains useful case examples.

Trompenaars, F. and Prud'homme, P. (2004), *Managing Change Across Corporate Cultures*, Chichester: Capstone Publishing. This book focuses on culture at company, national and international levels. It offers theoretical perspectives relating to corporate culture and includes case studies and research conducted by the authors.



Useful websites

<http://www.geert-hofstede.com> This site explains dimensions of national culture and explains how different countries compare.

<https://www.youtube.com/watch?v=Rd0kf3wd120> 'What is organizational culture? Why culture matters to your organization.'

<https://www.youtube.com/watch?v=EcHpgsTg458> 'Corporate culture Apple example.' An interesting insight into a specific organization culture.

<https://www.youtube.com/watch?v=j518qByx2Ng> 'The two different approaches to cultural change.' This video describes 'top-down' and 'middle-out' approaches.



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Chapter 5

Power, politics and change

Power plays and conflict are part of organizational life and create a backdrop against which change is played out. Indeed, they have a big influence on the outcomes of change initiatives. Their importance is recognized in this chapter through a discussion of the sources of power and the way political action, as an expression of power, is used in the management of change. The concept of powerlessness is discussed, particularly in relation to the position of women and minorities in organizations. The dysfunctional and functional sides of conflict are explored.

Learning objectives

By the end of this chapter, you will be able to:

- explain what is meant by organizational politics;
- distinguish between different sources of power and ways of using power to influence change;
- discuss the links between power, politics and conflict and their effect on change;
- suggest different ways of resolving conflict and the situations they can be applied to.

Organizational politics

Politics is the act of preventing people from taking part in affairs which properly concern them.

(Paul Valéry, 1943 – French critic and poet, 1871–1945)

The impact of politics within organizations is frequently talked about when staff, and particularly senior staff, discuss decisions that appear to make little or no sense to them – the view that some decisions are taken for political rather than performance reasons, the advancement of individuals' agendas rather than those of the organization. Often decisions that defy logic, that are contrary to the optimum outcome for the organization, appear to have been taken. It is possible to divide these into two main categories: one where the defying of logic has been unknowing – for example, by accident, incomplete data or subconscious emotional bias; and one where there has been a decision to knowingly take other than what appears to be the logical course.

Leaders and others utilize a variety of resources as they engage in the politics of an organization (see Table 5.1). They may have positional formal authority (or be perceived as having such), direct control over resources or another capability to in some way influence the actions of others. The use of resources as a weapon to negate efforts by other leaders is widely seen. For example, if an initiative driven by a leader requires a certain type of resource, and if the leader who has control of those resources can withhold them, perhaps by claiming that other priorities must prevail, then that initiative will be delayed or fail.

The task of any leader in any organization is multifaceted, and the ability to lead is linked to the ability to exercise power. Thus, there is a relationship between leadership, the constructive management of conflict, corporate politics and power. The following concepts from French and Raven (1959) seek to identify the five social bases of power:

- 1 *Legitimate power*: deriving from the manager's position and therefore formal authority.

Table 5.1 The components of organizational politics

<i>Resources</i>	<i>Process</i>	<i>Form</i>
Formal authority	Negotiation	Politics of:
Control of resources	Influencing	Budgets
Control of information	Mobilizing support	Careers
Control of agenda	Mobilizing bias	Succession
Control of access symbols	Use of emotion	Information
	Ceremony and ritual	Organizational structures
	Professional 'mystery'	Appraisal

- 2 *Expert power*: deriving from the knowledge and experience of the individual (thus, a doctor can influence the patient's behaviour because he or she exerts expert power when giving advice).
- 3 *Referent power*: deriving from the ways in which people identify with others (often involves a charismatic individual).
- 4 *Reward power*: deriving from the individual's control over rewards such as pay, promotion and task assignments.
- 5 *Coercive power*: deriving from the capacity to sanction individual behaviour – often of use over short periods only.

Thus, power is not simply a matter of position. The question to pose about power relates to the sources of legitimate power. Leaders appear to vary in their motives and thus exercise power in the different ways outlined by French and Raven. Power is inherent in any bargaining, negotiating and political processes. The effective use of power is central to effective management and leadership. Kotter (1978) suggests that individuals who make effective use of power are likely to possess the following characteristics:

- sensitivity to the behaviour of others and expectations of what is acceptable;
- understand the means of exerting power and influence;
- use power effectively as they pursue personal and organizational goals;
- operate within a framework of reasonable behaviour and self control;
- use all resources, formal authority and power to develop more power;
- engage in power-oriented behaviour in ways that are tempered by maturity and self-control;
- recognize and accept as a legitimate fact that, in using these methods, they clearly influence other people's behaviour and lives.

Power and conflict

The exercise of power by leaders is often directly linked to either the avoidance of conflict or the mitigation of conflict when it arises. Conflict is essentially driven by difference – differences in perspective, judgement and opinion that lead to a difference in relation to action – thus, conflict is often initiated by decision-making processes. So, within the organizational context it is the conflict over action that can be most disruptive. Conflict essentially blocks action until it is in some way resolved. Some very short-term conflict may be good as it results in the discussion of different opinions or possibilities during its development. This often leads to more effective decision making by a group than a single individual. But it can, if entrenched, delay action and lead to ineffective outcomes. Conflict often permeates decision making – so an analysis of decision making may give some insight.

Decision making is often neither a rational nor an orderly process – particularly so in periods of change – characterized as it is by uncertainty and involvement of emotions. We now know a considerable amount about the process of decision making, enough to know that a wide range of individual, group and organizational

factors can affect the process (see Janis and Mann, 1976; Hickson *et al.*, 1986). Selective perception, uncertainty, organizational politics and time pressures are only some of these factors. In addition, individual perception, emotional attachments and personal interests also impact on decisions.

Moreover, decisions are not discrete events; they are fluid. A group of people 'decide', but during implementation the decision is often effectively modified, scaled down or delayed in order to meet the circumstances prevailing at the time. A symptom of this is the frequent 'backtracking' displayed by senior executives on decisions made with colleagues in a meeting, which either they didn't fully support despite their agreement or on which they have underestimated the resistance they will face. Decisions have both intentional and unintentional consequences. A decision is often part of a wider 'stream of decisions', connected either directly or indirectly, because they are part of the same programme or project, or because implementation influences other things.

The example of the Union Carbide Corporation's Bhopal plant major disaster in December 1984 gives further insight into these issues. On 3 December a cloud of deadly gas was released into the atmosphere around the Union Carbide Corporation's pesticide plant in Bhopal, India. With a death toll of over 3,787 people at the time, approximately 8,000 from associated problems subsequently and over 500,000 injured, this was the world's worst industrial accident. On the other side of the world, in Connecticut, USA, Union Carbide managers faced the prospect of coping with the disaster. A complex set of issues had to be dealt with quickly: how to establish the cause; how to ensure it could not be repeated; how to help the victims; relief agencies; how to reassure investors; how to control the issue of legal liability; what to announce. With only two telephone lines into Bhopal and the plant supervisors under arrest, hard information was difficult to come by. Much of the information coming through seemed barely credible.

Hellreigel *et al.* (1986) quote this as a case of complex decision making. They describe it as a convoluted action process because of the following four points:

- 1 *The nature of the problem was unstructured* – the managers had never faced a disaster of this magnitude before.
- 2 *The problem will go on for years* – litigation alone is likely to continue over a period of years.
- 3 *Many vested interests were involved* – the company, the Indian government, the USA, the heirs of the dead, the injured, the shareholders of the company.
- 4 *Many people were involved in different ways* – to fix responsibility, report the story, compensate victims, avoid repetition of this type of accident and look at the future of the Bhopal plant.

Thus, in terms of decision making, it is clear that some decisions can be reasonably clear and simple while others are such that any outcome is likely to be seen as less than optimum by somebody – in other words, the complexity, longevity and number of vested interests means that there will never really be a 'right' answer.

Organizations, decision making and rationality

We often assume that what happens in organizations is logical and rational: leaders weigh the options and come up with the best solution for the organization – or that is the assumption. The problem is that we all know that this is not always a true reflection of reality, where both decisions and behaviour sometimes seem to us to fail to conform to any rational rules. Is what happens within our organizations always rational and do we believe that effective organizations are ‘rational’ organizations? Are organizations designed and managed on rational lines? Can the thorough application of a systematic approach to change planning and implementation lead to a ‘rational’, perhaps ‘optimal’, result rather than the ad hoc actions driven by events we often see in practice? It all depends on our definition of rationality.

Any definition of rationality must allow for the differences in perception, for the uncertainties, vested interests and multitude of other factors that influence us in the world in which we live. Weick (1979, 1998) summarizes the position succinctly:

Rationality is best understood in the eye of the beholder. It is his aims and how consciously he sets out to accomplish them that constitute the clearest, most easily specified component of rationality.

Weick supports the view that people in large organizations are unlikely to employ the same rationality; rather, ‘organizations will have several different and contradictory rationalities’. Herein lies the reason why many of us find that discussion about the problems an organization faces can reveal many different perspectives and even seem to be, at least initially, confused and confusing. Thus, often before decision making can even start, a common framework and language for looking at the problem needs to be established.

Literature abounds with theories of decision making – the ‘garbage-can model’ (March and Olsen, 1976), ‘satisficing’ (Simon, 1957) and ‘incrementalism’ (Lindblom, 1959) – which reflect this general problem faced by organizations at different times and in different ways.

Bryman (1983) suggests that there has been a ‘retreat from rationality’ as a consequence of attacks on the rational systems models of organization. The first such rational systems model, exemplified by Weber’s writing on bureaucracy and by the classical school (see March and Simon, 1958), takes the view of organizations as goal-seeking, functional systems operating in a closed system. In recent years, the second model – the development of the ‘contingency’ approach – has viewed organizations as having the same basic objectives and systems of operation, but takes an open-system approach. This open-system view (Scott, 1981) has been subjected to critical scrutiny from at least four directions – the ‘garbage-can’ model, institutional, political and Marxist approaches. Bryman (1983) concludes that scholars in the fields of management theory and economics are now uneasy about their ‘rationalist infrastructures’. Such approaches assume a rationality, placing particular emphasis on notions such as utility and profit maximization,

taken from economics. But more recently many others, such as leaders operating in organizations day to day, have started to ask themselves ‘how rational really are our organizations, given what happens in them and some of the decisions taken?’.

Bryman (1983) notes that this is an extreme form of rationality and he then goes on to discuss ‘soft’ rationality, incorporating ideas such as Simon’s notion of ‘satisficing’ and Watkin’s (1970) discussion of ‘imperfect rationality’. Landes (1967, p. 204) provides us with a clear definition, based upon the idea of purposiveness:

Rationality may be defined as the adaption of means to ends. It is the antithesis of superstition and magic. For this history, the relevant ends are the production and acquisition of material wealth. It goes without saying that these are not man’s highest ends; and that rationality is not confined to the economic sphere.

So, rationality comprises ideas about how to define and achieve purposes: the application of the principles of rationalism to action, rationalism being defined as the doctrine that the universe of perception and experience can be understood in terms of thought or reason, as against emotion, intuition or extrasensory modes of apprehension.

Within organizations, leaders are likely to adopt the ‘means to an end’ definition of rationality; however, we depart from Landes’ equation of rationality and the doctrine of rationalism. We need to recognize the limitations of this in respect of real behaviour in real organizations. We cannot pretend that men and women do not use intuition as well as empiricism. Some may use one or the other to a lesser or greater extent, but to assume that people operate purely on the empirical does not bear examination. Weick’s position on this point is probably more realistic and therefore of value in dealing with organizations and leaders in decision making.

Returning to organizational politics, the notion that political models of organization represent an attack on rational models of the organization needs to be considered. Therefore, how leaders make decisions in organizations is critical. To what extent are decisions taken on the basis of commonly held rational analysis, or individual rational analysis that may be different between individuals but still essentially rational, or some element of irrational analysis based on political or emotional drivers, or a combination of all of the above? In understanding the balance between these and how culture impacts upon how the mix ends up, we hope to understand how decisions are made and change achieved, so that we can fine-tune the way things are done to improve future outcomes.

Close examination of alternative modes of decision making proposed by Pfeffer (1981) makes this point clear. He compares rational, bureaucratic, decision process/organized anarchy with political power models. For *rational* decision making, the ideology is seen as ‘efficiency and effectiveness’; for *political power*, the ideology is ‘struggle, conflict, winners and losers’. Decisions from the former flow from ‘value-maximizing choice’, from the latter from the result of ‘bargaining and interplay among interests’, but this is hardly a satisfactory distinction. The question is, what it is that the ‘interests’ bargain over?

Thus, this model differs from the rational model only in that the proponents of the rational model are seen to model choice in essentially unproblematical terms. But Bryman (1983) makes it clear that only proponents of the 'hard' version of rationality could be accused of that. Therefore, the apparent difference collapses in all but the most extreme of juxtapositions. We conclude that the extreme or 'hard' definition has never had much application for those concerned with the management of organizations. However, by distinguishing 'hard' and 'soft' rationalities Bryman seems tacitly to admit that the latter is not properly 'rational'. Here he appears to be following Landes, equating rationality with rationalism. But to do so is to adopt too limited a view of rationality. The concept of multiple rationalities does not imply a 'softer' or 'weaker' view. Ill-understood it may be, but we believe it is possible to establish, empirically, rationalities in use.

People in organizations attempt to make sense of the confusion they see around them as they experience it, and to do this they employ a particular rationality. To understand their perspective, we must understand the rationality behind it. In other words, the very simple concept of 'understanding where the other person is coming from'. This concept is simple in principle, but very difficult to get right in practice. On the surface, at individual level, by asking the individual to explain their views and by asking open questions we can dig down and discover some of the answers – indeed, this is the basis of the mentoring process. However, this may not reveal some of the other factors that influence their view, of which they may be unaware.

Important consequences flow from the existence of alternative sources of rationality within groups of people and organizations, such that there is then no common framework to identify vision and objectives and to take decisions as circumstances change. So, for each group or individual the apparently rational strategy for 'getting things done', for deciding on action, for enabling employees to perform at their best, has counter-rational consequences associated with it when viewed from the perspective of others.

The concepts of politics, power and conflict, particularly in the context of resistance to change, are frequently cast as being among the more undesirable aspects of organizational life. For instance, Robbins and Judge (2013, p. 412) describe power and politics as 'the last dirty words . . . People who have power deny it, people who want it try not to look like they are seeking it, and those who are good at getting it are secretive about how they do so.'

Defining power and politics

Huczynski and Buchanan (2007, p. 797) define power as:

The capacity of individuals to overcome resistance on the part of others, to exert their will, and to produce results consistent with their interests and objectives.

Political behaviour is the practice of power and includes both overt and covert actions by which people use their power to favour their interests. The concept of 'power in action' is echoed by Robbins and Judge (2013, p. 424), who maintain that

this happens whenever people get together in groups and where an individual or group seeks to influence the thoughts, attitudes or behaviours of another individual or group. Acting politically is also a part of negotiation as a means to overcoming resistance and of resolving conflict. It can, however, be the cause of conflict in that an individual or group seeks to affect, negatively, another individual or group. However, as Hardy (1994) points out, although power can be used to overcome conflict, it can also be used to avert it.

Politics can be divided into 'legitimate' and 'illegitimate' political behaviour: the former being 'normal' everyday politics such as bypassing the chain of command, forming coalitions, obstructing organization policies and so on; the latter being deliberate sabotage, whistle blowing and groups of employees reporting sick. This view is expressed in the following definition of political behaviour:

. . . political behaviour in organizations consists of those activities that are not required as part of an individual's formal role but that influence, or attempt to influence, the distribution of advantages and disadvantages within the organization.

(Robbins and Judge, 2013 p. 424)

These definitions see political behaviour as an aspect of organizational life that mirrors Morgan's (2006) 'objectivist' view of organization culture (discussed in Chapter 4). Morgan poses organizations as political systems displaying different types of political rule, as summarized in Illustration 5.1.

Illustration 5.1

Organizations and modes of political rule

- **Autocracy.** Absolute government where power is held by an individual or small group and supported by control of critical resources, property or ownership rights, tradition, charisma and other claims to personal privilege.
- **Bureaucracy.** Rule exercised through use of the written word, which provides the basis for a rational-legal type of authority or 'rule of law'.
- **Technocracy.** Rule exercised through use of knowledge, expert power and the ability to solve relevant problems.
- **Codetermination.** The form of rule where opposing parties combine in the joint management of mutual interests, as in coalition government or corporatism, each party drawing on a specific power base.
- **Representative democracy.** Rule exercised through the election of officers mandated to act on behalf of the electorate and who hold office for a specified time period or so long as they command the support of the electorate, as in parliamentary government and forms of worker control and shareholder control in industry.
- **Direct democracy.** The system where everyone has an equal right to rule and is involved in all decision making, as in many communal organizations such as cooperatives and kibbutzim. This political principle encourages self-organization as a key mode of organizing.

Source: Morgan, G. (2006), *Images of Organizations*, London: Sage.

In his discussion of different types of political rule, Morgan draws attention to how the suffix *-cracy*, which appears in these terms, is derived from *kratia* – a Greek term meaning power or rule. Thus the word *autocracy* implies the rule of one person; *bureaucracy* is associated with people who sit at bureaux or desks, making and administering rules; a *technocracy* is associated with the power of those with technical knowledge and skills; and *democracy* draws on the meaning of the prefix *demo-* from the Greek *demos*, or ‘populace’, so that, in democratic forms of organization, power rests with the people as a whole or through their representatives. Like culture, politics surrounds us, but it is the form that differs. In order to understand the relationship between the politics of organizations and their ability to cope with change, we need to understand more about power, conflict and resistance.

Power in organizations

What is power?

Consider these definitions:

Power influences who gets what, when and how.

(Morgan, 2006, p. 166)

... power is the probability that one actor within a social relationship will be in a position to carry out his own will, despite resistance and regardless of the basis on which this probability rests.

(Weber, 1947, p. 47)

Power is ... the dimension of relationships through which the behaviours, attitudes or opportunities of an actor are affected by another actor, system or technology.

(Lawrence, Namrata and Morris, 2012, p. 105)

Power is defined as the potential ability to influence behaviour, to change the course of events, to overcome resistance, and to get people to do things that they would otherwise not do.

(Pfeffer, 1993, pp. 204–5)

These definitions emphasize one thing – power means being able to influence the behaviour of others, sometimes in a direction that the person or group would not otherwise have chosen. Power is a function of relationships. It is not something a person has regardless of what other people are thinking or doing; it only manifests when one person has something that the other values, such as a manager's ability to recommend someone for promotion. People can take power and people can be bestowed with or imbued with power.

Power also derives from differences between people and groups. Some people have more knowledge, expertise or resources than others, and if these are scarce and desired then that person or group will have more power than others. This can be referred to as the ‘elasticity of power’. In universities, lecturers with good research

records usually have more mobility and bargaining power in the job market than those without, and are better placed to negotiate favourable outcomes for themselves.

Furthermore, power to some extent is bestowed upon people by others; it is partly in the eye of the beholder. While resources or knowledge can give someone power, so can the belief by A that B can exercise power over them. Handy (1993, p. 125) refers to the 'relativity of power' to describe the situation where one person or group perceives another to have power while a second person or group believes otherwise: 'The group that over-awes one person with its prestige and renown looks ludicrous to another.' Handy also notes that power is rarely one-sided. Hitting back or saying no is an option open to those who are seemingly powerless, although doing so may not be in their interest.

In summary, power is about the potential to influence as well as the actual use of influence. It is a function of relationships and differences between people, their beliefs about each other and how much one person has in relation to another.

Sources of power

Five sources of power were identified by French and Raven (1959), and their ideas have had a big influence on organizational research (see Blois and Hopkinson, 2013; Frost and Stahelski, 2006; Peiro and Melia, 2003):

- 1 *Positional (legitimate) power* – power invested in a person's formal position in a hierarchy, such as the power to issue a formal performance warning. This is perhaps the most obvious source of power that we are used to. We give our boss some power simply because they are our boss and they have rights to ask us to do things.
- 2 *Expert power* – this derives from a person's skills and knowledge and is recognized in the often-quoted aphorism, 'knowledge is power'. For instance, we credit doctors with expert power when we visit them.
- 3 *Referent power* – this is power deriving from charisma, the ability to attract others to a cause. It is about liking and identifying with another. Referent power can cut across hierarchy – a well-liked person at the bottom of an organization may develop referent power perhaps as a spokesperson in communications with higher management. Conversely, a lack of charisma in a senior manager could diminish their power and influence.
- 4 *Reward power* – the ability to give some sort of reward, such as salary, promotion, time off or access to a resource.
- 5 *Coercive power* – the power of forcing someone to do something that they would not otherwise want to do. It is negative and based on the use of punishment for non-compliance.

Using French and Raven's ideas, Robbins and Judge (2013) suggest two broad categories of power: formal power and personal power. Formal power relates to the position of the individual within the organization and incorporates coercive, reward, legitimate and information power, all of which are particularly important in times of uncertainty and change. Personal power derives from the 'unique characteristics' of individuals, such as their skills and expertise, their personalities and their favoured association with others from whom they gain status and other desirable resources.



Activity 5.1

- 1 In relation to French and Raven's sources of power, identify individuals in your own organization whom you consider 'fit' each of the five categories.
- 2 Repeat the activity but this time thinking of people outside your organization. They might be in the media, government or entertainment, and may use one or more sources of power to influence opinions and actions – even your own!

This discussion is helpful in differentiating one type and source of power from another, given that each manifests itself in varying ways. However, in order to understand the use of power, we need also to consider the concept of influence as closely related to power.

Power sources, influence and change

Weber (1947) drew attention to three types of authority (see King and Lawley, 2013). The first derives from tradition – that is, authority legitimized by custom and practice and a belief in the right of certain individuals to rule others. The second is charismatic authority, which is legitimized through the leader's particular qualities being valued and an inspiration to others. The third type of authority Weber called 'rational-legal authority'. This type of authority characterizes the power held by people because of their position in some formal or understood hierarchy that has some independent standing with regard to the rules and procedures sustaining it. The explanations of these types of authority give an idea of how power can be used to influence others to behave in certain ways. Power and influence are not necessarily the same thing, but they are closely linked, as can be seen from Illustration 5.2, which compares the two, and the way various forms of power and influence can overlap. For instance, a particular method of influence could be used in conjunction with several sources of power.

Illustration 5.2

Power and influence

The possible sources of individual power that give one person the ability to influence others are as follows:

- *Physical power*: the power of superior force.
- *Resource power*: the possession of valued resources, the control of rewards.
- *Position power*: legitimate power, which comes as a result of the role or position held in the organization.
- *Expert power*: vested in someone because of their acknowledged expertise.
- *Personal power*: charisma, popularity, which resides in the person and in their personality.
- *Negative power*: illegitimate power, the ability to disrupt or stop things happening.



Illustration 5.2 *continued***Methods of influence**

Different types of power are used in different ways. Particular methods of influence attach themselves (more or less) to particular types of power:

- *Force*: derived from having physical power – bullying, loss of temper.
- *Rules and procedures*: derived from having position power, backed by resource power – devising rules and procedures to result in particular outcomes.
- *Exchange*: derived from having resource power – bargaining, negotiating, bribing.
- *Persuasion*: derived from having personal power – use of logic, the power of argument, evidence of facts.
- *Ecology*: derived from different power sources – manipulating the physical and psychological environment to achieve certain purposes.
- *Magnetism*: derived from personal and sometimes expert power – inspiring trust, respect by using charm, infectious enthusiasm.

Source: Based on Handy, C. (1993), *Understanding Organizations*, London: Penguin, pp. 126–41.

Position and resource power

Position power is generally considered to be ‘legitimate’ power, given that it derives from a position of authority inside the organization (Lunenburg, 2012). Position power bestows certain rights on those who have it – for instance, the right to order others to do things or to refuse other people’s requests. Position power or formal authority is a distinctive source of power in organizations and is distributed asymmetrically – a few people have a lot, most have little and even perceptions of vertical differences influence the power one person believes another person has (Schubert, 2005).

Resource power is frequently associated with position power. It stems from the power associated with being able to distribute or withhold valued rewards. In order to influence others, both ‘push’ and ‘pull’ strategies can be used, as Illustration 5.3 shows.

Of interest in the account in Illustration 5.3 is the comment that ‘pull strategies can be used from any of the power bases’; for example, a reward may be offered from those with little power but the power they have is appropriate to the particular circumstances in which it is used.

**Activity 5.2**

Think about some occasions at work when you have tried to achieve something that you wanted. To what extent were ‘push’ or ‘pull’ strategies used?

Were the strategies successful? If so, why do you think they worked?

If any of the strategies were not successful, why was this?

Illustration 5.3**Influencing others through push and pull strategies****‘Push’ or ‘threat’ strategies**

Push strategies attempt to influence people by imposing or threatening to impose ‘costs’ on

the people or groups concerned if they do not do what is desired. This may be done either by *withdrawing* something that the ‘target’ of influence

values – for example, your cooperation and support, or by threatening a sanction if the target does not comply – for example, disciplinary action, a poor appraisal, removal of a bonus or perhaps public criticism. The ability to impose such costs will depend largely on a person's *position* and the *resources* that they control.

'Pull' or 'reward' strategies

If push strategies are the 'stick', then pull or reward strategies are the 'carrot'. They reflect content theories of motivation that emphasize material, social and other

extrinsic rewards. Rewards are often used to influence people by a process of *exchange*. Pull strategies may follow from any of the power bases. Resources, such as extra pay or extra staff, may be offered, expertise or information may be traded, increased status may be conferred or access to valuable contacts given. Less obvious, but perhaps more common, are the friendship and favour, approval and inclusion that can be offered to members of a group.

Source: Based on Handy, C. (1993), *Understanding Organizations*, London: Penguin, pp. 126–41.

Invisible power

Control over resources such as budgets, or rewards such as promotions, are examples of *visible assets* of the power holder, but we can also 'see' invisible assets (Paton, 1994). One invisible asset is the power to control information. Handy (1993, p. 129) observed:

A flow of information often belongs as of right to a 'position' in the organization. If it does not already belong it can often be originated as a necessary input to that position. This can be horizontal information, i.e. information, often of a technical nature, from the same level of the organization; vertical information, from above or from below but potentially trapped in the particular 'position' and to be dispersed with the agreement of the occupant.

The ability to slow down or accelerate the flow of information gives power to people who may not occupy senior positions but who simply act as messengers or copiers of information from one part of the organization to another. Some people in organizations get to hold 'gatekeeper' positions. They are so called because they can open or close access to information, thereby including or excluding others from the information. By controlling who is included and excluded in information flows, gatekeepers contribute to sustaining structural situations (Brink and Benschop, 2014).

The idea of gatekeepers goes back to Kurt Lewin, writing in the mid-twentieth century about the 'focal points of social changes in communities' (Barzilai-Nahon, 2008, p. 1,493). Relative to the gatekeepers, the majority of people that they have control over are 'gated' and Illustration 5.4 shows how the gated are affected by different power sources. Although gatekeepers can be identified in most organizations, they also exist in wider society. Academics who want to publish articles face gatekeepers in the journal reviewers and journal editors who decide whether to publish or not, and who have an influence on what the article eventually says.

Illustration 5.4

Types of 'gated'

There are several types of 'gated', with each type shaped by how much of four key attributes they possess: political power; the ability to produce

information; relationships with the gatekeeper; and alternatives to get around the gatekeeper's control. These attributes are variable, not fixed, so



Illustration 5.4 continued

a person may have more or less of them over time. Furthermore, the attributes are socially constructed rather than objective realities; five classes of gated can be theorized depending on which combination of attributes a person possesses.

- *Tier 0* – traditional gated who possess none of the four attributes. They are controlled by the gatekeeper.
- *Tier 1* – dormant gated possess one attribute. For example, the ‘captive audience’ has a relationship with the gatekeeper and thus a communication channel. But any information exchanged conforms to the prevailing agenda and orthodoxy.
- *Tier 2* – potential gated possess two attributes. For example, the ‘exploited apprentice’ has the ability to produce and exchange information with a gatekeeper but has no political power or alternatives. The gatekeeper uses reciprocity to raise and communicate only ‘safe’ information.
- *Tier 3* – bounded gated possess three attributes. For example, the ‘threatening gated’ possess

political power, alternatives and information but lack the communication channels with the gatekeeper so they cannot open a discourse that could lead to change. The gatekeeper is threatened because this type of gated could develop alliances with other gatekeepers and leverage their attributes.

- *Tier 4* – challenging gated possess four attributes. This class of gated has the highest bargaining power. However, having all four attributes does not make them into gatekeepers. To make that transformation they need to have the capability to perform acts of information control and the discretion to exercise gatekeeping behaviour, which may derive from close affiliation with a powerful top manager.

Source: Based on Barzilai-Nahon, K. (2008), ‘Toward a theory of network gatekeeping: a framework for exploring information control’, *Journal of the American Society for Information Science and Technology*, 59(9), pp. 1,493–515.

A second type of invisible asset is that of right of access – for example, to alliances and the informal organization:

The skilled organizational politician systematically builds and cultivates such informal alliances and networks, incorporating whenever possible the help and influence of all those with an important stake in the domain in which he or she is operating.

(Morgan, 2006, p. 181)

The right to organize, which stems from position power, is another invisible asset. This fits with Morgan’s (2006) idea that a source of power is being able to use the organization’s structure, rules and regulations to suit one’s own purposes. An example is the power to say who gets the best offices, or to overlook certain rules according to convenience.

Controlling decisions and covert power

Position power includes the right to make certain decisions and this is frequently visible and unquestioned because of the position. However, issues that are not, strictly speaking, directly concerned with the decision itself can be presented in such a way as to influence the outcome.

This type of power is ‘covert’ power. ‘Here power is exercised through “non-decision making” rather than by means of attempts to influence readily identifiable (and commonly known) decision topics’ (Wilson, 1992, p. 54). Invisible or covert power associated with decision making takes many forms. For instance, it may take the form of the power to ‘set’ the agenda under which something will be discussed, limiting who may or may not take part in the discussion or defining the scope of

the discussion – so-called safe agendas where issues important to some groups are not discussed (Hardy, 1994). Some topics and people are deliberately excluded from the decision-making process and exclusion can also happen because participants do not have the knowledge or expertise to take part in any meaningful debate. The role of the ‘expert’ appears in many guises.

Expert or knowledge power

On some issues we rely on and accept the judgements of people who possess a particular know how or understanding. Those who have specialist knowledge or expertise in scarce supply have a particular kind of resource power:

The middle-ranking research chemist who calmly says ‘it just can’t be done’ can stop the marketing director of a chemical firm dead in his or her tracks. If the director is unwise enough to press the point he or she simply invites a lecture on, say, some finer points of polymer chemistry, whereupon – whether he or she pretends to understand and agree, or instead admits to not understanding and refuses to agree – the point is irretrievably lost.

(Paton, 1994, p. 191)

However, expert power is something that one group gives to another group or person. The IT technician who can decide when to fix a computer has, albeit temporarily, power over someone who may be much more senior, as shown in Illustration 5.5.

Illustration 5.5

Controlling decisions with expert power

Consider this recent episode that was written by one of the actors in the performance. One of the managers of a strategic business unit (SBU) of about 150 people wanted to push through changes to the unit’s product offering. The stimulus for this was largely due to recommendations made by assessors for external quality schemes that, if awarded, are seen as an important boost to status and that boost the competitive position of the organization.

There are five fairly autonomous product groups in the SBU, each with their own staff. What happens in one group does not have much impact on the other areas. The top management of the SBU like to think it is democratic and inclusive and so a ‘working group’ was formed to look at alternative ways of changing the portfolio before recommending to the top management team (TMT). The working group consisted of a ‘director’ in the chair and one representative from each of the five areas. Previous ‘rationalization’ had already hit one of the groups – let’s call it ‘Consulting’ as it provided products and services in that general area. The representative

from Consulting was a new member of staff unused to (1) the complexity of product offerings and (2) organizational politics.

After several meetings a proposal emerged that met the working group’s initial remit and that would streamline the product offering. The Consulting group was a clear loser in the proposals, seeing a substantial cut in its services if the recommendations were implemented. The chair of the working party said that ‘the mood of the meeting’ was that the proposals were the best overall for the SBU. Translated, that means that the Consulting group representative’s voice was downplayed and the more experienced representatives from other areas all convinced themselves that their interests would be protected. They didn’t really care about recommendations that hit areas other than their own.

The working group’s proposals were put before a full meeting of the Consulting group, at which strong and considered objections were made. Surprisingly, the head of the group did not speak



Illustration 5.5 continued

against the objections, which raises speculation as to why. Objections were minuted but to no avail. The TMT, on which the chair of the working group sits, rejected the objections and so accepted the proposals. Further rationalization of the Consulting group's services went ahead.

So, what does this tell us? First, that the chair's grasp of the minutiae of the total product offerings (information) was a source of power used to favour certain points of view and disfavour counter points. Second, that membership of the working party could be (and was) engineered to minimize the arguments against what many believed had been thought out by one or two TMT members in the first place. The working party can be seen simply as an illusion of democracy, giving legitimacy to pre-planned intentions and not as a democratic exercise at all.

Third, that filtering of the objections raised by the Consulting group took place. They were downplayed in the final group meeting. When others heard of the proposals and objected, their views were also downplayed as they were being raised outside the

formal processes. The minutes of the Consulting group's meeting to discuss the proposals did not convey the intensity of feeling that had arisen over concerns about jobs and careers as well as alternative views of viable changes. Fourth, it shows how one person's knowledge of organizational systems and access to others allows them to manoeuvre for outcomes in their interest.

The case is a microcosm of organizational politics. In the eyes of the TMT, the working party chair led a democratic process that came to a clear decision that doubtless reflected upon their abilities. Others see it as a stage-managed political process rooted in self-interest and self-promotion that was rigged from the outset. This is one explanation for the lack of fight and engagement shown by the group head – had she already been 'nobbled'? Resistance was useless.

This case is an account of a real and recent change event and is a reminder of Vera Brittain's quote (1964): 'Politics are usually the executive expression of human immaturity'.

Symbolic power

Symbolic power is widespread in political systems – for instance, statues of former leaders, the use of violence by police or surveillance by security forces. Individual managers and politicians use it to hold on to their positions (Bourdieu, 1991). The power derived from the ability to manipulate symbols comes from the capacity to signal to others the meaning, not of the symbol itself, but of what they stand for. This is implicit in Morgan's (2006) reference to symbolism as the management of meaning. Artefacts can also be seen as possessing three dimensions (Vilnai-Yavetz and Rafaeli, 2006):

- *Symbolic* – what meaning does the artefact carry for the beholder?
- *Aesthetic* – what emotions are aroused by the artefact?
- *Instrumental* – how does the artefact influence performance?

Symbolic power is, therefore, the power to manipulate and use symbols to create organizational environments and the beliefs and understandings of others to suit one's own purposes. Hardy (1996) includes the use of language, rituals and myths as examples of symbolic power. The use of phrases such as 'all pulling in the same direction', 'we are a happy team', or 'flatten the opposition' all give their own specific, covert messages about expected behaviour. The use of phrases such as 'we are a happy team' negates the need to say that conflict and disagreement are not expected in this organization. Rituals involving who sits where at meetings and how people greet each other are indications of who holds power in relation to

whom. Leaving free the chair at the head of the table symbolizes that the person about to occupy it has a power base. Addressing someone as 'boss' symbolizes their power in relation to others. If you work in an organization then you can probably see how people in powerful positions align with selected others, thus symbolizing the chosen person's favourable standing in relation to them. We can also see how ambitious organizational climbers try to position themselves in relation to bosses in an attempt to gain more power for themselves simply by virtue of the associations they are making.

Morgan (2006) uses the term 'theatre' to describe the physical settings, appearances and styles of behaviour that can add to someone's power. He says of those who seek to add to their power in this way: 'Many deserve organizational Oscars for their performances' (p. 184). Examples of the use of 'theatre' are the size and furnishing of offices, the seating of visitors and the often unspoken rules of dress.

Organizational change often requires change to symbols and symbolic actions – for example, changing the time spent on things, reinterpreting things that happened in the past or that are happening in the present. However, most employees in large organizations do not interact much with people in senior positions, and symbolic action is what most employees see – maybe it is all they need to see to begin to appreciate why and how management's ideas change (Das, 1988).

Symbols of power are inevitably intertwined with an organization's culture and are frequently an outward expression of it. Any analysis of power in organizations must take account of not only the types of power that are exercised over the content of decisions, but also the types of power that influence attitudes and behaviour, frequently in ways that those influenced are hardly aware of. Activity 5.3 helps to show how symbolic power can be used.



Activity 5.3

This activity will help identify the routines, rituals and symbols prevalent in an organization and who uses them. Think of your own organization, or one you are familiar with.

- 1 Which routines and rituals are most emphasized? How are they enforced (think of the people and systems behind them)?
- 2 How do the organization's leaders use language to perpetuate their own values and keep power to themselves and their chosen followers? What does this tell you about the topics that can be debated, and which topics are out of bounds?
- 3 Who, in the organization, has the most impressive 'trappings' of office (size, furnishings, car, expense account, etc.)? What kind of power do these trappings symbolize?
- 4 Give examples of two people who use gamesmanship to get their own way: (a) one who does so aggressively; and (b) one who does so by operating craftily and with a low profile. What are they manipulating in these processes?

Individual power

In addition to power sources deriving from how an organization is structured, and the roles played by people working in them, there is another source of power – that which derives from the personal characteristics of those wielding power (Pfeffer, 1992, in Huczynski and Buchanan, 2007, p. 764). These characteristics include:

- energy, endurance and physical stamina;
- ability to focus energy and to avoid wasteful effort;
- sensitivity and an ability to read and understand others;
- flexibility and selecting varied means to achieve goals;
- personal toughness, willingness to engage in conflict and confrontation;
- ability to ‘play the subordinate’ and ‘team member’ to enlist the support of others.

In a way, power derived from these sources is potentially available to anyone, given its non-dependence on position, status or control of knowledge or resources. However, the use of power is unlikely to succeed unless used in conjunction with these other sources. This leads to the issue of those who lack power – in other words, the issue of powerlessness.



The politics of powerlessness

If there is one thing that symbols of power are intended to do, it is to make others who do not control these symbols feel their own lack of power. Many people are relatively powerless because of the way particular organizational factors affect them. In addition, some groups of people appear powerless in relation to the majority groups, who are often, although not always, white males. People with physical disabilities may be excluded from positions of status and decision making because of prejudice, or simply a lack of physical access to the spaces and places where the exercise of power takes place.

Gender and powerlessness

The relative power of women in organizations has received a lot of attention (Brescoll, 2011; Nemoto, 2013; Schuh *et al.*, 2014). Morgan (2006) argues that formal organizations typically mirror what, in the West, has been (and to a large extent still is) a patriarchal society. ‘Strategic’ jobs such as marketing, production or finance are generally done by men and jobs that involve caring, supporting and helping others tend to be done by women. This gender segregation across occupations goes some way to explaining why, in spite of ‘equal pay for equal work’ legislation and much greater parity of women in educational systems, women earn less than men on average, why they occupy a much greater proportion of jobs at the lower levels of organizations and why many women’s jobs are part-time and/or temporary. A similar picture is seen on an international scale. In many sectors, the higher up the ladder the fewer women are found, and the percentage of women in top jobs in big corporations is small (ILO, 2012).

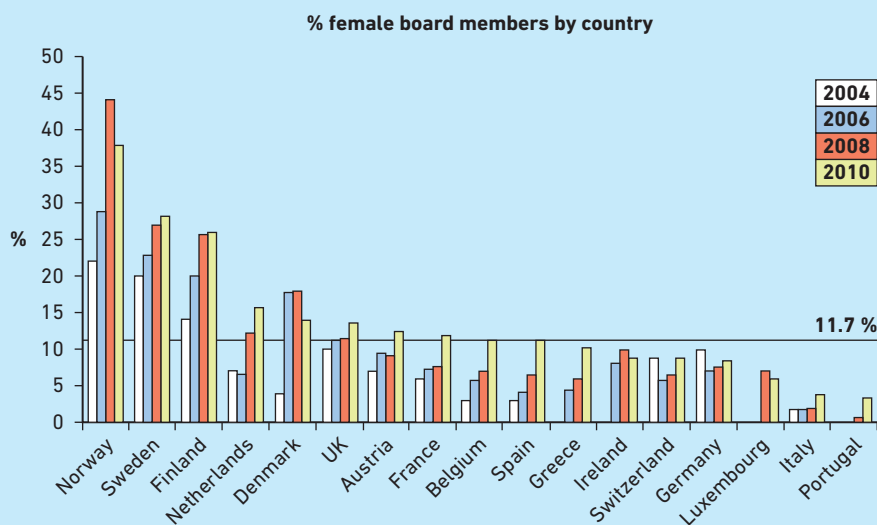
Vinnicombe, Doldor and Turner (2014), in 'The Female FTSE Report', showed that 80 per cent of FTSE 250 companies had women on the board but that the percentage of women on boards was only 15.6 per cent. There were eight female chief executives in the FTSE top 250 but some top UK companies still had no women on the board. The report argued that companies should make concerted efforts to increase the number of women at senior executive level to create a better pipeline for promotion. Illustration 5.6 demonstrates the slow progress made by women entering the higher levels of management.

Illustration 5.6

Women in the boardroom

Looking across Europe there is a north-south divide reflected in the make-up of the boardrooms of big business. Women occupied 38 per cent of board seats in the largest companies in Norway and 28 per cent in Sweden in 2010. Boards in Italy and Portugal, however, remain almost exclusively male. The split is revealed by a survey indicating that, across Europe, women hold just 11.7 per cent of the directorships in over 300 large companies (up from 8 per cent in 2004). Between the extremes of Norway and Portugal lies the UK, where women have 13 per cent of seats, the Netherlands with 15 per cent and France with 12 per cent. However, over the last few years, the proportion of women on the board has been rising in most countries.

Greater representation of women in top management in Scandinavia can be explained by a traditional acceptance of feminine values in society (see the discussion of national culture in Chapter 4) coupled with a more radical understanding of gender equality, together with professionalization of gender equality work (Wahl and Hook, 2007). Furthermore, Norway tops the list because it introduced quotas to increase women's representation in the boardroom. However, across Europe, only a handful of women have become chief executive officers. Although women's representation in Scandinavia has grown steadily in the past few years, outside the region change has been slow.



Source: European PWN Board Women Monitor 2004, 2006, 2008, 2010. © European PWN 2010. Web site www.EuropeanPWN.net

Evidence is building that diverse boards lead to better organizational performance. A study of German listed companies found a U-shaped relationship between women on boards and firms' performances (Joecks, Pull and Vetter, 2013). It was only after about 30 per cent of seats on a board were filled by women that firm performance improved. A survey of Dutch companies found that those with women on boards performed better (Lucknerath-Rovers, 2013). On a wider geographical scale, a survey (the seventh) of 13,124 global leaders, undertaken by the Global Leadership Survey (2014/2015), found that companies with a higher percentage of women in leadership roles performed better financially. In addition, they found that females accounted for over a third (33 per cent) of leadership roles in the top 20 per cent of financial performers, compared to the bottom 20 per cent of businesses, where only 19 per cent of leaders were women.

By contrast, a five-year study (1998–2002) of women and ethnic minority board members in 641 American firms by the Investor Responsibility Research Centre (IRRC) found no evidence for a link between gender and ethnic diversity of board members and the firms' performance (Carter *et al.*, 2010). A British study of 126 companies in the FTSE 100 Index during the years 2001–2005 also found no link between women board members and performance, and even suggested a negative link (Haslam *et al.*, 2010). However, the mean number of women on the boards in any of the years studied was never greater than 1.3 per cent. Consequently, the difficulty in demonstrating whether greater representation of women and ethnic minority people on company boards and in management positions (assuming they have the necessary knowledge and experience) would enhance company performance is that the numbers are currently low, with some boards consisting entirely of white males. It is only when these numbers and proportions rise that firm conclusions can be reached.

Even so, progress is being made, as the reasons for having more women on boards become increasingly recognized. These include:

- men and women bring complementary skills to corporate management;
- women may be more risk averse;
- women who make it to the top are better managers than men because they had to perform much better than men to get there;
- assessors of corporate reputation believe that women contribute distinctively to boards (Brammer, Millington and Pavelin, 2009).



Activity 5.4

Some studies have shown that organizations with women in the boardroom outperform men-only boards. The same reports imply that gender diversity is a causal factor in explaining better performance. If this is true, then how would you explain the causal mechanism? Would an all-women board perform less well than a mixed board?

Table 5.2 Women on boards of FTSE 100 and FTSE 250 companies

<i>At March 2015</i>	<i>FTSE 100</i>	<i>FTSE 250</i>
Female-held directorships	263 (23.5%)	365 (18%)
Female executive directorships	24 (8.6%)	25 (4.6%)
Female non-executive directorships	239 (28.5%)	340 (23%)

Source: Vinnicombe, S., Dolder, E., Sealey, E., Pryce P. and Turner, C. (2015), 'The Female FTSE Board Report 2015', Cranfield University, p. 35.

Table 5.3 FTSE 350 senior executives

<i>Senior Executives</i>	<i>Females</i>	<i>Males</i>	<i>Total</i>
FTSE 100	434 (20.9%)	1,638 (79%)	2,072
FTSE 250	456 (18.5%)	2,008 (81.6%)	2,464

Source: Vinnicombe, S., Dolder, E., Sealey, E., Pryce P. and Turner, C. (2015), 'The Female FTSE Board Report 2015', Cranfield University, p. 35.

Countries outside Europe have a much lower percentage of women board members (11.6 per cent overall) compared to Europe (21.2 per cent overall), the key exceptions being Australia (22.6 per cent) and the USA (21.2 per cent) (Vinnicombe *et al.*, 2015, in 'The Female FTSE Board Report 2015').

In the UK, the number of women in management is rising steadily. Table 5.2 shows the numbers and percentages of women board members for the FTSE 100 and 250 company indexes in 2015. From this it can be seen that FTSE 250 companies lag behind the FTSE 100 companies. It is also of note that female *executive* directors form only a small proportion of board members. This is not surprising considering that, as Table 5.3 indicates, in the FTSE 350 companies, female senior executives are present in far fewer numbers than men.

In 2015, the Chartered Institute of Personnel and Development (CIPD) reported the results of a survey of 452 UK-based human resources professionals, which found a variety of reasons for having a good representation of female board members. These reasons were:

- female members can bring different perspectives to boardroom discussion/decisions (85 per cent);
- it helps to reflect the wider diversity in society and in the company's client base (79 per cent);
- boards with a good degree of diversity can improve business performance (68 per cent);
- female directors at the top of an organization serve as positive role models (65 per cent);

- boards with a good degree of diversity are more innovative and creative (62 per cent);
- it helps to promote the organization's reputation externally as a diverse employer (56 per cent).

(Note: the percentages in brackets indicate the percentage of respondents who agreed with the statements.)

Even though the number of women in management is rising, there is still a difference in pay between the sexes. For example, *The Guardian* newspaper (19 August 2014) reported that: 'More than 40 years after the Equal Pay Act outlawed less favourable pay and conditions in the workplace, the data shows that discrepancies in salaries widen at the higher echelons of management'. Quoting the (CMI) National Management Salary Survey of 2014, it commented: 'Including male and female managers of all ages, women are earning only three-quarters (77 per cent) of men in full-time comparable jobs'.

It is clear that the situation for women board members and managers is improving; however, it is too soon to say that feminization of the workplace will make a difference to the endemic organizational issues of power imbalances and the nature of organizational politics. There are still obstacles to women's advancement at work.

Barriers to change

There are several explanations for why women, on average, do less well than men and, if they have achieved professional status, still do not rise in similar proportions to the higher levels in their profession or to the higher levels of management. They include:

- perceptions of the social roles that men and women should perform, although social attitudes are changing to lessen these distinctions;
- placement of women in non-strategic roles from which it is harder to progress to the top and that bring exclusion from networks that are important in underpinning career advancement;
- child-bearing and child care, which limit the amount of time available for work given that progress to the top often calls for long working hours – perceptions of the 'visible' commitment of women (that is, consistently being present at work) can be compromised by this factor.

Structuralist theorists argue that the structure of jobs affects the job holder's ability to exercise power (Ness, 2012). Kanter (1979), for instance, argues that women are typically shepherded into powerless jobs and hence find themselves in positions without much influence. Entry to a succession of powerless jobs perpetuates the situation. In contrast, socialization theory argues that it is learned behaviour – that is, the behaviour that girls and young women are socialized into in the family and at school, and that makes them less effective users of power in the workplace (Barbulescu and Bidwell, 2013; Kalantari, 2012). Hence, there is a big question around whether the behaviours of men and women at work are a result of their situations or a result of more stable differences between men and women.

In addition, there are fewer women in the workforce generally than men. For instance, in the world region of developed economies and the European Union, the difference in employment rate in 2012 between men and women was 14.7 per cent

(ILO, 2012). Consequently, the lack of a ‘critical mass’ of women in some organizations and/or occupations tends to restrict any power and influence they might have in them.

The use of upward influence tactics helps individuals to advance at work, and there may be differences in the ways that men and women use influence (O’Neill, 2004; Smith *et al.*, 2013). Upward influence concerns the ways that people try to influence the attitudes of people above them in their favour. Tactics include:

- *Rationality* – using facts and figures to support arguments and thinking.
- *Coalition* – claiming that lots of other people support you.
- *Ingratiation* – managing the impressions of others and flattering them.
- *Exchange* – using the exchange of benefits to gain favour.
- *Assertiveness* – being forceful in pushing for your way of thinking.
- *Upward appeal* – getting support of higher levels of managers for one’s ideas and plans.

Smith and colleagues (2013) found subtle differences in the influence tactics used by men and women. Men were more disposed to using assertive and direct methods whereas women used more ingratiation and collaborative approaches. Women may also be less likely to use self-promotion tactics and rely on their own high performance and commitment (Singh, Kumra and Vinnicombe, 2002).

Another reason put forward for relative lack of power and influence is that the prevailing structures and power balances in organizations, which are predominantly based on a male model of what organization and management is about, conspire indirectly to reduce the power sources of women (Morgan, 2006). Access to power structures in organizations is an important part of the explanation of wage inequalities. In Sweden, women working in power structures populated by men earned less than women in power structures with more women in them (Hultin and Szulkin, 1999, 2003). This was explained through differential access to networks that determine rewards in labour markets. ‘Women are less central than men in those networks in which organizational power is located and important decisions on organizational policies are made. Hence women may receive less support for their arguments and their claims’ (Hultin and Szulkin, 1999, p. 459). Their research shows that it is not individual discrimination against women that is occurring but attitudes towards typically female jobs and barriers to higher-paid positions.

Another interpretation of powerlessness comes from the gendered nature of workplace behaviour and the norms surrounding the behaviour associated with promotability. McKenna (1997) refers to the world of male politics in which ‘Sitting back and hoping for recognition is seen as passivity, a lack of fire, guts and ambition. Essential for success is self-promotion, and conformity to the “unwritten rules of success”.’ McKenna (1997, p. 51) says: ‘[Success is about] maintaining silence in the face of politics and backstabbing . . . It has little to do with performing good work or being productive and everything to do with pecking order and egos.’ We do not intend to imply here that women cannot display the political behaviour to get ahead – indeed some are very effective at it and can be just as talented or just as devious and self-promoting in organizational politics as men. But, on balance, there is a body of thinking that suggests women are less likely to display such behaviour – hence the imbalance.

Overall, research suggests organizational structures and processes are more influential in gender segregation than supply-side factors such as socialization and employee choice (Huffman, Cohen and Pearlman, 2010).



Activity 5.5

Think of someone whom you consider does their job very well, but who has been unsuccessful in getting promotion. Assuming there is no reason why this person could not do the higher-level job (given time and training if necessary), why do you think they have not progressed?

In your analysis, draw on the concepts of power and political activity, discussed previously, in relation to the possible lack of power of the person concerned.

National culture and powerlessness

Lien (2005) gives an interesting account of powerlessness among Taiwanese women employees and how this links directly to prevailing national culture. The women's feelings of powerlessness stemmed from a number of factors:

- Structural barriers such as assumptions that women leave work when married so why bother giving them opportunities to develop. Due to lack of seniority, they lacked position power.
- Behavioural barriers such as bosses not 'letting go' of work to give younger women a chance, but rather prescribing how to do things and insisting that orders and procedures are followed without deviation. Women's talents were not called upon and bosses gave credit to others, overlooking the roles that women had played in achieving things.
- Accommodation and rationalization – this sums up the Darwinian idea of adaptation in that women tended to adapt to their work environment because if they did not they could not survive in it. However, adaptation meant surviving in a powerless niche.

Since cultural differences influence many aspects of organizational life, care must be taken not to assume that practices in one culture, such as Taiwan mentioned previously, can be transferred, without question, to another. For instance, it would be unwise to assume that motivating or leadership styles that work well in a Western culture will be effective in other countries – although they might be.

The implications of these cultural differences for a discussion of power and powerlessness hinge on the very issue of difference. People from different cultures behave differently and bring different values and attitudes to the workplace. People from cultures scoring high on Hofstede, Hofstede and Minkov's (2010) high-power distance dimension will expect managers to make most workplace decisions. However, in Western cultures, which characteristically score low on power distance, people who defer to others to make decisions may well be seen as lacking ambition and not ready to take responsibility. This, in turn, does not encourage people to gain power sources such as 'control of decision processes' and 'formal authority'

(Morgan, 2006). Morgan also cites ‘ability to cope with uncertainty’ as another source of power that relates directly to another cultural dimension – uncertainty avoidance. Consequently, if a minority group’s cultural upbringing is one where ambiguity must be controlled, then they are less likely to demonstrate the attitudes and behaviour that could win them power of this kind.

Another example is the difference in orientation towards others that is found between different cultural groupings. The perspective of power in Western society is based mainly on the power of the individual, yet in many societies (particularly in East Asian countries) group loyalty is a virtue. It is the performance of the group that matters – power is linked to the power of the group. Yuet-Ha (1996) points this out in her discussion of the differences between Western and East Asian work-related values and their relationship to work-related competencies. Her findings suggest that, for people from an East Asian culture, it is relatively easy to implement teamworking and shared responsibility and support. However, it is relatively difficult to implement open communication, participation, decisiveness, delegation of authority and taking leadership responsibility. Given that most of these competencies are valued in Western societies, people from minority groups that value other competencies are less likely to progress when working in the UK, the USA and some European countries unless they can change others’ perceptions of their differences. Their lack of power in the first place makes this difficult to achieve.

Position and powerlessness

Legislation has certainly helped to eliminate the more overt prejudices that have prevented women and minority groups from enjoying the benefits given to others, even if certain organizational and covert processes still contrive to reduce their access to power sources and influence. However, we should not simply focus on equality group membership, since many employees in majority groups find themselves relatively powerless due to their position. These groups are not, as might be expected, simply those working at the lowest levels of the organization. They are powerless because of the particular positions they occupy. People near the bottom of hierarchies do not have much access to resources, information and support to get a task done or the cooperation of others to do what is necessary. Kanter (1979) identified three ‘lines’ of organizational power: (1) lines of supply; (2) lines of information; (3) lines of support. These have been discussed already as being basically related to resource and position power, but of additional relevance here is the power that comes from *connections* with other parts of the organizational system. This derives from two sources: job activities and political alliances. Kanter says (1979, pp. 65–6):

- 1 Power is most easily accumulated when one has a job that is designed and located to allow *discretion* (non-routinized action permitting flexible, adaptive and creative contributions), *recognition* (visibility and notice) and *relevance* (being central to pressing organizational problems).
- 2 Power also comes when one has relatively close contact with *sponsors* (high-level people who confer approval, prestige, or backing), *peer networks* (circles of acquaintanceship that provide reputation and information, the grapevine often

being faster than formal communication channels) and *subordinates* (who can be developed to relieve managers of some of the burdens and to represent the manager's point of view).

When people are in situations where they have strong lines of supply, information and support, their job allows them discretion and their work is recognized as being relevant to the organization's purposes, they can more easily relinquish some control and, thereby, develop their staff more effectively. In contrast to this situation:

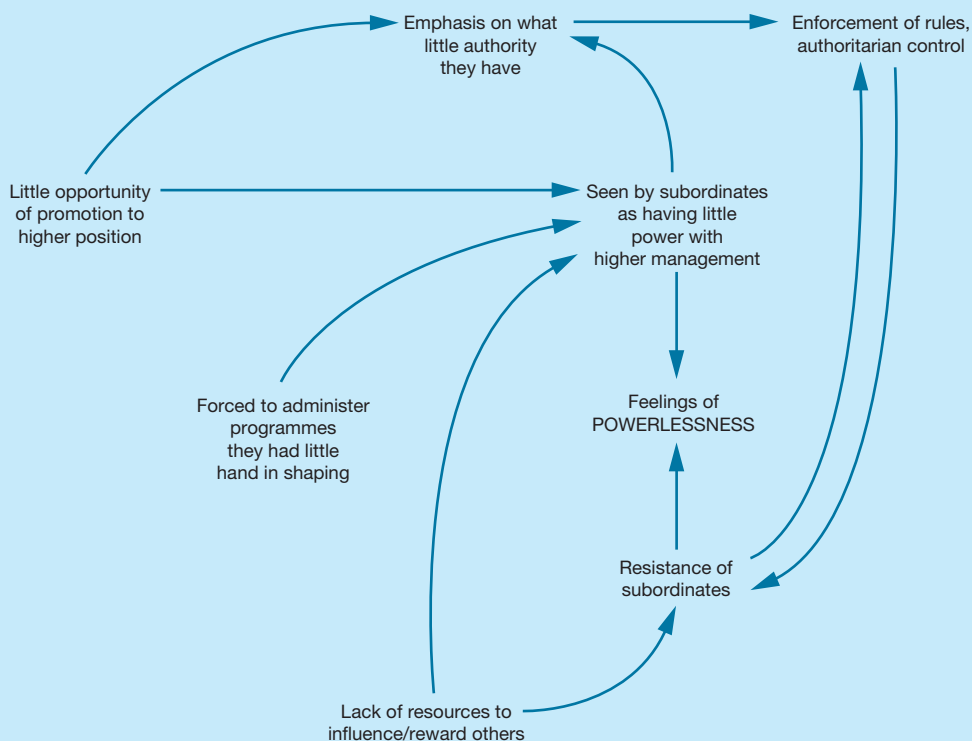
The powerless live in a different world. Lacking the supplies, information, or support to make things happen easily, they may turn instead to the ultimate weapon of those who lack productive power – oppressive power: holding others back and punishing with whatever threats they can muster.

(Kanter, 1979, p. 67)

This situation is frequently faced by first-line supervisors. Illustration 5.7 shows how multiple causes combine to influence the attitudes and behaviour of first-line supervisors and people in similar positions and to increase their feelings of powerlessness.

Illustration 5.7

First-line supervisors and powerlessness



Source: Based on the description in Kanter, R.M. (1979), 'Power failure in management circuits', *Harvard Business Review*, July–August, pp. 65–75.

