BERNARD BURNES

Sixth Edition

MANAGING CHANGE

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Managing Change

Sixth Edition

Managing Change

Bernard Burnes

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To Sue, Duncan and Stuart

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Introduction

There is nothing so practical as a good theory. — Kurt Lewin

All models are wrong, some models are useful. — George Box

The McKinsey & Company (2008: 1) global survey of organisational transformation concluded that 'organizations need to change constantly'. This is yet further evidence, if needed, that for society at large, and organisations in particular, the magnitude, speed, impact and especially unpredictability of change are greater than ever before. Certainly, since the first edition of this book was published in 1992, new products, processes and services have appeared at an ever-increasing rate. In 1992, the VCR still ruled supreme, the DVD recorder was merely an interesting concept, and the iPod, never mind the iPhone, was not even a twinkle in Steve Jobs' eye. Also, since 1992, whether for good or ill, local markets have become global markets, protected or semi-protected markets and industries have been opened up to fierce competition, and public bureaucracies and monopolies have either been transferred to the private sector or have themselves adopted much more market-orientated practices (Burnes, 2009a; Rodrik, 2012).

When Hammer and Champy (1993: 23) declared that 'change has become both pervasive and persistent. It *is* normality', many people thought this was something of an exaggeration. Most people would now see this as a statement of the blindingly obvious. Certainly, the period since the publication of the first edition of this book has seen organisations having to cope with massive swings in their fortunes. The period began with a global recession and was followed in the mid-1990s by a takeover and merger boom of unprecedented proportions (Burton *et al*, 1996; *The Economist*, 1998). Warner (1997: 3) commented:

> To find a similar period of economic change and merger frenzy, you might need to go back all the way to the 1890s . . . Out of it were born such companies as Standard Oil and American Tobacco, the very prototypes of the vertically integrated modern corporation.

The period leading up to the new millennium saw the dotcom boom. This was rapidly followed by the dotcom collapse in which companies previously valued in billions of dollars suddenly became worthless – *see* the Marconi case study in Chapter 6 (Bryce, 2002; Cassidy, 2002; Cellan-Jones, 2003; Kaplan, 2002; Sirower, 2003). This period also saw the bankruptcy of Enron and the exposure of fraud on a massive scale by its leaders – yet another reminder of the fragility and unpredictability of organisational life. It was the spectacular collapse of companies such as Enron, which had grown rapidly and collapsed equally rapidly, that led the American investment guru Warren Buffett to make his now famous remark: 'It's only when the tide goes out that you see who has been swimming with their trunks off.'

Nevertheless, after the first two years of the new millennium, the world economy began to recover. Then came the 2008 credit crunch, which began with the sub-prime scandal in the US and quickly spread across the world (Clark, 2008; Doran, 2008; Hutton, 2008a). Not only did this lead to the worst economic crisis since the Great Depression of the 1930s, but it also appeared to have rolled back decades of economic orthodoxy. In particular, the mantra that free market competition was good and that publicly provided services were bad appeared to have been overthrown with some force. Arch-exponents of the free market, the banks, queued up for government handouts on a truly massive scale, and many of them also had to be nationalised – a fate which only a little while ago many of them would have considered as representing the worst excesses of state interference in the running of the free market (Hutton, 2008b). Since then, though, the financial sector seems to have reverted to type; it is fighting regulations designed to prevent a repeat of the 2008 credit crunch while at the same time awarding ever-bigger bonuses (Alloway, 2013; Guthrie, 2013).

Therefore, even in the relatively short period since the publication of the first edition of this book, organisations have had to cope with very different types of challenges. These range from globalisation, rapid growth, mergers and acquisitions, and the emergence of new technologies and new competitors, to falling markets, depressed economies, demergers and consolidations, and the collapse of some customers, suppliers, competitors and even the financial institutions which lend them money. It is the experience of organisations struggling to cope with events such as these, year in and year out, that underlies the quotation from McKinsey at the beginning of this Introduction: 'Organizations need to change constantly.' Yet McKinsey & Company (2008) also found that only a third of organisations managed change successfully.

