by David K. Hurst

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"I'm glad you're angry," said the Vice President of Marketing to the packed meeting. "It shows that you are starting to change. Anger is one of the early stages." He then proceeded to tick off the well-known human reactions to disruptive change—shock, anger, and denial.

It was a warm, wet night in April, and the atmosphere on the upper floor of the community hall was stifling. The group of 80 or so blue-collar workers crammed into the room had listened in silence for nearly an hour to presentations from senior management on the urgent need for fundamental change. But when the Vice President of Marketing had accused them of being directly responsible for service problems, a murmur of anger had gone around the room.

He was right about them being angry—and he certainly got the workers' attention—but he may have been wrong about them starting to change. In fact, his approach was ensuring that real change in the organization would probably never take place.

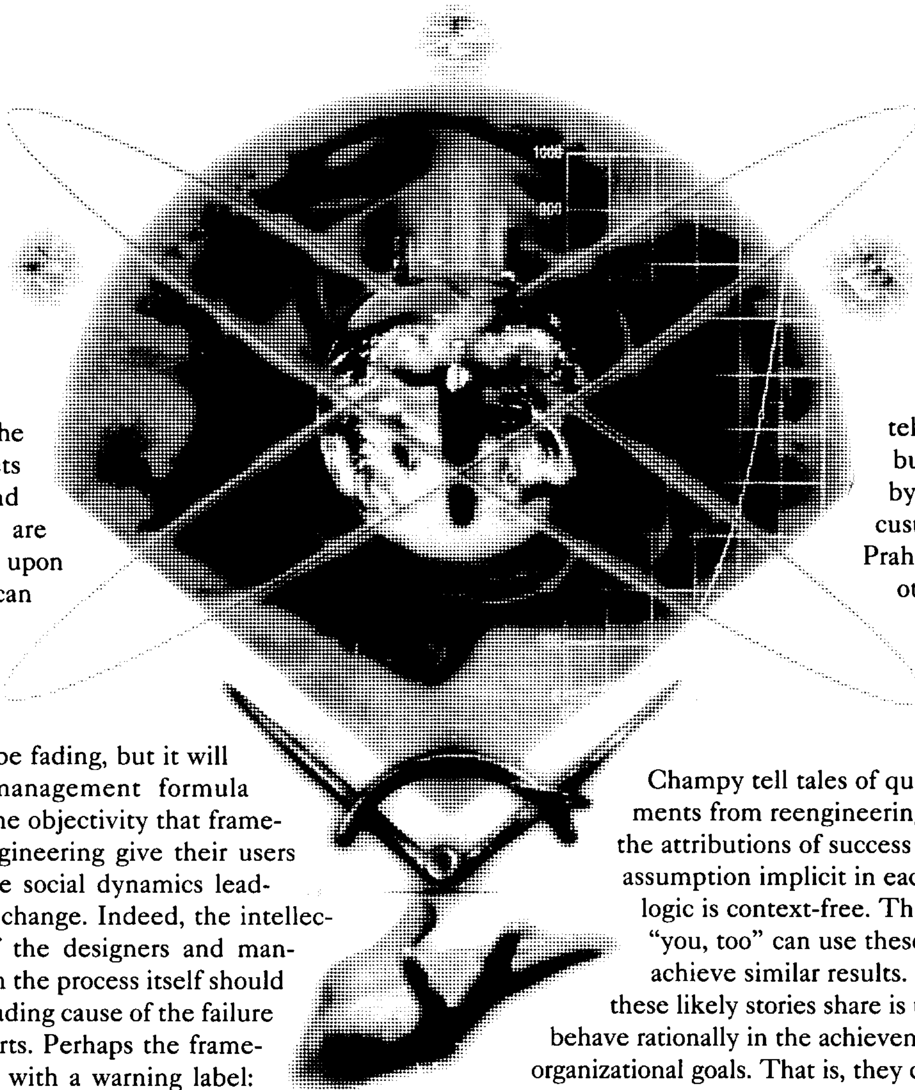
Frameworks for Managing Change

Frameworks for the rational, objective management of change have always been part of American management thought. Whether the slogan is "management by objectives," "zero-based budgeting," "process reengineering," or "strategic management" itself, each of them has purported to offer the user a logical framework from which to manage the change process. With its promises of radical process redesign and dramatic improvements in performance, reengineering has been a particularly seductive framework, suggesting that organizations can redesign their systems from scratch. "I love the concept of reengineering," commented a consultant. "The whole idea of starting with a clean sheet of paper is very appealing to me. It is like the dream of urban planners, who believe that the best way to save the cities and ghettos is to tear them down and start over."[1]

The urban planning analogy is an unfortunate one for those of us who can still remember the urban renewal disasters of the 1950s that led to housing nightmares such as the Pruitt-Igoe development in St. Louis and Cabrini-Green in Chicago. But one does not have to have a long memory to be wary of appeals to "clean sheet" designs. In the case of computer systems, every experienced manager knows that the aptly named "Big Bang" process design simply does not work for new systems, let alone old ones. The technical and social interactions of core business systems are just too complex to be redesigned in abstract. People don't know what they want when it comes to complex systems. They know what they want only when they see what they get (or don't get). Complex systems can be changed, but only by an iterative process conducted with the intimate involvement of the people who use them every day.