Support service employees are also compromised in terms of power. For example, people working in human resource departments often have little line experience and, therefore, are not involved in the mainstream organizational power networks. Being specialists, their ability to cross functions or undertake general management positions is restricted. They are, therefore, likely to get 'stuck' in a limited career structure. Having little power themselves, they cannot pass it on to others. In addition, they are vulnerable to having their work contracted to agencies or consultants outside the organization. The effect of this relative powerlessness is that they tend to become territorial, protecting their patches, drawing strict boundaries between themselves and other functional managers. These various aspects of powerlessness, collectively, lead to conservative attitudes that are resistant to change. Activity 5.6 asks you to assess a job in terms of its capacity to generate power for its occupant.



Activity 5.6

The following factors contribute to power or powerlessness. For your own job, or one you know well, consider each factor and tick the appropriate column.

<i>Factor</i>	<i>Generates power when factor is:</i>	<i>Generates powerlessness when factor is:</i>
Rules in the job	<input type="checkbox"/> Few	<input type="checkbox"/> Many
Predecessors in the job	<input type="checkbox"/> Few	<input type="checkbox"/> Many
Established routines	<input type="checkbox"/> Few	<input type="checkbox"/> Many
Centralized resources	<input type="checkbox"/> Few	<input type="checkbox"/> Many
Communications	<input type="checkbox"/> Extensive	<input type="checkbox"/> Limited
Task variety	<input type="checkbox"/> High	<input type="checkbox"/> Low
Physical location	<input type="checkbox"/> Central	<input type="checkbox"/> Distant
Relation of tasks to current problem areas	<input type="checkbox"/> Central	<input type="checkbox"/> Peripheral
Competitive pressures	<input type="checkbox"/> High	<input type="checkbox"/> Low
Network-forming opportunities	<input type="checkbox"/> High	<input type="checkbox"/> Low
Contact with senior management	<input type="checkbox"/> High	<input type="checkbox"/> Low
Advancement prospects of subordinates	<input type="checkbox"/> High	<input type="checkbox"/> Low
Authority/discretion in decision making	<input type="checkbox"/> High	<input type="checkbox"/> Low
Meaningful goals/tasks	<input type="checkbox"/> High	<input type="checkbox"/> Low
Participation in programmes, meetings, conferences	<input type="checkbox"/> High	<input type="checkbox"/> Low

Consider the overall picture obtained of the job. How powerful might the person occupying it be?

Source: Based on factors suggested by Kanter, R.M. (1979), 'Power failure in management circuits', *Harvard Business Review*, July–August, pp. 65–75; and Gordon, J.R. (1993), *A Diagnostic Approach to Organizational Behavior*, Needham Heights, MA: Allyn & Bacon, p. 425.

Politics, power and conflict

Earlier in this chapter, politics was described as the use of power. Political behaviour extends beyond formal roles and is observed in activities that are not part of someone's formal organizational role. Even in organizations that have a strong culture, the experience of that culture will vary for individuals and groups who operate within their own organizational subcultures. What is more, a dominant culture will not solve one of the perennial issues in all organizations – the problem of scarce resources – and so people more disposed towards political behaviour will use their skills to satisfy their needs at the expense of others.

As we have seen, resource power stems from scarcity, and additional resource power is frequently fought over. An issue therefore arises of whether competition for resources can be beneficial or whether it is always dysfunctional. This leads to the ideas of unitarist and pluralist frames of reference. The unitary frame of reference assumes that organizations are unified around common interests and therefore conflict should not arise. Managers with pluralist views of organizations recognize that people have both common (shared) and divergent interests that will sometimes result in conflict. As such, systems and procedures are needed to manage conflict as best as possible. Unitarists consider conflict as an aberration from the normal state of affairs, which recognizes only formal authority as the legitimate source of power. Thus, from a unitarist position, managers are considered as having the 'right to manage', while others are expected to subordinate their own personal interests to the good of the organization, as judged by managers. From this point of view, the only type of power recognized is formal position power. Expert power might be recognized but, in the main, only as a facet of position power.

Robbins and Judge (2013, p. 447) use the term 'traditional' to describe the unitarist view, which assumes that all conflict is bad. They say: 'The traditional view . . . was consistent with attitudes about group behavior that prevailed in the 1930s and 1940s'. The idea, still around, that all industrial action by workers is wrong stems from this view. The difficulty for managers, in accepting a unitary view of organizational life, is that it leaves no room for dealing with the multiplicity of interests that are now accepted as part of a democratic way of doing things; hence the concept of pluralism. Illustration 5.8 summarizes the two different views.

Illustration 5.8

The unitary and pluralist views of interests, conflict and power

	The unitary view	The pluralist view
Interests	Emphasizes the achievement of common objectives. The organization is viewed as being united under the umbrella of common goals, and striving towards their achievement like a well-integrated team.	Emphasizes the individual and group interests. The organization is regarded as a loose coalition that has a remote interest in the formal goals of the organization.

	The unitary view	The pluralist view
Conflict	Regards conflict as a rare and transient phenomenon that can be removed through appropriate managerial action. Where it arises, it is usually attributed to the activities of deviants and troublemakers.	Regards conflict as an inherent and ineradicable characteristic of organizational affairs and stresses its potentially positive and functional aspects.
Power	Largely ignores the role of power in organizational life. Concepts such as authority, leadership and control tend to be preferred means of describing the managerial prerogative of guiding the organization towards the achievement of common interests.	Regards power as a variable crucial to the understanding of the activities of an organization. Power is the medium through which conflicts of interest are alleviated and resolved. The organization is viewed as a plurality of power holders drawing their power from a plurality of sources.

Source: Reproduced from *Sociological Paradigms and Organisational Analysis*, 2nd Edition by Gibson, Burrell; Gareth, Morgan, published by Routledge. © Taylor & Francis (2006), reproduced by arrangement with Taylor & Francis Books UK

The unitarist frame of reference portrayed in Illustration 5.8 sits uncomfortably, not only with what in many parts of the world has come to be a pluralist society, but also with the increasingly complex and sometimes chaotic circumstances that organizations deal with in the twenty-first century. In such times, political behaviour is to be expected, with its associated tendency to generate both competition and cooperation (of which conflict is a part). To ignore the role of conflict as a positive force as well as a negative force in the context of organizations and change is to ignore the realities of human nature. Therefore, a more detailed understanding of the nature and sources of conflict and how to manage in situations of conflict is important for anyone involved in organizational change.

Conflict in organizations

The previous section established a link between power, politics and conflict, but the concept of conflict itself is by no means clear. What one person calls conflict another might see as healthy debate or competition. Definitions of conflict include:

... a process that begins when one party perceives that another party has or is about to affect something that the first party cares about.

(Robbins and Judge, 2013, p. 446)

Conflict is best viewed as a process that begins when an individual or group perceives differences and opposition between him/herself and another individual or group about interests, beliefs or values that matter to him or her.

(De Dreu and Beersma, 2005)

Conflict must be perceived by the parties to it otherwise it does not exist. Second, one party to the conflict must be seen as about to do or be doing something that the other party (or parties) does not want – in other words there must be opposition. Third, some kind of interaction must take place. In addition, conflict can occur at a

number of levels: between individuals, between groups or between organizations. We can, of course, as individuals, experience conflict within ourselves when we are wrestling with choices and decisions.

Conflict might arise because of the incompatibility of goals set for people, or a confusion over the roles they are asked to play, but conflict is not a unidimensional concept. It comes in different guises according to its degree of seriousness and its capacity to disrupt or, in some cases, improve a difficult situation. Thus, a different view that opens new possibilities is offered by Martin and Fellenz (2010, p. 305):

Conflict can be considered as something that disrupts the normal and desirable states of stability and harmony within an organization. Under this definition it is something to be avoided and if possible eliminated from the operation. However, it is also possible to consider conflict as an inevitable feature of human interaction and perhaps something that if managed constructively could offer positive value in ensuring an effective performance within the organization.

This interpretation argues that being without conflict is unrealistic, and since it is inevitable, the best thing to do is manage it and use it constructively for change. This interactionist view holds that situations without conflict are prone to becoming vulnerable to threats and that conflict, within reason, will keep a group or organization more lively and alert. Conflict, therefore, can be seen as an instrument of change rather than as a breakdown of relationships. That is not to say that conflict should be encouraged, as resolving it takes time and causes stress, but it does suggest that good conflict resolution systems should be used by organizations.

Like so many management situations, empirical studies of conflict do not lead to the same conclusion. In some situations conflict is harmful, in others it can be beneficial. The question arises, therefore, under what conditions is it harmful or beneficial? Jehn (1995) found that the level of routine mattered. When groups performed routine tasks, disagreement was harmful. In contrast, in groups performing more complicated tasks, conflict was not harmful and sometimes even beneficial.

Sources of conflict

A survey of UK organizations (CIPD, 2008) revealed that the most often-cited sources of conflict at work were personality clashes and warring egos (which probably point to power struggles behind the scenes), poor leadership from top managers, poor line management and performance management. Most blame was put on management's inability to suppress conflict and on confrontations between individuals. The thrust of the suggested solutions was for more information and discussion around the conflict, although two-thirds of people in the survey felt that 'toxic' individuals were a problem that needed managing, which implies that discussion is an insufficient response.

Conflict also exists between organizations – for example, between corporations and activist groups such as Greenpeace, or trade unions and shareholder groups. Murphy and Dee (1992) noted that inter-organizational conflicts are often unresolved, not because the participants use different resolution strategies, but because both parties can meet their objectives by not resolving the conflict. Other writers (Pfeffer, 1981; Mullins, 2013; Robbins and Judge, 2013) refer to the following five factors as the main sources of organizational conflict.

Interdependence

Different organizational groups depend upon each other to a greater or lesser extent, such as the interdependence between production and marketing. The balance of dependence (who depends the most) is related to power balances between groups. Conflict can also arise between two individuals whose tasks are interdependent when there are differences of opinion over priorities and procedures.

Organizational structures

Conflict can arise from the power imbalances that prevail in organizational structures. Reporting relationships in matrix structures can cause particular frustration. For example, an international subsidiary in a multinational company might report simultaneously to a regional HQ and to production division directors. In more traditional, hierarchical structures, different divisions and departments, such as sales, production and finance, can have very different orientations towards formality of dress and behaviour, interpersonal relationships and timescales. Specific problems can include delays in making decisions, power struggles for the dominant position and differing priorities between regional managers and product managers (Wolf and Egelhoff, 2013).

Rules and regulations

On the one hand, high formalization (that is, standardized ways for people and units to interact with each other) creates fewer opportunities for disputes about who does what and when. On the other hand, where there is low formalization, the level of ambiguity is such that the potential for jurisdictional disputes increases. Robbins and Judge (2013, p. 488) maintain that conflict is more likely to be less subversive in highly formalized situations because 'rules and regulations substitute for managerial discretion'. However, in situations of over-regulation, people can become frustrated by their lack of autonomy and see rules and regulations as an expression of low trust by management.

Resource limitations

When resources are plentiful and rewards can be gained for all, the potential for conflict through competition for resources is reduced. In conditions of austerity or when redundancies are occurring, the potential for conflict over resources rises. Resource conflict can also lead to increased levels of individual satisfaction and commitment. An individual's disposition towards conflict over resources is influenced by the level of self and situation preservation, even though others would be adversely affected (Barsky, 2002).

Cultural differences

The previous chapter identified a number of ways in which people from different nationalities and societies differ. Therefore, it is not surprising that people from different cultures regard and resolve conflict in different ways – what is just a small misunderstanding to one person can be a personal slight to another. Some nationalities prefer to avoid conflict, others are happy to confront it, while still others favour accommodating

it. Each strategy depends on the different assumptions that people bring to the situation (Kim and Markman, 2013; Tinsley, 1998). Conflict can arise through misunderstandings or through inappropriate behaviour when working across national cultures. In addition, we can expect different national cultures to display different approaches to conflict resolution. For instance, people who come from a collectivist culture, such as Japan, are more likely to avoid outright confrontation than people who come from more individualistic cultures such as that of the United States. People from cultures scoring high on Hofstede *et al.*'s (2010) power distance culture are more likely to appeal to a higher authority and use bureaucratic rules and regulations to resolve conflict than people from cultures that score low on the power distance dimension.

Managing conflict

Strategies for managing conflict vary according to the managers' frame of reference. Managers who have a unitarist attitude towards those they manage will try to suppress conflict whenever possible and the dominant strategy will be to exclude the opposition from involvement in decisions. The paradox is, however, that exclusion may either cause further, more extreme, conflict behaviour or drive the expression of conflict underground. The suppression of conflict within a unitary frame of reference will be successful so long as those without power fear the consequences of conflict (such as being ignored, lock-outs, or possibly dismissal) sufficiently to avoid it. However, when acceptable alternatives are available (for instance, alternative employment or successful industrial action) then conflict will return again, thus reinforcing the view that typical business organizations cannot, in general, be managed as unitary entities. Recognition of their pluralist characteristics is required if conflict is to be managed successfully.

Conflict resolution has a big following. An influential starting point is the Conflict Management Grid (Blake and Mouton, 1970), which has been the basis of much subsequent research (Bernadin and Alvares, 1976; Van de Vliert and Kabanoff, 1990). They suggest that techniques of conflict management can be mapped on two dimensions: concern for production and concern for people. On each dimension an individual can score from low to high. The five techniques are:

- competing (high concern for production, low concern for people);
- collaborating/problem solving (a more constructive approach of information sharing, trying to meet both sides, represented by high scores on both dimensions);
- compromising (moderate scores on both dimensions);
- avoiding (low scores on both dimensions);
- accommodating (high concern for people, low concern for production).

Each conflict-handling technique has an outcome in terms of its capacity to tackle the content of the conflict and the relationship with the other party, as follows:

- 1 *Competing*. This creates a win/lose situation and so the conflict will be resolved to suit one party only. The win/lose situation can lead to negative feelings on the part of the loser and damage the relationship.

- 2 *Collaborating*. This creates a win/win outcome, where both parties gain. It frequently brings a high-quality solution through the results of the inputs of both parties. Win/win outcomes result in both sides being reasonably satisfied. They require openness and trust and a flexibility of approach.
- 3 *Compromising*. The needs of both parties are partially satisfied. It requires a trading of resources. Openness and trust may not be as great as for collaboration, but compromise might set up a relationship that, in the future, could move to collaboration.
- 4 *Avoiding*. This does not tackle the problem. It creates a no-win situation. It does, however, allow a cooling-off period and allows the parties to (perhaps) gather more information to begin negotiations afresh, or decide there is no conflict after all. It can give rise to frustration of one party if they think the issue is important while the other side do not.
- 5 *Accommodating*. This can create a lose/win situation, but retains a good relationship between the parties. It involves recognizing when the other party might have a better solution than oneself. It is used when relationships are more important than the problem. It builds goodwill.

The same terminology occurs in the conflict resolution behaviour model by Thomas (1976), as shown in Figure 5.1. Here, however, each style is mapped in terms of assertiveness (a concern to satisfy one's own needs) and cooperativeness (a concern to satisfy the needs of others). Illustration 5.9 matches situations to conflict-handling styles.

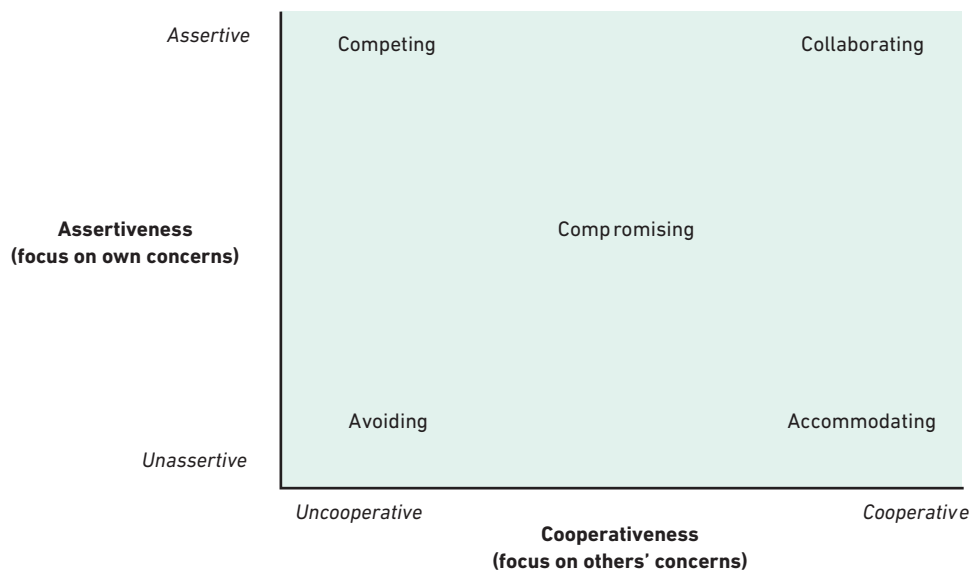


Figure 5.1 A model of conflict-handling styles

Illustration 5.9**Conflict resolution and situational appropriateness****Competing**

- 1 When quick, decisive action is vital – such as in emergencies.
- 2 On important issues where unpopular actions need implementing – for example, cost cutting or to restore discipline.
- 3 On issues vital to company welfare when you think you are right.
- 4 Against people who take advantage of non-competitive behaviour.

Collaborating

- 1 To find an integrative solution when both sets of concerns are too important to be compromised.
- 2 When your objective is to learn – for example, about complex situations.
- 3 To merge insights from people with different perspectives.
- 4 To gain commitment by incorporating concerns into a consensus.
- 5 To work through feelings that have interfered with a relationship.

Compromising

- 1 When goals are important, but the effort that would go with confrontational approaches is not worth making.
- 2 When opponents with equal power are committed to mutually exclusive goals.
- 3 To achieve temporary settlements of complex issues.
- 4 To arrive at expedient solutions to complex issues.
- 5 As a back-up when collaboration or competition is unsuccessful.

Avoiding

- 1 When an issue is trivial, or more important issues are pressing.
- 2 When you perceive no chance of satisfying your concerns.
- 3 When potential disruption outweighs the benefits of resolution.
- 4 To let people cool down and regain perspective.
- 5 When gathering information is more important than finding a quick fix.
- 6 When others can resolve the conflict more effectively.
- 7 When issues seem tangential or symptomatic of other issues.

Accommodating

- 1 When you find you are wrong – to allow a better position to be heard, to learn and to show your reasonableness.
- 2 When issues are more important to others than to yourself – to satisfy others and maintain cooperation.
- 3 To build social credits for later issues.
- 4 To minimize loss when you are outmatched and losing.
- 5 When harmony and stability are especially important.
- 6 To allow subordinates to develop by learning from their mistakes.

Source: Thomas, K.W. (1977), 'Toward multi-dimensional values in teaching: the example of conflict behaviors', *Academy of Management Review*, 12, p. 487.

Most people have a preferred conflict-handling style, depending on their personality, culture, socialization and organizational experiences (Antonioni, 1998; Modberg, 2001). However, effective management of conflict can call upon the use of any of these styles, depending on the circumstances.



Activity 5.7

Analyze a conflict from your own organizational experience to identify which of Thomas' approaches, identified in Illustration 5.9, was used?

If the conflict is still happening, which of Thomas' approaches do you think is best suited to resolving it?

Sometimes, conflict is on a different level altogether. A third perspective on conflict is a radicalist view, which sees conflict as a result of power struggles between employers and employees who are essentially on opposite sides of a class struggle (Martin and Fellenz, 2010). Some situations are radicalized to the extent that divisions between managers and other employees are almost irreconcilable. The radical frame of reference that characterizes these situations derives from a view of society as comprising antagonistic class interests that will only be reconciled when the differences between the owners of production and the workers have disappeared. Based on a Marxist perspective, this situation is so powerful that it can cause the downfall of organizations and the social structures that support them. Usually, however, in the long run the power of the owners of capital tends to prevail.



Activity 5.8

Read the following scenario.

Raheel and Veronica both worked at the same level in the sales department of Keen Machine, a large importer of motorcycles that held the sole rights to sell one of the leading Japanese brands in Europe. They each managed a team of salespeople responsible for a different geographical area. Although the teams operated independently of each other, they shared the services of two female administrators who dealt with orders, invoicing, etc. The administrators also carried out typing and other administrative work for Raheel and Veronica. This work was done by whoever was available at a particular time.

Every year, all the salespeople had to undergo performance appraisals, which were performed by their manager (either Raheel or Veronica). However, the two administrators had been excluded from this process and the sales director decided that they also should be appraised as well and, to be fair to both, by the same person (either Raheel or Veronica).

Raheel's sales team had faced some difficulties on their territory recently and Raheel was having to work hard to recoup their previous good performance. The sales director, not wanting to distract Raheel from this task, asked Veronica to carry out the administrative staff appraisals.





Up to this time, Raheel had always had a good relationship with both administrators and had no complaint about their work for him. However, recently he began to notice that, if both he and Veronica gave work to the administrators at the same time, Veronica's work seemed to get done first – this was in spite of the fact that he had always thought he had a better relationship with them than Veronica. He complained to the administrators, who both declared they did not show any 'favouritism' to either himself or Veronica. He was still not satisfied, but could think of no reason why their behaviour towards him should have changed.

Attempt to explain this situation using concepts and ideas related to issues of power and conflict.

Power, conflict and change

Power, politics and conflict are indisputable aspects of social systems and organizational change. On the issue of power, French and Bell (1999) see it as ever-present and everywhere, and that without power there would be no cooperation and no society. However, since power, conflict and political behaviour can have negative effects, the issue for managers dealing with organizational change is to use power and conflict as constructively as possible. This is, however, easier said than done.

The two faces of power

The idea that power has two faces was put forward by McClelland (1970) to explain its positive and negative aspects. In their discussion of McClelland's theories, French and Bell (1999, p. 280) remarked: 'The negative face of power is characterized by a primitive, unsocialized need to have dominance over submissive others.' Positive power derives from a more socialized need to initiate, influence and lead, and recognizes other people's needs to achieve their own goals as well as those of the organization. Negative power is about domination and control of others; positive power seeks to empower not only the self, but also others.

The terms 'constructive and destructive' can also be used in relation to different types of conflict and are clearly linked to the concepts of positive and negative power. The use of negative power almost inevitably results in destructive conflict, accompanied by a breakdown in communications and unwillingness to contemplate alternative points of view. The discontent arising tends to multiply in conditions of uncertainty, which often exist when change is attempted. It is in such situations that power balances are upset, and disagreements that might have been settled by compromise escalate into destructive win/lose situations. Organizations facing conditions of change are, in many respects, at their most vulnerable to the political actions of those who stand to gain from the change, as well as those who stand to lose.

The use of power

Among the cast of actors in a change process, there is generally a 'change agent'. This person has a 'special responsibility for planning, implementation and outcome of strategic change' (Lines, 2007, p. 144). Lines found that power does play a role in influencing the success of strategic implementation, but the relationship between power and success is complex. Different types of power are enacted in different ways, and the effects of power are mediated by the different implementation processes used.

Organizational life is full of occasions when people try to influence how others perceive the world around them. The term used to describe this is 'sensegiving', and it captures the processes that are used in efforts to help others make sense of what is going on around them (sensemaking) in the hope of reaching some new, redefined position (Drori and Ellis, 2011; Hope, 2010; Maitlis and Lawrence, 2007). Change agents with power derived from expertise are more likely to involve people and use sensegiving than change agents with low expert power (Lines, 2007). An implication is that, in organizations where participation is a strong part of the culture, expert power should be a characteristic of change agents if resistance is to be minimized.

Cynthia Hardy argues that power 'can provide the energy needed to drive the organization and its members through the strategic change process' (1996, p. 54). In addition to resource power (rewards and punishment) and process power (control of agendas and decisions), she identifies:

- *Power over meaning*: that is, attempting to alter values and norms. This involves the contemporary phenomenon of 'spin' – for example, giving a set of reasons for change steeped in greater efficiency, modernization and cost savings when the real reason is to reorganize certain people out of a structure and away from positions of influence, possibly so that others more acceptable to the ruling class can be slotted in to positions of influence.
- *System power*: this is not a source that can be grasped and manipulated, rather it is a power source lying within the organization and existing by virtue of its particular culture and structure. It is the power embedded in people's acceptance of the social conditions they work in. It is hard to change and is a backdrop to the exercise of the three other dimensions (see Table 5.4).

Hardy argues that strategic change needs to utilize the range of dimensions to stand much chance of success. Drawing on one or two sources only will not provide the breadth of approach that is needed.

Some types of change are less problematic than others. Radical, frame-breaking change, for instance, is more likely to bring the greatest conditions of fear and uncertainty. Even so, small-scale, incremental change can upset the balance of power through small but significant redistributions of resources or changes in structure that make the skills or experience of some people more desirable than those of others. However, regardless of the content of any change, it is the process that the organization must go through to get from one state to another that brings the

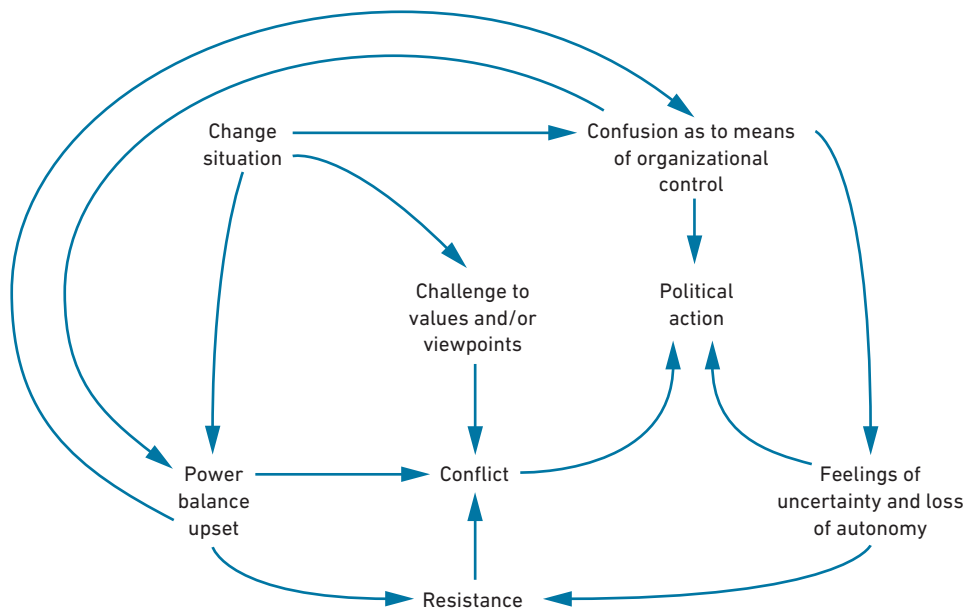
Table 5.4 Mobilizing the dimensions of power

	<i>Power of resources</i>	<i>Power of processes</i>	<i>Power of meaning</i>
Impact on actions	Principles of behaviour modification are used to influence specific actions	Confusion – focus on process without the support of resource power to direct behaviour	Confusion – focus on meaning without supporting resource power makes it difficult to influence specific behaviour
Impact on awareness	Inertia – resource power is inadequate to influence awareness	New awareness is created by the introduction of new participants, agendas and processes	Confusion – focus on meaning without the support of process power makes it difficult to translate awareness into behaviour
Impact on values	Inertia – resource power is inadequate to influence values	Inertia – process power is inadequate to influence values	Strategic change is given new meaning by influencing values and norms

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most problems. Nadler (1988) suggests that three major problems are associated with this transition process: the problem of resistance to change; the problem of organizational control; and the problem of power.

Figure 5.2 builds on these ideas to illustrate some interconnections between power, conflict, change and political action. It also shows some possible implications for attitudes and behaviour during periods of change. Thus, the transition

**Figure 5.2** The problems of change

process from one organizational state to another (desired) state, rather than being merely a series of mechanistically designed steps, is fraught with possibilities of conflict and political action.

Some types of change challenge the values and beliefs of some of the people involved and induce an internal state of conflict that, in turn, raises their resistance to change. In addition, because values and beliefs are challenged, this resistance has a moral imperative attached to it. Confusion about the means of organizational control – that is, who and what is being monitored and how – is closely associated with disturbances in the power balance, which will most frequently be linked to position and resource power. During times of confusion such as this, opportunities present themselves for taking political action using invisible sources of power. In this context, conflict (viewed as a problem) is likely to be resolved by the use of win/lose strategies.

The role of symbolic action is discussed in Chapter 4, but here we can note that during periods of relative stability, symbols such as stories, myths, rituals and routines and the more physical manifestations of status and power play a major part in sustaining that stability. Consequently, in periods of organizational change, these same symbols (and their relationship with symbolic power) can be used in the process of resisting change. What is more, this argument holds whether the change is incremental or is trying to shift the organizational paradigm. In addition, resistance to other than marginal changes incurs strategic drift. The process of strategic drift, if it continues without check, leads to confusion about organizational goals and the means of achieving them. This lays down the conditions for conflict and political action.

Covert political action

Covert political action is a phrase used to describe actions of the most extreme kind, witnessed during episodes of change. It embraces four interrelated themes: contestation of power and authority; ‘perceptions of collective injury’; ‘social occlusion’; and officially forbidden forms of dissent – each of which helps to explain change in organizations (Morrill, Zald and Rao, 2003). Covert political action is often not seen as organizational politics and is seen instead as criminal or deviant behaviour. However, this overlooks the underlying tensions that are causing it, since it is used by subordinated groups to display resistance and non-conformity in political struggles. Morrill and colleagues see covert political action as follows. First, it manifests in both material and symbolic forms. Sabotage and theft are explicit forms of covert action and this includes sabotage of ideas and goals, not just of machines or systems. Products can be badly assembled, production lines disrupted, machines broken or viruses released into computer systems. Some instances of whistle blowing can be seen as attempts to sabotage an organization. Theft and misappropriation can be used to redress perceived imbalances in relations between employees and organizations.

Second, covert political action carries an element of social visibility. Organized union resistance to management plans is an example of a highly visible interest. At other times, the interests of parties to conflict may be in the open but the time and

place of actions hidden (such as in sabotage). Here, covert political action is occurring behind a veneer of conformity.

Third, covert political action can be conducted by an individual acting alone, but it is often undertaken in a collective and organized way – for example, workplace stoppages or refusing to cover for colleagues who are away sick. Fourth, covert action connects to change in that it challenges routines and practices that individuals or groups see as unfair. In wider society, covert political action impacts on political change, with an extreme example being changes won through civil disobedience or sustained terrorist activity. So why does it occur? Morrill *et al.* (2003) give the following reasons:

- *Declining control* – if control held by organizations or groups falls below a threshold level then action is taken to restore control to an acceptable level.
- *Identity* – people who identify with and who try to influence powerful groups are less likely to engage in covert action than, say, employees who identify with each other far more strongly than they identify with the organization that is pushing for change.
- *Social networks* – the extent of social networks in an organization influences the extent of covert action, since an individual is less likely to take action against a target if a friend is connected to the target. Hence, the more extensive the networks, the less the climate for covert action.
- *Organization structures* – in particular, how well they allow employee voice (speaking out). If people feel unable to say what they are feeling, there is greater likelihood of covert action. Lack of voice is likely to foster the conditions in which grievances become long standing and, eventually, covert actions begin to take shape.

Covert actions should not simply be dismissed as deviant, but should be recognized as a means through which individuals and groups who feel disenfranchized can ‘defend their dignity’ and regain a level of control. They act as a check against institutional authority.



Activity 5.9

Thinking of places where you have worked, can you identify any examples of employee behaviour that could be classed as covert political action?

The problems of change sometimes appear overwhelming. However, power, conflict and political action have both a positive and a negative aspect in the context of organizational change (De Dreu and van de Vliert, 1997).

The positive use of conflict and power

Robbins and Judge (2013) distinguish between functional/constructive conflict, and dysfunctional/destructive conflict. They regard functional conflict as a positive force that is absolutely necessary for effective performance – although functional

conflict is confined to generally low-level issues. In similar vein, De Dreu and Beersma (2005) maintain that, between low conflict (a climate of complacency and apathy) and high conflict (a climate of hostility and mistrust), there is an optimal level of conflict that engenders self-criticism and innovation to increase unit performance. These theories are shown in Figure 5.3, and are expressed as a curvilinear or inverted U-shaped relationship.

Figure 5.4 illustrates the mechanisms that are assumed to be operating. It depicts a five-stage process of moving from an initial conflict situation through to alternative positive or negative outcomes. Note that stage III 'Intentions' uses Thomas' (1976) model of conflict-handling styles.

It is clear, of course, that organizations continue to function effectively in spite of conflicting relationships within them. There is a fine balance between conflict and consent, and studies of the relationship between job stress and performance (stress would be a logical outcome of conflict) frequently assume a curvilinear relationship,

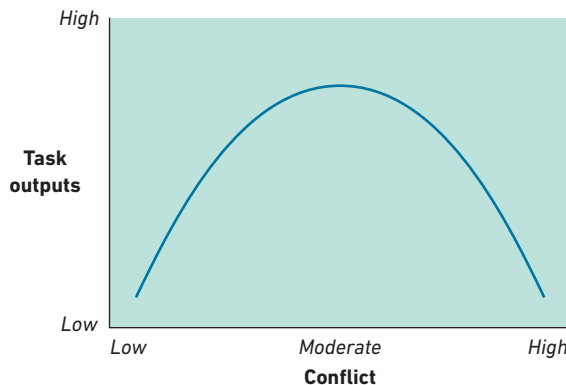


Figure 5.3 Curvilinear relationship between conflict and performance

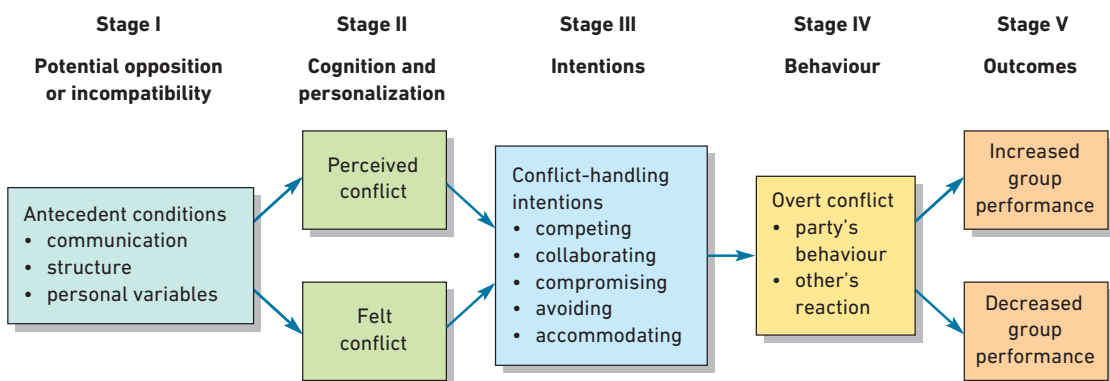


Figure 5.4 The conflict process

Source: Robbins, S.P. (2005), *Organizational Behavior: Concepts, Controversies, Applications* (11th edn), Englewood Cliffs, NJ: Prentice Hall, p. 424.

although not all studies support it (Muse, Harris and Field, 2003; Onyemah, 2008). A curvilinear relationship would indicate that low levels of conflict could help to support change, but higher levels would suppress it.

Furze and Gale (1996) take an optimistic view of conflict. Illustration 5.10 lists some of their guidelines, which are general and may result in collaboration, where both parties stand to win.

Illustration 5.10

Guidelines for dealing with conflict

- 1 *Encourage openness.* This refers to the need to explore objectives, facts, views and the assumptions that surround the issues. Openness requires statements of who benefits and how. It assumes that conflicts cannot be resolved if issues associated with them remain hidden.
- 2 *Model appropriate responses.* The issue here is one of role modelling. If one party is prepared to make positive responses, rather than being defensive or dismissive, this acts to encourage the other party to do likewise.
- 3 *Provide summaries and restatements of the position.* This helps to keep communication going and helpfully slows down the process when it becomes heated and when points that are made are in danger of being ignored and lost.
- 4 *Bring in people who are not directly involved.* Outsiders can act as additional information providers or take on the more process-oriented role of mediator or arbitrator. A mediator can facilitate a negotiated solution, while an arbitrator can dictate one. Other possibilities are conciliators, who act as communicators between the two parties (particularly if they will not communicate directly), and consultants. Instead of putting forward specific solutions, the consultant tries to help the parties learn to understand and work with each other.
- 5 *Encourage people to take time to think and reassess.* This means building in time for reflection. It may mean 'shelving' the problem for a while, but not as a means of avoiding it.
- 6 *Use the strengths of the group.* This refers to taking advantage of opportunities to use non-combative members of the group to which the combatants belong. Doing this brings others into the conflict, not to take sides but to play a positive and creative role.
- 7 *Focus on shared goals.* Rather than concentrating from the start on differences, seek instead to identify where agreements exist – even if these are very small. These form a useful base from which to move outwards to assess just where differences exist. Parties to a conflict are often surprised at the amount of agreement present, but of which they were unaware.
- 8 *Use directions and interests to develop areas of new gain.* Concentrating on other people's ideas can identify areas of potential gain. Then, using guideline 3, summarize ideas in order to move forward.
- 9 *Try to build objectivity into the process.* Objectivity can be encouraged by asking those involved to express both the strengths and weaknesses of their position. What must be recognized, however, is that objectivity will always be tempered by people's value systems.
- 10 *Adopt an enquiring approach to managing.* This means probing through what appear to be the symptoms of conflict to understand the actual causes. Unless the fundamental cause is identified, the conflict will continue to flare up at regular intervals.

Source: Based on Furze, D. and Gale, C. (1996), *Interpreting Management: Exploring Change and Complexity*, London: Thompson International Press, pp. 312–17.

Based on their work as change consultants, Lehman and Linsky (2008) offer the following advice. Given that ‘deep’ change almost always throws up conflict, those leading change are encouraged to see it as a healthy sign that a journey is underway. To harness conflict to change they recommend the following practices:

- *Build a container.* The container metaphor represents a space (a padded cell perhaps) where people can ‘vent their spleen’. Such a space could be off-site and allow a ‘no-holds barred’ approach, with guarantees that there will be no repercussions for speaking out.
- *Leverage dissident voices.* Angry voices may be making some serious, if unpopular, points. Leaders of change should be open-minded about what dissidents say and not let other parties, with their peculiar political interests, suppress them.
- *Let others resolve the conflicts.* Leaders are often expected to intervene and make rulings to resolve a conflict situation. While this is something that is often needed, there are times when the disputants have to be told to sort out their differences and report back to the top. Warring parties can be asked to put solutions to top management and when objections are out in the open there can be opportunities for learning.
- *Raise the heat.* Whereas leaders are often expected to maintain a climate of calm, it is sometimes necessary to turn up the heat on a group to force fresh thinking. This might come from confronting a group with extensive information about its performance in an effort to force them to confront change issues.

Action on power, conflict and change

Four action steps help to shape the political dynamics of change (Nadler, 1988). The first step is to ensure or develop the support of key power groups. This involves identifying those individuals and groups who have the power either to assist change or to block it, although not all power groups have to be intimately involved in the change. However, some groups will need to be included in the planning of change to guard against them ultimately blocking it, not because it might affect them adversely, but because they had been ignored. The second step is using leader behaviour to generate energy in support of the change. Illustration 5.10 offers some guiding principles. In addition, sets of leaders working together can significantly influence the informal aspects of organizational life. The third step is using symbols and language to create energy. The fourth step for shaping the political dynamics of change is the need to build in stability. This is the use of power to ensure some things remain the same. These might be physical locations, group members, even hours of work. It is helpful to provide sources of stability like these to provide ‘anchors’ for people to hold on to during the turbulence of change. In addition, there is a need to let people know what will remain stable and what is likely to change.

This chapter set out to show the importance of power and conflict as elements in the politics of change. Managers who, in times of change, can reasonably assess how power is distributed and the way in which it will be used – with possible

consequences for potential and actual conflict – have a good chance of implementing the change they seek. It is useful, therefore, to consider how to analyze individuals and groups according to their power to block change and their motivation to do so.

A first step in analyzing the potential for action is to identify who holds sufficient power to assist change or, alternatively, to work against it – that is, to carry out a ‘power audit’. This can be done using a framework such as that shown in Figure 5.5, based on the descriptions of the characteristics and sources of power discussed earlier. The framework should be used for each individual or group that is considered to be significant for the success or otherwise of any change process.

The second step is to compare the power of any individual or group to block change with their desire or motivation to do so. Assessing motivation to block change is not straightforward. It can be gauged, however, by considering whether the changes proposed will alter the degree of power held. As a general rule, if this

<i>Indicators of power to help or hinder change</i>	<i>Individual Group A*</i>	<i>Individual Group B*</i>	<i>Individual Group C*</i>
Position 1 Status to hierarchy/formal authority 2 Power to change organizational structure, rules and regulations 3 Control of strategic decision processes 4 Control of operational decision processes			
Resources 5 Control of scarce resources 6 Control of budgets 7 Control of technology 8 Ability to reward or punish staff			
Personal characteristics 9 Involvement in interpersonal alliances and networks, with links to the informal organization 10 Able to exert ‘charismatic’ leadership to get others to follow 11 Able to cope with uncertainty			
Knowledge and expertise 12 Information specific to the change situation 13 Skills specific to the change situation 14 Knowledge and expertise unique to situation concerned			
Symbols 15 Quality of accommodation 16 Use of expenses budget 17 Membership of high-level decision-making committees 18 Receipt of company ‘perks’ 19 Unchallenged right to deal with those outside the organization 20 Access to the ‘ear’ of top management			

* Indicate against each indicator, the degree of power for each individual or group, according to whether it is high (H), medium (M) or low (L).

Figure 5.5 Assessing power

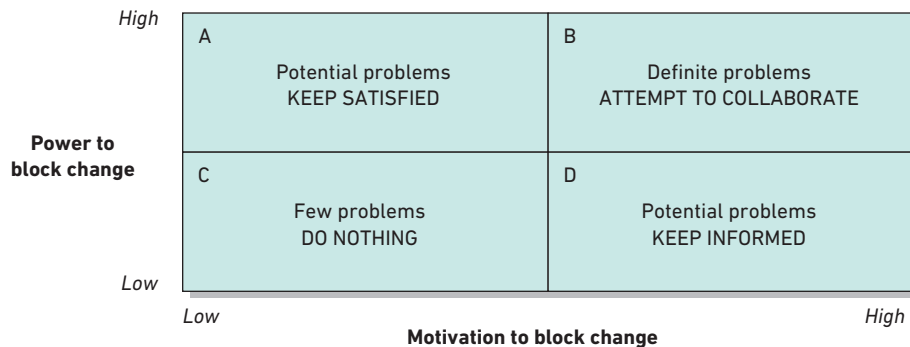


Figure 5.6 The power and motivation to block changes

is likely to be lowered then resistance to change can be expected. Figure 5.5 allows individuals or groups to be categorized according to their power to block change and their motivation to do so.

Each cell of the matrix shown in Figure 5.6 represents a different situation and a strategy to deal with it. Thus, if an individual or group has little power to block change and, in addition, little motivation to do so (as represented by cell C), then no immediate action needs to be taken. However, if there is both power to block change and the motivation to do so (cell B), this represents a serious situation in terms of the need to negotiate with those concerned to reach a collaborative agreement.

A potential threat to change is represented by those who fall into cell A of the matrix – those with a high degree of power but little motivation to challenge it. This is because, if the situation itself changes, their interests may change and this might then move them into cell B. A strategy towards these groups should be one of ‘keeping them satisfied’. This means maintaining their awareness of how the change might benefit them.

Cell D of the matrix represents a different kind of problem. It might be tempting to ignore this group but, because change situations are dynamic, the people in cell D might begin to gain power and thus move into the more contentious group represented by cell B. Consequently, they should be kept informed of change developments, with some effort made to understand their motivations and concerns. However, people in cell D may, in any radical restructuring, face serious consequences, even job loss. Containment in the short term might, therefore, be the most appropriate strategy.

The axes of the matrix in Figure 5.6 are presented in negative terms in relation to organizational change – ‘power to block change’ and ‘motivation to block change’. It is equally possible to label the axes positively – for example, ‘power to facilitate change’ and ‘motivation to facilitate change’. The categorization of individuals and groups according to this framework would not necessarily be the converse of that used in Figure 5.6. Therefore, it is worth completing two matrices for a more complete analysis of power, conflict and change.

The capacity for organizations to change, both incrementally and radically, depends on the multiplicity of different interests and values that are present. Power and conflict can be used to further the aims of change as well as resist them. People and groups in organizations will share some common interests and also have some conflicting ones. The style and function of leadership in the sharing or withholding of power and the management of conflict are crucial for change and this is considered in the next chapter.

Conclusions

Power and politics are driven by human differences and have become central to the study of change. They are relatively difficult to research given that they rely on deep and penetrating access to capture the rich details of organizational life. Their importance in explaining much of what really happens in organizations is now being understood, although we suggest that managers often, because it is the easiest option, overlook power and politics and rely on rational arguments to explain the behaviour of others. Managers need to be aware of their own sources and levels of power and recognize the power and powerlessness of others. Managing change usually invokes a need for political action to keep the interests of individuals and groups in balance.

Buchanan and Badham (2008, pp. 47–52) define power as ‘something you possess, that is a set of resources which you can accumulate’; a property of relationships between individuals or groups; and an embedded property in that it exists visibly and invisibly in the structures, regulations, relationships and norms of the organization, which perpetuate existing routines and power inequalities. Power is won and lost during change, and change agents have to appreciate how and where it is being redistributed if they are to obtain a deep understanding of what they are attempting. Managers and others working with change ignore the politics of change at their peril.

Discussion questions and assignments

- 1 Think of people in your organization and give examples of the sources of power that they enjoy.
- 2 How are power relations expressed and managed, overtly and covertly, where you work?
- 3 Discuss the proposition: ‘Conflict between individuals and groups in the workplace is inevitable.’
- 4 Discuss the following statement: ‘If it is managed well, conflict can add substantial value to change processes.’
- 5 What are the main symbols of power in your organization?

Case example ●●●

Qatar 2022

The governing body for world football, FIFA, reached a contentious decision in 2010 to hold the World Cup in Qatar in 2022. In the final round of voting, 14 votes went to Qatar and 8 to the USA. Qatar has no tradition of football, little football infrastructure and summer temperatures too severe for competitive high-quality football. Furthermore, before reaching its decision, FIFA's executive committee (exco) was briefed that Qatar was at a high risk of terrorist attack.

Investigative journalism in 2014 raised some serious concerns about the processes leading up to the Qatar decision. At the centre of the concerns and allegations were claims of bribery and corruption. Allegations were made that substantial sums of money, valuable gifts and junkets made their way from Qatari bank accounts (slush funds) into the accounts of decision makers on FIFA's exco committee, which decides where future World Cup events will be staged.

A key player in the successful campaign for Qatar was BH. After the campaign, BH set out to topple the long-standing head of FIFA (JB) and take the presidency for himself. It was alleged that, at a meeting of influential Caribbean football heads, BH paid over \$360,000 to cover travel and accommodation expenses and also gave each delegate \$40,000 cash as a way of raising support for his presidential campaign. Very soon after, however, evidence of the cash payments was obtained and sent to FIFA's headquarters in Switzerland. A few days before the presidential ballot was due, BH was summoned to appear before FIFA's ethics committee – an event that killed any hope BH had of getting the top job. FIFA announced that both BH and a senior exco member were suspended from all activities in football pending a full investigation. FIFA's ethics committee found evidence of wrongdoing and banned BH for life. On appeal, this ban was overturned, at which point BH announced his retirement from involvement in football.

Some time afterwards, following further investigations, the ethics committee banned BH again from life involvement in the game. AW, who had been president of the North, Central American and Caribbean football

confederation and vice-president of FIFA, resigned in 2011 following corruption and bribery charges. Several senior figures attacked FIFA for not representing world football, having long-standing traditions of bribery and corruption and sham investigations in which people were not properly investigated. Concerned at allegations against it, FIFA appointed a former police officer as a new security adviser. After two years, he and his team left FIFA for a new sports security post in Qatar. Their investigation of FIFA's senior officials and regional governing bodies reportedly concluded by saying:

- of the president, JB, he is ruthless, greedy, manipulative and prepared to compromise everything for personal ambition;
- of the secretary-general, he is ruthless and charmingly arrogant;
- of the head of legal services, he is consummately loyal and protective of men at the top even when he disagrees with them;
- of the European Confederation, it is historically influential but serious corruption issues exist;
- of the African Confederation, manipulated throughout for decades;
- of the Asian Confederation, marred by involvement in the Qatar bid (BH was its president for nine years);
- of the Oceania Confederation, little impact on any decisions;
- of the North and Central American Confederation, poor reputation and the Caribbean has been manipulated for decades;
- of the South American Confederation, it is led by long-serving octogenarians, will never show leadership and will be the last to change.

Further reporting claimed that after the 2010 World Cup in South Africa, the 22 exco members were each given a \$200,000 bonus. This was on top of their \$100,000 salary for their part-time position and \$750 per day allowances when working for FIFA. The money was paid into either executives' personal accounts or Swiss bank accounts. The \$200,000



windfall was announced to exco the day before the Qatar decision was made. FIFA later announced that bonus payments would be stopped, but at about the same time, and without saying, doubled the pay given to committee members. Later there were calls for Qatar to lose the right to hold the World Cup and for the event to switch to another country. Qatar insisted that BH, who is a Qatari, never had any official role in supporting the Qatari bid and that he always acted independently.

FIFA responded to corruption allegations from Britain by saying that they were grounded in racism and discrimination.

As we write this case (2015), at dawn on the eve of FIFA's 65th Congress in Switzerland, USA law officials have arrested seven senior FIFA officials on charges of corruption. Intimations that this was just the start were made. Speculation was that the FIFA president might lose the election the next day. However, this was not the case and he won.

Case exercise

- 1 What internal organizational conditions could have created a climate in which the alleged large-scale corruption and bribery took place over such a long time?
- 2 How were power and influence used to produce, or attempt to produce, particular outcomes for individuals?
- 3 What actions by FIFA could restore confidence in its integrity?
- 4 Assuming that external events have triggered change processes at FIFA, how would you classify these events in a PEST framework?

Sources: Information based upon:

'Mr Fixer's bid for FIFA's crown', *The Sunday Times*, 15 June 2014, p. 21.

'Bungs, junkets and the bombshell that failed', *The Sunday Times*, 15 June 2014, pp. 22–3.

'The bountiful game: FIFA's secret bonuses', *The Sunday Times*, 22 June 2014, pp. 10–11.

'From the more of corruption, a leader emerges . . .', *The Guardian*, 30 May 2015, pp. 1–2.

'The US has said repeatedly that it is only at the beginning of its investigation into corruption in world football and that more officials may eventually face charges', *The Daily Telegraph*, 2 June 2015.

Indicative resources

Brooks, I. (2009), *Organizational Behaviour* (4th edn), Harlow: Pearson Education. The chapter on power, politics and conflict is a useful introduction.

Buchanan, D.A. and Badham, R.J. (2008), *Power, Politics and Organizational Change*, London: Sage. This is an accessible specialist treatment of managerial life.

Clegg, S., Courpasson, D. and Phillips, N. (2006), *Power and Organizations*, London: Sage. A comprehensive and advanced text analyzing power in organizational, social and political theory.

Robbins, S.P. and Judge, T.A. (2013), *Organizational Behaviour* (15th edn), Englewood Cliffs, NJ: Prentice Hall. This book has an excellent section on conflict and negotiation.

Vigoda-Gadot, E. and Drory, A. (2006), *Handbook of Organizational Politics*, Cheltenham: Edward Elgar. This text contains a collection of theoretical and empirical papers on politics and power. Perspectives covered include leadership, emotions, fairness and stress.

Useful websites

www.acas.org.uk The Advisory, Conciliation and Arbitration Service (ACAS) provides advice and mediation to employers and employees. The website identifies common areas of conflict in employee relations.

www.cipd.co.uk The website of the professional body for human resource managers (Chartered Institute of Personnel and Development) contains guidance on conflict management, including a substantial downloadable guide.

www.catalyst.org Contains facts and information on women in leadership.

www.ILO.org Series of reports on labour and work throughout the world.

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Chapter 6

Leadership styles and leading change

Leadership style is often championed as one of the most significant factors in leadership success. The major theories of leadership are introduced in this chapter, together with a critical summary of traditional approaches to leadership, the influence of gender in leadership and the 'dark side' of leader behaviour. We discuss 'authentic' leadership – a new and emerging theory that, it is suggested, is a 'root construct' that underpins all other positive styles of leadership. Resistance to change is also explored, as well as why change fails, organizational readiness for change and how to effectively lead and manage organizational change.

Learning objectives

By the end of this chapter, you will be able to:

- define leadership and understand how your own leadership style might influence how you would lead and manage organizational change;
- explain the similarities and differences between leadership and management;
- discuss leadership style and its relationship to situation and context;
- critically review current and historical portrayals of leaders and leadership, understanding how their leadership styles might effect and affect follower motivation and engagement.

Leadership defined

Like many constructs in social sciences, the definition of leadership is subjective; some definitions are more attractive than others and there is no 'correct' definition (Yukl, 2002, pp. 4–5). This sample of definitions illustrates the breadth and scope of the different perspectives on leadership that exist:

A process of influence leading to the achievement of desired purposes. It involves inspiring and supporting others towards the achievement of a vision ... which is based on their personal and professional values.

(Bush and Glover, 2003, p. 8)

A process whereby an individual influences a group so as to achieve a common goal

(Northouse, 2013, p. 5)

Most definitions of leadership reflect the assumption that it involves a social influence process whereby intentional influence is exerted by one person (or group) over other people (or groups) to structure the activities and relationships in a group or organization.

(Yukl, 2002, p. 3)

Leadership should be defined in terms of the ability to build and maintain a group that performs well relative to its competition.

(Hogan and Kaiser, 2005, p. 172)

Leadership solves the problem of how to organize collective effort; consequently, it is the key to organizational effectiveness.

(Hogan and Kaiser, 2005, p. 169)

Great leaders are bred from great causes, but leaders, at their best, also breed great causes.

(Handy, 1996, p. 8)

Leadership is about results ... but it is not only about performance; it is also about meaning ... Leaders at all levels make a difference to performance. They do so by making performance meaningful.

(Goffee and Jones, 2006, p. 2)

Some of these statements and definitions of leadership might appeal to you more than others and Activity 6.1 will help you understand your own views towards the topic.



Activity 6.1

Re-read the definitions of leadership and consider which, if any, you like or dislike. Which definitions are most meaningful to you? Next, define leadership for yourself. For you, what is leadership?

Management versus leadership

The French engineer Henri Fayol (1841–1925) was among the first to describe management as a set of processes. His 'five functions of management' are well known – *planning, organizing, commanding, coordinating* and *controlling* – and in some respects they are still a good description of the tasks managers are expected

to achieve today. Around the same time as Fayol, American industrialist Frederick Taylor introduced his principles of scientific management in an attempt to optimize work methods, production and efficiency through the consistent application of rigorous and measured ‘scientific’ approaches. However, despite an early literature on the topic, studies of what managers and leaders actually do are relatively uncommon. One of the best-known studies is Tony Watson’s (1994) account of working in a British manufacturing company. He defined management as: ‘... organizing, pulling things together and along in a general direction to bring about long-term organizational survival’ (1994, p. 33).

A leading writer on management, Mintzberg (1979) studied chief executives in both large and small organizations and grouped managerial roles into three sets: three *interpersonal roles* of figurehead, leader and liaison; three *informational roles* of monitor, disseminator and spokesman; and four *decision-making roles* of entrepreneur, disturbance handler, resource allocator and negotiator. The roles highlight the ambiguity of the relationship between management and leadership; leadership appears as one aspect of a manager’s job. Mintzberg did not differentiate between leadership and management in the same way as later theorists, such as Kotter (1990), who defined management as more concerned with the day-to-day operational detail, whereas leadership is more concerned with the longer-term strategic direction and alignment of people to the leader’s organizational vision.

How leadership models have changed

Leadership theory has a long history, and ‘great’ leaders were recognized and studied long before the relatively recent (in the past 100 years) interest in managing organizations. Before we explore the major leadership style theories, Illustration 6.1 gives a condensed history of leadership through the ages and shows how thinking has changed across time.

Great man theories

The history of the world is but the biography of great men.

(Carlyle, 1841).

Illustration 6.1

A brief history of leadership

- 1 Great man theories (1840s)** – leaders are born, not made. Leaders are heroic and charismatic. They have legitimate, expert and referent power. Examples include Winston Churchill, Bill Gates, Bill Clinton, Steve Jobs.
- 2 Trait theories (1950s)** – people inherit certain qualities and characteristics that make them much better-suited for leadership. It is assumed that there is a perfect list of traits for leadership, and legitimate power is held by the leader.
- 3 Behavioural style theories (1960s)** – leadership can be learned. Leaders are made, not born; however, the focus is on a leader’s actions, not their thinking.
- 4 Contingency and situational theories (1960s)** – particular variables in the environment or the situation will suggest the appropriate style of leadership. Legitimate and coercive power is still held by the leader.



Illustration 6.1 *continued*

5 Relational and pro-social theories (late 1970s onwards) – leadership is interrelational and co-created between people. It can be used to transform both individuals and organizations.

There is a strong ethical component to leadership. There is a shift in focus from power being the most important component to people being the most important factor to consider.

Dating from the 1840s, in a series of six lectures on *The Hero* by the historian Thomas Carlyle, the thinking at the time was very much that ‘leaders are born and not made’ – not everyone can be a leader, and those people who can be leaders are genetically predisposed to greatness (see Carlyle, 1907). Note, also, that this is a gendered view of leadership. Women were, at that time, not considered suitable for leadership roles. Rather, leaders were viewed as heroic and charismatic, engendering loyalty in their followers because of the strength of their personality and their mission. However, this is not a theory of leadership in the sense that the analysis is ‘ex ante’. Indeed, the authors make no attempt to explain what characteristics or contingencies led individuals who had come to be identified as ‘great men’ to be so.

While Reich (1991) warns against the idea of reifying the leader into hero, a great leader was thought to emerge when there was a great need for followers to be saved (see Handy’s 1996 definition). It is summed up by the saying, ‘cometh the hour, cometh the man’, meaning that when the situation demands, someone will be found. Great man theories remain both a popular historical view and a current view of leadership – from religious leaders to warrior leaders such as Genghis Khan and Marcus Aurelius, to modern political leaders such as Winston Churchill in the UK, and US presidents.



Activity 6.2

Think about ‘great leaders’, past and present, and list as many of them as you can. (This is great fun to do in a group, and forms the basis of a game called ‘Who am I?’.) Next, write down those characteristics for which they were known, and that characterized them as great leaders. What, if anything, do they seem to have in common?

