Barbara Senior   Stephen Swailes   Colin Carnall

ORGANIZATIONAL CHANGE

SIXTH EDITION

Pearson

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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.

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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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Stephen, Colin and I have tried to be true to the large amount of research and work already accomplished in the subject area of organizational change. Every effort has been made to trace and acknowledge ownership of copyright.

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Colin

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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.
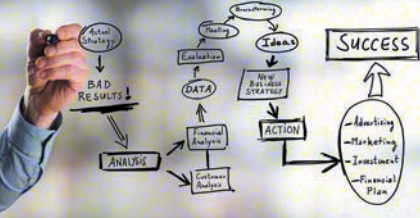
Chapter 1

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 inter-actions 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.
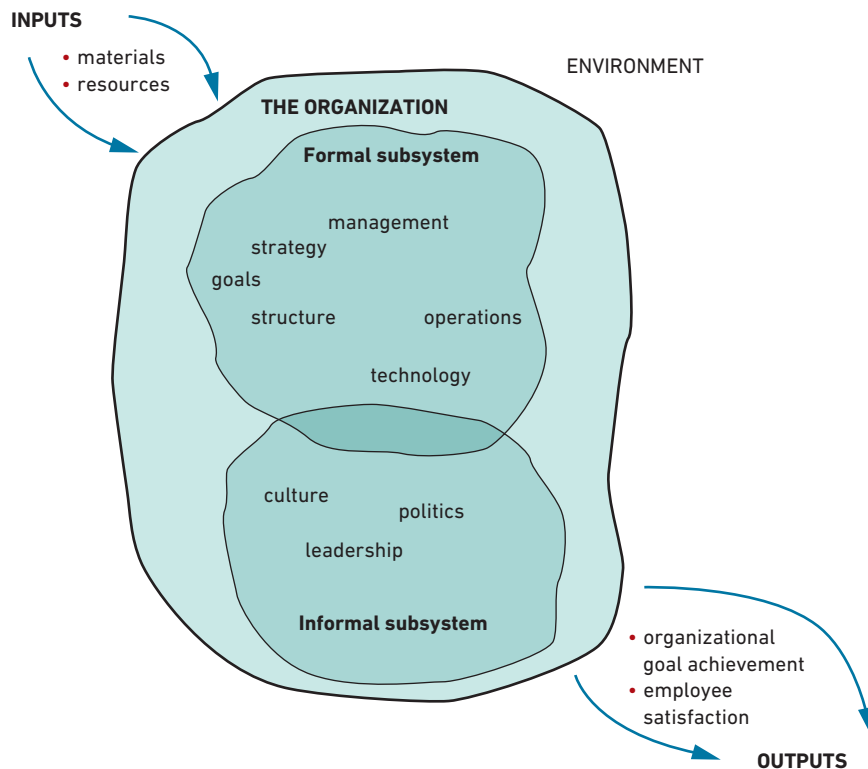
Figure 1.1 The organization as a system

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
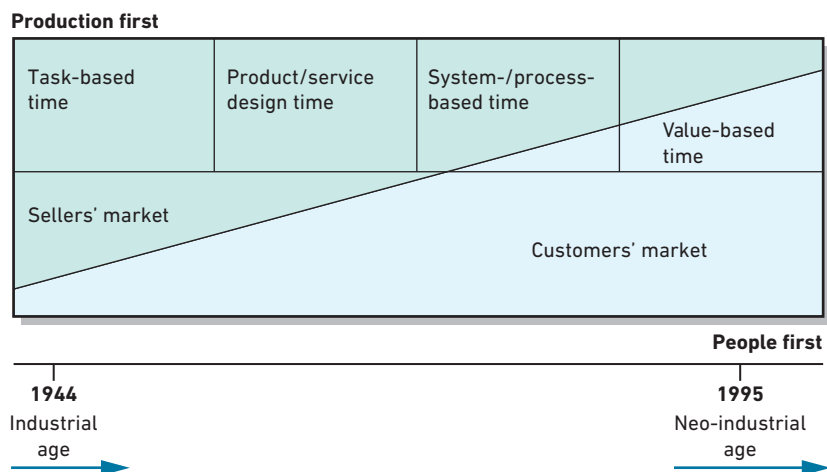
Figure 1.2 Market factors impacting on operations of Western organizations

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 downsizing 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