This brings us to the purpose of this book – *Managing Change*. Though organisational change would not be considered particularly important if products and markets were stable and organisational change was rare, it would be considered even less of an issue if it were easily managed and success could be guaranteed. Alas, it is not just McKinsey which has found substantial evidence that managing change successfully is extremely difficult. Over the years, there has been a continuous stream of examples of change projects that have gone wrong, some disastrously so (*see* Brindle, 1998a; Burnes and Weekes, 1989; Bywater, 1997; Chatterjee, 2007; Chua and Lam, 2005; Cummings and Worley, 1997; Howarth, 1988; Kanter *et al*, 1992; Kelly, 1982a, 1982b; Kotter, 1996; Ojiako and Maguire, 2008; Stace and Dunphy, 1994; Stickland, 1998). Indeed, two of the most respected commentators in the field of organisational change, Beer and Nohria (2000), claim that nearly two-thirds of all change efforts fail, while one of the world's leading management consultancies, Bain & Co., claims the general failure rate is around 70 per cent (Senturia *et al*, 2008).

Though these seem implausibly high rates of failure, studies of particular types of change initiatives appear to reach similar conclusions. For example:

Culture change: A study of major European, Asian and North American companies by Bain & Co. found that the failure rate for culture change initiatives was a shocking 90 per cent (Rogers *et al*, 2006).

Computerisation: The micro-electronics revolution of the 1980s, which saw the rapid expansion of computers and computer-based processes into most areas of organisational life, was the subject of a great many studies. These found that the failure rate of new technology change projects was anywhere between 40 per cent and 70 per cent (AT Kearney, 1989; Bessant and Haywood, 1985; McKracken, 1986; New, 1989; Smith and Tranfield, 1987; Voss, 1985). Nor do the problems in this area appear to be teething troubles limited to the 1980s (Goulielmos, 2003). In 1998, for example, the UK government had to admit that its £170 million programme to replace the computer system that holds the National Insurance records of everyone in the country was in such a mess that the system had collapsed, throwing its social security system into turmoil (Brindle, 1998a, 1999). Similarly, in 2007, one of the main reasons given for BA's Terminal 5 fiasco was the failure of its computerised baggage-handling system (Done and Willman, 2008). In 2012, the US Air Force announced that it had scrapped an Expeditionary Combat Support System (ECSS), which it had begun developing in 2004 and had cost $1 billion (Charette, 2012).

Total Quality Management (TQM): The move by Western organisations to adopt TQM began in the US in the mid-1970s (Dale and Cooper, 1992). In the US, one of the founders of the TQM movement, Philip Crosby (1979), claimed that more than 90 per cent of TQM initiatives failed. Studies of TQM in European countries found a failure rate of 70 per cent or more (AT Kearney, 1992; Cao *et al*, 2000; Cruise O'Brien and Voss, 1992; Dale, 1999; Economist Intelligence Unit, 1992; Nwabueze, 2001; Patwardhan and Patwardhan, 2008; Whyte and Witcher, 1992; Witcher, 1993; Zairi *et al*, 1994).

Business Process Re-engineering: This was hailed as 'the biggest business innovation of the 1990s' (Mill, 1994: 26). However, successful BPR initiatives seem rare (Cao *et al*, 2001; Tarokh *et al*, 2008). Bryant (1998) cites a reported failure rate for BPR initiatives of 80 per cent, Breslin and McGann (1998) put the failure rate at 60 per cent, while Bywater (1997) puts the figure at 70 per cent. Even the founding father of BPR, Michael Hammer, acknowledges that in up to 70 per cent of cases it leaves organisations worse off rather than better off (Hammer and Champy, 1993).

We should, of course, be wary of extrapolating from a few studies and assuming that they cover all organisations and all situations. Certainly, there is evidence that some of the studies and assertions regarding the rate of change failure may be less than robust (Burnes, 2011a; Hughes, 2011). Even so, the available evidence, both hard and anecdotal, does seem to suggest that many organisations do struggle when seeking to implement change. The striking factor about the four types of change discussed above is that there is a plethora of information, advice and assistance that organisations can and do call upon in planning and executing change, and yet they still fail. This is perhaps why managers consistently identify the difficulty of managing change as one of the key obstacles to the increased competitiveness of their organisations (Dunphy *et al*, 2003; Hanson, 1993; IBM, 2008; Industrial Society, 1997; Senturia *et al*, 2008; Worrall and Cooper, 1997).

To many, this must seem paradoxical. On the one hand, there is now more advice on how to manage change than ever before. On the other hand, the failure rate of change initiatives is astronomical. The two quotations from Lewin and Box at the beginning of this Introduction hold the key to this paradox. What almost everyone would like is a clear and practical change theory that explains what changes organisations need to make and how they should make them. Unfortunately, what is available is a wide range of confusing and contradictory theories, approaches and recipes. Many of these are well thought out and grounded in both theory and practice; others, unfortunately, seem disconnected from either theory or reality. Also, though change theory requires an interdisciplinary perspective, each of the major approaches tends to view organisations from the disciplinary angle of their originators – whether it be psychology, sociology, economics, engineering or whatever – which can result in an incomplete and unbalanced picture. So, regardless of what their proponents may claim, we do not possess at present an approach to change that is theoretically holistic, universally applicable, and which can be practically applied. Nevertheless, we do know that, to paraphrase George Box, while all change theories are partial, some theories are useful. This means that for those wishing to understand or implement change, the prime task is not to seek out an all-embracing theory but to understand the strengths and weaknesses of each approach and the situations in which each can best be applied.