Charismatic–visionary leadership

It is difficult to classify charismatic–visionary leadership, and this discussion might have been included in one of the later sections. However, we think it safe to assume that most, if not all, ‘great men *and women*’ are charismatic and visionary. In addition, this concept is not new; most of us can think of historical figures that were heroic and visionary. However, it was Max Weber who contrasted charisma with bureaucratic systems of control. Charisma is about people leading not by virtue of sets of rules and procedures, but through the force of their personality and the ability to create grand visions about the future. While their power lasts, they are able to unify people towards that vision. Charisma comes from within the person themselves – it sets its own boundaries. Weber’s original ideas illustrate it well:

The continued existence of charismatic authority is, by its very nature, characteristically unstable; the bearer may lose his charisma ... and show himself to his followers as ‘bereft of his power’, and then his mission is dead, and his followers must hopefully

await and search out a new charismatic leader. He himself, however, is abandoned by his following, for pure charisma recognizes no 'legitimacy' other than that conferred by personal power, which must be constantly re-confirmed. The charismatic hero does not derive his authority from ordinances and statutes, as if it were an official 'competence', nor from customary usage or feudal fealty, as with patrimonial power: rather, he acquires it and retains it only by proving his powers in real life. He must perform miracles if he wants to be a prophet, acts of heroism if he wants to be a leader in war. Above all, however, his divine mission must 'prove' itself in that those who entrust themselves to him must prosper. If they do not, then he is obviously not the master sent by the Gods.

(Runciman and Matthews, 1978, p. 229)

Another (more mundane) definition of charismatic leaders is:

... charisma is a *relationship* between an individual (leader) and one or more followers based on leader behaviours combined with favourable attributes of followers. Key behaviours on the part of the leader include articulating a vision and sense of mission, showing determination, and communicating high-performance expectations ... Effects on followers include the generation of confidence in the leader, making followers feel good in his/her presence, and the generation of strong admiration or respect.

(Waldman, Ramirez and House, 2001)

Belief in charismatic power revolutionizes people and channels their energies into shaping organizations. The attribute of charisma is frequently looked for in political leaders and those in positions of power. Charismatic leaders prevail in their positions as long as they are perceived to be successful. However, failure is to charisma as kryptonite is to Superman. Failure shows the charismatic leader's mortality and punctures their superhero image. In these circumstances, they are soon replaced.

Although we can describe what a charismatic leader does, we have a weaker understanding of the processes and interactions between leaders and followers, and which lead to organizational change. Research on US presidents suggests that charismatic leaders use 'consistent common strategies for breaking down, moving and realigning the norms of their followers' (Fiol, Harris and House, 1999, p. 450). Fiol and colleagues see change as being about changing values – championing and prioritizing one thing over and above another. It is the 'contrary of conventions' (p. 458), such that the more conventional a leader is, the less charismatic they will appear. They suggest using Lewin's three-stage model to show how values can be changed. Illustration 6.2 is an example of this.

Illustration 6.2

How charisma works

Frame-breaking (unfreezing)

The charismatic leader has the job of reducing the strength of ties to existing conventions. Whatever the conventions are, the leader has to create a state of 'non-desire' for them. Non-desire can be created by arguing that adherence to convention is dysfunctional.

Following the attacks on the World Trade Centre in 2001, legislation was introduced in the UK that redefined terrorism and all things connected to it and increased police powers. The government's justification (under Prime Minister Blair, who many thought fitted the model of a charismatic leader) was



Illustration 6.2 continued

that new legislation was essential to protect national security. Despite little evidence that existing legislation was inadequate, the message hammered out was that only greater power could protect citizens, and that arguments to the contrary were dysfunctional and put the nation at risk. Thus, new powers of the leader were created and resistance was overcome.

Frame moving

In stage 1 of Lewin's model, communication strategies attempt to move personal and social values from defensive positions to neutral positions (fear of change to non-fear). In stage 2, the neutral values need to be moved on to active states of desire for things. So, having moved people away from wanting convention to states of not wanting convention, the

next step is to create a desire for non-convention – a desire for change and a fear of not changing.

Frame realignment (refreezing)

Stage 3 requires acceptance (freezing) of new personal and social values, which are then tapped by the leader. It should be more straightforward than stages 1 and 2 because, while it tackles opposing forces, this phase gives meaning to new values. Keeping followers on board can require additional communications from leader figures. In organizations, previous leaders are 'blamed' for past actions and this is repeatedly reinforced. To support the new vision, changes to structures, processes and staff (favourable to the new leader's vision and views) are made, until the new becomes viewed as the norm.

Charismatic authority is bolstered by four additional dimensions that facilitate change (Conger, 1993, p. 279). First, charisma, being a personal characteristic, bestows on those who possess it a source of power and influence quite different to position power. Second, charismatic leadership glorifies the leader figure and their qualities and breaks with traditions. Challenges to existing social order occur since the leader's heroic attributes are championed above historic and traditional ways of doing. Third, charismatic leadership is short lived compared to rational-legal authority. In an organizational setting, it exists for as long as a charismatic leader figure is present, but after they have departed the changes they set in play become embedded in rational-legal structures.

As a revolutionary force, its purpose is to bridge the transition from one existing order to the next. Its role is to create and institutionalize new order. After accomplishing this task, charisma fades or is routinized. Rules, traditions and institutions grow up to stabilize and guide the new social arrangements and to replace the charismatic leader who has departed.

(Conger, 1993, p. 279)

Fourth, the commitment of followers to change is a consequence of their emotional ties with the leader figure and not through allegiance to a set of rules and structures that represent the 'organization'.

Charismatic leadership is not without its issues – for instance, the extent to which context (organizational culture, politics, organizational environment) and charisma are interrelated. Do some or all of these elements need to coalesce in order for a charismatic-visionary leader to rise, or is a leader charismatic anywhere by virtue of their personality and ability to convince others? Conversely, are some leaders doomed to be uncharismatic if they lack the presumed ingredients?

Landrum, Howell and Paris (2000) point out that while many writers claim that 'strong' charismatic leadership is required for strategic and 'turnaround' change, there is also a 'dark side' to charismatic leaders. They point out that charismatic

leaders can lead followers in directions unhelpful to society and organizations. They also identify a possible propensity for narcissism, and quote Post (1986, p. 679), who states that the charismatic leader: ‘... requires a continuing flow of admiration from his audience in order to nourish his famished self. Central to his ability to elicit that admiration is his ability to convey a sense of grandeur, omnipotence, and strength’. Landrum *et al.* (2000) refer to *unethical* charismatic leaders who are controlling, manipulative and self-promoting – characteristics that can jeopardize and even sabotage the turnaround efforts of the organization. To mitigate these possibilities and overcome the difficulties of leaders being all things to all people and situations, Landrum *et al.* argue for collective and distributed approaches to designing and implementing strategic change, which are discussed later in this chapter.

As you read the following discussion on trait theories of leadership, consider how much these theories might be related to the concept of charismatic-visionary leaders.

Trait theories of leadership

Originally, trait theory underpinned the idea that leaders are born, not made, so the emphasis was more about *what* leaders should be like (the traits they possess) than about *how* they lead, and there was a considerable amount of effort in the 1940s and 1950s in the UK and the USA to identify the ‘perfect’ list of traits that all leaders could be said to possess. For instance, as a result of a meta-analysis of other researchers’ work, carried out by Lord, De Vader and Alliger (1986), six traits of successful leaders were put forward:

- intelligence;
- extrovert personality;
- dominance;
- masculinity;
- conservatism;
- better adjusted than non-leaders.

Stogdill (1974) published a comprehensive review of trait theory research and concluded that, while various researchers had published long and sometimes contradictory lists of traits, leadership success may well comprise a combination of traits and other situational factors, and aspects of leader behaviour and skills. Northouse (2004) summarises his own conclusion by arguing that trait theory does at least identify lists of traits that can be used by those who aspire to lead, or by those seeking to select people with leadership potential.

Kirkpatrick and Locke (1991) surveyed existing leadership studies and also suggested six successful leadership traits:

- *drive* – achievement, ambition, energy, tenacity, initiative;
- *leadership motivation* – personalized or socialized;
- *honesty and integrity* – the degree to which a leader can be trusted;
- *self-confidence* – including emotional stability;
- *cognitive ability* – the ability to marshal and interpret a wide variety of information;
- *knowledge of the business*.

In 1996, Dulewicz and Herbert reported on their research with a sample of 72 Anglo-American managers who, on the basis of several indicators of success (exceptional managerial skills in planning and organizing, managing staff and motivating others), had been identified as ‘high-flyers’ or ‘low-flyers’. They found that high-flyers scored better than low-flyers on the following six traits:

- risk taking;
- assertiveness;
- decisiveness;
- achievement;
- motivation;
- competitiveness.

Comparing these three lists, we can see that intelligence, motivation and integrity feature twice, while traits implying drive and assertiveness appear across all three lists. Northouse (2013) confined his list of traits to those indicative of leaders in the West: *intelligence, self-confidence, determination, integrity and sociability* – which are similar to the other three lists except for *sociability*. In contrast, Shin’s (1999) research into the traits of South Korean CEOs identified a substantively different list of traits to those typically proposed for Anglo-American leaders. In descending order they were:

- *management respect for employees* – caring for people and developing them;
- *initiator attitude* – solving problems and becoming involved to get things done;
- *tenacity and spirit* – not wavering in the face of adversity;
- *network building* – developing relationships with people outside the organization yet useful to it, such as government officials and financiers;
- *emphasis on competency* – a ‘Kaizen’ mentality of continual improvement (see Alves, Manz and Butterfield, 2005; Heidrick and Struggles, 2004).

Top of Shin’s list, we find leaders showing a refreshing interest in the people they are leading, in contrast to the far more egocentric traits typically found in Western studies. Clearly, culture matters when it comes to effective leadership and management.



Activity 6.3

Why do you think that the traits of successful Western and Eastern leaders appear to be so different? Or do you think that they are similar? What is it about the environment or culture that might affect how leaders behave? Reflect back to the sections on differences between national cultures, discussed in Chapter 4.

Unsurprisingly, no single list could be identified that fitted all situations, and it is interesting to note that traits such as creative thinking, charisma and intuitive reasoning (as opposed to cognitive reasoning) do not appear. Consequently, such research eventually fell by the wayside (Zaccaro, 2007). However, as a counterweight to these theories, coincidentally there was a resurgence in research

following ideas in the 1960s about behaviourism, which suggested that perhaps the right traits could be learned and the ‘appropriate’ behaviour copied by leaders.

Leadership styles and behaviour

When the original trait research struggled to explain successful leadership, researchers turned to leadership styles indicative of how leaders should behave in an attempt to understand successful leadership.

The Michigan and Ohio studies

Two influential studies of leadership (Likert, 1961; Stogdill and Coons, 1957), known respectively as the University of Michigan studies and the Ohio State studies, separately identified two independent dimensions of leadership style. The Ohio researchers named these ‘consideration’ and ‘initiating structure’. *Consideration* is the degree to which a leader builds trust and mutual respect with subordinates, shows respect for their ideas and concern for their well-being. *Initiating structure* is the degree to which a leader defines and structures their role and the interactions within the group towards the attainment of formal goals.

The Michigan researchers used the terms ‘employee-centered’ and ‘production-centered’ leadership for these dimensions, but they were virtually the same as the Ohio descriptions. The main point about these dimensions is that, because they are deemed to be independent of each other, a leader’s behaviour can be categorized in four different ways. Leaders can be:

- high on consideration and high on initiating structure;
- high on consideration and low on initiating structure;
- low on consideration and low on initiating structure;
- low on consideration and high on initiating structure.

The Leadership Grid®

Building on the Ohio and Michigan studies, Blake and Mouton (1964) proposed that the most effective management style is one that is high on both the people-oriented (consideration and employee-centred) and task-oriented (initiating structure and production-centred) dimensions. Figure 6.1 gives the positions of five different styles on a later version of Blake and Mouton’s managerial grid, now called the ‘Leadership Grid®’ (Blake and McCanse, 1991). The different combinations of concern for people and concern for production set out in Figure 6.1 result in different combinations of leadership behaviour.

The Leadership Grid® assumes that there is one best style of leadership, regardless of the situation – namely, position 9,9 on the grid, the ‘Team Management’ style. The 9,9 style incorporates a high concern for production with a high concern for people. In contrast, position 1,9 portrays a high concern for people and low concern for production and position 9,1 portrays a high concern for production and processes and little concern for people. Activity 6.4 gives an example of a leader who lived very many years ago, but whom you might recognize in managers and leaders you encounter today.

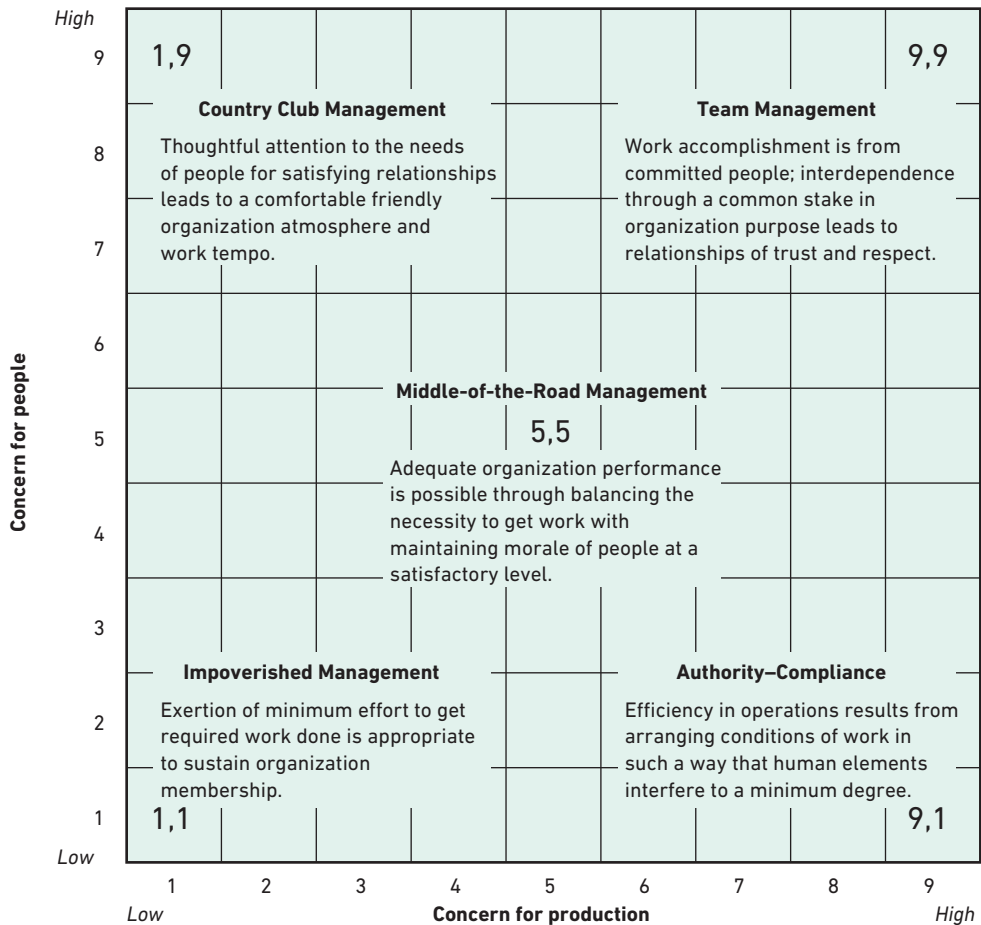


Figure 6.1 The Leadership Grid®



Activity 6.4

Identify your own preferred position of leading and managing others. Why would you put yourself here, and do you agree with Blake and Mouton's (1964) assertion that 9,9, 'Team Management', is the best leadership style?

The Leadership Grid® is a simplified way of categorizing different aspects of leadership behaviour. There are, however, other categories of leadership style and behaviour that overlap with these, but which are more detailed in their descriptions – for instance, the 'powers of the person' discussed in an article by Useem (1996), who says these kinds of behaviour transcend those of particular value in particular situations. Drawing on a study of the most successful CEOs working in 48 large US

firms, Useem condenses a long list of desirable behaviours into the following five characteristics:

- being visionary;
- showing strong confidence in self and others;
- communicating high-performance expectations and standards;
- personally exemplifying the firm's vision, values and standards;
- demonstrating personal sacrifice, determination, persistence and courage.

Contingency and situational approaches to leadership

According to these approaches to leadership, successful leadership is contingent upon situational variables; multiple stakeholders and multiple perspectives are important. The various situational variables that affect the appropriateness of leadership styles are shown in Figure 6.2.

A leadership continuum

One of the best-known theories that takes situational factors into account is from Tannenbaum and Schmidt (1973), who arranged leadership behaviour along a continuum. At one end is *boss-centred leadership*, which assumes a high level of authoritarian power where leaders *tell* subordinates what to do. At the other end, in *subordinate-centred leadership*, leaders and subordinates *jointly* make decisions in a participative climate.



Figure 6.2 Situational influences on leadership effectiveness

Tannenbaum and Schmidt suggest that a leader should move along the continuum, selecting the style that is most appropriate to the situation. They identify ‘forces’ that determine the style of leadership to use, as follows:

- The forces that emanate from the manager – for example, his or her personality and values, skills and knowledge.
- The forces in the subordinates – for example, the amount of support they need, their work experience and knowledge, and commitment to the organizational goals.
- The forces in the situation – for example, the nature and urgency of the task or the problem, the constraints arising from the organization’s structure, processes and culture, and perhaps the organizational environment.

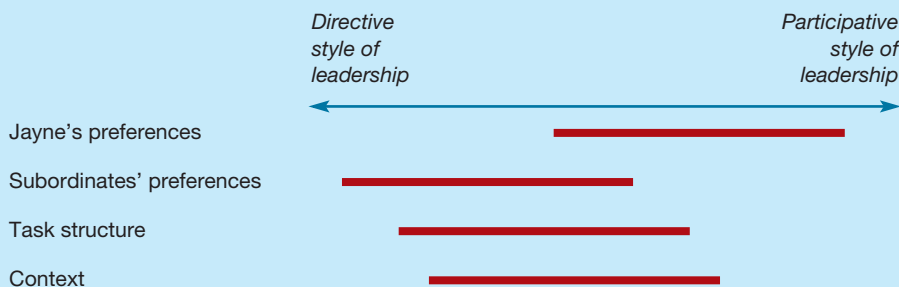
Given these different forces, managers/leaders might have little or a lot of room for the style of leadership they adopt (see Illustration 6.3).

Illustration 6.3

Little room to manoeuvre

Jayne was pleased that she had been put in charge of BB Company’s latest building venture, the second of its kind in Japan. She had limited experience of working in this country, but had talked to staff working on the other Japanese site about how to approach the management of those employed on the building works. She knew, therefore, that there were a number of factors to take into account when deciding on her own leadership approach.

The figure illustrates the situation Jayne faced. The lengths of rules on the diagram indicate the degrees of freedom available to Jayne in the situation facing her.



Jayne's preference was for a consultative/participative leadership style, whereas most of the Japanese employees were accustomed to a more formal management–subordinate relationship and were likely to work in this type of relationship, given the fact that Jayne was a woman. The task of building apartments was defined, but unknown factors such as the weather and possible unexpected problems with the ground, let alone any labour relations problems that could arise, contributed to there being certain unstructured elements to the situation. The BB Company prided itself on its care for its workers, so the organizational context was one that veered more towards a human-relations type of approach than an authoritarian one. Even so, profit was profit and the industry was very competitive. The organization did not want anything to go wrong.

What the figure shows is that Jayne has not much room for manoeuvre in deciding what approach to take as a leader in this situation. The overlap between all the forces is not large. If she cannot influence any of the factors associated with the subordinates, the task and the context, she must make sure to adopt a leadership style that tends towards the directive end of her preferences.

Fiedler's contingency model of leadership

Like the Leadership Grid®, the task-oriented/people-oriented continuum of leadership styles is also the basis of Fiedler's (1967) contingency theory of leadership. Here, however, three situational variables are assumed to determine the best style of leadership to adopt:

- 1 *Leader-member relations*: the quality of the relationship between the leader and their followers, and the extent to which a leader has their support.
- 2 *Task structure*: the extent to which the task or purpose of a group is well defined and the work outcomes can be judged clearly as a success or failure. This is influenced by the subjective versus objective nature of the outcomes.
- 3 *Positional power*: the level of power, particularly reward power, that the leader has over followers. Low positional power means that the leader has little authority to direct and evaluate the work of others, or to reward them.

Unlike on the leadership continuum, the relationship of leadership style to the favourableness/unfavourableness of the situation is a curvilinear one. In other words, when the situation is very favourable or very unfavourable, the most effective style is said to be a task-oriented, more directive one, rather than a person-oriented one. Moderate favourability implies a person-centred approach.

Fiedler's (1967) contingency theory implies that leaders can adapt their leadership styles to the prevailing situation, although Fiedler believed that this is difficult. He suggested that either leaders should be chosen so that their management and leadership style fits the situation, or that elements of the situation need to be modified. It is useful, though, to note that Fiedler was writing in the 1960s and that the complexities of modern organizations demand that leaders and managers are more flexible and resilient than perhaps was expected half a century ago. Whether these expectations are realistic or not is open to discussion.

Hersey and Blanchard's situational theory

One of the difficulties with situational and contingency theories is the question of how much importance should be attached to each situational or contingency factor. Clearly, both the task and goals to be achieved and the amount of power held by the leader are important, but, arguably, the characteristics and expectations of group members and followers may be more important in deciding what style of leadership to adopt.

This is the central tenet of Hersey and Blanchard's (1993) situational leadership theory, which puts the emphasis on the readiness of followers. According to their theory, a leader's style and behaviour should depend on the maturity and readiness of followers to undertake the task and to accept responsibility and make their

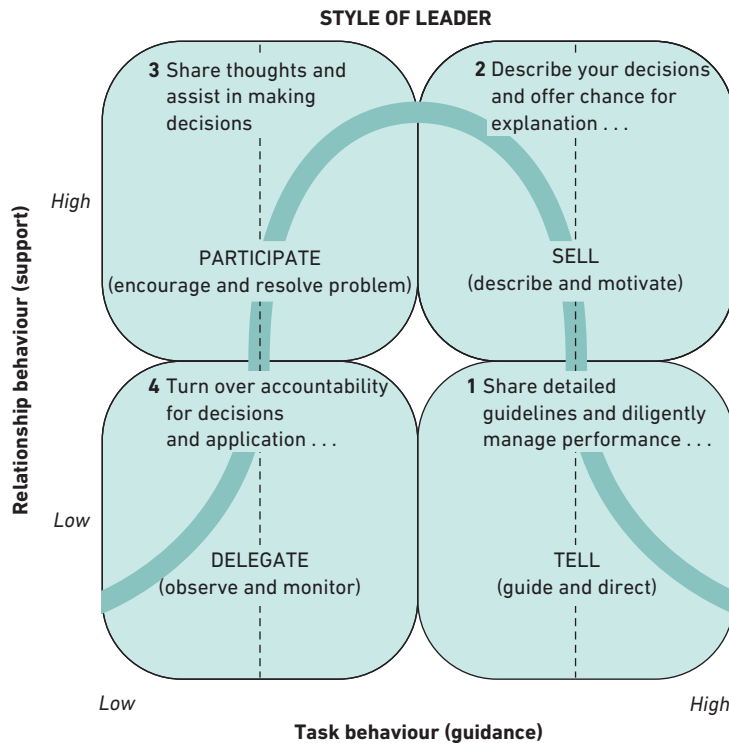


Figure 6.3 Hersey and Blanchard's theory of situational leadership

Source: Based on Hersey, P. and Blanchard, K.H. (1993), *Management of Organizational Behaviour: Utilizing Human Resources* (6th edn), Englewood Cliffs, NJ: Prentice Hall, p. 197.

own decisions. Therefore, a leader's style should fall into one of four quadrants – from *telling* through *selling* and from *participating* to *delegating* (see Figure 6.3).

In contrast to Fiedler's view that leadership styles are difficult to change, the Hersey and Blanchard model assumes that a leader is sufficiently flexible to change behaviour towards the followers depending on the situation, but also depending on the followers' capacity to change and mature. This proposition is also open to question.

Path-goal theory of leadership

Originally developed by House (1971), path-goal theory maintains that the leader should use the style of leadership that is most effective in influencing followers' perceptions of the goals they need to achieve and the way (or path) they need to follow in order to achieve them (Woffard and Liska, 1993). The theory relates directly to *expectancy theories of motivation*, in that a leader's success is judged by whether their followers achieve their goals. In other words, effective leadership motivates and engages followers to turn effort into appropriate and high-level performance. Four leader behaviours are suggested by path-goal theory:

- 1 *Directive* – setting standards, telling followers what to do and how to do it.
- 2 *Supportive* – being open and approachable and showing concern for followers.

- 3 *Participative* – inviting opinions and ideas from followers and involving others.
- 4 *Achievement-oriented* – setting challenging goals and objectives that stress improvements.

The four leadership behaviours are used, as needed, to fit the context. If followers lack confidence, then supportive behaviour is called for. If the nature of the work is vague, then directive leadership is needed to clarify a way forward. If work is seen as not challenging enough, then achievement-oriented behaviour can be used to raise the goals for followers. If reward strategies are poor, then participative leadership can help clarify what followers are seeking and change how rewards are distributed.

Two dominant situational factors are relevant to this theory: the characteristics of followers in relation to the nature of the task or job; and the immediate context in which it takes place. The challenge to the leader is to use a style that is congruent with the skills, motivation and expectations of followers and with the goals to be achieved, the design of the jobs and the resources and time available. Figure 6.4 shows the factors that are presumed to intervene between the effort put into doing a job and the subsequent performance.

Linked to the focus on follower needs, Ipsos Mori (2009) polled 10,000 people to ask them what they wanted from a leader. In priority order, the research identified that followers want:

- 1 to be able to *trust* their leader/s;
- 2 *compassion* – to feel that their leaders genuinely care about their well-being;
- 3 *stability* – that change is not a constant;
- 4 *hope* for the future.

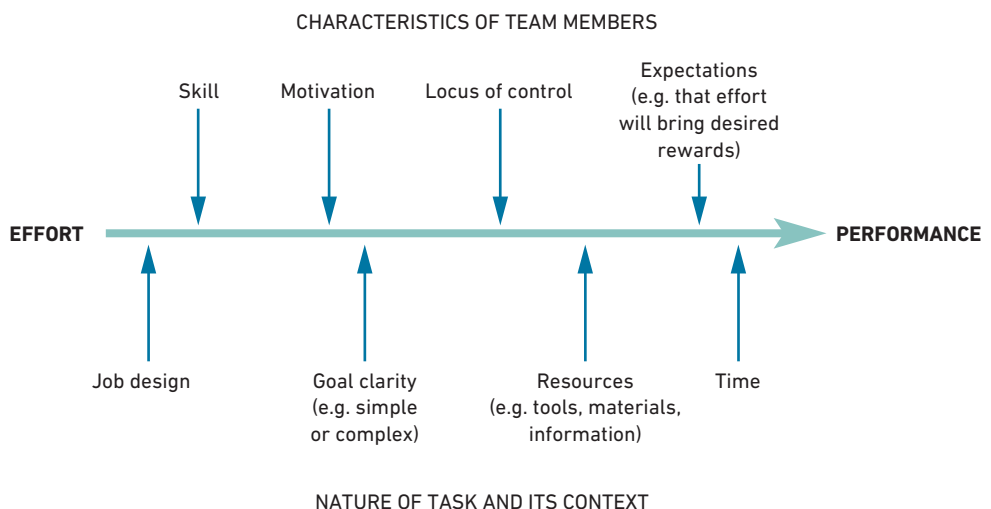


Figure 6.4 Factors intervening between effort and performance



Activity 6.5

The 2009 Ipsos Mori poll tried to identify the psychological needs of followers. Remembering that this research was conducted without a change environment in mind, how do you think that the desires of followers might be different in an environment of change (which is, by definition, unstable)? Or do you think that their list will remain the same?

Matching organizational models and leadership roles

A number of situational or contingent factors influencing a leader's style have been discussed, one of which (not always emphasized) is the organizational context in terms of its internal environment (structure, culture, competitive position). Two different pieces of research pick up on these ideas to suggest links between different organizational models and different approaches to leadership.

Quinn (1988) proposed four organizational models distinguished on the basis of two bipolar dimensions. These are:

- (a) adaptability and flexibility versus the desire for stability and control;
- (b) whether organizations are outward looking (towards the environment and the competition) or internally focused towards the maintenance of systems and procedures.

Table 6.1 summarizes the different characteristics of the four organizational models that result from combining these four different organizational orientations. Quinn uses the terms 'the hierarchy', 'the firm', 'the adhocracy' and 'the team' as a short-hand way of describing the internal process, rational goal, open systems and human relations organizational models respectively.

In contrast to the theories that link leadership styles to the job and task to be done and/or the followers' characteristics, Quinn proposes that different leadership styles and behaviour 'fit' the different organizational models he describes in Table 6.1. The benefit of Quinn's model is that a 'competing values organizational effectiveness instrument' (questionnaire) has been developed and applied to identify which values model any organization reflects (Cameron, 1985; Howard, 1998). This makes it possible to consider the extent to which leadership styles are 'matched' to the organizational values, or to change the values themselves. Whilst this is a helpful model in allowing the examination of leadership development possibilities it ought to be noted that we have already concluded that it is hard to change a corporate culture so it has to be asked how easy would it be to change values.

Farkas and Wetlaufer (1996) came to similar conclusions to Quinn about the dependence of leadership style and behaviour on the needs of the organization and the business situation at hand. On the basis of interviews with 160 chief executives, they found five distinctive approaches to leadership, each of which was associated with different emphases in terms of strategic planning, research and

Table 6.1 Summary of Quinn's four organizational models

<i>Human relations model (adaptable and internally focused)</i>	<i>Open systems model (adaptable and externally focused)</i>	<i>Rational goal model (stable and externally focused)</i>	<i>Internal process model (stable and internally focused)</i>
Towards: <ul style="list-style-type: none"> • Flexibility • Decentralization • Differentiation • Maintenance of the socio-technical system 	Towards: <ul style="list-style-type: none"> • Flexibility • Decentralization • Differentiation • Expansion • Competitive position of overall system 	Towards: <ul style="list-style-type: none"> • Centralization • Integration • Maximizing output • Competitive position of overall system 	Towards: <ul style="list-style-type: none"> • Centralization • Integration • Consolidation • Continuity • Maintenance of socio-technical system
Values: <ul style="list-style-type: none"> • Human resources • Training • Cohesion • Morale 	Values: <ul style="list-style-type: none"> • Adaptability • Readiness • Growth/acquisition • External support 	Values: <ul style="list-style-type: none"> • Productivity • Efficiency • Planning • Goal setting 	Values: <ul style="list-style-type: none"> • Information • Management • Communication • Stability • Control
THE TEAM	THE ADHOCRACY	THE FIRM	THE HIERARCHY

Source: Republished with permission of John Wiley & Sons, Inc., from *Beyond Rational Management: Mastering the Paradoxes and Competing Demands of High Performance*, by Quinn, R.E. (1988) pp.48; permission conveyed through Copyright Clearance Center, Inc.

development (R&D), recruitment and selection practices, matters internal to the organization or matters external to it, and with whom, and how, they spent their time. According to Farkas and Wetlaufer (p. 111), the leadership approach to be adopted depends on answering questions such as: 'Is the industry growing explosively or is it mature? How many competitors exist and how strong are they? Does technology matter and, if so, where is it going? What are the organization's capital and human assets? What constitutes sustainable competitive advantage and how close is the organization to achieving it?' To these questions one could also add: 'What kind of changes is the organization facing, and what do these mean for the role of leadership?'

Problems with contingency and situational theory

Although widely researched, over time it became clear that contingency and situational theories have limitations. Parry and Bryman (2006) identified these limitations as:

- there are simply too many contingent variables that the theory has to account for;
- disagreement regarding why some variables should be included and others excluded;
- leadership behaviours in practice were not always situationally contingent;
- most research was cross-sectional, which meant that it was impossible to separate cause (leadership behaviours) from effect (performance and outcomes).

In spite of these reservations, the major contribution of contingency and situational theories was a new understanding of the complexity of organizations and the realization that there is not ‘one best way’ of leading, regardless of context and situation.

Relational and pro-social theories of leadership

Beginning in the late 1970s and overlapping with the ongoing research on trait and situational leadership, pro-social theories began to emerge that recognized that leaders and organizations had social responsibilities to their followers and that *engagement* is critical to employee motivation, retention, effort, creativity and productivity. In a more modern twist, Cunliffe (2009), in describing the *philosopher leader*, advocates a ‘relational’ and reflexive approach to leadership and management, where leadership is continually ‘co-created’ between the leader and their followers and where the leader is always seen in ‘*relation to, and ethically responsible for, others*’ (p. 95). To begin this discussion, emotional intelligence is introduced, which, while not a leadership style in itself, is an important influence upon leadership style.

Emotional intelligence

Emotional intelligence (EI) concerns the ability to recognize differing emotional states within oneself and others and to respond appropriately. There are three slightly different models of EI:

- 1 The *ability* model, which concerns the processing and utilization of emotional information to navigate our social landscape (Salovey and Mayer, 1989; Salovey *et al.*, 2004);
- 2 Petrides and Furnham’s (2001) *trait* model of EI characteristics;
- 3 Goleman’s (1995) *mixed* model, which combines both abilities and traits to drive leadership and management performance.

According to Goleman (1998, p. 93), ‘emotional intelligence is the *sine qua non* of leadership’ – meaning that it is an absolutely essential trait of a good leader. On the basis of an examination of competency models in 188 mostly large global companies, Goleman claims to have identified the personal capabilities that drive outstanding performance, suggesting that ‘IQ is not enough’. Goleman grouped these capabilities into three categories: *technical skills*, *cognitive abilities* and the *five competencies of emotional intelligence*, which are:

- self-awareness;
- self-regulation;
- motivation;
- empathy;
- social skills.

While not decrying the need for leaders to have technical skills (such as accounting and business planning) and cognitive capabilities (such as analytical reasoning), Goleman claims these are ‘threshold capabilities’ – that is, while being *necessary* for successful leadership, they are not *sufficient* for successful leadership without the addition of emotional intelligence.

Cote and Miners (2006) describe EI as being aware of your own emotions and those of others and using these insights to lead. Bar-On (1997, p. 14) describes EI as: ‘an array of non-cognitive capabilities, competences and skills that influence one’s ability to succeed in coping with environmental demands and pressure’. Higgs and Dulewicz (2004, p. 175) suggest that EI is concerned with achieving one’s goals through the capabilities of:

- managing one’s own feelings and emotions;
- being sensitive to the needs of others and being able to influence key people;
- balancing one’s own motives and drives with conscientious and ethical behaviour.

Since different leadership roles have different emotional demands, it follows that jobs with high emotional content should be performed better by leaders with high emotional intelligence. Martin (2008) found a moderately strong link between EI and job performance; however, other studies have produced more mixed results (see Cote and Miners, 2006). To explain the mixed findings, Cote and Miners proposed that the relationship between EI and job performance increases as cognitive intelligence decreases. Cognitive intelligence (in other words, classic IQ, or ‘general intelligence’) is usually related to performance in jobs (the smarter the person, the better the performance), because more intelligent people have a better grasp of information and procedures relating to the core technical work. In this sense, EI may therefore compensate for lower general intelligence.

However, it is questionable whether components of emotional intelligence add anything new to what we already know about the psychological and social characteristics of individuals. Woodruffe (2000) thinks not and rejects claims that it does. By contrast, Barling, Slater and Kelloway’s (2000) research involving 60 mixed-sex Canadian managers of varying status found no significant difference between their scores on an emotional intelligence inventory and those using a measure of transformational leadership (see following section). Mandell and Pherwani (2003) found similar results from their research involving 32 mixed-sex US managers.

Transactional and transformational leadership

Responding to the tightening market conditions that started in the late 1970s, organizations have often attempted big changes – changes that transformed structures and markets. We began to see ‘hero’ leaders emerge who were credited with transformational changes – transformational leaders in contrast to the less visionary *transactional* leadership style (see Illustration 6.4).

Illustration 6.4**Transactional and transformational leaders**

Transactional leaders use contingent rewards and manage by exception.

Transformational leaders provide vision and a sense of mission and purpose, inspiration, challenge and respect for individuals.

Source: Based on Bass, B.M. (1990), 'From transactional to transformational leadership: learning to share the vision', *Organizational Dynamics*, Winter, p. 22.

These two concepts were introduced by Burns (1978) and developed by Bass (1990). They have been influential in leadership theory and research. Transactional leadership is based on giving people rewards for doing what the leader wants. Transformational leadership, which borrows much from Weber's ideas about charisma (discussed previously), relies on giving followers a purpose, a vision of something to aim for and on creating follower identification with the leader. Transactional leaders make minor adjustments to missions and the ways people are managed. Transformational leaders make big changes to missions and culture, and so in theory make bigger impacts upon change. Figure 6.5 presents a model of transformational leadership that includes not only the leader's characteristics, attitudes and behaviour, but also the reactions of followers.

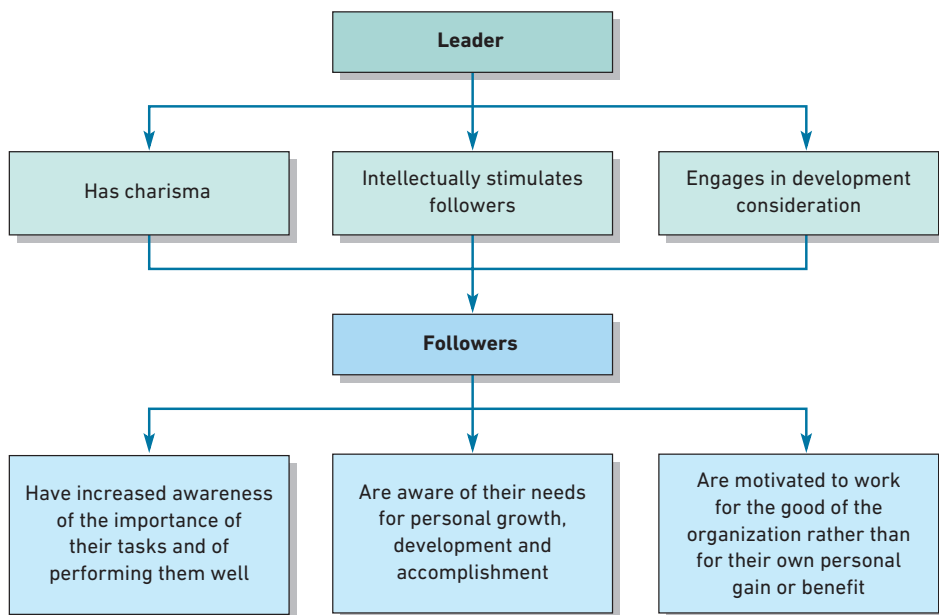


Figure 6.5 Transformational leadership

Source: George, Jennifer; Jones, Gareth R.; Jones, Gareth, *Understanding and Managing Organizational Behaviour*, 4th Ed., ©2005. Reprinted and Electronically reproduced by permission of Pearson Education, Inc., New York, NY.

Transformational leadership behaviours add to the two dimensions of leadership identified earlier in both the Ohio State and Michigan University studies. To summarize, in much of the leadership literature there is a general assumption now that transformational leadership is the way ahead and that where radical changes are called for it is more likely to be effective. Bass (1990, p. 20) goes so far as to say that transactional leadership is, in many instances, 'a prescription for mediocrity', arguing that only transformational leadership can make a difference in an organization's performance at all levels.

However, these two leadership styles are not mutually exclusive; transformational leadership is thought to complement transactional leadership by leveraging higher performance by followers (Bass and Avolio, 1993). Transactional leadership on its own will deliver a certain performance but if an overlay of transformational leadership is present then performance can be enhanced. Judge and Piccolo (2004, p. 765) found that the two styles 'are valid concepts but that they are so highly related that it makes it difficult to separate their unique effects' in studies linking leadership to performance. There is a little evidence that women display more transformational behaviours than men, but the differences are small (Eagly, Johannesen-Schmidt and van Enge, 2003). However, these results are encouraging for those working to see more women in top management roles.

Researchers have looked for connections between personality traits and transformational leadership, but the results are mixed. Bono and Judge (2004) found that of the 'big five' personality factors, only extroversion appears to predict a connection, whereas Phipps and Prieto (2011), in a review of previous research on this issue, found agreeableness to be a predictor of a transformational leadership style. As a result of their review, they also suggest that the skill of being able to 'politically influence' outcomes acts as a moderator between personality factors and this leadership style. The results suggest that personality (in so far as it can be assessed through questionnaires) might influence leadership behaviour, but that the evidence is not yet strong enough to say how. However, Mandell and Pherwani (2003) (on their admittedly small sample) found that females rated significantly higher than males on measures of EI, which, given the relationship with transformational leadership, might suggest they rate more highly in this respect also.

Although transformational leadership has captured the imagination of researchers and executives, there are a few issues with it. First, it overlaps with other leadership concepts and styles. Second, if, as some writers maintain, it is a preferred style of leadership, it begins to resemble the 'one best way' theories of leadership, discussed earlier, that have been overtaken by later theories matching leadership to context. However, it is not alone in this, as some of the following discussion shows.

Servant-leadership

The term 'servant' is generally not a word one might associate with 'leader', and therein lies the paradox of the servant-leadership model. Originally coined in the 1970s by Robert K. Greenleaf, a seasoned executive of the US telephone giant AT&T, the term refers to a form of leadership that places service to others at its core.

Greenleaf (1977) described a philosophy of leading that challenged conventional models and traditional concepts of organization and management by asserting that a leader must be a servant *first*. Although this concept of leadership is not entirely novel, in the context of organizational practice and research it is relatively new. Historical examples can be found in the teachings of the five major world religions (Trompenaars and Voerman, 2010), as well as in the stories of political activists such as Mother Teresa, Nelson Mandela and Gandhi. Although Greenleaf pioneered the conceptualization of 'leading through serving' in the field of management studies, some 30 years passed before management scholars began, systematically, to study, develop and research the concept (Parris and Peachey, 2013). As such, servant-leadership is an emerging leadership theory that is gaining recognition and interest, both in business practice and scholarship (van Dierendonck, 2011).

Servant-leadership is an integrative model of leadership. It can be characterized as post-heroic (Fletcher, 2004) as it de-romanticizes the image of leader as hero and figurehead while recognizing the distribution of power, the relational nature of influence throughout an organization, as well as the social and collective learning processes involved in leadership. In practice, a servant-leader integrates specific traits and behaviours and varying styles, as well as processes described in numerous leadership theories. This form of leadership differentiates itself from mainstream theories of leadership primarily through its focus (van Dierendonck *et al.*, 2014; Stone, Russell, and Patterson, 2004; Barbutto and Wheeler, 2006). More precisely, the servant-leader is concerned with the needs of others (employees, the community, society), the desire to serve first (as opposed to lead first) and to build the leadership capacity of others (Greenleaf, 1977). In this sense, the concept challenges traditional management notions of Taylorism and Friedmanism that focus on maximizing efficiency and profit with little regard for human factors. However, in order to do servant-leadership justice in organizational practice, leaders must take care not to corrupt its integrative ideals by giving lip-service to the language while continuing to operate within old systems of domination and heroism.

Critique of servant-leadership has targeted several aspects of the theory. Characterizing it as a philosophy of leadership, Prosser (2010) makes it difficult to operationalize and measure organizational effects (Parris and Peachy, 2013). Indeed, the major criticism of servant-leadership so far has centred on its lack of conceptual development and theoretical foundation in empirical evidence (van Dierendonck and Heeren, 2006). Furthermore, its characterization as a normative theory of leadership (Johnson, 2008) has invited scepticism. Because Greenleaf occasionally made references to biblical figures, the concept has been criticized as perpetuating patriarchal systems embedded in religious doctrine (Eicher-Catt, 2005) and confusing this with in-business contexts (Hamilton and Bean, 2005). In addition, the resilience of the leader-as-hero schema and traditional notions of power as dominance diminish acceptance of servant-leadership and other post-heroic leadership models (Fletcher, 2004).

Although this type of leadership behaviour is a relatively new field of study, with little evidence testifying to its benefits (Hunter *et al.*, 2013), there is a growing body

of research supporting certain aspects of the theory. Parris and Peachy (2013) noted that a number of empirical studies produced strong evidence that servant-leadership is not only viable as a distinctive leadership construct on both individual and organizational levels, but also can be applied across cultures. Considering the factors influencing change processes discussed in the previous chapters (structure/design, culture and power), further research findings imply areas of potential for servant-leadership in change management, as they suggest which leadership styles, processes and behaviours may facilitate organizational change.

As structure and hierarchies become increasingly irrelevant due to environmental complexity and instability, modes of people-oriented leadership such as servant-leadership could enhance the shift towards paradigms of flexible, post-bureaucratic organizations. Servant-leadership may support change in organizations because it presupposes contemporary designs such as the network or distributed teams forms (see Landrum, Howell and Paris, 2000), which in turn encourage both increased empowerment at all levels and more flexible communication. This is discussed in Illustration 6.5.

Illustration 6.5

Servant-leadership and LUV: the key to minimizing resistance to change?

The term 'servant' is generally not a word one might associate with 'leader'. For Colleen Barrett, president emeritus of Southwest Airlines (the USA's largest low-fare domestic air carrier), the two terms are inherently linked. SWA's heart logo and listing on the New York Stock Exchange as 'LUV' symbolize the company's commitment to the people-centred philosophy of management and service known as *servant-leadership*. At first glance, the notion of leading by serving may appear somewhat utopian. Indeed, a few aspects of the servant-leader model such as love, altruism and forgiveness seem quite out of place in a business context. Servant-leadership – originally described by the former AT&T executive Robert K. Greenleaf in the 1970s – is not 'soft management', as one might assume. Servant-leaders face and manage tough decisions in volatile environments, and do so successfully. More and more, servant-leadership is proving to be a viable leadership practice and potential change management catalyst. Southwest Airlines is an exemplary servant-led company that, in the face of recessions and fear of terrorism throughout the air industry, has maintained financial stability,

sustained customer and employee satisfaction and demonstrated environmental responsibility. A firm believer in the Texas-based airline's leadership model, Barrett presented the intriguing story of servant-leadership and real business at Southwest in *Lead With LUV*, the book she co-authored with management guru Ken Blanchard.

Servant-Leadership at Southwest Airlines: LUV

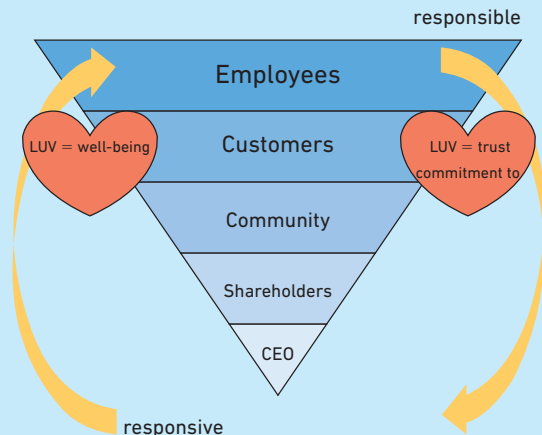


Illustration 6.5 *continued*

In the animated YouTube clip ‘What does lead with LUV mean?’, Blanchard explains the ABCs of Southwest’s brand of servant-leadership: (a) acknowledge people; (b) back people up; and (c) count your people as your business partners. By sharing power and responsibility with employees and responding to the needs of employees, the benefits to customers, the community, shareholders and ultimately the CEO follow. This servant-leader model of empowerment can be visualized as an upside-down pyramid. Southwest places the base (employees) instead of the tip of the pyramid (CEO or other executives) at the top. In this way, servant-leadership puts positive relationships and people ahead of profits.

In terms of change management, this approach may be the key to minimizing resistance by enhancing employees’ organizational commitment and commitment to change through improved well-being and trust. Financial data and numerous industry awards testify to the fact that Southwest’s leadership practices have translated into business success and left the airline seemingly unscathed by the volatility of the industry and the aftermath of 9/11. Serving over 100 million passengers annually, with some 45,000 employees, the carrier has

consistently excelled in airline customer satisfaction – being ranked number two by *Consumer Reports*, and, as an employer, having received the Glassdoor Employees’ Choice Award as one of the ‘Best Places to Work 2014’. Its dedication to triple-bottom-line reporting and environmentally sound business practices also earned the company recognition as ‘Eco Pioneer of the Year’ in 2012. In 43 years of service, the FORTUNE 500 firm boasts 41 consecutive years of profitability, with total operating revenue of \$17.7 billion. Watch how servant-leadership works for Southwest Airlines in Blanchard and Barrett’s ‘fun-LUVing’ book plug on YouTube at <http://youtu.be/5Dvhca9r754>.

We are grateful to Dr Kae Reynolds of the University of Huddersfield for the material used in this illustration.

Source: The Ken Blanchard Companies (2011, May 26), ‘What does lead with LUV mean?’, *YouTube*, retrieved from <http://youtu.be/5Dvhca9r754>.

Southwest Airlines Co. (2014), ‘Southwest Corporate Fact Sheet’, *SWAmedia*.

Image adapted from Blanchard, K. (2012, October 13), ‘Elect servant-leaders’, *How We Lead: Conversations on Leadership with Ken Blanchard*, retrieved from <http://howwelead.org/tag/servant-leadership/>.

Research also suggests that an environment of servant-leadership could influence organizational change from a cultural standpoint. According to Kool and van Dierendonck (2012), servant-leadership enhances commitment to change, particularly through a follower’s sense of organizational justice and optimism. Several cultural factors related to the capacity to change can be linked to management communication practices such as willingness to discuss sensitive issues, openness to listen to new ideas and attitudes of sharing information. Indeed, Kavanagh and Ashkanasy’s (2006) conclusions that communication and transparency enhance organizational change processes also suggest that, due to its influence on goal and process clarity, servant-leadership could be an effective catalyst for change.

From a perspective of power, servant-leadership also provides an interesting model to facilitate change. Theoretically, the principle of leading by serving promotes power sharing, distribution of power, and empowerment as opposed to coercion or relying on positional power. According to van Dierendonck (2010), servant-leaders do not seek power for power’s sake and have no desire to dominate others. This attitude towards power relationships in organizations may address a number of issues related to resistance to change, which often arise out of a feeling of powerlessness. Servant leaders would be expected to exercise a collaborative

approach to conflict resolution based on the model's focus on serving the needs and interests of all stakeholders, including followers and communities.

From a gender perspective, Eicher-Catt (2005) criticized servant-leadership's discourse for being deceptively ambiguous about the nature of power and the dynamics of gender domination. By contrast, Reynolds (2011) argued that servant-leadership offers a gender-integrative model of leadership that advocates an agenda of social change and social justice. Although empirical studies concerning these issues and servant-leadership are sparse, speculatively, servant-leadership could facilitate organizational change by virtue of its particular perspective on power.

Many of the tenets of servant-leadership, discussed previously, are not dissimilar to the already established models of team and distributed leadership. For instance, distributed leadership has a positive orientation towards followers. Similar to *dispersed*, *devolved*, *democratic* or *shared* leadership, the central premise is that power is collectively shared, and leadership responsibility for decision making is collectively embedded within the combined expertise of the group rather than, as is traditionally the case, the individual responsibility of the legitimate leader. As such, distributed leadership can be considered to be collective, collaborative, dynamic, relational, inclusive and contextual (Bolden, 2007). Robbins and Coulter (2005, p. 435) argue that: 'they [the leaders] have to learn the skills such as having the patience to share information, being able to trust others and to give up authority, and understanding when to intervene'. As far back as the 1990s, Kotter (1996) was arguing for fewer bureaucratic structures with fewer rules and support systems for all.

Despite mounting evidence directly or indirectly supporting the usefulness of servant-leadership in organizational processes, there is still scepticism surrounding the theory and its effectiveness for the decision-making processes necessary, in particular, for rapid change (Hendry, 2004; Smith, Montagno, and Kuzmenko, 2004). For example, supporters appear to view servant-leadership as the ideal way of leading. However, in some cases, leaders may need to adjust leadership behaviour based on their assessment of other internal and external organizational forces, such as the need for rapid and/or large-scale change.

Authentic leadership

Authentic leadership theories offer some antidote to the 'dark side' of leadership (anti-social traits and styles), as authentic leadership is predicated on the idea that leaders know themselves intimately, and therefore also have a greater understanding of how others are similar or different to them. They also understand how their experiences in life have made them what they are (Shamir and Eilam, 2005). Shamir, Dayan-Horesh, and Adler (2005) suggest that authentic leadership development, as described by a leader's life-story narrative, centres around four themes, all of which, they suggest, are equally valid:

- a 'natural' leadership development process;
- development from struggle or hardship;
- leadership development from a purpose or cause;
- development as an active learning process.

The authentic leader does not try to imitate or mimic some other person or model. They are true to themselves (see Illustration 6.6), are acutely aware of their values and beliefs (Avolio and Gardner, 2005) and understand the implications of how their leadership affects the organization and their followers. Attributes of authentic leaders (recall the traits approach at the start of this chapter) include:

- Being true to themselves (see Ilies, Morgeson and Nahrgang, 2005, and their discussion of authentic leaders working in a state of eudaemonia, being self-aware, being unbiased and behaving authentically).
- Humility and modesty (see Treviño, Brown and Hartman, 2003). This does not mean being weak; on the contrary, it means being aware of one's limitations and mistakes, being willing to learn from them, seeing the value that others bring to situations and not being an arrogant glory seeker.
- Seeing situations from a range of perspectives, bringing out into the open the tensions and moral dilemmas existing within them.
- Knowing one's own sense of right and wrong and adhering to personal standards in decisions and relationships. When times get difficult, authentic leaders display the moral courage to act consistently and not sacrifice deeply held beliefs (Verbos, Gerard, Forshey, Harding and Miller, 2007).
- Being able to manage themselves and their emotions, and being a role model to others.
- Patience, resilience and flexibility.

Illustration 6.6

An authentic leader

Michael Woodford is a British businessman who became president, chief operating officer and chief executive officer of Olympus, an optical equipment manufacturer. Having worked for the company for many years in Europe, he was appointed to these roles in April 2011, and then unceremoniously sacked in October of the same year after he exposed \$1.7 billion of inappropriate accounting practices aimed at hiding and concealing the true extent of corporate losses. The share price of Olympus fell by more than 80 per cent, with more than \$7 billion being shaved

off the value of the company. He fled in fear of his life as the Japanese mob, the Yakuza, was also thought to be involved in the scandal. When asked why he exposed the fraud rather than accepting it, as the Olympus board expected him to, he answered that it was the right thing to do and that he could not have lived with himself if he had not done so. After an investigation, the whole Olympus board was sacked, with some members going to prison.

Source: Woodford, M. (2013), *Exposure*, London: Penguin.

Beddoes-Jones' (2012) research into authentic leadership, using senior Royal Air Force officers and UK business leaders, revealed that the myriad traits and styles found within the broad construct of authentic leadership sat within three factors, or 'pillars', of authentic leadership: self-awareness, self-regulation and ethics. Figure 6.6 illustrates how these three sit under a canopy of relationships and on a bedrock of trust.

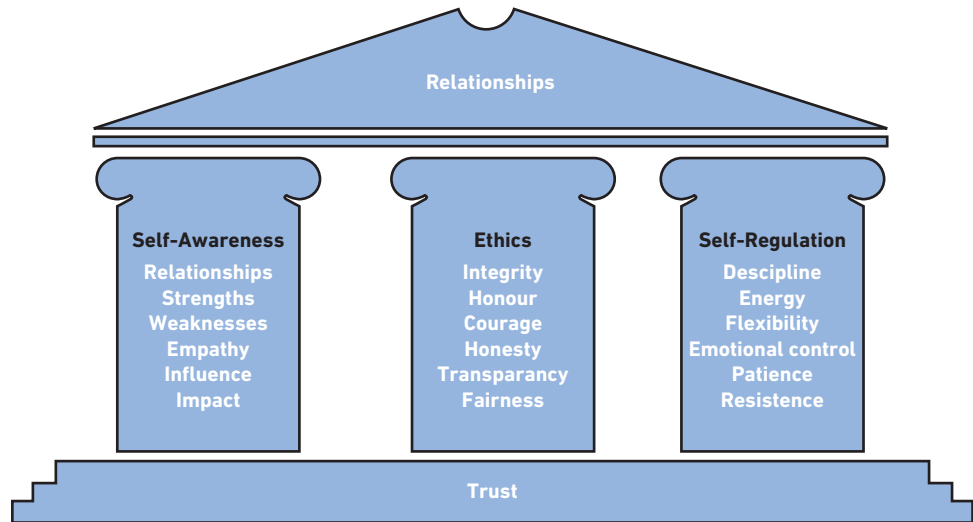


Figure 6.6 The three pillars of authentic leadership

Source: Beddoes-Jones, (2012), 'Authentic Leadership: The key to building trust', *People Management*, August, pp. 44–7. Used by permission from Dr Fiona Beddoes-Jones.

In our tour of leadership theories, we have seen how they have evolved over time and, in a sense, we have returned to the beginning by describing characteristics of business leaders that are fit enough to lead organizations in the twenty-first century and fulfil the expectations of the people that work under them. Authentic leadership is a powerful theory and there are good grounds for thinking that leadership will need to move in this direction if organizations are to enjoy support from their employees as well as from government and society. Recent corporate scandals and crises blamed on poor leadership have dented public confidence in leaders, who now need to work hard to recover personal and corporate reputations.



Activity 6.6

Think of the characteristics of authentic leaders and then see if you can relate them to any leaders that you know of. You may need to think of leaders of nations or social movements, rather than organizations.



Critical approaches to leadership

Perhaps surprisingly, sometimes the very traits that support managers and leaders in their climb to the top of organizations can become their downfall (Furnham, 2010). Landrum *et al.* (2000), for example, refer to *unethical* charismatic leaders who are controlling, manipulative and self-promoting – characteristics that can jeopardize and even sabotage the turnaround efforts of an organization. Hogan and Hogan

(2001) investigated leadership from the reverse angle and identified the factors and traits that lead to derailment, which they termed the 'dark side' of leadership. They defined leadership as: 'the ability to build and maintain an effective team, one that can outperform its competition' (p. 40), and identified ten dysfunctional dispositions associated with management and leadership failure.

Hogan, Hogan and Kaiser (2009) argued that derailed leaders are essentially deficient in one or more of the four key skill areas:

- 1 *Intrapersonal* – self-awareness and empathy.
- 2 *Interpersonal* – social skills and emotional intelligence.
- 3 *Business* – planning, organizing and monitoring.
- 4 *Leadership* – team building and role modelling.

They also identify five 'early warning signs' of management derailment:

- 1 *Poor results*: customer complaints, cover-ups, inaccurate financial reporting, missed objectives.
- 2 *Narrow perspectives*: out of date, over-reliance on technical skills, too detail-oriented.
- 3 *Poor team building*: autocratic decision making, micro-management, high turnover of staff.
- 4 *Poor working relationships*: insensitivity, being abrasive or abusive.
- 5 *Inappropriate/immature behaviour*: gossiping, poor at coping, refusal to accept responsibility.

Gender and leadership

Pertinent to this discussion is the fact that the first theory of leadership put forward in this chapter is that of the 'great man' theory. It is clear that this no longer relates to leadership in the twenty-first century. However, the facts are that far more men than women head up organizations and outnumber women who sit on their boards (see discussion in Chapter 5). The discussion about where to find women leaders centres around two key themes: do men and women lead similarly or differently? And if they are different, which makes the 'better' leader?

