

## **Large Scale Corporate Transformation**

I must say that I am overwhelmed by all of the data and by all that we do not yet know about this topic. However, the readings have provided some excellent guidelines. The way I will organize this paper is as follows:

- \* What is Large Scale Corporate Transformation (LSCT)?
- \* Why is LSCT important?
- \* How do you create LSCT?

In this process I will include some models with which I have been working.

### **What is Large Scale Corporate Transformation?**

Large Scale Corporate Transformation (LSCT) is the term that I am going to use to capture the concepts of large scale organizational change, transformational change, and high involvement management. My reaction is that they all converge into one major theme and I will attempt to pull the various concepts presented under this heading.

To begin in the text Large-Scale Organizational Change (LSOC), the definition given for large scale organizational change is "...a lasting change in the character of an organization that significantly alters its performance. This definition has two important constructs: change in character and change in performance. It also specifies that the alterations are not temporary; rather, the organization becomes different and remains different."

The text goes on to elaborate on this basic definition by first elaborating on what the authors mean by changes in organizational character - "key aspects of the organizational system as delineated by open-systems theory..." to include:

- \* "changes in patterns by which the organization relates to its environment
- \* changes in transformation processes
- \* changes in the nature of the outputs themselves
- \* changes in the pattern of differentiation, coordination, and integration by which organization resource are channeled or structured
- \* changes in human resource management practices."

"Each of these elements tends to change continually in organizations, but usually changes do not alter the organization's character. Ongoing changes tend to be 'quasi-stationary'. As Kurt Lewin (1947) indicated, they are like the relatively constant shape of a flowing river. Changes in organizational character however, are qualitative changes - like damming a river or altering its course."

The second key element in the definition is change in organizational performance. This is attributed to flow out of the change in corporate

character and is measurable across a broad number of dimensions including both qualitative and quantitative measurements.

The third part of the definition is found in the term "Large Scale". The authors of LSOC define this as a multi-dimensional term. The three dimensions are the depth of the change - "deep large scale change affects the fundamental aspects of the organization," the size of the corporation - "large scale refers to organizations that are big and therefore complex..." and, the pervasiveness of the change - "its organizational extensiveness or the proportion of the organization's subunits that are changed.

The text, Corporate Transformation (CT), begins by stating "a recurring discussion at the conference concerned the difference between corporate transformation and the three decade-old field of organizational development...The general consensus was that transformation is qualitatively different from organizational development...Essentially, organizational development relies on focused techniques as team building and is typically applied to isolated parts of the organization with little awareness or support on the part of top management. Transformations must be conducted differently if organizations are to be fundamentally changed for today's competitive environment."

The following ten points were then made concerning transformation:

1. Transformation is a response to environmental and technological changes by different types of organizations.

2. Transformation is a new model of the organization for the future.
3. Transformation is based on dissatisfaction with the old and belief in the new.
4. Transformation is a qualitatively different way of perceiving, thinking, and behaving.
5. Transformation is expected to spread throughout the organization at different rates of absorption.
6. Transformation is driven by line management.
7. Transformation is ongoing endless and forever.
8. Transformation is orchestrated by inside and outside experts.
9. Transformation represents the leading edge of knowledge about organizational change.
10. Transformation generates more open communication and feedback throughout the organization."

Some of the ten points describe more of the process than the definition of transformational change, but as I have studied this area, I have found that this all becomes blurred so I decided to include the entire ten points.

Obviously, many of these points will require further elaboration to be

meaningful, but at the same time I want to develop the broad sense of what the authors have communicated around the concept of transformation.

Lawler's text was more oriented toward process and I will chose to leave the above definitions as sufficient to describe what I desire to communicate by the term LSCT.

In summary, I have melted some definitions from LSOC and CT to produce the following definition of LSCT: a lasting change in the character of an organization which combines the strategic and business aspects with the human and psychological issues, and seeks to create fundamental changes in the way all stakeholders perceive, think, and behave, and consequently significantly alters organizational performance. With this definition, I will begin to explore concepts of how to bring about the desired changes.

### **How is Large Scale Corporate Transformation realized and sustained?**

The simple answer is we don't know yet, it is too early in the cycle to have any simple or even complex formulas. Fortunately, through the early work that has been done there seem to be some principles and concepts that can provide a source of guidance in this process. In my studies I have identified some 40 to 50 concepts and I have attempted to reduce these to 15 that I consider to be some of the core concepts and principles. I will not present them in any particular sequence.