There can be few who now doubt the importance to an organisation of the ability to identify where it needs to be in the future, and how to accomplish the changes necessary to get there – although there is a great deal of dispute about how difficult or possible this is. Some might assume that managers do not need to understand organisation theory, strategy theory, change theory or any other theory in order to manage and change their organisations, but this would be to underestimate the extent to which managers and others in organisations are influenced, assisted or potentially misled by theory. Increasingly, managers are exhorted to adopt the teachings of the latest management guru. As Part 1 will demonstrate, and as Mintzberg and Quinn (1991: xii) observe:

> One can, however, suffer not just from an absence of theories, but also from being dominated by them without realizing it. To paraphrase the words of John Maynard Keynes, most 'practical men' are the slaves of some defunct theorist. Whether we realize it or not, our behavior is guided by the systems of ideas that we have internalized over the years. Much can be learned by bringing these out into the open, examining them more carefully, and comparing them with alternative ways to view the world – including ones based on systematic study, that is, research.

These 'systems of ideas', or organisation theories as they are more commonly called, are crucial to change management in two respects. First, they provide models of how organisations should be structured and managed. Second, they provide guidelines for judging and prescribing the behaviour and effectiveness of individuals and groups in an organisation.

To understand why and how to change organisations, it is first necessary to understand their structures, management and behaviour. As Mintzberg and Quinn indicate, in many organisations there is no clear understanding of these theories. It follows that choices with regard to the appropriateness of particular structures and practices, the way they are chosen and implemented, are founded on limited knowledge and perhaps false assumptions. Change cannot hope to be fully successful under these circumstances. On the contrary, a full understanding of these theories is necessary if informed choices are to be made when instigating and implementing change. For this reason, theories will be examined critically in relation to each other, and also in comparison with how organisations actually operate, as opposed to how theorists suppose them to. The aim is not to provide a 'hands-on' practical guide to organisational change – though readers should find this book useful in that respect as well. Rather the aim is to provide an understanding of the theories and approaches to change on offer, to indicate their usefulness and drawbacks, and to enable the reader to choose for themselves which 'models are useful' and when.

The central purpose of this book, then, is to aid this search for understanding both by describing and discussing the key approaches to organisational change, and by setting these within the broader framework of the development, operation and behaviour of organisations and those who populate them. The intention is to allow those who study and carry out organisational change to make their own judgements about the benefits, applicability and usefulness of the approaches on offer.

The key themes underpinning the book are as follows:

- There is a need to understand the wider theoretical and historical context within which organisations operate and the pressures and options they face for change.

- Organisational change cannot be separated from organisational strategy, and vice versa.
- Organisations are not rational entities *per se*, though those who manage them strive to present their deliberations and decisions as being based on logic and rationality.
- There is a strong tendency to present the various approaches to change as being limited in number and mutually exclusive. However, in practice, the range of approaches is wide, and they can be and often are used either sequentially or in combination.
- The appropriateness of each of the available approaches is dependent upon the type of change being considered and the constraints under which the organisation operates, although these constraints and objectives can themselves be changed to make them more amenable to an organisation's preferred approach to change or style of management.
- Organisations and managers can and do exercise a wide degree of choice in what they change, when they change and how they change.

The book is organised into four parts.

Part 1: The rise and fall of the rational organisation provides a comprehensive review of organisation theory and behaviour. It shows that organisation theory is primarily concerned with control, especially in terms of shaping and controlling human behaviour in organisations. It shows that organisation theories are also, implicitly or explicitly, theories of change. Chapter 1 deals with the development of organisations from the Industrial Revolution through to the early years of the twentieth century, when the first fully fledged organisation theory, the Classical approach, appeared. This is followed in Chapter 2 with reviews of the next two organisation theories to appear: the Human Relations approach and Contingency Theory. Chapter 3 examines and compares the three main and most influential contemporary approaches to structuring and managing organisations: the Culture–Excellence and organisational learning approaches, primarily developed in the West, and the Japanese approach. Chapter 4 sets the review of organisational theories in a wider context by reviewing the postmodern, realist and complexity perspectives on organisations. Chapter 5 examines the importance and implications of culture, power and politics. Chapter 5, and Part 1, conclude that, by accident or design, organisation theories attempt to remove choice from organisations by specifying what they need to do in order to be successful. However, the review of culture, power and politics, together with evidence from the earlier chapters, shows that managers do have a wider scope for shaping decisions than much of the organisation literature suggests. This theme of managerial choice is continued in Part 2.

