

ORGANISATIONAL TRANSFORMATION: MOVES AND RHYTHMS¹

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Summary

Merging two firms, developing a service offer solution within a product culture, introducing performance culture into a public administration, restructuring an industrial, logistical or commercial system, re-balancing global/local relationships within a matrix or carrying out an ambitious performance programme – these are the organisational transformation initiatives that lie at the heart of corporate strategic manoeuvring. What sort of tactical repertoire does a business executive require to be successful in this domain? Transformation initiatives' surprisingly high failure rate makes this an exceedingly topical question.

Introduction

Business executives feel quite anxious nowadays, having witnessed a constant rise in their environments' volatility and speed of change over the past few years. Of course, this is not the only reason for their anxiety. Executives also have the feeling that their organisations are not keeping pace. They perceive a contradiction between the vital need to ensure competitiveness through accelerated strategic manoeuvring, on the one hand, and organisational inertia, on the other. This combination of contextual volatility and organisational inertia has created an unprecedented strategic issue - how can an organisation's dynamics be structured so that it stays constantly in tune with the dynamics driving its external environment? Another salient issue is the need for new management competencies, ones that will be geared towards the implementation of organisational transformation. As witnessed by the surprisingly high failure rate of the organisation transformations that have been conducted over the past 15 years², committing to an organisational transformation process remains a risky enterprise due to executives' insufficient mastery of transformation processes. There is room for clear improvement in management practices. What is an organisational transformation? Which dynamics are at work during such a process? Which tactics are available to generate and sustain organisational transformation? These three questions are key to the present article.

1. The meaning of organisational transformation

An organisation's effectiveness and efficiency are grounded in its routines. Historically, the "model of routines" has served as a seminal construct in organisational disciplines.

¹ Published in Bournois F et alii (eds), *Handbook of Top Management Teams*, Palgrave Macmillan, 2010.

² Beer & Nohria (2000), for example, have put this number at 70%, and many other authors have advanced similar figures. Although no global scientific evaluation exists on this subject, there is a general consensus that transformation initiatives suffer from a very high failure rate.

F.W. Taylor, M. Weber, J.G. March and H.A. Simon are the main theoreticians of routine-oriented actions. Organisational routine is an action schema that is shared by a number of actors and repeated over a period of time, until it basically constitutes an institutionalised habit. By standardising and regularising responses to an event, and by turning individual action into something foreseeable, routines drive organisational productivity. However, although routines may guarantee the productivity of an organisation, plus its ability to perform over the long run, the flip side of the coin is that they impede transformation. By construction, they encourage identical reproduction through the reinforcement of existing action modes. In short, not only does transformation consist of changing old organisational routines, but also, and paradoxically, of creating new ones.

The concept of routines is the basis of a systemic approach that incorporates the technical, cultural, social and strategic dimensions of all organisational transformations. Firstly, a routine has a technical texture in the sense that it is driven by productive equipment, information and communications systems, as well as procedures and working spaces. Secondly, it has a cultural texture because it is comprised of shared norms, values and beliefs. This world of cultural objects comprises a symbolic system that exists in parallel to a technical system that leads its own life in the minds and discussions of the organisation's members. Thirdly, routine has a social texture that materialises in the division of roles. The action of entity A (an individual, factory, department or division) depends on the action of entity B. For A to transform its mode of action, B must do the same. A transformation always occurs within a given system of roles. Change in one part of the system assumes/induces change in another. Fourthly, a routine has a strategic texture because it connects the organisation to its environment. Transformation's ultimate purpose is to help the organisation to implement a new way of interacting with its environment. This reference to the environment allows us to place the system of routines under the aegis of the Outside; to assess the performance of a given routine; and to ascertain whether or not it has to be transformed.

Whereas the model of routines has inspired organisational thinking since time immemorial, the transformation model is much more recent. This latter construct highlights the tension that exists between routine and innovation. Literature on the learning organisation has proposed a slew of similar notions to describe this vital organisational tension - but ever since the studies that K. Lewin published in 1951, and A. Pettigrew's 1985 book, there have been few changes in the general model of organisational transformation. According to this model, organisational transformation goes through a three-phase learning cycle. The first phase revolves around the organisational actors' incipient awareness of the existence of a strategic dissonance between their organisation and its environment. During this time, a sense of challenge develops and disseminates, and a shared ambition emerges. The second phase of the cycle focuses on the exploration of new practices. The final phase concerns the institutionalisation of these new practices.

