CHAPTER THREE

Chapter 14

Managing change

Lessons from theory and practice

Learning objectives

After studying this chapter, you should be able to:

- analyse the ten case studies in Part 3 in relation to the following:
  - (a) how each organisation's strategy developed;
  - (b) the constraints on choice;
  - (c) managerial behaviour;
  - (d) the way change was managed;
  - (e) the approach or approaches to change adopted;
  - (f) the objectives pursued;
- describe the main lessons from each of the ten case studies in relation to the above issues;
- understand the factors that determine the level of employee involvement necessary to bring about successful change;
- appreciate that there are a multiplicity of approaches to change that can be used separately, sequentially or in combination.

Introduction

In the previous three parts of this book, we examined the theory and practice of how organisations develop and change. From the Industrial Revolution to the present day, we can see that the history of organisations is one of change and upheaval. In the light of this, the idea that organisations have ever operated in a stable state or a predictable environment, other than for relatively brief periods, is difficult to sustain. Whether because of economic fluctuations, the development of new products and processes, social and political change or war, organisations and entire industries tend to face recurrent bouts of upheaval. Some industries still remain strong, though their products and leading players have changed significantly. One clear example of this is the computer industry, which has moved from being dominated by IBM's mainframes to being dominated by Microsoft's operating systems.

Other industries though, such as the UK coal industry, have shrunk to a shadow of their former size and importance, and appear doomed to be relegated to the role of bit player on the industrial stage.

Not surprisingly, given the rise and fall of industries and technologies over the last two decades, many writers argue that organisations and society at large are in a period of rapid and unprecedented change: a period where old certainties no longer hold good, and new ones have yet to emerge. An alternative view is that the pace and uncertainty of change varies from company to company, industry to industry and even country to country. As a consequence, at any one point in time, some organisations will be experiencing extreme turbulence whilst others appear to operate in a relatively stable environment. However, whether either of these views offers a suitable explanation of the stability–turbulence question is perhaps irrelevant. The pertinent issue is how organisations can cope with both the environment in which they operate and the constraints, challenges and threats they face. In undertaking this task, one thing is perfectly clear: the amount and diversity of information and advice on offer is certainly greater than ever before.

No longer is business analysis and advice confined to a few specialist publishers and journals, or locked up in business school libraries. Books, magazines and videos on 'how to' management can be found in airports and railway stations as well as almost any bookshop. Newspapers, radio and television also play their part in popularising the latest panacea or giving a platform to business gurus or practitioners. In addition, the ubiquitous management consultant can always be relied upon to offer the latest approach, at a price. Therefore, managers cannot claim to lack advice or offers of assistance. The problem, as this book has shown, is that no two approaches appear to be exactly the same and in some cases they may almost entirely contradict each other. Almost in despair, many managers must ask themselves the simple question: 'If the experts can't agree, what hope is there for me?'

This question illustrates the powerlessness some managers feel when faced with issues that, quite wrongly, appear to have become the territory of the specialist. Though there are managers who adopt an almost fatalistic attitude to their situation, believing that events are beyond their control, others, fortunately, adopt a more positive stance. However, even these managers often give the impression that their job is to implement the particular approach to strategy and change that the specialists recommend, or which other more successful organisations have adopted. This book has sought to argue that this is not only incorrect, but a potentially dangerous notion.

Though many 'experts' claim some sort of universal applicability for their favoured approach or theory, as argued in the first two parts of this book, the reality is that such approaches are developed in particular circumstances, at particular times and often with particular types of organisations in mind. It follows that a key role for organisations and their managers is to understand the approaches on offer, identify their own circumstances and needs, and choose the approach that is most appropriate for their circumstances. By doing this, in effect, as this book has attempted to show, managers can cease to be prisoners of circumstances and experts, and begin to make their own choices about the future operation, direction and nature of their organisations.

This chapter draws on the review of the literature on organisations, strategy and change presented so far in this book to shed light on the ten case studies presented in the last three chapters. The chapter begins by reviewing Chapters 6–10 and identifying a number of key common points, especially with regard to managerial choice. These are then used to examine the case studies presented in Chapters 11–13. This is followed by a discussion of the nature of and rationale for employee involvement, particularly in cases of rapid transformational change. The chapter concludes by contending that organisations and theorists need to reject the notion that Planned and Emergent approaches to change necessarily stand in opposition to each other, or that they cannot be used in tandem. Instead, it is argued that there are a multiplicity of approaches to change and that managers have genuine choice in how and when they are used, and what to change and when to change it.

Lessons from theory and practice

Chapters 6–10 began to develop a model of managerial choice and change management. The ten case studies that followed showed how organisations dealt with these issues. The case studies will now be compared with the findings from Chapters 6–10. First, the five chapters will be briefly reviewed and key issues identified; these issues will then be used to examine the case studies. The intention is to combine theory and practice in order to lay the basis for the Choice Management–Change Management model for understanding and implementing organisational change that is presented in Chapter 15.

