Understanding Organisational Change

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In the past decade, particularly in Western industrial societies but more recently in Eastern Europe, there has been a great deal of concern over efficient management and good organisational practice in order to create an effective economic base for society. The waste of resources, inefficient structures, and poor communication can no longer be excused in an increasingly competitive environment. To take one example, the U.K. National Health Service, which includes a plethora of professions and an even larger number of unqualified or non-professional staff has been radically altered by the introduction of "General Management": that is, the attempt to clarify accountability and to allow those working inside as well as those receiving the service to know who is "the boss", or where the "buck stops" and who can make particular decisions.

Organisations need to change and develop in order to survive and they must continuously improve their management practices. Of course there are many competing approaches as to how this could be achieved but the basic objectives are not new. For many years Elliott Jaques and his colleagues have put forward models for restructuring organisations both in the public and private sectors, most completely summarised in 'General Theory of Bureaucracy' (1) and more recently in 'Requisite Organisation' (2) Jaques's theme for many years has been that organisations work better if there is clear accountability, a shared terminology, clear authority with unambiguous role descriptions, and appropriate remuneration. Very few would disagree with these broad propositions even if some would argue over the specific content of Jaques's theories for example concerning 'work strata'. It is not the intention of this chapter to argue for or against particular aspects of this theory but rather to ask why there is apparent resistance to change, even in the implementation of the broader, more generally agreed aims mentioned above.

One apparently simple answer to this is the widely held assumption that people are resistant to change. Such an argument is not only tautological but in my experience wrong. I do not think people are inherently resistant to change. In fact change in life and work is one of the few constants we can rely on. It is my experience that people can and do accept, and welcome, change under particular circumstances and it is understanding these circumstances which are the main content of this paper.

To begin with organisational structures and job descriptions are often perceived, especially by people within organisations, as a boring, dry area. Like 'administration' they are a necessary evil and one to be avoided where possible. On the other hand, work is critical to the development of our identities. Our work experiences and working relationships take up a great deal not only of our waking time, but also of our emotional energy. People agonise over, are offended by, delighted, confused and satisfied by achievements, or lack of them at work and in their working relationships. Jaques describes work as "the primary plane of reality", and using his definition it is the outward and manifest expression of our decision-making abilities; the achievement of goals within the limits of resources and time. To be out of work, underemployed, poorly paid, or unappreciated are highly significant psychological matters. Working well or badly in a team has a profound effect on our sense of who we are and our self-worth. Thus these apparently dry and dusty areas of concern potentially affect one of the most important areas of our existence. Why then are theories in this area so often ignored, avoided or simply not seen as significant? It could, of course, be simply because these theories are bad and have no relevance. If this were so however, it might at least provoke a more vociferous rejection and active engagement to find

better ones rather then dull stares and yawns. Some are ritually observed: every manager seems to have a copy of 'In Search of Excellence', like Gideon's Bible, but like the latter how many are read? Even more easily read books like 'The One Minute Manager' may not have been read for longer than the time suggested in the title.

More usually it seems that such theories are not easily associated with the 'real world'. This is partly because of the lack of shared terminology, so that words used in books, even when defined, may be at variance with their common usage in an organisation and may be taken as jargon. My definition of jargon is the labelling of a concept prior to its definition. Terms like "requisite structure", "mutual recognition unit", "manager-once-removed", "cognitive mechanisms", "time-span", "systems analysis", etc. may be rejected because they are not easily associated with the psychological reality they mean to represent. However, the antipathy to jargon is not a sufficient argument in itself. There is a general antipathy to theory as if it is impractical.

Many ideas are dismissed as good in theory but not in practice. The fact that there is no substitute for a good, practical manager does not argue against the need for organisational theory. A theory about organisation is necessarily a theory about human behaviour. Now while most of us would accept that we cannot simply walk into an operating theatre and perform open-heart surgery, many of us assume we can walk into a managerial position and "manage". After all, we have to deal with people all the time. We always have done throughout our lives, and, unlike the case of surgery, we have developed our ideas, at least implicitly, about what motivates people, why they behave the way they do and how we respond to particular situations.