Part 2: Strategy development: theory, practice and choice comprises two chapters, examining the literature on strategic management. Chapters 6 and 7 examine the dominant approaches to strategy, and the main tools and techniques available to organisations for its development and implementation. In particular, these two chapters draw attention to the differences between the Prescriptive and Analytical schools of strategy, and they highlight the importance of the relationship between organisational strategy, organisational change and managerial choice.

Part 3: Change management: past, present and future comprises four chapters. Chapter 8 covers fundamental issues related to organisational change, including why organisations wish to change, the issue of resistance to change and the role of change agents. Chapters 9 and 10 review the two dominant approaches to organisational change: the Planned/Organization Development approach and the Emergent approach. These chapters show that both approaches have their strengths and weaknesses, and that neither separately nor in combination do these approaches cover all change situations. Chapter 11 goes beyond the Planned and Emergent approaches to develop a *framework for change* that relates the various change situations organisations face to the range of approaches to managing change on offer. Chapter 11 concludes Part 2 by arguing that, though organisations face significant constraints on their freedom of choice, these constraints can be influenced and changed in order to allow organisations to choose the particular approach to strategy and change that best suits them.

Part 4: Managing choice comprises the concluding three chapters of the book. Chapters 12 and 13 combine the insights and perspectives from Parts 1, 2 and 3 to create a Choice Management–Change Management model of organisational change. This model, which comprises three interlinked processes – choice, trajectory and change – provides an understanding of how managers and organisations can and do exercise choice and manage change. Given the importance attached to the role of managers in developing strategy and managing change, Chapter 14 reviews what managers do and how they do it. In particular, the role of leadership and management development is examined and related to approaches to change management. The chapter and the book conclude that, as managers have considerable choice over what to change and how to change it, a considerable responsibility lies on their shoulders. How organisations change and develop has enormous consequences, not just for their employees and owners but for society at large. In order to minimise social fragmentation and exclusion, and the destruction of the natural environment, managers need to act in the broader interests of all their stakeholders – employees, shareholders, themselves and the wider community.

The sixth edition

Since the publication of the fifth edition of this book, I have received many helpful comments and suggestions for improving and developing this book, both from my students and colleagues at the University of Manchester and from readers and users elsewhere. I am very grateful for these and have tried to utilise them in preparing this sixth edition.

I have updated all the chapters to reflect developments in the field since the fifth edition. I have taken the opportunity to clarify and re-organise material to make it more accessible to readers. In addition, I have made quite substantial changes to a number of the chapters, including creating two new chapters. The main changes from the fifth edition are as follows:

- All the chapters have new mini case studies at the beginning. There are also four new, longer case studies, which appear at the end of Chapters 5, 12, 13 and 14.
- The first part of Chapter 1 has been revised to incorporate more material on the pre-history of organisations. It shows that for much of human history, those who controlled organisations tended to prefer stability over change.
- A new section has been added to Chapter 2 to highlight the importance of the work of Mary Parker Follett. It also helps to emphasise the importance of the role of women in the development of modern organisations and organisation theories.
- In Chapter 5, the section on culture has been revised. The section on national cultures has, in particular, been expanded to include the GLOBE (Global Leadership and

Organizational Effectiveness) study, which was established to examine how different cultures viewed leadership.

- A new Chapter 8 has been inserted. This brings together and expands material which was previously divided among a number of chapters and dealt with only briefly. In particular, this new chapter includes a section on readiness for and resistance to change, and a discussion of small-scale/slow versus large-scale/fast change.
- Chapter 9 has been substantially revised to provide more information on the history and purpose of Organization Development (OD).
- Chapter 10 has been significantly revised to update the current status of Emergent change and to show that it is being challenged by complexity-based Emergence and a renaissance of OD.
- Chapter 11 in the fifth edition, which covered the Choice Management–Change Management model, has been divided into two chapters, now Chapters 12 and 13. The new Chapter 13, which is solely devoted to an expanded discussion of the Change process, draws especial attention to the importance of behavioural change.

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Above all, I am irredeemably indebted to my wife, Sue. Her painstaking reading and editing of draft after draft of this book have improved it beyond recognition. It is not too much to say that she deserves as much credit as I do for what is good about this book.