2. Inviting the moment of truth

The finality of an organisation is to create value for its stakeholders. Towards this end, organisations develop routines that they repeat and fine-tune over time. However, stakeholders' expectations also evolve, so that at a certain moment in time a gap arises between an organisation's value proposal and its stakeholders' expectations. This gap has a range of symptoms: increased number of customer complaints; loss of market share or slower growth than one's rivals; fall in the share price; willingness on the part of certain shareholders to prepare strategic manoeuvres (recomposing the shareholder structure, mergers); pressure from regulatory bodies or NGOs; and social unrest. The perception of this gap is the starting point for an organisational transformation.

At the same time, for a transformation to be truly engaged, the organisation must be able to hear the signals that its stakeholders are sending out. This listening capability clearly depends both on the extent to which the organisation is open to its environment and on the condition of its sensors – but also on a more insidious phenomenon that introduces a bias into its actors' attention. Even though data signalling a divergence between an organisation and its stakeholders may be (and generally is) available, the organisation's actors might neglect such data or interpret it incorrectly. They may view this as a temporary phenomenon, for instance, or else as inappropriate behaviour by stakeholders. There are numerous examples of denial behaviour, the end effect of which has been to help an organisation to avoid having to ask questions about the efficiency of its routines.

An executive's task is to fight against this denial of reality, to make people aware of the existence of a strategic dissonance between the organisation and its environment and to nurture a shared desire for transformation. To invite this moment of truth, it is not nearly enough for executives to simply communicate objective data about a situation. Nor is it a panacea for them to simply develop a vision. Often highlighted in managerial literature, vision only speaks to an audience once a real shared desire for transformation exists. A strong emotional experience of strategic dissonance is the only thing capable of overcoming actors' extraordinary capacity to be in denial. To implement this necessary emotional experience, executives have three types of complementary action tactics at their disposal. The first consists of carrying out, together with the other parties involved, an operational or strategic diagnostic that progressively gets actors to acknowledge the existence of a strategic dissonance. The goal of this shared diagnostic is to generate a critical debate about the organisation's routines, to get people to express publicly what they whisper to one another and to encourage open talk by collectively transgressing certain taboos. The second tactic consists of amplifying (and even provoking) a crisis so as to make the strategic dissonance even more apparent to the organisation's actors, more or less forcing them to take a stance. The third tactic consists of renewing some of the organisation's actors, those who embody the past and get in the way of the awareness raising process.

3. Exploring new practices

After the need for transformation has been recognised, the work becomes even more arduous. The organisation's actors must be projected into the unknown and forced to explore new and more efficient practices. On this score, change literature has identified

management style as a major tactical choice – the question being whether managers should operate in a participative or a directive manner. But this offers executives a false choice. In a transformation situation, managers act both directly and participatively. The real question consists of knowing when and how to bring different styles to bear. To answer it, we must remember what characterises the transformation model in comparison with the model of routines, i.e., what constitutes the act of breaking away from old routines. A transformation implies that an actor separate him/herself from a past whose roots lie in the organisation's technical, cultural, social and strategic dimensions. The ability to undertake this act of separation is one of the main conditions determining the success of a transformation. It is in terms of this ability to separate that the different transformation tactics should be assessed. In literature, executives are portrayed as being in favour of following either incremental or radical tactics to enact this separation.

The incremental tactic basically consists of placing actors in a situation where they develop new practices based on a directed criticism of their former practices. The act of separation materialises through/in the reflective efforts that will take place in an unchanged operational environment. This tactic calls upon actors' intelligence and ability to think critically, thus to drive transformation. Schools of thought like *Organisational Development* in United States and *Socio-Technical Systems* in Europe have helped to substantiate this approach, whose traditions were later successfully reproduced and systemised by the Total Quality movement. Having said that, two factors constrain this particular approach to transformation. Organisational actors advance at their own pace, and this can take time. Above all, this approach can quickly become very complex to manage, whenever the perimeter requiring transformation covers a wide area (multiple entities, in different locations, with different paths and facing different challenges, under the authority of different managers). In reality, by construction this approach leads to a proliferation of horizontal and vertical negotiations, not only extending the time required for the transformation to occur, but even more importantly creating an extremely serious risk that actors' good intentions will be mired in the meanders of organisational life.