However, few of us have actually turned this into a theory of behaviour in the sense of a written set of principles and propositions which we test and modify in a scientific way. Consequently our "theories" are really a set of assumptions and beliefs influenced by our values. In most relationships we do not need to make these explicit. Indeed talking about relationships can be seen as counter-productive (for example, extreme groups in the West-Coast of America which spend hours and days analysing their feelings for one another). Most managers do not have the time or inclination for such activity, in some organisations it is culturally frowned on, and not seen to be manly. People management is too often left to personnel experts, who are more likely than line managers to be women.

We need to be able to distinguish good management from poor management and to understand what it is that some people do to create productive working practices. This is especially so at times of change within an organisation, and/or when that change is necessitated by an increasingly hostile economic environment. In such circumstances it is no longer possible to carry a number of poor managers. Learning by observation, i.e., by working with exemplary role-models is neither quick enough nor systematic enough, nor always effective, since not all employees have direct experience of adequate role-models. It is also difficult to analyse what it is about a person that we could emulate without being mere shadows or copies of that person. It is important to distinguish three points which need to be taken into account when considering change and development. These are the beliefs and values we hold, hypotheses that can be tested and what actually happens.(3)

1) <u>Beliefs, Values and Aspirations:</u> These are usually implicit. They constitute the set of general ideas and feelings which determine the overall direction of our behaviour. They are not limited by time or a particular formulation but can be changed by experience.

2) <u>Formulated Hypotheses:</u> These are publically stated propositions which are testable in time. They are clear, if/then statements. The essential nature of these statements is that they are open to public scrutiny. They are not part of the internal world of private meaning but firmly in the public and social world.

3) <u>Actions:</u> These are the set of behaviours that actually occur whether or not they are consistent with beliefs or predicted by hypotheses.

It is only useful to separate these aspects in order to examine how they relate to one another.

Development of the Decision Making Process

In the model beliefs and values influence the formulation of hypotheses. However, these formulations should be testable in their own right and the results of the hypotheses should not be predetermined by the values. This makes the process of formulation difficult since it requires a temporary suspension of belief systems. The formulation itself may result in a reflection which influences beliefs. Once clear formulations have been made, they can be tested in practice and consequently evaluated. The resulting actions may well lead to an evaluation and hence reformulation of hypotheses which in turn affects beliefs.

Beliefs may also directly affect action without a conscious formulation of what and how behaviour will occur. In fact most of the time we act without deliberately formulating and reflecting on action. However, action may also directly affect beliefs. This would be the case for example, where a person or group whom we believe to be honest or trustworthy acts in a way to destroy that trust, or of course vice versa. Such is often the case in the maintenance or undermining of stereotypes. Influences of this kind may be profound (and shocking) or temporary. The shock to the belief system may be modified by reformulation, that is, by trying to rationalise inconsistent actions.

The creation and development of our understanding of managing people in organisations (as indeed many other areas) is open to distortion by deliberately or naively ignoring one aspect of the process outlined above. There are three main distorted systems:

1) Beliefs<--->Hypotheses (i.e. including 1 and 2 but not 3). This leads to the construction of models and theories which are never actually tested in action. It results in the pejorative meaning of "theory" or "academic" which is to split off from practice. The response of practitioners is to point out that the "real world" is missing.

2) Actions<--->Hypotheses (i.e. including 2 and 3 but not 1). This leads to a cold, scientific approach which denies the influence or relevance of values and beliefs. It is a purely rational approach detached from personal meaning. It is essentially an amoral approach which can dehumanise practice.

3) Beliefs<--->Actions (i.e. including 1 and 3 but not 2). This results in untestable systems which are very difficult to question. People act because they implicitly believe in what they are doing. It is the mirror image of the "detached scientific " approach above. There is no room for logical or rational argument. Such systems are usually characterised by powerful, charismatic leaders with devout followers. Such systems often wither and die when the charismatic leader leaves since there has been no explication or formulation of how or why the system worked. Such systems are ideological but may claim a scientific or rational status through half-formulated propositions which are so general or ambiguous that they cannot effectively be tested.

