

How Organisations Cope with the Winds of Change

Peter Brödner

Institut Arbeit und Technik, D - 45886 Gelsenkirchen, Germany

e-mail: broedner@iatge.de

Abstract: Organisational change is associated with two major research traditions: sociotechnical systems analysis and design on one hand and organisational development on the other. While sociotechnical analysis and design has collected a huge body of knowledge for designing tasks and procedures of work systems that are both efficient and socially compatible, organisational development has concentrated on organising reflexive collective learning processes for achieving change. Both traditions have their blind spots: the sociotechnical approach neglects the process perspective and the organisational development approach lacks the knowledge-based design perspective. Considering the double-faced nature of organisations, i.e. having structures and procedures to be appropriately designed and being a social system that can only change through collective learning, both perspectives must be integrated. During a three years action research project, four medium-sized companies have undergone a process of substantial change almost completely renewing their organisations for improved competitiveness. While applying the sociotechnical design knowledge for implementing product and service oriented work systems, these activities were linked with collective learning in a participatory approach. The paper reflects on necessary conditions for accomplishing such an integrated change process.

1 INTRODUCTION: RESISTANCES TO ORGANISATIONAL CHANGE

In all developed economies, a number of manufacturing companies has achieved quantum leaps in economic performance (typically productivity is doubled or even tripled, lead time for products is reduced to a quarter, product development time is halved, and innovative capacity is considerably improved). Uncounted benchmarking projects and best practice case studies have revealed that such high performance is based on radical organisational change from hierarchically controlled functional specialisation to customer-oriented business with integrated value-adding processes.

In such radical and comprehensive organisational change processes, not only the structures and procedures are being completely redefined. Rather, the whole organisational culture, i.e. the attitudes, mind sets, action schemes, and values grown with the old structures, has to change appropriately in order to enable the members of the organisation to make sense of and to productively work in the new structures and procedures. While these structures and procedures can be designed based on explicit knowledge, the whole change process requires collective learning in order to find the new roles and to acquire appropriate behaviour.

This requires an open organisational development process. And this is exactly why that far reaching organisational change processes are so difficult to achieve, why most managers are reluctant to dare the adventure and to bear the risks, and why, accordingly, high performance manufacturers still are a small minority, despite the extraordinary economic benefits. Obviously, social inertia and resistance to change can be stronger than the forces of economic rationality, although a number of cases demonstrate that change is nevertheless possible.

Against this background, a joint organisational change project with four traditional medium-sized manufacturing companies has been set up, some results of which are reported here. In order to improve competitiveness in well established markets, they envisaged far reaching organisational changes with the support of a combined team of researchers and professional process consultants. The aim of the project was to develop reliable conceptions and procedures for participatory design of new and more competitive organisational structures in connection with collective learning of corresponding action rules and management schemes (Brödner & Kötter 1999).

2 THEORETICAL FRAME: WHY ORGANISATIONAL CHANGE IS SO DIFFICULT

The basic problem underlying the difficulties of organisational change is the double-faced nature of organisations:

- A company *is* an organisation in the sense that it is a structured social system, whose resources and media in use as well as whose mind sets and action schemes in acting with them are mutually being produced in the interaction processes by the members of the organisation (*institutional* perspective).
- A company *has* an organisation as totality of explicitly describable and purposefully designable working tasks, structures and procedures, by which specified objectives can be achieved (*instrumental* perspective).

In the instrumental perspective, organisations aim at specified objectives and provide themselves with the organisational and technical artifacts and explicitly articulated procedures by which they expect to achieve the objectives. In particular, these artifacts and procedures comprise the explicit structures and processes of the organisation including descriptions of tasks and positions, procedural prescriptions and guidelines as well as technical tools and operational procedures being used in accomplishing the tasks. Taken by themselves, all these forms, artifacts and instruments do not have any effect, since they only express an abstract capacity to act. As such they require, for being effective, rule-based collective acting of workers whose implicit knowledge or competences put them to use while the actors are depending on each other according to the organisational schemes.