Nevertheless, despite all the help and assistance I have received, any faults or shortcomings in the final product are mine and mine alone.

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Figures

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Tables

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PART 1

The rise and fall of the rational organisation

Chapter 1

From trial and error to the science of management

The rise of organisation theory

Learning objectives

After studying this chapter, you should be able to:

- understand the main features of the Classical approach;
- discuss the differences and similarities between the work of Taylor, Fayol and Weber;
- list the main advantages and disadvantages of the Classical approach to structuring organisations, designing jobs and controlling behaviour;
- describe the key features of the Classical approach to organisational change;
- understand why the Classical approach developed as it did in the US, France and Germany;
- understand the development of work organisation from the Industrial Revolution until the beginning of the twentieth century;
- appreciate the reasons for the antagonistic relations between labour and employers in the nineteenth century;
- discuss the different roles played by technology and people in the development of the factory system.

MINI CASE STUDY 1.1

Managers are reining in staff – because they can

Marissa Mayer, Yahoo's new chief executive, has caused consternation by insisting that employees who have worked from home must in future come to the office. Her critics have pointed out that home workers are as productive, if not more so, as those in cubicles. They are, however, missing the point. Ms Mayer is mostly doing this as a rough and ready way to reform Yahoo's notoriously dysfunctional and disorganised culture. She is also doing it because she can.

The lesson to draw from Ms Mayer's whip-cracking – in Silicon Valley, of all places – is that this is an age of harder work. From intense teamwork at the top to monitoring and surveillance at the bottom, managers are squeezing more from employees than they previously would have dared. Even Santa Clara County, where Yahoo's headquarters is located, has a 7.5 per cent unemployment rate, and Yahoo is among the old Valley companies shedding layers of employees so it can regain its edge. The US and Europe still suffer from high unemployment long after the 2008 financial crisis. That has undermined employees' bargaining power, enabling managers to impose greater demands on their shrinking workforces. "For several years, managers have been able to ask workers to do two jobs without any of them quitting," says Peter Cappelli, a management professor at the Wharton School of the University of Pennsylvania.

Managers also have more technology than in the past to measure what each employee contributes, from billing software at law firms to tracking technology in warehouses. The incentive, particularly when any worker who leaves can easily be replaced, is to push this to its limits. On the face of it, Silicon Valley is at the benign end of the scale – it is devising software to measure others rather than being measured itself. Valley companies were pioneers of teamworking and employee autonomy compared with tough methods elsewhere. "There are military type organisations in which the person at the top issues an order and it is passed down the line until the person at the bottom does as he or she is told without question or reason. This is precisely the type of organisation we at HP did not want," wrote David Packard, the co-founder of Hewlett-Packard, about his company in the 1950s. Indeed, companies such as Google sound like holiday camps by comparison. Free buses from San Francisco with WiFi! Free food! Free haircuts! Wacky furniture! Saunas! Bring your dog to work! But these perks are there to entice employees to spend as much time alongside each other as possible. "There is something magical about sharing meals. There is something magical about spending the time together, about noodling on ideas," Patrick Pichette, Google's chief financial officer, told a conference in Australia last week. Ms Mayer, a Google alumna, presumably wants to achieve the same effect at Yahoo.

Engineers at start-ups, and at the most successful of the big companies such as Google and Apple, have plenty of autonomy, and are paid and rewarded highly. They also work very hard. These companies use an extreme version of the motivational technique called Theory Y by management theorist Douglas McGregor in 1960. The opposite approach, Theory X, assumes that workers need to be tightly managed and supervised because they are inherently slackers. Theory X goes back to the "scientific management" notions of Frederick Taylor, a mechanical engineer who, in 1911, advocated breaking down the work of unskilled labourers and assembly line workers into small tasks and then telling them exactly what to do, while watching them closely. Theory Y has been in the ascendant for several decades, partly because it has worked out well at companies such as Google, and partly because of the rise in white-collar work. But a combination of new technology and a shift in the balance of managerial power is bringing back Taylorism.

A recent *Financial Times* article on an Amazon UK warehouse gave an insight into what is happening in the logistics industry. The "pickers" who collect items from the warehouse shelves carry handheld computers that tell them exactly where to go and check how fast they do it. Technology is enabling the kind of surveillance of which Taylor could only have dreamed. Managers used to be able to check with technology when a worker clocked in or out. Now, those who run call centres and logistics depots know the worker's every move in real time. "If you have a plentiful supply of labour and don't need to worry about quality, the temptation is to nail your workers for every minute of the day," says Kirstie Ball, reader in surveillance and organisation at the Open University.