It is this last distortion which is most common in industrial organisations exemplified by powerful, often feared individuals. The counter-balance is a set of rules, policies or procedures to constrain excesses. At its worst these limitations are seen as red-tape or "bureaucratic" procedures which prevent real work form being done efficiently. In the public sector these procedures are even more prevalent since the organisation must protect itself against the emergence of a strong charismatic figure who might usurp the democratic process by implementing his or her own rather than the electorate's policy. (Note such figures need not be extroverts as is the case of Sir Humphrey in the British TV series on Civil Service power in politics "Yes, Minister").

Organisational theory is in the domain of formulation (circle 2 in the model). Formulation is not an easy or innocent process. It is difficult because, first, it requires us to put into words what we usually take for granted, namely the way we behave and why we behave. Secondly, it leads to a challenge of assumptions, and assumptions are often closely-held beliefs. The more systematic the process of formulation, the less chance there is for the maintenance of stereotypes. We cannot formulate and test all our assumptions all the time, or we would not get much work done. We need to categorise situations and people into generally predictable groupings. However these categories can become set and result in unproductive practices which reinforce the stereotypes, for example: that women don't make good mining engineers, blacks are lazy, people who come from a particular background are the best employees. To challenge such assumptions may strike at the heart of someone's belief system. Challenge cannot be for its own sake, there must be an alternative formulation which can be put into practice and be demonstrably better than the current practice. If the theory is not formulated properly it will result in a competing ideology and the following process may result:
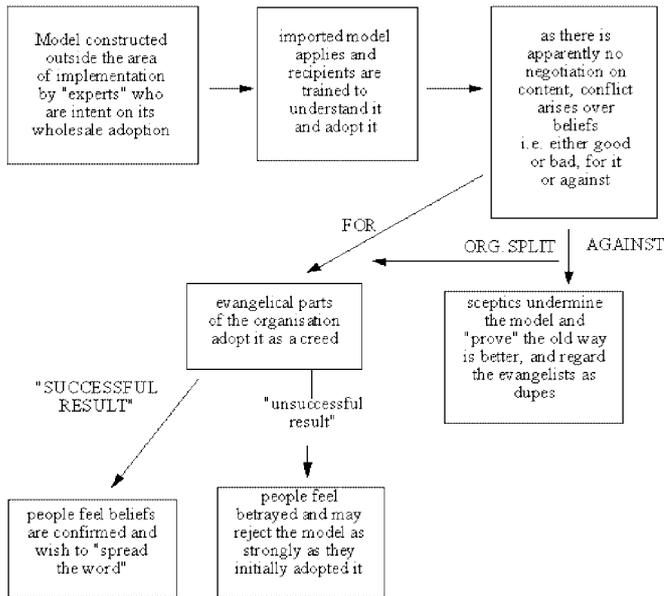
Thus organisational change can become a matter of belief. As mentioned this may be because the theory is poorly formulated and/or poorly understood. If organisational change is to be effective and result in more productive working relationships it should not simply be a matter of belief. On the other hand neither is it purely a matter of logic. Emotion is involved.

The main argument here is that organisational theory is often explicitly perceived as a rational, logical process but implicitly known to involve beliefs and values. My argument is that at times these aspects become split off (as in the model above) and as a result change is fragmented and its results patchy and difficult to evaluate. The lack of enthusiasm for organisational theory is, I would suggest, largely because theories of structure do not clearly make a link between the head and the heart. Many do not demonstrate a deep enough understanding of the impact and import of introducing change. This is especially so when describing concepts of culture which are often woolly and fuzzy. This need not be so. The rest of the chapter develops these links and suggests a very practical way of understanding change and in so doing helps to demonstrate the practicality of theory.

All management, and all organisational change, are essentially concerned with changing people's behaviour. If people are to change and not simply by following orders unenthusiastically, it requires a commitment which is heart-felt, by which is meant that people are not only convinced this is more efficient, but better in a more general sense, for example, that it is fairer. This is not to argue for evangelical consultants persuading people on the basis of emotive exhortations. (Indeed this is highly dangerous as demonstrated by some national charismatic leaders, usually known as dictators.)

