chapter 1

How Organizations are Changing and Why

INTRODUCTION

Modern managers are beset by two pressing, urgent and intractable problems. On the one hand life is becoming increasingly difficult: they face increasingly dynamic, complex and unpredictable environments where technology, the nature of competition, industry boundaries and the rules of the game are changing dramatically. On the other hand they are faced by an avalanche of advice and prescription about how to develop competitive strategies, how to change, how to improve efficiency, how to adopt strategic human resource practices such as business process re-engineering (BPR), downsizing, delayering, competence architectures, 360-degree feedback and many others. And at the same time business schools supply courses – and academics supply texts and consultants write management best-sellers – which set out how to manage strategically, how to design and manage change, how to design strategic HR practices, how to improve capability. But the harsh reality is that, despite all this advice, despite (maybe because of) the plethora of prescription, exhortation and critique of prescription, the end result of all this help is often confusion. Managers don't know who to listen to. This book aims to clarify this confusion, to make sense of this advice.

> Firms have choices to make if they are to survive. Those which are strategic include: the selection of goals, the choice of products and services to offer; the design and configuration of policies determining how the firm positions itself to

> compete in product-markets (e.g. competitive strategy); the choice of an appropriate level of scope and diversity; and the design of organisation structure, administrative systems and policies used to define and co-ordinate work. (Rumelt, Schendel and Teece 1991: 6)

And making the right choices is difficult. Not because there are not suggestions on offer; not because help is not at hand. There is an enormous amount of advice available; there are precedents to follow – or avoid. There is change everywhere, advice everywhere, exhortation, insistence, promises, everywhere. There is too much help, too much advice. The problem is choosing which advice to follow, how to understand and assess this advice. This is the world of the modern manager, and it is this world of advice and exhortation that we are going to clarify, classify and review.

This chapter looks at some of the more important types of fundamental change that have been occurring recently in organizations. We do this for a number of reasons. First, because if we are to offer our own framework for understanding or designing attempts to improve organizational performance it is useful and relevant to be aware of the nature and scope of some of the more important and pervasive change projects which claim this objective. But in this introductory chapter we have another objective: to use our analysis of common forms of organizational change to unearth some common features and assumptions of such programmes – features and assumptions which frequently characterize change projects but which should ideally be treated critically and with reservations. Our concern is primarily with the ideas underpinning these projects, and their weaknesses; but we also need to show how these ideas matter, how they affect organizational structures and functioning, people's jobs, job security, careers. We shall not attempt a comprehensive coverage of all recent types of organizational change. That is not our purpose in this book; nor is it necessary for our purposes. What we will do is consider a few examples of change in order to indicate some of the key issues and contradictions that surround them and which supply the backdrop to our argument.

Recent years have seen an enormous increase in the scope and velocity of change, affecting nearly every aspect of organizations. In the early 1990s Kanter's study of 12,000 managers from 25 countries revealed widespread experience of downsizing, reorganization, mergers, acquisitions and divestitures (Kanter 1991). Change has become normal and inevitable. A recent study shows that managers are expecting more far-reaching organizational change – nearly 80 per cent of respondents said they expected more radical change by 2010. A UK study in the mid-1990s showed that 70 per cent of private and public sector managers reported that their organization had recently restructured (Thompson and Warhurst 1998: 17).

Changing Structures

One of the most important and pervasive types of recent organizational change is structural change. This is popular and highly pervasive. This is change which alters the 'shape' of the organization, the number of levels of management, the nature and number of jobs, or the principles by which organizations are structured (region, product, function, client group, or some combination of two or more of these):

> Organisations in recent years have sought to enhance business and customer-oriented behaviours and priorities through the creation of Strategic Business Units (SBUs). They have sought to induce flexibility through cross-functional teams. Cost competitiveness has been pursued through slimmed corporate centres, the cutting away of 'overhead' and a cut back in service functions by requiring production units to embrace a much wider range of functions and responsibilities. (Mabey, Salaman and Storey 1998: 232)

Note how this quotation identifies some of the apparent or intended goals of these forms of restructuring – 'business and customer-oriented behaviours and priorities', 'flexibility', 'cost competitiveness'; we will return to these goals later.

Recent organizational restructuring has tended to follow a number of directions: for example, away from large organizations to smaller ones, from heavily bureaucratized systems to less rigid and rule-bound systems. Figure 1.1 suggests in general terms some of the directions of recent change. However, it is important not to be misled by this figure. It simply shows recent patterns of change. It does not indicate an inevitable and long-term historical linear progression from bottom left to top right. The direction it suggests is simply a recent tendency; it can be changed, and the pattern of organizational restructuring could well soon show a return to earlier patterns. In fact, this is beginning to happen: the recent move away from centralized control towards decentralization and autonomy is being reversed, with a move to 'shared services' and 'shared infrastructure' (to call it recentralization might be to risk public acknowledgement that decentralization was unsuccessful) as the costs and inefficiencies of decentralization of key services (HR, ICT, finance, etc.) become apparent. Organizational change is not linear; if it has any direction, it is very often cyclical. Many current forms of organizational change, although they are described as if they were the very latest in modern thinking, have been around before, often more than once and sometimes very long ago, although often under a different name.

As figure 1.1 suggests, one major recent direction of change has been away from bureaucratic forms. Bureaucracy is currently much maligned (although most large organizations still retain significant bureaucratic elements). The critique of bureaucracy focuses on the claimed inadequacies of control by regulation (rigidity, lack of responsiveness to client or particular prevailing