"The difficulty with all revolutions is this: The leaders think that they can substitute new ideas for old before they have changed the action tendencies, habit systems, of people. As this cannot be done, revolution fails. The first thing a normal class of revolutionists should be taught is that behavior must be changed through experience, that it cannot be changed through the impact of ideas."

(*Mary Parker Follett,* Creative Experience, *1924*)



And that's where the "clean sheet" gets messy—people and their organizations are not "blank slates" upon which designers can write their messages.

Problems with Objectivity

Enthusiasm for reengineering may be fading, but it will not be the last management formula offered to us. It is the objectivity that frameworks such as reengineering give their users that undermines the social dynamics leading to fundamental change. Indeed, the intellectual detachment of the designers and managers of change from the process itself should be identified as a leading cause of the failure of such change efforts. Perhaps the frameworks should come with a warning label: *When it comes to real change, too much objectivity may be fatal to the process.*

Managerial objectivity is the power to stand outside of a situation, to map it onto a logical framework and initiate the action it suggests. Usually these frameworks are abstracted from the experiences of other prominent organizations, and their plausibility depends upon the cause-effect relationships that they explain. These explanations usually take the form of likely stories about how successful companies became successful or how failing companies turned themselves around. Tom Peters tells stories of how businesses flourish by getting close to the customer; Hamel and Prahalad explain how others succeed by developing strategic intent and exploiting core competencies; Hammer and Champy tell tales of quantum improvements from reengineering, and so on. While the attributions of success may differ, the assumption implicit in each story is that the logic is context-free. The implication is that "you, too" can use these techniques to achieve similar results. The assumption these likely stories share is that managers can behave rationally in the achievement of desirable organizational goals. That is, they can think before they take action, identify cause-effect relationships, start organizational processes, and monitor progress toward these goals.

This assumption is flawed. While nobody suggests that managers can never be instrumentally rational (as this form of rationality is known), the unasked question is whether they can or should be rational in this way *at all times, especially during periods of radical change.* There are two reasons why managers cannot and should not try to behave in this way at such times: the first is intellectual, the second is social.

The intellectual problem is that business realities do not exist independently of their observers. Economies, markets, organizations, and strategies are constructed rather than natural objects. Thus, objectivity is never absolute—it is always relative to some frame of reference developed from the past. Because real change means that the frames themselves have to be altered, a rigid objectivity freezes this process, preventing the examination of the assumptions that support the framework. Some explicit assumptions can be examined, but most assumptions are tacit—they are the answers to the questions we never asked. *They can be tested only from outside the framework of logic in use.* And that takes action—experience. We can't just rethink our way into a better way of thinking.

Take the trade-off between cost and quality for example. For years, everyone in North America who had ever taken Economics 101 knew that there was a negative relationship between the two—the more quality one put into a product, the more it would cost. The power of this model is probably the single most important reason why North American business academics were so comprehensively surprised by the quality revolution. It took the success of the lean Japanese automobile manufacturing system to show us that quality could be systemically improved without adding costs. In fact, costs might drop if the production system was changed. The assumptions of manufacturing economics made it impossible for us to conceive of an alternative to mass manufacturing—until we saw one. Thus, the systems logic that supports "lean-flow" principles was developed after the practical results had been confirmed. As a result, all the books on quality have been rewritten.

"This surely is the essence of empowerment—that people genuinely feel that the future is up to them to invent, not someone else's plan that they have to implement."

The second reason why an excess of objectivity is a hindrance to change is demonstrated by the senior executive's comments quoted at the beginning of this article. He showed the workers that he saw himself outside the change process, diagnosing the condition of those within it. The implication was that *they*—the blue-collar workers—had to change; *he* did not. For much of the time in every change initiative, the situation demands that *everyone* in the organization be seen and felt to share a common fate. Suggestions that the change process is entirely objective and rational introduce a fatal distance between managers and the managed. This distance is lethal to the change effort, for it leads to cynicism in the workers, arouses their suspicion that they are being manipulated, and increases their resistance—not to change itself, but to *being changed.* Instead of feeling empowered, workers feel exhausted and drained by the change process. A typical response: "Why should I change the system if it's going to cost me my job?"[2]