Issues from Chapters 6–10

Chapters 6 and 7 examined the origins and development of approaches to strategy. They showed that strategy was originally conceived of as a rational, quantitative process concerned with an organisation's external environment, especially its products and markets. The key role for managers was to identify trends, establish future objectives or targets, and then implement them. It was shown that as the concept of organisational strategy developed, a distinction emerged between the Prescriptive school of strategy and the Analytical school. The former was and is primarily concerned with telling managers what they should do and, in the main, promoting a planned, quantitative and rational approach to strategy. On the other hand, the Analytical school tends to focus on what organisations actually do when formulating and implementing strategy, rather than what the experts say they should do. For the Analytical school, strategy is a messy, complex, less rational and more emergent affair than the picture painted by the Prescriptive school.

Though over the last 20 years, the Prescriptive school has still tended to dominate the practice of strategy, the insights of the Analytical school have had a significant impact. In particular, there has been a growing recognition of the importance of intuition, creativity, and power and politics in shaping an organisation's strategy. The implications of this for managers have been that instead of being required to construct detailed and elaborate plans for their organisation's future, they are increasingly being seen as primarily responsible for creating a vision or strategic direction for their organisations, which is pursued, often in a bottom-up fashion, through day-to-day decisions concerning such matters as resource allocation, product/market development and a host of, often, small-scale organisational changes. From this standpoint, an organisation's strategy is not set in advance, but emerges from the decisions taken at all levels in the organisation. Therefore, as Chapters 6 and 7 demonstrated, the Analytical school of strategy, as opposed to the Prescriptive school, draws no distinction between strategy development and implementation – an organisation's decisions are informed by its visions or intent, but the nature and details of the strategy they pursue emerge from the decisions they take. Nevertheless, despite the growing interest in the Analytical school, more rational and quantitative approaches to strategy have not been replaced. Rather, as Chapters 6 and 7 show, the situation is that a number of more or less competing perspectives on strategy are now available to organisations, particularly the Competitive Forces, Resource-Based and Strategic Conflict models.

In Chapter 6, it was argued that none of the competing perspectives on strategy were necessarily true or false. Instead, they tended to be appropriate to given situations. The main elements determining their appropriateness were national characteristics, the business environment, industry-specific factors, and the internal characteristics of the organisation in question. Rather than arguing that the role of managers was merely to choose the appropriate approach to strategy for their organisation's circumstances, however, the chapter concluded by arguing that managers could choose to amend these circumstances to fit in with their preferred approach to strategy.

Chapters 8 and 9 moved from examining strategy to reviewing change management. Chapter 8 began by describing the main theories which underpin approaches to change management. These concerned the behaviour and importance of individuals, groups and systems within organisations. This was followed by a review of what had been the dominant approach to change management – Planned change. The Planned approach tends to concentrate on individuals and groups, but has less to say about the overall organisation and its environment, though there have been attempts by its promoters to rectify this. This approach, as its name implies, regards change very much as a conscious process of moving parts of organisations from one relatively stable state to another. It is an approach that seeks to improve organisational effectiveness by changing individual and group beliefs and behaviour through a process of participation and learning. The Chapter concluded by looking at three models dealing with the pace and nature of organisational change – the Incremental, Punctuated Equilibrium and Continuous Change models. These drew attention to the spectrum of change events ranging from small-scale, localised ones to large-scale events designed to transform or reinvent an organisation in its totality. It was argued that whilst Planned change might be suitable in some of these situations, a wider range of approaches were required to cover all of them.

Alternative, and newer, approaches to change management were assembled and reviewed in Chapter 9 under the collective title of the Emergent approach. This approach conceives of organisations as operating in a continuous state of flux and turbulence. Though its proponents recognise that change can take many forms, Emergent change tends to be characterised as a bottom-up, unpredictable, messy and politically-driven process. From this perspective, it is argued that the role of managers is to develop a climate in which everyone in the organisation has a responsibility for identifying the need for and implementing change. The objective is not to achieve a fixed outcome but continuously to align and realign the organisation with the changing needs of an unpredictable environment. In particular, the Emergent approach identifies five features of organisational life that either promote or block change: structure, culture, organisational learning, managerial behaviour, and power and politics. The Chapter also showed that though the Emergent approach may have some advantages over the Planned approach, it has drawbacks and does not cover all change situations.

