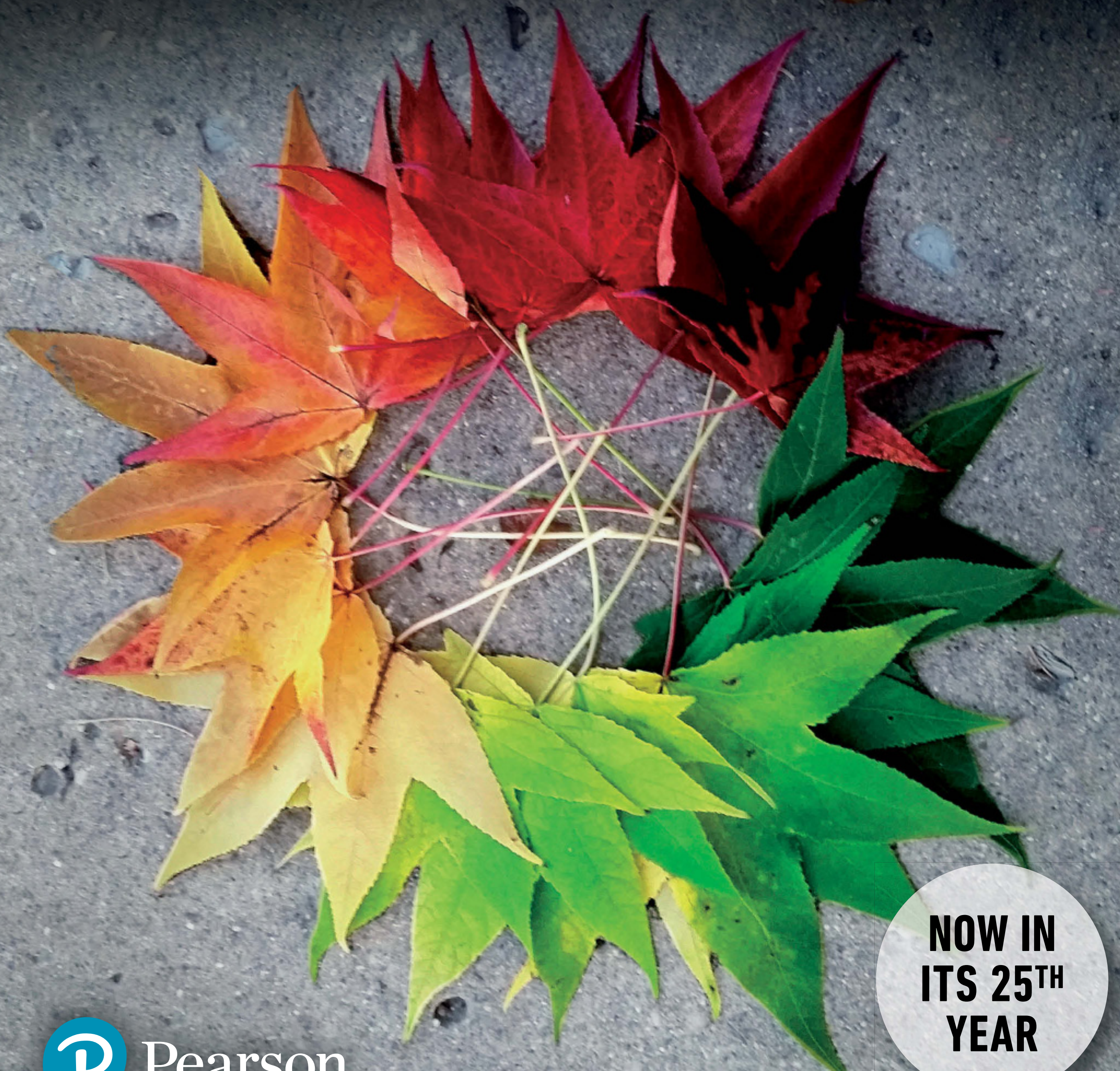
MANAGING CHANGE

BERNARD BURNES

SEVENTH EDITION



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Seventh Edition

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Bernard Burnes

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To Sue, Duncan and Stuart

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Part 4 Managing choice

Foreword

There is nothing so practical as a good theory. Kurt Lewin[1]

All models are wrong, some models are useful. George Box[2]

