Organisational Change and Development During the Recession - and Beyond

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As the country slowly and hesitatingly moves out of the recession, what lessons can we learn about the way our organisations work? And what might this mean for organisational change and development going forward? The recent downturn offers development specialists and other organisational practitioners an opportunity to 'take stock' of their current practice and to challenge conventional wisdom in these areas. As a stimulus (and potential provocation) to this, I have drawn on my informal coalitions view of organisational dynamics to suggest ways in which OD practitioners might reassess their practice. I've also considered the implications of this perspective for the role in change and OD of those in formal leadership positions (from CEO to first-line supervisor), as well as suggesting the contribution that HR professionals can make to the process.

Introduction

Managers' backs have been hard against the wall. They have been under increasing pressure to deliver. And, despite signs that the worst of the recent economic downturn might be over, they will no doubt be so again – in individual industries and organisations if not economy-wide. Faced with these challenges, many managers are tempted to 'batten down the hatches', and to retreat into the familiar world of formal plans, programmes and routines to see them through. "Do it better and get it right" becomes the order of the day, as they seek to cope with the seemingly never-ending demands of a world that is full of ambiguity and in constant flux.

At times like these - and somewhat ironically - the guidance and support of external change/OD consultants and in-house specialists is often one of the first things to be cut. But, as and when the call for help comes, what should the OD professional's answer be?   How should they respond to this seemingly sensible but deeply flawed approach? How can they create value in working with managers who seek certainty, predictability and control in a complex, uncertain and ever-changing world? What should be the role of leaders themselves in meeting the challenge of change? And how might HR contribute to the success of organisational change and development?

An Organisational Dynamics and "Informal Coalitions" Perspective

I tend to look at organisations through the lens of organisational dynamics, rather than from a conventional OD viewpoint (see Box 1). This means paying attention not only to the formal, structured and rational aspects of organisation but also - and in particular - to its underlying dynamics. From my perspective, business results (and other performance outcomes) arise from the complex interplay of these formal and informal dynamics. Primarily, therefore, I'm interested in how change happens in organisations and the implications of this for everyday leadership practice.

Box 1 – What do we mean by Organisation Development (OD)?

It is worth recognising that it is far from clear what people mean when they talk about Organisation Development. For some, it's not really OD unless its purpose is to change the organisation 'as a whole'. For others, OD refers to any intervention – whatever its scope – provided that it comes from the OD 'toolkit'. Aficionados of OD would also argue that OD implies a set of humanistic, people-based values that need to inform all OD work. Others, though, would take a more pragmatic stance.

Whatever the pros and cons of these various perspectives, if the OD 'community' embroils itself too much in inward-facing arguments, there is a danger that it will be seen as irrelevant to the needs of business. I think it is crucially important, therefore, for OD practitioners (whether internal or external to an organisation) to focus on the problems, opportunities and sought-after results of the clients/businesses with which they are working; and that they don't get too hung up on the 'rights and wrongs' of specific techniques, approaches or philosophies.

My specific take on change and organisational dynamics, which provides the basis for this article, is described in my book, *Informal Coalitions* (Rodgers, 2007). There, I talk about organisations as dynamic networks of self-organising conversations (that is, as complex social processes of people in interaction). I also see organisational reality ('what we're working

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with', so to speak) as being socially constructed through these everyday interactions. It is not objectively discoverable, in the ways that most conventional management (and OD) approaches assume that it is.

Formal leadership (and conventional OD) is usually spoken about in terms of managers acting with intention to bring about rationally designed outcomes. From an *informal coalitions* perspective, though, these intentions and designs provide only part of the mix – and often not the most important part. Much of the way in which work actually gets done and outcomes emerge is through the informal, messy and hidden processes that are played out in the local conversational interactions of everyday organisational life.

One further point is probably worth making here. Unlike OD, the *informal coalitions* perspective does not imply a particular set of values. That is to say, these dynamics will be at work whether the overt approach to leadership is one of command-and-control or empowered self-management. The nature of the organisation and its performance outcomes are likely to be different; but the underlying dynamics – the complex social process of people interacting - will be the same in each case.