Even professionals are not immune to surveillance. Law firms use software to calculate the time that lawyers spend on individual cases in order to bill clients by the hour, or even in ten-minute blocks. The computers that hum on most people's desks can easily spy on their users.

Ms Mayer is not attempting to implement command and control at Yahoo. But her edict has one thing in common with Amazon's approach: it is calculated to intensify effort. Commuting to the office to work in a group ensures that everyone knows what you are doing. Peer pressure can be as powerful a management tool as surveillance. That need not be sinister. I would prefer to work hard at a successful company than idle at a demoralised, lethargic one. But a combination of high unemployment and technology hands managers a lot of power. Some will abuse it.

FT *Source*: Bosses are reining in staff because they can, *The Financial Times*, 27/02/2013, p. 9 (Gapper J.),

Introduction

In the UK and the rest of the developed world, and increasingly in the developing world, it is almost impossible to imagine life without the plethora of organisations that comprises and makes possible our everyday life. Yet organisations in their modern form – indeed, in almost any form – were virtually unknown before the beginning of the Industrial Revolution in the late eighteenth century. In the intervening period, as Morgan (1986) remarked, we have developed into an 'organizational society'. Not only have organisations, in their many shapes, sizes and manifestations, come to reach into every facet of our lives, they have also acquired an equally diverse range of theories, nostrums and semi-sacrosanct beliefs about how they should be structured, managed and changed. Yet, as Mini Case Study 1.1 shows, there is still no agreement on the most basic and fundamental of organisational questions: what is the best way to manage and motivate employees?

This chapter sets out to explore and discuss the origins of organisations, from the Industrial Revolution to the early years of the twentieth century, when the Classical approach to running organisations emerged. This approach was the first detailed and comprehensive recipe or theory for running organisations, and was founded on the work of Frederick Taylor in the US, Henri Fayol in France and Max Weber in Germany. As Mini Case Study 1.1 shows, though it was developed more than 100 years ago, Taylor's scientific management, which many see as being outdated and just plain wrong, is still hugely influential in determining how people are managed and work is structured. This chapter will review the development of the Classical approach and show why, despite the advent of many competing approaches, it exerts such a strong influence on managers.

The key themes of this chapter are as follows:

- The Industrial Revolution marked a significant shift in how change was perceived. Beforehand, those who controlled organisations, whether those organisations were countries, religions or medieval craft guilds, tended to resist change, considering it a threat to their power. After the Industrial Revolution, though change was strongly resisted by workers, the emerging class of entrepreneurs and industrialists came to see it as the prime mechanism for gaining wealth and power.
- Although industrialisation was primarily characterised by the move from a subsistence economy to a money-market economy, its main enabling mechanism was the creation of

the factory system, and its main characteristic was the battle between managers and workers over control of the work process.

- The development of organisation theory was synonymous with the need by managers to legitimate and enhance their authority to control workers' behaviour and initiate changes to production methods. Thus the Classical approach to running organisations stresses the need to remove decision-making powers from workers and vest planning and control of the work process in the hands of managers and specialists.
- As a result, two of the overarching and complementary characteristics of this period were the conflict between workers and managers, and the search for a systematic, scientific and above all efficient approach to running and changing organisations.

The chapter begins by looking at the pre-history of modern organisations. It shows that the opportunities for vast wealth which arose from the rapid expansion of national and international commerce in the seventeenth and eighteenth centuries could not be met by existing forms of production technologies and work organisation. Thus it was that entrepreneurial opportunities created the conditions for the Industrial Revolution in Britain, from which emerged the factory system, the precursor of all modern organisations, and whose two key features were its *ad hoc*, trial-and-error nature and the antagonistic relationship between owners and employees, or – to use the terminology of the times – masters and servants.

The chapter describes how British industrial practices, methods and technologies were 'exported' to other European countries and the US, with similar results in terms of employer–employee relations. As the nineteenth century progressed, and organisations grew in number and size, trial and error increasingly gave way to more considered and consistent approaches to work organisation. This development was especially pronounced in the US and mainland Europe, as industrial leadership moved away from Britain towards these areas.

What emerged, separately, were three different but complementary attempts by Frederick Taylor in the US, Henri Fayol in France and Max Weber in Germany to replace the *ad hoc*, rule-of-thumb approach to organisations with a universally applicable blueprint or theory for how they should be managed. These three approaches, each focusing on different organisational aspects, coalesced into what later became known as the Classical school of organisation theory. This approach to organisations is characterised by:

- the horizontal and hierarchical division of labour
- the minimisation of human skills and discretion
- the attempt to construe organisations as rational–scientific entities.