In 25 years since the first edition of this text was published, the world has changed considerably. In 1992, the VCR still ruled supreme, the DVD recorder was merely an interesting concept and the idea of streaming films and TV programmes over the internet had not even been thought of. Indeed, the internet was in its infancy and there was no effective way of undertaking a web search, even if there was anything worth searching for; Google was not launched until 1998. The only way to obtain digital music was in the form of a CD. Steve Jobs would not launch the iPod and iTunes until 2001. The first iPhone did not appear until 2007. Needless to say, there were no social media – MySpace was launched in 2002, LinkedIn followed in 2003, and then Facebook in 2004, with Twitter making its appearance in 2006. Even the ubiquitous Amazon did not make its first tentative appearance until 1994. Therefore, much of what we now rely on for work and play, and which we take for granted, did not exist in 1992.

At a macro level, there have been equally big changes since 1992. Three very obvious examples of this are the emergence of China as an economic power to rival the United States (Bajpai, 2016); the advent of an integrated global economy that is facilitating not only the free movement of goods, services, finance and people, but also local markets becoming global markets and previously protected markets and industries being opened up to fierce competition (Burnes, 2009a; Rodrik, 2012; Stiglitz, 2013); and last though not least, the recognition that climate change is now the biggest threat facing the planet and that creating a sustainable future will require significant action by governments, consumers and most of all organisations (Benn *et al*, 2014; Bonini and Bové, 2014).

The year after the first edition of this text was published, 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, but now most people would see this as a statement of the blindingly obvious. Certainly, when in 2008, McKinsey & Company's (2008: 1) Global Survey of organisational transformation concluded that 'organizations need to change constantly', no one blinked an eye. Likewise, McKinsey's 2015 Global Survey (Bughin *et al*, 2015), which concluded that to stay competitive organisations would need 'continuous experimentation' and 'bigger changes faster', seemed merely to be confirming what the majority of managers believe: that the magnitude, speed, impact and especially unpredictability of change are greater than ever before.

Undoubtedly, the period since the publication of the first edition of this text has seen organisations having to cope with massive swings in their fortunes. The period began with

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[1] Lewin (1943/4: 169).

[2] Quoted in Box and Draper (1987: 424).

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). 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 12 (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 United States 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 challenge decades of economic orthodoxy about the benefits of free-market competition (Hutton, 2008b). Since then, however, the financial sector seems to have reverted to type by 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). Then in 2016, just when many organisations thought they could look forward to a period of relative stability, along came Brexit – the UK vote to leave the EU – which has left organisations and markets across the globe struggling to understand and adjust to what Brexit might mean for them (Campbell and Inagaki, 2016; Hartford, 2016). Nevertheless, probably the most significant, disruptive and, to most people, welcome recent event was the outcome of the December 2015 Paris UN Conference on Climate Change, which signalled that sustainability had reached the top of the political agenda (Hasina, 2016). The consequences for organisations of pursuing sustainability will be significant, far-reaching and, in many cases, unpredictable. Yet, as post-Paris developments such as the banning of ozone-depleting coolants and the reduction of carbon emissions by airlines have shown, some organisations appear to be making strenuous efforts to achieve the UN's sustainability targets, although other industries, such as shipping, seem more reluctant (Harvey, 2016; Miliman, 2016; Vidal, 2016).

As can be seen, even in the relatively short period since the publication of the first edition of this text, organisations have had to cope with many significant, very different and often contradictory challenges. These range from globalisation, sustainability, growth, mergers and acquisitions, and the emergence of new technologies and new competitors, to falling markets, depressed economies, de-mergers 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 McKinsey & Company's claim that organisations need 'bigger changes faster' (Bughin *et al*, 2015). Yet McKinsey (2008) also found that only a third of organisations managed change successfully.

This brings us to the purpose of this text – *Managing Change*. Although 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 PLC, 1997; Chancellor, 2015; Chatterjee, 2007; Chua and Lam, 2005; Cummings and Worley, 1997; Gilbert *et al*, 2014; Howarth, 1988; International Project Leadership Academy, 2016; Kanter *et al*, 1992; Kelly, 1982a, 1982b; Kotter, 1996; Ojiako and Maguire, 2008; Robert Half, 2016; Stace and Dunphy, 1994; Stickland, 1998). Indeed, like McKinsey, 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 other leading management consultancies, such as Bain & Co. (Senturia *et al*, 2008) and Deloitte (Gilbert *et al*, 2014), also claim the general failure rate is around 70 per cent.