This leads to the institutional perspective according to which the "rules of the game", i.e. specific regularities and schemes of thinking and acting are emerging and being (re-)produced in the ongoing processes of social interaction and of dealing with the organisational and technical artifacts. These rules and regularities are indispensable in enabling the organisation's members to act fluently without further reflection. The artifacts impose specific action requirements, while the real course of acting is emerging only by steady interpretation, by making sense of the artifacts through the members. Actual situations have to be perceived and evaluated, process dependent data and technical states have to be interpreted in the light of the situation, and reliable expectations for further acting have to be created. This is being achieved by the actually shared action schemes, expectations and frames of interpretation taken as "rules of the game" that are being reproduced within the collective acting itself.

In order to adequately deal with this double-faced nature of organisations, the perspective of designing purposeful structures, functions, and procedures must be combined with the perspective of organising processes of appropriation for practical use. So far, this combination has not been achieved, however, since the prevailing research traditions and practical change procedures are limited to only one of these perspectives respectively.

The *design perspective* aims at humane and simultaneously efficient work systems. It is based on huge bodies of knowledge in industrial engineering and psychology. The knowledge of this tradition is used to define working tasks and procedures, technical artifacts, and qualification requirements that meet the economic performance criteria of the organisation as well as the criteria for social compatibility and humane work. Large parts of the design activities are focused on shaping organisational structures and procedures as well as technical systems according to functional and work-oriented specifications based on prescriptive knowledge on how to achieve efficiency and social compatibility under given circumstances. In advanced practices of this tradition the problems of insufficient design knowledge and of conflicting interests are dealt with by direct participation of employees (in summary cf. e.g. Taylor & Felten 1993, Ulich 1994). In its emphasis on design of resources, this approach has its specific blind spot, however, since the necessary collective learning processes of changing the rules of the game, frames of interpretation and action schemes are essentially cut out.

The *process perspective*, on the other hand, puts exactly the change processes of the rules into the centre of its attention. Practices and procedures of this tradition root back to the principles of organisational development originated by Kurt Lewin. They are based on the conviction, that changes are effected through the insight of those concerned into the problem creating conditions and into the need for change derived from that. Projects of organisational development, therefore, have to provide opportunities for learning, that enable the organisation and its members to gain clarity about themselves and that help to develop personal competence to implement changes seen as necessary. According to this, the proceedings of this approach rely on the actors' capacity for reflection and learning and concentrate on the development of acceptable and effective interventions, that cause the organisation's social system to change rules, mind sets and action schemes. It is expected then, that the actors are able to adapt the resources needed for acting in the course of these collective learning processes (for basics cf. Lewin 1951, Senge 1990). This approach again has its specific blind spot since chances for systematic design of organisational and technical forms and functions as the organisation's resources are cut out in this case with the risk of inexhausted potentials.

Regarding these respective blind spots, it appears necessary to integrate both perspectives on organisational change processes in order to unfold inherent productive potentials. Theoretical considerations, thus, led to some basic principles for organisational change that have been negotiated with the industrial partners beforehand and that have served as guiding lines during the change process:

- comprehensive participation of experts and workers from all levels and areas,
- combination of designing with learning,
- iterative strategic evaluation of what has been achieved and of what has to be done further.

3 LESSONS LEARNED: HOW RADICAL CHANGE IS STILL POSSIBLE

(1) *Organisational change is a path of trial and tribulation, but still passable*: All four companies have achieved radical organisational changes. Depending on their specific products, markets and competences, they have formed appropriate segments, have reintegrated work processes functionally divided before, have accordingly changed the "rules of the game", and have, thus, considerably improved their economic performance. This has been achieved in discussion even with opponents of new forms of organisation, despite the resistance of many sceptics ("this has all been tried before", "we are fed-up with consultancy"), despite the uncertainties and anxieties of employees concerned. And it has been achieved even despite additional disturbances in the order books going up and down considerably during the change process.