The radical tactic is based on a simple manoeuvre. Instead of allowing the organisation's actors to question their operational context, they are extracted from their customary environment, uprooted, and placed into a new context where they must dig new roots. The uprooting is directive, but the re-rooting is participative. This act of uprooting can take on many different forms. The most obvious implies a physical move, i.e., creating a subsidiary to facilitate the development of a new business model; redesigning a factory workflow to provoke a change in the working organisation; and combining a marketing and a R&D department on a single site to get technical and market staff members to talk to one another. Certain forms of uprooting are more subtle, on the other hand: redundancy programmes that, by reducing available resources, force the organisation to develop new and more productive operational modes; performance programmes that, by setting extremely hard targets to be achieved rapidly, destabilise performance routines; and networking programmes that, by placing targeted actors within new peer groups, force them to construct another identity for themselves.

The radical approach seems more adapted for carrying out ambitious and rapid transformations in a world that is uncertain, volatile and ambiguous. This is no surprise

given that the incremental approach was developed in a world that had been relatively certain, stable and homogeneous, and where the risks of a rapid strategic decoupling with one's environment were not very high. However, implementing this approach, based as it is on movement, is much more demanding for a business executive. Its success presupposes notably that two conditions be fulfilled. Firstly, it cannot be over-emphasized that the management team must be strong, united and determined². In a transformation situation, actors monitor management's desires on a daily basis. Any sign of divergence will be destabilising for actors who feel reluctant, whilst reinforcing those who are in opposition. Secondly, once the actors have been plunged into the new context, they must be given a whirlwind of action to accomplish so they have no time to develop a sense of nostalgia about the past. This will help them through their re-rooting tribulations, and ensure that they are not simply reinventing former practices. What is implied here is a discipline of collective action, one that will create a certain pace and systematically consolidate achievements whilst launching vectors of change capable of maintaining and amplifying such a movement. In reality, a transformation initiative's knock-on effects stem to a large extent from its pace. Note that its intrinsic transformational capacity becomes all the more understandable if we recall that the previous organisation had induced members to believe that things would never change.

4. Institutionalising the new practices

A transformation is a transition period during which a battle rages between an organisation's routines, which can be old but still very much alive (in its structures but also in its actors' minds), and new emergent routines. A transformation is perceived and experienced by the organisation's actors as a time of disorder: they no longer understand the rules of the game; face contradictory demands; and are personally torn between their desire for novelty, fear of being incompetent and comfort with the status quo. A transformation is a period of intense confusion, but paradoxically, this confusion is necessary. A major error in conducting transformation consists of believing that this can happen in an orderly fashion - as if an established order could ordain its own transformation! A transformation supposes a sense of emptiness, as well as the anxiety that comes along with this.

Yet actors tend to aspire to a semblance of order after the uproar of the transition period. This is the object of the third phase of the learning cycle. The actions undertaken and the executive's role become more traditional, focusing on a proceduralisation of the new management practices. With this in mind, the full range of the company's management instruments must be revisited: accounting systems; performance scorecards; rules for assessing and acknowledging individual and collective contributions; and job specifications. In short, the full management arsenal is brought to bear. Yet this work on management instruments is far from being sufficient. There also needs to be some encouragement for the creation and dissemination of new rites, the aim being to dig deeper roots for the new practices, which remain quite fragile. Contrary to its proponents' affirmations, cultural change is not a prerequisite for transformation. However, it is

² We have observed that the choice of an incremental tactic can sometimes be a default decision translating deep divergences within the management team in regards to the orientations the organisation should follow.

without question one of the consequences of a successful transformation. If we recall that culture is nothing other than a systematised experience, what becomes clear is that a culture can be reconstructed after an experience, by/in the repetition of said experience.

These three phases in the learning cycle (the development of a shared desire for transformation, and the exploration and institutionalisation of new practices) intersect one another. Moreover, there is rarely just the one learning cycle at a given moment in a given company, since at the time its different entities might find themselves at varying stages of their development. Furthermore, today's firms are in permanent movement since there is always, somewhere, a transformation being engaged or that should be engaged. It is only the overall intensity of this transformation that changes over time, i.e., the number of learning cycles that are in action at a given moment in the company. This reflects changes in what firms mean to their executives. In the past, they were mainly apprehended as a portfolio of operations, but today they are first and foremost viewed as a portfolio of transformation initiatives. This heterogeneity in the dynamics of transformation found within a company reinforce feelings of chaos and make an executive's work all the harder. The ability to understand and manage dynamic variety has become an essential competency for corporate management in today's environment.