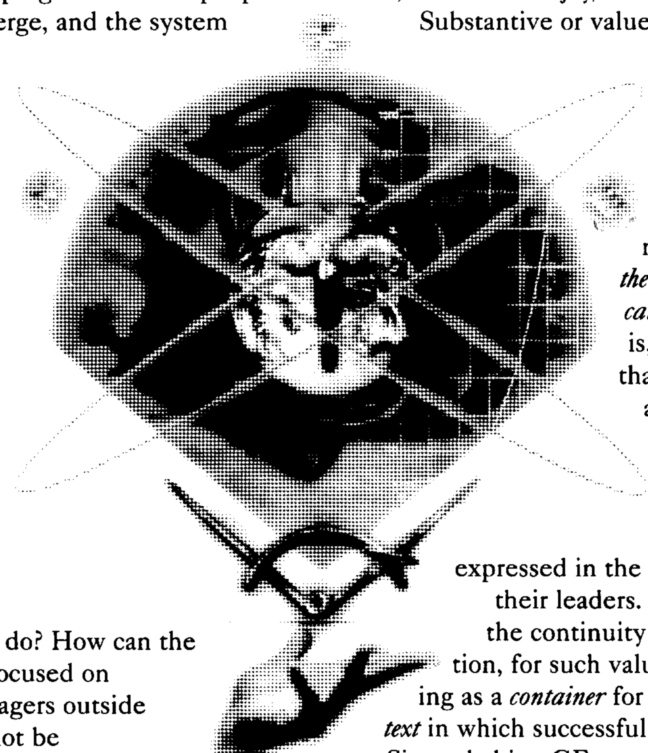
Self-Sealing Beliefs

The classic example of these systemic problems with managed change was the collapse in the late 1980s of Pacific Bell's $44 million Leadership Development Program in an atmosphere of fear, intimidation, and mistrust.[3] The breakdown of the process was attributed in large part to the way in which the framework and techniques were imposed from the top of the organization. An initiative intended to encourage people to think more independently resulted in an enforced conformity around what was seen to be a new, artificial language. Any disagreement with either the concepts or the process was interpreted as "resistance to change," and negative sanctions were applied to dissenters. Thus, the rational framework for change sealed off the inner circle of users, making them invulnerable to criticism and, hence, incapable of learning. This led inevitably to the perception of the change program as coercive and authoritarian.

Reengineering also developed this self-sealing quality to its rhetoric. Managers were warned to expect resistance, to anticipate where it would come from, and to motivate and involve people. Communication had to "anticipate what people will want to know at every stage," and so on. But this meant that senior managers had to know more about the direction of the change process than those within it. They were on the outside, manipulating those within. Anticipating this, the gurus even warned management to expect feelings of disaster midway through the change process and of the need to stay the course. The implication was that there was nothing wrong with the process or the assumptions that underpinned it; all one had to do was apply them properly. Without any feedback loops, many organizations set out upon a series of escalating commitments to a doomed course of action. Cyberneticists call this condition "systems runaway."

If the exclusive use of instrumentally rational frameworks leads to such poor results, why is it not obvious to managers? Apart from our cultural bias to believe that reason is framework-free, one significant problem is that the techniques appear to work, at least for a while. Even the healthiest organizations contain enough slack to deal flexibly with a reality that rarely fits into the neat boxes of their formal structures. The introduction of a change effort uses up this slack as it focuses the attention of the members of the organization on new activities. Initial measurements may show improvements in all the new indicators, but after a year or so, progress slows as people become tired, new priorities emerge, and the system begins to slip back into the old routines.[4]

The lengthy delays between action and result create the poorest possible conditions for learning. Thus, without a permanent change in the habit systems of the people, the overall system soon reverts to its previous mode of operation. But in the meantime, serious damage may have been done. Evidence is emerging that the radical downsizing associated with reengineering impairs the organization's ability to innovate and learn.[5]



Two Kinds of Rationality

What, then, is a change agent to do? How can the attention of an organization be focused on change without leaving the managers outside of the process? If managers cannot be instrumentally rational in their behavior, what guidelines for action can there be? And how do we stop systems from running away? When do we intervene to stop the process?

The German sociologist Max Weber believed that rationality is a relational concept, that it always depends upon a point of view.[6] One of the primary distinctions he made was between "formal," fact-based rationality and "substantive," values-based rationality. In his view, only a narrow class of problems had technically rational solutions. The most pressing problems of social life always involved a clash between these two forms of rationality. (See Exhibit 1 on page 11.)

Capitalism, market mechanisms, legal systems, bureaucracies, and technology (in short, the foundations of the modern firm) were, in Weber's view, all aspects of a pervasive formal, fact-based rationality. "Motivation" in this framework is a problem of controlling an instrumentally rational actor with varying combinations of economic carrots and bureaucratic sticks. All consideration of the personal and emotional foundation of commitment is inconceivable within the strictest version of this paradigm—workers are a means to an end. In the ideal formal organization—the "iron cage" as Weber called it—there is no hatred or passion, no sadness or joy, no affection or enthusiasm.