(2) *Change requires a minimum organisational maturity*: Such far reaching changes require a sufficient number of committed members of the organisation having the courage to get involved in a process with many uncertainties. These leadership persons, including top management and workers councils, must agree on the necessity as well as the direction of change already at the very beginning. And they have to demonstrate their belief in the success and the determination for change in the organisation. In the course of the change process, they are demanded to prove their commitment, exactly because it brings about many difficulties and conflicts.

(3) *Direct participation on all levels is indispensable and requires reliable communication structures*: A second prerequisite for successful change is direct participation of employees concerned taken seriously and practised credibly. This begins with unrestricted information about intentions, objectives and situations the organisation is in. Direct participation in this context goes beyond what has been discussed so far: Direct participation simultaneously serves as discussion process of diverse perspectives and interests, as integration of distributed knowledge and competence for problem solving, as a forum for negotiating and balancing interests, as motivation to act, as space for collective learning, and as transparent horizontal control of events. Regarding these multiple functions, the details of participation are important: the exact definition of the tasks, the selection of appropriate methods and procedures, and the selection of the persons involved. It is further important not to get out of the way of resistances, since they are "reactions with maximum information".

(4) *Change processes are open with respect to course and results, but still need to be organised in a goal-oriented way*: Since radical and far reaching changes cannot be sufficiently planned, usual sequential procedures with phases of analysis, conception and implementation and with strict budgets for time and effort are not applicable. All people involved must recognise that organisational change is an open development process that cannot be fully foreseen, prescribed and controlled in its course or results. It, therefore, is essential to early establish transparent work proceedings with reliable communication structures that create trust and sufficient security for coping with the uncertainties of the change process. It belongs to the core of this "communicative infrastructure" that the participants gain clarity of the organisation's strengths and weaknesses, that they agree on the objectives and approaches of change, that they regularly reflect and evaluate what has been achieved, and that they derive and arrange next steps in the process. Deviations and inappropriate developments can, thus, be detected and corrected early. The underlying communication and learning processes need enough room, however, since difficulties are mostly underestimated. That is why too restrictive planning and control mechanisms are counterproductive.

(5) *Collective learning processes form the core of organisational change*: This reflective procedure requires much communication and joint learning. In order to make the newly developed organisational structures effective, it is necessary that, at one hand, the people involved comprehend the working principles and make sense of them for their acting, and that they accordingly develop appropriate schemes of interpretation and action on the other. It is not sufficient that single actors adopt new ways of working for themselves; they rather must accomplish these learning steps in mutual dependence and alignment. The joint learning, thus, leads to a shared understanding of the effectiveness of the new forms of organisation with the underlying working principles and, equally important, of the own role in it, and its interplay with all the others' roles as well. These often conflicting learning processes can be organised along different lines of achievement: through common designing and testing of new ways of working or through common reflecting on the practical deficiencies agreeing on appropriate new ways of acting.

(6) *Process consultants enable and facilitate collective learning processes*: The specific role of process consultants is extremely helpful (if not even necessary) to cope with the open development on learning processes in a goal-oriented way. Their paramount task is to take care of transparency and reliability in the communication and learning processes. It is important to jointly recognise the achievements, to assess it against the background of shared objectives, and to degree on further steps in a regular basis. This is the only way to let grow a feeling of security in the middle of uncertainty. In the course of events it is up to the process consultant to take care that these reflective loops take place and to provide fostering conditions for that, not to act as a stakeholder, however. This role can be performed internally or externally (both has been practised in the project); in any case it requires the trust of all persons involved and appropriate competence.

(7) *Fitting the context – new ways of working require appropriate "rules of the game", whose dependencies give occasion to negotiate them as a packet*: The principal work regulations such as personnel development, compensation, working hours, or controlling gain important supportive impact, if they are developed in accordance

with the forms of work organisation.