5. Establishing a political force field

By focusing on the learning cycle, literature has neglected one essential action lever. Transformation is a period of intensive social re-composition, marked by the redistribution of organisational influence. No learning of any magnitude can establish itself in an organisation independently of the political force field enabling its development. A key task for executives is building and running this political force field.

Executives must first try to construct a political tension that will run from the organisation's Outside towards its Inside. Towards this end, they have to set up a coalition at the management committee level, one whose composition differs depending on the magnitude of the transformation initiative in question. When this concerns a firm's very foundations, the Board of Directors or some of its key actors must be active members in the coalition. When the transformation initiative concerns a business unit, department and/or country, the Executive Committee or some of the key actors must get involved. Other actors can come into the framework, depending on the company and the contents of its transformation initiative: financial analysts; the State; local authorities. Similarly, major customers or suppliers can be incorporated into the alliance.

The executive must then work on developing horizontal political tension, both to break down the barriers that can exist between organisational operations, and also to encourage inter-entity cooperation. A transformation initiative starts out quite simply, as a complete set of general ideas and concepts. As the action deploys, its concepts' concretisation translates into a series of choices to be undertaken by a multitude of actors operating under pressure from events and time constraints. However, this series of choices can surreptitiously shift the transformation initiative in an undesired direction. The divergence between its original intentions and its outcomes results from an often

overlooked factor, which is that vertical political tensions predominate in most firms and work against the horizontal cooperation that is necessary for a transformation to succeed. How can one ensure that the transformation initiative converges towards its target, and that the original ambition continues to inspire any and all operational choices? In other words, how should a transformation initiative's deployment be coordinated and controlled? The answer is through tried and tested project monitoring techniques: managerial appointees must be assigned clear responsibilities; measurable transformation processes have to be created; and above all, efficiently functioning steering committees must be set up.

Enthusiasm, difficulty, disillusionment followed by embarrassed silence – innumerable transformation initiatives have lived through the difficult experience of a failure dynamic of this sort. The same sequence is followed every time. A widely acclaimed kick-off with a broad mobilisation of executives is followed by a frenetic activity of transformation experts that culminates, after just a few months, in a cruel outcome, which is that the organisation did not commit to a transformation path but continued to function as it always had. Behind this failure dynamic, we always find the same cause: middle managers did not keep up. This echelon's degree of commitment is still the number one indicator for a successful transformation. But how can their commitment be ensured? Communication would seem to be an obvious answer - but as a resource, this is often illusory. For a transformation to become operative, the actors concerned must explore new practices, which cannot be re-invented merely by listening to someone else talk.

The executive must keep an eye on a major political issue that is at stake here, since it is going to determine the dynamics underlying his/her transformation initiative. This issue is the role played by experts in executives' relationship with their middle managers. When a transformation initiative is launched, and because things have to go quickly, it is tempting to rely largely on functional experts in fields like quality, human resources, management control and information systems, and on their consultant counterparts. By proceeding thusly, middle managers find themselves marginalised, basically for two reasons: because they are more than happy to let the experts go to work, since they feel they already have more than enough to do with daily operational management; and because experts tend to appropriate middle managers' jobs. They are experts after all, so they know what to do! Plus they have the time, whereas managers are systematically busy with current matters. The allocation of management time is a fundamental issue during transformation situations. One of an executive's key tasks is specifically to ensure that middle managers have the time and room they need to commit to a transformation.

Learning time is a key success factor in strategic manoeuvring. This explains why organisational transformation knowledge has become a major competency for the art of governance in our uncertain, volatile and ambiguous world. This article has highlighted the existence of learning rhythms that, once they are properly understood, enable the adjustment of action tactics where need be. Essentially, this organisational transformation approach involves little more than an updated version of the dilemma characterising any management act, to wit, the interlinkage of an action's preparation and execution. The better prepared an action is, the quicker and more decisive its execution will be. With this in mind, what we would like to emphasize is that the key preparation lever in a

transformation situation is the presence of a shared desire for transformation; and that the key lever for execution is the existence of a political force field capable of stimulating a rapid learning of new practices. This makes executives' anxieties quite understandable. The art of continuous transformation puts their traditional stance under a lot of strain.

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