Although 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 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 United States in the mid-1970s (Dale and Cooper, 1992). In the United States, 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 higher (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 (Chancellor, 2015; Dunphy *et al*, 2003; Gilbert *et al*, 2014; Hanson, 1993; IBM, 2008; Industrial Society, 1997; Robert Half, 2016; 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 Foreword 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, although 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, is universally applicable and 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, leadership 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 2 of this text 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 text useful in that respect as well. Rather, the intention is to allow those who study and carry out organisational change to make their own judgments about the benefits, applicability and usefulness of the approaches on offer.

The key themes underpinning the text 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*, although 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 text is organised into four parts.

Part 1: Introduction to change management: fundamental questions for organisations discusses five key questions that organisations need to address in order to create the conditions for successful change. These are as follows: Why do we want to change? Should we focus on individual, group or system change? Will there be resistance and, if so, where from? Are we ready for change? Who will manage the change process? and What are the frequency and magnitude of the changes required in order for us to survive?

Part 2: 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 2 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 3 with reviews of the next two organisation theories to appear: the Human Relations approach and Contingency Theory. Chapter 4 examines the most influential contemporary approach to structuring and managing organisations: Culture-Excellence. Chapter 5 examines what have been seen as the two main alternatives to Culture-Excellence – the Japanese approach and the organisational learning approach. The chapter concludes by examining the case for sustainability and its implications for organisations and approaches to managing them. Chapter 6 sets the review of organisational theories in a wider context by reviewing the postmodern, realist and complexity perspectives on organisations. Chapter 7 examines the importance and implications of culture, power and politics. Chapter 7, and Part 2, 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 3.

Part 3: Understanding change comprises four chapters. Chapter 8 examines the dominant approaches to strategy, and the main tools and techniques available to organisations for its development and implementation. In particular, it draws attention to the differences between the Prescriptive and Analytical schools of strategy and highlights the importance of the relationship between organisational strategy, organisational change and managerial choice. 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 3 by arguing that, although 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 text. 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 text 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 seventh edition

Since the publication of the sixth edition, I have received many helpful comments and suggestions for improving and developing this text, both from my students and colleagues at the University of Stirling and from readers and users elsewhere. I am very grateful for these, which have contributed to the updating and restructuring of this seventh edition. The main changes are as follows:

- All the chapters have been updated to reflect developments in the field since the sixth edition.
- There are 21 new case studies.
- A new Chapter 1, which provides an Introduction to Change Management, has been created by moving and re-writing the previous Chapter 8.
- The previous Chapter 3 on new paradigms has been re-written and split into two new chapters (4 and 5).
- A new section on the implications of sustainability has been added at the end of Chapter 5.
- The two previous chapters on strategy have been re-written and condensed into a new Chapter 8.
- A list of useful websites has been added at the end of each chapter to provide additional information on issues covered in the chapter.

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I would like to express my sincere and abiding gratitude to all the past and present colleagues, students and users of this text who have supported the text and contributed to its development over the last 25 years. It would be difficult to list all those whose generous encouragement and assistance have made all seven editions of this text possible, and it would be unfair to pick out just one or two, but I am sure you know who you are and hopefully I have already expressed my personal thanks to you. In addition, I would like to thank past and present staff at Pearson for their encouragement, advice and patience over such an extended timeframe.

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PART 1

Introduction to change management: fundamental questions for organisations

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Chapter 1

Introduction to change management

Fundamental questions for organisations

Learning objectives

After studying this chapter, you should be able to:

- understand why organisations undertake change;
- define organisational effectiveness and how this relates to organisational change;
- appreciate the difference between individual, group and system change;
- appreciate the nature of resistance to change and how it relates to commitment and readiness for change;
- be aware of the change agent's role and skills; and
- discuss the frequency and magnitude of change in modern organisations.

CASE STUDY 1.1

Minimal change can be best option: Why Berlin snack bar resisted change

The story. Konnopke's Imbiss is probably Berlin's most famous snack bar. Set up in 1930 in Prenzlauer Berg, a then working-class district, it has become legendary for its currywurst, a Berlin speciality of fried sausage served with ketchup, chilli sauce and curry powder. By 2010, it had been run in the same location for 34 years by Waltraud Ziervogel – who took over from her father, Max Konnopke, who started the business and ran it until 1976. The snack bar had two branches – the original at the Eberswalder Strasse subway station and another in the suburban district of Pankow.