In Chapter 10, it was argued that despite the support for these two approaches, neither the Planned nor the Emergent approach provided a comprehensive picture of organisational change. Rather, there are a wide variety of approaches that are suited to different situations. The suitability of any one approach is determined by a range of factors, especially the stability, or otherwise, of an organisation's environment. From this perspective, as Chapter 10 maintained, a key role for managers is to make sense of the complexity of their organisation's situation and choose an approach to change which best aligns with this. Nevertheless, it was also argued that, though constraints such as the nature of the environment in which their organisations operate place limitations on managers' freedom of choice, managers can often, but not always, influence, moderate or alter these constraints to make them better suited to their and their organisations' own preferences and needs.

Therefore, the evidence and arguments from Chapters 6–10 can be summarised:

- There are a wide and diverse range of change situations, ranging from small-scale change to the complete transformation or reinvention of organisations. These are not, however, mutually exclusive. They can occur, whether consciously or unconsciously, simultaneously within the same organisation, though not necessarily to achieve the same objectives.
- Though there are a number of valid and well-supported approaches to strategy development and change management available to organisations, there is a tendency for managers, and academics, to focus on and advocate a limited range. Whilst not always explicitly stated, underpinning these approaches to strategy development and change management is a Contingency perspective that makes assumptions about the degree of stability present in the environment in which organisations operate.
- The dominant view is that managers have to adopt the approach that appears to fit in with the constraints, especially environmental ones, they face.
- An alternative perspective, however, is that it is often, though not always, possible for managers to influence these constraints, in effect to change the rules of the game, to make them more appropriate to the particular approach to strategy and change management which suits them and their organisations.

In order to examine the above points further, the ten case studies from Part 3 will now be reviewed to see to what extent the experience of real-life organisations supports or contradicts them. In particular, drawing on Chapters 6–10, for each case study the following key issues will be explored:

1. **Strategy.** How was the organisation's strategy developed?
2. **Constraints.** What were the constraints the organisation faced, and did the strategy seek to work within or influence these?
3. **Managerial behaviour.** What role did managers play in strategy development and change management?

4 **Change management.** How were change projects managed and who was involved?
5 **Planned, Emergent or combined change.** To what extent can the change projects be classed as Planned, Emergent or exhibiting a combination or variety of approaches?
6 **Objectives.** Was the focus of strategy development and/or change projects to alter individual and group behaviour or to change or reinvent an organisation in its entirety?

Reviewing the case studies – Chapters 11–13

In examining the 10 case studies against the above six issues, it should be borne in mind that Case Studies 1–4 (Chapter 11) deal specifically with strategy development, and Case Studies 5–10 (Chapters 12 and 13) concentrate on change management projects. Nevertheless, all the case studies, to a lesser or greater extent, contain elements of strategy development and all contain elements of change management. With that proviso in mind, we can now move to a brief examination of the individual case studies. Each case will be reviewed under the six headings listed above.

Case Study 1: The music industry

1 **Strategy.** In this instance we are not considering the actions of one or two companies but of an entire industry, and a global one at that. It is an industry that has been dominated by the big five record labels for over 50 years. The managers of these companies have developed what appears to be a common strategy to ensure that their organisations retain their dominant position in the industry. It basically revolves around signing the artists who will sell the most recordings, shaping and marketing them and their output to maximise sales, and ensuring that the vast proportion of the revenues generated go to the label rather than the artists or anyone else. The advent of the Internet threatens the income and dominance of the big labels. It can offer them many advantages in terms of cutting the costs of record distribution; however, these may pale into insignificance in terms of the threat posed by peer-to-peer music swapping (P2P). Those managing the big labels appear be taking a reactive rather than proactive and strategic response to this. They are attempting, not very successfully, to use the law to stop the free downloading of music whilst at the same time attempting to copy and adapt the Napster approach by developing subscription services which charges for the downloading of music.
2 **Constraints.** The ease with which the Internet now allows recorded material to be pirated is clearly a major constraint on the actions of the record companies. Shawn Fanning opened the Pandora's Box of the Internet and it is difficult to see how the big labels can hold on to their iron grip on production and distribution and continue to take the lion's share of the revenues. Though this is partly a case of people taking advantage of changes in technology to get free records, it is also about the nature of the Internet. In essence it is a clash of philosophies between those who see the Internet as a vehicle for making money and those who see it as a way of creating communities where sharing takes precedence over profit-making. This means that there are many talented and committed computer-literate people who, as a matter of principle, are working to make it as easy as possible to access material free via the Internet, regardless of any technological or legal obstacles that are put in their way. Nor is this just about the music industry. Piracy is spreading to

any industry whose output is in, or can be turned into, a digital format whether this be records, films, television or books. Chapter 4 discussed the implications of complexity theories for organisations. One of the key arguments of complexity theorists is that even small changes can transform an entire system, overthrowing existing constraints and laws and creating new ones. It could well be that the case of Shawn Fanning and the music industry is an example of complexity theories in action.