Eagly and Carli (2007) suggest that there are both similarities and differences in style between men and women leaders, but that the differences, while statistically significant, are quite small, and the consistency between genders is constant. Some studies indicate that women generally tend to adopt more relational, participative and transformational styles, while men are more likely to take a more transactional, directive style (Eagly and Johnson, 1990). This perspective is echoed by Gibson (1995), who suggests that an approach that involves a task/goal orientation and is one of assertiveness and control is most often exhibited by men, while women tend to take a more communal approach that is characterized by a more nurturing, caring approach, with the well-being and welfare of others at its core.

By contrast, Kent and Schuele (2010) found no significant gender differences between German managers, where a transformational leadership style was preferred, and Andersen and Hansson (2011) found no significant gender differences between the management and leadership styles of public-sector managers in

Sweden. However, their finding raises the question as to whether leadership and management styles in Sweden may differ from UK and US norms as much as they do between the US/UK and Asia – in which case, it may not be gendered leadership that is being explored by the study, but rather cultural differences in leadership style.

Baron-Cohen's (2002) theory of *the extreme male brain* may be able to shed some light on the dichotomy between different research findings regarding gendered leadership. A specialist in the autistic spectrum of behavioural disorders, he suggests that the male brain is hard-wired for *systemizing*, whereas the female brain is hard-wired for *empathy*. While Baron-Cohen's theory is completely consistent with suggestions regarding some of the studies on gendered leadership, we should be aware that the differences he describes are neuro-biological and not gendered. It is quite possible for a female to act as if she has the idealized male brain, just as it is quite possible that a male may be driven to be highly empathetic and creative and display traditionally 'female' qualities. The notion of male and female brains draws on the nature–nurture theories that take no account of the influence of different child-rearing practices or social learning.

This does not stop management magazines and the business press appearing to be mesmerized by portrayals of heroic leader figures – usually men – who wake at 06.00, run around the block, get to work by 07.30 and have very important meetings with very important people all day long before reading their children a bedtime story at 20.00. Portrayals of this kind have attracted a critical and rather disbelieving literature, and one angle on this is through exploration of gendered narratives. Illustration 6.7 is an interesting account of a long-lived and well-known UK organization, which, incidentally, has women customers outnumbering men.

Illustration 6.7

Marks & Spencer – waiting for the warrior

Ann Rippin (2005) reinterprets the leadership history of one of the UK's best-known and perhaps best-liked retailers, Marks & Spencer. It was founded in the late nineteenth century and has always been led at the highest level by men. Rippin (p. 582) points out that in histories written about M&S, 'the absence of women is exceptional'. All the top action was performed by men.

Leadership was passed initially through the male family line and when this had run its course other 'equally strong' men were brought in. She draws a parallel with the story of *Sleeping Beauty*, such that the organization became, periodically, a sleeping princess waiting for a dashing and handsome prince to rejuvenate it. She allies it to 'illness narratives' – that is, 'we are sick but will be healed' (p. 584) by the arrival of Prince Charming. Later the prince displays his

beautiful and fertile possession (the company, that is). The trouble is, they don't often live happily ever after, as, when the princess falls sick again or the prince goes in search of a more beautiful princess, the search for another prince resumes.

Rippin viewed M&S as a patriarchy (actually a phallocracy), which implies that organizations are far from the rational systems we read about but can be 'locations of masculine violence' (p. 586). In M&S, this violence took the form of robust exchanges between senior male managers vying for position as the alpha males. She sees M&S as gendered from birth and continuing so in its recent struggles to maintain its high-street position in a changing retail environment. The cumulative effects of men of action at the top makes change in M&S a very gendered thing, and it is hard for her to imagine an alternative way of leading becoming accepted.



Activity 6.7

Can you find an organization (perhaps your own) that has a majority of women in top- and middle-level management? If so, do the management styles used in general reflect the discussions of male and female attitudes to management? Think back to the accounts of transactional and transformational leaders and any other categorizations that might be helpful in this respect. How convinced are you that men and women differ in their management styles?

Linstead, Brewis and Linstead (2005, p. 543) noted that managing change is typically 'authoritative, patriarchal, competitive, confrontational and bullying', and when managers speak and behave otherwise they are quickly labelled as going soft and losing their grip – even, horror of horrors, of acting like a woman in a masculine workplace. Studies of women as change agents are few, as women are often excluded from the male social networks outside work, where big decisions can be made and set in motion. So, why should gender have an influence on management theory and, specifically, organizational change? Most management texts present theory and best practice as gender neutral and let men and women interpret it and apply it at work. The alternative view is that since management is enacted by men and women, and since the two enactors have different identities, there must be some sort of interaction or influence operating (Linstead *et al.*, 2005, p. 546). Although the differences are small, studies of gender and management suggest that men are more transactional and rely more on position power to get results, whereas women are more likely to be transformational and use relationships rather than power to motivate (Eagly *et al.*, 2003).

However, an additional overlay comes from the organizational context and the nature of the work. If work cultures are combative then, whether male or female, the manager will have to respond with matching behaviour. Indeed, drawing on person–organization fit theory and the aim of selection processes to seek people who fit with cultures, organizations will recruit people who appear to fit. Assuming there is no direct discrimination against women in selection, then both men and women with similar characteristics will tend to be recruited.

Linstead and colleagues see Western masculinity as being focused on control: control of self, of others and of the environment. However, it is important to note that not all men are comfortable with the display of control-oriented behaviour, and it is clear that some women display masculine control orientations either by nature or through conformance to a culture. The characteristics that usually accompany control, such as decisiveness and quickness to punish people, are, however, less acceptable in contemporary society than they once were. While these characteristics have perhaps never been suited to managing professionals who seek autonomy to use their professional knowledge rather than close direction, they are unfashionable and unwelcome to the humblest of workers who deserve, and expect, to be treated with dignity and consideration.

It is reasonable to suggest that classic masculine management styles are being challenged by a feminization of management (Kerfoot and Knights, 1993). While opening up leadership positions to women is an important social goal, it is far from clear that having more women in top jobs would deliver innovation, creativity and change any better than do men.

Retelling leadership stories

Collins and Rainwater (2005) offer an interesting reanalysis of a corporate transformation at giant US retailer Sears Roebuck, first told in the *Harvard Business Review* (Rucci, Kirn and Quinn, 1998). First, though, we need to remind ourselves of what happened in Beijing in April 1989. This was a time of crisis for communism, with huge structural changes occurring in Eastern Europe. Following the death of a pro-democracy sympathizer in China, people wanted to demonstrate in Tiananmen Square, Beijing, but the Chinese government had little tolerance of demonstrations and of demonstrators. After demonstrations had taken place for some time, and as numbers swelled in the square, the government sent in tanks to disperse protestors. An unknown 'rebel' stood in front of the advancing tank column and halted it – the photo of him appearing as if in conversation with the lead tank commander became an icon of resistance.

Collins and Rainwater use the Tiananmen Square 'tank man' incident to show that there are multiple ways of interpreting something such as the Sears Roebuck change story. Did 'tank man' stand in front of the moving column and stop it, or had it already stopped? Was he a people's hero, defiant in the face of government oppression, or was he an agitator who would undermine the harmonious society in which he lived? Why was he there? Was he just crossing the road with his shopping, or are there more sinister explanations? Who ordered the tanks to stop advancing? Why did they stop? Had they already stopped? We don't know, but the point is that multiple stories can be written and told to explain the events that happened.

The Sears Roebuck story was written by company insiders, and Collins and Rainwater criticize the paper as being an uncritical celebration of the transformational efforts of a new CEO. The new leader announced new strategic priorities and new task forces. Events were held to attune the workforce to the new position and revised 'total performance indicators' were introduced to measure performance. The paper's authors portray the transformation as an epic tale of heroic 'daring-do', with the CEO as the chief hero. It is about bringing light where there was darkness. It is *Beowulf*, it is *Biggles*.

What Collins and Rainwater then bring is a perceptive and amusing sideswipe at the paper. First, they show how the same story can be retold, not as heroism but as a tragedy. What of the cast of thousands (the employees) who have only 'walk-on' parts in the play? It is a tragedy that their role, which must have been more than a little, is neglected. They argue that the CEO, cast in the leading role, can just as well be seen as a villain motivated by corporate profits who manoeuvres the main characters (employees) for his own ends.

The story is also recast as a comedy. Central to the transformation was a new set of ‘total performance indicators’, such that, we are told, ‘our model shows that a 5 point improvement in employee attitudes will drive a 1.3 point improvement in customer satisfaction, which in turn will drive a 5 per cent improvement in revenue growth ... these numbers are as rigorous as any others we work with at Sears’ (Rucci *et al.*, 1998, p. 91). Really? Is business performance really this linear? Have we learned nothing from complexity theory? Can we not recast the main character as a fool, leading willing dupes (senior management) into a wonderland of cause and effect?

Management literature abounds with heroic stories of change. Some leaders are given nicknames to emphasize their superpowers: ‘Neutron Jack’ (so called because he left the buildings standing but without any people in them, rather like neutron bombs do) and ‘Chainsaw Al’ (who was famed for cutting through organizations, slashing jobs on the way) are but two examples. We emphasize that our aim here is not to mock or deride the organizations we have used to illustrate our points, their managers who work hard to secure jobs for employees and profits for investors, or the authors of the heroic stories in which they feature. Rather, it is simply to point out that stories of change are too often overly simplistic and that stories of heroism would have us overlook the true complexities and true contributions made by a largely anonymous cast.

Leadership and change

Leading change

A common theme in discussions of leadership and change is whether one style of leadership is most suited to taking organizations through periods of change, or whether different leadership approaches are required according to different change situations. Do we always need a charismatic–visionary leader, or one with particular leadership traits? Alternatively, given the various types of organizational change discussed in Chapter 2, are some leadership approaches more suited to change situations than others? The discussions that follow should help answer some of these questions.

Leadership and the organizational life cycle

Greiner (1972) and Quinn (1988) proposed that different organizational life-cycle stages (formation, growth, maturity and decline) need different leadership styles to take the organization forward. In the formative period when markets and structures are evolving quickly, for example, a creative and entrepreneurial style fits best. Then, as the organization matures, top management styles are said to have to change. Quinn (1988), whose theories have already been discussed (see Table 6.1), argues that an organization will start life positioned in the open systems quadrant, requiring an innovative, risk-taking style. As it grows and develops it will include the elements of the human relations model and the rational goal model. As it reaches the stage of formalization, it will take on a more cautious stance with the internal

process model. In its later life, Quinn argues that organizations might return to an open systems model but retain elements of the others. As the organization grows, matures and rejuvenates, both Greiner and Quinn argue for different leadership approaches.

This is, however, somewhat simplistic, as it is also important to differentiate change on the dimensions of large, strategic initiatives (such as the embedding of a new set of organizational values), compared to the smaller, operational, ongoing and often incremental change (such as procedural and process changes). In addition, in the case of large public institutions (such as the UK's National Health Service and education systems) political issues become important, given the propensity for politicians to constantly 'tinker around the edges', therefore never allowing any changes to embed properly.

Leadership and the nature of change

Dunphy and Stace (1988, 1993) modelled approaches to change on two dimensions: the level of environmental readjustment needed to restore environmental fit; and the style of leadership needed to realign it. Their readjustment categories are:

- *Corporate transformation* – changes across the organization to business strategy, e.g. revised mission, organization-wide restructuring, new top management.
- *Modular transformation* – a major realignment of part of an organization, e.g. a major restructuring, expansion or contraction.
- *Incremental adjustment* – distinct changes but not on a radical scale, e.g. changing structure, using new production methods.
- *Fine-tuning* – typically at lower levels, e.g. clarifying goals, refining methods and procedures.

Their categories of leadership are:

- *Collaborative* – wide participation of employees.
- *Communicative* – involving people in goal setting.
- *Directive* – managerial authority is the driving force.
- *Coercive* – change is forced and imposed.

Combining the environmental refitting and leadership categories, Dunphy and Stace proposed the following approaches to managing change. When employees are in favour and support change, then *participative evolution* is used when the amount of change needed is small. When environmental fit is low and when employees support radical change then *charismatic transformation* is appropriate. When employees oppose change then *forced evolution* applies when small adjustments are needed, whereas *dictatorial transformation* is needed when environmental fit is low and major realignment is needed.

A problem with typologies such as this is that they imply that managers have a choice of change strategies, almost as if they are selecting from a toolkit. Indeed, Dunphy and Stace claim that the model has: 'implications for the choice of strategies for managing organizational change in differing circumstances and for the training of change agents' (1988, p. 317). The model assumes that change can be

planned and implemented logically and linearly, and sometimes it can. However, transformational change frequently takes place over a long period and is, or becomes, ‘messy’ (see Chapter 2) and more unpredictable. In these cases, managers’ approaches need to vary according to the changing circumstances, not only within the organization but also in response to changes in the external environment. As Dunford (1990) says, the environment is not a fixed reality ‘out there’ but to some extent it is ‘in here’ and embodied within both the organizational culture and the thinking of the people within it.

However, Illustration 6.8 looks at organizations we have referred to as ‘game changers’ (see the Airbnb illustration in Chapter 1). These organizations have rethought how business might be engineered differently. Using on-line tools, data analytics and the ability to construct networks (of drivers in the case of Uber) and a logistic chain including many provider and delivery partners, they have established fast-growing and adaptable organizational systems. This appears only to be unpredictable and ‘messy’ if senior executives seek to control the resource they utilize through organizations owned by a parent company. If senior executives seek to access substantial assets and resource through ‘contracts for services’ and collaborative agreements, they seek to strike a new balance. Easier to adapt to changing conditions, these collaborations may present other challenges and a threat to the overall corporate brand if customers are disappointed. However, note that even where the people who serve customers are employed, the organization can experience the same issues if those employees are demotivated. The key point here is the extent to which the network approach builds-in constant adaptability.

Illustration 6.8

Game changers 2

The first two decades of the twenty-first century have witnessed the emergence and growth of a new breed of technology company that, in a few short years, have raised billions of dollars of investment and spread services around the world at pace. In this illustration we will briefly look at Uber and Amazon.

Uber is transforming the way we organize transportation, both within and between cities. This rapid growth is not without risks. In some cities, the advent of Uber has generated public criticism that the firm lacks proper controls and that Uber operations are not regulated to the same extent as its long-established competitors.

Uber is based on the use of the Apple iPhone and can utilize ‘apps’, such as mapping tools. The use of interactive tools is growing rapidly, as is

the use of mobile phones. Additionally, the use of Internet broadband grows at high pace. These firms are exploiting intersecting trends that have led to growing numbers of people managing activities on-line. Both Uber and Airbnb have been among the fastest-growing start-up enterprises in terms of sales, market value and employee numbers, but they own few physical assets.

Similarly, Amazon and Google have created tens-of-thousands of relatively well-paid jobs and have deployed arrays of services. The five largest corporations in 2006 were ExxonMobil, GE, Microsoft, Citigroup and Bank of America. By 2018, Apple, Alphabet, Amazon, Microsoft and Facebook held those positions. By 2018, surveys suggested that 50 per cent of shoppers went to Amazon first when searching for products. Amazon drives sales

via customer reviews and through the 'Amazon Marketplace', in which sellers and buyers are connected. Amazon has until recently not invested in capital-consuming stores. It invests in warehouses and operates through networks of partners including authors, delivery companies and resellers.

Key to the Amazon approach has been to use technology, on-line tools and data analytics to integrate web-based operations and physical assets. Amazon continues to experiment and now is beginning to deploy cashier-less grocery stores under the 'Amazon Go' label, initially in Seattle in 2018 with others in planning. Book stores also feature in its plans. Integration is key because e-commerce is not likely to be profitable long term. Innovations being talked about, in which Amazon is featured, include the use of drones, driverless vehicles and robots. The compelling aspect of images of Amazon warehouses is not hordes of overworked employees but the absence of people.

Do firms such as Amazon destroy jobs? The US Bureau of Labor Statistics recorded 3.5 million cashiers, 4.5 million sales staff and 2 million stock clerks employed in the US retail sector in 2016, with

continuing reductions in these jobs appearing likely. But this trend predates Amazon. The growth in revenue per employee of organizations such as Amazon implies job reduction, and since 1970 some estimates suggest that productivity gain in middle-class and administrative roles has been over 200 per cent.

Of course, by working through networks of partners such as 'delivery partners', and 'driver partners' in the Uber case, it is likely that 'savings' in health and unemployment insurance and holiday pay are achieved, but this depends upon the partner organization. In the UK, the Royal Mail delivers Amazon parcels and incurs these expenditures on behalf of its own staff. Moreover, the position on tax is not clear cut. One study of all federal, state, local and international taxes paid by large US corporations from 2001 to 2015 indicated that Amazon paid 13 per cent of its revenue in tax, compared to 17 per cent by Coca Cola, 8 per cent by Boeing, 4 per cent by Facebook, 37 per cent by ExxonMobil and 31 per cent by Starbucks.

Sources: Stone, B. (2018), *The Upstarts*, London: Corgi; Galloway, S. (2018), *The Four: The Hidden DNA of Amazon, Apple, Facebook and Google*, London: Corgi.

Obstructing and facilitating change processes

Forces for and against change

Any organizational change will face forces that facilitate or obstruct it. This is particularly the case with large-scale 'frame-breaking' change or transformational change (see Chapter 2). These forces emanate from both the external and internal environments, but most importantly from an organization's stakeholders and employees. Illustration 6.9 gives examples of external and internal forces that act for and against change. However, Illustration 6.10 captures a more dynamic view of resistance to change as a form of feedback.

Not all these forces will be present in any one change situation, but it is helpful to have some reminder of these. In reality, although the external forces are important, the role of leading change is more likely to be concerned with resistance from inside the organization. In addition, some of the forces listed in Illustration 6.9 will be stronger than others. *Force field analysis* is a frequently used technique for identifying the range and strength for and against change. Developed by Kurt Lewin (1951), force field analysis is a way of identifying and bringing out into the open the forces that are impacting on a situation. It identifies power interests of actors involved and should lead to ideas about how to influence the actors to reduce the opposing forces and strengthen the driving forces.

Illustration 6.9**Forces impacting change**

Driving forces for change	Driving forces against change
External forces: <ul style="list-style-type: none"> • stakeholder demands • markets changes • new technology 	Individual resistance: <ul style="list-style-type: none"> • fear • uncertainty • loss of status • rewards • lack of skills
Internal forces: <ul style="list-style-type: none"> • growth • performance issues • restructuring 	Organizational resistance: <ul style="list-style-type: none"> • culture • system inertia • lack of resources and capability

Illustration 6.10**A fresh view of resistance: resistance as feedback**

Managers blame resisters for not seeing the light, not being objective, being awkward. Maybe sometimes they are these things, but sometimes perhaps it is the resisters who can see where plans are not joining up or see the flaws in management's assumptions. Resistance is a resource: an 'energy that can be channelled on behalf of the organization'. Ford and Ford (2009) suggest five ways of using resistance constructively:

- *Boost awareness* – top managers, having convinced themselves of the benefits, are mostly immune to how changes affect the jobs of people far below them, so they should 'drop down' a few layers and talk to those who are being affected. Even emotional exchanges may add value in keeping a dialogue open.
- *Return to purpose* – communicate what needs to change and why. Middle managers need to be able to explain to their staff what needs to happen and they cannot do this unless the purpose is clear.

- *Change the change* – resisters can identify serious points about what is being proposed, so do not be afraid to 'change the change' to take these points on board. Egos and positional power may impede this, so it is vital that senior managers do not allow junior managers to block new insights, or allow their own prejudice or ego to get in the way.
- *Build engagement* – if communication channels are effective, then worries and ideas can come to the surface. These can be managed in ways that enable individuals and groups to get involved in dealing with them and by so doing engage people in the changes.
- *Complete the past* – many people in change situations have good memories of what happened the last time change was attempted. This means that today's resistance may not be much to do with today's change but with past change. Past failures need to be acknowledged.

Source: Based on Ford, J.D. and Ford, L.W. (2009), 'Decoding resistance to change', *Harvard Business Review*, Mar/April, pp. 99–103.

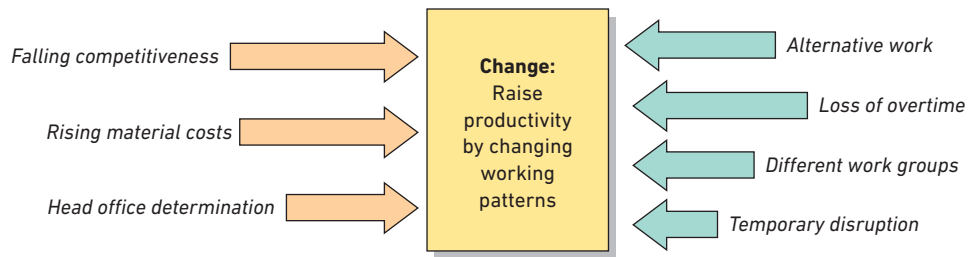


Figure 6.7 A force field diagram

Figure 6.7 is one example of forces driving for change and those restraining it. The different lengths of arrows denote the *strength of each force*: longer arrows are for stronger forces, and vice versa.

Contrasting paths to change

The results of force field analyses are helpful in deciding the extent to which an organization is open or closed to change (Strebel, 1996). Figure 6.8 depicts Strebel's model of 'change paths' to show the different approaches to change depending on the levels of resistance to change and their strength. He offers the following advice on this (Strebel, 1992, p. 67):

- 1 Look for closed attitudes by examining what processes are in place for bringing new ideas into the sector, company or business unit.
- 2 Look for an entrenched culture by examining what processes are in place for reflecting on values and improving behaviour and skills.
- 3 Look for rigid structures and systems by examining when the organization, business system, stakeholder resource base and industry last changed significantly, and by enquiring to what extent the structures and systems are capable of accommodating the forces of change.

Resistance	PROACTIVE	REACTIVE	RAPID	
Closed to change	Radical leadership	Organizational realignment	Downsizing and restructuring	Discontinuous paths
Can be opened to change	Top-down experimentation	Process re-engineering	Autonomous restructuring	Mixed paths
Open to change	Bottom-up experimentation	Goal cascading	Rapid adaptation	Continuous paths
	Weak	Moderate	Strong	Change force

Figure 6.8 Contrasting change pathways

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Source: Strebel, P. (1996), 'Choosing the right change path', *Mastering Management*, Part 14, *Financial Times*, pp. 5–7, © The Financial Times Limited. All Rights Reserved.

- 4 Look for counterproductive change dynamics by examining whether historical forces of change are driving the business and by enquiring to what extent these have become the new force of resistance.
- 5 Assess the strength of the overall resistance to change by examining to what extent the various forces of resistance are related and the extent to which power and resources can deal with them.

Both Dunphy and Stace's and Strebel's models, however, offer prescriptions for matching leadership styles to levels of change in highly formulaic and prescriptive ways, and tend to ignore those things that followers have themselves identified as highly desirable, such as trust, compassion, stability and hope – as identified by Ipsos Mori in 2009. The high failure rate of mergers and acquisitions and other strategic change initiatives alerts us to just how difficult it is to lead and manage change. Dealing with resistance to change is one of the most important things in leading change.

Resistance to change

'Resistance to change' is a widely used phrase that captures a broad range of meaning. It is frequently associated with changes in employees' terms and conditions and their working practices – that is, the legal contract they have with their employer. However, there is another type of *psychological* contract based on unwritten expectations and assumptions that, when threatened, can also lead to resistance. Piderit (2000) identifies three different kinds of resistance: behavioural, affective and cognitive. Behavioural resistance could manifest as non-compliance or disruption to planned changes such as industrial action, which is usually the result of threats to employees' legal contracts. Alternatively, others might resist by using logic to defend and argue for the preservation of their preferred routines, or by arguing that a similar change was tried historically but also failed. Other people may stay silent and comply with change, but with their feelings and their emotional state not conducive to genuine acceptance of the change initiative.

This latter resistance could relate to what people *feel* as a change to their psychological contract, even though they might not consciously recognize this as such. Guest and Conway (2002) and Conway and Briner (2002) define the psychological contract as: '... the perceptions of the two parties, employee and employer, of what their mutual obligations are towards each other'. Note the term 'perceptions', which implies that this is based on 'understandings' that are assumed implicitly between the parties, rather than recognized openly. Resistance to change is often seen as a negative thing that management should try to eradicate; however, this overlooks the fact that those doing the resisting might have a good logical reason to do so (which might be able to be resolved), but may also have a, somewhat unrecognized, emotional reaction that is likely to involve what is perceived as changes to their psychological contract. This latter feeling could provide a 'sticking' point and, therefore, management should look beyond what appears to be obvious.

Resistance, whatever its cause, is generally seen as a negative outcome but, looked at another way, it can be a source of ideas and energy. Ford and Ford (2009), for instance, recommend that resisters should not be overlooked, but that resistance should be seen as a form of valuable feedback that can support and ultimately enhance the change initiative.

Cynicism and scepticism

Cynicism and scepticism are two concepts that are quite closely related but also quite different. Stanley, Meyer and Topolnytsky, (2005, p. 436), consider that scepticism towards change is: 'doubt about the viability of a change for the attainment of its stated objective'. Cynicism towards change differs in that it is a: 'disbelief about a management's implied or stated motives for a specific organizational change'. In other words, cynicism indicates a lack of trust and is likely to be associated with disturbance of the psychological contract. Stanley *et al.* (2005) found that cynicism was a moderate predictor of resistance to change. This link implies that change agents should work on overcoming cynical reactions in communication strategies. If employees are disbelieving and distrusting of management in general, then the ingredients of a problem are in place and cynical reactions can spiral out of control, as shown in Figure 6.9.

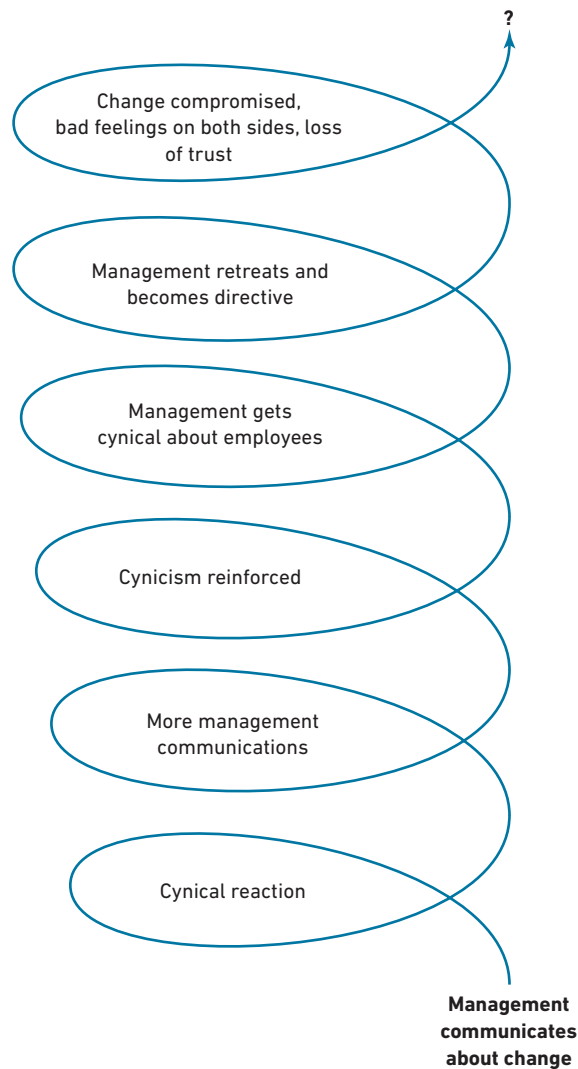


Figure 6.9 The cynicism spiral

Illustration 6.11 shows how communication and building engagement, as well as recognizing others' feelings, paid dividends in helping staff accept their new boss. It also shows how recognizing possible sources of cynicism can assist strategies for overcoming such resistance in the future.

Illustration 6.11

Mr Cathode

Jayne was pleased that the change management consultancy company she worked for had promoted her and given her a project of her own to manage. It was with a small manufacturing company that made and mixed tins of paint to resell to some of the large DIY stores. The workforce had all been there for many years; however, new management had been brought in to 'shake things up a bit' and increase productivity. In her promotion interview, Jane's boss had said to her: 'We're promoting you because we love the results that you get. We don't know how you get them, but the clients love you.'

On the first day on the project, Jayne made sure that she met every employee, not just the management, but everyone on the shop floor. She knew that they would be feeling insecure and that they wouldn't trust her (how could they,

they didn't know her), so she was polite and friendly, cheerful and positive. She paid particular attention to identifying any 'Mr Cathodes'. In her experience, every organization has one or two, and they are usually a fulcrum point in the business. They are often well respected, and as they influence a lot of people, Jayne knew that if she could turn them round and get them on board, they would be the key to a successful or unsuccessful project.

So that's how she did it: through transformational leadership at an operational level. She focused on developing good-quality relationships with both the management and the employees, especially with the 'cathodes' in the organization. Over the years, Jayne learned much from them. The 'cathode', of course, is the negative pole of a battery.

Readiness for change

Readiness for change helps facilitate change. It is an important precursor to coping with resistance according to Armenakis, Harris and Mossholde (1993). Readiness involves shaping and conditioning attitudes and beliefs to be favourable for change. As such, communication strategies need to emphasize two key messages:

- *Urgency* – the need for change, explaining the gap between what the organization needs to be doing in the future compared to what it is currently doing, and the critical time available before the change must occur.
- *Readiness* – employees' ability to change and their ability to do it well; this is important because if employees think they cannot achieve the required changes, then they will avoid any 'discretionary effort' into achieving them.

Combining the two concepts of urgency and readiness generates four states, along with ideas for how best to cope with these four states, as follows:

- *Low readiness/low urgency* – calls for a communication strategy to enhance readiness. This could involve opinion forming and active participation of employees in events that raise readiness. This might be the least problematic state of change.

- *Low readiness/high urgency* – this is a crisis situation that may need a rapid injection of new personnel and reassignment of people to new tasks.
- *High readiness/low urgency* – the priority here is to keep messages about the discrepancy current, with frequent communications about progress.
- *High readiness/high urgency* – a quick response scenario exists in which high energy for change needs to be maintained. The change here could happen smoothly, but vigilance for unexpected ‘glitches’ is needed.

Leader-member exchange

Leadership cannot be studied in isolation, but should always be viewed in the societal and cultural context within which it takes place and with followership in mind. For example, leaders may perceive their activities as arising from a specific leadership approach. However, their attitudes and the way they behave are interpreted by different followers in different ways (Dobrosavljev, 2002). Leaders also behave differently with different people.

For instance, some followers are held in high esteem and included in what goes on, others are treated with respect but perhaps not involved much, others may be ignored – or worse, treated with disdain. This observable feature of organizational life led Graen and colleagues (Graen and Scandura, 1987; Graen and Uhl-Bien, 1995) to develop what has become known as leader-member exchange (LMX) theory, with *members* in this context being those people who are working with the leader.

Graen argued that the different types of leader-member relationships fall into two types: in-group and out-group. People in the in-group are involved in decision making and might be given projects to lead. Their opinions will be sought and the leader may well share confidences about other people and plans with them. They are well placed to influence the leader regarding their own tasks, assignments and career advancement. People in the out-group are kept at a distance and are only given the information needed to do their job. Their ideas are not sought and if they volunteer ideas, they may struggle to be taken seriously. In-group members are likely to believe that they have better knowledge and competencies than out-group members and may believe that this justifies their inclusion in the in-group. They may put down out-group members whom they perceive as being less capable. Out-group members may look at the in-group and think they are favoured not because of enhanced competencies, but because they are good at influencing upwards and impression management, or because they have some other hold or influence over the leader. The dynamics of such an ‘us and them’ culture is invariably fundamentally damaging, both to relationships and also to organizational achievement. It is this that has led at least one major global organization, BP, to include the concept of ‘One Team’ into its five core organizational values (www.bp.com).

The effects of LMX relationships are felt particularly when organizations want to change, either in large or small measure, because this is when leaders need to persuade followers to move in a particular direction and to change their thinking and behaviour. While in-group members, who have been communicated with more effectively, may be keen to implement the changes, the out-group typically takes far

more convincing and could be an important source of resistance. Consequently, the quality of the leader-member relationship seems likely to have a big influence on how communications about change are interpreted by others. For instance, leader communications to members of the in-group are likely to be received positively, while those with the out-group are as likely to be received negatively. In other words, the in-group 'attributes' positive motivations to the leader but the out-group does the opposite (Furst and Cable, 2008). In some cases, leaders may not even bother to try and explain to someone what they need from them and why, because they have already categorized them as a resistor.

A study of Dutch employees during a merger (Van Dam *et al.*, 2008) found that employees who reported high-quality leader-member exchanges also reported low resistance to change. They also found that providing information openly, giving people opportunities to participate and having trust in the people managing the change were all (as you would expect) related to lower resistance. This suggests that bottom-up approaches to change in which employees interact directly with leaders and change agents are likely to be more effective than top-down approaches characterized by remoteness and impersonal, autocratic, management dictates. Moreover, it is not enough to seek high-quality leader-member exchange relationships only when change is needed; they should be sought routinely so that they are in place to support change when the requirement to change comes along, as it inevitably will in our modern world and global society. Good-quality relationships need to be a part of daily work routines (Van Dam, Oreg and Schyns, 2008). Following Van Dam *et al.*'s advice could help avoid the formation of out-groups in the first place, and their behaviour when attempting organizational change, even though this is, in some cases, not easy to do.

Leading through change

For 50 or more years, organizational thinking and practice operated without significant reference to change. More recently, over the past 20 years or so, the topic of change has been grounded in some simple ideas:

- all changes are difficult, resisted and most fail;
- management of change goes through a series of stages;
- the problems with change are to do with people;
- effective communication is essential for change.

Most organizations today are not only very different from 40 years ago, but are now more likely to face continuous change rather than change at certain times. The change encountered in structures, governance, technology, customers and customer service and reputational management is now constant and apparently speeding up. People in organizations do not talk about the absence of change, but rather bemoan the cascades of change initiatives pursuing different, sometimes conflicting, goals. Often people will complain of too many initiatives – of 'initiative fatigue'. Some would label this as 'resistance to change'. In reality, this not to do with

resistance to change *per se* but is more to do with resistance to the constant cascade of complex, often unclear, ill-defined and sometimes conflicting initiatives thrown at them without explanation of the organizational or personal benefit. Given this environment, is it any wonder that change initiatives fail?

Earlier in this chapter we discussed various theoretical approaches to understanding leadership. Among them were theories and frameworks wherein the legitimacy of leaders (to positions of power, authority, esteem and reward, for example) was questioned. No longer is 'position power', or 'intelligence', or any other particular trait or characteristic, a sufficient basis for answering the question 'Why should anyone be led by you?' (Goffee and Jones, 2006). This point of view has long run through critiques of the leadership literature, but today the most powerful version of this critique relates to judgements about what leaders achieve and to explanations of lack of achievement and the consequences of under-performance. This is an issue of leadership accountability.

It can be argued that leaders ought to play a pivotal role in energizing and engaging people in necessary change. In a complex and competitive world, no one can assume that an organization will automatically respond to new challenges or adapt to changing circumstances. Rather, organizations must be impelled to act in response to competitive and other threats. Here, then, lies a key role for leaders: change leadership. The external pressures driving change combined with organizational barriers to change, along with the ambiguities, anxieties and uncertainty thereby created, all tend to make the leadership of change a characteristic of the leadership role that most observers will see as a key test for leaders.

To make change effective, we need to be able to recognize the key success factors of the processes, the culture and the implementation, and be able to measure our progress against those criteria. This creates a framework for change.

From the leader's perspective

There are a number of factors influencing the leader's capability during significant change. First, the leader themselves is under more pressure during times of significant change – because they suffer the same concerns as everyone else about change, the personal pressure they feel increases. Second, the individuals in their team require better leadership during change, so the work pressures also increase. Thus, leaders leading change are under increased pressure and this pressure can undermine their performance. Add to this the fact that very few organizations have any structured formal development activity or learning programme in managing change to help their leaders build capability in this area, and the mix of lack of capability and increased pressure is likely to increase risk of failure in one way or another.

Modern organizations and the rise in complexity mean that no individual leader can know as much about everything as the people in their team. People join the team to fulfil certain roles, as set out earlier, thus neither the leader nor indeed other team members will have the expert capability of everyone else. This brings out the difference between the leader and the expert. If an individual is a good

leader but not an expert in the problem facing the team, then their leadership is still effective – more so than an expert in the problem who is a poor leader. This is why the military primarily develop leadership and then add expert knowledge subsequently.

This underlies the challenge of the modern leader in change – leveraging the capability of others who know more than you about the task in hand without calling your own credibility as leader into question. It goes to the heart of the role of the leader as a facilitator, not the ‘super hero’ of myths and legends. Logically, the leader who knows little about any of the technicalities of delivery could lead a high-performing team purely by virtue of excellent influencing and facilitation skills. So, the real art of the modern leader is to facilitate change, build cooperation in the team, use expertise, find new models of leadership and build collaboration and cocreation.

Further, central to effective change must be the idea of sustainable change. It is all very well arguing that the key contribution a leader brings to strategic change is that of creating a ‘compelling vision’. But what does that mean? At one level, Kouzes and Posner (2009) provide the answer: it is a vision that others share and is both forward looking but also engaging of others. Such a vision needs to set out what is going to be different and better, but it must also make sense to people and be credible in their eyes. In turn, what might this mean? Is it sufficient to argue that credible visions are those that have been articulated by leaders who have listened carefully to their people, such that they appreciate and understand their hopes and needs.

On this view, then, the ‘change leadership’ role becomes both important and more complex. In truth, it appears likely that the ‘change leader’ must first convince others that they have a credible vision of the future likely to lead to sustainable changes that will work well for the organization. They must create sufficient ‘space’ and ‘organizational cover’ to enable the vision to be given the chance to work. That said, is it realistic to expect that all stakeholders need answers to the questions and concerns they might raise in connection with the vision before implementation is begun? Some of those answers can only be created by the learning that is associated with implementation. In an ideal world, answers would be available before people had to decide on what to do. In the real world, that seems likely not to be possible. That is the real challenge for change leaders.

The uncertainties associated with major change programmes are the most problematic and controversial part of the change management field. This is because there are no definitive answers to the central question of how can we provide sufficient structure to give effect to changes while allowing the necessary freedoms to facilitate local determination in response to particular conditions? Obviously, the more ambitious the plan the more difficult a balance to strike in practice. On the one hand is structure to ensure alignment, common language and frameworks, and the sense to change is directed towards a greater set of purposes than those reflected locally. On the other are freedoms to enable people operating in often quite different circumstances the scope to meet local needs without compromising the integrity of the plan overall. Thus, we are seeking overarching principles with local fine-tuning.

At its heart, organizational change is about the difficult question of ‘appropriateness’, which is inherently one of judgement of the extent to which proposed change initiatives will be effective and should take priority as compared to other options. Which is the highest priority in each situation? Perhaps cost savings delivered by a common global approach that allows for economies of scale; or a localized approach that, while more costly, is likely to deliver greater revenue? This is why appropriateness is so difficult to deliver. It is the product of a number of questions, each of which also has to be agreed in terms of its own priority – a matrix of interrelated questions that lead to other questions before the answer even starts to emerge.

A model of change leadership

Higgs and Rowland in 2001 developed a model of leadership combining skills/competencies and the idea of ‘being yourself’:

- (a) *Skill and competence* – Higgs and Rowland list vision, engagement, enabling others, inquiry and development.
- (b) *Being yourself* – they refer to authenticity (of behaviour), integrity, will, self-belief and self-awareness (authentic leadership?).

However, Higgs and Rowland (2001) report on the development of a change leadership capability framework, seeing this as a ‘quest for change competence’. The model is limited to competence clusters, as follows:

Change initiation	Change learning
Change impact	Change execution
Change facilitation	Change presence
Change leadership	Change technology

The inherent difficulties with models of this type start to emerge. First, all the competencies are described as fundamental to ‘change leadership’ yet one of the eight is labelled ‘change leadership’ itself. More importantly, when you look at the detailed items that these clusters are representing, problems of definition emerge. Thus, it is difficult to see how Higgs and Rowland (2001) can really claim that skills/competence is being assessed independently of ‘being yourself’ when both are viewed through a behavioural lens.

However, it is clear that the overwhelming majority of the listed change competence clusters relate to knowledge and choices. They relate to the case for change, the scoping of the breadth, depth and sustainability and likely gains from change, insights in relation to change dynamics, personal advocacy, change planning, goals, resources and metrics, knowledge generation and skilled application of change theories, tools and processes. So, it is clear that what leaders know and how they choose to deploy that knowledge is an important aspect of change leadership.



Activity 6.8

Think about a leader of whom you have some knowledge – it could be someone at work or in your university or college, or a sports leader or manager/coach. Assess them as a change leader using the Higgs Rowland model.

The role of change leaders in identifying and sponsoring people within teams to drive change may be at least as valuable as any other ways they choose to implement change, but it is a method that is rarely used in day-to-day practice by organizations. Relying on the line management structure, seeking to cascade change through the existing culture, appears likely to ‘blunt’ the impact of change as it goes down the organization. This often produces a situation where senior leaders and their direct reports are engaged with the change, know what to do and why it is being done, but further down the organization there is less clarity, less engagement and less is likely to happen due to this blunting effect. The use of champions of the change at all levels in the organization, and effective communication systems, can counteract this effect.

Rowland and Higgs (2008) go on to argue that what leaders do is central to understanding change leadership. They identify eight practices – four necessary and four distinguishing in their formulation. By nominating four as distinguishing practices, they argue that these four practices are what set apart those leaders who can create sustainable change.

The four necessary practices are:

- *insight and comprehension* – creating clarity about why change is needed and the gains change will achieve;
- *building an ‘organizational blueprint’* – creating the relevant organizational architecture for governance, structure and control, alongside building informal networks supportive of change;
- *building capability* – developing skills for change, creating connections across the organization to support change, creating coherence in terms of goals, outcomes and metrics;
- *maximizing performance potential* – growing the organization’s talent, learning how to trust people, building understanding of the business model.

The four distinguishing practices are:

- *attractor* – creating and articulating (even embodying in behaviour) a widely held and shared sense of vision, purpose and identity for the organization;
- *edge and tension* – testing and challenging assumptions and practices;
- *container* – channels the ideas emerging from edge and tension into positive action, managing the anxiety and turbulence created by changing, and building organizational ‘cover’ for change;

- *transforming space* – promoting learning and productive reasoning (to deploy the Argyris concept rather than theirs – see OD section in Chapter 2) as a basis for growth and improvement, thereby withstanding pressure to continue as we are, not ‘waste time and resources’ on change.

Rowland and Higgs (2008) go on to note that these eight practices, but particularly the four distinguishing ones, appear to be based on a number of fundamental beliefs held by change leaders. These are that you can trust people to do the ‘right’ thing, and that the leader is the responsible agent who must lead via a process in which others are contributing. So, from this perspective, the answers to any problem are to be found inside the organization and risk taking is acceptable given the belief that the answers to problems will naturally emerge.

Conclusions

Leadership theory began with trying to understand ‘great man’ theories and a subsequent search for their universally applicable leadership traits and styles, but increasingly recognized that leadership approaches need to be flexible to fit organizational culture, contexts and complexities. Transactional and transformational approaches were heralded, but with leadership scandals such as Enron in 2001, Lehman Brothers in 2008, Olympus in 2011 and Volkswagen in 2015, it became clear that leadership has a dark side. Such political and corporate mismanagement has led to a new emphasis on the ethical, self-regulatory and psychological self-awareness inherent within authentic leadership, which is suggested to be a root construct underpinning all other positive styles, such as distributed and servant-leadership (Avolio and Gardner, 2005, p. 315). Leadership theory has changed as society has changed, reflecting the higher emphasis now given to ethics and responsibility.

In this chapter we have considered two recently formulated theoretical approaches to understanding the leader role in change. The first adopts a programme management perspective and emphasizes the need for high levels of connectivity, leverage integration and critical mass of support and effort in implementation. The second utilizes a psychometric approach to understanding the role of leaders. Neither is complete, but each provides a useful framework to aid leaders in thinking about and preparing for change implementation.

Resistance to change, previously often seen as a challenge to the power and authority of leaders, is now better understood from a psychological perspective. While good communication is recognized as one of the best strategies for dealing with it, learning how to manage change is one of the biggest challenges leaders in organizations face today. With the context now in place, in Part Three we look at the more practical considerations of how to plan, design and implement change.

Discussion questions and assignments

- 1 Drawing on your own experience of organizational change, describe a situation where the leader was seen as, or styled themselves as, an 'heroic' figure.
- 2 In the context of the discussion of different types of change in Chapter 2, and the idea that organizations must be alert to their ever-changing environments, debate the advisability of seeking managers at all levels who can act as transformational leaders.
- 3 Examine the concept of 'leaders of change' as it might apply across different societies and organizations.
- 4 Think of a change situation that you have been in. What were the sources of resistance? How did management try to combat them?
- 5 If you wanted to develop your own leadership skills/style what would you prioritize? What do you need to be better at? How might you begin to develop leadership qualities?

Case example ●●●

Leadership: collective failure across several agencies

This case illustrates leadership failure in public service organizations. In August 2014 an independent report into child sexual abuse in Rotherham, England, revealed that 1,400 children had been victims of organized sexual violence and abuse over a 15-year period and raised the most serious concerns about leadership in the local council and the behaviour of the regional police force (Hay, 2014).

The revelations were not new. Back in 2002, it was claimed that senior staff at Rotherham Council sanctioned a 'raid' on one of its own offices to locate and remove files containing details of the scale and seriousness of the abuse. This happened after council staff realized that a draft report investigating abuse allegations was about to reveal evidence of a widespread system of abuse. There were strong suspicions that the removal of case reports (detailed investigations into specific abuse cases) was an outcome of collusion and cover-up. Furthermore, investigations in

2002, 2003 and 2006 made by front-line youth workers were suppressed or ignored by people in leadership positions. Rotherham Council had tried to prevent the publication of a 2010 report into the murder of a 17-year-old girl, even taking the case unsuccessfully to the High Court.

In the years covered by the case it was claimed that 'community leaders' in Rotherham knew about the scale of abuse but were unable to stop it. After the highly critical report came out in 2014, the government ordered inspections of children's services in the town. The Independent Police Complaints Commission said that the report's findings raised 'serious and troubling concerns' about the involvement of the police in the scandal. The regional police and crime commissioner (a new role supposedly created to oversee the police and ensure they are answerable to the local community) had previously had a position of responsibility for children's and young people's services in Rotherham

Council. It was reported that council workers had been reluctant to pursue repeated claims of abuse and violence because they were scared of being seen as racist and of damaging 'community cohesion'. Suppression and disregard of evidence was aggravated by political sensitivities. Some council workers clearly believed that revelations could attract the attention of extremist political groups. Political tensions in the local region skirted around a 'politically inconvenient truth' that people in leadership roles were keen to hide.

This distressing case draws attention to the interplay between leadership, culture and politics across a range of organizations and agencies. The official report (Hay, 2014) concludes that over the 12 years covered by the enquiry, 'the collective failures of political and officer leadership were blatant' (p. 1) and that, 'it is hard to believe that any senior officers or members [of Council] from the leader and Chief Executive downwards, were not aware of the issue. Most members showed little obvious leadership or interest in CSE [child sexual exploitation] ...' (p. 101).

It is perhaps relevant to this case that from 1997 there had been five chief executives of the council,

plus one acting chief executive, and there had also been regular staff turnover in a 'director of safeguarding' role. Responding to questioning during the inquiry, former chief executives claimed that their 'overriding priority' had been economic regeneration; which might indicate that other problems, even of the most serious kind, were given a lower priority. Organization culture also fuelled this particular fire. Some senior councillors were described as aggressive and intimidating and the 'overall culture' was described as 'macho' and sexist to the extent that the culture probably impeded any efforts that council workers made to tackle a problem that was grounded in sexual abuse.

As of 2014, no past or present officer or official had been disciplined, even though misconduct in public office is a criminal offence in the UK. Only five men had been convicted of offences relating to this case. When the Hay report came out, the initial response of people who had been in positions of leadership was a robust denial that they had done anything wrong, although they were all very sorry for what had happened.

Case exercise

- 1 Why do people in leadership positions sometimes resort to covering up sensitive information rather than act on it to change and improve?
- 2 Why do people in leadership positions sometimes fail to take responsibility for their past actions – often in the face of damning criticism?
- 3 To what extent might frequent changes of leadership in senior posts have contributed to the failure to stop wrongdoing in this case?
- 4 Under what conditions might frequent leadership changes be beneficial to organizations?

Sources:

Hay, A. (2014), *Independent Inquiry into Child Sexual Exploitation in Rotherham (1997–2013)*.

The Times, 27 August 2014, pp. 1, 8–9.

The Times, 28 August 2014, pp. 1, 8.

Indicative resource

Harvard Business Review (2011), *HBR's Ten Must Reads on Leadership*, Boston, MA: Harvard Business School Press. This book is a selection of the top ten most influential papers on leadership published in the HBR.



Useful websites

<http://www.leadershipacademy.nhs.uk> This site provides information on how the National Health Service sees leadership and describes the behaviour that the NHS seeks in its present and future leaders.

<http://www.i-l-m.com> This is the website of the Institute for Leadership and Management and contains research and comment in the field.

<http://www.cipd.co.uk> The Chartered Institute of Personnel Development has factsheets and research reports on leadership and change.

<http://www.youtube.com/watch?v=XKUPDUDOBVo> Summarizes ten leadership theories in five minutes. (See YouTube for a range of short videos explaining core concepts of leadership.)



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Part Three

STRATEGIES FOR MANAGING CHANGE

Two major themes have emerged from the discussions in Parts One and Two of the text that have a bearing on the practical issues of preparing for, designing and implementing change in organizations: they are the context for change and content of change.

Part Three turns to the practicalities of *doing* change in the sense of designing, planning and implementing change – in other words, concentrating on the processes through which change happens. Two different approaches to managing change processes, each encompassing various methodologies, are discussed in Chapters 7 and 8. These approaches relate directly back to the types of change discussed in Chapter 2 – in particular, the concepts of hard and soft problems, difficulties and messes. Chapter 7 concentrates on change approaches that are based on rational–logical models of change, which are most appropriate for situations of hard complexity. Here, people issues will loom less large and typically it is more a matter of the drivers and purpose of change. Thus, where an organization faces the need to achieve a fundamental transformation in the way it operates, often it will need new skills and new employees. It still has people issues to address, but those relate to questions about how the organization provides for the existing workforce and whether it can attract and motivate the employees it now needs.

In contrast, Chapter 8 recognizes that many change situations involve issues of organizational politics, culture and leadership that dictate an approach to change that can deal more easily with situations characterized by soft complexity. However, it is important to note that this distinction is a simplification. Neither set of change approaches, when examined in practice, wholly ignores the other. Rather, the 'centre of gravity' is different. Approaches based on rational–logical models will always

need to be implemented in real organizations, with and through people. It is important to view hard systems and soft systems models as reflecting different ways of conceiving change strategies, rather than as a simple choice between rational and people-centred approaches. Judged on their own terms, each is rational. Neither approach requires that we ignore the value of the other, unless those leading a change process choose to do so. Each approach possesses its own centre of gravity, but neither requires a wholesale rejection of the other. Thus, a change plan created by a hard systems model with substantial data analytic work could be an input into, or the foundation of, a soft systems implementation based on organization development methodology, as set out Chapter 8.

Finally, Chapter 9 considers issues that will affect work and organizations in the future and looks at the trends in researching change.



Chapter 7

Hard systems models of change

There are a number of models for handling change in situations of hard complexity. This chapter describes one and, in order to demonstrate its use, applies it to a particular change situation. The limitations of this type of model are discussed.

Learning objectives

By the end of this chapter you will be able to:

- recognize change situations (problems/opportunities) characterized mainly by hard complexity, where the use of hard systems methodologies is appropriate;
- describe the main features of hard systems methodologies for defining, planning and implementing change;
- explain the hard systems model of change (HSMC) as representative of hard systems methodologies of change;
- discuss the limitations of hard systems methodologies of change and, therefore, the need for other change methodologies more suited to situations of soft complexity.

Situations of change

In Chapter 2, a number of different ways of categorizing organizational change were discussed, from incremental to radical, frame-breaking or discontinuous changes. As Chapter 2 showed, expectations with respect to the ease with which change happens vary according to its perceived complexity. Consequently, change in situations that are characterized by hard complexity is more likely to be enacted easily and speedily than change in situations that show soft complexity – that is, where issues are contentious and there is a high level of emotional involvement on the part of those likely to implement the change and those who will be affected by it.

There are many approaches to planning and implementing change. Some are more appropriate to situations of hard complexity, while others are more appropriate to situations of soft complexity or, as Chapter 2 characterized them, ‘messy’ situations. Flood and Jackson (1991), using a systems perspective, classify various methodologies in a similar way but use the terms ‘simple system’ and ‘complex system’ instead of difficulties and messes. What is of more interest, though, is that Flood and Jackson also classify these methodologies according to their appropriateness of use in situations characterized by different ideological viewpoints. Three ideological viewpoints, representing three types of relationships between people, are defined. Two of these (the unitary and pluralist viewpoints) have been discussed already in Chapter 5 (see Illustration 5.8); all three are described in Illustration 7.1.

Illustration 7.1

Characteristics of unitary, pluralist and coercive relationships

Unitary

People relating to each other from a unitary perspective:

- share common interests;
- have values and beliefs that are highly compatible;
- largely agree upon ends and means;
- all participate in decision making;
- act in accordance with agreed objectives.

Pluralist

People relating to each other from a pluralist perspective:

- have a basic compatibility of interest;
- have values and beliefs that diverge to some extent;

- do not necessarily agree upon ends and means, but compromise is possible;
- all participate in decision making;
- act in accordance with agreed objectives.

Coercive

People relating to each other from a coercive perspective:

- do not share common interests;
- have values and beliefs that are likely to conflict;
- do not agree upon ends and means, and ‘genuine’ compromise is not possible;
- coerce others to accept decisions.

Source: Based on Flood, R.L. and Jackson, M.C. (1991), *Creative Problem Solving: Total Systems Intervention*, Chichester: Wiley, pp. 34–5.

Using an extensive list of different methodologies for problem solving and change, Flood and Jackson suggest which are most appropriate in situations characterized as simple or complex systems, but modified by whether relationships between people tend to be of a unitarist, pluralist or coercive nature. It is not the intention here to consider all the possibilities. What is important is to note that different logics dominate each possibility in terms of suggesting a particular approach to change. Consequently, in situations of hard complexity (such as where simple systems and a unitarist ideology of relationships prevail), a particular type of change approach will be appropriate, whereas in situations of soft complexity (where complex systems and a pluralist ideology of relationships prevails), a different type of change approach should be used. This chapter concentrates on the first of these situations, to describe an approach to change that is representative of those that are best applied in the relatively bounded situations described variously as ‘difficulties’, ‘simple/unitarist systems’ or, in more straightforward terms, ‘hard’ situations.

Systematic approaches to change

Most people have the capacity to think logically and rationally. Indeed, some would say this is the only way to approach problem solving or respond to opportunities and, therefore, there can be only one basic way of planning and implementing change. It is upon this premise that the more systematic approaches to managing change are based. Derived from earlier methods of problem solving and decision making, such as systems engineering methods and operational research (Mayon-White, 1993), these ‘hard’ approaches rely on the assumption that clear change objectives can be identified in order to work out the best way of achieving them. What is more, a strict application of these approaches dictates that these objectives should be such that it is possible to quantify them, or at least be sufficiently concrete that one can know when they have been achieved. For instance, consider the situation described in Illustration 7.2.

Illustration 7.2

Dissatisfaction with the system for providing IT support services

Susan, a member of staff of the Faculty of Art and Design at Northshire University, was making a telephone call to the office of the IT support service to report that the computer link from her office to the resource centre was not working. As usual, there was no one there – she supposed the staff employed in the office were somewhere in the faculty fixing someone else’s computer. She decided, therefore, to send an email, but knew that because of the time it took to respond to

individuals, it would not be dealt with by the IT support team before the next day. Even then, from past experience, she suspected that when it was received she would not get a response without sending at least one reminder, and perhaps two. Overall, she took a particularly dim view of the quality of IT support service provided and was sure that, if she were responsible for this service, she could improve its effectiveness without too much effort or many more resources.

Illustration 7.2 provides an example of what appears to be a difficulty about which most people could agree – it appears to have fairly defined boundaries. There are clearly some problems with the way IT faults are reported to the IT support service and the way they are responded to when they are received. It is also clear that some quantitative indices could be devised on which to judge the system, and that might give evidence of improvement if this were to take place. What follows is, first, a generalized description of a model of change that is most suited to situations such as this – that is, in situations that are more of a difficulty than a mess, and, second, a more fully worked-out example of its use to plan and implement change in The Beautiful Buildings Company.



The hard systems model of change

The methodology for change described here draws on a range of sources (Open University, 1984, 1994, 2000; Flood and Jackson, 1991; Paton and McCalman, 2008). To avoid confusion with the Open University's model, the 'systems intervention strategy' (SIS), and Paton and McCalman's 'intervention strategy model' (ISM), the approach described here is referred to simply as the 'hard systems model of change' (HSMC).

Change in three phases

The HSMC is a method that has been developed for designing and managing change. Its roots lie in methods of analysis and change associated with systems engineering, operational research and project management – that is, where there is an emphasis on means and ends, or, in other words, on the means with which particular set goals are to be achieved. The HSMC is especially useful when dealing with situations that lie towards the 'hard' end of the hard-soft continuum of change situations. It provides a rigorous and systematic way of determining objectives (or goals) for change; this is followed by the generation of a range of options for action; and the last step is testing those options against a set of explicit criteria. The method is useful where quantitative criteria can be used to test options for change. However, it is also possible to use qualitative criteria – a possibility that is discussed later in the chapter. The process can be thought of as falling into three overlapping phases:

- 1 The *description* phase (describing and diagnosing the situation, understanding what is involved, setting the objectives for the change).
- 2 The *options* phase (generating options for change, selecting the most appropriate option, thinking about what might be done).
- 3 The *implementation* phase (putting feasible plans into practice and monitoring the results).

Within these three phases, a number of stages can also be identified. These are shown in Illustration 7.3. What follows the illustration describes the stages in more detail.

Illustration 7.3**Stages within the hard systems methodology of change**

<i>Phases</i>	<i>Stages</i>	<i>Actions appropriate for each stage</i>
Description	1 Situation summary	Recognize need for change either to solve a problem or take advantage of an opportunity Test out others' views on the need for change Using appropriate diagnostic techniques, confirm the presence of hard complexity and a difficulty rather than a mess
	2 Identify objectives and constraints	Set up objectives for systems of interest Identify constraints on the achievement of the objectives
	3 Identify performance measures	Decide how the achievement of the objectives can be measured
Options	4 Generate options	Develop ideas for change into clear options for achievement of the objectives Consider a range of possibilities
	5 Edit options and detail selected options	Describe the most promising options in some detail Decide, for each option, what is involved, who is involved and how it will work
	6 Evaluate options against measures	Evaluate the performance of the chosen options against the performance criteria identified in Stage 3
Implementation	7 Develop implementation strategies	Select preferred option(s) and plan how to implement
	8 Carry out the planned changes	Involve all concerned Allocate responsibilities Monitor progress

The stages

Illustration 7.3 shows how the stages relate to the phases, and provides an indication of likely actions at each stage. An important point to note, however, is that although Illustration 7.3 presents the phases and stages as a series of sequential steps that follow on logically one from another, this rarely happens so neatly in reality. Nor is it desirable, as Paton and McCalman (2000, p. 84) make clear when they say of their version of this approach: 'Iterations will be required at any point, within or between phases, owing to developing environmental factors.' There will, therefore, be times when there is a need for iteration, or 'backtracking', from one stage/phase to earlier stages/phases, as insights generated at later stages reveal the requirement for modifications to previous ones.