Should Organisational Change/OD Strategies be Different during a Downturn? And if so How?

I believe that the primary focus of formal OD/change strategies – at all times - should be on enhancing *business* performance, whether applied in profit-based or not-for-profit organisations. The 'business' of all organisations is to deliver specific benefits to specific beneficiaries, whether as a commercial enterprise, public sector organisation, charity or whatever. Therefore, the first question that any OD/change strategy needs to address is "What is the business agenda?" In all cases, this agenda needs to recognise the requirement both to achieve current business performance objectives and, *at the same time*, to change the business to deal with the different future that is emerging from their own and others' actions.

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For most organisations, the formal business agenda during an economic recession or at other times of difficulty is likely to be different from that which would be evident in more expansive times. And, since the sole purpose of any formal OD/change interventions should be to enable the intended business agenda to be delivered more successfully than it might otherwise have been, it follows that the formal change/OD agenda is also likely to be different at these times. What the specific differences might be depends entirely on the business context. OD/change should be problem-, opportunity- and result-oriented, not tool- or technique-oriented.

At the same time, the basic nature and ways of dealing with the hidden, messy and informal *dynamics* of change are no different during a recession than at any other time. The same dynamics are in play; and these will both enable and constrain managers' ability to realise the outcomes that they set out formally to achieve.

Is a Challenging Economic Climate the Right Time to be Thinking about OD?

The notion that present and future decision making are separated in time still dominates management thinking; with the former thought of as focusing on current operations and the latter on the visions, strategies and plans intended to realise the desired, longer-term future. But future outcomes are wholly products of the complex interplay of decisions made and actions taken *in the present*. Also, it is not only those decisions that are 'headlined' as strategic decisions that have potentially strategic implications for an organisation.

So, you can't 'put tomorrow on the back burner', so to speak, even in a challenging economic climate. Tomorrow's outcomes – good and bad - will be the result of decisions made and left unmade *today*. If issues of strategic and operational performance, capability, culture and climate, stakeholder relationships and so on (i.e. the 'stuff' of OD) are considered important to an organisation's current survival and continuing success,

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these need to be thought about and dealt with now – as part of today's decision-making. And, if OD is truly *business*-focused, it should be equally capable of being directed towards the achievement of short-term competitiveness and 'cost leadership' goals as to growth-oriented strategies.

> *Around 20 years ago, I was the Business Performance Manager of the largest power plant in the UK. At the time of the industry's privatisation, I designed and orchestrated a change strategy that, through the efforts of others, more than halved the number of staff on the site and helped to reduce costs dramatically. However, transforming the competitiveness and viability of the plant demanded – at the same time - a fundamental shift in what we called at the time the "work style" and "employment environment". In other words, central to delivery of the business strategy was a move towards greater empowerment and collaboration, the introduction of slicker work processes, improved training and development, and so on. This was an OD agenda by any other name. Most importantly, it was a business-focused OD agenda.*

Finally here, this question also draws attention to another myth of modern management. That is, the belief that organisational change happens when managers say that it should - and that, by inference, it doesn't happen at other times. But change is happening continuously. Decisions and actions are being taken constantly that commit resources to one path and foreclose other options. Embryonic strategies are being talked about informally and political accommodations made. Characteristic ways of thinking and acting are becoming embedded – and potentially transformed – through the give-and-take of everyday interactions. And so on. This means, of course, that tomorrow's formal changes are being seeded informally today. So, if OD practitioners want their ideas to help shape the changes that emerge tomorrow, they had better 'join the conversations' now!

How Can We Ensure that Attempts at Change and OD Succeed and Don't Fail?

Research consistently shows that around two-thirds of all planned change programmes fail to deliver the intended outcomes. And yet, when the sought-after benefits fail to materialise, this is most often blamed on poor implementation rather than unsound thinking.