1) The Strategic Need for Change principle. This means that first there has to be an indentified need for change and crucial to this is that this need must be

tied into the significant business issues if it is to be LSCT. LSCT will require tremendous commitment to see it through. A casual commitment, or even a strong one that has no perceived strategic link to the core operating issues, will almost certainly be aborted as soon as the usual business storms hit. I mention perceived strategic link because the perceptions are as critical as the link. The change should be positioned strategically and this positioning, like any good marketing, needs to be continually managed during the life of the change - including some good "PR" which I will mention later. This means that the organization has deeply thought through "WHY.?" and communicates this in a way that makes sense to the membership they desire to enroll in the change.

2) The Vision principle. LSCT is quite an abstract notion and answering "What?" for the organization will provide a desired state that the membership can rally around. This will be a very difficult task. To begin, the leadership of the organization will need to get a detailed sense of how they will know when they get there. The areas to address will be very extensive and might include the following:

Vision and Values clearly defined, understood, and committed to by the membership of the organization. This does not mean that everyone shares the same values or vision but that there are commonly shared values and a broad vision that is shared by all. To get under the surface and look at the existing underlying assumptions in the culture will be quite a work in and of itself. The next process will be to ask under the new scenarios, economic and other, do these assumptions still work for us? Are they congruent with where we

need to go and where we want to go? If not, then we need to consider a process to change them.

Strategic alignment with current realities and our vision and values.

As we look at what's happening in social, government, consumer and other important trends, is our strategy aligned with these realities?

Also, does our strategy express our important values and vision? This ties us back to our identity, our chosen road, and allows us to be proactive rather than merely responding to every need that we can address.

Structural Alignment. Does our structure support our strategy and our values? For example, if one of our goals in strategy is to identify the core tasks and technology of the firm, does our structure facilitate these core tasks and complement our selected technology? Also important is the tie into our values. If fundamentally we value a decentralized distribution of power, information, knowledge and skills, and rewards, is our structure aligned with these values?

Systemic Alignment. I realize that there are several meanings to the word "system" including the comprehensive organization. In this paper I will use it as one element in the larger organization and specifically I am referring to the information systems (primarily FIS and MIS) and reinforcement systems (primarily HR systems). The desire is to obtain systemic congruence with our strategy, structure, style, skills vision and values.

This is really a mouthful and in need of some kind of illustration. For example, if we fundamentally accept Lawlers assertions that participation is an excellent strategy to improve our organizational effectiveness, and if fundamentally we value the principles of an increasingly egalitarian organization, then this becomes part of our strategic vision and values. We could then ask ourselves what kind of structure, style, and skills will assist us in realizing this vision? These answers could then be built into training and development systems to teach a new management style that is more participative, skills to handle conflict resolution, and perhaps a performance appraisal system that encourages collaboration versus the current forced rank system. Since these are usually tied into compensation systems we would want to look at this as well. Perhaps under the new scenario we want a compensation plan that rewards technical and a variety of skills so that we will have a flatter organization and fewer management levels. Next, we look at career planning, coaching, and counseling systems around this new reality, and so on and so forth. These are the kinds of systems that we want to be aligned with our vision, values and strategies.

The full blueprint would continue to embrace many other elements including managerial style, skills, and internal and external stakeholders. From what I have understood the blueprint will probably change but there is enough data available for us to create a pretty detailed blueprint of what the organization might look like. Making this vision come alive so that it is not so conceptual will be a key part of powerfully communicating this vision. Answering the questions that tend to raise fear such as: Will I have a job when all is said and done? If so, what will it look like and will I have



adequate training to make the transition? These will be important issues to address.

3) The paradigm of LSCT. Critical to embracing LSCT is understanding what it is all about. It is not a program or even a process. As mentioned in the earlier definition LSCT is a "fundamental change in character....changes in the way all stakeholders perceive, think, and behave." Those who engage in this process need to be aware of the ongoing nature of the change, that this will not be the program of the year but rather a new way of thinking, perceiving, and behaving. This is the paradigm that is desirable for LSCT to take hold.

4) The Congruence principle. This was mentioned earlier in the vision principle when I discussed alignment of various elements in the vision. The congruence principle means that we want all of the talents, resources and energy of our people flowing in the direction of our vision and values. To accommodate this we who are responsible for the leadership need to create the conditions so that these desired ends are reinforced and so that the energies, talents and resources of the firm naturally flow to meet our vision and values. This necessitates creating conditions that facilitate personal, relational and managerial style and skill congruence - the soft S's - as well as strategic, structural, and systemic congruence - the hard S's. This is easily said and yet the task is extremely complex.