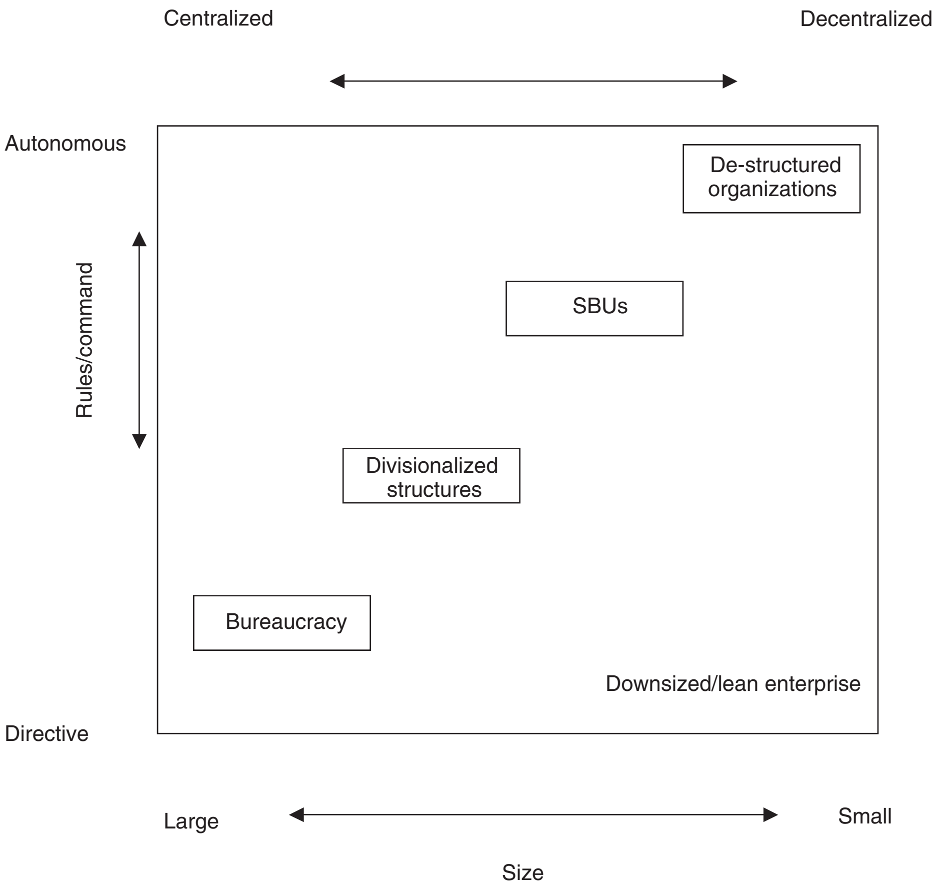

Figure 1.1 Types of restructuring within organizational boundaries
Source: Mabey et al. (1998: 235). Reproduced by permission of Blackwell Publishing Ltd.

circumstances, 'red tape', the discouragement of innovation or individuality). These charges are often well founded. However, the advantages of bureaucracy also need to be stressed. Bureaucracy encourages impersonality and discourages nepotism and arbitrary decision-making; it is highly efficient for the administration of large-scale complex but routine tasks.

The figure suggests another principle of current programmes of organizational change: the deliberate introduction, into the organization, of market-type relationships, structures and forces. Some 40 years ago Alfred Chandler, a well-known commentator on business matters, argued that the modern business enterprise of that time had replaced co-ordination by market mechanisms with co-ordination achieved through organization – by organizational structures, processes, functions and relationships. In other words, instead of buying services, the organization supplied them itself.

When he wrote, and for some time afterwards, Chandler was right; but now we are told he was wrong when he argued that, within the firm, the invisible hand of market forces was replaced by the firm hand of management (Chandler 1962). Now the hand of management is most obvious in its introduction of market forces, and organizational relationships are increasingly coterminous with, and difficult to distinguish from, managerially induced market forces.

Much recent and current organizational restructuring seeks to replace organization controls by market forces. This approach advocates the market as a purifying moral force, neutralizing the dysfunctionalities of bureaucracy: 'I urge every one of you to develop a passionate and public hatred of bureaucracy' (Peters 1989); 'Don't automate, obliterate!' (Hammer 1990).

The rigidity, impersonality and rule-focused nature of bureaucracy, it is argued, must be replaced by flexibility, passion, involvement. The new organization must be structured *for*, and most importantly *by*, the market. The best principles of organization are those that force it to respond to market forces.

The free market system is seen as providing the inherently virtuous model through which all internal organizational relationships should be restructured. Exposing the organization and its employees to the pressures of the market – and the sovereign consumer – is, however, a necessary but not a sufficient means of ensuring the radical and moral reconstruction ('reform') of the organization. It is also necessary for every member of the organization and every department and specialism to 'get close to the customer', to develop enterprise – not to rely on, or require, organizational rules, but to understand and be able and willing appropriately to respond to market requirements and customer demands. The internal world of the organization is restructured along market lines in order to ensure that the organization and its employees are focused on identifying and satisfying customers' needs.

Thus internal management hierarchical control is replaced by simulated or real market control: divisions, regions, hospitals, schools, become quasi-firms, and transactions between them become those between buyers and sellers. Corporations are decentralized into semi-autonomous, market-facing business units or profit centres required to achieve identified contribution targets. This policy is seen to remove obstructive and dysfunctional bureaucratic controls, liberate innate entrepreneurship and make local management sensitive to the need to meet market requirements in order to meet performance targets. A key element of this style of government is the crucial role it allocates to the notion of contract (or service-level) agreements in redefining social relationships. Entrepreneurial forms of government such as contractualization involve the re-imagination of the social (the organizational) as a form of the economic.

This form of organizational restructuring is not confined to private sector organizations. The defining feature of the new approach to organization and governance is that the enterprise form is generalized to all forms (public and private) and all areas of organization. Inefficiencies can only be removed by the application of a stiff dose of market forces. In such cases (the National Health Service (NHS), the UK railway system, etc.) the imposition or creation of markets and customers is either through direct privatization or, less directly, through competitive tendering, the introduction of surrogate markets, the manipulation of funding policy, service level agreements, benchmarking, and so on.

In the UK attempts to reform organizations in terms of market forces and relations have proceeded not only through the dominance of the discourse of the market and enterprise (still strongly maintained by the current Labour government) but also through legislation requiring public sector organizations to offer services to external competitive tendering, and through the progressive enlargement of the territory of the market – of the realm of private enterprises and market rationality.

Interestingly this insistence that organizations should be restructured in terms of markets and consumers in order to overcome the dysfunctionalities of bureaucracy not only often entails an enormous expansion of bureaucratic regulation in itself (the completion of paperwork by police, teachers, academics, doctors, etc., all of which is then reviewed by an inspection body or process) but is frequently the result of centralized and bureaucratic compulsion.