Phase 1: Description**Stage 1: Situation summary**

The basic idea in Stage 1 is to start by describing the system within which change is going to be made. This is an important stage in the change process and should not

be rushed. People who are centrally concerned with the change (those sponsoring it and those who will carry it out) should be consulted. Unless the specification of the problem and description of the situation are done carefully, the subsequent change objectives and process will be flawed. This stage includes the following:

- Stating the commitment to the analysis and the reason for doing it. For example, statements such as the following might be made:
 - a commitment to ensuring the current product range is maintained after the takeover;
 - a commitment to developing new markets while maintaining market share for existing services;
 - a commitment to reducing the amount of floor space occupied by merchandise not achieving at least a 25 per cent profit margin;
 - a commitment to moving to another site or offices.
- Describing, in words and with diagrams, the situation within which changes will be set.

At the end of this stage, the scope of the study will be defined, as will the range of problems and issues to be addressed. Try to defer, until Stage 4, thinking about *how* the change(s) will be brought about.

Stage 2: Identification of objectives and constraints

In the context of Stage 2, an objective can be defined as something that is desired and a constraint is something that inhibits or prevents achievement of an objective. In reality, objectives are likely to be things over which members of organizations may have some control. Constraints are frequently things in an organization's environment (whether this is internal or external to the organization) over which it has little control. This stage addresses both objectives and constraints. It involves being clear about where the decision makers want to go, and which ways might be impassable or perhaps temporarily blocked. This stage involves the following:

- Listing objectives that are consistent with the themes that emerged from the diagnostic stage.
- Arranging the objectives into a hierarchy of objectives – an objectives tree. An example of a generalized objectives tree is shown in Figure 7.1. This shows how the high-level objective comes at the top, with lower-level objectives (sub-objectives) arranged in descending order. Lower-level objectives 'lead to' or help the achievement of higher-level objectives.
- Listing constraints in terms of those that (a) are inviolable and (b) may be modified.

Stage 3: Identification of performance measures

The question here is: 'How will I know whether or not I have achieved my objective?' If at all possible, use quantifiable measures, such as costs (in monetary terms),

savings (in monetary terms), time (years, days, hours), amount of labour, volume, etc. This stage includes the following:

- Formulating measures of performance, which can be put against the objectives on the objectives tree.

It is possible that some objectives cannot be quantified. In this case, some form of rating or ranking can be used as a measure of performance. Figure 7.2 is an example of an objectives hierarchy for improving the effectiveness of an organization's IT support service. The measures of performance for each of the main objectives are in brackets.

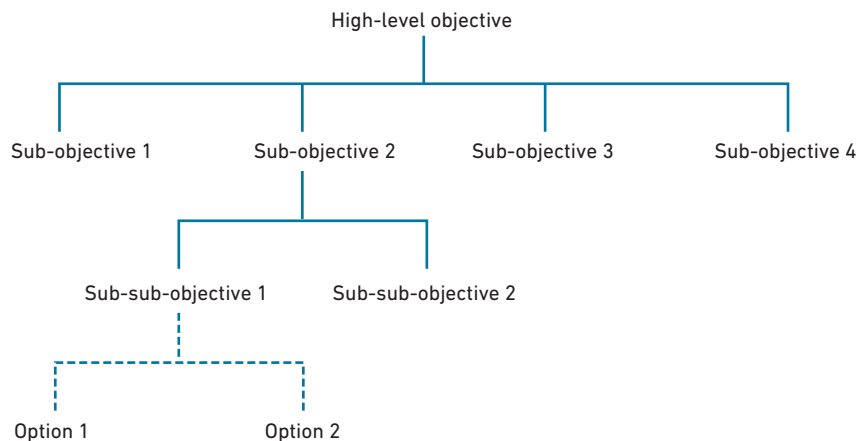


Figure 7.1 The structure of an objectives tree

Note: Some objectives may not be compatible – achieving one may mean sacrificing another. In other cases, some objectives may be linked to others – achieving one or more may be necessary in order to achieve another.

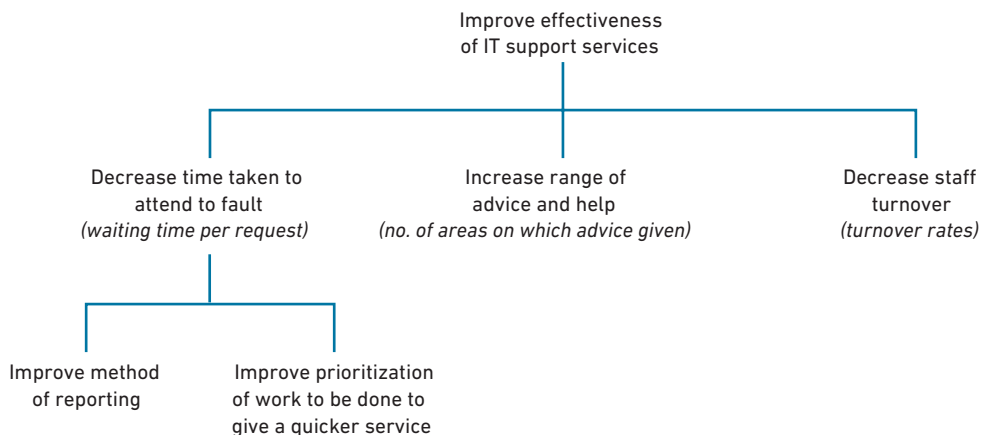


Figure 7.2 An objectives tree for improving the IT support services

Phase 2: Options

Stage 4: Generation of options (routes to objectives)

The setting of objectives to be achieved is based on the concept of *what* needs to be done to bring about change. By contrast, the generation of options stage is the stage of finding out *how* to achieve the objectives. If the objectives tree is well developed, as Figure 7.1 shows, some of the lower-level objectives may actually be options. There will, however, almost certainly be more. In addition, therefore, to any options that ‘creep into’ the objectives tree, this stage involves the following:

- Drawing up a list of options. This can be done by making use of any number of creative-thinking techniques, such as:
 - brainstorming;
 - ideas writing;
 - questioning others;
 - focus groups;
 - interviews;
 - research;
 - meetings;
 - organizational comparisons/benchmarking;
 - gap analysis.

At the end of this stage, a set of specific ideas should have been generated that will help the problem or opportunity – in the sense that they will further the achievement of the objective(s), rather than that they will break the constraints, and lead to beneficial changes to the situation described in Stage 1. Figure 7.3 gives a list of options for the sub-sub-objective of ‘improve prioritization of work to be done to give a quicker service’ (one of the objectives in an objectives hierarchy for improving the effectiveness of the service given by an organization’s IT department in support of those who use computer-based programs to help with their work).

Stage 5: Editing and detailing selected options

At the stage of editing and detailing some options, it may be necessary to sort the options in terms of those that are likely to be feasible given the particular situation described in Stage 1 and the constraints identified in Stage 2. The selected options should then be described in more detail – or ‘modelled’ – in terms of what is involved, who is involved and how it will work. It may be that some options cluster together and are better considered as a group. Other options will stand independently and must, therefore, be considered in their own right. There are many ways of testing how an option might work. The following are some possibilities drawn from a comprehensive list produced by the Open University (1994, pp. 35–6):

- (a) Physical models (architectural models, wind-tunnel test pieces, etc.).
- (b) Mock-ups (make mock-ups of new products – sewing machines, aircraft, clothes dryers, etc.).

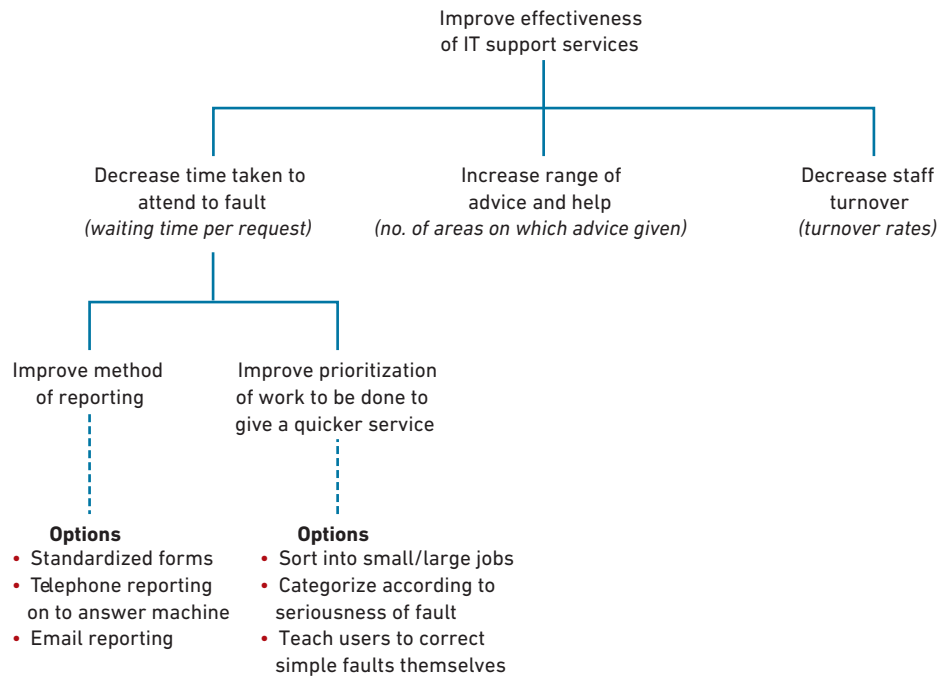


Figure 7.3 An objectives tree for improving the IT support services, with options generated for the two sub-sub-objectives

- (c) Computer simulation models (for complex production systems, financial systems, etc.).
- (d) Cashflow models (either manually produced or computer driven).
- (e) Experimental production lines, or laboratory-scale plant.
- (f) Scale plans and drawings (alternative office layouts, organizational structures, etc.).
- (g) Cost/benefit analyses (as models of the likely trade-offs that would take place if a particular option were exercised); can be qualitative as well as quantitative.
- (h) Corporate plans or strategies (any one plan or proposal represents a 'model' of how the corporation or organization could develop its activities in the future).
- (i) Organization structure plans and proposals (for example, a chart of a new organization structure would show how the formal communication links or reporting channels would work if the structure were adopted).
- (j) Organizational culture analyses (methods of describing organizational cultures as the means of identifying effects of different options on the culture of the organization).

Clearly, some of these processes can be time consuming and expensive. However, many options can be described or modelled through the use of diagrams (for example, of different organizational structures or of input-output processes) or some form of cost/benefit analysis.

It is at this stage of the HSMC that each of the options generated for the objectives in Figure 7.3 would be explored in more detail, using the questions listed earlier about who would be involved, how it would work and what financial and other resources would be required for it to work. Some form of cost/benefit analysis could be used, with costs and benefits being those of time as well as money.

Stage 6: Evaluating options against measures

The evaluation stage of the change process is a decision area. It allows choices of options to be made against the criteria identified in Stage 3. Figure 7.4 shows a generalized evaluation matrix that compares one option against another on the basis of the measures set during Stage 3.

Before making your recommendation, you should complete the following tasks:

- Check that the model you have used is an accurate representation of the system.
- Consider whether the model seems to contain any bias or mistaken assumptions.
- Evaluate each option, or combination of options, according to how well it meets the performance measures. Rating the options overall on a scale (say of 1 for very good and 5 for very bad) is a useful guide.

Figure 7.5 is a rough estimate of the desirability of some of the options generated from the objectives in Figure 7.3.

A more detailed examination of each option in Figure 7.5 would show more precisely the impact, in terms of the performance criteria, on each objective listed. For the purposes of this example, however, an estimate has been made. On the basis of these, it is clear from the evaluation matrix in Figure 7.5 that some of these options could be combined. For instance, the best method of reporting should be combined with the best method for prioritizing work to be done. On this basis, option 2 combined with option 3 seem to contribute most to the main objective. However, if an email standard format of reporting were to be used, this would also help speed and accuracy in reporting faults. It could also include space for indicating urgency in terms of lack of access to the particular program affected. The only problem with

<i>Objectives and related measures of performance</i>	<i>Option A</i>	<i>Option B</i>	<i>Option C</i>	<i>Option D</i>
Objective 1, measure 1				
Objective 2, measure 2				
Objective 3, measure 3				

Figure 7.4 An evaluation matrix

Objectives and related measures of performance	Options			
	Telephone reporting on to answer machine	Email reporting	Categorization according to seriousness of fault	Use of written standardized reporting form
Sub-objective Decrease time taken to attend to fault (waiting time per request)	Low cut in waiting time	Medium cut in waiting time	High cut in time for serious faults; low cut for simple faults	Low cut in time – delays through need to post
Sub-sub-objective Improve method of reporting (fault reporting received more quickly and accurately)	High increase in speed of reporting	High increase in speed and some increase in accuracy of reporting	No effect	High increase in accuracy of reporting
Sub-sub-objective Improve prioritization of work to be done (serious faults dealt with first)	Difficult to estimate	Small improvement	Great improvement	Some improvement

Figure 7.5 An evaluation matrix for some options to improve the effectiveness of the IT support services

an email solution is it relies on this function not being the one at fault! If this is the case, written or telephone communication must be resorted to.

Phase 3: The implementation phase

Stage 7: Implementation

In problems of a definite, 'hard' nature, implementation will rarely be a problem. With problems tending towards 'softness', implementation will be a test of how much people involved in the change have participated in its design.

There are three strategies for implementation:

- 1 Pilot studies leading to eventual change.
- 2 Parallel running.
- 3 Big bang.

Pilot studies help sort out any problems before more extensive change is instituted, but they can cause delay – a factor that is particularly important in a fast-moving, dynamic situation.

Parallel running applies most frequently to the implementation of new computer systems, but can be applied to other kinds of change. The new system is run, for a time, alongside the old system, until confidence is gained that the new system is reliable and effective.

Big bang implementation maximizes the speed of change, but can generate the greatest resistance. Big bang implementations carry a high risk of failure unless planned very carefully.

Implementation often involves a blend of all three strategies.

Stage 8: Consolidation – ‘carry through’

It takes time for new systems to ‘bed in’. It is at this stage that there tends to be a decline in concentration on the need to support the change and nurture both it and the people involved. Yet this is one of the most crucial stages if the change is to be accepted and successful. Even after the implementation process, further changes can be forced on the situation at any time if the imbalance between the system and the environment becomes too great. There is no justification for ‘sitting back’.

Using the hard systems model of change

Illustration 7.4 describes concerns about the way large plant and machinery is acquired and maintained for use on the building sites of The Beautiful Buildings Company. What follows is a description of the process Gerry Howcroft went through to identify a number of options for improving this situation, to put before the senior managers’ meeting. The description takes the form of notes made by Gerry, interspersed with comments on the method he used.

Illustration 7.4

Financial savings on the provision and maintenance of plant for use on building sites

‘The next item on the agenda is the issue of the increasing costs of providing and maintaining major items of plant on the UK building sites. At our last meeting we saw an earlier draft of this paper. We must now come to some decision as to which option to follow and how it will be implemented.’

So spoke Gillian Lambeth, the managing director of The Beautiful Buildings Company, at one of its regular senior managers’ meetings. The next item on the agenda was the increasing costs of purchasing and maintaining large items of plant (such as cranes, diggers and earth-moving equipment) used on the various UK building sites. The item had come to the fore because of the latest rises in the cost of purchasing and maintaining some of these large items of plant,

which were necessary components in any building project. What was more, in the case of plant breakdowns, getting the specialist maintenance services to effect speedy repairs was always problematical.

Gerry Howcroft, who was responsible for overseeing management of all the UK sites, had prepared a number of options for change that he believed would reduce these costs and improve the maintenance problems. These had already been discussed in rough form at a previous meeting. He had now gained more information on the costs etc. of following the different options and had distributed the latest version of these to the managers before the meeting. The meeting now settled down to discuss what to do.

Change at the BB Company

Gerry Howcroft's Note 1

21 May

Need to think back to that course on managing change.

Is this a difficulty or a mess?

Application of criteria discussed in the book they gave us (Senior, 'Organizational Change' – Chapter 2 – Illustrations 2.12 and 2.13) . . . situation is: bounded in terms of problem definition, people involved, timescale and resources available.

Plus – situation is like Stacey's conditions of 'close to certainty' rather than conditions of 'far from certainty' (also mentioned in Senior's book – Chapter 2).

Think, therefore, that this is more of a difficulty than a mess.

So – think will have a go at using the HSMC.

Stage 1: Summarizing the BB Company's concerns

As overall sites manager, Gerry was responsible for the acquisition and maintenance of plant and equipment deemed necessary for carrying out the complex activities that take place on any building site. In this role, he had to make sure that large plant such as cranes and diggers were fit to carry out the required work. This entailed his finding the best suppliers in terms of cost and service back-up and ensuring proper maintenance of the plant. Recently, however, the costs of maintaining two large cranes and a digger, which were currently being used on two different sites, had begun to escalate and it seemed as if costs generally for using plant such as this were rising. Gerry wondered whether the equipment had been ill-used or not well maintained, or whether it was simply beginning to wear out. As part of the first stage of applying the HSMC, he decided to visit the sites in question and talk to the site manager and any others who had views about the provision, use and maintenance of this type of plant. On his return, he summarized his findings in another note (see Notes 2 and 3).

Gerry Howcroft's Note 2

19 May

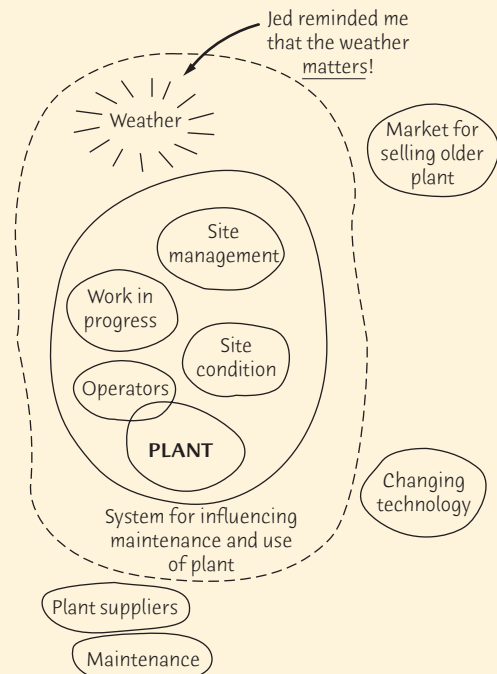
Visited Karen (site manager) at the Three Towers site. She said cranes such as these should last 'forever' if looked after. Think this far-fetched given the way the guys use them. Didn't seem to be anyone personally responsible for servicing and maintaining them – one of the men got some overtime each week to hose them down – if they broke down and the operator couldn't fix it, the service agent was sent for. On the other hand, Jed (who operated the crane all the time at the Riverside site) said his crane was just so old that, in spite of good maintenance, it had 'had its day' – this in spite of Jed's obvious feelings of 'ownership' towards the crane!

Think there are many contributions to rising costs – a couple of diagrams might help – see Note 3.

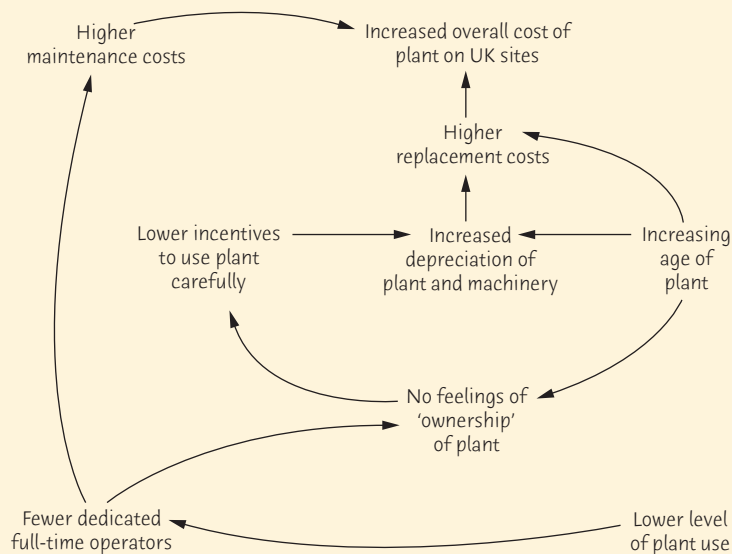
Gerry Howcroft's Note 3

23 May

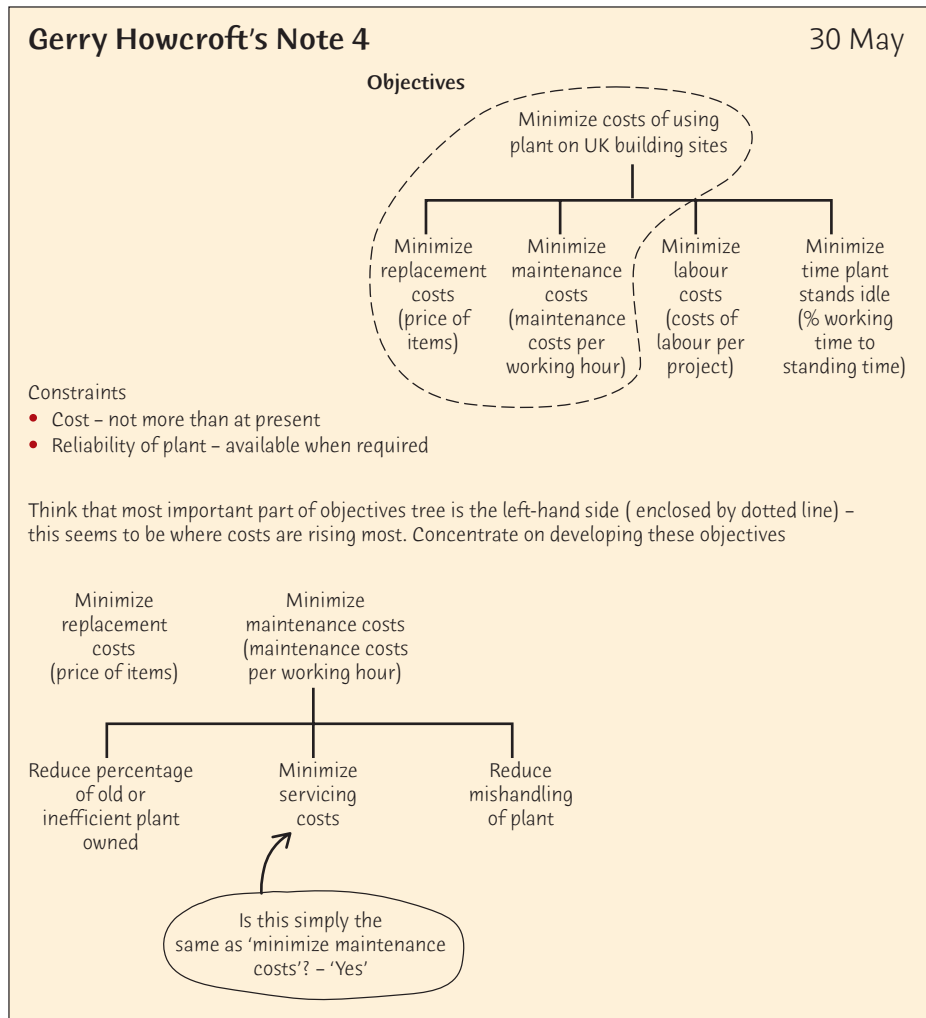
Looking at these diagrams, think I am dealing with a 'system for providing and maintaining plant for use on UK building sites' ... which is different from what I first thought, which was 'a system for provision of plant for UK building sites'. The new definition includes the way plant is used as well as the way it is provided and maintained – as Karen reminded me when she saw the diagrams when she visited the office!



System for provision and maintenance of plant and machinery for use on UK building sites



Multiple-cause diagram of the issues involved

Stage 2: Setting up objectives to be achieved and recognizing constraints

Having summarized the situation regarding the issue of plant costs, Gerry's next step was to build a hierarchy of quantifiable objectives. His Note 4 shows the results of this activity. Gerry did not find this activity particularly easy, given the requirement of the HSMC methodology that lower-level objectives should logically contribute to higher-level objectives and contribute overall to the top objective – in this case of 'minimizing the costs associated with the use of plant on UK building sites'. However, he recognized that some confusion of objectives was inevitable before a clear system of objectives began to emerge. Even so, he reminded himself that the characteristics of a good objective are as follows:

- 1 It should address the problem to be solved.
- 2 It must be relevant to the issues identified.
- 3 It should provide a guide on what needs to be done to make the change from the current situation to the desired situation.
- 4 It must be something that can feasibly be acted upon.

It can be seen from Gerry's Note 4 that he did not develop all the higher-level objectives into more detailed sets of sub-objectives. Given his knowledge of his management colleagues and their way of thinking, he made a decision to concentrate on the objective 'Minimize maintenance costs' to develop sub-objectives for further consideration, but also to consider the objective 'Minimize replacement costs'. With regard to the objectives 'Minimize labour costs' and 'Minimize time plant stands idle', he kept these 'in reserve' in case of need for further exploration of the issue.

Having developed his objectives hierarchy as far as he could in a direction thought feasible and achievable, the next step for Gerry was to develop further the measures of performance for the objectives identified (encircled) in Note 4.

Stage 3: Identify performance measures

Gerry Howcroft's Note 5		2 June
Objectives	Measure	
1. Minimize replacement costs	Cost of replacing item of plant over a specified period of time averaged out per year (assume cost of new plant for now).	
2. Minimize maintenance costs	Cost of maintenance (includes servicing and repair) averaged out on a working hourly basis – i.e. does not include time standing idle.	
3. Reduce percentage of old/inefficient plant	Say no plant to be more than eight years old.	
4. Reduce mishandling of plant	Difficult to measure. May have a look at training given – assuming training improves standard of plant handling. Another measure might be cost of maintenance per operator – easier to do when operator full time on plant. For now using a scale of 1 (low) to 5 (high) according to effect on plant might be okay.	

Note 5 shows the table Gerry compiled to ensure he had some idea of how he would tell if and when an objective had been achieved. From Gerry's Note 5, it can be seen that some objectives are more difficult to quantify in *practice*, even if, theoretically, measures can be put upon them. In addition, the simple measure of 'price of items' for the objective 'Minimize replacement costs' was not sufficient. The cost needed to be expressed for a certain period of time, which could be related either to (say) a number of years or the period of a particular project. The measure for reducing mishandling of plant could, perhaps, have been formulated in monetary terms but, for the present, Gerry decided to use a scale to judge the likely effects of any option on this objective.

Stage 4: Generate options for change

Having set up some objectives to be achieved – hopefully, to improve the situation – Gerry's next step was to generate a range of options that would enable the objectives to be achieved. He did this by asking Kerry, one of the site managers, and the accounts manager to help in 'brainstorming' ideas for change. The results of this brainstorm are shown in Note 6.

Gerry Howcroft's Note 6		6 June
Options for change		
Objective:	Minimize replacement costs	
Options:	Find cheapest supplier Stop buying plant Increase replacement time Get someone else to replace the plant Hire not buy Lengthen life of plant Buy second-hand	
Objective:	Reduce percentage of old/inefficient plant owned	
Options:	Sell everything over a certain number of years old Sell everything not used on a regular basis and hire occasionally as required Replace old plant with new plant more frequently Don't own any plant Borrow plant from others	
Objective:	Minimize servicing costs	
Options:	Reduce number of services per period of time (say operating hours) Obtain cheaper provision of services Don't service at all Operators do all servicing rather than just basics Use other people's plant, which they service Contract out servicing to lowest bidder	
Objective:	Reduce mishandling of plant	
Options:	Train operators in plant handling Institute operator gradings (linked to pay) based on handling performance Contract out operating to operators employed by specialist agencies	

Stage 5: Edit options and detail selected options

Gerry considered all these options in the light of the constraint of maintaining a high level of reliability of plant. It seemed that the options might reduce to a few main themes. At this point Gerry decided to try out the options list on a couple of

colleagues (one of whom was the company accountant) to see which they thought might be feasible. He also used his own judgement. He eventually arrived at a list that included some options as they stood, amalgamated others and eliminated yet others (see Note 7).

Gerry Howcroft's Note 7

9 June

Themes emerging from options list

- Find a cheaper source for buying plant (either new or second-hand)
- Don't buy plant – hire or borrow
- Use only plant which is less than eight years old (or whatever period seems appropriate considering rise in repair and maintenance as age increases)
- Increase the period of time before replacement
- Service plant less frequently than at present
- Train operators to do all servicing and maintenance
- Contract out operating to specialist firms
- Offer incentives for better operating practices

Comments

Some of these options contradict each other, so if one is taken up another might be automatically cancelled – e.g. 'Increase time before replacement' conflicts with 'Use plant eight years old or younger'.

Given the importance the MD attaches to safety on sites, I am going to go for options that are in line with her concerns and which meet the constraint of 'reliability of plant'.

For the time being, therefore, I am going to turn an objective into a constraint and work to have plant that is no older than eight years.

Within these constraints, the following seem worthy of further consideration.

- 1 Continue buying own plant (search for cheapest deals) with maintenance outsourced.
- 2 Continue buying own plant with maintenance done by own staff.
- 3 Continue buying plant that is used continuously and hire other for occasional use: maintenance of own plant done by own staff.
- 4 Continue buying plant that is used continuously and hire otherwise but outsource maintenance of own plant.
- 5 Hire all plant with maintenance as part of the deal.
- 6 Offer incentives for good performance in plant handling.

I guess there are more permutations but, depending on how the costings come out on these, we can look at those later.

As Note 7 indicates, the options available seemed to range from, at the one extreme, the BB Company's owning and maintaining all plant, to, at the other extreme, hiring (or leasing) plant that was maintained entirely by the suppliers. A number of possibilities were clearly possible between these two. The options listed

Gerry took copies of the first draft of the evaluation matrix to the senior managers' meeting. The outcome of the discussion of what he had prepared was that he should get more information on options 3, 4 and 5, which involved different levels of hiring plant instead of purchasing it. What Gerry had to do, in effect, was to go back to Stage 5 to get more detail about these options before preparing a final evaluation matrix. This took some time, what with getting information from the finance department (only to discover that it was not kept in a 'user-friendly' form!) and from companies that hired out plant and equipment. Eventually, however, having gathered as much information as he could, he prepared a final evaluation matrix for discussion at the meeting referred to in Illustration 7.4.

The outcome of that discussion is recorded in Gerry's Note 9.

Gerry Howcroft's Note 9

5 August

What a long discussion, which went round and round in circles – difficult to decide between one option and another – the evaluation matrix was very helpful but then decisions are not always perfectly logical!

Eventually, decided on the hiring option with maintenance all-in – however we could not change overnight to this from where we are at present – just purchased a new digger on the Blackton site.

Will need to do a thorough survey of the state of plant on all the sites to determine when to make the changeover to hiring.

Interesting that the meeting decided to retain our own operators for now (even though could get an agency to supply these) – so will start talks with Personnel as to how we might give extra training and/or offer incentives to improve operator performance – after all, the maintenance costs part of the hiring contract is dependent on the amount of maintenance needed – large repairs will incur extra cost.

Seems an implementation strategy is required!

Stage 7: Develop implementation strategy

Gerry realized that the 'big bang' strategy for implementing change was not viable for his situation. Some of the plant had only recently been purchased, while other items were some years old. Overall, plant on the various sites was in different states of repair. Gerry therefore decided to go for the 'parallel running' implementation strategy, where older and/or poorly maintained plant was replaced first. This would also offer the opportunity of monitoring the costs of hiring against owning *in reality*, as against the theoretical case that the options had presented. If, after all, the savings proved negligible or negative, another evaluation of options could be done.

One good thing about retaining the company's own operators was that there were likely to be few problems from the workforce on the changeover. What might happen, however, was the occasional hiring of plant plus operator when it was required for a limited, short period. This would give a chance to see how such hirings were received generally.

Stage 8: Carrying out the planned changes

For Gerry and the other senior managers, the changes, when implemented, will need monitoring. Changing from purchasing plant to hiring it may not mean much change in the way plant is operated on the building sites. However, the changes in the way maintenance and repairs are carried out will require operators and site managers to learn a new system of reporting and getting these done.

One of the benefits of going through the processes involved in applying the HSMC methodology was that Gerry realized how little monitoring of the costs of plant usage had been done up to the change. When trying to obtain the costs of the different ways of providing and maintaining plant, he became very much aware of the diffuse nature of much of the information he wanted. From now on, he was going to make sure that the finance department arranged its systems so that the commitment of large expenditure such as this could be monitored. This would, of course, mean yet more change, but in a different part of the organization.

Further uses for the hard systems model of change

The HSMC has been posed as a methodology for change that is most appropriately used in situations of hard complexity, or what have been termed ‘difficulties’. The case study involving Gerry Howcroft and the BB Company illustrates this use. In Gerry Howcroft’s case, there is reason to believe that resistance to the planned changes will not be high. However, this is not always true (as the discussion in Chapter 6 showed). Whenever and wherever possible, therefore, those people who are likely to be affected by the change should be consulted as early as possible. In addition, support from senior management is essential for any but the most localized, operational types of change.

It was clear that, in Gerry’s case, the information he needed to construct an informative evaluation matrix was not easily obtainable – particularly with regard to that which he required from his own organization. This stage of the methodology can, therefore, be quite long if a realistic evaluation of options is to be done. By the same token, it is possible to go through the stages of the methodology quite quickly to address key factors associated with the change situation. A small group of people could quickly drive a way through this methodology to suggest at least a tentative solution in a situation requiring change. In addition, as Paton and McCalman (2008, pp. 121–22) point out:

A Q&D (quick and dirty) analysis can be a useful starting point for the change agents tackling a more complex problem. It will indicate key factors and potential barriers to change, it will highlight the principal players and give an indication of resource requirements. Such an analysis will at an early stage set the scene for things to come and provide the change agents with a valuable insight into the complexities of the transition process.

An example of using the HSMC in this ‘quick and dirty’ way – that is, as a starting point to an analysis of more messy situations – is given in Illustration 7.5 and Figures 7.6 and 7.7. These demonstrate the early stages in considering how to expand the provision and delivery of open and resource-based learning in the further education colleges run by the local education authority of ‘Shire County’.

Illustration 7.5

Change in the further education colleges of Shire County

The question of how to expand the position and delivery of learning brought forth the following commitment statement:

In an environment of decreasing numbers of 16–19-year-olds and limited numbers of adults participating in further education, the aim for the future is to make it possible for more people to participate in education and training through the expansion of open and resource-based learning (O&RBL) both as an integral part of mainstream provision as well as an alternative but equally credible way of facilitating and accrediting learning.

A causal-loop diagram (see Figure 7.6) was constructed to provide further information about the forces operating for and against the desire to expand O&RBL. From this a range of objectives were formulated, together with a list of possible measures of performance.

An initial attempt at an objectives hierarchy is shown in Figure 7.7.

Possible measures of performance (not particularly attached to specific objectives):

- Establish O&RBL centres by ? (date).
- Extend availability of provision to 48 weeks per year by ? (date).
- Achieve ? per cent of open and resource-based learners by ? (date).
- ? (number) of companies using O&RBL by ? (date).
- ? (number) of staff trained in the delivery of O&RBL by ? (date).
- ? (number) of students gaining qualifications through O&RBL by ? (date).
- Complete changeover to providing mathematics instruction in modules by ? (date).
- ? percentage increase in use of O&RBL in all mainstream provision by ? (date).

Existing state of affairs

- Falling numbers of 16–19 year olds coming into further education (FE)
- Only small percentage of adults participating in FE
- Current FE provision not always accessible to needs of adults in terms of content, qualifications and mode of delivery

GAP

Desired state of affairs

- Increase proportion of 16–19 year olds in FE
- Significant increase in number of adults in FE
- Improve accessibility for all learners, but for adults in particular, i.e. greater choice of content, qualifications and mode of delivery relevant to educational and training needs

The hard systems model is systematic in the approach to change adopted, and linear in the sense that it assumes clear stages and steps. It is not fair to argue that adopting this approach means ignoring the needs and problems of key stakeholder groups, however. There is no reason why data on such issues cannot be considered within the methodology.

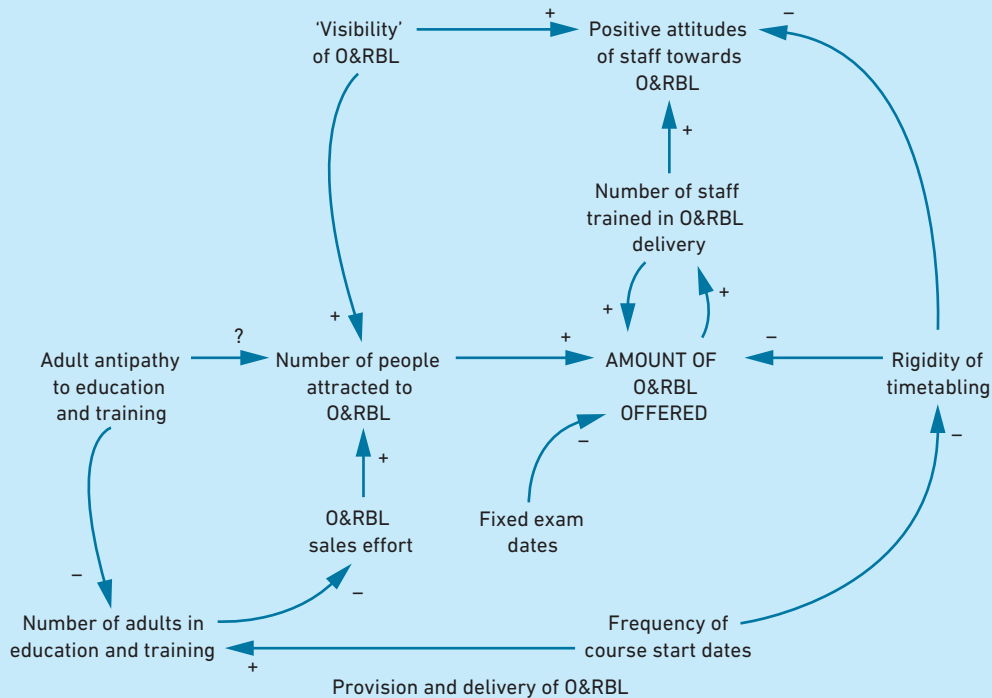


Figure 7.6 Causal-loop diagram of the situation facing Shire County further education services

Note: The + signs denote a causal relationship in the same direction. The – signs denote a causal relationship in opposite directions.

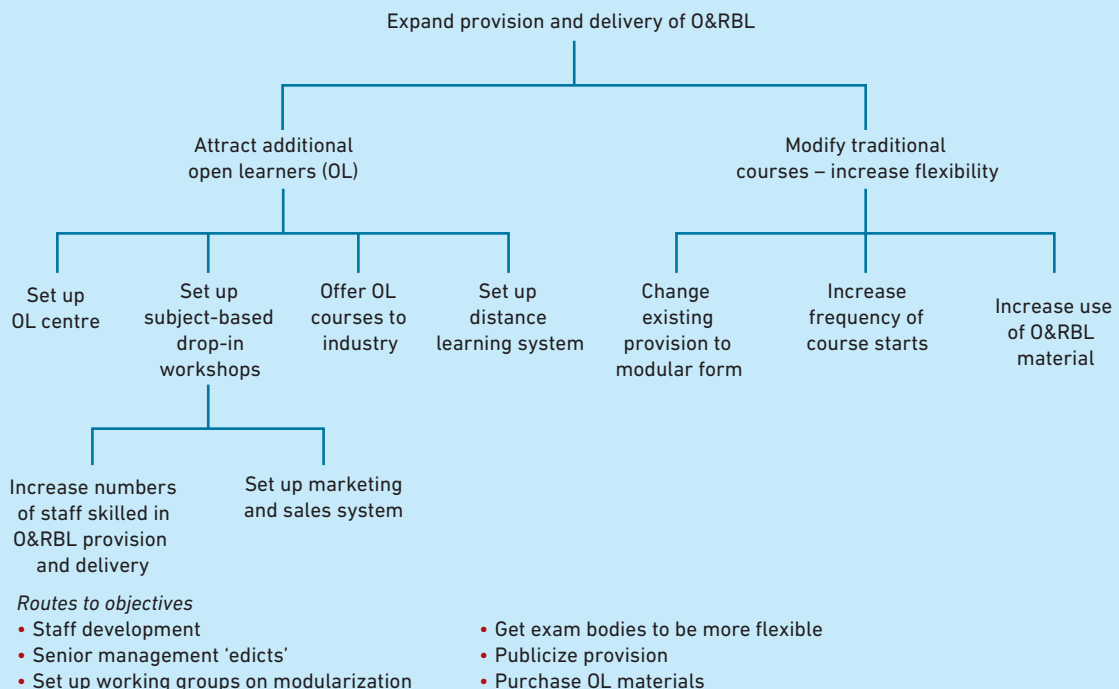


Figure 7.7 Hierarchy of objectives for expanding O&RBL provision in Shire County



Change architecture

How change programmes are structured in practice emerged as an important aspect of change implementation. The conventional hard systems model viewed this in simple, linear terms: it assumed a sequence of implementation events and activities. We saw in Chapter 6 that it is important to provide for effective levels of connectivity, leverage and integration across events and activities included in a change programme. Paying attention to how the elements of a change programme work together is as important as getting the right sequence of implementation activities.

When making any change, the chances of success are essentially determined by the effectiveness of the process combined with the degree to which those involved see a benefit in changing – in other words, from their perspective there is a cost benefit of supporting the change, bearing in mind all the factors in play. In day-to-day organizational working, this goes back to the ‘what’s the point?’ and ‘what’s in it for me?’ questions. If people don’t see the point of changes, while they might not openly object, they won’t implement effectively and the result will be the same – failure. This has significant implications for leaders – people only recognize value if they are informed about it, see it for themselves and are convinced it will be delivered. Thus, it is a key role of leaders to make the case for change, where possible, as a means for individuals, teams and the organization to benefit.

Organizational choices in change

In any change framework there are number of balances or trade-offs that have to be resolved, these are likely to be in the areas of:

- *autonomy of change* – centralization versus local autonomy;
- *speed of change* – rapid change implementation versus slow organic change;
- *scale of change* – ambitious and large-scale ‘big bang’ change versus small local ‘incremental’ change;
- *capability for change* – using current organizational capability to make change happen versus needing additional capability from elsewhere.

Carnall (2007) has developed a model for thinking about strategic change that attempts to encompass two ‘parts’. In effect, the model takes as its starting point two issues rarely considered in the change management literature. First, it notes the reality of multiple change initiatives. Even quite small organizations may be handling many change initiations at any one time and organizations of the size of BP, IBM and UBS will be handling many hundreds concurrently. This must be considered as part of any coherent attempt to understand whether and how change management efforts can lead to higher performance. This links back to the issue of establishing clarity on critical deliverables and role responsibility. The more initiatives there are running, the greater the chance of confusion and diversion of effort.

Second, the change management literature has no means of assessing the level of ambition in relation to capability – is the objective realistic and achievable within a reasonable time, given the resources being committed to implementation? You

cannot judge ambition without examining the combined effects, intentions and objectives of all changes being implemented and the resources to deliver them. Is there a sufficiently robust 'change architecture' (defined as the implementation arrangement) put in place to deliver the change and the capability to do so within the organization? Here, leadership and the decisions of leaders related to change implementation will have most impact on implementation and success or failure.

A model for strategic change

Carnall and By (2014) set out a model for strategic change. The model seeks to place change within the context of studying a multiplicity of change initiatives currently under way in the organization and seeks also to examine the change process as a series of streams of change activities that need to be integrated and managed alongside the demands of business as usual.

The model defines the level of *ambition* in any given set of proposals for change, as viewed in the context of the organization under study, and the *change architecture* in place. The model then identifies five performance characteristics:

- appropriate structure;
- change resonance;
- change accelerator;
- change leadership;
- change culture.

Broadly speaking, the model is based on the proposition that the higher the level of ambition inherent in the changes to be attempted, the greater the need for a comprehensive or balanced architecture and the greater the need to operate that architecture effectively. The first three performance characteristics are defined as first-order characteristics because they can be varied quickly as part of the immediate change programme, and because doing so is likely to create changes to change leadership and change culture in the medium term.

The architecture and the performance characteristics, operating together and effectively, give rise to the following conditions for successful and sustainable strategic change:

- balanced capability;
- convergent designs;
- integrated change (process and activity);
- economy of effort/energy;
- benefits realization;
- solutions orientation.

These ideas have been defined and developed through work in four case examples of organizations going through major changes, including a study of longitudinal change at The National Trust, a study of major restructuring in a European plastics manufacturer, strategic change in a UK utilities service provider and a major change programme in a UK transportation business. These ideas are used as the basis for developing action plans and an overall change programme.

In particular, the model requires that we consider all changes underway or planned to be based on a convergent design and integrated in terms of change process and activity. Second, it requires an assessment of the level of ambition involved in the multiple changes in place. Few organizations make any assessment of change ambition and are therefore not positioned to manage change in a strategic sense. None of this is intended to replace concern for leadership, engagement or culture.

Establishing a comprehensive change architecture is a first step when faced with ambitious change. Then getting the immediate implementation decisions right should be the next priority. These will vary across organizations and change situations, but certainly the resonance of change proposals, change accelerator decisions and some aspects of leadership (for example, the early briefing, training and engagement of 'early adopters') are all capable of immediate decision and often of local-level decision and action. Getting these 'change levers' understood and actioned can then create a positive impact on some of the longer-term leadership and culture issues. Does such an approach guarantee success? No, of course not, but it does seek to equip those involved with a framework within which decisions can be made that will help increase the likelihood of success.

In practice, therefore, resonant and convergent design for change is all-important. In reality, organizations seek to achieve change within the culture that prevails and with the leadership team in place, noting that best practice involves using the changes to both shift the culture and to invest in leadership development, and also noting that in some cases whole leadership teams are replaced, certainly at senior level and particularly in turnaround situations. Nevertheless, the real point is that resonance and convergence are characteristics of change plans that can quickly be given effect. Without efforts focused on achieving behavioural change within a leadership team or to the corporate culture independently, even if we take the right change choices (resonant and convergent designs) and implementation decisions (the accelerator principle), the results are likely to be less effective and certainly longer term in delivery.

Creating sustainable change

To craft a successful/sustainable change design (both in terms of the changes to be implemented and the implementation plan and its management), the principles discussed previously need to be followed to give the highest likelihood of success. Clearly, all of these principles taken together subsume the ideas about stages of change, involvement and communication. Resonant solutions are often highly unlikely to emerge without appropriate involvement of those involved in the change – those individuals being likely to indicate the key areas of resonance. The principles identified here also go to a higher, organization-wide level of analysis, looking at how most effectively to manage strategic change as a bundle of change initiatives being introduced in an organization where many other changes are going forward concurrently. Logically, what is needed is a framework of principles and ideas to help handle the trade-offs that follow.

These ideas are then communicated, as this sends critical messages across the organization about what is important – thus aligning effort, as mentioned earlier. This communication signals to everyone that these are the priorities, demonstrates how they are linked, sets out the benefits and shows the intended ‘fit’ between these initiatives and the longer-term strategic objectives. Of course, communication is ongoing, and there should be regular communication to keep both leaders and staff up to date. Other change and ‘business-as-usual’ activities can continue, particularly those undertaken at local level to respond to local, market or other circumstances. The communication must also be two way, to enable the collection of feedback data on the progress of changes in different areas and on any problems, so that strategic plans can be updated accordingly.

The key point here is that, to be successful, radical change demands balance, integration and simultaneous actions. Ansoff and McDonnell (1990) contrast American and Japanese models of decision making, noting that Japanese managers operate parallel activities – that is, they begin to launch implementation activities before decisions are finalized. At that time, American managers would not do so, thus putting more pressure on the decision process and often leading to less commitment to the decision and less effective implementation. This resonates with the conclusions of Clark (1995). For him, organizations where knowledge is a premium, which operate in uncertain and complex environments, cannot be managed by planning and command and control. Rather like Rubenstein and Furstenberg (1999), Clark sees too much planning as a real weakness. For Clark, the answer is ‘simultaneous, cheap explorations of multiple options’ and trying not to try too hard – evolving options ground-up, rather than imposing them via a grand strategy. For Rubenstein and Furstenberg, more effort devoted to problem finding leads to less effort problem solving later on, and more early changes means fewer changes later on in a development cycle. Again, these ideas appear to overlap, each with the other. But perhaps the key difference to note is the Gilbert and Strebel (1989) focus on simultaneous change in the various competence areas relevant to a business. This links to the experience that we all have had in change initiatives – that the hours and hours of meetings to finalize every last detail often create an implementation plan so detailed that it falls apart at once when put to the test of the real world. The plan is inflexible, or it takes so long to agree the final version that the world changes and it is out of date, even to the degree that the sponsors have given up and left the organization!

Measures of success and failure

To measure success is potentially possible by assessing the value added through the success of the judgment and balancing of differing stakeholder ambitions to achieve the collaboration needed to deliver advantage. To be successful in change leadership certainly requires the use of distinguishing practices. To be effective, change leaders must set about ensuring the engagement of people to create new value through the ideas and opportunities created by developing networks, leveraging new situations, opportunities, or both. These need to be agreed on and appropriate resources to

exploit them identified and applied. The approach is likely to indicate the ambition of those involved in the change.

Miles (2010) looks at causes of failure – he identifies a number of factors that we paraphrase for clarity:

- over-cautious leaders and avoidance of reality – there is no full acceptance of the need for change among leaders;
- lack of management commitment and cooperation – not all leaders are on board, and those that aren't are not confronted ;
- too many initiatives going on –the situation is confused;
- disengaged staff – staff not wanting to let change happen;
- loss of inertia – post-launch blues, possible overconfidence;
- implementing change or doing day-to-day business, but not both – both need to be done.

Clients embarking on a transformation programme need to set out a logical path? that will typically be phased over time. The nature and purpose of each phase will differ according to circumstances, but in general it is likely that phases to be included will cover: the initial scoping of the strategic needs; diagnostic work; building awareness of the case for change among key internal and external stakeholders; creating an implementation plan with associated communications; organization development work; capability building; reworked information, performance management and incentives; and a phase focused on embedding the transformation into business as usual.

Conclusions

The hard systems model for change (HSMC) provides a practical approach, designed to be applied to situations (such as the Beautiful Buildings Company example) of low to medium complexity – ‘difficulties’. It is particularly useful when an area of the organization may need to be changed but may not infringe on other areas, and when choices based on rational decision making can be made (see March’s 1984 theories of choice and decision making).

The HSMC can also be effective in beginning to diagnose a change situation (see Illustration 7.5) before categorizing it into a more simple or more complex change. For instance, using the HSMC in the case of Shire County was useful for setting out the commitment to change, carrying out (with the help of diagrams) a situational analysis of the forces for and against the change and formulating some objectives and measures of performance in preparation for planning and implementing the change. What this methodology was less good at doing was identifying the political and moral issues surrounding the implementation of radical change of this kind. In addition, current organizational, professional and institutional cultures were clearly going to make changes of this kind difficult. However, a key feature of HSMC can be the ability to focus on outcomes rather than be too concerned about structures, inputs and so on. The advent of evidence-based changes underpinned with modern data analytics is giving new life to the HSMC approach.

Shire County was a case where the changes desired would take some time to come to fruition and would involve changes not only to the buildings and teaching areas (physical changes) but also to attitudes and behaviour – changes that would include both staff and students (present and potential students). The changes proposed here were more in line with what has been described as ‘organizational development’ – that is, change that is ongoing, which involves most parts of the organization and most of its members and that will not succeed without the involvement of all concerned at all stages in the change process. The next chapter describes in more detail a change process more relevant to situations of soft complexity – in other terms, ‘messes’.

Discussion questions and assignments

- 1 Can you think of a time at work when a change that would be considered ‘hard’ or ‘difficult’ was not implemented as effectively as planned? If you were to apply the HSMC approach, could you identify where things went wrong?
- 2 Can you think of change situations within your organization that are more difficult than messy, where the HSMC would be both appropriate and effective? What factors would you need to consider in order to ensure effective planning, decision making, implementation and review?
- 3 Considering issues raised in this chapter, under what circumstances might the HSMC not be appropriate and why? Could some of these issues be overcome so as to be able to use this phased approach?

Case example ●●●

The role of integrated care in the design of health systems

Health care systems face challenging prospects. These include ageing populations and a continuing growth in expenditures on long-term and chronic conditions such as diabetes. There is pressure on financing, whether the basis of funding is private, insurance based or public expenditure. At the same time, hospitals are experiencing increases in emergency admissions and pressures on bed occupancy. Across the world, health care professionals and others are seeking to innovate in response to these challenges. Of course, the position varies across the world and between countries, not least in relation to the issue of

development, but changes in health systems are a key feature of today’s world.

In the United Kingdom, growth in health expenditure has been slower overall since 2011 but is now planned to grow at a higher rate. Conversely, UK public expenditure on social care has reduced, in real terms, between 2008 and 2016. At the same time, experience indicates that in periods of high growth in health expenditure (for example, 6 per cent pa), productivity growth is low, whereas when health expenditure growth is lower, productivity growth is higher. In the UK, patients with long-term and chronic conditions



comprise 12 per cent of the population but consume nearly 50 per cent of health and care expenditure. Approximately one third of all hospital beds are occupied by patients whom clinicians have assessed as medically fit to be discharged. The key limitation is how to organize ongoing care in the community and at home. This is costing hospitals £2.8 billion each year. It needs to be noted that reducing this problem is not mainly about finance. We know that elderly patients lose muscle mass while in hospital and potentially this impacts significantly their quality of life. In addition, there is the risk of infection in hospital, and waiting to be discharged and get to their home is likely to be an experience many will view as an issue.

So, there is increased focus on how best to deliver care to differing segments, including specialized care for long-term conditions such as diabetes and strokes. There is a trend towards setting up 'integrated care' – enabling care to be more effectively coordinated along 'care pathways' and ensuring that key enablers are in place. These enablers include: effective information decentralized to care practitioners; effective payment mechanisms that provide a flow of funds to where expenditures are incurred; effective governance; and leadership of change.

There are two basic models of care. The first is a community-based model that builds on and extends primary and community care in order to avoid hospitalization. The second focuses on building hospital care into a more fully integrated system, within which hospitals and other providers combine to deliver an 'end-to-end' approach to the delivery of care. Examples include many health care systems in the UK, such as those in Torbay, Sheffield Teaching Hospitals, Newcastle upon Tyne, Imperial College, Guys and St Thomas NHS Trust. Examples elsewhere include: Montefiore in the Bronx, New York; Ribera Salud in Valencia, Spain; and the Camden Coalition, New Jersey. There are versions of these models also in New Zealand, Denmark and Canada.

The economic case for integrated care is clear enough. Assume that primary care represents 10 per cent of the cost of a health system; hospital care would account for 50–60 per cent of health expenditure, the remainder being spent in the community, including ambulance and paramedic services. Therefore, a 30 per cent increase in primary care would require 3 per cent of the systems cost. Achieving a 20–30 per cent reduction in non-elective hospital admissions

(normally 40–50 per cent of hospital spend) could deliver savings in the total system of between 5–9 per cent. Integrated care models focus on ensuring a more optimal organization of care across the system, rather than approaching the problem in terms of the optimal organization of each element considered separately.

Three fundamental building blocks are essential to the success of innovations of this type:

1. A focus on understanding and meeting the health needs of key population segments – for example, meeting the needs of elderly people and of those with chronic or long-term and complex conditions.
2. Changes in the health care delivery model to emphasize patients and to coordinate care, embracing multidisciplinary teams.
3. Five enablers of change need to be in place – namely, payment models aligned to integrated care, information flows to support patient self-management, care delivery performance management and payment, governance arrangements to support long-term change management and professional leadership and management development focused on facilitating the necessary shift to a more planned and multidisciplinary model of care.

Progress here will be based on several characteristics of success in this field. First, there needs to be effective alignment around the common purpose of delivering integrated care. Second, it is important to put in place appropriate governance arrangements. Various stakeholder groups need to play an effective role in these arrangements, including professionals working in primary care, community care and hospitals, senior leaders from the health care providers involved and senior staff from the organizations providing the finances. Of course, a means must be found for ensuring the patients' views and local community views and preferences are sought and considered. Third, there is the need to ensure that real change is delivered.

Montefiore and Ribera Salud demonstrate the important role of primary care in these innovations, but hospitals also have a vital role. They typically organize and manage the whole system leading the work to define standardized care pathways across the system and invest in estates information and provide the operational management of risks in the system. On the face of it, hospitals have the most to lose from

innovations of this kind because funds that are currently part of the hospital budget must now flow to other parts of the system. But, integrated care provides both more effective care for many patients and can lead to savings in the hospital, which would fund the necessary flow of funds. Moreover, do hospital staffs welcome a situation in which a third of beds are occupied by people they are not treating? Evidently there needs to be a shared vision around these ideas and a common desire to work more effectively, which in the past has been constrained by existing systems and practices.

Transformation programme design principles

The high-level design of a transformation programme is shown in Figure 7.8, beginning with ideas about what successful transformation comprises, defined in

terms of purpose and objectives. It then moves on to accountabilities and metrics. In the context of integrated care, this would include definitions in all relevant areas, from region or city down to provider level including hospitals, primary care and local charities if involved. Realistic targets are set in collaboration and accepted throughout the health system, linked to reporting of performance that carefully balances the value and needs for reporting with the resources used in doing so. Performance review and problem solving, alongside incentives for superior reporting, complete the cycle.