5) The Ownership and Participation principle. Most of the authors address the important need of getting the buy-in of senior management. They vary as to when they are needed and how they are needed but ultimately they all

agree that their buy-in is crucial. It is easy to see why. For example, if resources are allocated for a proposed LSCT during a rather prosperous period in the business and the tables turn, without significant buy-in by senior management it is likely that budgets will be cut and the process will be derailed. Additionally, it is typically senior management that create the hard S's, and model the soft S's which need congruence for the total impact to be realized. However, the process need not begin with them.

Senior management buy-in is important but alone is insufficient to produce LSCT. Informal leaders need to arise in the organization and ultimately there needs to be a critical mass that owns the change in addition to senior management and ideally it becomes embraced by all stakeholders both internal and external. For example, one external stakeholder group - the stockholders - if not bought into the change could significantly deter if not completely destroy the change. Our short term orientation for quarterly profits is obviously not in the best interest of the firm at all times. Since the results of LSCT are frequently realized over a long-term period, at least comparatively speaking being three to ten years, the short-term focus of stockholders could kill attempts for LSCT by replacing leadership attempting to realize such a radical notion.

Hand in hand with the ownership is participation. Ed Lawler makes an excellent case for participation in the change effort citing that at least three processes seem to go on when people participate in the change:

- 1) "One is a motivational process that is related to people becoming psychologically committed to installing the change. When people participate

in designing a change and they decide that it is desirable, their intrinsic rewards and sense of self-esteem become tied to the successful implementation of that change."

2) "When people participate, they structure the change to be desirable to them; thus the perceived consequences of the change on their work lives is positive. In the absence of participation, people often do not want some features of the change or do not understand some features of the change, and, as a result, perceive it as a negative event even when it is not."

3) "Communication is a third area in which participation can reduce resistance to change. More communication can aid acceptance by producing better understanding of the change."

While there are many caveats to these concepts, I believe the basic principle of increasing the possibility of ownership of the change through participation to be very sound.

6) The principle of Faith. In this area of LSCT we are endeavoring to realize change that we believe will be in our best interest and the best interest of all we are serving but it is not a cast in concrete solution. There are significant risks associated with it, not to mention upset stockholders impatiently ousting leadership while the change is in process and not yielding meaningful, or perhaps even negative results. However, it is also apparent that the risks of not changing are significant and include the very survival of the business in today's global marketplace. Nonetheless the venture has no sure destination and will be a leap of faith by those involved.

7) The Flexibility and Adaptability principle. One of the concepts of LSCT is that they rarely go as planned. You are sure to have some false starts and hick-ups as you progress and therefore being flexible and adaptable in your design will be important. You may, for example, begin in a business unit where the leader who has been your inspirational champion is transferred. The replacement for this prior leader may be opposed to the change effort and endorse the status-quo which could and probably would seriously entangle the proposed plan. Being flexible, and perhaps adapting the pace or rate of change with this group or even abandoning the effort or postponing it might be important for the overall success of the LSCT. In this case you might do best to start up again with the leader who was transferred, etc. Obviously many scenarios can ensue to include potential buy-outs and other economic considerations. Planning needs to be flexible and adaptable. It will be important to expect the unexpected without losing the wind in your sails.

8) The Leadership principle. Most of the authors agreed that for LSCT to occur ultimately someone has to step up to the plate, usually in senior management and yet not always the CEO or COO, but someone in senior management who breathes life into the change effort. This someone needs to be able to communicate the vision with energy in such a way that it is transferred to the other members of the organization. This leader is the one who makes this vision come alive for the organization. This is important but insufficient in and of itself. Other leaders need to rise up and support this vision both formally and informally to give it credibility for the rank and file and to create the needed relational support in the organization.

9) The Creation is easier than Resurrection principle. Many of these principles have been blurred in my mind in that I have read them from many authors but this principle I recall to be specifically attributed to Ed Lawler. Basically, the concept here is that cultural change is not that easy. In fact, some authors question whether it can be done at all. Therefore, it is easier, for example, to create a Saturn Corporation than to attempt a LSCT at General Motors. New plants are another example of this happening where management with the new vision can create simultaneously all of the systems congruent with this vision. There is no history, institutional memory, bad habits or detrimental systems to change. These creations can also breath life into the larger corporation if they are successful.