The application of market forces as principles of organizational restructuring does not stop with relations between organizational units and their marketplaces. It also applies internally through a variety of initiatives – for example just-in-time (JIT) or total quality management (TQM) systems, both of which require the redefinition of the relationship between units or workers in terms of a customer model: workers become each other's customers. Teamworking is built on the same mechanism.

Thus the customer – as agent of the market – enforces the necessary organizational, and crucially, personal, discipline. By changing the rules, organization and behaviour will change too: 'the focus on the outside, the external perspective, the attention to the customer is one of the tightest properties of all . . . It is perhaps the most stringent means of self-discipline. If one is really paying attention to what the customer is saying, being blown in the wind by the customers' demands, one may be sure he is sailing a tight ship' (Peters and Waterman 1982: 32). Or: 'Total customer responsiveness inaugurates a new form of control – self-control born of the involvement and ownership that follows . . . Being responsible for results will concentrate the mind more effectively' (Peters 1987: 363).

The moralized notion of the market – that is, the idea that, by introducing market forces and relationships, the organization, its processes, relationships and employees will be cleansed of their adherence to old-fashioned, rule-bound ways of behaviour and liberated to seek the interests of the customer – assumes semi-mystical qualities as a force which acts as a relay between organization, internal structures and processes and the individual, reconstituting the individual and the manager in terms of the qualities required for organizational success, and as individualized businesses. Firms, it is claimed, get the most out of their employees by harnessing the

> psychological strivings of individuals for autonomy and creativity and by channeling them into the search for customer satisfaction. Enterprising, market-focused customers make meaning for people by encouraging them to believe that they have control over their lives, that they have chosen to make a personal and vital contribution to personally shared organisational goals. Quite simply these companies are simultaneously externally focused and internally focused – externally in that they are driven by the desire to provide service, quality and innovative problem-solving in support of their customers, internally in that quality control for example, is put on the back of the individual line worker, not primarily in the lap of the quality control department. (Peters and Waterman 1982: 321)

The application of the principles of the market to organizations occurs at a number of levels.

It affects where organizational boundaries are drawn and how they are conceptualized. Typically, boundaries are drawn more tightly. Activities are, whenever possible, located outside the organization: this transfers risk, investment, costs, warehousing, logistics, etc. It also means that the organization can concentrate core skills. Nike, for example, the biggest supplier of trainers in the world, doesn't itself manufacture a single trainer.

The nature of the boundary – wherever it is – is also now seen differently. It is now the focus of intense activity and analysis. Supply-chain management as a new(ish) discipline is an example of this. The expansion of marketing, the emergence of the role of the account or client executive, the focus on client management skills, BPR, the move to market-facing structures – all reveal attempts to address and manage the interface between organization and supplier or client.

Within the organization and between SBUs and other departments – or other SBUs – relationships and processes are increasingly designed *as if* they were contractual, buyer–seller relationships.

The recent critique of bureaucracy in the name of market forces and the associated qualities of flexibility, customer focus and enterprise reveals some contradictory themes which merit particular attention, and they are themes to which we will return in this analysis. The flight from bureaucracy and the rush towards market forces and relationships within organizations suggests that a major driver of organizational change may be as much fashion and prevailing ideology as rational analysis of the advantages and disadvantages of different principles of organization.

But fashionable ideas may not always be good ideas, and fashion-based enthusiasm may mask complexity and contradiction. For example, although in its day the move to decentralized SBUs was regarded as so obvious, so necessary as to be beyond debate – an act of faith, a testament to modernity in the face of stick-in-the-mud indefensible bureaucratic rigidity – in the fullness of time this approach to restructuring began to reveal its problems. Decentralized organizations, as one would expect, tend to lose across-the-board synergies; corporate benefits can be sacrificed to local business advantage, long-term strategies to short-term results, necessary investments to immediate harvesting. SBUs can breed 'silo' thinking, can reduce the possibility of knowledge management and transfer, and can produce other disbenefits.

Furthermore, despite the fact that, in recent years, the market has assumed considerable significance both as an ideological shibboleth and as a principle of organization (and government), bureaucracy still continues to be enormously significant: 'it has been frequently pointed out that throughout the world the largest organisations are essentially still bureaucracies. They remain so despite the competing ideas because they meet their goals through this type of structure' (Mabey et al. 1998: 238). So despite the popularity and acceptability of the critique of bureaucracy and the assumptions it carries, it seems there are definite limits of the practicality and value of these ideas. This too is a theme to which we will return.

Another issue raised by the recent history of bureaucracy and attempts to 'reform' it also concerns the limitations of the critique and the model that is offered as a superior basis for organization. The market model may seem attractive: flexible organizations focused not on rule-books but on client needs, with employees rewarded and promoted for performance, and the relationship between employer and employee being a market relationship: a performance, or client-focused, organization. But such types of organization, however apparently attractive and consistent with current thinking, may carry unexpected and unforeseen problems. One of the features of maligned bureaucracy was an emphasis on internal labour markets, with extensive and clear career ladders, explicit development and succession systems, with investment in training and development, and frequently welfare provision of some sort. These encouraged a certain sort of 'psychological contract' which may not have been explicitly performance-focused but which encouraged commitment, co-operation, and the development and sharing of knowledge and expertise. To the extent that the critique of bureaucracy has encouraged the destruction or erosion of this psychological contract, organizations may experience – and learn to regret – the passing of the characteristic consequences of this for employee attitudes and relationships, particularly when increasingly employee commitment and knowledge development and sharing are recognized as critical features of successful organizations.

Furthermore, although much organizational restructuring is justified in terms of a new model of organization, the reality of much organizational change is a familiar one. As noted earlier, 70 per cent of UK managers in the mid-1990s reported organizational restructuring. But they didn't report that this heralded in a new type of organization; on the contrary, they reported that their organizations had 'recently restructured with staff cutbacks and cost reduction initiatives, resulting in greater workloads, increased and often unpaid responsibilities, longer hours and less job security' (Thompson and Warhurst 1998: 17).

This third issue illustrates another theme of this book: that, however superficially appealing the 'theory' or ideas which underpin programmes of organizational change may seem, closer inspection reveals that they can have contradictory, or short-term, results. Indeed it is possible to argue that fashion or ideologically driven change which fails to identify and address the nature, origins and implications of organizational difficulties or which operates on a simplistic view of organizational structure and functioning can oversell its promises and exchange one set of problems for another. All the more reason to try to identify and understand the different bases on which claims to improve organizational performance can persuasively be made.