Systematic *personnel development* gains strategic importance and, hence, must be conceived of as an investment in performance potentials rather than a cost factor. This goes beyond qualification and training of employees and managers – where, of course, the development of social competence gains more weight beside new professional skills – by clarifying and probing new or changed roles in the context of new forms of work organisation. In longer terms, it is also about developing and establishing new career patterns.

Regulations on *compensation* are difficult because they have to correspond to existing collective agreements (that might contain non-conductive regulations) on one hand and they must correspond to the changed requirements of the new ways of working on the other, in particular with respect to foster qualification, to fairly compensate group work and to make transparent the different components of compensation. These regulations on compensation are further closely linked to *flexible working hours* and appropriate *controlling* procedures as well. Emphasis in flexible working hour regulations must be put on finding a good balance between personal needs of employees and operational requirements of business in order to make full use of the performance potentials of the work units. Controlling, in this context, must be strongly coupled to the agreed operational objectives with corresponding performance indicators that now have the additional function of supporting the self-management of the work units.

These regulations are mutually dependent to a high degree (and may, to a certain extent, even compensate for one another). They, therefore, should be negotiated as a packet. Economic success, the total income or "spoil" and how it is broken down as well, largely depend on them. This emphasises again how carefully performance indicators for controlling and self-management should be developed in a participatory way: Important is not only the measuring effect itself, but above all the transparency of the procedure of determination, on which the trust in collective dealing with it is based ("the long way to performance indicators").

(8) *Change requires a holistic view to handle together what belongs together*: Those who concentrate on isolated improvements – appearing to be comprehended and handled easier – are likely to experience at the end relatively little effects only. Instead, since the manifold design tasks and collective learning efforts are densely interwoven, structures and processes belonging together must be jointly designed and appropriated. As a consequence of this, all relevant areas of change must be taken into consideration at the beginning when the overall goals, the total conception for change are being strategically defined. This provides the actors with a frame of orientation, within which further detailed actions can be identified and co-ordinated. The determination of tasks for group work, for instance, can only be really successful, if at the same time the new role of operational management as well as the operational objectives and performance indicators for self-management are specified correspondingly. Similar consideration also apply for the implementation of segments and the new role of segment managers.

4 CONCLUDING REMARKS

These paramount findings of the action research project underline the importance of linking the design perspective of shaping structures with the process perspective of collective learning. Success and sustainability of organisational change crucially depend on how effectively these two perspectives and approaches can actually be combined. There are many more detailed results concerning methods and procedures how this can be practically accomplished in processes of radical organisational change (Brödner & Kötter 1999).

It is not sufficient to agree on a market strategy and to appropriately design new organisational structures and procedures with the expectation that the necessary accompanying cultural change in mind sets, action patterns and management behaviour will occur by itself. On the contrary, successful change requires high efforts to deliberately and consciously organise collective learning processes in a participatory setting and in connection with design activities. Only if the people involved regularly reflect on the functions of structures and procedures under design and the way to effectively deal with them for improved performance, they can make sense of them and can appropriate them. And reversely, good design solutions for structures and procedures appropriate for a new environment are often found only after a change in perspective or mind set.

REFERENCES

- Brödner, P.; Kötter, W. (Hg.), 1999: Frischer Wind in der Fabrik. Spielregeln und Leitbilder von Veränderungsprozessen, Berlin Heidelberg: Springer
- Lewin, K., 1951: Field Theory in Social Science, New York: Harper & Row
- Senge, P. M., 1990: The Fifth Discipline. The Art and Practice of the Learning Organization, New York: Doubleday
- Taylor, J.C.; Felten, D.F., 1993: Performance by Design: Sociotechnical Systems in North America, Englewood Cliffs (NJ): Prentice Hall
- Ulich, E., 1994: Arbeitspsychologie, 3. Aufl., Stuttgart: Poeschel und Zürich: vdf