The challenge. Until the Berlin Wall came down in 1989, customers at Konnopke's Imbiss were mostly workers who called in during the morning or at lunchtime, or families. But by the turn of the century that had changed, as Prenzlauer Berg had become a hip neighbourhood of young, affluent

Case study 1.1 (*continued*)

freelancers, tourists and partygoers. Then, in 2010, Ms Ziervogel learned that the snack bar would have to close for a year because of nearby construction work on a subway station.

Strategic considerations. The proposed disruption offered an opportunity for some fundamental rethinking about the positioning and marketing of Konnopke's Imbiss, not to mention the business model. Should it move to a spot with even more tourists and potential customers? Should it have a healthier menu? Other questions included whether to raise prices, extend the opening hours (the snack bar often had to turn away customers when it closed at 8 pm) and even whether it should sell merchandise or start franchise operations. Received wisdom on strategy and marketing would have recommended changes on many if not all of the classic 'four Ps': product, price, place and promotion. The new, affluent locals and the tourists could easily afford higher prices, while later opening hours and a more comfortable location would be in line with their expectations on service quality. The same would be true of more healthy options on the menu. At 74, Ms Ziervogel also had to consider potential succession planning and her children, Mario and Dagmar, who, respectively, worked at the original and the suburban location.

What happened. During the construction work, the snack bar operated from a small stand just 100m away. Despite being offered a substantial sum of money by city authorities to move away permanently, and potentially attract even more customers at one of the tourist hotspots, Ms Ziervogel declined. She decided to rebuild her stand in exactly the same place with almost the same 1960s look and feel, save for a refurbished, bigger seating area and a slightly different outward appearance. The menu remained unchanged, as did the opening hours and the prices. Ms Ziervogel resisted all temptations to modernise her business. After the reopening, the queues patiently waiting for a currywurst every day were as long as ever.

Key lessons. In sticking to the same modus operandi, Ms Ziervogel understood three important issues. First, many customers – especially tourists, who make up 90 per cent of its customers – care about 'authenticity'. By not radically changing, Konnopke's positioned itself as Berlin's most authentic snack bar. Second, as owner and manager, Ms Ziervogel had clear opinions about how to run her business, what to focus on and how to lead people. Too much change simply would not have fitted her or the culture of her business. Third, successful businesses need to carefully balance and align different elements such as strategy, formal organisation, critical tasks, people and culture. Substantial changes in any of the 'four Ps' would have required the rearranging of these elements in order to maintain their equilibrium. For instance, increasing the price from €3.20 to something nearer the €17 charged by some five-star hotels would have required different processes, people and organisational culture.

FT *Source*: *The Financial Times*, 1 May 2012, p. 12 (Etzold, V, and Mueller, U),

Introduction

The received wisdom in much of the business world for the last 30 years has been that change has to be fast, large-scale and transformational if organisations are to survive (Hammer and Champy, 1993; Jorgensen *et al*, 2014; Kotter, 1996; Levy and Merry, 1986; McKinsey & Company, 2008; Parker *et al*, 2016; Peters, 2006; Peters and Waterman, 1982).

However, as the story of Konnopke's Imbiss (Case study 1.1) shows, this does not always have to be the case; sometimes incremental change which does not disturb the essence of a successful business is what is required. As Etzold and Mueller (2012: 12) state, 'successful businesses need to carefully balance and align different elements such as strategy, formal organisation, critical tasks, people and culture'. In order to create the conditions for successful change, organisations have to address five fundamental sets of questions:

1. Why do we want to change?
2. Should we focus on individual, group or system change?
3. Will there be resistance, and, if so, where from? How can we gain employee commitment? Are we ready for change?
4. Who will manage the change process? Do they have the appropriate skills?
5. What are the frequency and magnitude of the changes required in order for us to survive?

Why change?

In the Foreword to this text, we discussed the failure rate of change initiatives. We can dispute whether or not the failure rate is 70 per cent, we can dispute whether or not some types of change are more difficult to undertake than others, and we can also dispute whether or not some organisations are better able than others to achieve successful change. However, what seems beyond dispute is that managing change is one of the most problematic tasks organisations undertake. If this is so, why is it that change initiatives seem to be increasing both in frequency and magnitude (IBM, 2008; Jorgensen *et al*, 2014)?