Common reasons for failure in the design and implementation of integrated care are summarized at high level in Figure 7.9. Most importantly, having an overly ambitious target appears not to be the root cause of failure. In fact, failure is far more likely to derive from issues of engagement or limitations to the processes of engagement. Typically, these are seen

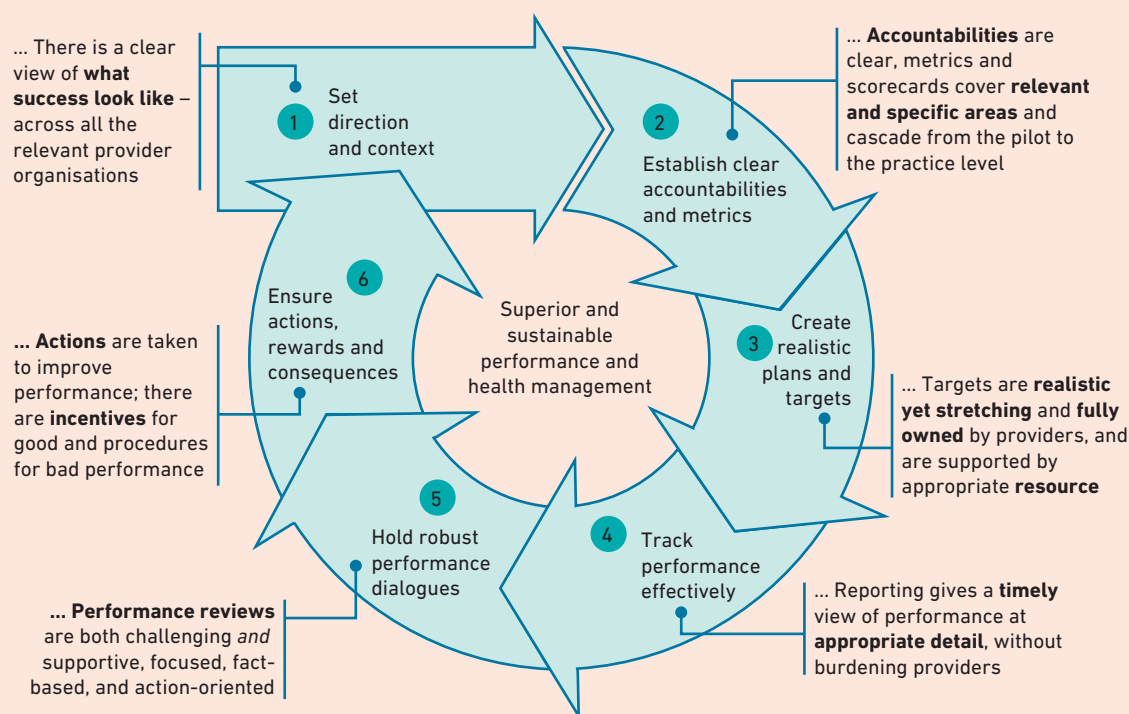


Figure 7.8 Integrated care – performance and delivery

Derived from Carnall Farrar Ltd (2018) – material produced but not published.

as the main deficiencies of 'hard system models' of change, which are viewed as simplistic, focused on managerial principles and ignoring both the dynamics of change and the people dimensions.

Figure 7.10, on the other hand, identifies appropriate design features for integrated care. Whatever might

be said about this figure, it cannot be denied that people issues sit at the heart of its conceptual basis. Population needs, integrated teams, behavioural change, leadership, engagement and informed choice are all features relating to the roles people play, the ways in which they work and contribute to the organization,

- The goal was not communicated well enough:
 - 'Saving money' is not, on its own, an inspiring message
 - Perception that budgetary goals are arbitrary and not based in real opportunity
 - Long-term transformation fatigue: 'Why should I believe this is any different to before?'
- Clear incentives did not exist – particularly true of the public sector:
 - Individuals not personally rewarded and/or get constructive feedback for success or failure
 - Perception that failure will be 'bailed out'
 - Stakeholder motivations not always transparent
- Data and consequences were not fed back properly:
 - Change leaders may pick the wrong things – or too many things – to measure
 - Poor visibility of results back to the people responsible for making change happen
 - Leadership may be slow to respond because of a poor data/feedback loop
 - 'Overly ambitious' targets are often not the root cause of failures

Figure 7.9 Reasons for programme failure

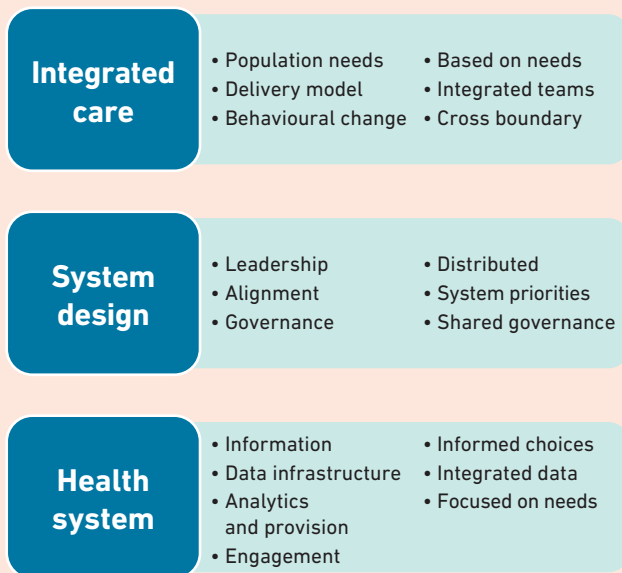


Figure 7.10 Integrated care design – key features

Derived from Carnall Farrar Ltd (2018) – material produced but not published.

the choices they make and their involvement in the process of change and changing. It can be argued that such approaches are based on assumptions about the relative primacy in change decisions, as between senior and junior staff. However, in health care even this is debatable because senior clinicians are going to be able to exert influence even if they are not positioned in a formal leader role. Moreover, the case necessarily raises the question of which stakeholder groups ought to be involved – staff, patients, patient families, local communities, politicians and so on. The strength of

‘hard system models’ may lie in both the emergence of evidence-based changes (underpinned by extensive performance and other data, plus modern data analytic), and in a concern to identify design features that allow us to judge how effectively change is planned, implemented and absorbed into either the organization concerned or the networked system of organizations collaborating to achieve desired outcomes. (See the case example ‘Strategic change, technology and policing’ in Chapter 3, or the change architecture model summarized previously in this chapter.)

Case exercise

- 1 The case describes a major transformation of health care, away from separation of care into primary and hospital care and the functional organization of hospital care, toward a process focused on care delivered on ‘care pathways’. What kinds of shift of emphasis for staff and patients will it require?
- 2 Consider the enablers of change included. How might these enablers support change through ensuring effective connectivity, leverage and integration?
- 3 How important is effective change governance and why?

Indicative resources

March, J.G. (1984), ‘Theories of choice and making decisions’, in Paton, R., Brown, R., Spear, R., Chapman, J., Floyd, M. and Hamwee, J. (eds), *Organisations: Cases, Issues, Concepts*, London: Harper & Row. This text offers a critique of models for change that assumes that the process of choice is a rational one, based on having complete, or almost complete, knowledge of the alternatives that are generated. The authors argue that choices frequently involve moral as well as cognitive issues and that decisions about action, once made, are then overtaken by events that make implementation difficult if not impossible.

Open University (2000), *Managing Complexity: A Systems Approach*, Course T306, Milton Keynes: Open University. This is an Open University course that draws on and extends a range of approaches to managing complexity that have been developed by internationally recognized systems practitioners. They include the soft systems method, the viable systems model and the hard systems method. Of particular relevance to the material in this chapter is Block 2, which discusses the hard systems approach.

Paton, R.A. and McCalman, J. (2008), *Change Management: A Guide to Effective Implementation* (3rd edn), London: Sage. This text (in particular Chapter 5) reinforces the approach to change discussed in this chapter and also discusses two more change approaches: ‘total project management’ and ‘the organization development model’ (the latter is the subject of the next chapter). Particularly helpful is Chapter 4, ‘Mapping change’, which ‘teaches’ how to use diagrams effectively in diagnosing and implementing change.

Pollack, J. (2007), 'The changing paradigms of project management', *International Journal of Project Management*, 25(3), pp. 266–74. This paper offers a critical review of the literature that confirms strong links between the hard paradigm and project management. However, it also demonstrates that undercurrents exist in the literature that suggest a growing acceptance of the soft paradigm. Models of the field are presented, through which the influence of these paradigms on the field can be understood, and a way is suggested in which further developments in the use of the soft paradigm in project management could be progressed.

Useful websites

www.open.ac.uk This is the Open University website. There are links from here to information about all the courses it offers.

http://www.ukss.org.uk/ The UK Systems Society (UKSS) website. The UKSS is a non-profit-making, professional society registered as an educational charity. The Society is committed to the development and promotion of 'systems' philosophy, theory, models, concepts and methodologies for improving decision making and problem solving for the benefit of organizations and the wider society.

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Chapter 8

Soft systems models for change

Through a revision of the concept of soft complexity, this chapter begins by challenging the notion of rationality as applied to organizational change. This is followed by a short description of Lewin's three-phase model of change as a prelude to a more detailed description and discussion of organizational development (OD) as an approach to change. Some limitations of organizational development as a change philosophy and as a change approach are discussed.

Learning objectives

By the end of this chapter you will be able to:

- recognize that some change situations (problems/opportunities), by nature of their complexity and particular characteristics, require soft rather than hard systems approaches to change;
- consider the philosophy, value orientation and theoretical underpinnings of OD as a generalized example of soft systems models for change;
- outline and describe the processes and practices that comprise most OD approaches to designing and implementing organizational change;
- critically review the limitations of OD approaches to managing change.

Managing change in situations of soft complexity

The previous chapter included an example of the need for change for which the hard systems model for change (HSMC) had limited applicability. This was because the situation that gave rise to the requirement to expand open and resource-based learning in further education colleges in Shire County was characterized by both hard and soft complexity. As Chapter 7 highlighted, it was possible, using the HSMC, to build an objectives hierarchy with measurable performance criteria and to generate some options for bringing about the necessary changes. However, while this was fine in theory, other factors – the organizational culture, entrenched power bases and established leadership styles, as well as the simultaneous reorganization of the county education service that was driving the change – combined to make the process of change far more complex, diffuse and confused than it appeared at first sight. In summary, what faced those charged with bringing about the changes was much more of a mess than a difficulty, what Checkland and Poulter (2006) term ‘problematic’ (as opposed to problem), implying that a different approach to planning and implementing change was required.

Ackoff (1993) contends that there are three broad alternatives to addressing the organizational problems. They can be either ‘*resolved, solved or dissolved*’ (p. 47). According to Ackoff: ‘To resolve a problem is to select a course of action that yields an outcome that is good enough, that *satisfices* (satisfies and suffices).’ This is an approach that relies on common sense, based on previous experience as to what might work or not and, to some extent, on trial and error. People who use this approach (and Ackoff says most managers are problem resolvers) do not pretend to be objective in their decision making. They use little especially collected data, either of a quantitative or qualitative nature, justifying their conclusions by citing lack of time or lack of information or too complex a situation for anything other than minimizing risk and maximizing the likelihood of survival. Ackoff calls this the ‘clinical’ approach to dealing with messes – a metaphor that emphasizes different people preoccupied with different aspects of the problem situation, but coming together to reach some consensus on how to proceed with resolving the problem. However, while this approach is likely to keep most people satisfied and ‘on board’ with the change, a major criticism is that, because of its commitment solely to qualitative thinking based on past experience and hunch, it lacks analytical rigour in its formulation of objectives and the means of evaluating them. Therefore, it is never quite clear how far the objectives of the change have been met.

This criticism can certainly not be levelled at the ‘solvers’ of problems. In contrast with resolvers of problems, rather than using simple common sense and what might have been successful in the past, solvers of problems use approaches to problems that are far more heavily reliant on research-based scientific methods, techniques and tools. This means they eschew qualitative models in favour of quantitative models in their aspirations to be completely objective. Ackoff calls this the ‘research’ approach to mess management. It is much more likely to

be used by management scientists and technologically oriented managers. This approach is akin to hard systems models of change in its emphasis on quantitative methods of analysis, objective setting and generation of options for change, as demonstrated in the description of the HSMC in the previous chapter. However, while addressing the lack of 'hard' data in the clinical approach to mess management, the research approach is limited in that its techniques are more applicable to mechanistic systems (which lend themselves to performance definition and measurement) than to purposeful human behaviour (which includes many immeasurable elements). In addition, given that a mess is not just one problem but a complex set of problems interacting one with another, decomposing the mess to deal with one problem at a time (as this approach would suggest) loses the essential properties of the larger, more complex, whole. This is summarized well by Ackoff (1993, p. 51):

Therefore, when a research-orientated planner decomposes a mess by analysis, he loses its essential properties ... As a consequence, what he perceives as the hard facts of the mess are really soft fictions of his imagination, abstractions only loosely related to reality.

From this it seems that both resolvers, with their clinical approaches to bringing about change, and solvers of problems, with their research approaches to change, are limited in their capacity to plan and implement change in unbounded soft situations characterized as messes. Consequently, Ackoff suggests a third approach, based on the concept of *dissolving* problems. Of this approach to problem solving he says (p. 48):

To *dissolve* a problem is to change the nature, and/or the environment, of the entity in which it is embedded so as to remove the problem. Problem dissolvers *idealize* rather than *satisfice* or *optimize* because their objective is to change the system involved or its environment in such a way as to bring it closer to an ultimately desired state, one in which the problem cannot or does not arise.

He calls this approach the 'design' approach in that problem dissolvers, in addition to using the methods and techniques of problem resolvers and problem solvers, seek to redesign the characteristics of the larger system containing the problem (for instance, changing the organizational culture, structure, systems and/or processes). Thus, they look for dissolution of the problem in the wider containing system rather than looking for solutions in the contained parts. Ackoff (p. 48) maintains that only a minority of managers use this approach and they are those 'whose principal organizational objective is *development* rather than growth or survival, and who know the difference'. Of the concept of development he says (pp. 48–9):

To develop is to increase and desire to improve one's quality of life and that of others. Development and growth are not the same and are not even necessarily related.

As an example of this he refers to the fact that a heap of rubbish can grow without developing and a person can develop without growing.

As the situation for change unfolded in the further education system in Shire County, it became evident that this was not a problem to be resolved or solved, but a complex set of problems that was likely to require the wider system containing it to be redesigned. In effect, what this system faced was not a problem in the ‘something has gone wrong’ sense, but a web of issues of interconnected parts that are likely to change and develop over time, frequently, depending on whose point of view is current. Even the objectives themselves were somewhat unclear and by no means shared by all.

It is not usual to find reference to ‘dissolving’ problems in the literature on change. Yet most of the change models associated with ‘soft’ situations and systems (those characterized by soft complexity) imply a need for redesigning systems at many levels of the organization. These include issues associated with individuals and the groupings they form, as well as with organizational strategy, structure and processes. This means not only an emphasis on the *content* and *control* of change (as the hard systems models of change dictate), but also an emphasis on the *process* by which change comes about, or as Buchanan and Boddy (1992, p. 27) maintain, a need for ‘backstaging’ as well as ‘public performance’. In other words, there is a need to be concerned with what Buchanan and Boddy (p. 27) call ‘the exercise of “power skills”, with “intervening in political and cultural systems”, with influencing negotiating and selling, and with “managing meaning”’.

There is neither the space nor the necessity to illustrate here all the different variants of models for bringing about change in soft, messy situations. What follows, therefore, is a generalized description of ‘organizational development’ (more commonly known as the OD approach) – an umbrella term for a set of values and assumptions about organizations and the people within them that, together with a range of concepts and techniques, are thought useful for bringing about long-term, organization-wide change. That is, change that is more likely to dissolve problems than resolve or solve them.

Organizational development – philosophy and underlying assumptions

According to French and Bell (1999, pp. 25–6), organization development is:

a long-term effort, led and supported by top management, to improve an organization’s visioning, empowerment, learning and problem-solving processes, through an ongoing, collaborative management of organization culture – with special emphasis on the culture of intact work teams and other team configurations – using the consultant facilitator role and the theory and technology of applied behavioral science, including action research.

Cummings and Worley (2015, p. 1) see organization development as:

A process that applies behavioural science knowledge and practices to help organizations build the capacity to change and achieve greater effectiveness, including increased financial performance and improved quality of work life. OD differs from

other planned change efforts, such as project management or product innovation, because the focus is on building the organization's ability to assess its current functioning and to achieve its goals. Moreover, OD is oriented to improving the total system – the organization and its parts in the context of the larger environment that affects them.

More succinctly, they offer the following (Cummings and Worley, 2015, p. 2):

Organizational development is a system-wide transfer of behavioural science knowledge to the planned development, improvement, and reinforcement of the strategies, structures and processes that lead to organizational effectiveness.

An examination of these definitions confirms some distinguishing characteristics of the OD approach to change:

- 1 It emphasizes goals and processes but with a particular emphasis on processes – the notion of organizational learning (Senge, 1990; Pedler, Boydell and Burgoyne, 1991; Argyris and Schön, 1996) as a means of improving an organization's capacity to change.
- 2 It deals with change over the medium to long term – that is, change that needs to be sustained over a significant period of time.
- 3 It involves the organization as a whole, as well as its parts.
- 4 It is participative, drawing on the theory and practices of the behavioural sciences.
- 5 It has top management support and involvement.
- 6 It involves a facilitator who takes on the role of a change agent (Buchanan and Boddy, 1992; French, Bell, and Zawacki, 2005).
- 7 It concentrates on planned change but as a process that can adapt to a changing situation, rather than as a rigid blueprint of how change should be done.

In addition, French and Bell (1999, p. 29) give the following ten OD principles:

- 1 OD focuses on culture and processes.
- 2 OD encourages collaboration between organization leaders and members in managing culture and processes.
- 3 Teams of all kinds are particularly important for accomplishing tasks and are targets for OD activities.
- 4 OD focuses on the human and social side of the organization and in so doing also intervenes in the technological and structural sides.
- 5 Participation and involvement in problem solving and decision making by all levels of the organization are hallmarks of OD.
- 6 OD focuses on total system change and views organizations as complex social systems.
- 7 OD practitioners are facilitators, collaborators and co-learners with the client system.
- 8 An overarching goal is to make the client system able to solve its problems on its own by teaching the skills and knowledge of continuous learning through self-analytical methods. OD views organization improvement as an ongoing process in the context of a constantly changing environment.

- 9 OD relies on an action research model with extensive participation by client system members.
- 10 OD takes a developmental view that seeks the betterment of both individuals and the organization. Attempting to create 'win/win' solutions is standard practice in OD programmes.

The discussion that follows develops these definitions and their underlying philosophy and assumptions.

The significance of people in organizations

Employees have a large interest in learning within an organization. According to Argyris and Schön (1996), employees are an organization's building blocks and they provide an overview of the organizational memory. Argyris and Schön argue that there is a gap between what employees say they do (espoused theory) and what they actually do (theory in use). This concept is useful for understanding human behaviour when a situation changes. In single- and double-loop learning, employees are notified of changes through orders, memos and directives issued by authorities. Unfortunately, this often leads to cynicism, demotivation and defensiveness, which in turn lead to reduced cooperation.

The OD approach to change is, above all, an approach that cares about people and that believes that people at all levels throughout an organization are, individually and collectively, both the drivers and the engines of change. Consequently, one underlying assumption is that people are most productive when they have a high quality of working life. In addition, there is an assumption that, in many cases (and perhaps the majority), workers are under-utilized and are capable, if given the opportunity, of taking on more responsibility for the work they do and of contributing further to the achievement of organizational goals.

Paton and McCalman (2008, p. 166) offer three 'fundamental' concepts with respect to the management of people and gaining their commitment to their work and organization:

- 1 Organizations are about people.
- 2 Management assumptions about people often lead to ineffective design of organizations and this hinders performance.
- 3 People are the most important asset and their commitment goes a long way in determining effective organization design and development.

These assumptions are not new. Even so, many managers continue to practise Taylorism and scientific management – which in Matsushita's (1988) words means: 'executives on one side and workers on the other, on one side men [sic] who think and on the other men [sic] who can only work'. Yet Matsushita, drawing on his experience as head of the Sony organization, went on to say:

We are beyond the Taylor model; business, we know, is so complex and difficult, the survival of firms so hazardous in an environment increasingly so unpredictable,

competitive and fraught with danger, that their continued existence depends on the day-to-day mobilization of every ounce of intelligence.

The OD approach to change is entirely in line with these sentiments. What is more, these sentiments extend to a number of assumptions regarding people in groups. The first of these is that people are in general *social* beings. They will, therefore, form groups – whether these are legitimized by the organization in terms of formal work teams, or whether they are the more ‘informal’ groupings that form part of every organization’s functioning. French and Bell (1999, p. 68) reinforce this assumption by saying that: ‘One of the most psychologically relevant reference groups for most people is the work group, including peers and boss.’ Consequently, the work group becomes increasingly important in any attempt at change. Yet, in many cases, work groups do not effectively utilize resources for collaboration. For instance, the formal leader of any group cannot perform all the leadership functions at all times and in all situations. Thus, for a group to become effective, all group members must share in problem solving and in working to satisfy *both* task and group members’ needs. If work groups are managed in such a way as to engender a climate of mistrust and competition between participants, then any change will be seen as a threat rather than an opportunity and all the negative aspects of group functioning will come to the fore to work against the change. OD approaches to change assume, therefore, that work groups and teams are an essential element in the process of designing and implementing change. However, as individuals interact to form groups and other collective working relationships, so do groups interact and overlap to form larger organizational systems that, in their turn, influence an organization’s capacity to learn and change.

The significance of organizations as systems

One of the characteristics of OD approaches to change mentioned earlier in the chapter is that it involves the organization as a whole as well as its parts – a characteristic exemplified by Pugh (1993, p. 109) when he refers to organizations as ‘coalitions of interest groups in tension’. Chapter 1 introduced the idea that organizations are systems of interconnected and interrelated subsystems and components that include more formal organizational structures and processes as well as culture, politics and styles of leadership that are closely bound up with the values and attitudes people bring to their workplaces.

This idea is one of the most important assumptions of OD as a process of facilitating change. This is because, first, it reinforces the systemic nature of organizational life and the fact that changes in one part of the organization will inevitably impact on operations in another part. For instance, the multiple-cause diagrams used in previous chapters to depict a number of different change situations are good illustrations of the *interconnectedness* of causes and the consequences of complex messy situations.

Second, and related to this, OD challenges the assumption that a single important cause of change with clear effects can be found, as well as the assumption that any cause and its effects are necessarily closely related in space and time. This is most clearly stated by Carnall (2007, p. 131):

[The] causes of a problem may be complex, may actually lie in some remote part of the system, or may lie in the distant past. What appears to be cause and effect may actually be 'coincidental' symptoms.

Third, any organization is a balance of forces built up and refined over a period of time. Consequently, proposed change of any significance will inevitably change this balance and will, therefore, almost certainly encounter resistance. Consequently, OD approaches assume that no single person or group can act in isolation from any other. For instance, if win/lose strategies are common to the behaviour of management, then this way of dealing with conflict will permeate other workers' attitudes to settling disputes and disagreements. By way of contrast, if managers openly discuss problems and take views on how these might be addressed, then this culture of trust and cooperation will reach into other parts of the organization's functioning – hence the belief that OD activities need to be led by top management if they are to succeed in bringing about successful change.

Fourth, because organization development as a concept is assumed to operate throughout an organization, the OD process is most definitely not a 'quick fix' to the latest management problem. This is articulated by French and Bell (1999, p. 75), who say that change 'takes time and patience, and the key movers in an OD effort need to have a relatively long-term perspective'.

Finally, OD approaches to change are essentially processes of facilitating *planned* change. Consequently, an effective manager of change:

anticipates the need for change as opposed to reacting after the event to the emergency; *diagnoses* the nature of the change that is required and carefully considers a number of alternatives that might improve organizational functioning, as opposed to taking the fastest way to escape the problem; and *manages* the change process over a period of time so that it is effective and accepted as opposed to lurching from crisis to crisis.

(Pugh, 1993, p. 109)

The significance of organizations as learning organizations

The ideas in the previous two sections (the significance of people in organizations and the significance of organizations as systems) come together in the assumptions that, for organizations operating in increasingly complex and turbulent environments, the only way to survive and prosper is to be a *learning organization*. For instance, most employees, if given the opportunity, have a large interest in learning within an organization, and it is through this that an organization can become a learning organization.

The concept of a learning organization is built upon the proposition that there is more than one type of learning. In support of this proposition, Argyris (1964, 1992)

and Argyris and Schön (1996) distinguish between *single-loop* and *double-loop* learning or, as Senge (1990) terms them, *adaptive* and *generative* learning. The concepts of single- and double-loop learning can be explained in terms of systems for change that are either goal oriented or process oriented (Open University, 1985). In brief, a goal-oriented approach to change is directed towards changing the means by which goals are achieved. By contrast, those who subscribe to a process-oriented approach to change, while still concerned with goals, focus more on fostering a change process that enables the goals to be challenged. In other words, goal-oriented approaches are concerned with doing things better, while process-oriented approaches are concerned with doing the right things.

With a goal-oriented approach, the problem or issue is likely to be seen as an interesting, though possibly substantial *difficult* – that is, it is perceived primarily as a technical and financial matter with a specific time horizon and hence fairly well bounded. The main focus is on increased efficiency of goal achievement. Management of this type of change is frequently done through a project team led by more senior managers concerned primarily with cost/benefit aspects (goals and constraints). A goal-oriented approach is analogous to thermostatically controlling the temperature of a heating system. The temperature is predetermined and the thermostat merely alters the means through which the temperature is maintained. In essence, what is not questioned is the initial setting of the goal. It is not difficult to see that goal-oriented approaches to problems, issues and change are basically congruent with hard systems models of change. Once the objective is identified, then the issue that remains is to establish the most efficient means of achieving it – hence the function of objectives trees, as described in the previous chapter.

By contrast, within a process-oriented approach the problem is likely to be seen as distinctly *messy*. The changes might have long-term and, as yet, unforeseen ramifications, which make the formulation of goals and constraints problematic. The problem is far more concerned with changing the behaviour of people and the structures and cultures within which they work. A process-oriented approach starts by identifying who must be involved in the process, what sort of issues should be addressed and how all this can be facilitated. The phases of the project are by no means as clearly defined as in a goal-oriented approach. It may take some time before the problem itself is agreed, which will most likely challenge the goal itself. In these situations, single-loop learning is necessary as a means of monitoring the performance of organizational systems and subsystems in relation to the objectives set for them. However, single-loop or adaptive learning, which depends mainly on individualistic learning, is not sufficient in situations that require creative thinking to develop new visions and ways of doing things.

Elkjaar (1999, pp. 86–7) speaks of ‘social learning’, and that it is necessary to participate and be engaged in organizational projects. In a good exposition and critique of the learning organization, Paton and McCalman (2008, pp. 296–7) summarize the views of double-loop or generative learning, as expressed by the main writers on learning organizations/organizational learning as follows:

They emphasize a collaborative, participative approach centred on team processes. They demonstrate a commitment to the creation of a shared vision of the future

direction of the company and the necessary steps, structural and behavioural, to achieve that vision. They stress a proactive approach to learning, creating new experiences, continuous experimentation and risk-taking. Finally, they each emphasize the role of leaders to facilitate the change process and to foster a commitment to learning.

This quotation indicates that process-oriented/double-loop/generative learning involves issues associated with organizational structures, cultures and styles of leadership in terms of the capacity of these aspects of organizational life to support and facilitate this type of learning. It certainly draws attention to many of the issues discussed in Part Two, the importance of people and the concepts associated with organizations as collections of subsystems interacting and reflecting the organizational system as a whole – concepts that are wholly in line with the organizational development approach to change.

Figure 8.1 summarizes the philosophy and underlying assumptions of OD as a process for facilitating organizational change. The remainder of this chapter attempts to spell out in more detail the nature of the OD process itself.

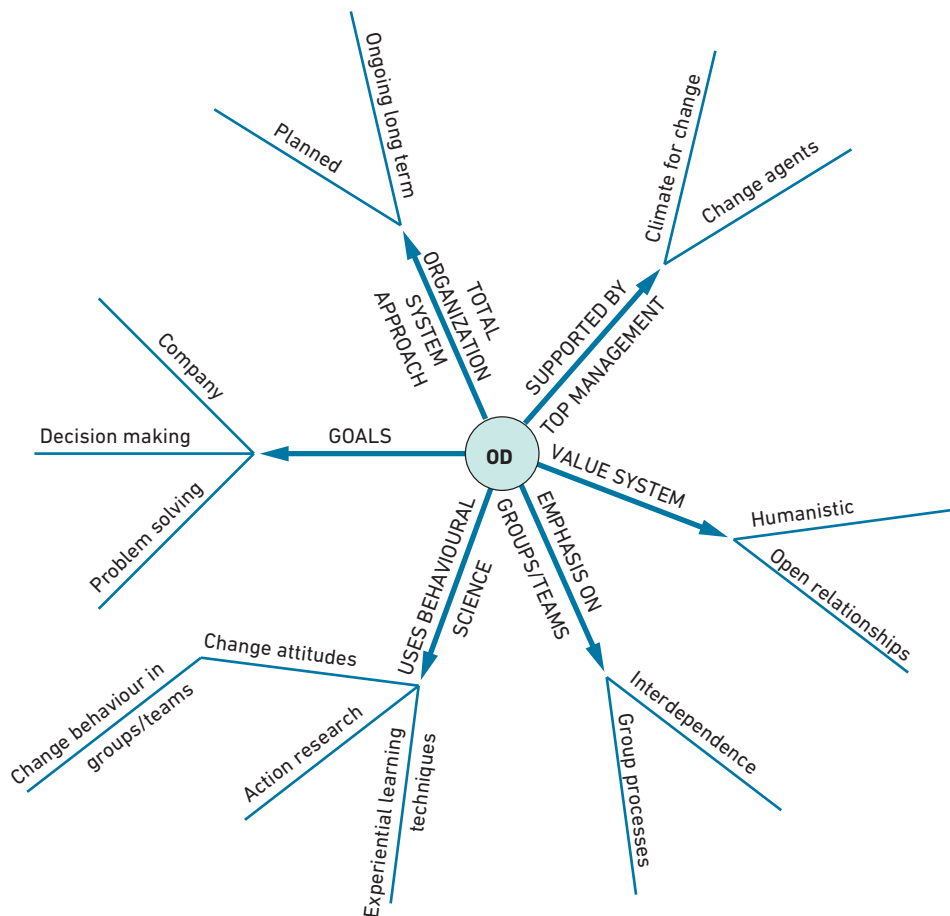


Figure 8.1 Basic assumptions of OD as a model for change



The OD process

OD is, at heart, a process of facilitation of organizational change and renewal. It operates at all levels of the organization – individual, group and organizational. It is a relatively long-term process for initiating and implementing planned change. It takes into account the messy nature of many organizational problems, which involve unclear goals and differing perspectives on what constitutes the problems, let alone how to solve them. It recognizes organizations as social entities where political as well as intellectual responses to change can be expected. What is important to remember is that although the stimulus for change in organizations generally comes from the external environment, the primary motivator for *how* change is accomplished resides with the people in the organization.

On the basis of these assumptions, organization development as a process for instigating, and implementing, change has two important characteristics. The first is that it is a process of change that has a framework of recognizable phases that take the organization from its current state to a new, more desired, future state. Second, within and across these steps, the OD process can be perceived to be a collection of activities and techniques that, selectively or accumulatively, help the organization and/or its parts to move through these phases. The idea of phases can be most clearly demonstrated through a consideration of Lewin's (1951) three-phase model of change. This is followed by a more detailed description of OD as it has developed in more recent times.

Lewin's three-phase model of change

Most OD models of change consist of a series of phases or steps, although these probably do not happen as neatly as they are described. One of the earlier and most influential models of planned change that is still referred to extensively in the literature on change is Lewin's (1951) model of the change process, as mentioned in Chapter 6. What follows is a more detailed description of the three phases of *unfreezing*, *moving* and *refreezing*.

Unfreezing

The first of these phases – unfreezing – concerns the 'shaking up' of people's habitual modes of thinking and behaviour to heighten their awareness of the need for change. According to Cummings and Worley (2015, p. 22), this implies disturbing the status quo by either strengthening the forces that could *push* for change and/or weakening the forces that are maintaining the situation. This is likely to include the introduction of information showing discrepancies between desirable goals and modes of operating and what is currently happening. According to Goodstein and Burke (1993), it might even include selectively promoting employees or terminating their employment. For instance, in the case of Pitford College in Shire County (see Chapter 7, Illustration 7.5), a member of staff was promoted to director of open and resource-based learning (O&RBL). Other staff had their responsibilities changed to include 'tutoring' (rather than teaching) students working mainly in a self-service

type of learning environment. All staff received news that a new O&RBL centre was to be built and that the timetables of all full-time students would be altered so that at least 20 per cent of their time would be spent learning in the new centre, using multimedia materials on a 'pick and mix' basis according to their needs. Part of this unfreezing process was the extensive consultation with heads of departments and other decision makers to discuss the new developments, which were seen as challenging the prevailing wisdom of how education and training in the further education sector should happen.

Another example of the application of OD to a 'frame-breaking' or 'transformational' change occurred when the 'Regional College', a student nurse training establishment, was forced to change the way it operated. Illustration 8.1 describes the beginnings of this process.

Illustration 8.1

Change at the Regional College of Psychiatric Nursing

Lewin's unfreezing process was evident in the environmental pressures that caused a school of nursing to review its entire mode of operation when the whole system of education for trainee nurses was changed. The courses leading to graduate status were to be centralized in another institution. Instead of simply allowing this school to close down, the director set out a case, to the relevant authorities, for the development of courses that would lead to the award of postgraduate masters-level degrees, allowing the undergraduate-level courses to move to the central institution. Her case was accepted, which meant she had to set about the task of convincing her staff of the benefits of what was essentially 'frame-breaking/transformational' change. She recognized what

the unfreezing phase of change would entail. Staff would be 'shaken up' and their professional roles changed. Although some individuals might look forward to the change, others might not, fearing the additional training they would have to do to bring themselves up to a standard to teach at postgraduate rather than undergraduate level. All members of staff were to have their roles and terms of employment changed. She had to face the fact that some staff might leave or be 'persuaded' to do so. During the unfreezing process, staff were likely to grieve for what they were losing in spite of those who might welcome the change.

Source: Grateful thanks go to Esther Warnett of the Berufsschule für Pflege, Switzerland for allowing us to draw on her experiences while researching and preparing her Doctorate in Education thesis.

Moving

The second phase of Lewin's change process – moving – is essentially the process of making the actual changes that will move the organization to the new state. As well as involving new types of behaviour by individuals, this includes the establishment of new strategies and structures, with associated systems to help secure the new ways of doing things. In Shire County this involved a number of different activities. First, a series of staff seminars on the concept and operation of O&RBL were carried out. As a result, staff were concerned with redesigning their courses to include at least 20 per cent delivery of learning on O&RBL principles. In fact, some staff planned to deliver certain learning programmes as *predominantly* O&RBL programmes.

In addition, in Pitford College and one of the other two colleges in Shire County, large new O&RBL centres were built with multimedia teaching and learning facilities. Dignitaries representing education, industry and commerce were invited to the opening ceremonies, which were used as a symbol for change as well as advertising the facilities to those who might support them. The inclusion of local employers' representatives emphasized the importance of providing for the needs of adult learners as well as those of the youngsters who had, traditionally, been the main 'customers' of these colleges. What is more, in the redefinition of teaching as 'facilitating learning', it was recognized that the managers of these new O&RBL centres did not necessarily have to be academics. This was further reinforced by associating the new centres very closely with existing library and computer services whose staff were not classed as academics.

Refreezing

Lewin's final phase in the change process – refreezing – involves stabilizing or institutionalizing the changes. This requires securing the changes against 'backsliding' and may include recruitment of new staff who are 'untainted' by the old habits. The continuing involvement and support of top management is crucial to this step. All of the elements of the cultural web (see Chapter 4) are important in establishing new ways of doing things. Once strategy, structure and systems have been changed, it is equally important to reinforce the changes through symbolic actions and signs such as a change of logo, forms of dress, buildings design and ways of grouping people to get work done. The use of continuous data collection and feedback is essential to keep track of how the change is progressing and to monitor for further change in the light of environmental changes.

In the case of the colleges in Shire County, although the move to a culture of open and resource-based learning continued to some degree, it was constrained by a slackening off of commitment from top management as the environment in which the colleges operated changed yet again and brought new imperatives. Included in this were changes in the economic environment that brought changes in the political environment. These were increasing unemployment rates among young people and, as a result, a commitment on the part of government to increase training opportunities through funding full-time education provision for the 16–19 age group. In addition, there was an increase in training opportunities for adults. These opportunities frequently operated outside the further education system in the private sector, thereby, perhaps, lessening the requirement for more flexible provision within the further education colleges themselves. Consequently, the phase of 'moving' the current situation to the desired future one was never fully completed and the follow-through of refreezing – absorbing the change into the culture of the organization – was put in jeopardy.

Lewin's three-phase model of organizational change can be criticized mainly for its concept of refreezing – that is, the idea of cementing the changes in place to create a new organizational reality. While this aim to prevent the backsliding mentioned earlier is laudable, it tends to ignore the increasingly turbulent environment within which many modern organizations operate and the need for *continuous* change. In addition,

Burnes (2004, p. 997), in his critique of the model, said that it assumed organizations operate in a stable state, it was only suitable for small-scale change projects, it ignored organizational power and politics, and was top-down management driven.

This should not, however, detract from the debt that current OD approaches owe to the work of Lewin and his colleagues. This debt is summarized by French and Bell (1999, p. 44) when they say: 'Lewin's field theory and his conceptualizing about group dynamics, change processes, and action research were of profound influence on the people who were associated with the various stems of OD.' This remains the case today.

Lewin's concept of organizational change as a *process* dominates much of OD theory, a view supported by Burnes (2004) in his recognition of Lewin's contribution to understanding group behaviour and the roles groups play in organizations and society. In addition, there is widespread recognition that organizations must carry out an assessment of where they are now, where they want to be in the future and how to manage the transition from the one state to the other. Where current theories of OD are leading, however, is to a realization that change is a process that is not linear and is itself complex and messy, including many loops back and forth from one stage in the process to another. The following description tries to capture the essence of this. However, because of the limitations in describing something that is so dynamic, the process may appear more mechanistic than it is in reality. It should be remembered that what is being proposed is only a framework within which many variations may occur.

OD – an action research-based model of change

According to Paton and McCalman (2008, p. 217), 'change is a continuous process of confrontation, identification, evaluation and action'. They go on to say that the key to this is what OD proponents refer to as an action research model. Coghlan and Brannick (2014) and Cummings and Worley (2015) give detailed descriptions of action research. Succinctly, it is a *collaborative* effort between leaders and facilitators of any change and those who have to enact it. It involves the following steps:

- 1 Management and staff perception of problem(s).
- 2 Data gathering and preliminary diagnosis by those concerned with leading the change (who can be internal and/or external to the organization).
- 3 Feedback to key people, management and those involved in the change.
- 4 Joint agreement of the problem(s).
- 5 Joint action planning.
- 6 Implementation of the change.
- 7 Reinforcement and continuous assessment of the change, which could lead to further data collection, re-diagnosis and further action.

Therefore, action research is, as its name suggests, a combination of research and action. This means collecting data relevant to the situation of interest, feeding back the results to those who must take action, collaboratively discussing the data to formulate an action plan and, finally, taking the necessary action.

A number of elements distinguish this approach from the hard systems model of change discussed in Chapter 7. First, it is not a 'one-off' event that ends when a change has been completed. In describing the application of OD in a US electricity utility, Alpaender and Lee (1995) illustrate this by saying: 'Organizations which are successful in maintaining their competitiveness have learned to view change not as a one-time event, but an ongoing process necessary to remain on the cutting edge in meeting customer needs.' This includes the ideas within the concept of a learning organization, discussed earlier. Second, it is an iterative or cyclical process that is continuous and that, if OD is taken as part of an organization's philosophy of action, continues as part of everyday organizational life. Third, each of the components of the model (diagnosis, data gathering, feedback to the client group, data discussion and work by the client group, action planning and action) may be used to form each of the major phases that make up a typical OD process. Furthermore, these components may, collectively, form cycles of activity *within* each phase of the OD process.

Finally, the OD approach to change is firmly embedded in the assumption that all who are, or who might be, involved in any change should be part of the decision-making process to decide what that change might be and to bring it about. It is not, as some hard systems models of change suggest, a project planned and implemented by senior managers or some designated project manager, with the assumption that other workers in the organization will automatically go along with it.

Building on the concept of action research, Figure 8.2 illustrates the major stages of the OD model. It is important to note that change on the scale involved in most OD efforts does not succeed without some established facilitation function. Hence

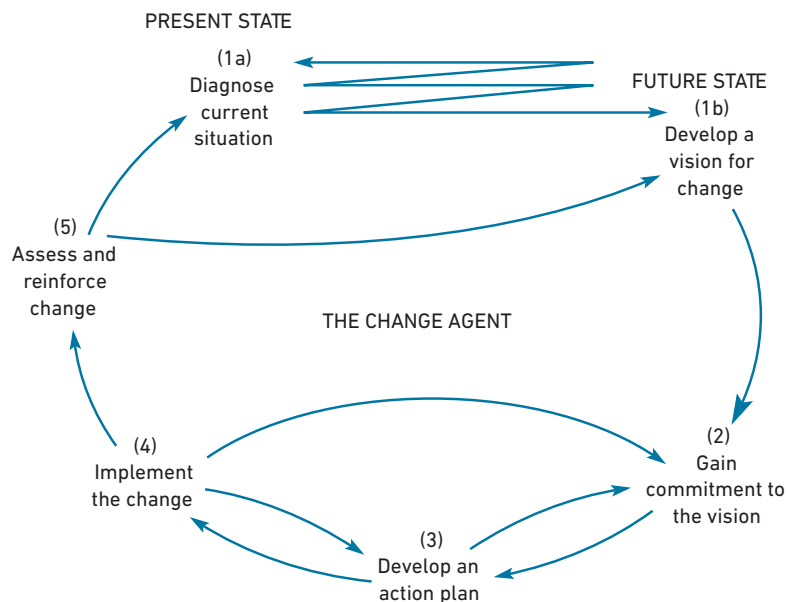


Figure 8.2 The OD model for change

the emphasis on the role of the facilitator, or as termed here the *change agent*, as evidenced by positioning this person or group in the centre of the diagram. The role of the facilitator or change agent, who can be internal or external to the organization, is discussed later in the chapter. What follows first is a more detailed description of the stages that make up the OD model itself.

Stages 1a and 1b: The present and the future

An examination of Figure 8.2 shows two stages strongly linked together in a symbiotic relationship. Hence the labelling of them as 1a and 1b – that is, two processes that are, in effect, intertwined and that could be regarded as one. The reason for this is that it is never clear whether a change process should start with the development of a vision for change (that is, where the organization wants to be), followed by a diagnosis of where the organization is at present; or whether a start should be made with diagnosing ‘what is’, followed by statements about ‘what could be’. For instance, Buchanan and McCalman (1989, p. 12), in their four-step model of perpetual transition management (trigger layer, vision layer, conversion layer, and maintenance and renewal layer), pose the ‘trigger layer’ (which examines environmental opportunities and threats) before the ‘vision layer’ (which defines the future). In contrast, Mabey and Pugh (1995) put as the first stage the process of agreeing the organization’s purpose/mission and then this is followed by an assessment of the organization’s external and internal environments.

Coghlan and Brannick (2014, p. 10) refer to the need for a ‘pre-step’, which firstly examines the context of the change and its purpose. They ask the questions: ‘Why is the change necessary or desirable?’; ‘What are the economic, political and social forces driving change?’; and ‘In terms of the internal forces, what are the cultural and structural forces driving change?’. By attempting to answer these questions, an assessment can be made as to their potency, and the nature of the demands they make on the organizational system. This helps to assess the degree of choice the organizational system, and those who work in it, have.

In reality, as the zigzag arrow in Figure 8.2 shows, the processes of diagnosis of the current situation and developing a vision for change act in parallel. However, for ease of description, Stages 1a and 1b are discussed separately.

Stage 1a: Diagnose current situation

This stage is where an environmental analysis is carried out – as Chapter 1 discussed, the temporal and internal environments must be assessed. In an ideal world this would be done on an ongoing basis: (a) to detect strategic drift; and (b) to gather data on the organization’s capacity to respond to a change in direction or ways of operating. However, sometimes it takes a crisis to trigger this type of diagnosis.

Diagnostic processes such as these clearly call upon the data-gathering component of the action research aspects of the OD model and the feedback of the results for discussion and verification by those concerned with, and involved in, the subsequent change. As mentioned earlier, in addition to data gathering about

the organization's external environment, there is also a need for an examination of one or more of the following things:

- organizational purposes and goals;
- organizational structure and culture;
- prevailing leadership approaches and styles;
- recruitment practices, career paths and opportunities;
- reward structures and practices;
- individuals' motivation and commitment to their work and organization;
- employee training and development provision;
- intra- and inter-group relationships.

The diagnostic stage forms the foundation for all the subsequent stages of the OD cycle. It is the beginning of the data collection process that will continue throughout the change process. It should provide information about the 'total system'. Data gathering, therefore, is done at the individual, group and organizational levels and should include those things that form barriers to organizational performance as well as those that contribute to organizational success. Table 8.1 provides a comparison of different methods of data collection. The data collected, particularly from carrying out interviews, making observations and engaging in other unobtrusive

Table 8.1 Comparison of different methods of data collection

<i>Method</i>	<i>Major advantages</i>	<i>Potential problems</i>
Questionnaires	<ol style="list-style-type: none"> 1 Responses can be quantified and easily summarized 2 Easy to use with large samples 3 Relatively inexpensive 4 Can obtain a large volume of data 	<ol style="list-style-type: none"> 1 No empathy 2 Predetermined questions/missing issues 3 Over-interpretation of data 4 Response bias
Interviews	<ol style="list-style-type: none"> 1 Adaptive – allow data collection on a range of possible subjects 2 Source of 'rich' data 3 Empathic 4 Process of interviewing can build rapport 	<ol style="list-style-type: none"> 1 Expense 2 Bias in interviewer responses 3 Coding and interpretation difficulties 4 Self-report bias
Observations	<ol style="list-style-type: none"> 1 Collect data on behaviour, rather than reports of behaviour 2 Real time, not retrospective 3 Adaptive 	<ol style="list-style-type: none"> 1 Coding and interpretation difficulties 2 Sampling inconsistencies 3 Observer bias and questionable reliability 4 Expense
Unobtrusive measures	<ol style="list-style-type: none"> 1 Non-reactive – no response bias 2 High face validity 3 Easily quantified 	<ol style="list-style-type: none"> 1 Access and retrieval difficulties 2 Validity concerns 3 Coding and interpretation difficulties

Source: Nadler, D. (1977), Feedback and Organization Development: Using Data-Based Methods, Reading, Mass: Addison Wesley, pp. 156–8. Reprinted in Cummings and Worley (2009, p. 159) by permission – Pearson Education, Inc., Englewood Cliffs, NJ.

methods of data collection, can be put together in a ‘rich picture’ (see Checkland’s (1981) and Checkland and Poulter’s (2006) descriptions of soft systems). This can be constructed by the change leader or change agent but, as importantly, should also include those involved in the change. Rich pictures are particularly useful in gaining an understanding of a complex system from the viewpoints of the people involved in the change situation. They are helpful in identifying issues regarding how people *think, feel* and *what they do* in terms of the *tasks* they perform, their *ways of working* and the *relationships* they have with each other.

The director of the college referred to in Illustration 8.1 worked with her staff to create a rich picture of the college systems and the staff’s fears and hopes as the change began. The picture was displayed in the staff room and various members of staff added to it and changed it as the change process evolved. New rich pictures emerged along this process. These pictures acted as powerful tools to depict scenarios that would have been difficult to put into words. Many of the illustrations and activities in the chapters in Part Two are useful diagnostic tools for use at this stage in the change process.

This is also depicted in Figure 8.3 as a rich picture. From looking at the rich picture, it can be seen that far more can be displayed than is evident in the account. However, this picture is a single person’s first reaction to the situation they found themselves in. Rich pictures are typically drawn by more than one person in change contexts and, from these, a composite picture will emerge.

A more self-explanatory rich picture is that shown in Figure 8.3. This rich picture was the result of a group of people working together to depict how they perceived their situation at the start of a process of change.



Activity 8.1

Go back to Part Two of the text and, in conjunction with the data methods in Table 8.1, list those illustrations and activities you think might be useful for the process of carrying out a diagnosis of the current state of your organization, or one with which you are familiar. On the basis of what you know about your place of work or one familiar to you, and if necessary in consultation with others, attempt to construct a rich picture. If this is not possible, imagine you are one of the sales staff at the Hardwater Mineral Water Company Ltd and use the account in Illustration 8.2 to construct a rich picture from their point of view.

It is clear that data collection and analysis are crucial to this stage in the OD process. It is important to note, however, the necessity for giving feedback on the findings to those from whom the data came, for further discussion and verification – a process particularly important in the case of data gained from the administration of questionnaires and through observation, where there is little interaction between questioner and questioned. This feedback process also serves the purpose of developing a vision

for change – that is, of where the organization wants to be in the future. Illustration 8.2 describes the techniques of data collection and feedback used by the director of the Regional College as she carried out the diagnostic phase of the change with her staff.

Illustration 8.2

Diagnosing the situation facing the Regional College of Psychiatric Nursing

In order to diagnose the situation facing the Regional College, the director undertook a series of exercises with her staff. First, she met with her four departmental heads (who, with the director, formed the School Committee) to analyze the external context for the change. Second, she used the concepts of ‘difficulties’ and ‘messes’ to identify those issues (difficulties) that were more easily managed and those (messes) that would be more problematical both for themselves and particularly for the other staff members. A month later, she called together all the 20 members of staff for a team day. She showed and discussed with them the results of the PEST analysis and shared and received their perceptions of the implications of the ‘mess’ they faced. In particular, the staff agreed that they faced a situation that had: ‘serious and worrying implications for all concerned’ (see Chapter 2, Illustration 2.12). Most importantly, she was able to agree with the staff that the nature of change is sometimes perceived subjectively as being more ‘frightening’ than it is in reality.

Two months after she started the diagnostic stage, the director brought her heads of department together to take part in an exercise similar to constructing a ‘rich picture’, except this exercise used objects that could be arranged and rearranged to depict, in a three-dimensional way, what the group thought and felt about the problems and issues in which they were and would be involved.

The fact that the objects could be picked up and moved about allowed the group participants to change their representations and those of others and build on each other’s ideas. In addition to these meetings and group exercises, the director carried out one-to-one interviews with members of staff. She also had the results of an official questionnaire showing the staff’s and students’ perception of the learning climate and the strategy and leadership of the College.

The diagnostic stage of this first cycle in Regional College’s change process ended with a meeting of the director and heads of departments to carry out a SWOT analysis (see Johnson, Scholes and Whittington, 2008) – that is, an exploration of the organization’s internal environment for strengths and weaknesses and external environment for opportunities and threats. This process took account of the results of the meetings, exercises, interviews and results of the questionnaire.

As the zigzagged arrow in Figure 8.2 shows (between the diagnosis and developing the vision stages), during these three months the vision for the college of becoming a postgraduate institution was accepted, even though, as the director’s reflections on this process show, ‘the workload at the moment seems almost insurmountable’.

Source: Used by permission from Esther Warnett. Grateful thanks go to Esther Warnett of the Berufsschule für Pflege, Switzerland for allowing us to draw on her experiences while researching and preparing her Open University Doctorate in Education thesis.

Stage 1b: Develop a vision for change

An organization’s sense of what needs to change comes out of the process of organizational diagnosis and creative thinking. However, as we have already seen, this does not happen only when the diagnosis is complete. As the diagnosis proceeds, and problem and success areas emerge, theories of what should be changed begin to form. These, in turn, bring demands for new information that will eventually move the process towards some definition of what the future should look like.

One way of looking at this stage of activity is to perceive it as a *creative* phase, in the sense that ‘something or some process that is new’ is being looked for. This might imply a different strategy in terms of products, services or markets. It might also imply a change in structure and culture, including the way people are managed and led. Flood and Jackson (1991) and Morgan (2006) suggest the use of metaphors for organizing structures, to help people think about their organizations. The examples given are: organizations as machines, organisms, brains, cultures, teams, coalitions, prisons, instruments of domination and organizations in flux and transformation. Thus, Stage 1a would be concerned with identifying which metaphor best matched the current organization and Stage 1b would identify a metaphor to which its members might aspire. One implication, of course, is that the aspired-to metaphor would likely require a change to the underlying values of the organization.

Cummings and Worley (2015, p. 184) said that:

The vision describes the core values and purpose that guide the organization as well as an envisioned future towards which a change is directed. It provides a valued direction for designing, implementing and assessing organizational changes. The vision can also energize commitment to change by providing members with a common goal and a compelling rationale for why change is necessary and worth the effort.

Rather more picturesquely, Burnside (1991, p. 193) said:

A vision can be described as a living picture of a future, desirable state. It is living because it exists in the thoughts and actions of people, not just in a written document. It is a picture because it is composed not of abstractions but of images.

On the concept of ‘images’, Burnside quotes Lievegoed (1983, p. 75) as saying: ‘Images are more meaningful than abstract definitions. Images always have a thought content, an emotional value, and a moral symbolic value’; and he goes on to say: ‘A vision is thus integrative because it brings these dimensions together.’ According to Burnside, there are two main aspects to visions: the strategic picture, which he calls the ‘head’ side; and the relational picture, which he calls the ‘heart’ side. Illustration 8.3 refers to a company that, when it was created, conformed closely to these ideas.

Illustration 8.3

The Body Shop’s values

In 1976, reflecting the principles and vision of its main creator, Anita Roddick (now deceased), the first Body Shop (a retailer of skin care and fragrance products) was opened. From this small beginning, the company grew to its present size (as a manufacturer as well as retailer) of over 2,500 stores in over 60 markets worldwide.

The website (www.thebodyshop.com) sets out the company’s values, which include: ‘*activate*

self-esteem’; ‘*against animal testing*’; ‘*protect our planet*’; ‘*support community trade*’; and ‘*defend human rights*’. The Body Shop Foundation gives financial support to organizations (frequently in developing countries), working in areas of human and civil rights and environmental and animal protection, that otherwise have little hope of conventional funding.

Based on: The Body Shop, www.thebodyshop.com



Activity 8.2

Have a look at The Body Shop website, which elaborates on the following list of values, and consider how far you think these values meet the definitions of a vision, as given previously?

The Body Shop's values:

- against animal testing;
- support community fair trade;
- activate self-esteem;
- defend human rights;
- protect the planet;
- ethical trade;
- The Body Shop Foundation.

This example of employee involvement in the development of an organization's vision underlines the close linking of Stages 1a and 1b and their combined outputs in identifying an organization's present and desired states in terms of two aspects of its functioning. These outputs are: first, the gap that represents the difference between an organization's current strategy and goals and those to which it must aspire in order to respond to the forces and circumstances of changing internal and external environments; second, the gap between what Benjamin and Mabey (1993, p. 182) call: 'the core values as they are related internally to the ethos of the organization'.

Stage 2: Gain commitment to the vision and the need for change

It is at this second stage of the OD process that feedback from the results of Stages 1a and 1b is most important. Unless those concerned and involved with the change have been consulted and have participated in the process to this point, there will be little incentive for them to 'buy into' the new vision and the change process that will follow it.

This stage is akin to the 'conversion layer' in Buchanan and McCalman's (1989) model of perpetual transition management – the one that follows the trigger and vision layers that were mentioned earlier. However, gaining recruits for the change is not easy, as Pugh's (1993) four principles for understanding the process of organizational change show (see Illustration 8.4 and Activity 8.3). These principles, in turn, draw attention to the need for managers to use many different and interacting ways to gain the commitment and involvement of all concerned in the change programme.

Pugh's four principles draw attention to the need for not just two-way but many-way communication as part of the process of gaining commitment to the vision and the need for change. This is one of the reasons why most descriptions of OD-type models of change emphasize the importance of managing resistance through discussion, negotiation and active participation of those likely to have to make the

changes. Established work groups and teams become particularly important at this stage, as is evidenced by French and Bell's (1999, p. 155) statement that:

Collaborative management of the work team culture is a fundamental emphasis of organization development programmes. This reflects the assumption that in today's organizations much of the work is accomplished directly or indirectly through teams. This also reflects the assumption that the work team culture exerts a significant influence on the individual's behaviour ... Teams and work groups are thus considered to be fundamental units of organizations and also key leverage points for improving the functioning of the organization.

Illustration 8.4

Pugh's principles and rules for understanding and managing organizational change

Principle 1: Organizations are organisms

This means the organization is not a machine and change must be approached carefully, with the implications for various groupings thought out. Participants need to be persuaded of the need for change and be given time to 'digest' the changes after implementation.

Principle 2: Organizations are occupational and political systems as well as rational resource-allocation ones

This means that thought must be given to how changes affect people's jobs, career prospects, motivation and so on. It also means paying attention to how change will affect people's status, power and the prestige of different groups.

Principle 3: All members of an organization operate simultaneously in the rational, occupational and political systems

This means that all types of arguments for change must be taken seriously. It is not sufficient merely to explain different points of view. Rational arguments for change are as important as those that involve changes in occupational and political systems.

Principle 4: Change is most likely to be acceptable with people who are successful and have confidence in their ability and the motivation to change

This means ensuring an appropriate place (or set of people) from which to start the change and to ensure the methods used are relevant to those who are 'first in line' in accepting the change.

Source: Based on Pugh, D.S. (1993), 'Understanding and managing change', in Mabey, C. and Mayon-White, B. (eds), *Managing Change* (2nd edn), London: PCP, pp. 109–10.



Activity 8.3

Identify a major change in an organization with which you are familiar – preferably one in which you have been involved.

Consider each of Pugh's principles and make notes regarding the following in terms of gaining people's commitment to the need for a new vision and associated change:

Principle 1

- Were the implications for different groupings thought out?
- What (if any) methods were used to persuade people of the need for change?





Principle 2

- Was thought given to how the changes might impact on people's:
 - *positions and prospects?*
 - *status?*
 - *power?*

Principle 3

- Were the comments (supportive or otherwise) of different people and groups taken seriously and acted upon?

Principle 4

- How much effort was made to increase people's confidence in the new vision?
- How much effort was made to identify those people and groups who were most likely to 'spearhead' the change?

Consequently, the process of gaining commitment to change must include working at the group level of the organization and recognizing the strength of influence of both formal and informal group leaders. In addition, it is more efficient of time and effort to communicate with individuals as groups than with them solely as individuals – even though this should not be the only means of communicating with them. It is not, however, sufficient merely to inform people of the vision and the necessity for change. This is because visions for change are rarely so clearly structured that information from all levels of the organization can be ignored. As Smith (1995, p. 19), writing on the realities of involvement in managing change, says: 'No top manager can know at the outset [of any change] exactly what needs doing, what information is needed, or where it is located.'

Jones (1994, p. 49), in his aptly named paper entitled 'Which lever do I pull now?', talks of 'listening to the organization'. Reporting research with top management on the reasons why large-scale programmes of change often fail, Smith (1995) says that nearly all the managers interviewed reported on how much they had underestimated the importance of communication. However, as Jones says, this is not simply a question of senior management shouting louder from the top. This will not identify and bring to the surface the doubts that people have and their fears of what change might mean for them. Neither will it bring to the surface any problems with implementing the vision that top management may not be able to see for themselves.

Instead of relying on one-way communication from top management, the action research cycle of collecting and analyzing data and feeding back the results should be maintained here, as in the previous stages, to avoid widespread alienation of the workforce from the need to change and the vision to which it relates. Lloyd and Feigen (1997, p. 37) neatly summarize the dangers of not doing this when they say: 'Vision statements only work when the needs of those at the bottom of the

organization are integrated upwards with the needs of the market.’ Accomplishing this means being sensitive, not only to people’s worries about the way tasks and structures may be affected by the change, but also to what Mabey and Pugh (1995, p. 36) term the ‘emotional readiness for change, the quality of existing relationships and the latent commitment to new ways of working’. Otherwise, any plan for action has little chance of being successfully implemented.