Substantive or values-based rationality, on the other hand, is concerned with the social values that govern relationships within a community. In this frame of reference, a course of action is pursued not because it is a means to an end, but because *the behavior is believed to be intrinsically valuable in and of itself.* That is, the behavior expresses values that are deeply held by the actor and points to a social vision of how people ought to behave toward each other. In many organizations, these are often values that have been expressed in the behavior of the founders and their leaders. It is these values that supply the continuity amid change in an organization, for such values seem to be capable of acting as a *container* for the change—providing a *context* in which successful change activities can occur.

Since shaking GE out of its lethargy with his downsizing, delayering, and redeployment of assets (instrumentally rational behavior), Jack Welch has been leading by example. He and his senior managers are "walking the talk"—modeling the behavior they expect of people in their vision of a "boundaryless" corporation. It is a *social* vision of an organization where people can talk to each other without barriers to get the information *they* need to change the way GE does business. This surely is the essence of empowerment—that people genuinely feel that the future is up to them to invent, not someone else's plan that they have to implement. And they will get this feeling only if the senior managers behave in a way that expresses these open, egalitarian values.

Apart from the well-known example of GE, there is recent evidence that the extent to which managers live the desired values affects the behavior of employees in more subtle ways. A study that contrasted matched pairs of manufacturing operations in the same businesses and under similar stressful circumstances looked at why one

Exhibit 1—Two Kinds of Rationality

Fact-based Rationality	Values-based Rationality
Instrumental	Intrinsic
Calculable	Unknowable
Impersonal	Personal
Technical	Social
Controlled	Committed

change effort succeeded while the other floundered.[7] The key factor in the successful change efforts was that the managers involved were seen *by the workers* as personally committed to the philosophy of openness and participation that they espoused. This commitment was inferred by the workers from their observations of the managers' *behaviors* in the myriad moments of truth when they interacted with management on a broad range of topics. It was this management commitment that seems to have created a climate of cooperation and trust and lent credibility to the high expectations for individuals and teams.

In contrast, the activities of managers in the unsuccessful organizations were seen as program-driven. Individually they were perceived as "faking it" and offering only lip service to the espoused philosophy. Once again, this was detected by the workers comparing the talk with the walk from the foremen on up. Any inconsistencies in behavior were interpreted as grounds for mistrust. The workers, like all of us, deduced management's true agenda from what they *did* rather than from what they *said*. Complained one worker, "At one of the team meetings, the foreman got up and listed for us (all the) ways we could be fired. It isn't anything like how it was in (training) classes. They talked of active listeners. He talks, we listen."

Senior Managers Aren't Cooks, They're Ingredients

In the final analysis, when it comes to fundamental change in organizations, there can be no *final analysis*. For it is the very frameworks of analysis that need to be changed. In fundamental organizational change, *it takes behavior to change behavior: change cannot be managed, it can only be led*. Thus, managers of change are not just cooks preparing a meal by following a recipe, they are also key ingredients. Senior managers are powerful role models, and their key contribution to the process of change is to lead by modeling the new behaviors that they expect of their people. They can plan and orchestrate the arrangements only up to a point. Then they have to throw themselves into the mixture with everyone else and trust that their behavior will be copied by others.

If these managers model a detached, objective, instrumentally rational mode of behavior, they should not be surprised if their behavior is emulated by their observers. As a result, the whole organization stands outside the process of change. Our Western bias is to believe that we can think our way into a better way of *acting*. Experience with real change suggests that just the opposite is true—we have to *act* our way into a better way of *thinking*. As managers, the only behavior we can hope to change directly is our own.

In short, if we as managers of change act only in ways that are instrumentally rational, then the objectivity so achieved—our capacity to stand outside and apart from a situation—is acquired at the expense of our integrity—our ability to be seen as inside and a part of the situation.

Integrity—the quality of being whole—must have a social component to it as well as the more familiar personal dimension if it is to have any meaning in organizations. The founders of reengineering have expressed shock at the uses to which their technique has been put, saying it was never intended to be used in these ways. But the protestations are a little reminiscent of the well-known gun lobby argument that "Guns don't kill, people do." We are dealing with people operating under stress in complex situations. Surely it is time the proponents of these powerful management techniques address the community concerns inherent in their use.

It is time to stop reengineering and other change techniques when they start to result in behaviors that contradict the fundamental beliefs and values of the firm. Of course, it helps greatly if you have a clear consensus on what these values are, because that may prevent you from embracing inappropriate techniques in the first place. But sometimes initiatives adopted for the very best reasons end up generating behaviors that violate common decency, and then, no matter how strong an organization's heart, these initiatives can be dangerous to it's health. ■

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