One area where people are, in my experience, far from neutral is the area of systems. By system I mean a formulated procedure in the organisation which requires a response when activated. In a previous paper I described a system as "the formulated process of a relationship for the transfer of information between two or

more people".(4) This more dynamic element (rather than structure) is closer to what actually happens in the workplace, is unavoidably evident and evokes opinions. Take, for example, such systems as those set up for purposes of remuneration, expenses, promotion, performance review, redundancy, pensions, health care, sick-leave, appointments, task assignment, discipline and so on. In discussion people will usually refer to them as fair or unfair, showing whether the organisation trusts you, treats you with dignity and respect and so on. In other words they have a direct bearing on how the organisation values you, and give the opportunity for you to demonstrate how you value the organisation, by applying them, ignoring them, undermining them, improving them, and so on. A major problem in organisations is in the area of systems design and implementation. Here the role of the management consultant, theorist or "change-agent" is relevant. It is my contention with oth-ers(5) that the implementation of systems is a critical accountability of a manager and is the main demonstra-tion of leadership. It is therefore unwise to see external agents, consultants and experts as doing anything more than helping a manager design such systems. Consultants should remain accountable for the quality of their advice and hence of the design but not (a) whether it is implemented, or (b) whether it is successful or not. Thus the manager publicly owns the system, implements and bears the consequences of its success or fail-ure. It is of course possible for the manager to sack the 'expert' if he or she judges it to have failed due to design faults, but in such an instance the manger is still accountable for implementing such an inadequate sys-tem; he or she cannot say 'they told me it would be all right' as an excuse.

Why should this be so? Is it unfair to a manager who may not be fully aware of or up to date as to the technical content of such systems? I suggest it is fair, if it is understood that the key aspect of management is under-standing the people who work for you and the people you work for. (It is assumed for the sake of argument that the manager is capable of carrying out the other aspects of his or her role. If they are not they will find it almost impossible to achieve this mutual understanding anyway.) What the manager needs to understand is not simply the technical content of the system, its elegance or its internal consistency but how people will and do react to it in terms described above. Also the manager must judge how far it is consistent with other sys-tems he or she is implementing.

In order to do this a practical test is offered. If we take a basic set of values and describe them in terms of con-tinua the manager might ask of a new or existing system: how will this be (or how is it) rated?

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FAIR . . . . UNFAIR

HONEST . . . . DISHONEST

COURAGEOUS . . . . COWARDLY

DEMONSTRATING: TRUST . . . . LACK OF TRUST

RESPECT/DIGNITY . . . . LACK OF RESPECT/DIGNITY

LOVING . . . . UNLOVING

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Of course there may well not be a common rating. Suppose one group rates the existing system to the left and one to the right. The manager must understand why this is so and understand the processes by which people make their decisions. These decisions or ratings are based on mythologies. That is, they are assumptions about what is fair and unfair grounded in experience, observation and beliefs, many learnt from childhood. We all have mythologies, They are ways in which we can attribute motive to behaviour. For example, that "the management always try to screw you", "people should not be sacked for a first offence", "new-comers should not be promoted before experienced people", "we should not have to fill in time-sheets", "people shouldn't be criticised in public", "anyone should be able to apply", "if you've done the training you should be rewarded", "there are too many yuppies around", "young blacks are unemployable", "women don't make good managers". Essentially they allow us to categorise people and events quickly, they are not necessarily rigid, some are more basic than others but they can be superceded by new experiences. It is the task of the manager to demonstrate that new (or existing) systems are fair and honest. It does not matter whether such mythologies are 'true' or 'false'. As explained above we do not always formulate scientific hypotheses and test them scientifically, we do not have the time. Thus the term mythology is used to demonstrate our reliance on assumptions which have an emotive content. The manager must know what they are and how people will interpret his or her behaviour.

The systems in the organisation are like non-verbal behaviour in people. They are the real test of meaning. It matters more what the manager does than says. What he or she does is to implement systems, which are interpreted through the mythologies. Change is a random process unless the manager is in touch with those mythologies. Resistance to change is simply a function of how far people rate the systems towards the right hand side, or negative end of the continua. When a group agrees on a rating, they form a culture, through the sharing of mythologies. Indeed, this is most graphically demonstrated in the industrial disputes where both sides become entrenched, often over the issue of "fair" pay. Both sides then appeal not only to their own members but to wider groups, including the public, to convince them that they are being fair, courageous and honest, that you can't trust the other side, who don't care, and do not treat people with dignity. This is what is sometimes regarded as the battle for "hearts and minds".