10) The concepts of Sequence and Concurrence. Fundamentally you need a place to begin which refers to sequence. Where do you best begin and on what do you begin? Some argue very persuasively that the place to begin is at the top of the organization. Others believe that the beginning both at the top and bottom concurrently is the best way. Others would suggest beginning where the invitation is but be sure that it ultimately gets to the top. I believe in the latter. The next question is where to begin, which intervention will provide the highest leverage? Standing by the definition that LSCT involves changing the way all stakeholders perceive, think and behave, then my reaction is that education is the best place to begin LSCT. The minds and hearts of the leaders need to change, they need to see the need and thereby hopefully feel the need. Additionally, I believe that the people in the system will know where the greatest needs for change exist once they understand what LSCT is, why LSCT is important and how they can create and sustain LSCT.

One of the problems with the sequence issues pertains to the "Creation is easier than Resurrection" principle and it is simply that changing one component of the system is not the same as changing the entire system. For example, let's say that we want more cooperation and collaboration and so we teach our managers the skills of participative management and this is where we focus our first efforts sequentially. If in this process we have not altered the performance ranking system and the rewards system still reinforces competition we will probably have mixed results and perhaps very poor results. The efforts to change the style could be totally frustrated because the reward system was not changed concurrently.

I do not have any answers here other than to say that you obviously want to begin where you can get some early successes and ideally where you will get significant strategic leverage. The other consideration is to be aware of the interdependent nature of the change effort and to seek to concurrently change systems and behaviors that are interdependent.

11) The principle of Realistic Expectations. This is going to be a long-term and probably a very painful process with all kinds of fits and starts. Managing the expectations of the process is considered to be extremely important to the success of the process. If the change agents and those associated with the change realize that there will be for example an unfreezing period associated with tremendous anxiety and guilt, a transition process of incongruence and searching for new information and mentors to model the change, and a series of let downs and start, stop efforts, and that this is all an important part of the process, then when these events occur they will not derail the enthusiasm of

the change. In fact, if the expectation is managed properly and is accurate then these events can come to be viewed as signs of progress and in that sense welcomed.

12) The Management of Pain principle. The less congruent an organization is with the new vision and values, the greater the depth and pervasiveness the change. Because we are talking about large scale change we add another dimension of complexity - more room to hide if you do not embrace the change. If the proposed change requires cutting extremely deep into the organizational character there will need to be a significantly painful unfreezing process. In most cases, this pain is externally driven such as the case with ZEROX losing it's market share to global competition. This coupled with the appropriate internal pain is important to manage. Crucial to the unfreezing process as mentioned by Schien is the creation of psychological safety. In order to safe face and maintain our self-esteem, we will deny change that threatens these. Great leaders know how to balance this need for change with the need to save face. Frequently, they applaud the past and the efforts which have been made and in some cases celebrate and have a party, create venues for grieving and joy, and allow the members to bury the past with a sense of self-esteem. Concurrently the need for change is recognized and more readily embraced.

13) The Management of External Stakeholders. While it is important to manage the process of change relative to the internal environment it is also important to manage the external stakeholders as well. I previously mentioned the negative impact uncommitted stockholders can have on the process. All of the quality literature stresses the critical importance of wisely

managing the relationships with suppliers and taking a long-term view of this relationship. Large organizations influence government policy and of course their customers as well. I believe creating information systems to obtain feedback from all of our stakeholders will become increasingly important. I found it interesting to find the term SIS which in the text LSOC stands for Strategic Intelligence Systems. At Covey we are developing a system by the same acronym that stands for Stakeholder Information Systems. The objective is the same - obtain data from external stakeholders to better manage the effectiveness of your firm.

Associated with this was the possibility suggested in LSOC that we might consider a larger unit of analysis. As if our job wasn't complex enough? It sounds like some theorists are getting bored, but then there is a good case when you consider the demands of the quality thrust in particular and the blurring of organizational boundaries it creates. I think, however, I'll leave the multi-organizational construct for another MSOD class to ponder.

14) The Islands end up Underwater principle. The last two principles I mention are more specifically from Ed Lawler although many authors address them. This principle states that there is a great force in our systems and in our nature for conformance and congruity. Hence if you have a department that is doing this as a test or even as a pilot there will be a tremendous force opposing the change inherent in the system, call it inertia. This predisposes incomplete or partial system efforts to failure. Being aware of this is critical. It was also recommended not to call these efforts tests. Pilot is better in the sense that it can be positioned to be universally adopted and bringing as many disciplines and departments into the pilot is also ideal so



the rest of the organization can take on some ownership by providing feedback to the change effort as well as keep close to the pulse of change. The simple issue here is to be aware of the inertia.