In Chapters 2–7, we will examine the development of the main approaches to running organisations which have emerged since the Industrial Revolution. As we will show, these have been developed to deal with the problems organisations perceive they face in surviving in an increasingly hostile world. For private-sector organisations, these problems tend to come under the heading of 'competitiveness'; in the public sector, they are often given the soubriquet of 'value for money'; whereas in the third sector, they can be covered by a wide variety of terms, most of which can come under the banner of the 'care, health and well-being of society'. However, one term embraces all these different reasons for change – 'organisational effectiveness'. Whether we are dealing with a bank seeking greater profitability; the UK Government department responsible for energy and climate change which seeks to ensure that the country has secure, clean, green and affordable energy supplies; or a hospice wanting to provide better care for sick children, they are all looking to become more effective in what they do.

Nevertheless, as Rollinson (2002: 468) states:

> 'Effectiveness' is one of the most frequently used (and misused) words in discussing organisations. There is no universally accepted theory of organisational effectiveness. Neither is there a universally accepted definition and set of criteria that allows the effectiveness of an organisation to be measured.

Pick up any book on management, organisational behaviour or indeed anything to do with organisations, and sooner or later, the term 'organisational effectiveness' will be used. It tends to be deployed as a form of measure against which to compare the appropriateness of whatever is being discussed, whether this concerns people, systems or strategy.

The surprising thing is not that the term 'organisational effectiveness' is used so often, but that so few writers seek to explain what they mean by it. Some people appear to consider that the term is so readily understandable that there is no need to define it, while others take the opposite view – that it is so difficult to explain that they will not even try. However, as Ideas and perspectives 1.1 shows, there are those who have attempted to grasp the essence of the term.

Though there are some commonalities in the definitions given in Ideas and perspectives 1.1, there are also many differences. For example, Barnard's 'common purpose' is not the same as Drucker's 'economic characteristics'. Nor is Mullins' 'doing the right thing' the same as Schein's 'capacity to survive'. In reviewing the topic, Robbins (1987) notes that in the 1950s, organisational effectiveness tended to be defined as the degree to which an organisation achieved its goals. However, this definition raised more questions than it answered: for example, whose goals? Organisations have multiple stakeholders – shareholders, managers, employees, customers, suppliers and even society at large. They all have goals for and expectations of the organisation (Jones, 2001). This is why those studying organisational effectiveness now prefer to take a multi-goal–multi-stakeholder perspective (Oghojafor *et al*, 2012; Rollinson, 2002). However, this does not eliminate the 'whose goals?' question. Although some goals and some stakeholders are compatible, others are not (Cameron, 2005). For example, when a government announces plans to build a new road, some, such as road haulage groups, may support the decision and others, such as people who live near the proposed new road, may oppose it.

IDEAS AND PERSPECTIVES 1.1

Organisational Effectiveness

The test of effectiveness is the accomplishment of a common purpose or purposes.
(Barnard, 1938: 60)

Effectiveness focuses on opportunities to produce revenue, create markets, and to change the economic characteristics of existing products and markets. (Drucker, 1977: 32)

[Effectiveness is] . . . the degree to which an organisation attains its short- and long-term goals, the selection of which reflects strategic constituencies, the self-interest of the evaluator and the life stage of the organisation. (Robbins, 1987: 51)

[A] system's effectiveness can be defined as its capacity to survive, adapt, maintain itself, and grow, regardless of the particular functions it fulfils. (Schein, 1988: 231)

Effectiveness can be considered in terms of profitability, in terms of the pursuit of organisational goals (at whatever cost), or in terms of quality of life for those involved.
(Huczynski and Buchanan, 2001: 561)

Effectiveness is concerned with impact – does the service achieve its intended purpose?
(Doherty and Horne, 2002: 340)

Effectiveness is concerned with 'doing the right things'.
(Mullins, 2002: 233)

. . . effectiveness involves achieving measurable progress toward specific outcomes.
(Mitchell, 2012: 332)

Ultimately, an organisation is effective if it continually meets its goals.
(Oghojafor *et al*, 2012: 103)

. . . effectiveness . . . is the achievement of the required objectives set by the organization.
(Amin and Naqvi, 2014: 25544)

Even if we focus on the goals of just one group, say senior managers, we often find a wide range of opinions over what an organisation's goals are or should be (Smith, 2014). Some managers will stress that the goal should be increased profitability but argue about whether this is short term or long term; others will argue for market share or market growth; many will stress share price and dividend payments; and some will advocate measures of effectiveness which promote their own goals or self-interest (Oghojafor *et al*, 2012; Pfeffer, 1992).