The formation of cultures, shared mythologies or assumptions in assigning value has to be taken into account when considering change.(6) For example, a commanding officer took over a group of soldiers for training in Arctic conditions. There was a rule that the officers could drink what they wanted (off duty) but the soldiers could only drink beer. This implied that the soldiers could not be trusted. They thought it was unfair and that the organisation was being cowardly and dishonest in maintaining this system. The new commanding officer found that while the soldiers rated this in a negative way the officers were not particularly supportive of it and would not argue for it; it was just another 'regulation'. He immediately changed the regulation and replaced it with another - that everyone could drink what they wanted, but if anyone became drunk and disorderly the whole exercise would become 'dry'. This enhanced the leadership position of the commanding officer who demonstrated his understanding of the cultures, mythologies and that he was capable of making positive change. Several other more difficult changes were then introduced and accepted on the basis that the soldiers came to trust their commander.

This also raises another point in considering change and culture. There are broadly two types of system in an organisation:

1   SYSTEMS THAT DIFFERENTIATE. These include all those systems which demonstrate how members are different. The most powerful is pay. However, there are many others, at what point you receive privileges - company cars, larger office, new grading, promotion. Uniforms, roles, different accountabilities all serve to show that people are different.

2   SYSTEMS THAT EQUALISE. These include all those which demonstrate how people are the same. These of course vary with the organisation but may include equal dining facilities, no special car parking arrangements, safety regulations.

The most powerful impact on mythologies is made when the leader shifts a system from one type to another, that is, where a system of differentiation becomes one of equalisation or vice-versa. Some leaders or managers will not realise what they are doing and be surprised at the response to "such a small change".

These have such impact because they affect the way all members relate or are expected to relate to one another. They signify and symbolise the way the organisation treats people. Both are mechanisms of social cohesion. All organisations require a balance between statements of how people are the same and different. In order to get work done, in an organisation with roles, recognition must be given to the different contributions people make, their different skills, capabilities and responsibilities.

However, if this is the predominant mode of relating it will lead to an underlying assumption that some people are intrinsically better or worse than others, literally and emotionally worth more. The lower status role incumbents will then feel devalued (literally) uncared for and "at the bottom of the heap". If, as should be the case, their contribution is needed (and if not, the roles should not exist) then their sense of being devalued will inevitably lead to poor performance. If on the other hand there is a dominance of equalisation, this will deny the reality of different contributions and those with more responsibility, higher capability, etc. will lose their enthusiasm.

The sharing of mythologies exists not only in organisations but in wider society, and each is influenced by the other. Certain organisations claim to be 'more democratic' (but few elect managers) and accuse others of being 'hierarchical'. I believe this refers to the feelings with regard to systems of equalisation and differentiation being unbalanced, rather than to inherent qualities of 'democracy' and 'hierarchy'. The recent political changes in Eastern Europe demonstrate the imbalance of a system which was superficially driven on systems of equalisation, but clearly reserved differentiation for a small elite. It was the inherent contradiction of the purpose and practice which caused its collapse. The leadership seemed unaware that the symbols of this system - better housing, cars, clothes, for a few - demonstrated its hypocrisy. This is contrasted with the capitalist ethic which allows obvious wealth for some on the basis of a belief of equal opportunity. The system of differentiation is justified in terms of equalisation.