Changing Processes

Another common form of recent and current organizational change focuses on the stages involved in the production of the key outputs of the organization: the ways in which the tasks and functions that are divided and differentiated by organizational structures must actually combine in sequences of operations or tasks, which must add value to what is particular to a customer. 'Organizational processes' refers to the activities that occur within an organization, in contrast to the location of these activities, which is structurally determined. A process is:

> a structured, measured set of activities designed to produce a specified output for a particular customer or market. It implies a strong emphasis on *how* work is done within an organization in contrast to a product's focus on *what*. A process is thus a specific ordering of work activities across time and place with a beginning, and end, and clearly identified inputs and outputs: a structure for action. (Davenport 1993: 5)

A process can extend through a number of organizational departments and across organizational boundaries. A number of management writers have recently advocated not only that organizations should focus less on structures and more on processes, but also on the transformation of these key business processes. This is what is called business process re-engineering (BPR).

The elements of BPR need not concern us here. They have been described by the original authors, Hammer and Champy (1993), Hammer (1996) and Davenport (1993). BPR, it is claimed, requires a 'fresh start'. It requires a total redesign of business processes, not the normal tinkering with historical processes: 'Don't automate, obliterate!' demands Hammer, one of the movement's champions, in a seminal and characteristic statement of the case.

Once again there are aspects of the BPR movement that are important to our concerns in this book. First, the BPR movement shares with other recent types of organizational change a remarkable popularity with senior management. It is calculated that as many of 70 per cent of UK companies have re-engineered (Mabey et al. 1998: 259). The appeal of BPR may well be due in some measure to the way the merits of this approach are described by its proponents. Their language is remarkable, often evangelical, messianic, or eschatological: BPR alone offers salvation, refusal to install BPR will signal the end of the organization, denial of the merits of BPR will bring down terrible punishment. Like a religion, acceptance of BPR is all or nothing: total conversion is demanded. Like a religion, it changes everything. The sinful past must be rejected: we – or our organizations – must be reborn; everything we thought we knew about organizations is now rejected; it's all wrong. Everything must be learned anew, everything changed, under the guidance of the BPR expert:

> everything must be rethought: the kinds of work people do, the jobs they hold, the skills they need, the ways in which their performance is measured and rewarded, the careers they follow, the roles managers play, the principles of strategy that enterprises follow. Process-centred organisations demand the complete reinvention of the systems and disciplines of management. (Hammer 1996: 259)

BPR is thus a good example of the difficulty facing the modern manager: not how to install BPR, but how to understand and assess the merits of the advice and exhortation with which they are bombarded. As usual the authors are not prepared to offer any dispassionate analysis of the strengths and weaknesses of their cause: they are convinced, their cause is unassailable, there is no alternative, they offer redemption and salvation. There is only one possible response from the manager: total and instant acceptance and commitment.

> In the face of intense competition and other business pressures on large organisations . . . Objectives of 5% or 10% improvement in all business processes each year must give way to efforts to achieve 50%, 100% or even higher improvement levels in a few key processes. Today firms must seek not fractional, but multiplicative levels of improvement – 10 x rather than 10%. (Davenport 1993: 1)

Yet the results of BPR are far less convincing than its proponents promised. And, as with other much-hyped modern organizational panaceas, BPR advocates are coy about its assumptions, particularly those that might be untenable or insecure. BPR adopts a highly formal approach to the organization. It assumes that there are no conflicts or sources of dissension or difference. Purposes are clear, and shared, staff are committed: the only source of difficulty is the possible survival of old-fashioned and obstructive organizational structures. But this approach assumes what is known as a unitary view of the firm – that is, that all members of the organization share, and are equally committed to, the same organizational values and goals, namely customer focus. Hammer admits that 'No matter how well designed a process is, it's the people who make it work' (Hammer 1996: 117). This admission is strangely redolent of the admission by Henry Ford decades ago at the beginning of the modern industrial period that 'Machines alone do not give us mass production. Mass production is achieved by both machines and men. And while we have gone a long way towards perfecting our mechanical operations, we have not successfully written into our equations whatever complex factors represent Man, the human element' (quoted in Littler and Salaman 1984: 91).

In other words, Hammer recognizes that the success of BPR depends on the solution to an age-old problem: how to manage employees so as simultaneously to achieve maximum efficiency and to attract their commitment.

Yet, although they acknowledge the significance of this issue for the success of BPR, not only do Hammer and BPR's other proponents have no solution to a problem on which the success of their approach depends, but the application of BPR, which is frequently associated with downsizing and the intensification of work effort, may very well exacerbate the problem by increasing resistance, alienation, and conflict. This is potentially a fatal weakness in his approach.

The interesting and important point about BPR for our purposes is that once again this type of change is more concerned with prescription – implement BPR as the answer to all or most organizational performance issues – than it is with analysis and understanding. Once again BPR as an approach is predicated on a view of the nature of organizations which is seriously problematic.

Changing Cultures

The question of employees' attitudes is the key focus of our third type of prevalent and pervasive current organizational change: culture change. This deserves attention not only because of its pervasiveness but because many of its key propositions have been too readily accepted and incorporated into management thinking with little impact on organizational performance and little impact on the ability of managers to understand why their well-meaning attempts to improve performance have failed.

Recent organizational change has focused not only on changed structures, or the critique of bureaucracy, or the advocacy of process re-engineering, but on the heart and mind of the employee. Indeed one of the key features of recent change has been the argument that structural change in itself is limited in effect since it does not engage with or generate change in a key performance-related factor: employee attitudes. The attempt to change organizational cultures is extremely common. Nearly all current programmes of organizational change, whatever their primary focus and content – 360-degree feedback, competence systems, performance appraisal, TQM, BPR, the move to SBUs, etc. – have one common element: the attempt to change the way employees think and feel about their work and its purposes and priorities. Central to the successful creation of the new, non-, or anti-bureaucratic organization is the transformation of the employee, from someone who, at best, did as they were told, to someone who does what is necessary because they want to do it. Restructuring organizational life in this sense involves 'making up new ways for people to be': it refers to the importance of individuals acquiring and exhibiting particular 'enterprising' capacities and dispositions. Corporate culture projects seek to achieve corporate success by creating individuals who reflect, represent and implement organizational priorities in their attitudes and behaviour. As Thompson and McHugh point out, it consists of management attempts to manipulate and mobilize values, language, ritual and symbols in an effort to 'unlock the commitment and enthusiasm of employees' (Thompson and McHugh 1995: 198).