There have been many studies of organisational effectiveness, but the fact that criteria as diverse as product quality, absenteeism, profit, stability, motivation and communication were used to define effectiveness shows how difficult the concept is to define (Robbins, 1987). The problem appears to be that many researchers focus on whether the goals being pursued are appropriate and the degree to which they are achieved (Oghojafor *et al*, 2012; Rollinson, 2002). They do not ask how organisations structure and organise themselves to achieve their goals. Yet, if we look at studies of other types of effectiveness, such as managerial effectiveness, they focus not on what is achieved but on how it is achieved (Yukl, 2002). Take perhaps the most popular book on managerial effectiveness, Stephen Covey's (1989) *The Seven Habits of Highly Effective People*. Covey emphasises not goals as such, but the skills and competences managers need to develop in order to achieve their own and their organisation's goals. Similarly, the *Longman Dictionary of Contemporary English* (1978: 350) defines effectiveness as:

> the ability or power to have a desired effect.

Like Covey's work, this definition of effectiveness focuses on the process by which an outcome is achieved. Handy (1993), in looking at organisational effectiveness, is one of the few writers who have sought to identify the factors or variables which affect the achievement of goals, including leadership, reward systems and organisational structure. He points to the need to see these variables and factors not as isolated features of organisational life, but as parts of organisation theories, i.e. consistent and coherent approaches to structuring and running organisations (*see* Part 2 for a review of organisation theory). Burnes (1998a) and Sowa *et al* (2004) support Handy's view, arguing that organisational effectiveness stems from the approach that organisations adopt towards how they are structured and run. This can be seen in Case study 1.1, where the effectiveness of Konnopke's Imbiss in meeting its customers' needs and so remaining successful came from the snack bar's unique alignment of 'processes, people and organisational culture' and not from the goals it set for itself. Therefore, the achievement of an organisation's goals depends on the appropriateness of the way it is structured and run. It follows that, as Cameron (2005: 293) observes, 'organizational effectiveness lies at the center of all theories of organization'. From this perspective, the six chapters in Part 2 of this text will cover the main theories and perspectives on organisational effectiveness, while the four chapters on strategy and managing change in Part 3 will address how organisations choose and implement their approach to effectiveness.

However, a word of caution: this does not mean that the process of developing, selecting and implementing measures to improve effectiveness is straightforward and linear. As Part 3 will demonstrate, strategy and change interact in a dynamic and non-linear fashion. It is as true to say that change drives strategy as it is to say that strategy drives change. Indeed, a more realistic view would be that the relationship between recipes for organisational effectiveness, strategy and change is messy, iterative, unclear and ambiguous. Even the change management field itself is far from straightforward, as the remainder of this chapter will show.

Individual, group or system change?

Change management is not a distinct discipline with rigid and clearly defined boundaries. Rather, the theory and practice of change management draw on a number of social science disciplines and traditions. For example, theories of management education and learning, which help us to understand the behaviour of those who manage change, cannot be fully discussed without reference to theories of child and adult psychology. Neither can these be discussed without touching on theories of knowledge (epistemology), which is itself a veritable philosophical minefield. Having said that, it has long been recognised that organisational change tends to focus on the achievement of one of three types of outcome – individual change, group change and system change (Katz and Kahn, 1978). Each of these has its advocates as to which is most important. For example, Maslow (1943) and the early Human Relations school focus very much on the importance of individual motivation and behaviour (*see* Chapter 3). Lewin (1947a, 1947b) and Schein (1988), while recognising the importance of individual behaviour to overall organisational performance (*see* Chapter 9), argues that modifying group behaviour is the best way to improve performance. Senge (1990), however, takes a systems approach to improvement (*see* Chapter 5). He sees the interconnectedness of organisational life as being the most important factor and, therefore, change has to start from this perspective. It is not that supporters of these three forms of change ignore the other two, but rather that they see their form as being the lynchpin that holds the others together. This can be seen from examining the three schools of thought that form the central planks on which change management theory is built:

- the **Individual Perspective school**;
- the **Group Dynamics** school; and
- the **Open Systems school**.