Stage 3: Develop an action plan

The development of an action plan can be thought of as beginning the phase of managing the transition from an organization’s current state to its desired future state, as shown by the ‘journey to the future’ zigzag in Figure 8.2. It also continues the process of gaining commitment to the vision, but with a somewhat changed emphasis on *how* that vision can come about.

A number of issues are important in this stage of the OD process. One is the issue of *who* is to guide the planning and, later, the implementation of the change. Another is the issue of precisely *what* needs to change to achieve the vision, while a third is *where* any intervention should take place. The following explores these issues in more detail.

The role of a change agent

The success of using an OD approach to facilitate change rests on the qualities and capabilities of those who act as the facilitators of change. Moving organizations from current to future changed states is not easy and requires knowledge and skills that some managers might not possess. In addition, many managers and other employees are often so close to the day-to-day issues and problems of managing that they find it difficult to stand back from the current situation of *managing* to take on the role of change agent as well. For these and other reasons, such as the need for managers, themselves, to learn how to manage change, many writers on change advise that a change agent who is external to the organization is necessary. However, the change agent as facilitator of change does not necessarily have to be from outside the organization, as the director of the Regional College of Psychiatric Nursing (see Illustrations 8.1 and 8.3) demonstrates. She was the director of the organization and the change it had to make, as well as the change agent within an OD process. Coghlan and Brannick (2014) discuss the issues involved in a single person occupying dual organizational and change agent roles. They discuss how internal change agents’ existing relationships with others will alter alongside changes in the agents themselves. While Figure 8.3 does not explicitly demonstrate the role of reflection in each stage of the process, both external and internal change agents should keep a reflective diary that records their thoughts and emotions as well as actions proposed during the change cycles.

Apart from engaging an external change agent or using an internal change agent, it is not unusual to involve someone from another part of the organization (not the one that is the focus of the change). Indeed, some large organizations have

departments or divisions that are specifically set up to act as OD consultants to the rest of the organization. What should also be borne in mind is that all the skills and competencies required of a change agent might not reside in one individual. It might, therefore, be preferable to use more than one person or, in the case of large-scale change, a whole team of people.

Buchanan and Boddy (1992) give a helpful list of the competencies of effective change agents, based on research on how managers deal with change (see Illustration 8.5), which is reminiscent of the characteristics of 'transformational' leaders (see Chapter 6). However, this list must be considered in the context of how it came about. The evidence for constructing the list came mainly from questioning project managers – that is, *internal* change agents who were concerned with changes in their own project areas. Perhaps, because of this, it emphasizes more the *content* of the change and how to get ideas accepted, rather than the *process* skills of consultation and participation that form an essential part of the facilitation role. In this respect it can be compared with Paton and McCalman's list of the roles taken on by effective change agents (Paton and McCalman, 2008, p. 232):

- 1 To help the organization define the problem by asking for a definition of what it is.
- 2 To help the organization examine what causes the problem and diagnose how this can be overcome.
- 3 To assist in getting the organization to offer alternative solutions.
- 4 To provide direction in the implementation of alternative solutions.
- 5 To transmit the learning process that allows the client to deal with change on an ongoing basis by itself in the future.

Illustration 8.5

Competencies of an effective change agent

Goals

- 1 Sensitivity to changes in key personnel, top management perceptions and market conditions, and to the way in which these impact the goals of the project in hand.
- 2 Clarity in specifying goals, in defining the achievable.
- 3 Flexibility in responding to changes outwith the control of the project manager, perhaps requiring major shifts in project goals and management style and risk taking.

Roles

- 4 Team-building activities, to bring together key stakeholders and establish effective working groups and to define and delegate respective responsibilities clearly.

- 5 Networking skills in establishing and maintaining appropriate contacts within and outside the organization.
- 6 Tolerance of ambiguity, to be able to function comfortably, patiently and effectively in an uncertain environment.

Communication

- 7 Communication skills to transmit effectively to colleagues and subordinates the need for changes in project goals and in individual tasks and responsibilities.
- 8 Interpersonal skills, across the range, including selection, listening, collecting appropriate information, identifying the concerns of others and managing meetings.

9 Personal enthusiasm, in expressing plans and ideas.

10 Stimulating motivation and commitment in others involved.

Negotiation

11 Selling plans and ideas to others, by creating a desirable and challenging vision of the future.

12 Negotiating with key players for resources or for changes in procedures and to resolve conflict.

Managing up

13 Political awareness, in identifying potential coalitions and in balancing conflicting goals and perceptions.

14 Influencing skills, to gain commitment to project plans and ideas from potential sceptics and resisters.

15 Helicopter perspective, to stand back from the immediate project and take a broader view of priorities.

Source: Buchanan, D. and Boddy, D. (1992), The Expertise of the Change Agent, Hemel Hempstead: Prentice Hall, pp. 92–3.

In contrast to the concept of a change agent, Kotter (1996) uses the concept of a ‘guiding coalition’ and suggests four key characteristics as being essential for it to be effective (p. 57):

- 1** *Position power*: are enough key players on board, especially the main line managers, so that those left out cannot easily block progress?
- 2** *Expertise*: are the various points of view – in terms of discipline, work experience, nationality, etc. – relevant to the task at hand adequately represented so that informed, intelligent decisions will be made?
- 3** *Credibility*: does the group have enough people with good reputations in the firm so that its pronouncements will be taken seriously by other employees?
- 4** *Leadership*: does the group include enough proven leaders to be able to drive the change process?

It is clear, however, that the guiding coalition cannot, by itself, cause widespread change to happen. What it can do is to set targets for change that, collectively, will move the organization and its members much closer to realizing the vision that was developed in Stage 1b and further refined in Stage 2. Having done this, the issue becomes: ‘*Who is to do what, with what kind of involvement by others?*’

Responsibility charting

Beckhard and Harris (1987, pp. 104–8) developed a technique called ‘responsibility charting’ that assesses the alternative behaviours for each person or persons involved in a series of actions designed to bring about change. They describe the making of a responsibility chart as follows:

Responsibility charting clarifies behaviour that is required to implement important change tasks, actions, or decisions. It helps reduce ambiguity, wasted energy, and adverse emotional reactions between individuals or groups whose interrelationship is affected by change. The basic process is as follows:

Two or more people whose roles interrelate or who manage interdependent groups formulate a list of actions, decisions, or activities that affect their relationship (such

[illegible]

Key :

R = Responsibility (not necessarily authority)

A = Approval (right to veto)

S = Support (put resources towards)

I = Inform (to be consulted before action but with no right of veto)

Figure 8.4 Example of a responsibility chart

as developing budgets, allocating resources, and deciding on the use of capital) and record the list on the vertical axis of a responsibility chart [see Figure 8.4]. They then identify the people involved in each action or decision and list these ‘actors’ on the horizontal axis of the form.

The ‘actors’ identified can include:

R = person who has the *responsibility* to initiate the action and who is charged with ensuring it is carried out.

A = whose *approval* is required or who has the power to veto the decision. This could be the responsible person's superiors.

S = who can provide *support* and resources to help the action to take place.

I = who merely needs to be *informed* or consulted but who cannot veto the action.

Certain ground rules are set out when making a responsibility chart. French and Bell (1999, pp. 172–3) summarize these as follows:

- 1 Assign responsibility to only one person. That person initiates and then is responsible and accountable for the action.
- 2 Avoid having too many people with an approval veto function on an item. That will slow down task accomplishment or will negate it altogether.
- 3 If one person has approval veto involvement on most decisions, that person could become a bottleneck for getting things done.
- 4 The support function is critical. A person with a support role has to expand resources or produce something that is then used by the person responsible for the action. This support role and its specific demands must be clarified and clearly assigned.

- 5 Finally, the assignment of functions (letters) to persons at times becomes difficult. For example, a person may want A V (approval veto) on an item, but not really need it; a person may not want S (support) responsibility on an item, but should have it; or two persons may each want R (responsibility) on a particular item, but only one can have it.

This discussion of responsibility charting illustrates the ‘chicken and egg’ nature of planning organizational change. While it is right to consider who will lead and participate in implementing change, this has to be done in conjunction with what needs to change.



Activity 8.4

Identify a change initiative in which you have been involved (or one with which you are familiar). You may find it helpful to use the example identified when completing Activity 8.3.

To give you practice in using a responsibility chart, list some of the actions associated with that change and assign the people (or ‘actors’) involved, according to their role(s).

Consider whether Beckhard and Harris’ (1987) ground rules for assigning roles were adhered to. If not, did this cause confusion of responsibilities and/or impede action?

The what and where of change

Pugh (1986) devised a matrix of possible change initiatives based on the different issues that can hamper change and the level at which they occur. Figure 8.5 is a reproduction of what has become known as the ‘Pugh OD matrix’.

The matrix can be used to help with action planning (as represented by the initiatives listed in italics) about: (a) the type of intervention required to facilitate change in line with the organization’s vision (represented by the columns); and (b) the level at which it should take place (represented by the rows). For instance, at the level of the individual, problems may be occurring because there are few opportunities for promotion from the job of factory-floor supervisor to higher levels of management, salespeople see no reason to change given their current bonus plan, and many middle managers have made their jobs to suit their own needs rather than those of the organization. Problems at the inter-group level might include the marketing and production departments arguing about the feasibility of setting up a new production line to satisfy what the marketing staff consider to be a market opportunity. Intervention is frequently required at the organizational level when an organization’s structure prevents the emergence of, let alone action upon, initiatives that could be beneficial to the organization as a whole.

	Behaviour (What is happening now?)	Structure (What is the required system?)	Context (What is the setting?)
Organizational level	General climate of poor morale, pressure, anxiety, suspicion, lack of awareness of, or response to, environmental changes <i>Survey feedback, organizational mirroring</i>	Systems goals – poorly defined or inappropriate and misunderstood; organization structure inappropriate – centralization, divisionalization or standardization; inadequacy of environmental monitoring – mechanisms <i>Change the structure</i>	Geographical setting, market pressures, labour market, physical condition, basic technology <i>Change strategy, location, physical condition, basic technology</i>
Inter-group level	Lack of effective cooperation between sub-units, conflict, excessive competition, limited war, failure to confront differences in priorities, unresolved feelings <i>Inter-group confrontation (with third-party consultant), role negotiation</i>	Lack of integrated task perspective; sub-unit optimization, required interaction difficult to achieve <i>Redefine responsibilities, change reporting relationships, improve coordination and liaison mechanism</i>	Different sub-units' values, lifestyle; physical distance <i>Reduce psychological and physical distance; exchange roles, attachments, cross-functional groups</i>
Group level	Inappropriate working relationships, atmosphere, participation, poor understanding and acceptance of goals, avoidance, inappropriate leadership style, leader not trusted, respected; leader in conflict with peers and superiors <i>Process consultation, team building</i>	Task requirements poorly defined; role relationships unclear or inappropriate; leader's role overloaded, inappropriate reporting procedures <i>Redesign work relationships (socio-technical systems), self-directed working groups</i>	Insufficient resources, poor group composition for cohesion, inadequate physical set-up, personality clashes <i>Change technology, layout, group composition</i>
Individual level	Failure to fulfil individual's needs; frustration responses; unwillingness to consider change, little chance for learning and development <i>Counselling, role analysis, career planning</i>	Poor job definition, task too easy or too difficult <i>Job restructuring/modification, redesign, enrichment, agree on key competencies</i>	Poor match of individual with job, poor selection or promotion, inadequate preparation and training, recognition and remuneration at variance with objectives <i>Personnel changes, improved selection and promotion procedures, improved training and education, bring recognition and remuneration in line with objectives</i>

Figure 8.5 The Pugh OD matrix

Source: From Course P679 'Planning and Managing Change', Block 4, Section 6. Copyright © The Open University.

Beckhard and Harris (1987, p. 73) suggest the following organizational subsystems, any of which can be considered as a starting point for change:

- *Top management*: the top of the system.
- *Management-ready systems*: those groups or organizations known to be ready for change.
- *'Hurting' systems*: a special class of ready systems in which current conditions have created acute discomfort.
- *New teams or systems*: units without a history and whose tasks require a departure from old ways of operating.
- *Staff*: subsystems that will be required to assist in the implementation of later interventions.
- *Temporary project systems*: ad hoc systems whose existence and tenure are specifically defined by the change plan.



Activity 8.5

What similarities and differences can be found between Pugh's levels of analytical focus and Beckhard and Harris' list of subsystems for intervention?

In addition to the issue of where change interventions might take place, the planning of OD interventions must also take account of the degree of change needed – that is, the scope of the change activities. In terms of Pugh's OD matrix, this means considering whether:

- (a) people's *behaviour* needs to change; and/or
- (b) the *organization's structure and systems* need to change; and/or
- (c) the *context or the setting* needs to change.

According to Mabey and Pugh (1995) some change interventions seek to focus directly on behaviour rather than make change at the system level. Often these approaches are not perceived as organization change. If system change turns out to be needed this will involve effort, resources and disruption. This requires careful thought and planning.

Mabey and Pugh go on to say that, as action moves from the left- through to the right-hand column, a greater degree of intervention and commitment is required. Consequently, they suggest starting at the left column of the matrix and moving towards the right only as it becomes necessary because of the dictates of the problem. Activity 8.6 offers an opportunity to become more familiar with the content of the matrix and how it might be used in planning change.



Activity 8.6

The best way to understand the Pugh OD matrix is to apply its different 'cells' to a real organizational example.

Choose a situation from your own experience where a need for change has been established.

Go through the matrix and note which cells are appropriate for starting interventions that will help in the change process.

If you find this too difficult to start with, look at the following list of organizational problems and activities and note in which of the Pugh matrix cell(s) you would place them:

- 1** *The accounts department who 'lived' on the top floor always seemed to be at loggerheads with the research and development team who were 'housed' in an outside annex.*
- 2** *Since the redundancies, which were mentioned wherever you went in the organization, people were moaning about the amount of work they had to do and the lack of recognition of this by senior management.*
- 3** *The staff in the post-room appeared bored with their jobs. Admittedly, the work was rather repetitious.*
- 4** *It took too long to get an answer to queries, because the boss had always to be informed.*
- 5** *The members of the project group felt abandoned and without leadership.*

As stated earlier, the process of developing an action plan for change should be done through consultation and collaboration with those who will implement the change, thus reinforcing commitment to change. Beckhard and Harris' (1987, p. 72) concept of the action plan being a 'road map' for the change effort is a useful one. In addition, they say that an effective action plan should have the following characteristics:

- *relevance*: activities are clearly linked to the change goals and priorities;
- *specificity*: activities are clearly identified rather than broadly generalized;
- *integration*: the parts are closely connected;
- *chronology*: there is a logical sequence of events;
- *adaptability*: there are contingency plans for adjusting to unexpected forces.

The last of these characteristics is particularly important. As anyone knows, it is all well and good setting out on a journey with the route well defined beforehand. However, because of the many things that exist to thwart the best-laid plans (in the case of the journey: traffic, passenger sickness, road works, accidents and so on), the plan must be flexible enough to adapt to the changing circumstances of not only *what* needs to change, but also possible changes in the transition process itself. Consequently, as Figure 8.2 shows, the development of an action plan must always be linked closely to its subsequent implementation.

Stage 4: Implement the change

Any text dealing specifically with organization development as a change methodology contains details of different techniques and methods for initiating and implementing change (see, for instance, French and Bell, 1999; Cummings and Worley, 2015). For the present purposes, the activities in italics in the Pugh OD matrix in Figure 8.5 can be used to illustrate ways of initiating organizational change. As the matrix illustrates, these relate to the different levels of analytical focus and the scope of the change activities. The following gives additional details of those activities. It should be noted, however, that although these activities are mainly concerned with the behaviour column of the matrix, it *does not mean* that they are, necessarily, any more important than the activities concerned with structure and context. They are selected for further explanation simply because they may not be as familiar as some of the others.

Survey feedback

Surveys can be used to assess the attitudes and morale of people across the organization and are used at different stages in the OD process. At the implementation stage, they are important for the effective management of the change. Feedback from surveys of those involved in the change activities helps stimulate discussion of what is working and what is not, and should result in modifications to the action plan or the way it is being implemented or, sometimes, to a reorientation of the vision.

For example, Lloyd's of London, one of the City's prestigious financial institutions, carried out an employee opinion survey on the progress of a large-scale change programme, the results of which were fed back to the staff involved for further discussion and appropriate action. Clarke, Hooper and Nicholson (1997, p. 29), writing about this, say:

The process was designed to demonstrate to people that the corporation was not just saying: 'Your views are important', but that it actually meant it. Not only was the management team prepared to listen, it would also distribute the results openly and honestly. More importantly it would act on the views expressed. Sophisticated timetabling, communications, objective setting and measurement ensured that this happened.

The survey was repeated 18 months later to identify progress on actions resulting from the first survey.

Organizational mirroring

'The organization mirror is a set of activities in which a particular organizational group, the host group, gets feedback from representatives from several other organizational groups about how it is perceived and regarded' (French and Bell, 1999, p. 186). Organizational mirroring is different from interventions at the inter-group level, being concerned with relationships between three or more groups. It is a technique that benefits from the services of a change consultant who is not connected with any of the groups involved in the process. A 'fishbowl' technique is frequently

used as part of organizational mirroring. This is where the group asking for feedback (the host group) first sits and listens to what the other group representatives have to say (without interruption). The representatives of the host group and the other groups then exchange places to allow the host group to have their say (ask for clarification, information, etc.) without interruption. Finally, the representatives of all the groups are divided into small sets to work together on problems that emerge, before coming together to devise action plans, assign people to tasks and set target dates for improvements to be completed.

The techniques of survey feedback are most frequently associated with gaining information on people's attitudes and behaviour. It should not be forgotten, however, that other types of information gathering will be just as important – for instance, with regard to progress against financial and other quantifiable measures of organizational performance.

Inter-group confrontation (with third-party assistance)

Although a technique of 'confrontation' sounds alarming, it enables two groups, which have their unique specialties, to confront organizational issues that go beyond their particular expertise. Mabey and Pugh (1995) suggest that an exercise such as this might require a day or so away from distractions and be helped by a 'neutral' facilitator. The objective is to help the members of the two groups increase their awareness of the importance of each other's activities to the overall organizational performance and thus reduce a sense of 'them and us'.

French and Bell, and Mabey and Pugh, suggest a process where each group is asked to produce two lists. The first is the complaints 'we' have against 'them'. The second is the complaints that 'we' think 'they' would have about 'us'. Lists are then shared between the two groups. According to Mabey and Pugh, two characteristics usually emerge. First, some of the complaints can be dissolved fairly quickly, being the result of simple misunderstandings or lack of communication. Second, the lists of both groups show a surprising degree of congruency; in other words 'we' know what they think about 'us' and 'they' know what we think about 'them'. The lists form the basis for further discussion and exploration of how conflict can be resolved, and more positive working relationships established. Reference back to Illustration 5.9, in Chapter 5, which lists explanations of the different types of conflict, might help with the process of inter-group confrontation.

Role negotiation

Role negotiation is a technique developed by Harrison (1972). Basically, it involves individuals or groups negotiating to 'contract' to change their behaviour on a quid pro quo basis. In general, it requires the help of a facilitator, and (typically) during a day's workshop session, each set of participants is asked to say what they want the others to *do more of*, *do less of* or *maintain unchanged*. A follow-up meeting a month or so later assesses progress and, if necessary, renews or sets up new contracts. It is important to note that this *does not* involve probing people's likes and dislikes about each other. It concentrates solely on the roles they play and their behaviour as part of these.

Process consultation

Schein (1998) regards process consultation (PC) as a central part of organizational development. According to French and Bell (1999, p. 164): 'The crux of this approach is that a skilled third party (consultant) works with individuals and groups to help them learn about human and social processes and learn to solve problems that stem from process events.' The kinds of interventions that are part of process consultation are: agenda setting; feedback of observational data; coaching and counselling of individuals and suggestions about group membership; communication and interaction patterns; and allocation of work, responsibilities and lines of authority. French and Bell say (p. 163):

The process consultation model is similar to team-building interventions and inter-group team-building interventions except that in PC greater emphasis is placed on diagnosing and understanding process events. Furthermore there is more emphasis on the consultant being more nondirective and questioning as he or she gets the groups to solve their own problems.

French and Bell imply, in this discussion, that the consultant is someone external to the organization. This process, however, is also essential for internal change agents, with the recognition that greater effort might be needed in order to undertake 'non-directive questioning'.

Team building

Team building is an essential part of the OD process. Individuals working together do so in many different ways – not all of which contribute to team effectiveness. Consequently, issues such as the overall size of the team, the characteristics of its members, the focus and direction of the team and its role within the organization are important. In situations of change, any or all of these factors might also need to change. Team-changing and team-building techniques can help in this.

Team-building techniques can be used for established, long-term groups as well as for special, shorter-term project groups. Processes included in team building are:

- (a) diagnosis of the task together with individuals' and group needs;
- (b) diagnosis and negotiation of roles;
- (c) responsibility charting;
- (d) understanding and managing group processes and culture.

Usually, a change agent or independent consultant/facilitator is used to help in team building.

Life and career planning

There are a number of exercises that can help in career planning, which is part of life planning. One is to draw a lifeline representing the past, present and future. Past events are positioned according to important things that have happened in life, including things done well and things done not so well – 'ups' as well as 'downs'.

Future desired events are also recorded on the line, and some indication is given of intended time of achievement. Another exercise is to write one's obituary as if death were to occur now, and then again as if death were some years in the future. This exercise is intended to give some idea of what is hoped for in the near and far future. The use of a life coach or mentor can be helpful in the application of these techniques.



Activity 8.7

Think back to the change that you identified for Activity 8.4. Which of the techniques (at any level or scope) in Pugh's OD matrix were used as the change was implemented? Were they appropriate?

The role of short-term wins

Implementing change that will ultimately transform an organization is a *long-term process* and it is understandable if commitment to the vision becomes somewhat weakened on the way. Consequently, the achievement of 'short-term wins' (Kotter, 1996) is important, both as a motivating factor and as a mechanism for tracking the progress towards the longer-term goals. However, Kotter (1996, p. 123) goes further than this in identifying six ways in which short-term wins can help organizational transformations. These are:

- Provide evidence that sacrifices are worth it: wins greatly help justify the short-term costs involved.
- Reward change agents with a pat on the back: after a lot of hard work, positive feedback builds morale and motivation.
- Help fine-tune vision and strategies: short-term wins give the guiding coalition concrete data on the viability of their ideas.
- Undermine cynics and self-serving resisters: clear improvements in performance make it difficult for people to block needed change.
- Keep bosses on board: provides those higher in the hierarchy with evidence that the transformation is on track.
- Build momentum: turns neutrals into supporters, reluctant supporters into active helpers, etc.

Short-term wins do not, however, happen automatically as part of the change process. They have to be planned *deliberately* so that they become much more probabilities than possibilities. According to Kotter (pp. 121–2), a short-term win has three characteristics:

- 1 It is visible: large numbers of people can see for themselves whether the result is real or just hype.
- 2 It is unambiguous: there can be little argument over the call.
- 3 It is clearly related to the change effort.

An example of a short-term win is when a company reduces delivery time on one of its main products by a predetermined percentage in a predetermined time; or when the number of customer complaints reduces by, say, 50 per cent during the first half of the year; or when the jobs of a group of employees become easier to do because they are getting more relevant information in a more timely way. Short-term wins are not targets, such as 'We expect to increase our sales in the next couple of months'. Neither is the fact that two previously sworn enemies are now talking pleasantly to each other a short-term win, unless the outcome is some further improvement in morale and organizational performance.

The setting and assessment of short-term wins links the implementation stage of the OD process to the more all-embracing assessment of the organization's progress towards its vision and the continuing reinforcement of the change process itself.

Stage 5: Assess and reinforce the change

Assessing change

In organizational situations of hard complexity, it is relatively easy to assess the extent to which change has been achieved. The setting of 'hard' objectives and quantifiable performance measures makes this a more straightforward process. However, in the softer, more 'messy' situations where change methodologies of the OD type tend to be used, change is an evolving process concerned not only with changes in quantifiable performance objectives, but more frequently with changes in attitudes, behaviours and cultural norms, where measurement is bound to be less precise. Even so, measurement of these things is possible. It is also desirable in terms of its role in providing positive feedback that the change process is 'working' and in testing how far the organization has moved towards achievement of its vision.

A number of ways are available for measuring the softer issues associated with change:

- 1 *A survey or cultural audit*, which can potentially cover all staff. Its results can be quantified and quickly disseminated. The audit can be done at regular intervals to provide repeated snapshot measures of an organization's progress towards its change objectives. The Nationwide Building Society is an example of an organization that uses such a system as part of its commitment to continuous improvement.
- 2 *Interviews with individuals or focus groups*, which allow the collection of more qualitative, in-depth information. An example of testing what a company's vision and values statement meant to staff was the exercise carried out by The Body Shop just after a public challenge to its integrity regarding its stance of being socially responsible in its policies and practices. The Body Shop called it 'gazing into the mirror'. It consisted of 44 meetings, each with 20 different staff and managers from all parts of the organization. All the meetings were attended by a board member and a moderator, who later summarized the discussions to produce a report of the main themes arising and subsequent recommendations for action.
- 3 *An examination of turnover and absenteeism rates* as an indication of general morale and well-being.

- 4 *An analysis (through observation or questionnaire) of group performance* in terms of task achievement, but also in terms of the quality of meetings (including number of meetings and length) and leader performance.
- 5 *'Re-picturing the organization'* – that is, asking staff to re-draw any rich pictures that they might have produced at Stages (1a)/(1b) of the OD process (see Figure 8.2). Re-picturing might also include the use of metaphors in line with those suggested by Morgan (2006) (see Stage 1b earlier in this chapter). In contrast to the pictures and metaphors that depict the pre-change situation, the rich pictures that are drawn at this stage in the change process should relate more closely to the change vision. If this proves to be so, then management can have some confidence that the change has been successful in respect of how employees feel about it.

Reinforcing and consolidating change

Farquhar, Evans and Tawadey (1989, p. 49) noted that:

A real danger in the process of organizational change is the failure to carry it through sufficiently far. Companies may be tempted to relax when the immediate crisis recedes while they still have not addressed the deeper organizational problems which generated the crisis.

The lesson from this is that the new order resulting from any change needs to be institutionalized. Mabey and Pugh (1995) argue that individuals ought to be held personally accountable for change initiatives and appropriate strategies need to be in place to monitor outcomes and to reward people for progress where relevant. Not least this will demonstrate how seriously the organization considers the changes it has planned.

It is pointless expecting people's behaviour to change if this is not reinforced by concomitant changes in personnel policies and practices, including appraisal, career development and reward systems. In addition, staff training and development needs to reorient itself to the needs of the new vision and the changes that help guide its attainment. According to Farquhar *et al.* (1989), this is particularly important with regard to middle managers. While change can happen fast at the top (often through bringing in new people), and be accepted at the lower levels of an organization (particularly if the rewards for change are clear), middle managers, who perform the bridging function between the two, may be slower to accept new cultures, policies and practices. Yet it is middle management that must make change work. They must therefore be given the new skills they will need – particularly when structures and cultures are expected to change.

More generally, the action research model of data collection, data analysis and feedback for action is just as important at this stage of OD as at any other. Any change programme is stressful, but if employees continue to *own* change, this stress will become not negative stress but, rather, positive pressure to accept that change can be the norm, with the adoption of innovative, change-oriented behaviour.

An assessment of the OD model for change

The model of OD presented here departs to some extent from early OD models that emphasized mainly the attitudinal and behavioural aspects of organizational life and gave insufficient attention to aspects such as strategy, structure, technology and, in particular, the needs of customers or clients, let alone shareholders, and the financial environment within which most organizations operate. Not only has it drawn from these earlier models, but it has used elements of other, more directive change models, such as Kotter's (1996, Part 2) eight-stage change process and Paton and McCalman's (2008, p. 12) reproduction of Buchanan and McCalman's (1989) model of perpetual transition management.

Even so, organization development as a philosophy and a process can be critiqued according to a number of criticisms. The following are examples.

OD does not always face up to harsh realities of change

Almost all models of change include, in one form or another, the underlying concept of unfreezing. From an OD point of view, this would be achieved through a typical action research process of data collection, analysis and feedback as part of a participatory process of education for change. Yet authors such as Clarke (1994) and Johnson (1990) describe this process of unfreezing in much harsher terms.

Clarke (pp. 147–8) talks of 'speeding up the unfreezing process' through *destabilizing* people to detach them from the old order. She quotes the example of Centraal Beheer, an insurance company in the Netherlands, 'creating an anxiety greater than the risk of doing something different'. She goes on to say (p. 149): 'Pent-up anger and discontent are the motivators for change; no significant change is possible without them.' Clarke talks the language of crisis and even of engineering a crisis in order to speed up the unfreezing process.

Johnson (p. 190) goes further than Clarke with his talk of 'symbolic acts of questioning or destruction' to start the unfreezing process. He gives examples of John de Lorean trying to change his division of General Motors by promulgating stories to ridicule the dominant culture, and of Lee Iacocca firing 33 out of 35 vice-presidents within three years of taking over at Chrysler. Johnson continues this line of thinking by saying (p. 190): 'As conflict and debate grows, managers may actually foster it by symbolic acts of conflict, destruction and degradation.'

However, care must be taken that crisis is not seen merely as a threat and, as Ferlie and Bennett (1993) point out, that paradoxically it reduces energy, creativity and flexibility. From an OD point of view, crisis would be seen as an opportunity that, in Ferlie and Bennett's (p. 270) words:

forces awkward issues up the agendas [when] we are likely to see continuing pressure from pioneers, the formation of special groups who evangelize the rest of the organization, high energy and commitment levels, and a period of organizational plasticity in which anything seems plausible.

Alternatively, as Farquhar *et al.* (1989, p. 37) point out: ‘Not all companies see crisis as a prerequisite for major organizational change.’ Triggers for change could come from the aspirations of top management, perhaps through anxiety about an uncertain future including a downturn in results or fear for their own positions. Monitoring the internal and external organizational environments on a regular basis can detect potential crises in their early and most treatable phases. What needs to be recognized is that change without crisis is most frequently incremental, and time is needed to build the momentum for larger-scale, more radical change.

OD is limited when change situations are ‘constrained’

OD has been promoted as a change model for coping with situations of soft complexity, where goals and also the means of achieving them are unclear. However, there are situations that have many of the characteristics of soft complexity yet are constrained in the sense that the goals are predetermined and the means of achieving them are to some extent set. In other words, change is dictated by top management or the precise requirements of some part of the organization’s external environment. For instance, health care is proscribed by the need to safeguard the public against malpractice and legislation regarding the use of treatments and drugs. Setting up a new doctor’s practice must adhere to many different forms of regulatory requirement. Franchisees must often run their businesses according to the dictates of the franchiser.

It may be, of course, that when change is desirable, a hard systems model of change is most appropriate. However, ‘dictated’ or ‘forced-choice’ change is likely to bring resistance from those who must implement it. Therefore, although the earlier stages of the OD model may not be applicable, there is still the requirement to develop an action plan, and implement, assess and reinforce change. In addition, gaining commitment to and participation in this part of the change process by those who must make the change is of the utmost importance. Consequently, even in highly constrained situations of change, implementation must be as collaboratively executed as in any other OD process.

OD requires ‘out of the ordinary’ leadership

Over many years of teaching MBA students and asking them to identify what leadership style they use or aspire to use, transformational leadership (see Chapter 6) is the one that gets named most often. Very few said they aspired to be authoritative, coercive or directive. However, the culture of many organizations makes it difficult to involve others continuously while trying to manage medium- and large-scale change. Some leaders do not have the attitude or persistence that prepares them for the ‘long haul’ of frame-breaking change. Couple this with what Coghlan and Branick (2014) term *denial* that change is required or relevant, and *dodging*, which is an effort to divert the change, then an argument could be made that a more directive style of leadership is needed.

In her account of leading the change in the Regional College of Psychiatric Nursing, the director comments that her original plan to be a distributive leader (see Chapter 6) had to be reassessed as her staff went through a period of resistance to what they envisaged happening to their roles and identities. Leading change is itself a complex process, and the skill is not always to be a transformational leader but to know when to use one style of leadership compared to another.

OD fits uneasily with the structures and culture in the public sector

In general, organic organizational structures (see Chapter 3) rather than mechanistic ones are more suited to organizations embracing an OD model of change. Consequently, the application of OD in organizations with multi-level accountability and reporting relationships can be a problem. Coupled with this is the added pressure from politicians (local and national) as well as appointed officials.

However, as the public sector has moved towards market principles, OD models for change become more realistic and easier to apply. Indeed, because of the extreme complexity of these organizations and the massive changes they have to contemplate, change models that do not take account of the soft, messy situations they face have little likelihood of succeeding.

Illustration 8.6 is an extract from the Employers' Organization for Local Government website, where it makes the case for the use of OD in the context of the large-scale changes faced by institutions of local government in the United Kingdom.

Illustration 8.6

Making sense of change – saying goodbye to 'initiative fatigue'

Why should we be interested in organization development (OD)?

Councils are facing unrelenting pressure to provide better-quality services at a time when they are under unprecedented scrutiny. The introduction of the corporate governance and capacity assessment presents a further challenge, not least because it comes on top of other government initiatives, such as best value.

Change initiatives often fail because organizations try to implement a number of activities too quickly and without proper coordination or thought about the implications for people management. This leads to 'initiative fatigue', where staff become disillusioned and more resistant to change.

Many authorities are beginning to consider the importance of organization development as part of preparing for e-government. So far, there has generally been more emphasis on ICT, systems and the use of technical experts, yet more than 50 per cent of ICT projects fail because of cultural or organizational problems. e-Government will demand support at the top from people with organizational development expertise who can help to plan and implement ICT and related changes strategically throughout the local authority.

During recent years, organization development has re-emerged as a key element in the strategic management of change, providing a focus for the cultural and organizational change needed for



Illustration 8.6 continued

continuous improvement – aligning systems, culture and activities to the achievement of organizational goals. It enables better use of financial, human and technological resources, fosters a greater sense of organizational purpose and is therefore more likely to deliver the required performance improvement.

What sorts of activities are integral to organization development?

These include linking OD with council objectives, finding and developing staff with the right skills to help champion OD throughout the organization and encouraging wide participation and ownership of the continuous improvement process among staff and elected members. Building-in this perspective at the beginning will mean that changes are grounded and sustainable, with people management considerations integrated into the process.

Where is organization development located within local authorities?

In principle, OD can be located anywhere in an authority structure, though recent research shows

that where posts are located within the chief executives' department there is closer liaison and a more flexible organizational response to wide-ranging demands. But wherever the function is located, there is a wide range of behaviours, skills and knowledge that will be needed across the organization.

Taking it forward – what's next for you?

- Have you got commitment and involvement at the top of the organization?
- Is there someone in your organization who is coordinating OD activities?
- Have you got a 'map' of the OD activities happening in your organization?

Source: This is an extract from the Local Government Employer's Organization website that appeared in 2006. The site address is no longer available. However, the sentiments expressed appear to be relevant to organizations in the public sector now.

More recently, Parkes (2008, p. 44), director of HR and OD at Croydon Council, discussed how the council's human resources OD consultancy team brought about change to reduce sickness levels across the council workforce. Parkes notes that what was then a newly formed team learned a number of lessons for the future. These included:

- make sure you have a strong leadership from the top;
- involve managers in setting the policy – don't just impose it upon them;
- be consistent in your approach right across the organization;
- train everyone you need to in what is expected from them;
- deliver accurate, timely communications so people understand what you are trying to achieve;
- stick at it and don't give up.

A further example of the issues concerned with change in the public sector is discussed by Crawford, Costello, Pollack and Bentley (2003).

OD does not 'work' in all cultures

This chapter and Chapter 7 have described at least three ways of designing and implementing organizational change and ways of dealing with resistance and conflict have been addressed. What must be recognized, however, is the predominantly Western bias of much that is written about organizations and change. Consequently,

not all change methods and techniques are transportable across national boundaries, or even to different ethnic groupings within single countries (Adler, 2007; Jaeger, 1986). This is particularly the case with the range of techniques associated with OD as a philosophy and a methodology for bringing about change.

In an extensive discussion of organizational development and national culture, Jaeger linked typical OD values with each of Hofstede's (1980) dimensions of culture and concluded that they have a low correspondence with high power distance, high uncertainty avoidance, high masculinity and moderate individualism. Consequently, some OD-type interventions will struggle to be accepted in societies that score highly on these dimensions.

For instance, although Jack's article 'Caste in stone', with his comment, 'challenge French corporate at your peril', was written in 1997, it appears still to be current. The Expatica website (Expatica, 2019), a website for people working abroad, says: 'In France both business and political life are characterized by a strong hierarchical structure in large companies. Positions and the corresponding power are clearly defined. And when dealing with the French, you should stick to formal etiquette.' Compared to France, doing business in India is more relaxed, time keeping more variable and discussions at meetings allowed to go off track. Even so, it is important to observe protocol regarding hierarchy and to treat superiors with respect.

In spite of national cultural differences, many large multinational organizations employ similar strategies, operations and staffing policies regardless of where in the world they do business. Other organizations might want to take advantage of the knowledge and experience of people from the localities. Whichever stance is taken, Cummings and Worley's (2015) extensive discussion of the application of OD in different parts of the world demonstrates how the cultural context in which organizations exist has to be considered when any change process is proposed.

Having said this, there are many OD techniques that can be used in spite of the existence of less-than-propitious attitudes and beliefs on the part of those involved. French and Bell (1999) use the concept of 'depth of intervention' to distinguish those techniques that interact mainly with the more formalized organizational systems (such as job enrichment, management by objectives, role analysis and attitude surveys) and those that go deeper into exploring the informal and more personal organizational systems – for instance, team building, encounter groups and interpersonal relationship explorations. Depth of intervention is a useful concept for deciding how 'deep' to go in the use of OD-type interventions as part of the process of change that involves people from different cultures. It is particularly relevant for those organizations that operate outside their home country environment.

Conclusions

Soft systems models for change, of which OD is a well-known example, contrast with hard systems in being able to address the issues of soft complexity inherent in 'messy' situations. Soft systems approaches to change emphasize not just the

content and control of change, but also the *process* by which change comes about. They require consideration of the cultural and political aspects of organizations as much as the structure and systems. 'Change agents' facilitating change using these approaches require influencing skills and the skills of negotiation. Because different individuals respond to their different *perceptions* of events, which will differ one from another, change agents need to understand the aspirations and feelings of those working in change situations, as well as the group processes that bind them together.

Soft systems models of change are, essentially, *planned* approaches to change. This does not mean, however, that they cannot account for unexpected and surprising events. Indeed, the requirement to iterate frequently around and across the different phases and stages of the model takes account of the probability that there will be 'changes within changes' occurring. Taken together, hard and soft systems models of change offer those working with change ways of addressing issues in their simplicity and complexity to enhance the work of organizations and the lives of those working in them.

Both approaches adopt a planned approach of course. So what is the difference? At its most basic, the assumption about soft systems approaches is that the change context is so complex and 'messy' that it means that change needs to emerge from within the organization. Linked to this is the power of engaging people in changes in which they are involved rather than imposing them. But it is not obvious why the two approaches could not be combined, save to say that this would only make sense so long as the diagnostic work is not dominated by the views and concerns of senior managers. However it is important to be realistic. For example, if you were looking at strategic change in a police service then the concerns that politicians may raise about expenditure cannot just be ignored and senior police staff will have a 'licence to operate' from politicians to the extent that those concerns are built into change programmes.

Discussion questions and assignments

- 1 Debate the pros and cons of using external change agents compared to internal ones.
- 2 Compare and contrast the HSMC and OD approaches to change. Give examples of types of change situations where each may be appropriate.
- 3 To what extent do you consider Lewin's three-phase model is appropriate for today's organizations?
- 4 Draw a rich picture of life as experienced by you in your organization.
- 5 If your manager is looking for a 'quick fix' to manage a change process, how might you justify using an OD approach to change?

Case example ●●●

Implementing a new patient information system at a major teaching hospital trust

Technological developments and increasing demand on the current ageing computerized patient administration system at a large teaching hospital trust led to the decision to implement a change project to replace the existing system with a newer, up-to-date system and roll it out throughout all departments within the trust.

The information technology (IT) department was given the responsibility for the project, and allowed to select the members of the project team that was formed. This consisted primarily of internal and external (from the software supplier) IT experts, with the inclusion of planning, contracting and finance staff. Other departments (such as training) were delegated specific tasks but were not included in the project team.

The project team began by conducting a review of the current system and a scoping exercise for the new system. Of particular importance was to ensure that the new system was technically capable of linking to external NHS computer systems used by general practitioners and primary health care providers, that it was technically robust enough to deal with projected increase in demand, and could as a minimum provide the same level of functionality as the old system. The project was viewed as being primarily a technical exercise, with the focus being on the technical functionality of the new system and the ease of transfer of existing records.

The project was centrally driven from the IT department, and a single trust-wide announcement was made to inform staff of the upcoming change. The only other involvement that the majority of the primary users of the patient administration system had with the project was when they were invited to attend compulsory training on the new system three to six months before the expected 'go live' date of the new system. This training was designed to inform them of the differences with the new system and to equip them with the new skills, procedures and expertise to use it. The training was not designed to allow feedback

on the new system, despite the strong opinions that some members of staff held and wanted to feed into the project.

The project was managed through monthly project team meetings that focused on the development of software, the testing of the new system, planning and installing the new IT equipment that was necessary, the financial cost of the project and the projected cost savings associated with the benefits from the successful delivery of the project and how these would help the trust meet its financial performance targets.

At one of the project team meetings it was discovered that minute technical changes to the new system, which affected how it was to be used, would require the user training material to be rewritten, and those staff who had already been through the original training would need to be retrained. This new training programme would increase significantly the training costs for the project and threatened to put the entire project over budget. As this had not been raised as a potential risk to the project at the project initiation and planning stage (part of the 'develop an action plan' stage of the OD model for change in Figure 8.2), there was no ready-prepared contingency in place. Due to the difficulty of designing and delivering this training at very short notice, the training programme was not completed before the 'go live' date.

The new patient administration software had been successfully developed and tested by the project 'go live' date, and the decision was taken that, as the roll-out of the training had not been successfully completed, the old system would run in parallel for a period of time. The IT department and project team considered the project to be successfully delivered – the new system was able to 'go live' on the target date, and although there was still training to complete there were no major technological issues that needed addressing. The project was considered closed and the audit department were tasked to carry out a follow-on audit to reinforce the successful delivery of the project.



Nine months after the 'go live' date, and more than six months after the completion of the training, staff were audited to assess the compliance with using the new system. Only 32 per cent of staff were found to be exclusively using the new system; 14 per cent of staff were using the new system for some tasks and the old system for others. The remainder (54 per cent) were not using the new system at all. The audit was followed by a survey to learn why the usage rates for the new system were so poor. The reasons given were varied (as you would expect), but several key themes were identified:

- 'The new system makes it harder to do my job than the old system.'
- 'I never had the training for the new system.'
- 'I was confused by the multiple training courses and so have kept using the old system as it is easier.'
- 'I already know how to use the old system so why would I change?'
- 'There is no incentive to use the new system (and no penalty for using the old system).'
- 'The old system works perfectly well for what I need it to do.'

A workgroup was formed to look into the 'delayed delivery' of the expected benefits from the new patient administration system; its membership was taken from the original project team.

Source: Grateful thanks go to Jim Bamford of Huddersfield University, UK, for the material contained in this case study.

Case exercise

- Considering the OD model for change in Figure 8.2 and the stages that it proposes are necessary for the successful implementation of change:
 - Which stages were done well?
 - Which stages could have been done better?
 - What could have been done to improve the potential for successful delivery of the project?
 - Were any stages missed out entirely?
- What lessons could the trust learn from this change project?
- What would you recommend to the executive board to ensure the ultimate success of the new patient administration system?

Indicative resources

Buchanan, D.A. and Badham, R.J. (2008), *Power, Politics and Organizational Change: Winning the Turf Game* (2nd edn), London: Sage.

Checkland, P. (2000), 'Soft-systems methodology: a thirty-year retrospective', *Systems Research and Behavioural Science*, 17, pp. 11–58.

Checkland, P. and Poulter, J. (2006), *Learning for Action: A Short Definitive Account of Soft Systems Methodology and its Use, for Practitioners, Teachers and Students*, Chichester: John Wiley and Sons Ltd. This is a more detailed account of soft systems methodology. It has several appendices discussing creative thinking techniques and the theory underlying soft systems approaches to change.

Coglan, D. and Brannick, T. (2014), *Doing Action Research in Your Own Organization* (4th edn), London: Sage.

Cummings, T. and Worley, C. (2015), *Organization Development and Change* (10th edn), Mason, OH: Thomson South-Western. Part of this is dedicated to the effective implementation of OD and how it can be used in both public and private sectors. There are numerous case studies as examples of issues associated with OD, and applications of it in a variety of organizations.

French, W.L., Bell, C.H. and Zawacki, R.A. (2005), *Organization Development and Transformation: Managing Effective Change* (6th edn), New York: McGraw-Hill. French *et al.* have dedicated much of their time to promoting and educating in the field of OD. This text offers a good introduction to OD and guidance in using this approach.

Reynolds, M. and Holwell, S. (2010) (eds), *Systems Approaches to Managing Change: A Practical Guide*, Milton Keynes: Springer. This is a book of chapters by different writers. It is helpful in giving different views on approaches to managing change.

Whitney, D. and Trosten-Bloom, A. (2003), *The Power of Appreciative Inquiry*, San Francisco, CA: Berrett-Koehler. Based on the principles of OD (people and their potential), this book in particular supports the ideas and concepts associated with learning organizations.

Useful websites

www.actionlearningassociates.co.uk This site is helpful for those who have further interest in action learning. It provides a working definition, offers examples of how action learning can be used, how the groups operate and how to use ‘in-house’ sets for the purposes of OD.

www.ifal.org.uk This is the UK’s official action learning site.

www.open.edu/openlearn This is a site for many short, non-qualification courses offered free by the Open University, Milton Keynes, UK. Section 4 of the course ‘Management: Perspective and Practice’ contains units of learning material relevant to tackling ‘messy’ problems.

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Chapter 9

Future directions and challenges

Change exists at both macro levels, such as restructuring a multinational organization, and at micro levels, such as when individuals see their jobs being redesigned. This chapter identifies the key trends that will continue to prompt macro- and micro-level changes in organizations and at the effects they are having. It also looks at the act of changing, and introduces the idea of organizational capacity for change and at how people make sense of the changes going on around them.

Learning objectives

By the end of this chapter, you will be able to:

- identify and discuss the contemporary economic and social forces that are pressuring organizations to change;
- analyze the extent to which organizations will need to innovate more frequently in the future;
- identify and discuss organizational capacity for change;
- evaluate the concept of a psychological contract and apply it to your own situation;
- discuss the main challenges facing change researchers.

Introduction

Part One examined the way organizations and the context in which they operate have changed throughout time and discussed how political, economic, social and technological forces impact on the way that organizations operate. The concept of organizational change was shown to be heterogeneous, in that there are many types of change occurring both sequentially and simultaneously – sometimes predictable and sometimes unexpected.

Part Two elaborated on this by addressing aspects of organizational life that influence change outcomes in one way or another. Part Three introduced two major methodologies for change. Given all this, it would be ideal if the overall outcome was an all-embracing, widely accepted theory of change with agreed guidelines on ‘how to do it’. However, the issues discussed and the models of change given in the previous chapters do give us guidelines on how to proceed in these times of organizational uncertainty.

The purpose of this final chapter is to look to the future in terms of some of the major trends that are likely to influence industry, lifestyles and social structures, and which, in turn, will affect organizations – their strategies, structures, how they are led, employment practices and the need to work with change. We also consider more closely the act of changing and recent thinking on how it happens and how best to catalyze it.

Current and future business environments

As we saw earlier, there are many triggers of change that emanate from both the internal and external organizational environments. Many of these will affect an organization directly, such as the appointment of a new top manager or falling organizational competitiveness. Others, however, will exert influence more indirectly, such as changing demographics, lifestyles, social structures, working patterns and levels of employment/unemployment. Prevailing political ideologies, government priorities and world events are also among these indirect influences.

Social structures

Social class

In 2013, on the basis of a survey of 162,426 people across the UK (161,400 on-line and 1,026 in a face-to-face survey), Savage *et al.* (2013), in collaboration with the British Broadcasting Corporation (BBC), reported research resulting in a new way of measuring class. This didn’t define class simply by the job that individuals do, but also by the different kinds of economic, cultural (cultural and leisure time ‘tastes’) and social (the extent to which people of other employment classes are known)

resources, or ‘capitals’, that people possess. Named ‘The Great British Class Survey’, the report proposed the following new social classes:

- **Elite (6 per cent sample)** – the most privileged group in the UK, distinct from the other six classes through its wealth. This group has the highest levels of all three capitals (household income £89,082; savings £142,458).
- **Established middle class (25 per cent sample)** – the second wealthiest, scoring highly on all three capitals. The largest and most gregarious group, scoring second highest for cultural capital (household income £47,184; savings £26,090).
- **Technical middle class (6 per cent sample)** – a small, distinctive new class group that is prosperous but scores low for social and cultural capital. Distinguished by its social isolation and cultural apathy (household income £37,428; savings £65,844).
- **New affluent workers (15 per cent sample)** – a young class group that is socially and culturally active, with middling levels of economic capital (household income £29,252; savings £4,918).
- **Traditional working class (14 per cent sample)** – scores low on all forms of capital, but is not completely deprived. Its members have reasonably high house values, explained by this group having the oldest average age at 65 (household income £13,305; savings 9,500).
- **Emergent service workers (19 per cent sample)** – a new, young, urban group that is relatively poor but has high social and cultural capital (household income £21,048; savings £1,138).
- **Precariat, or precarious proletariat (15 per cent sample)** – the poorest, most deprived class, scoring low for social and cultural capital (household income £8,253; savings £793).

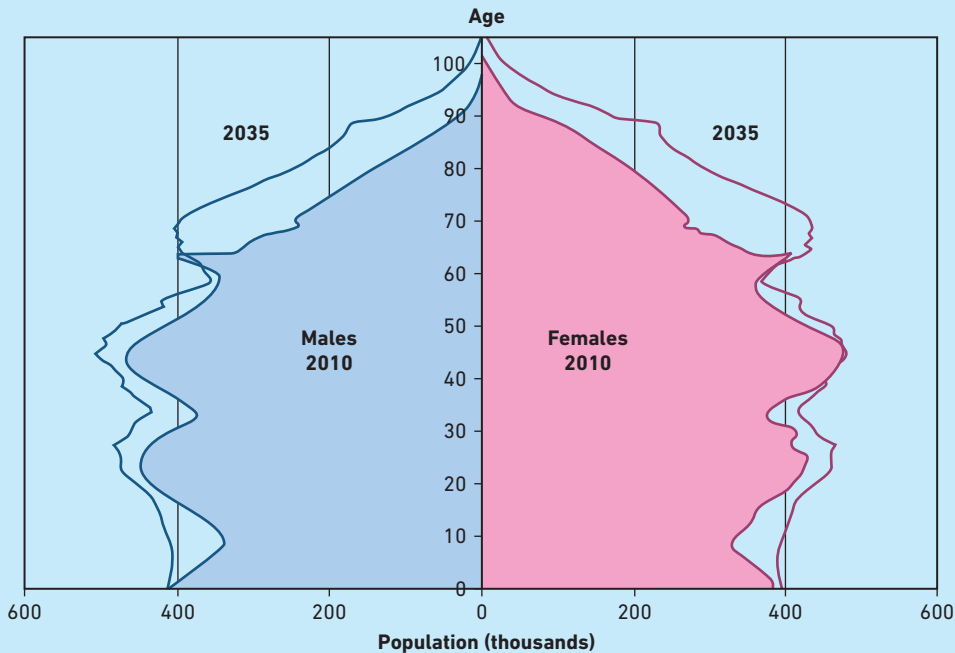
It is interesting to note the predominance of the middle class (although still only 25 per cent), who have good incomes, are socially connected and have ‘highbrow’ cultural tastes. The much smaller distinctive elite category is in stark contrast to the precariat grouping, while the traditional working class (which has an average age of 65) is in decline. This new categorization of seven classes, differentiated by amount of economic, social and cultural capital, gives helpful information to organizations and their managers when making decisions on whether to refocus or change their products and who to employ to deliver them, which in turn might signal changes in the way they do things. However, as time goes on, the relative sizes of these different social classes could change in the light of changing demographics.

Demographic changes

Population predictions for the future Illustration 9.1 shows the structure of the UK population as it was in 2012, and as it is predicted to be in the periods to 2035.

Illustration 9.1**UK national population projections 2012 onwards**

- The UK population is projected to increase at a steady rate, from an estimated 63.7 million in mid-2012 to:
 - 68.0 million by mid-2022;
 - 70 million in 2027;
 - 73.3 million over the 25-year period to 2035.
- The number of people of pension age is projected to remain stable until around 2020, then it will increase (despite increases in the state pension age) from 12.2 million to 16 million in 2034.
- The number of people of working age will grow from 39.7 million in 2013 to 42.1 million in 2020 and then at a slower rate to 44.1 million in 2037.
- In 2013, there were 3.4 people of working age for every person of pensionable age. This ratio is expected to fall to 2.8 in 2033.
- The number of children under five will continue to grow slowly from 4 million in 2013 to 4.1 million in 2021, and then will decrease back to 4 million in 2033.



Estimated and projected age structure of the United Kingdom population mid-2010 and mid-2035

Source: www.ons.gov.uk/.../populationandmigration/populationprojections

The ageing population and decreasing proportion of young people From the statistics above, it is clear that the UK population is getting older, given the low birth rate and people living longer. This is also the case in the European Union (see Figure 9.1). For instance, between 1992 and 2012, the proportion of working-age population (15–64 years) across the EU increased by just 0.5 per cent, while the proportion of older people (aged 65 and above) increased by 3.7 per cent. This increase came at the expense of a decrease of 3.5 per cent in the proportion of younger people aged 0–14 years (European Union, 2013).

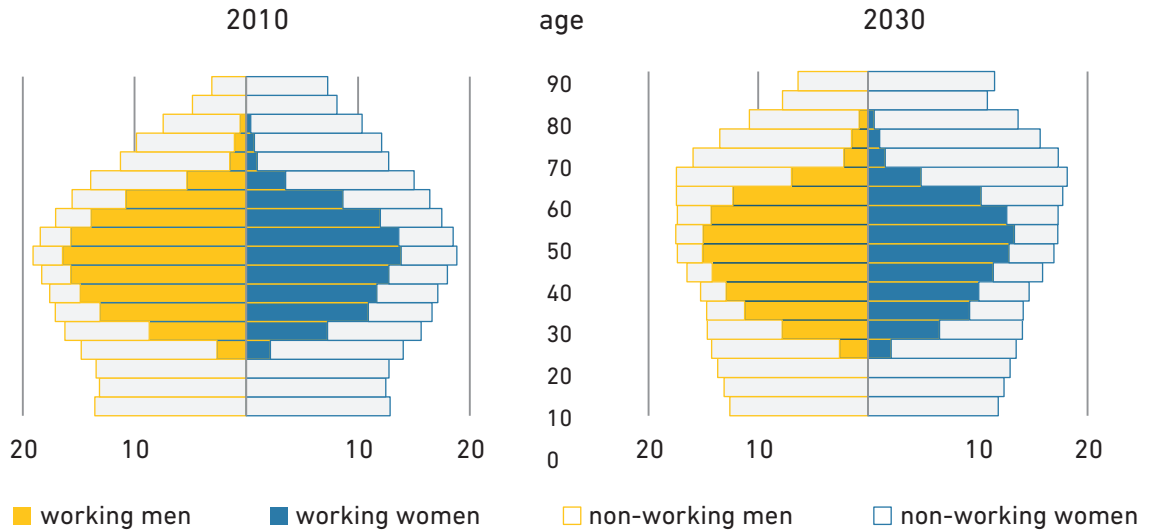


Figure 9.1 Population (million) by sex, age group and employment for the EU 27 countries, 2010 and 2030

Source: 'Special supplement on demographic trends', *EU Employment and Social Situation Quarterly Review*, March 2013.

This trend is producing an older workforce, on average, with an increasing number of older people being able to, and often needing to, work past normal retirement age as pension schemes are feeling the pressure of increasing numbers of retirees, with some schemes now closed to new employees.

All this has consequences for organizations providing public services – housing, education, health. There are also implications for the creation of new products and services for an ageing but relatively active population, and for those who will require services in their home that might not yet have been thought of.

Changing lifestyles

Household composition and ownership According to the UK Office for National Statistics, average household sizes changed little over the decade to 2014. There were 26.7 million households in the UK in 2014, with the following characteristics:

Households

- The number of households increased by 22.6 million (7 per cent) since 2004, similar to the growth in the UK population during this period.
- The average number of people per household was 2.4, the same as the European average.

Living alone

- A total of 7.6 million people (28 per cent) lived alone, a similar percentage to the European average.
- Residents of 59 per cent of single-person households were 85+ years old.

Lone parents

- UK households containing one lone-parent family increased from 2.6 million in 2004 to 2.8 million a decade later.
- There were 2 million lone parents with dependent children in the UK; women accounted for 91 per cent of lone parents with dependent children.
- The proportion of lone parents with dependent children, living in the UK, was much higher than the European average; only two countries (Iceland and Norway) had a higher proportion.

Owner-occupiers and renters

- The percentage of owner-occupiers in 2014 was 63 per cent, a reduction from 71 per cent in 2003.
- In 2013–14, two-thirds (14.3 million) of householders had bought their own house. Of these, 33 per cent (4.8 million) owned outright, while 31 per cent had a mortgage. For the first time, the number of people owning their own house outright was larger than that for owners with a mortgage.
- In 2013–14, the UK private rented sector was growing, and had already overtaken the social rented sector. In 2013–14, 19 per cent of households were renting privately, up from 18 per cent in 2012–13, while the proportion of social housing remained steady at 17 per cent.

Young people still 'at home'

- In 2014, 3.3 million young adults aged 20–34 (26 per cent of this age group) were living with parents in the UK, a rise of 0.6 million since the economic downturn in 2008. This was mainly the result of a large rise in the numbers of 20- to 24-year-olds.

Marriage and co-habiting In 2014 there were 18.6 million families in the UK. Of these, 12.5 million were married-couple families – the most common family type in the UK. Cohabiting-couple families grew by 29.7 per cent between 2004 and 2014:

Cohabiting couples

- Cohabiting-couple families are the fastest-growing family type in the UK. In 2014, there were nearly 3 million opposite-sex cohabiting-couple families and 84,000 same-sex cohabiting-couple families in the UK.
- Cohabiting-couple families accounted for 16.4 per cent of all families in the UK.