It is based on the claim that organizations have cultures (shared systems of meaning and values) and that these can be manipulated by management to make staff hold and be committed to shared goals and values concerning the purposes of the organization and their contribution to these. When employees are committed to their organization and its purposes, the performance of the firm, the argument goes, will be positively affected. When a company's culture is 'right' and 'strong' and 'positive', staff want to do what they need to do, they energetically and enthusiastically carry out their work because they identify with it, see it as 'theirs', share the purposes to which it is directed. They don't have to be told what to do or when to do it because they see what needs to be done and want it done well: 'The guiding aim and abiding concern of Corporate Culture . . . is to win the "hearts and minds" of employees, to define their purposes by managing what they think and feel, and not just how they behave'. The strengthening of corporate culture , Peters and Waterman claim, ensures 'unusual effort on the part of apparently ordinary employees' (Peters and Waterman 1982: p. xvii).

Since the beginning of industrialization and certainly since the development of the large-scale organization, employers have tried to find a solution to the central problem of management: how to get people to do what managers want them to do. One solution is to control them tightly by the assembly line, by rules and procedures, by technology. This is tempting, and it works – up to a point. But soon it begins to achieve diminishing or even negative returns: tight control destroys commitment, it may achieve obedience and compliance when it is vigorously policed, but it is likely to generate resistance and to destroy commitment. Tight control often produces poor quality, poor industrial relations, high absenteeism, and other indicators of alienated, low-commitment workers.

Allowing workers a greater degree of autonomy, allowing them to use their own judgement and skills, does generate the sort of commitment managers want. But allowing workers autonomy often puts management control at risk. If employees can decide what needs to be done, how can managers ensure the workers do the right thing? The history of the changing philosophies of management, organization and work-design systems is the history of different managements' efforts to 'solve' this dilemma. And as a result 'all forms of control contain, in different degree, two dimensions of control: the specification of levels of performance . . . and some effort to develop some level of content or acceptance of the legitimacy of the employment relationship' (Littler and Salaman 1984: 57).

Recent interest in management's manipulation of organizational cultures is a further attempt to 'solve' this dilemma. So ensuring staff share a positive company culture becomes the essence of management according to the culture gurus: 'symbols are the very stuff of management behaviour. Executives after all do not synthesise chemicals or operate fork lift trucks: they deal in symbols' (Peters 1978: 10). The results: 'Symbolic action may serve to motivate individuals within the organisation and to mobilise persons . . . to take action . . . Symbolic actions may serve to mollify groups that are dissatisfied with the organisation thereby ensuring their continued support of the organisation and the lessening of opposition and conflict' (Pfeffer 1981: 34–5).

However, if it is easy to see the appeal of culture change – and once again the language of its proponents is extravagant in its claims and promises – it is far less certain that these promises are fulfilled. When the excitement dies down and calm analysis replaces febrile over-excitement, doubts have been expressed both about the grounds of the gurus' claims and about their efficacy. As with the other change regimes discussed earlier, we need to understand the origins and robustness of the theory on which the corporate culture is based.

Close analysis of the claims made by the best-selling texts which initiated recent interest in changing organizational cultures, such as Peters and Waterman's *In Search of Excellence*, has revealed a host of methodological weaknesses which seriously undermine its claims to truth. Drucker, for example, described the book as 'a book for juveniles' and predicted interest wouldn't last a year (Silver 1987: 106; Thompson and McHugh 1995: 209). Indeed, some critics have argued that the success of *In Search of Excellence* was due not to the book's actual merits or the strength of its argument, but to US managers' need for reassurance in the face of Japanese competitive success: '*In Search of Excellence* succeeded because it brought welcome balm for America's battered self-image. Here was a better wholly indigenous solution to declining productivity and industrial decline, and Peters and Waterman's argument is put in terms that most people could immediately grasp' (Keisling 1984: 40).

For some commentators the deficiencies of the culture change literature are so numerous and so obvious that its appeal to managers can only be explained in terms of the psychological vulnerability of US (and in due course UK) managers: 'Corporate culture is positive. It appeals to American pride. It says Americans – at least some Americans – know how to manage. The secret Japanese potion is available at the corner drugstore, not just in Kyoto. The message is just what the doctor ordered for a nation which is questioning its ability to compete in an economically restructured world' (Maidique 1983: 155).

Other critics have questioned the claimed connection between 'excellent' companies and strong cultures, noting that this linkage was weakened by the subsequent poor performance of many of the identified companies (*Business*

Week 1983), and by the fact that the performance of some of these excellent companies was the result of factors other than the existence of strong cultures (Delamarter 1988).

Commentators have also taken issue with the way in which the corporate culture authors use (or misuse and simplify) the concept culture itself (Smircich 1983; Meek 1992), assuming – once again – an excessively consensual and unitary organization. Finally, researchers have demonstrated mixed evidence as to whether cultures actually have been changed. There are empirical and theoretical reasons for this. Much of the practitioner literature recounts tales of heroic cultural transformation (often short-lived if it happened at all) at Jaguar, British Airways, etc. This literature is aimed to enthuse and to advance the reputation of the author or consultant, but its empirical validity is questionable.

Much of the more empirically based research evidence tells a mixed story. Some research suggests the management programmes of culture change do not succeed in radically transforming employees' values and beliefs. But even here a change of behaviour is conceded. Ogbonna, for example, makes the point that culture change messages are 'heard' and 'interpreted' in the light of existing values and beliefs. But he ends his assessment with the conclusion that culture change programmes can only produce *surface* behavioural change: 'management was only able to generate behavioural compliance from an indifferent workforce – changes in the visible manifestation of culture were observable while values and assumptions remained intact' (Ogbonna 1992: 94).