With less than a one-in-three success rate, something vital is clearly missing from most models that currently inform change-leadership practice. Almost invariably, these place most emphasis on the *formal* and *structured* elements of the organisation - its processes, systems and structures - and on getting these 'right' through rational analysis, project management techniques and detailed implementation programmes. This approach, which makes sense in terms of the technical aspects of change (such as the installation of new IT hardware etc), is then carried over into the less tangible elements of organisational change, such as the cultural dynamics of the organisation or the challenge of building commitment to change. These are also treated as separate work streams in a formal project plan. In some instances, these fundamental aspects of effective *business* performance are referred to dismissively – and misleadingly - as "the soft side of change".

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According to this conventional wisdom, change is brought about through formal, rational analysis of 'the facts' and step-by-step decision-making by people whose agendas are fully aligned. But organisations do not follow the same rules as inanimate structures, systems and machines. Instead, as suggested earlier, they are made up of dynamic networks of *people* interacting with each other. And people have a habit of not conforming to the mechanistic assumptions that still channel much of the mainstream management thinking about organisational change and performance.

Outcomes arise instead from informal interactions, joint sense making and political accommodations, involving people who are trying to make a difference in the complex, uncertain and ambiguous conditions of everyday organisational life. Through their ongoing conversations and interactions, people make sense of emerging events and decide how to act. They come together informally around certain themes and take action to initiate, support or frustrate particular lines of thinking and/or specific change initiatives.

Formal plans and statements contribute to this sense-making and action-taking process; but other, more powerful factors also come into play. These are the ever-present "shadow-side" features of organisational life, such as the impact of power and politics; the role played by informal processes; the pervasive but 'invisible' impact of cultural patterns on organisational behaviours and outcomes; and the paradoxical nature of much of what goes on in organisations. This means that the generalised statements of intent in the formal plans are made sense of and acted upon (or not) in the particular

circumstances of everyday, local interactions. It is here that the 'idealised designs' of 'what ought to be' come face-to-face with the practical realities of 'what is'. By ignoring these hidden, messy and informal aspects of organisations, most formal change programmes inevitably contain the seeds of their own downfall. Managers therefore need to look below the surface of the formal change strategies, structures and systems, and actively engage with the underlying dynamics of their organisations, if they are to improve the chances of success.

What is the Role of Leaders in OD?

The role of leaders, throughout an organisation, is critical to the success of organisational change initiatives and OD interventions. As I see it, line managers (i.e. those people in formal leadership positions, from the CEO through to first-line supervisors) are the only people who can *lead* change. Others, such as specialist staff groups, special project teams, change-consultants and so on can *facilitate* the process, but only line managers can lead it. None of this is meant to deny the ability of 'informal leaders' to galvanise support behind – or build resistance to – a specific change. Indeed making use of these natural influence networks is an important part of the formal leader's task in seeking to build active coalitions of support for change.

Some aspects of this change-leadership role will relate to the rational, formal and structured elements of the change/OD programme. What, specifically, this entails will depend on the nature of the designed change, the leader's preferred approach, the perceived needs of the team, explicit cultural norms, and so on. In simple terms, the formal role would be quite different if the 'technical' changes were to be imposed by management edict, say, from what it would be if a more participative, "joint problem solving" approach were to be adopted.

Irrespective of this, though, I've argued earlier that change does not happen solely – or even primarily –

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as a direct result of formal, structured change plans. Through their ongoing conversations and interactions, people make sense of emerging events and decide how they are going to act. Formal statements, plans and programmes about change contribute to the mix of inputs to this *local* sense-making and use-making process. But, as individuals seek to understand what's going on around them, and to work out how best to respond, they pay particular attention to what people in their own peer (and personal) networks are saying and doing, and to the words and actions of their *direct line manager* (whether these are offered intentionally or interpreted from afar). *This sense-making and action-taking process will go on with or without the manager's active involvement*. The only meaningful choice that managers have in relation to this activity, therefore, is whether or not to engage with it in a deliberate and informed way.

If the words and actions of the line manager are perceived to be *genuinely* supportive of the formally announced changes, there is a much greater chance that these changes will be successful than if that endorsement is ambivalent or absent altogether. *Actively* sponsoring change, *through the ways in which they interact each day with their direct reports*, is therefore a crucial role for leaders to fulfil. Within this, the ways in which managers are seen to act in private, informal interactions will have more impact than what they say and do in formal, set-piece communications. The goal for leaders in all of this is to help shift the patterns and content of these local conversations and interactions in organisationally beneficial ways. As the conversations change, so will the outcomes that emerge. And so will the organisation.