One of the key objectives of the Classical school was to ensure that managers were the only group with the legitimate right to plan and implement change. It was argued that management was the only group with the skills and authority to analyse the work situation scientifically and rationally, and to devise the most appropriate and efficient methods of operation in order to meet the organisation's goals.

The chapter concludes by arguing that the Classical approach, while being a significant advance on what went before, was badly flawed. In particular, its view of human nature and motivation was not only inaccurate but also counterproductive in that it alienated workers from the organisations that employed them and created resentment. However, the precepts of the Classical school were not aimed solely at constraining workers' ability to make or block change; in addition, by laying down hard-and-fast rules of what was and was not best practice, they constrained management's freedom of action, thus alienating many managers as well as workers.

The pre-history of modern organisations

Before moving on to examine the changes to organisational life brought about by the Industrial Revolution, it is important to recognise that our current preoccupation with change is relatively new, as is the study of change itself. It was only with the advent of the Industrial Revolution that organisations began to focus on change rather than stability. Only in the last 70 years has organisational change emerged as a subject for systematic academic study, and indeed, it is really only since the 1980s that it has become a mainstream subject on undergraduate and postgraduate courses in management and business.

To understand why this is so, we have to recognise that while organisational change is as old as organisations, it has not always been the case that those who lead organisations have welcomed change or seen it as the norm. For most of recorded human history, leaders appear to have favoured stability and tradition rather than change and newness. In a review of managerial practices in the 2,500 years before the Christian era, Rindova and Starbuck (1997) showed how Chinese leaders fostered stable social structures and established a bureaucratic state apparatus geared to the purpose of maintaining the status quo rather than challenging it. Though Weber (1948) saw bureaucracy as a modern approach to achieving order, predictability and control, the Chinese example shows that this is not the case. Nor is it an isolated example. We can see this preference for stability across the ancient world. In Egypt, Greece and Rome, the structure, laws and practice of the state, and social norms such as ancestor worship and respect for age, promoted tradition and stability over newness and change (Antonaccio, 1994; Beyer, 1959; Jones, 1984). As Robbins (1987) noted, this preference for bureaucratic-type organisations can be found in *The Bible*. When Moses, having led his people out of Egypt, began to find the strain of leadership too much, his father-in-law offered the following advice:

> Thou shalt provide out of all the people able men . . . and place such over them, to be rulers of thousands, and rulers of hundreds, rulers of fifties, and rulers of tens: and let them judge the people at all seasons: and it shall be, that every great matter they shall bring unto thee, but every small matter they shall judge: so shall it be easier for thyself, and they shall bear the burden with thee. (Exodus 18, 21–23, The Bible, 1962)

Of course, it could be argued that these examples are not typical organisations but nation states or, in the case of Moses and the Israelites, a proto-state. This, though, would miss the point that until the emergence of craft guilds in Europe around the fourteenth century, the only organisations of any significance were feudal states/principalities and, from the fourth century onwards, the 'one, holy catholic church' whose structure tended to mirror that of the states in which it operated (Gonzalez, 1999; Keen, 1991).

In the Christian world, people were subject to two sets of laws: Divine Law, protected and promoted by the Catholic Church, and Human Law, enforced by civil government (Foster, 1977). However, the belief was that civil rulers were appointed by God and subject only to God's laws (which later grew into the Divine Right of Kings). Therefore, Human Law was seen as subservient to Divine Law. This was enshrined in the doctrine of Natural Law, which states that there are certain enduring rules of behaviour to which humans are subject, primarily obedience to the laws of God as prescribed by the church. Anything or anyone who challenged these laws and the pre-eminence of the church, or the Divine Right of Kings, was deemed to be heretical and had to be suppressed, often, as the Inquisition demonstrated, in an extremely violent manner (Green, 2008). It follows that the preference for stability in the church, the state and their institutions was regarded not merely as an attitude of mind but as the natural order of things as laid down by God.

Even when the duopoly of church and state started to be challenged by the advent of powerful and rich craft guilds, this did not noticeably challenge the preference for stability over change. A guild was a monopoly which regulated entry into a trade or craft in a city and sought to control price and supply, quality and methods of production (Gadd and Wallis, 2006). Technological or organisational innovations were seen as threats by guilds as these could undermine their control over their craft. Consequently, for guilds, the pursuit of stability was an economic necessity rather than a religious imperative, but was no less powerful for that. This of course did not mean that changes did not take place in church, state or guild; they clearly did and were often momentous in nature (Davis, 1997; Epstein and Prak, 2010). However, the point is that stability rather than change was seen as the norm. The leaders of organisations, whether they be popes, kings or guild masters, saw it as their duty to maintain the status quo, in terms of religious doctrine, existing social relations or methods of production.