The case of culture change programmes and their proponents then confirms the assessment of the two other types of prevalent organizational change discussed earlier. There is no need to consider other types of change: competences, TQM, or whatever new projects have risen to popularity by the time you read this book. The characteristics will be the same: tremendous hype and exhortation, allied with an apparently totally convincing case, extraordinary promises of organizational salvation – the end to organizational problems, the beginning of the new, golden age – all that was past is condemned, here lies the way ahead! All based, however, on some questionable assumptions, poor research, and a simplified view of organizational processes and dynamics and decision-making. It may well be that the appeal of such programmes and the texts on which they are based lies in their 'capacity to transport readers symbolically from the world of everyday experience to a mythical realm' (Conrad 1985), but this simply makes the need to understand and classify the different sorts of *theories* of organizational change and restructuring that underlie current (and presumably future) organizational change all the more pressing.

Using Consultants

However, if the management writers and consultants, with their powerful and passionate advocacy of organizational solutions, can be charged with over-simplifying the nature of organizational structures and processes and overselling flawed or ill-based panaceas, academic writers, though using a different style and approach to the problem of organizational change, do not always escape criticism. The criticism of academics is not that they simplify but, possibly, that they make matters excessively complex and obscure, focusing on conceptual matters or on issues of definition or on the provenance of key ideas. And it is probably true that academic attempts to analyse, assess, or comment on recent programmes of organizational change sometimes seem to obscure rather than illuminate, at least from the point of view of the thoughtful, curious manager. There are reasons for this: academics are not naturally or deliberately obfuscatory, but they have their own agendas, their own points of interest, their own styles of analysis, which are not necessarily those of immediate priority to a manager faced with a bewildering array of recommendations and prescriptions.

But in fact academic commentators have made a significant contribution to the analysis of recent changes, not only by analyses of particular programmes of change but in two other ways: first, by a critique of the sort of consultancy ideas or 'theories' that underlie many recent change programmes; second, by seeking to clarify, identify and analyse exactly what is involved in the claimed new approaches to organization and management.

The first approach analyses the nature and appeal of recent consultancy proposals; the second draws attention to and analyses the key elements of the emergence in recent years of a new, distinctive and significant approach to the design and management of organizations which is called strategic human resource management (SHRM). We shall briefly consider the contribution of each of these.

Academic analysis of consultancy knowledge or theory – the ideas which underpin consultancy packages – recognizes the extraordinary success and appeal of these writings and the programmes they inspire. We have already discussed some of these ideas – for example, the *In Search of Excellence* phenomenon, which not only sold millions of copies of the original book but spawned numerous examples of culture change programmes which were inspired by it. Faced with the evident inadequacy of many consultancy projects and the ideas on which they are based – poor (if any) research, inadequate analysis and conceptualization, flawed understanding of the complexity of organizations, poor results of projects – many academics identified a key issue that required analysis: 'How . . . are we to explain its popularity and its apparent success in capturing the imagination of academics and industrialists alike?' (Guest 1990: 378).

One feature of these ideas which may supply a clue to their appeal is their cyclical quality. Although the proponents of recommendations and prescriptions claim, as we would expect, that their solution is entirely new and uniquely useful, in fact many consultancy ideas are old ideas that have been repackaged and resold. The appeal of these consultancy packages in the face of the failure of earlier packages needs to take into account the transitory nature of much managerial activity, which seems to proceed from deep disillusionment with one panacea that has run its course to high enthusiasm for the next (Gill and Whittle 1993).

It may also need to recognize that some organizational problems cannot be solved: that organizations involve a number of basic tensions (for example between centralization and decentralization, between organizational control and market forms of control, between managing employees in ways which encourage commitment and managing them too tightly), and that any 'solution' to these tensions will reduce some difficulties but exacerbate others, or will only work for a short time under certain conditions.

Another explanation of the power and appeal of consultancy ideas centres on their fashionable quality. If the appeal of consultancy is defined in terms of their status as 'fads and fashions' then the explanation of the appeal of these fads explains the appeal of consultancy. 'Today's management fashions hold much in common with the early ones: bold promises, bustling consultants, magic, and sporadic references to strict academic science' (Keiser 1997: 50). So the question arises: 'Since the Second World War, personnel management and human resource management have been exposed to a plethora of new and constantly changing ideas and approaches . . . Why do these different fads come in and go out of fashion?' (Huczynski 1993b: 443–4).

This is an important question. The life-cycle of many key consultancy ideas shows a strikingly similar pattern: an early phase of gathering excitement and popularity, at the zenith of which the idea or package in question is so dominant as virtually to overrule and make ridiculous any critique or questioning, followed by a rapid decline into obscurity. Not only this, but new reforms are frequently very similar to older reforms (if under new names), and the original reforms had failed to achieve all that was promised for them. But managers forget and forgive their earlier enthusiasm and are no less prepared to embrace the next panacea. 'How is it that managers seem to be insatiably keen on the next wave of management fashionable thinking when they have hardly got over the last?' (Clark and Salaman 1998: 138).

One answer to this question has been offered by Brunnson and Olsen (1993). They point out that consultancy theories and associated projects inevitable offer highly inflated claims. These inevitably fail – to some extent – to deliver what is promised. The solution is then to offer something new. Brunnson and Olsen argue that there are a number of features of organizational reforms which make them attractive even in the face of a pervasive experience of earlier reform failure. One of these features is that reforms are simple and straightforward, reducing messy reality to a few simple principles, offering generalized promises in the face of confused and often unsatisfactory organizational practices (Brunnson and Olsen 1993: 33).

Clark and Salaman (1998) also identify a number of explanations: management anxiety and need for reassurance; managers' distinctive styles of thinking and learning which could make them vulnerable to the way consultancy ideas are packaged and presented; the force and impact of gurus' performance.

Sometimes consultancy ideas just 'seem' right. Commentators have suggested that one reason for the appeal of particular approaches to organizational redesign might lie in the resonance between the consultancy approach and ideas popular in the wider society – cultural ideological forces which make certain ideas in certain epochs seem natural and obvious. Guest, for example, argues that the success of many US consultancy ideas – for example the corporate culture approach of Peters and Waterman – is due to their close links and resonances with core US values: optimism, simplicity, the American dream, the idealized notion of possibility, the focus on individualism and enterprise. More than this, accepting the package itself is American. This applies particularly to the pervasiveness and appeal of the application of market forces and relationships to organizations.