What About HR's Role? How Can HR Support its Managers and Leaders in This?

The ability of a particular HR (or OD) department to support managers in their change-leadership role will depend crucially on how the department as a whole, and individuals within it, are viewed by their peers. Change leadership is strategic leadership (at whatever level of the organisation it occurs). So HR/OD needs to be seen to be capable of addressing core strategic issues and to command the respect of other departments. If HR/OD is associated solely with the "soft side of change", it is unlikely to be able to bring its influence to bear on what are seen as the "hard" aspects of the change agenda. Ironically, of course, it is often these misleadingly called "soft" factors that many managers find hardest (i.e. most difficult) to get to grips with!

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It would also be valuable if HR managers, in their roles as 'people experts', recognised the socially complex nature of organisations and the dynamics that flow from this. They would then be better placed to advocate effectively for the revised change-leadership agenda that this implies. In many cases, this might require a broadening of the scope (and philosophy) of HR, since the perspective that I've outlined earlier suggests that:

o The focus of leadership communication needs to shift from 'getting management's message across' to one of influencing the local sense-making process.

o Organisations are unavoidably political processes, in which in-built and emerging tensions between diverse individuals, organisational units and competing interest groups are both the source of potential conflict *and of organisational vitality*.

o Constantly shifting patterns of power relations are critical in determining what, when and how things happen.

o Effective working of the organisation depends on informal, get-the-job-done processes and social relationships as well as (more than?) those shown on the formal organisation chart.

o Organisational culture is not something that can be designed, built and "rolled out" as a formal set of values and behaviours. It is an *ongoing process* of *local* meaning making, which is itself influenced by the *diverse* patterns of past interactions.

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o Much of what happens in organisations is paradoxical and cannot be reduced to simple either-or choices (e.g. between continuity and change; team working and individuality; centralisation and decentralisation; and so on). Conventional, "keep it simple" wisdom would see the removal of these tensions as a key purpose of management. As a result, managers often seem content to ride the organisational equivalent of the 'Big Dipper': For example, they shift their strategies, structures and processes back and forth between centralisation and devolution, control and empowerment, diversification and divestment, growth and downsizing, collaborative working and individual initiative, and so on. This has become so much a taken-for-granted aspect of organisational life that the underlying assumptions on which this constant restructuring and upheaval is based are rarely if ever questioned.

All of these factors, and others, arise because organisations are dynamic networks of *people* interacting with each other. So it seems to me that an understanding of these dynamics, and how they impact upon business performance, should be at the heart of HR practice.

Challenging Management Orthodoxy

Finally, since outcomes emerge from the complex *and unbounded* interplay of everyday conversations and interactions, I find the idea that specific formal interventions (of any kind) can be linked to overall business outcomes especially problematic. And, since the results that emerge from virtually any investment depend on the ways in which the new system, process, structure or whatever is enacted through these conversational networks, the problem of linking inputs to outputs exists for *all* investments. This is the case whether these are overtly labelled as organisation development initiatives or not.

Perhaps some of the most critical questions for OD practitioners, HR specialists and line managers to answer, therefore, are these:

o Are we creating real value for our organisations or clients if we seek to deny or ignore these complex social dynamics and cling to illusions of certainty, predictability and control?

o Does it make sense to advocate such concepts as linear, n-step change methodologies; the ROI of development interventions; context-free 'best practice' transfer; one-size-fits-all competency frameworks; and so on?

o   Would we add more value by challenging the assumptions on which these taken-for-granted aspects of management orthodoxy are based?

o   How can OD practitioners, in particular, help managers to survive and thrive in the somewhat 'muddier waters' that are found in real-world organisations?

o   Are we prepared to take the risk of rowing against the stream?

o   Can we afford to?

o   Can we afford not to?

References

Rodgers, C. 2007. *Informal Coalitions.* Palgrave Macmillan.

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