The Individual Perspective school

The supporters of this school are split into two camps: the Behaviourists and the Gestalt-Field psychologists. Behaviourists view behaviour as resulting from an individual's direct interaction with their environment. They maintain that human beings are simply the sum of their parts, and that the individual parts can be identified and the causes of behaviour related to individual external stimuli (Deutsch, 1968). Gestalt-Field psychologists, meanwhile, challenge this view, arguing that an individual's behaviour is derived from the totality of coexisting and interdependent forces that impinge on them and make up the field or life space in which the behaviour takes place (Lewin, 1942). They believe that individuals function as whole, total organisms who are capable of understanding the forces which make up their life space and changing them so as to amend their behaviour (Burnes and Cooke, 2013; French and Bell, 1984).

In **Behaviourist psychology**, all behaviour is learned; the individual is the passive recipient of external and objective data. Among the earliest to work in the field of conditioning of behaviour was Pavlov (1927). In an experiment that has passed into folklore, he discovered that a dog could be 'taught' to salivate at the ringing of a bell, by conditioning the dog to associate the sound of the bell with food. Arising from this, one of the basic principles of the Behaviourists is that human actions are conditioned by their expected consequences.

Behaviour that is rewarded tends to be repeated, and behaviour that is ignored tends not to be. Therefore, in order to change behaviour, it is necessary to change the conditions that cause it (Skinner, 1974).

In practice, behaviour modification involves the manipulation of reinforcing stimuli so as to reward desired activity. The aim is to reward all instances of the wanted behaviour, but to ignore all instances of the unwanted behaviour (because even negative recognition can act as a reinforcer). This is based on the principle of extinction: a behaviour will stop eventually if it is not rewarded (Lovell, 1980). Not surprisingly, given the period when it emerged, the Behaviourist approach mirrors in many respects that of the Classical school of organisation theory (*see* Chapter 2), which portrays organisations as machines and human beings as mere cogs who respond solely to external stimuli.

For **Gestalt-Field psychology**, change is a process of gaining or amending insights, outlooks, expectations or thought patterns. In explaining an individual's behaviour, this group takes into account not only a person's actions and the responses these elicit, but also the interpretation the individual places on these. As French and Bell (1984: 140) explain:

> Gestalt therapy is based on the belief that persons function as whole, total organisms. And each person possesses positive and negative characteristics that must be 'owned up to' and permitted expression. People get into trouble when they get fragmented, when they do not accept their total selves . . . Basically, one must come to terms with oneself, . . . must stop blocking off awareness, authenticity, and the like by dysfunctional behaviours.

Therefore, from the Gestalt-Field perspective, behaviour is not just a product of external stimuli; rather, it arises from how the individual uses reason to interpret these stimuli. Consequently, the Gestalt-Field proponents seek to help individuals and groups in an organisation to learn about themselves and, through this change, their understanding of themselves and their work context, which in turn, they believe, will lead to changes in behaviour (Smith *et al*, 1982). In the change field, the most prominent exponent of this approach was Kurt Lewin, whose work will be extensively examined in Part 3 of this text. The Behaviourists, meanwhile, seek to achieve organisational change solely by modifying the external stimuli acting upon the individual.

Both groups in the Individual Perspective school have proved influential in the management of change; indeed, some writers even advocate using them in tandem. This is certainly the case with advocates of the Culture–Excellence school (*see* Chapter 4), who recommend the use of both strong individual incentives (external stimuli) and discussion, involvement and debate (internal reflection) in order to bring about organisational change.

This combining of extrinsic and intrinsic motivators owes much to the work of the Human Relations movement, which (especially through the work of Maslow, 1943) stresses the need for both forms of stimuli in order to influence human behaviour. While acknowledging the role of the individual, however, the Human Relations movement (*see* Chapter 3) also draws attention to the importance of social groups in organisations, as does the Group Dynamics school.

The Group Dynamics school

As a component of change theory, this school has the longest history (Schein, 1969); as will be shown in Chapter 9, it originated with the work of Kurt Lewin. Its emphasis is on bringing about organisational change through teams or work groups, rather than through individuals