Hammer and Champy are good examples of this attempt to align consultancy ideas with patriotism:

> The alternative is for corporate America to close its doors . . . Reengineering isn't another imported idea from Japan . . . reengineering capitalises on the same characteristics that made Americans such great business innovators: individualism, self-reliance, a willingness to accept risk and a propensity for change. Business Process Reengineering, unlike management philosophies that would have 'us' like 'them', doesn't try to change the behaviour of American workers and managers. Instead it takes advantage of American talents and unleashes American ingenuity. (Hammer and Champy 1993: 1–3)

However, despite serious misgivings about the quality and validity of much consultancy thinking; despite the fact that the appeal of such thinking – and its associated practices – may lie not in its inherent validity and truth but in its resonance with current ways of thinking, with received values, or with management fashion, or its inflated claims – it is still important because these ideas are significant in their impact. These ideas still need to be taken very seriously because they are serious in their implications, for organizations and their employees.

Developing Strategic Human Resources

As well as the sort of highly prescriptive, consultancy-driven change packages discussed above, recent years have also seen the emergence and growing acceptance (to varying degrees, admittedly) of the body of ideas mentioned above called strategic human resource management (SHRM). This approach is fundamental to this book. SHRM claims to offer a way of analysing and improving organizational performance. In many ways this book could be seen as an analysis and clarification of what this claim could – or should – mean in practice. Essentially this book is an analysis of the different ways in which organizational performance could be improved and therefore, if this is the aspiration of SHRM, the different ways in which SHRM could be understood and applied.

Many academic commentators, mirroring managers and their professional HR advisers and consultants, are convinced that the last 20 years have seen a significant and fundamental change in the ways in which organizations and employees are structured and managed, although some see this development as more rhetorical than real. This change subsumes the various specific projects discussed earlier – decentralization, BPR, culture change projects, etc. – but it goes much further. It is not simply a specific project; it is a fundamental change of approach: 'a major and qualitative change in the design of work and the structuring of work organisations, and the design of key personnel processes, which signifies a comprehensive programme of radical, strategically-driven organisational change' (Mabey et al. 1998: 55).

This raises a crucial question: what, then, is SHRM? And this is where complexity comes back in: because academic commentators do not agree on what SHRM is, or indeed on whether or not it is actually occurring. We need to consider some overviews of this approach and its elements offered by influential academic commentators.

A number of authors have stressed a critical feature of SHRM: that it involves integration or alignment of key aspects of organizational functioning with organizational strategies. Hence the reference to *strategic* human resource management. For many this is key:

> just as firms will be faced with inefficiencies when they try to implement new strategies with outmoded structures, so they will also face problems of implementation when they attempt to effect new strategies with inappropriate HR systems. The critical management task is to align the formal structure and the HR systems (selection, appraisal, rewards and development) so that they can drive the strategic objectives of the organisation. (Fombrun, Tichy and Devanna 1984: 37)

Other authors stress another key element: the *commitment* of employees:

> The new HRM model is composed of policies that promote mutuality – mutual goals, mutual influence, mutual respect, mutual rewards, mutual responsibility. The theory is that policies of mutuality will elicit commitment which in turn will yield both better economic performance and greater human development. (Walton 1986, quoted in Legge 1995: 64)

Definitions thus stress two features: integration (the alignment or fit of structures and strategies) and commitment. Some authors stress both. Hendry and Pettigrew, for example, list two factors among others: 'Matching HRM activities and policies to some explicit business strategy and seeing the people of the organization as a "strategic resource" for achieving "competitive advantage"' (Hendry and Pettigrew 1986, quoted in Legge 1995: 65).

This emphasis on commitment is crucial. It is a feature of a number of approaches to SHRM. It clearly resonates with the emphasis placed on employee commitment in the corporate culture literature discussed earlier. However, this emphasis on both alignment and commitment raises two related problems. While these may seem to be merely academic problems of definition, they are in fact, like many such issues, also extremely practical. The issue in essence is: can both these goals – alignment and commitment – always coexist, or does the pursuit of one inevitably mean that, sooner or later, the other must be sacrificed?

The emphasis on employee commitment might seem attractive; it may seem good sense. It is certainly a frequent element in company annual reports ('Our people are our most precious asset', etc.). But there are difficulties in combining the alignment of HR strategy with business strategy (sometimes called 'integration') and the importance of employee commitment. If 'mutuality' and commitment are to be pursued at all costs in every situation then sooner or later one is going to give.

For example, there may be occasions when the achievement of a strategy – say of a low-cost volume producer – means that it is simply not possible to treat the workforce in ways which encourage their commitment. The key priority is the cost of labour, not the commitment of labour, unless commitment can be achieved without cost (which it cannot).

The third definition of SHRM (Walton and others) seems to argue that mutuality, and its consequence, commitment, is important and necessary on every occasion. It is an absolute. The first two definitions, on the other hand, seem to suggest that there are no absolutes: what works best will depend on the business strategy being pursued; the most appropriate form of HRM strategy is *relative* to the business strategy. So academic (and possibly practitioner) definitions of SHRM reveal an underlying distinction (or confusion) between what we can call 'closed' or absolute versions of SHRM, which claim that some measures always work in all circumstances, and 'open' or contingent versions, which argue that what works will depend on the strategy being pursued.

The definitions reveal the possibility of another distinction or confusion, between what Legge calls 'hard' and 'soft' forms of SHRM. Some approaches to SHRM, for example Walton's, argue that the new approach to organization and management involves treating employees in ways which earn their commitment, and that this commitment will yield better organizational performance. This is the 'soft' view. However, the emphasis on achieving a 'fit' between HR strategy and business strategy may mean treating staff in ways which reduce their commitment: redundancy, intensification of work, reduced salaries, changed employment contracts, etc. Downsizing, a common type of organizational change, is a good example of this 'hard' approach.

Clearly both soft and hard approaches are possible; but they are in opposition. This distinction is very important in practice. If firms use the hard approach they are likely to achieve cost savings and efficiencies, but they may also damage the commitment of staff. If commitment is important this could be a serious cost. Despite the frequent references in consultants' texts and CEOs' statements to the crucial importance of companies' precious human resources, and the importance of treating employees in ways that encourage commitment and creativity, studies show that the actual reality of recent organizational changes is frequently more 'hard' than 'soft'. One recent researcher has concluded that most companies in the US remain traditionally managed, wedded to a low-trust, low-skill, authoritarian route to competitiveness.