The rise of commerce and the birth of the factory

It was only with the commencement of the Industrial Revolution in the eighteenth century, buttressed by the rise of sectarian Protestantism and the new thinking of the Enlightenment, that change began to be seen as preferential to stability (Hampson, 1990; Hobsbawm, 1979). The emergence of the factory system led to the creation of a new entrepreneurial-industrial class who saw stability and tradition as obstacles to their pursuit of wealth and power. They saw organisational, technological and scientific progress as the key to increased wealth. However, for their workers, the reverse appeared to be the case. They saw change as a threat to their skills and livelihood, and tradition and stability as things to be valued and protected (Burnes, 2009a). Therefore, even at the beginning of what Morgan (1986) refers to as the 'organizational society', the fault lines between employers and employees were evident. Change posed a challenge for both. For employers the challenge was how to accomplish it; for employees the challenge was how to prevent it.

Therefore, the Industrial Revolution was the pivotal event that shaped the world into the form we now see around us. Previously, most societies were based on small-scale, self-sufficient agricultural production, with the vast majority of the population, some 80–90 per cent, living in the countryside. By the end of the nineteenth century, after the Industrial Revolution had run its course, the reverse became the case, in the leading industrialised countries at least, with most people living in urban centres and depending on industrial and commercial activities for their livelihood (Landes, 1969).

Britain was the pioneer industrial country; it was the model that other European nations and the US sought to emulate in their attempts to transform traditional agrarian economies into urban societies based on science and technology (Kemp, 1979). The key development of the Industrial Revolution towards this process of societal transformation was the creation of the factory system. It was this that gave the impetus to and created the model for all that was to follow. As Weber (1928: 302) pointed out, the factory's distinguishing characteristic was:

> in general . . . not the implements of work applied but the concentration of ownership of workplace, means of work, source of power and raw materials in one and the same hand, that of the entrepreneur.

Or, to put it another way, it was the way the entrepreneur 'organised' the elements of production that distinguished it from what went before.

This tells us what changed, but it does not explain why or how in a few score years organisations came to dominate our lives. To answer this, it is necessary to appreciate the great surge of economic activity – especially the international trade in textile products – that arose in the seventeenth and eighteenth centuries. This trade gave an enormous impetus to textile production in Britain, which in turn had a knock-on effect in all other spheres of economic activity (Mathias, 1969).

Before and during the early part of the Industrial Revolution, textile production was carried out as an agricultural by-occupation based on family units. However, as demand increased in the eighteenth century, some 'men and women [became] specialist spinners or weavers, thinking first of wool, treating work on the land as, at most, a by-occupation' (Ashton, 1948: 23). Allied to this, a new mechanism sprang up to link producer and consumer: the 'putting-out' system, whereby a large merchant would 'put out' work to a number of independent domestic producers. The advantage to the merchant was threefold:

- It was cheap – there were few overheads.
- It was flexible – production could be easily expanded or contracted.
- It avoided the difficulties involved in directly employing a workforce.

However, as demand continued to increase in the late eighteenth century, this system became more complex and more costly, and eventually it became too cumbersome (Mathias and Davis, 1989). The chain of intermediaries linking producer to consumer became increasingly difficult for the large merchant to control. There were many problems with the putting-out mechanism: dishonesty (on both sides) was rife; deliveries were late; and quality was often poor. Laws attempting to control producers could do nothing to rectify the fundamental weaknesses in the system. The incompatibility between the large and complex organisation of distribution and the multitude of tiny domestic workshop units, unsupervised and unsupervisable, was bound to create tensions and drive merchants to seek new ways of production – ways whereby they could establish their own managerial control over the production process (Pollard, 1965).

There was also an incompatibility between different cultures. For the merchant, the expansion of markets was a chance to maximise profits in order to live in the grand style. For the rural domestic producer, involved in long hours of back-breaking work, it created the conditions for increased leisure. As Marglin (1976: 35) commented:

> Wages rose and workers insisted on taking out a portion of their gains in the form of greater leisure. However sensible this may have been from their own point of view, it is no way for an enterprising capitalist to get ahead.

Therefore, it was the merchant who began the change towards the factory system – not because the merchant had an innate desire to run factories or exercise direct control over