In the UK, a shortage in the supply of housing has become an issue because of a number of factors, such as the growth in numbers of single parents needing homes, people living longer, the increase in single households and shortage of affordable rented properties. This is good news for the construction industry and allied trades. However, any expansion of this, to build either private or social housing, will require larger numbers of workers from the skilled and semi-skilled trades. This will, in turn, mean an expansion of apprentices and training courses, which will involve government and training organizations, as well as employers.

The future of work

The United Kingdom

The collapse of the Lehman Brothers bank in 2008 was the start of what became a worldwide recession that lasted for the next five years, and from which the UK, EU and other countries have only relatively recently begun to recover. It is in this context that in May 2014 the UK Commission for Employment and Skills published a report entitled 'Working Futures 2012–2022: Introduction and Commentary' (Wilson *et al.*, 2014). This document is the fifth in a series of decade-long projections of the UK's labour market, and is based on what the authors say is 'a rigorous, evidence-based projection covering the entire UK labour market' (p. 1). What follows is a summary of the main predictions made. These are:

- An increase of 1.8 million (6 per cent) in the number of people employed.
- Economic output set to expand over the period by 20 per cent.
- An additional 12.5 million job openings for replacing workers leaving the workforce.
- Business services will be the driving sector of economic growth, adding 28 per cent in output and more than 1.1 million jobs.
- IT will see the fastest growth, at 31 per cent (280,000 jobs).
- Health and social work will add nearly 450,000 jobs to the economy.
- Care workers (nearly 600,000), corporate managers (nearly 500,000) and STEM (science, technology, engineering, mathematics) professionals (over 350,000 workers) will see the largest jobs growth. Business, public service, education and health professionals will account for another 820,000 net new jobs.
- Intermediate skill-level roles are in overall decline, with the task of replacing those exiting the workforce ensuring that large numbers of job openings will exist across skill ranges, including in manufacturing industries and skilled trade occupations.
- Continued improvements in gender balance will be seen, with large shares of new professional and associate professional jobs going to female employees; female employees will also dominate the expanding care sector.

In addition:

- The UK is becoming a more ethnically diverse country, mainly as a result of the free movement of workers across the EU, as well as immigrants (including students) coming from other countries. If immigration of certain classes of workers is curtailed, this could result in a dearth of certain skilled workers.
- Technological change is becoming a feature of economic life, affecting low-skill jobs while increasing the number of highly skilled ones. New developments through increased automation or biotechnology will transform jobs and the ways that work is organized, even though precise effects may not yet be known. A cash-free economy is developing, with implications for retail organizations in particular.

Figure 9.2 shows the trend for six broad sector groups. From this it can be seen that manufacturing will decline in its share of output and employment, but will move

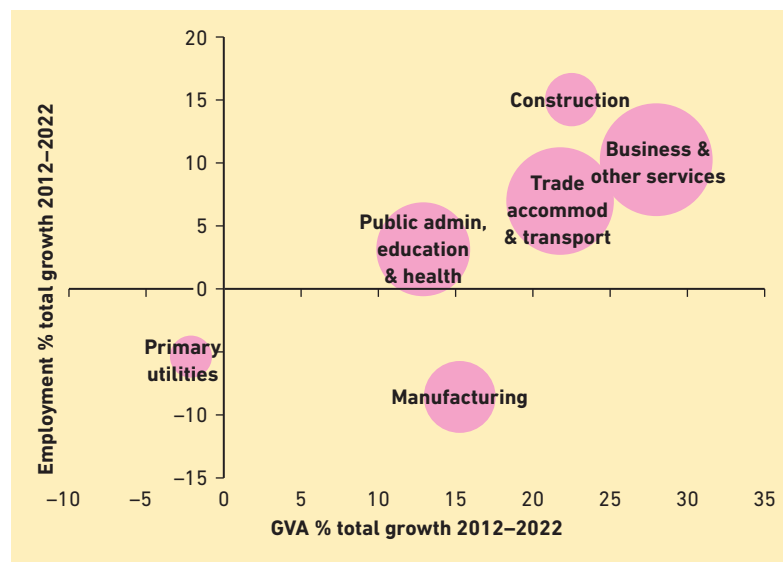


Figure 9.2 Projected output and employment growth by sector group, 2012–2022

Source: Wilson et al. (2014). *Working Futures 2012–2022: Introduction and Commentary*, UK Commission for Employment and Skills (p. 11).

away from low-value-added industries to a growing emphasis on high-value-added industries such as car manufacturing and processes that feed the growth of maintenance and support services to customers who have already bought the manufactured goods. There is evidence from the USA that 14 per cent of the increased service-sector share of the workforce can be attributed to the reorganization of work from manufacturers to outsourced service providers (Berlingieri, 2013).

Fewer but more highly skilled employees will be required, and particularly those with IT and technology skills. For instance, product designers and consulting engineers will be required and found in a larger variety of workplaces. Care workers might have to become skilled in assisting with home-based diagnostic and monitoring devices. The projection of continued expansion in the number of science, research, engineering and technology professionals – from 1.35 million to 2.1 million in 2022 – implies that advanced technical skills retain a critical place in the UK economy. These workers are unlikely to appear without collaboration with government and training institutions and, if in short supply, will command premium pay.

The share of the workforce made up of public administration, education and health services will fall back as fiscal consolidation continues to limit the opportunity for expansion. However, organizations in the private sector could see opportunities to replace capacity in these areas, with implications for training and development of their new and existing employees. Construction, which in many ways relies on its workforce (even with advances in industrial-type processes), is projected to grow somewhat, recovering the ground lost during the recession.

The changing age structure of the workforce is likely to lead to a shift in the gender balance, with consequences for how workforces are managed. As the projected reduction in secretarial and administrative work continues, increasingly more

educated women (who work predominantly in these occupations) will look for higher-level work opportunities.

The structure of the workforce is changing, with increasing part-time and flexible working as well as self-employment. This might be by worker's choice, but could be a result of employers not wishing to have the constraints of employing workers full time. Workplaces will be four-generational (4G), with four generations working side by side. Traditional notions of hierarchy and seniority will become less important. Facilitating collaboration across multiple generations, and their values, will be in increasing demand.

Global outlook

The European Union The economic recovery that started in the EU in the spring of 2013 remains subdued. At the time of writing, the impact of the UK withdrawal from the EU remains unclear, with political and economic turbulence continuing – not least because of world trade conflicts and other continuing world tensions. However, despite the weak macro-economic background, employment has shown a small but consistent growth in the EU since mid-2013, in the large majority of EU member states, and across the large majority of sectors. Many challenges remain in the EU, with important social consequences – in particular, long-term unemployment and low employment opportunities for youth (aged 15–24) and young adults (aged 25–39).

The European Commission (2015) has focused on three mutually reinforcing pillars that apply to all 28 countries:

- pursuing fiscal responsibility and boosting investment;
- improving employment policy and social protection;
- implementing structural reforms.

The first two of these are clear in their implications for governments, financial institutions as well as business. It is the third, 'implementing structural reforms' in product, service and labour markets, that will really impact on business. The aim here is to help raise productivity, competitiveness and investment, thus boosting job creation and growth and contributing to prosperity and greater social fairness. Currently, uncertainty exists as to how the relationship between the UK and the EU countries will change after Brexit, and whether fragmentation of the EU will occur with one or more countries leaving. Much of this will be decided at government levels, but the results could have far-reaching effects for UK business in whatever sector, given the amount of trade to and from the UK.

Other parts of the world The rise of major emerging economies, such as the BRICS (Brazil, Russia, India, and China), means greater opportunity for UK exports, but also greater competition. The UK has benefited from global competition as countries such as China expanded the supply of low-cost manufactured goods, which lowered prices in the UK (Wilson *et al.*, 2014). However, the situation then changed as costs rose for imported commodities and in China economic growth slowed down. Even so, Illustration 9.2 shows that there are opportunities in Asia (especially for Internet-based companies).

In the USA, the economy continues to struggle. However, as it climbs out of recession, it has seen its manufacturing growth outpace that of other advanced nations, with some 500,000 jobs created in the years 2012–15. However, according to Michael

Theis (2015), writing for the *Austin Business Journal*, after a rise in the USA's overall labour force over the next few years, a period of slow growth is expected as the 'baby boom' generation (which occurred later than in the UK) retires, leading to growth at only 2.6 per cent per year from 2020 to 2034.

Illustration 9.2

On the rise: female consumers in Asia

A survey of urban women across eight markets found nearly half are joint or sole breadwinners:

- Nearly half of urban women prefer shopping on-line rather than off-line.
- Majority of women browse on-line at least once a day.
- The younger generation are mobile and find independence appealing.

A detailed survey of 5,500 women across Asia's major urban areas conducted by The Economist Intelligence Unit found that they are increasingly empowered financially and they are driving the explosive growth of e-commerce in the region. The survey results were published in a report entitled 'On the rise and online: female consumers in Asia'. The report was commissioned by VIPSHOP.

Across the eight markets covered, 41 per cent of the women surveyed said they are joint breadwinners in their household and another 8 per cent said they are sole breadwinners. The trend was particularly pronounced in mainland China, where 62 per cent of women described themselves as joint breadwinners. Women are also showing increasing independence in handling finances – just over two-thirds reported having their own bank accounts (76 per cent in mainland China) and 48 per cent hold their own credit cards.

Nearly half of women polled (49 per cent) said they prefer shopping on-line to doing so in stores. The figure is as high as 69 per cent in mainland China. There are several reasons why women prefer on-line shopping. Most women pointed to cost savings (62 per cent) and time savings (60 per cent), but they also felt that on-line retailers can be relied upon to have the

products they want to buy in stock (59 per cent) and that on-line shopping offers a broader range of choices (56 per cent). Nearly half of the women (48 per cent) said they feel pressured and stressed in traditional shops (more than 50 per cent of women in Macau, South Korea, India and mainland China feel this way), and 27 per cent feel store staff talk down to them because they are women (a sentiment that is most pronounced in Macau, India and mainland China).

For many women, on-line shopping has become a favourite pastime. Among the survey respondents, 63 per cent said they browse the Internet for products and services at least once per day, with nearly 30 per cent doing so twice or more per day. Nearly 90 per cent of the women surveyed buy some clothing and accessories on-line (39 per cent buy the majority of their clothing this way), and 83 per cent buy some cosmetics (29 per cent buy the majority of their cosmetics on-line).

Many of the trends uncovered in the research are driven by the younger generation, suggesting that the move towards on-line shopping in general, the shift to shopping on mobile devices and a preference for being addressed on a personal level by marketers are all likely to intensify. Among 18- to 29-year-olds, 53 per cent prefer shopping on-line rather than off-line, compared to 48 per cent among 30- to 49-year-olds and 42 per cent for those between 50 and 60 years of age. Similarly, 58 per cent of 18- to 29-year-olds shop on their phones, compared to 38 per cent of 40- to 49-year-olds.

Source: Based on West, L. (2014) "On the rise and online Female consumers in Asia: An Economist Intelligence Unit report", The Economist. Published in 16 Dec. 2014.

It is interesting that a good proportion of this growth will be fuelled by Hispanic employment because Hispanics are a younger and faster-growing segment of the population. Using conservative assumptions, Theis' analysis predicts that the proportion of Hispanic workers will rise to 23 per cent of the US workforce in 2034 – an addition of 2.4 million Hispanic workers. The different demographic characteristics

of Hispanic workers (particularly in their continued use of Spanish – 65 per cent of them used Spanish as their main language in 2013), and their culture, could impact on the way some businesses operate.

In general, though, given that roughly half of all US companies get some of their revenue from outside the country, a slowing global economy could translate into slowing global sales and fears of a stock-market correction in the USA (Profit Confidential, 2015).

Uncertainties and the longer term

On the basis of evidence gained from literature, expert interviews, high-level workshop discussions and analysis of trends and what might disrupt them, a report by the UK Commission for Education and Skills (UKCES), in collaboration with the University of Wales and Z-punkt (2014), entitled ‘The future of work, jobs and skills 2030’, identified 13 trends that it considers most influential on UK jobs and skills to 2030. Figure 9.3 depicts these, categorized into five groups.

These trends are considered to be relatively stable until 2030, in the main describing the current situation – what they term the ‘business-as-usual’ scenario. However, on the basis of a literature review, expert interviews and analysis of the central and common drivers underlying the trends and disruptions, UKCES then considered what might happen if developments occurred to disrupt this scenario, causing deviations from it. From this, it identified ten key disruptions on the basis of their plausibility to the UK context in 2030 and judgement of the severity of their impact on jobs and skills if they were to occur. Figure 9.4 depicts these disruptions in a similar format to that of Figure 9.3, which allows a comparison between the two.

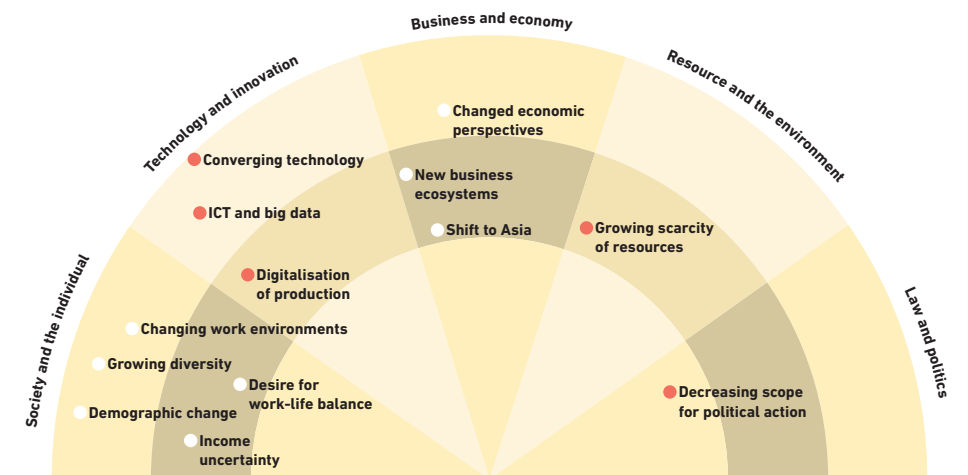


Figure 9.3 Trends shaping future UK jobs and skills to 2030

Source: Based on University of Wales and Z-punkt (2014), ‘The future of work, jobs and skills in 2030’, UK Commission for Education and Skills, Wath-upon-Deane, South Yorkshire, pp. 8–11.

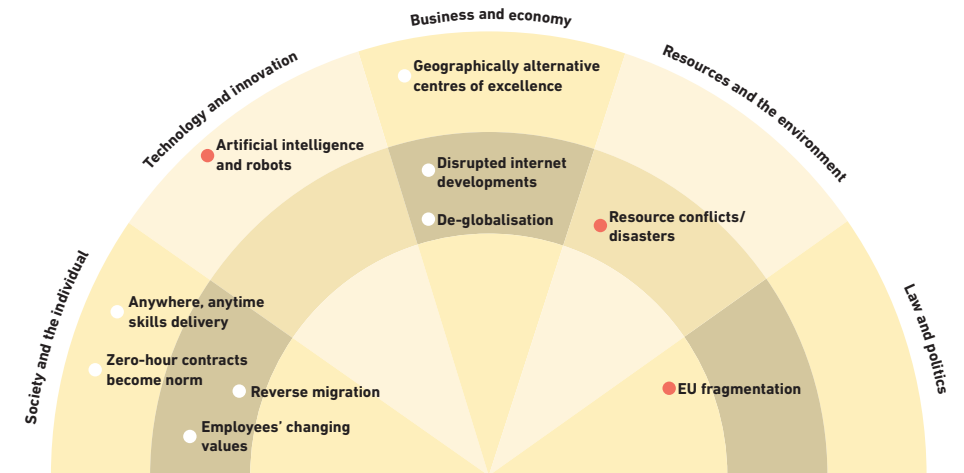


Figure 9.4 Disruptions that could radically change the nature of work

Source: Based on University of Wales and Z-punkt (2014), 'The future of work, jobs and skills in 2030', UK Commission for Education and Skills, Wath-upon-Deane, South Yorkshire, pp. 14–15.

From the trends depicted in Figure 9.3 and the possible disruptions to these shown in Figure 9.4, four different development paths or scenarios can be developed. These are:

- *Forced flexibility* – informed by greater business flexibility, incremental innovation, modest economic growth and weakened job security.
- *The great divide* – informed by employees' changing values and zero-hours contracts becoming the norm.
- *Skills activism* – informed by artificial intelligence and robots everywhere and anywhere/anytime skills and delivery.
- *Innovation adaptation* – informed by geographically alternative centres of excellence, reverse migration and anywhere/anytime skills and delivery.

Illustration 9.3 gives more details of these scenarios.

Illustration 9.3

Summary of scenarios for work, jobs and skills in 2030

	<i>Scenario One: Forced flexibility (business as usual)</i>	<i>Scenario Two: The great divide</i>	<i>Scenario Three: Skills activism</i>	<i>Scenario Four: Innovative adaptation</i>
Economic conditions	Moderate economic growth in the context of a world economy	Sturdy UK recovery fuelled by high-tech and innovative businesses	Slow recovery following prolonged crisis	Stagnant economy within a turbulent international environment
Social conditions	Widening income gap, low-skilled workers are the most vulnerable	Two-tiered society with deep division between the economic 'haves' and the 'have-nots'	Automation of professional work has hit medium-income groups hard	Decrease in income inequality as financial sector struggles to compete internationally

	<i>Scenario One: Forced flexibility (business as usual)</i>	<i>Scenario Two: The great divide</i>	<i>Scenario Three: Skills activism</i>	<i>Scenario Four: Innovative adaptation</i>
Labour market context	Hourglass shaped – ferocious competition for low-skilled positions and a hollowing out of the middle of the workforce	Competitive and attractive marketplace for high-skilled jobs, poor opportunities for the low-skilled	Significant disruption to medium- and highly skilled work, jobs are mainly project-based with high turnover	Growing virtual workforces as a strategy for productivity in a low-growth environment, increased work intensity
Policy context	Easing of employment regulation and focus on job quality. Reduced public funding available for training and skills due to fiscal constraints	Liberal immigration policies and labour regulation create a supportive environment for business. Minimal public funding available for training and skills	Extensive government-driven skills programme and investment to facilitate reskilling, supportive government regulation strengthens employee position	Commitment to skills development despite deficit reduction, government drive to re-engineer training and skills content and delivery to best fit need
Uptake of innovation	Focus on incremental innovation in UK businesses across almost all UK sectors	Radical innovation in life and material sciences driving economic growth	Disruptive IT automation restructures professional tasks	Wide integration of cost-efficient ICT technologies to enable business survival
Education and training context	Greater commercial focus and responsiveness to employer needs, although fees are higher	Highly competitive and efficient but also expensive, which reduces access	Reform of system and expansion of access to all socio-economic backgrounds	Significant increase in on-line provision as a cost-effective option
<i>Source: Based on University of Wales and Z-punkt (2014), 'The future of work, education and skills in 2030', UK Commission for Education and Skills, p. 17.</i>				

The different futures depicted in Illustration 9.3 may not come to pass and be something different, or the future might be a mixture of them. Nevertheless, they give 'food for thought' to organizations in what appears to be becoming an uncertain world. Whatever happens, the relationship between employers and managers is likely to be more fluid, which puts pressure on the legal agreements between them, as well as the more informal and imprecise 'psychological contract'.

The changing psychological contract

The term 'psychological contract' can be traced back to the 1960s and an interest in social exchange theory. As a framework to analyze the non-formal relationship between an employee and their employer, it was first used, in its current form, in the early 1960s but became more popular following the economic downturn in the early 1990s (CIPD, 2014). At this time, the concept attracted attention as it offered

a powerful way of analyzing the perceptions of, and feelings and reactions of, the victims of mergers, takeovers, redundancies, downsizing and sometimes aggressive employer behaviour witnessed at the time. These corporate changes often led to new terms and conditions of employment, and Cooper (1998, p. 98) remarks that, in total, they added up to ‘the most profound changes in the workplace since the industrial revolution’.

Rousseau and Parks (1993, p. 19) define the psychological contract as representing ‘an individual’s beliefs regarding terms and conditions of a reciprocal exchange agreement between that person and another party’. Arnold *et al.* (2005) talk about ‘mutual obligations’ between employer and employee. For the majority of the time, as employees perform their normal routines, the contract remains hidden. However, it quickly becomes visible and expressed when it is broken, or when one side feels that a breach of contract has been attempted (Sparrow, 2000, p. 171) – often when change is attempted or forced upon employees.

The recession of the 1990s and the continuing impact of globalization are alleged to have destroyed the basis of the traditional deal since job security is no longer on offer (CIPD, 2014). Changes currently affecting the workplace include:

- increasing numbers of employees on part-time, flexible and ‘zero-hours’ work;
- organizations downsizing and delayering, meaning remaining employees have to do more;
- markets, technology and products constantly changing;
- organizational structures becoming more fluid and geographically dispersed.

It is possible that employees, in particular younger ones, no longer expect job security, or to receive anything over and above their legal contract of employment and some commitment to fairness in everyday relationships. The shrinking of the public sector, where formal employment contracts (with holiday and retirement entitlements) exist, and the growth of the private sector is changing the nature of relationships between those employed and their employers.

The nature of the psychological contract is particularly important for managers involved with change. They need to be alert not only to the effects of changing legal employment contracts (for instance, in takeovers or as delayering or job changes occur), but also to how changes in processes, management style, forms of communications and organizational culture will influence the psychological contracts, frequently built up over many years.

For new employees, the contract begins to be formed early in recruitment when they interact with organizational literature and websites and then later in selection processes when they interact with the people they will work with in interviews or assessment centres. In the first few weeks and months of working in a new place, the new employee’s experiences will shape the contract they are building; the behaviour of co-workers and the stories they tell are influential. They see the performance of others and hear stories of what to do and what not to do. Performance management systems have a big impact upon expectations of work and rewards. Issues of how the organization distinguishes between poor, average and top performers and how they are rewarded differently become important.

The psychological contract therefore has a big influence on employee acceptance of change, such that managers need to be alert to how employees will perceive it. Given the pervasiveness and urgency of change today, there are implications for how organizational practices act to shape contracts. While it is far too simple to suggest that organizations can put into place experiences that will shape psychological contracts so that employees will readily accept change, it is clear that certain organizational actions do act to shape contracts. Careful management of selection and socialization procedures could be used to set expectations of working life that are at least conducive to change.

Innovation and creativity

In many cases, the trends for the future (shown in Figures 9.3 and 9.4) emphasize creativity and innovation, influenced by employers' and employees' changing values and attitudes to work and living. There is also an emphasis on new technologies, which in turn leads to new ways of organizing. These changes could benefit both organizations and those who work in them. They could also lead to splits in the structure of society: those who enjoy high standards of living and are able to move between well-paid jobs; and those who also change jobs, but not out of choice, and who have far more precarious lifestyles as a result of job insecurity and low pay. However, in a global world, without creativity and innovation we will, as a whole, stagnate as a society and organizations will not evolve.

However, creativity and innovation are not one and the same thing. Aubke (2014), drawing on the work of Amabile (2000), says that although creativity is a necessary component of innovation, it is not sufficient in itself. She maintains that in order to be creative, a person requires some creative-thinking skills, a sound field-specific expertise (knowledge) and lastly some intrinsic motivation. It is only then that creativity may transform into an idea, product or process, which changes the existing organizational environment, which in turn depends on the 'organizational resources available, the organizational motivation and openness to promote innovations and whether or not management practices are conducive to fostering innovations' (p. 5). The impact of the organizational environment on creativity, and vice versa, is illustrated in Figure 9.5.

This model is helpful in identifying the organizational elements that support creativity. However, it focuses on the individual as the source of creativity. This is not always what happens, as Aubke recognizes when she refers to 'creativity in networks' and the process of maintaining ties of different strengths to diverse others. In this way, knowledge passes from one person to another and changes in the process.

Miles, Snow and Miles (2000) say that knowledge is a key asset when innovating. They also emphasize the role of the organizational environment when they say that approaches to facilitating innovation require organizational resources and investments. For example, they say (p. 301): 'Innovation cannot be managed hierarchically because it depends on knowledge being offered voluntarily rather than on command.' Furthermore, they maintain that approaches to facilitating innovation require investments that often appear to be unjustified within current organizational accounting systems.

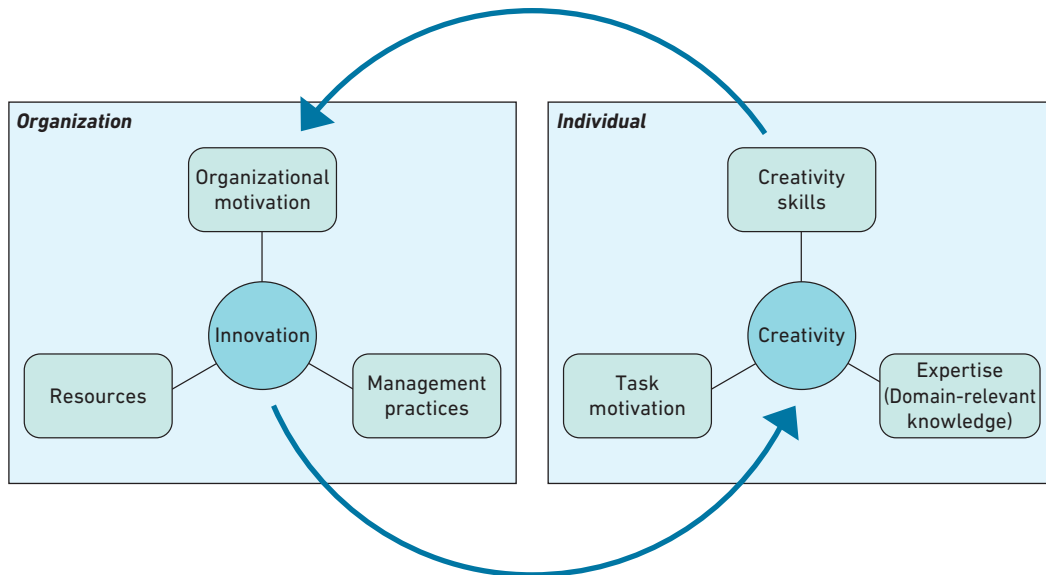


Figure 9.5 Impact of organizational environment on creativity

Source: Adapted from Aubke, F. (2014), 'Creative hot spots: a network analysis of German Michelin-starred chefs', *Creativity and Innovation Management*, 23(1), pp. 3–14.

Their argument is that models of organizing that involve standardization and, more recently, customization that have required, respectively, 'meta-capabilities' of coordination and delegation, are no longer sufficient for innovation to flourish. This is because organizations of the future need not just knowledge but knowledge generation and transfer, which in turn require social interaction and exchange between organizational members and with those outside the organization. The logical outcome of this, they argue, is that *collaboration* is the key to innovation – what Miles *et al.* call the new 'meta-capability'. Acknowledging that collaboration is not entirely natural in many organizational cultures, they suggest three conditions for collaboration to happen:

- 1 People need *time* to discuss ideas, reflect, listen and engage in a host of activities that might produce fresh ideas.
- 2 They need to develop strong bonds of *trust* between each other – a willingness to expose one's views without the fear of being exploited and to probe more deeply for new insights and perspectives.
- 3 People need a sense of *territory*, marking one's place in the outcomes of the collaborative process. These visible stakes might be stock ownership, stock options, visible awards and collegial recognition, among others.

All these conditions are dependent on managers creating the organizational conditions for innovation to flourish. Pearson (2002, p. 1), in his article 'Tough-minded ways to get innovative', says that most chief executives want their companies to be

more competitive, not just on one or two dimensions but across the board. He goes on to identify two basic principles for this:

First they understand that consistent innovation is the key to the company's survival. Being innovative in one or two areas just won't work. Second, they know that the most powerful changes they can make are those that create value for customers and potential customers.

Disruptive innovation theory

The theme of creating value, for potential customers in particular, is addressed by Anthony and Christensen (2005, p. 38) with their concepts of 'disruptive change' and 'disruptive innovation theory'. This theory holds that:

Existing companies have a high probability of beating entrant attackers when the contest is about sustaining innovations with radical or incremental improvements that target demanding customers at the high end of the market who are willing to pay premium prices for better products. [However] established companies tend to lose to attackers with disruptive innovations, cheaper, simpler, more convenient products or services that start by meeting the less-demanding customers.

An example of this is the Hudl tablet that was launched by Tesco supermarket in 2013 as a low-cost basic tablet retailing at £119. A report on this tablet at the time (*The Independent*, 15 October 2013) quoted Tesco's chief marketing officer, Matt Atkinson, as saying: '... the Hudl launch is about making technology more accessible and experts believe it is largely aimed at first-time tablet users who are naturally less tech-savvy'. Two years later, Hill reviewed the Hudl 2 tablet versus the Apple iPad mini and concluded:

While both these slates are at the more affordable end of the market there is still quite a difference in their prices. The Tesco Hudl 2 is just £99, while the iPad mini is a pricier £199. So you're paying at least £70 extra, which is quite a chunk of change when the difference between the two isn't huge in day to day use.

(Hill, 2015)

Another example is the introduction and success of discount retailers Aldi and Lidl, who offer basic food and clothing products at prices that significantly undercut the 'big four' supermarkets in the UK (Sainsbury's, Morrisons, Tesco and Asda). What is more, Quinn (May, 2015), writing in *The Grocer*, reported that Aldi and Lidl were moving to the front with their plans to open far more stores, over a much wider geographical area, than any of the leading four supermarkets.

At the time, neither the creation of the Hudl nor the appearance of the retail discounters, as well as other examples given by Anthony and Christensen, was predicted. Even so, these authors maintain that, by using 'disruptive innovation theory', organizations have the best chance of creating new growth by bringing disruptive innovations into a marketplace. Regarding this, they say that the principle at the core of the disruptive innovation theory is that companies innovate faster than customers' lives change. This leads to companies ending up producing products that are too good, and too expensive, for many customers. Consequently,

there are market segments that have been overlooked. Thus, an opening has been created for someone else (perhaps unencumbered by expensive managements, infrastructure and staff) to fill the gap. So, the question is: how can anyone spot potentially transforming innovations? One answer is to recognize three different customer types:

- *Undershot customers* are customers for whom existing products are not good enough. Signals of undershot customers include customers eagerly snatching up new products, steady or increasing prices and the struggles of organizational specialists to continue to meet their needs. Undershot customers look for sustaining innovations that close the gap between what is available and the job they are looking to get done.
- *Overshot customers* are customers for whom existing products are too good. Signals of overshot customers include customer reluctance to purchase new products and declining prices. Overshot customers welcome low-end disruptive innovations that offer good enough products and performance at low prices.
- *Non-consumers* are customers that lack the skills, wealth or ability to buy many products or processes for themselves.

All three customer groups offer opportunities to apply disruptive innovation theory. For example, someone must have spotted a group of people (non-consumers) for whom (a) the idea of needing a tablet was absurd, and (b) did not have the money to purchase one of the existing tablets that were perhaps in any case thought 'too complicated' to understand – hence the idea of the Hudl, offered not by specialist retailers but by an organization that they already shopped at and trusted.

It could be argued that the emergence of discounting food retailers such as Lidl and Aldi met the needs of the overshot customers and disrupted the assumption that only 'hard-up' people would use basic, warehouse-type food stores. For the undershot customers, the lack of being able to sleep properly on long-haul flights led to airlines firstly introducing seats that turned into beds and then suites containing both chair and bed, with separate restaurant. We might ask ourselves what airline accommodation will be like in the future. By contrast, budget airlines innovated to disrupt the conventional belief that people of low income had no need/desire to fly.

Leading innovation

Miles *et al.* (2000) assume a style of leadership that is participative, caring of followers and that recognizes the role of everyone in the efforts to make any organization successful. This is exemplified by Bennis (2000) and McGill and Slocum (1998), who argue for the demise of 'top-down' leadership. Bennis (p. 73) says: 'The most urgent projects require the coordinated contributions of many talented people working together', and (p. 74): 'No change can occur without willing and committed followers.' He maintains that it is only in the solving of relatively simple technical problems that top-down leadership is effective. For the resolution of 'adaptive', complex, messy problems, many people at all levels of the organization must be involved and mobilized. A further quotation (Bennis, 2000, p. 76) suffices to make the point:

Post-bureaucratic organization requires a new kind of alliance between leaders and the led. Today's organizations are evolving into federations, networks, clusters, cross-functional teams, temporary systems, ad hoc tasks, lattices, modules, matrices – almost anything but pyramids with their obsolete top-down leadership.

The new reality is that intellectual capital, brain power, know-how and human imagination have supplanted capital as the critical success factors, and leaders have to learn an entirely new set of skills.

Amabile and Khaire (2008, pp. 103–4), drawing on contributions at a colloquium on leading creativity, maintain that the first priority of leadership is to engage people who can undertake creative work. This implies people who can not only do the everyday tasks allotted to them, but who can also contribute imagination. This might be easier said than done. However, Amabile and Khaire offer the following advice to managers (pp. 106–7):

If you're trying to enhance creativity ...

- remember you are not the sole fount of ideas;
- enable collaboration;
- enhance diversity;
- map the stages of creativity and tend to their different needs;
- accept the inevitability and utility of failure;
- motivate with intellectual challenge.

(Amabile and Khaire, 2008)

A paradox

A look back at the list of general trends posed at the beginning of this chapter and a summary of the discussion so far paints the following scenario. On the one hand, there is a picture of people becoming more individualistic, independent and living for some of their adult lives alone – communicating increasingly through ICT and with more choice in respect of their lifestyle. This attitude to life and work is reinforced by the increase in 'non-standard' working, which is frequently insecure and does not engender commitment to any particular organization and its goals. On the other hand, there are business thinkers arguing for more organic, networking and virtual organizations that require collaborative attitudes and behaviour so that innovation can flourish. So we appear to have a paradox: are changing career patterns undermining the key attitudes and behaviour that employers need?

Empowerment is part of the answer, but in spite of the emphasis put on empowering employees to work in organic, networking and virtual forms of organizations, many large organizations continue to conform to hierarchical principles of structure and accountability. The skills that managers need to be successful in this type of organization are not those that comfortably agree with the principles of empowering subordinate levels of staff. Even if empowering abilities are developed, they are unlikely to be rewarded or acknowledged. Behaving in empowering ways does not support the culture and processes that make these managers successful. Many

of the characteristics – such as showing determination, drive/energy, leading from the front, objective decision making and personal achievement – are not among the key empowering characteristics.

Chapter 8 discussed the significance of organizations as learning organizations. However, according to Schein (1999), requiring individuals to learn to think and behave in these ways is essentially asking them to put themselves through transformational culture change – coming as they frequently do from organizational cultures more suited to traditional bureaucratic norms of command and control – not least because these types of systems discourage creativity and innovation. He goes on to say (p. 7): ‘But paradoxically, when we speak of “culture change” in organizations we are typically demanding levels of cognitive redefinition that can probably only be achieved by some version of coercive persuasion.’ This is because these individuals are being asked to *disconfirm* what they have believed is *right* – what they have been used to doing for much of their organizational life.

This seems a worrying scenario, given the belief (as Miles *et al.*, Bennis and others assert) in alternative, more satisfying and effective ways of running organizations. One relatively recent method that overcomes these concerns and that builds on the approaches to change discussed in Chapter 8 is *appreciative inquiry*.

Appreciative inquiry

Appreciative inquiry (AI) is an organizational change methodology that takes a different view from traditional approaches, being a more holistic and humanistic method that focuses on the ‘positive psychology’ generated by asking positive questions rather than concentrating on negative questions and solving problems. The basic idea is that asking positive questions creates a positive atmosphere that is more likely to generate fresh ideas and employee engagement towards solutions.

Introduced by David Cooperrider, AI is a search for the best in people and what is happening in their organizations (Cooperrider and Whitney, 2005). It is about capturing their imagination of what is most effective and of using that imagination to create possible futures. The notion of ‘generativity’ is ingrained in AI, since it is more concerned with discovering new possibilities and energizing people around those possibilities rather than focusing on working within existing patterns of behaviour (Zandee, 2015). Eight principles serve to explain how AI should be implemented (Dunlap, 2008):

- 1 *The constructionist principle* – this maintains that reality is constructed through social interactions. An individual or group in a workplace will experience a countless number of interactions and these interactions create a particular reality for that person or group. This reality then becomes institutionalized and reproduced through action. Reality, therefore, is only one possible reality; it is socially constructed.

- 2 *Simultaneity* – in contrast to the normal approach of analyzing data and then deciding what to do, simultaneity expresses the idea that inquiry and change occur together. When people are involved in thinking about positive questions, the ensuing discussions and stories begin to change their attitudes and behaviour.
- 3 *The poetic principle* – this expresses the notion of organizations as narratives, continually being co-authored by the people in them together with outsiders who work with them. The past is written and shapes what is to be written, but what is written next (metaphorically speaking) is open and depends on what is inquired about and what stems from the inquiry. The language of the inquiry also influences future outcomes.
- 4 *Anticipation* – the images (anticipations) of the future that people create begin to shape their constructions and discourses about the future. Imagine, for instance, how anticipation of a stormy meeting with your boss might influence your behaviour compared to anticipation of an upbeat meeting. A gloomy future makes for a gloomy present; a positive future makes for a positive present.
- 5 *Being positive* – positive climates create conditions for change far more than negative climates. Healthy social relationships between people create atmospheres of trust and support and are therefore important to underpin positive interactions relating to work.
- 6 *Wholeness* – all groups and stakeholders connected to a change should be involved to maximize the capacity for creative outcomes. If some stakeholders are excluded, then the whole story is not narrated.
- 7 *Enactment* – individuals and groups must enact changes that they want to see. It is about living the future in the present.
- 8 *Free choice* – people should not be constrained in terms of how they contribute to an inquiry. They need to be free to decide how they will contribute, as free choice will raise commitment and creativity. Suppression of the ways in which people might contribute is also assumed to suppress commitment and creativity.

Appreciative inquiry is a form of action research (Gold, 2014; Zandee, 2015) that can involve large numbers (potentially thousands) of participants to create a learning community and shape possible futures. It is suited to situations where large numbers of participants are involved in working across an organization(s) that needs to innovate its way towards some new reality. AI is more likely to be used in public services and not-for-profit sectors such as health care, education and religion, and has been applied to a wide range of change situations including transforming a nursing culture (Moody *et al.*, 2007), improving services in health care (Baker and Wright, 2006), cultural change (Bate, 1994), and to create a shared meaning of organizational ethics (Van Vuuren and Crous, 2005). The tendency of AI to be used in non-profit contexts may reflect its soft systems characteristics and, arguably, a better fit with organization cultures characterized by cooperation, humanism and democracy (Drew and Wallis,

2014). The relative absence of AI in the for-profit sector may reflect a general lack of confidence in its assumptions and ‘positive’ inquiry movement in organizational theorizing, and the fact that it has been criticized for being too evangelical and uncritical (Fineman, 2006)

The eight principles of AI are used to underpin a four-stage (4-D) cycle to engage people. The first stage is *discovery* of what is done well in the group or organization, and what makes it happen. The second stage is *dreaming* of possible futures based on the exceptional experiences identified in discovery. The third is *designing* what should be done to implement the shared view of the future. And the fourth stage is *destiny*, which is a collective agreement on the systems to support the desired future state (Watkins and Mohr, 2001).

Although it has an intuitive appeal stemming from its inclusive and democratic ethos, AI is not a panacea and does have some limitations; being labour intensive is among them. Evaluating AI as a way of raising citizen participation in local government uncovered the following issues (Schooley, 2012):

- Very skillful facilitators are required to accentuate the positive and prevent regression to negative thinking.
- The overt focus on the positive could suppress the voices of people with genuine grievances.
- Some decisions and intentions would need referral back to the council, who could quash the ideas generated by AI processes.

Despite the popularity of AI, little research has evaluated how effective it is. Little is known about how people participating in AI feel about it, although recent research has shown that participation satisfies basic psychological needs for competence, autonomy and relatedness, and therefore can impact on individual psychological capital (Verleysen *et al.*, 2015). As such, AI has the capability of enhancing human potential through working and learning with others.

At the collective level, an evaluation of 20 cases where AI had been used found that seven were judged to have produced transformational outcomes, although not all cases had intended to be transformational (Bushe and Kassam, 2005). Where transformational change was observed, Bushe and Kassam suggested that two qualities of AI were instrumental in the process:

- the focus on changing how people think and not what they do;
- the focus on creating an environment in which ideas lead to self-organizing change.

However, this meta-analytic approach to AI implies that it is possible to evaluate AI in some objective sense, in that there is some reality out there to be found (that is, that AI is or is not effective). Since AI is based on principles of social constructionism (what is positive is a social construction), it follows that whether it is successful or not in a particular setting is also a social construction (see Illustration 9.4). Evaluation of AI is an ongoing part of an AI intervention.

Illustration 9.4

Using AI in a multicultural change setting

Refugees and asylum seekers looking to settle in a new country confront problems such as discrimination, accessing education, finding employment and cultural adaptation. It makes sense for agencies dealing with migrants to be staffed by people who understand the backgrounds of the people they are helping. However, culturally diverse work settings can create additional perspectives and complexities in change situations because of wide-ranging cultural values and attitudes towards work held by employees.

A US organization (the Agency) dealing with refugees and asylum seekers had found that change interventions by managers had 'met lukewarm responses and passive resistance', thought to be rooted in the cultural sensitivities of staff – for example, doing something that others might judge to be inappropriate. An AI approach at the Agency first engaged all 40 employees in an 'appreciative discourse' around strategic planning and then engaged them in a reflective evaluation of their attitudes towards change. The 4-D model was used and questions posed included:

- Describe a time when you were proud to be with the Agency. What was the situation?

Who was involved and what made you proud? (Discovery)

- Imagine yourself and the Agency in five years' time. What does it look like? What resources are needed to get there? (Dreaming)
- What will the ideal organization structure look like? How would that affect decisions and what is needed for staff to flourish? (Designing)
- What actions are needed to create the Agency of the future? What needs to happen to create the organization that you described in the discovery and dreaming phases? (Destiny)

The AI approach used in the Agency avoided conversations fixated on issues, problems and concerns and created an environment comfortable with discussing ideas without upsetting others; psychological safety was increased. Usually reticent employees contributed more and personal relationships improved. AI was credited with creating an emotionally safe place in what was previously sometimes a hostile and tense working environment.

Source: Based on Rao, M. (2014), 'Cultivating openness to change in multicultural organizations: assessing the value of appreciative discourse', *Organization Development Journal*, Autumn, pp. 75–88.

This summary of AI presents a view of the process of changing that is capable of getting people engaged in shaping their futures. However, one issue is whether all organizations have the capacity for change, or whether some are more ready than others.

Capacity for change

We can see by looking at organizations in the same sector that although they face similar pressures for change, they embark on different change programmes, have different journeys and arrive at different destinations and have different experiences of success and failure. Some organizations may evolve into market leaders, whereas others wither and die. The different ways in which organizational leaders interpret environmental signals offer one explanation for this, but so does the idea that organizations have different capacities to change (Meyer and Stensaker, 2006). This refers to their ability to undertake 'large-scale changes without compromising daily

operations or subsequent change processes' (p. 218); that is, the positive effects of change outweigh the negative effects. If the idea that organizations carry a certain change capacity is accepted, then it makes sense to ask how that capacity can be expanded. The following offer some possibilities:

- *Framing* communication of the reasons for change, including use of symbols and metaphors to reinforce and simplify messages. Open, honest and transparent communication among and with staff is critical for success (Ace and Parker, 2010; Meyer and Stensaker, 2006).
- *Participation* of employees in the design and implementation of change is now accepted as inescapable. This ensures commitment by sharing decision-making power, fostering interdependence and building a collective identity. However, employees must see that this is genuinely wanted and has an impact in the workplace (Ace and Parker, 2010; McPhee, 2007).
- *Pacing and sequencing* refers to the tempo and timing of change. Continuous implementation of initiatives requires team members to adapt work routines, processes and social interactions with other team members. Slow change gives opportunities to learn about what is happening, but slowness could be seen as a lack of urgency and it gives resisters the best chance to mount a defence. Fast change can accelerate the benefits but could crash and burn if poor decisions are made. Getting the pace and sequencing (the timing of different interventions) right is a key challenge for management (Meyer and Stensaker, 2006; Carter, Armenakis, Field and Mossholder, 2012).
- *Change fatigue* is passive resignation. It is not the acceptance or rejection of change. Instead, it is a general sense of apathy towards the organizational change(s). Continuous change is also tiring, so pacing and sequencing change will help. Explaining the change goals and processes and intended benefits also helps, along with frequent briefings on progress towards the goals (Turner, 2012).
- *Routinizing* new routines, structures and processes so as to create a sense of trust and predictability, while changing only what is necessary because these are the things that connect people, and offering support and understanding (McCann, Seisky and Lee, 2009).
- *Recruiting* people specifically to help implement changes: consultants, change agents or perhaps new appointments to key positions. There are also implications for the organization's general approach to selection, and in particular the competences that it seeks in new appointments (Lengnick-Hall, Beck and Lengnick-Hall, 2011; Meyer and Stensaker, 2006).

Focusing on these issues will help the organization's capacity for change to increase. Change capacity is a dynamic capability that underpins the ability to manage change over a period of time (Meyer and Stensaker, 2006; Klarner, Probst and Soparnot, 2008). Klarner *et al.* (2008) have developed this idea. Figure 9.6 depicts an approach to understanding change capability based on the change architecture framework discussed in Chapter 7.

Change capacity is conceptualized as comprising four linked elements (see Figure 9.6). One relates to the process of change – the change accelerator – and

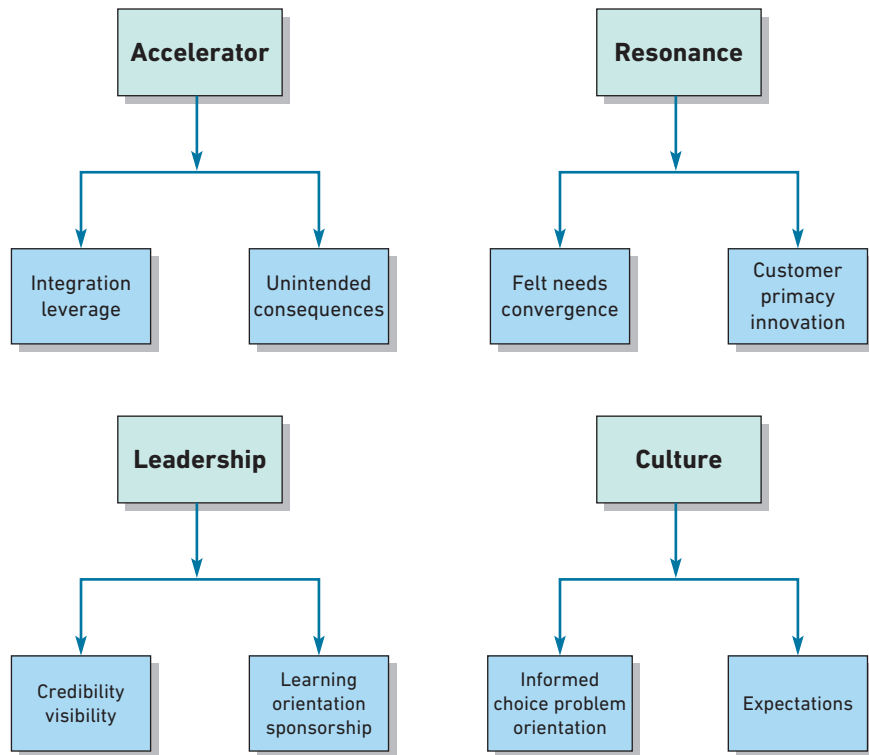


Figure 9.6 A model of change capacity

comprises the degree of integration of change activities and the extent to which the activities create leverage. The identification and management of unintended consequences to avoid them derailing the intended changes is also important. The second relates to the design of the changes. Do they resonate for key stakeholders as likely to deal with the challenges facing the organization? Do they meet 'felt needs' and do the various elements converge? For example, are finance systems convergent with the demands of the new system? Can it be funded? Are the ideas focused on customer needs and desired outcomes? Is there an appropriate level of innovation in the proposed solutions? The third relates to change leadership. Are leaders credible and visibly involved in the change process? Are leaders focused on learning from the problems experienced as change begins? Do leaders sponsor others to support changes? Finally, does the corporate culture support informed choice? Is the approach to change both evidence based and problem oriented? If delays occur, do people search for the guilty or for a solution? The basic idea is that change agents can assess each of the elements to see how far they are present in the organization as a forerunner to intervening and strengthening where there are weaknesses.

There are various theories on the extent to which employees can cope with change and whether this increases or otherwise employees' capacity for change. For example, one theory maintains that experience of change breeds further capacity for change. Another theory argues for the opposite; for instance, once change is

achieved there should be no necessity for more change and that capacity for change is reduced. Carter *et al.* (2012) tested the first theory in circumstances where transformational leaders operated to bring about continuous incremental organizational change at lower hierarchical levels. They found that, within the teams they led, the frequency with which change occurred moderated the link between workplace relationships and performance. The nature of this moderation effect showed that this link was stronger when change frequency was high.

By contrast, on the basis of their research in the context of episodic change, Beck, Bruderl and Woyode (2008) refute the 'change breeds change' hypothesis and support a deceleration hypothesis, in which change leads to less change.

In conclusion, it appears, unsurprisingly, that the capacity for change differs depending on previous experience of the type of change, how it is led and the context.



Challenges for future research on change

Despite being among the most studied aspects of organizations, there is much more to understand about change and organization development. Much of the earlier theorizing led to prescriptive 'how to' models that neglected crucial aspects of context such as micropolitics and workforce skills. As this text nears an end, therefore, it is worth looking at some of the gaps and limitations in change research as a way of understanding where more research is needed:

- 1 *Multiple contexts and levels of analysis.* Early studies were typically of one-off change events, but these overlooked the contextual factors that were influencing particular episodes. More recently, there has been a focus on change contexts and on the changing process rather than on finding out what can be understood by researching single change events. The emphasis is moving to exploring change while it is happening, to detect the complex nature of historic, political and environmental factors on change outcomes and the way these interact with actions within organizations.
- 2 *Time, history, process and action.* Most studies of management are cross-sectional. They are snapshots of situations and, as such, they are incapable of separating cause from effect. Many organizations have existed for a long time, so any snapshot study excludes the past and how it shaped the situation captured in the photograph. However, history is not just a chronological sequence of events; it is powerful in shaping prevailing and future processes and needs to be examined in this context. Implications therefore are for the inclusion of time in understanding of change and this can be achieved by historical studies of sectors and organizations, or by research programmes that follow change over time.
- 3 *Change processes and organizational performance.* Whereas many studies of change unravel the processes going on, more need to take account of the link between capacity for change and success or failure of change programmes themselves. This poses considerable challenges to researchers, however, as measures of capacity for change, as well as the change outcomes, are called for. Easy quantitative measures may not be available and so more qualitative judgements may have to be made.

- 4 *International comparative research.* Most change research takes place in single organizations or at best in a few organizations in the same country. For understandable practical reasons the field lacks studies of change on a cross-national scale, although these are needed to help understand innovation, new ways of organizing, the influence of national cultural differences and the limitations of normative theory.
- 5 *Reciprocity, customization, sequencing and pace.* While there is much theory and advice available to change agents, deciding where and how to start a change initiative is difficult. How receptive will people be? What change approach should they use in what context? What advice is there on when and how to sequence events and interventions? How much urgency and pace can be injected into proceedings? Answers to some of these questions would help inform this under-researched area.
- 6 *Scholar-practitioner engagement.* Management research is often carried out by a lone researcher, or maybe a small team of researchers, conceptualizing and designing studies in the first place, then gathering and analyzing data. There is little interaction with the research setting, other than acquiring permissions, until the research process starts. However, the study of change needs research strategies that engage with participants in agreeing how problems are described, what data is needed, how it should be collected and interpreted and what kind of process will be used to feed back results to organizational personnel. Teams of researchers working alongside organizations over a long time frame will be needed.
- 7 *Political influences.* Most organizations exist in political environments – local, national and international. These may facilitate or constrain what changes organizations can or cannot make, overtly or not. This is a sensitive area for researchers but, nevertheless, needs recognizing when appropriate.

The classic approach to management research, including change and organization development, relies upon positivistic approaches to defining and investigating research questions. From the 1980s onwards, alternative ways of seeing change have emerged and are captured in Table 9.1.

The classical approach perceives change situations as possessing a single truth and reality, which needs to be discovered and then told to the waiting world. Ways of discovering the true situation rely on objective methods of collecting data (such as top managers know best, management information is valid). Data analysis shows the way forward to a new organizational position. Change, just as with TV shows, occurs as episodes and, in between the episodes, there are periods of no change.

In contrast to the classical approach, new perspectives drawing on postmodernism have emerged (Marshak and Grant, 2008). Rather than seek to understand a simple objective reality, multiple realities are recognized – for example, appreciating the ways different groups of actors involved in a situation will differ and that each interpretation has its own validity. Power and the exercise of political energy are used to shape reality. Change is seen as a continuous phenomenon (not episodic) and is grounded in changes to how people think, as well as how they behave.

Table 9.1 Trends in organization development

<i>Classic organization development</i>	<i>New organization development</i>
<ul style="list-style-type: none"> ● Based in classical science and modern thought and philosophy ● Truth is transcendent and discoverable; there is a single objective reality ● Reality can be discovered using rational and analytic processes ● Collecting and applying valid data using objective problem-solving methods leads to change ● Change is episodic and can be created, planned and managed ● Emphasis on changing behaviour and what one does 	<ul style="list-style-type: none"> ● Influenced by the new sciences and postmodern thought and philosophy ● Truth is immanent and emerges from the situation; there are multiple, socially constructed realities ● Reality is socially negotiated and will, almost certainly, involve power and political processes ● Creating new mindsets or social agreements, sometimes through explicit or implicit negotiation, leads to change ● Change is continuous, and can be self-organizing ● Emphasis on changing mindsets and how one thinks
<p><i>Source:</i> Republished with permission of John Wiley & Sons, Inc., from <i>Organizational discourse and new organization development processes</i>, Marshak, R.J. and Grant, D. volume 19 (Special issue), p. S8 (2008); permission conveyed through Copyright Clearance Center, Inc.</p>	

This thinking is reflected in modernist, sophisticated modernist or postmodernist views of change (Kirkbride, Durcan and Obeng, 1994). A *modernist* view of the world sees change as incremental, evolutionary, constantly developing, following a linear path and worked out according to a known recipe about what should change and how. Thus modernists tend to believe in change models based on simple cause and effect: if the right levers are pulled in relation to desired outcomes, those outcomes should surely follow.

A *sophisticated modernist* view of the world would see change as transformational, revolutionary, periodic, following a circular path (that is, ‘moving in a complex and dynamic fashion from emerging strategy to deliberate strategy and back again’, p. 157) and one where the end point can change as the change process unfolds. As a result, this view recognizes that the world does not stand still for long.

The *postmodernist* view of change is summed up as follows (Kirkbride *et al.*, 1994, pp. 158–9):

The post-modern world can ... be seen as one characterized by randomness and chaos, by a lack of certainty, by a plethora of competing views and voices, by complex temporalities, and where organizations are unable to produce recipes for dealing with the unstable environment.

A cursory examination of some of today’s organizations will show that there is ‘truth’ in all these views of change – the ‘trick’ is to know when and where one or the other is current. For instance, in limited, constrained situations, a modernist view of change may be most appropriate and might loosely be linked to the hard systems model of change, which implies transition rather than transformation and planned rather than emergent change.

The version of an OD model of change presented in the previous chapter is more congruent with a sophisticated modernist view of the world – provided the presence of continuous feedback loops is stressed and it is recognized that the vision and its associated change goals are not fixed – in the sense that the change process is never complete.

The postmodernist view does not easily attach itself to any recognizable model of change. What it does point towards, however, is a model of organization that is organic, flexible, niche market-oriented, where jobs are highly de-differentiated, de-demarcated and multi-skilled in a context of employment relationships based on subcontracting and networking. Change, in this context, could take on any number of faces and forms.



Conclusions

Understanding change and changing has become one of the biggest preoccupations for management theory, reflecting the situation now that change, and changing, exercise the minds of most managers most of the time. Whether planned or emergent, change takes a number of different forms, each of which requires a different type of action. Building capacity to change and using collective methods of action research and appreciative inquiry to involve people in change are promising approaches that appear to offer more than conventional approaches.

While there is no one best way to achieve successful organizational change, making efforts to understand the wide variety of change situations and to be familiar with the different characteristics of change itself will help organizations and their members negotiate appropriate paths to change and to face the future with some confidence. There are key areas that should be considered in relation to the diagnosis, implementation and review of change situations:

1 *Multiple paths to change:*

- continuous environmental scanning (internal and external) to get early warning of change triggers;
- understanding the different types of change;
- adopting a contingency approach to developing plans for managing change based on an understanding of the change scenario being faced.

2 *The challenge of diversity:*

- regarding differences between people as something to be valued;
- recognizing that interacting with people across different cultures is essential to effective organizational change.

3 *Empowerment and control:*

- change is more likely to be a success if those it affects are willing collaborators;
- the effective collaboration of employees/stakeholders is more likely if they are involved at all stages of the change process and not just its implementation;
- behaviour linked to empowerment should be reinforced through appropriate reward mechanisms.

4 *Creativity and innovation:*

- creative and innovative approaches to change are more likely to flow from a diverse workforce;

- creativity and innovation require a creative organizational climate if they are to flourish;
- the organization and its managers need to foster structures and processes that facilitate creativity.

Change calls for high levels of persistence. This means persisting in the face of an ultra-unstable environment, persisting in the face of systems that are built for stability rather than change and persisting in the face of plans that are out of date as soon as they are formed. It means recognizing that nothing is perfect, and that people will act in infuriating and annoying ways but that, when necessary, will bring the genius of their humanity to solve apparently insoluble problems. For organizations, it is learning that change is necessary and often very effective, even when business is good. Change is not easy, but it can be interesting. It is certainly worth the journey, even if the place we arrive at is surprising.

Discussion questions and assignments

- 1 What do you think the future holds for your organization or one of which you have experience? How would you plan for this?
- 2 What is the capacity for change in an organization you know well? Consider how an organization's capacity for change would influence its approach to change in the future.
- 3 How would you describe the psychological contract you have with an organization you know?

Indicative resources

Arnold, J., Silvester, J., Patterson, F., Robertson, I., Cooper, G. and Burnes, B. (2005), *Work Psychology* (4th edn), Harlow: Pearson Education. This book is extremely useful when focusing on present and future trends that employers and managers are facing, given its emphasis on behaviour in the workplace and change.

Whitney, D. and Trosten-Boom, A. (2003) *The Power of Appreciative Inquiry*, San Francisco, CA: Berrett-Koehler.

Useful websites

<http://www.technobility.com> This is a consultant's site that contains views and thoughts on managing change.

<http://www.ons.gov.uk> The UK Office for National Statistics offers predictive interactive graphs for different sections of the population.

<http://change-fatigue.weebly.com/change-capacity.html> An interesting and unusual presentation (with lists of resources) of capacity to change, resilience and change fatigue.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/303340/the_future_of_work_slide_pack.pdf University of South Wales/Z-punkt (2014), 'The future of work, jobs and skills in 2030', UK Commission for Education and Skills.

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