There are of course more subtle relationships between mythologies. There are those who would support inherited wealth, title and support an absolute monarchy, even while they are thereby excluded ("the rich man

in his castle, the poor man at his gate") because of wider belief systems which transcend material advantage. The point being made here is that bureaucratic organisations which are based on a meritocracy are, in human evolutionary terms, very recent. Let us take an example of a fundamental system which underpins the concept of modern organisations, that of appointment and promotion on the basis of merit. For hundreds of years people have been used to justifying systems of appointment and promotion on bases other than merit. Even in the Civil Service this has been so. As McLeod points out, The Times of April 16, 1801 carried the following advertisement:

One hundred pounds will be given to any person who can procure the advertiser any
Permanent Place under Government where much writing is not required. (7)

The point is that other methods, such as nepotism, inheritance, and especially seniority, have been used to move people up. This is based on an analysis that in the past the work of organisations has rested upon considerable built-in redundancy. That is under less competitive conditions it is possible to carry some people who cannot work very effectively. If the costs are not critical labour costs become less important. Further, the judging of individuals primarily on the basis of performance is a recent innovation. Even today bases for appointment and promotion on other than merit are not uncommon. Time served, family membership do influence such decisions. While most management positions are attempts at judgement of merit many positions within the first level of an organisation depend upon how long you have been in post.

The main reason for these practices, as mentioned maybe that in the past competition, especially international competition, has not been as fierce, and organisations could afford to carry some poor performers. But also there have been no accepted explicit measures of work or performance. The main advantage of seniority is that it is clearly demonstrated. Simply count how long a person has worked in the organisation. Further, if performance is judged not on specific achievements or a judgement of difficulty, but rather the unwritten contract between employer and employee that you turn up, make some effort and avoid trouble, doing generally what is expected, then time served may be felt to be a fair way of progressing, resulting in "waiting to fill dead men's shoes". Organisations like this cannot sustain accountability. Accountability is only possible if there is appropriate authority, clear objectives, role description, and task assignment and monitoring. In an over-manned organisation this becomes less necessary and even unfair since one would expect variation in performance in role if promotion was based on seniority. If the reason I have been moved or promoted is because of the length of time I have been in post, it is not wholly reasonable to expect me to be able to fulfil any more than the general contract mentioned above; to turn up, make an effort and avoid trouble. Specifying expected outcomes and processes to achieve these outcomes leads to a closer examination of the work of the role and whether I have the ability to carry out those tasks, i.e. a demand for meritocracy.

Changing this very basic and fundamental system is a huge cultural change. It changes a critical system from one of equalisation to differentiation. It means that basic mythologies in society must change. What happened to wisdom? What about respect for our elders? Is it fair that some young upstart is promoted over a long-serving colleague who has given years of trusted work? Should a newcomer be paid the same as someone in a post for some years? These arguments caused massive disruption in the UK nursing profession when re-grading was

introduced in 1988/89. Further, these issues are felt most critically in unskilled and semi-skilled work where seniority systems built up by unions as a defence against victimisation or favouritism, operate most commonly. Despite increasing automation and technology, people in such roles make up the largest numbers in the work-force and unless they change their behaviour the organisation cannot.

Thus there is a conflict in value terms, especially at shop-floor, and among supervisors and first line manage-ment, between two competing systems manifested in the cliché of "them and us", meaning management and workers. If organisations, or rather their leaders, are to make this fundamental shift from seniority to meritoc-racy, it will require a change in many systems, not least accepted ways of judging level of work, capability, per-formance, potential and remuneration. Unless managers realise that changes in these systems may undermine the way people traditionally gain a sense of self-worth, attribute fairness, courage, dignity, honesty, caring and demonstrate who they can trust, the failure in implementation will be put down to that other mythology: "resistance to change". I believe that work in understanding and designing new systems is quite advanced, not least through Stratified Systems Theory. However, increased understanding of the culture and values, and increased awareness by managers in these areas, which should no longer be regarded as 'soft' science, is need-ed if change is to occur and if organisations are to come to expect accountability for work due in no little part to effective management.

In summary I have argued that understanding change in organisations requires a consideration of beliefs, for-mulations and what really happens. Changes in behaviour are brought about by changing systems; the ways in which people work. However these systems changes are not simply technical matters. It is not sufficient to draw up 'better' structures, role descriptions etc. unless the impact on the culture is understood. This in turn requires a manager to know how people feel about such change and a practical model was suggested to help this.

Many people regard theory as unhelpful, "academic" if the theory includes an appreciation of the whole process it need not be so.(8)

In the absence of these understandings organisational theory is in danger of being a dry subject of relevance to a few, or merely the latest jargon or fad which will pass in time if we get our heads down and get on with the real work.

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