This distinction between hard and soft approaches is important because it allows us to identify when actual organizational change contributes to or reduces employee commitment. Often the language is soft but the reality hard. The result can be that, where there is simultaneous use of hard forms (for example downsizing) and soft projects which rely on or seek to generate employee commitment (such as TQM, continuous improvement, customer care programmes, etc.), the hard approaches negate the benefits of the soft projects and reduce commitment.

Stephen Reich, the 'downsizing guru', has reportedly recanted, and has argued that corporations have taken his strategy too far. How compatible are downsizing or delayering with flexibility and teamwork? When insecurity prevails and redundancy threatens, people may be less inclined to train others, and where people have been encouraged to behave as independent, competitive operators they may be less inclined to share knowledge, information and ways of working.

So if there is a new and distinctive approach to organization and management it seems it can be of two different and even opposed sorts: either it is relative (i.e. open and variable) or absolute (i.e. closed and fixed) in its elements; hard on staff if necessary, or committed to their development and involvement.

But there are further internal contradictions and problems surrounding the nature of SHRM as a distinctive approach to organizations. When academics, consultants and managers talk about the new approach – whether or not they use the term SHRM is not terribly important – and when they describe a common set of elements which constitute this new approach (integration, a new approach to staff etc.), are they claiming that these elements are occurring with increasing frequency and that they tend to occur together, or are they advocating an approach which *should* occur? In short, are their statements *descriptive* or *prescriptive*? And are they themselves clear on the difference?

Finally, definitions of SHRM reveal a number of other difficulties. We have noted that definitions of the new, strategic approach to organizations stress the need for a link between business strategy and the internal organization of HRM strategy. This surely makes good sense (subject to the difficulties about 'open' and 'closed' types of linkage noted earlier), there is little point having a business strategy if the organization is not capable of developing it, or if existing arrangements encourage unproductive behaviour (they often do). But in fact more careful thought reveals a number of potential difficulties with this argument.

If there is to be linkage between organizational and human resource strategy, then there may be circumstances when the linkage should be reversed – when a business strategy is built on the basis of organizational strengths. To argue for the importance of 'fit' between the two key elements of organizational performance – business strategy and organizational capability – does not and should not necessarily assume that the latter always has to fit the former. The reverse can also occur, with benefit. As Hendry and Pettigrew note:

> HRM [has] a role in creating competitive advantage, in which the skills and motivation of a company's people and the way they are deployed can be a major source of competitive advantage. A company can methodically identify wherein its HR strengths lie and gear its HRM policies and business strategies towards utilising and developing these advantages. The HR skills that will be crucial for the future in the industry can be identified, and [the company] can take steps to acquire these. (Hendry and Pettigrew 1986: 7)

The final problem with the assumed linkage between business strategy and the organization – or the HR strategy – concerns the nature of the process that produces the business strategy and indeed the quality of this strategy. Many SHRM models, such as those quoted earlier, assume that business strategy exists, that it is sensible, and rational, well based on data and analysis, detached, objective, thorough, clear and agreed. In short the models assume a rationalistic, simplistic, top-down view of strategy: that there is a rational process of strategy formulation; that this process has taken place and produced a strategy that is worth pursuing and worth using as a basis for significant organizational change and restructuring.

This model of strategy formulation, and this assumption of the existence and quality of an organization's strategy, may differ sharply from the actual reality in many organizations. The models of SHRM discussed above tend to assume that strategies emerge from 'a conscious, rationalistic, decision-making process, fully formulated, explicit and articulated' (Legge 1995: 98). Furthermore, they tend to assume that the resulting strategies are intelligent, alert, well-based, offering an appropriate and firm foundation for any necessary organizational (SHRM) adjustment.

But this is only one view of how strategies are developed. Whittington, in a useful review, has called it the classical view of strategy formulation. An alternative method of strategy development, which (although they may *aspire* to the classical approach) may be nearer the truth in most organizations, is what Whittington calls the processual method. This acknowledges the uncertainties and confusion surrounding both the business environment and the internal processes of strategy development: 'both organizations and markets are often sticky, messy phenomena, from which strategies emerge with much confusion and in small steps' (Whittington 1993: 22). Environmental assessment and analysis, the identification of strategy options, and the processes of choice and decision-making are, crucially, not only limited by the complexity of the environmental data and analysis, they are also limited by the nature of the organization itself (i.e. its existing structures, cultures, history, etc.), which can establish political barriers, distort and block key data, encourage sectional priorities, limit cognitive processes, and discourage frank and radical debate or risk-taking. Thus the processes of strategy development also need to be addressed if organizational performance is to improved.

Conclusion

Organizations are changing, possibly radically. Senior managers know that their organizations are under pressure from all directions. They are aware that they need to change – to make some key decisions – in order to ensure that their organizations are capable of achieving the goals set for them. They are flooded with advice from all directions on how to change. Consultants try to sell them packages, beautifully presented, forcefully marketed, clearly stated in persuasive language, which promise radical, dramatic organizational transformation. Many of these seem to make sense. The consultants seem to know their business (and the managers').

On the other hand academic commentators – Cassandra-like – warn against too easy acceptance, noting numerous problems with the advice and recommendations on offer, pointing out inconsistencies, contradictions and simplifications. Our view is that very often these criticisms are well founded. Managers need to be warned against glib prescription or ill-founded assumption and poorly based organizational analysis. Organizations are complex phenomena; no one is well served by simplifying them. The recent record of consultancy packages is poor.

The result of this situation for the thoughtful manager is confusion and uncertainty: recognition that new times, new market and competitive pressures, and new technologies and other changes demand new types of organization; recognition also that many new models of organization are on offer, and that some of these new models seem strangely familiar, or almost too glib – too good to be true. This is the situation this book seeks to clarify; we will organize, classify, unpack the key ideas underlying the plethora of advice, offering a map of this terrain to enable the reader to locate the ideas and suggestions on offer, and to find a route through it. If managers wish to improve their organization's performance this is possible. It can be done in a number of different ways through focusing on a number of different features of the organization or by using a number of different approaches. This is what this book is about.