15) The Hard to Kill a Good Thing principle. I wanted to end on a positive note and this is it. Victor Hugo said, "There is nothing as powerful as an idea whose time has come." I believe that LSCT is an idea whose time has come. When Ed Lawler presented this idea he was more specifically referring to the paradoxical nature between the previously mentioned concept and this one. That is, islands usually end up underwater, but paradoxically he has found that once people are exposed to the ideas and concepts of participative management they do not want to go back. I forget who said it, but someone who was brilliant said, "A mind expanded to a new idea never goes back to its original shape." I believe that an idea that rings true to the core of an individual never really dies. In this sense, there is hope for the concept we call "pockets of excellence," those folks who embrace the concepts of LSCT and do not get supported. This is certainly not ideal and many will probably self-select out of organizations that violate their important values but there is some hope for the determined crusaders.

Hopefully this is sufficiently ambiguous to have some credibility. This has been a fascinating journey into the possibilities of LSCT and I am excited for the increased awareness. On the other hand, life was so simple before this session. I have attached some models that I will explain during this session which provide some potential flow for the change process.

Given all of the pain, uncertainty, risks, and the lack of clear direction associated with LSOC, it begs the question:

**Why would anyone chose to pursue LSOC?**

I realize that this is kind of a chicken and egg thing and I will not go into depth on these arguments as to the debates about what is cause and what is effect. I want to address the model that Paul R. Lawrence addressed in his chapter in LSOC entitled "Why Organizations Change."

To begin, Paul states that he believes that professionals are focusing too much on the how and what to change. Indeed, he has accurately diagnosed my paper and I would place a bet that this will hold true for most of the others as well. Next he states, "I would submit that the four most powerful movers and shakers in the United States in recent years have been *technology* (integrated circuits employed in tools and in advanced information and communication systems); *global competition* (especially from the Far East); *ownership turmoil* (takeovers and leveraged buy-outs); and *new laws and legal rulings* (such as deregulation)." Then he mentions, "I do not think our usual organizational analytics and diagnostics adequately reflect these sources of change. We need to rethink our conceptual maps."

Later in the chapter he presents "a diagnostic framework broad enough to encompass the full range of variables influencing organizational change." He then presents a four-ring model, and I will say that I was disappointed that the model was not diagrammed. If you happen to catch Paul at a conference please pass on this customer feedback. The model is organized as follows:

"It starts with an inner circle I call 'value adding behavior.' This is defined as the everyday behavior of organizational members that consist of the transformations and the transactions that generate surplus of outputs over inputs for the organization and it's stakeholders. It involves the *operation* of individual behavior and the *cooperation* of collective behavior."

He chose, "for simplicity sake," to use the 7S model for the next ring which he calls the "ring of organizational arrangements."

Expanding further the next ring is "composed of the organizations primary stakeholders (customers, owners, employees, suppliers, community)."

The furthest outside ring " consists of the basic drivers of change from the environment at large: social change (demographics, aspirations, cultural norms, and so forth); technological change; economic change (competition, primary demand); and political change (government rules and arrangements)."

The remainder of the article is then spent exploring three basic fits and misfits:

1) Aligning Organizational Elements. "...among the seven S dimensions and their impact on value-adding behavior under the four economic conditions." He contends "that high value organizations exhibit consistency or "fit" in how they align the seven S dimensions with each other and with environmental opportunities." He creates a very interesting

contrast of organizations he calls type A and B who have different strategies and how the seven S's align to fulfill them. He concludes by stating "The underlying *why* driving the search for alignment of the seven S elements is, of course, competitive economic pressure to improve value adding performance.

2) Aligning Stakeholders. "...among the five stakeholders in terms of contribution to and benefits from value-adding behavior." He talks about a shift in the balance of power in the eighties toward the owners citing the waning power of unions, unfriendly takeovers and the fact that ownership and competition has become international while unions and employees remain national. Based on his observations he makes this "tentative hypothesis: When the balance of power among stakeholders results in the optimization of rewards for one or two groups at the expense of the others, value-adding performance will be depressed and this will, in time, attract more effective competitors if entry is not institutionally blocked."

3) Aligning Environmental Forces. "... between the environmental forces and all three organization rings." Paul views these "as long-term drivers of organizational change, and the *why* is based on the harsh choice of facing organizations: Adapt or die."

Paul concludes by hoping that he has stimulated some thought and that in addressing the issues of "why" we can better understand the issues of "what" and "how." I will be presenting some models that have been all but destroyed by this assignment. This has been a very enjoyable journey and I am looking

forward to the session and exchanging with everyone around this topic of LSCT.

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