3 **Managerial behaviour.** Music industry executives tend to be powerful individuals who have risen through the creative side of the industry and who take a hands-on role in running their companies. They know the music industry inside out, and follow tried-and-tested approaches to developing, promoting and taking profit from artists. The situation created by Fanning's Napster was beyond their experience. Their response was reactive rather than strategic. They sought to use the courts to stifle Napster and similar bodies, whilst at the same time attempting to turn the Napster approach into a subscription-based service. Neither initiative appears to have stemmed the rising tide of piracy.

4 **Change management.** This case study does not deal with change management *per se*. So far, however, the changes that have taken place appear to be in the hands of the lawyers and senior managers, and have revolved around stifling and copying rather than seeking wider organisational involvement and looking for more creative solutions.

5 **Planned, Emergent or combined change.** Despite the fact that the music industry is based on a creative process, much of its past ways of working have tended towards the dictatorial and formulaic and have been designed to ensure that the big companies retain control over the artists. The P2P revolution has created an unprecedented level of uncertainty in the industry, however. It is unlikely that the changes that this is bringing about can be managed by a few senior managers trying to keep control of the situation. Therefore, the reshaping of the music industry is likely to arise from a host of local responses and initiatives, many of which may come from smaller and more entrepreneurial companies rather than the big labels. Indeed, it is not yet clear that the big labels can survive in the new P2P era, at least in their present form.

6 **Objectives.** So far, the main objective of the big labels has remained unchanged; they want to retain their dominant position in the industry. They have attempted both to stop and to copy the Napster model. In essence, they have tried to change the behaviour of those who seek to promote a more community-based approach to the Internet by threatening them with the law. In this, they have signally failed. The technology that enables piracy now seems to be built into most computers or can be purchased or downloaded free from the Internet. Nor have they succeeded in their attempt to get consumers to change their behaviour and pay for music through Internet subscription services rather than downloading it free. Once people discover that they can easily get something for free, it is very difficult to persuade them that they should pay for it. Rather than tinkering round the edges, the big labels need to ask themselves some very awkward questions about the nature of the music industry in future and their role within it.

Case Study 2: Marconi

1 **Strategy**. Though on the face of it, Marconi's strategy was the product of its CEO, George Simpson, and Finance Director, John Mayo, its origins lay in the general belief by institutional investors in the City of London that GEC, as it was, had missed the Internet/telecoms boat and needed to swim very fast to catch up. It is not clear whether either Simpson or Mayo ever questioned this belief. It is clear, however, that their entire strategy for selling off most of GEC and going on a telecoms buying spree was based on it.

2 **Constraints**. It could be argued that the view of investors that GEC was no longer viable was a constraint on the strategy that Simpson and Mayo could adopt. Certainly, they chose to align GEC/Marconi's strategy with this view. There were other constraints on the viability of such a strategy that they appeared to ignore, however. Firstly, Marconi's senior managers were seeking to create a global Internet/telecoms equipment company rapidly by buying up other companies rather than by growing one organically. This is a very risky strategy which has seldom been successful in any industry. Secondly, Marconi had put itself in a position where it had to buy fast in a booming market, even though questions were already being asked about the very high price and viability of dotcom-orientated companies. Lastly, it was buying into a sector where the competition was stiff and the main customers, the big telecoms companies, were few. Any downturn in the market could and did prove disastrous. However, even when its competitors were taking action to tackle the prospect of falling demand, Marconi ignored the indications and continued to act on the assumption that demand for the products and services of its new businesses would grow and grow.

3 **Managerial behaviour**. The strategy was developed by Simpson and Mayo, who took a very hands-on role in selling the various parts of GEC and stitching together the new parts of Marconi. In doing so, they were hailed almost as heroes by institutional investors and commentators. What criticism Marconi did receive appeared to come from the departing 'old guard' of GEC, whose comments could be interpreted as sour grapes.

4 **Change management**. The main changes that took place in transforming GEC into Marconi were the selling and buying of companies. In both cases, because of the pace at which the new Marconi was being created, the transactions seemed almost to take the form of an auction rather than the sort of slow and deliberate evaluation that the old GEC was used to. To create Marconi, it was necessary to dispose of most of the old GEC, which did not fit with the new Internet/telecoms world. Therefore, it was a case of selling the old businesses for whatever was the best price that could be obtained in order to raise the money to buy new businesses with. The same applied when buying. In a booming market, Marconi had to pay the going price if it wanted a slice of the action. In the 1970s, when OPEC controlled the world's supply of oil, the then Head of OPEC, Sheihk Yamani, was asked what was a fair price for oil, his response was, 'Anything you can get plus 10%'. This seemed to be the attitude of those who owned the companies Marconi was seeking to purchase. Having set itself on this path, however, Marconi's management clearly felt that it had no option but to buy at the going rate. Managers appeared to be the prisoners of investors and lenders who expected, indeed, demanded, that the company behave in