

Managing Organisational Change

Unit 1 Organisations and Environments

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Unit Overview

Unit 1 starts with a discussion of organisational change in developing countries and in the public sector. The organisational focus of this discussion leads us into considering in what ways public sector and developing country organisations may have distinctive qualities. The systems model of organisations and organisational dynamics is then introduced and reviewed. This is the key to understanding organisational change as the 'triggers' for change occurring as organisational systems react with their environment. Thus, the final section of this unit is devoted to a consideration of the relationship between developing country/public sector organisations and their environments.

Learning outcomes

When you have completed your study of this unit, you will be able to:

- define and discuss the term 'organisational change'
- identify the extent to which distinguishing characteristics of developing country/public sector organisations apply to your own organisation
- discuss the principles, uses and limits of the systems view of organisations
- define and assess organisational/environmental relationships
- analyse your own organisation's strategic environment.



Reading for Unit 1

Christopher Pollitt (2003) 'Public sector, private sector – where would we be without a few good stereotypes?'. *The Essential Public Manager*. Maidenhead UK: Open University Press.

Barbara Senior, Stephen Swailes & Colin Carnall (2020) Chapter 1 'Organizations and their changing environments'. *Organizational Change*. 6th Edition. Harlow UK: Pearson Education.

Mark Turner & David Hulme (1997) *Governance, Administration and Development: Making the State Work*. London: Macmillan.

1.1 Introduction – Organisational Change

‘Change is the norm in organizational life’ (Connor *et al*, 2003: 1).

1.1.1 Public sector organisational change

This module addresses the question ‘*How do public sector managers manage organisational change?*’ In recent decades, public sector managers around the world have had to deal with substantial changes in their organisations. In the 1980s, a dominant view was that the role of the state should be minimised. Consequently, public sector managers had to cope with reductions in the scale and scope of the public sector. More recently, there has been a shift of emphasis, in which the need for a capable state, necessary if markets are to operate effectively, is stressed. This is evident in the current attention paid to ‘good governance’. There have also been calls from developing countries themselves and from NGOs for the development of state capacity to address a social agenda, to deal with the consequences of, among other things, structural adjustment and economic crisis. From an organisational perspective, the overall effect has been to call into question the existing distribution of resources together with existing structures of responsibility for the strategic management of these resources.

Why change?

All this is, of course, an oversimplification. But it makes the point that public sector managers continue to be expected to cope with substantial organisational change. At the same time, for all the emphasis on reform and change of the public *sector* little attention has been paid to how this is managed at the level of the *organisation*. Gray and Jenkins (1995: 77) argue that market-based theories of public sector reform pay scant regard to the internal processes of organisations, ‘or simplify these away in the rhetoric of public choice’. In this module we intend to address this imbalance by paying specific attention to organisational processes of change and how they might be managed. You may have addressed the management of certain organisational processes in previous modules. However, we aim here, Barbara Senior *et al* put it, is to ‘consider the complexity of organizational change to try and understand why change is so difficult to manage’ (2020: p. xiii).

What is change?

Organisational change may range from introducing very micro-scale alterations, such as the introduction of new software in an office, to large-scale organisational restructuring, including the creation of new organisations and the termination of old ones. Policy change may also have an enormous impact on public sector organisations, particularly with privatisation programmes or as new problems appear on the policy agenda that demand action from governments, such as climate change, the spread of HIV or demographic change. However, unlike managing finance, people and information, managing organisational change is not about the management of a particular set of organisational resources, or a particular organisational

function. Rather, our primary focus is *the organisation* as a whole, and our concerns are with the interactions between it, its sub-parts, and its outside world. In particular, an understanding of what is happening in the public sector is useful.

As noted above, many changes are sweeping through public sector management and you, as a manager, experience and try to make sense of them. These changes might include organisational restructuring, improving performance, changing management practices or forms of cultural change. Although government has the responsibility for policy change, most public sector managers deal with change at an organisational level, and managerial approaches which take the organisation as their starting point are likely to be more useful to them. Of course, there will be some very senior public sector managers charged with public sector reform in general. Even for these people, we would suggest that the ability to understand the management of change from the position of a given organisation provides an important balance to sector-wide perspectives. However, our primary focus on the organisational level will not lead us to ignore broader levels of analysis, and the insights they provide.

1.1.2 Conceptual issues

Studies in the field of 'change management' as an organisational concern represent a relatively new area compared to HRM (human resource management), financial management and even MIS (management information systems). Studies of 'change management' frequently overlap with other strategic concepts such as 'the management of innovation', 'conflict management', 'risk management' and other generic studies focusing on strategic management in both private and public sector organisations. A brief Web search under the heading 'change management' confirms both this degree of overlap and the extent to which concerns about the strategic management of change in private sector organisations dominates discussion.

However, as Naylor (1999: 7) observes, in any organisation, change management is about responding to the changing environment: 'a key part of the management function is to maintain an awareness of such changes and prepare responses to them'. We may take this definition as a starting point, but we need to bear in mind that managers may not be in a position to 'prepare responses'.

As in other areas of public policy and management, change management is a contested topic of study, with its own controversies and competing models. For example, the module text for *Human Resources Management and Development* identifies 'change management' as one of the four activities forming 'the foundation of all HR activity' – the other three being 'staffing, performance management and HR administration (Torrington *et al.* 2002: 6).

Unlike HRM, however, there is no agreed body of best practice in the management of change, but there are recurrent themes and much common content in the majority of change management texts. In short, although there

is no generic ‘managing organisational change’ curriculum, the core concepts you will cover in this module are very much from the managerial mainstream.

Public sector organisations

Before we begin to consider organisational change, a useful starting point in a public policy and management module is to consider public sector organisations. Your first reading by Pollitt¹ (2003) discusses some of the main organisational characteristics of the public sector. What then makes public sector organisations distinctive? Our interest here (once again) is in *organisations* in the public sector, rather than the public sector as a whole.

Exercise 1.1

Before reading the chapter by Pollitt (Reading 1.1), briefly write down what you think the similarities are between public sector organisations and private sector organisations. Then jot down what you think the differences are. A couple of suggested approaches are found at the end of the unit. Try and relate them to your own organisation. If you studied the module *Public Policy and Management: Perspectives and Issues*, you will have already looked at some of the differences between the public and private sectors. A framework for analysis is also suggested at the end of this unit.

After reading the chapter, write notes on the following:

- What do you think ‘matters’ the most for Pollitt, and do you agree?
- Is Pollitt’s chapter in any sense Anglo-centric, or is it relevant to all discussions regarding the public sector?

It may be worth initiating a discussion with a friend or relative who works in the private sector to see how far it follows the ‘imaginary’ discussion between Giles, Dave and Jeremy!

Reading 1.1

Now read Christopher Pollitt’s chapter, ‘Public sector, private sector – where would we be without a few good stereotypes?’ from *The Essential Public Manager*.

As noted above, our framework is given at the end of the unit.

Pollitt (2003) ‘Public sector, private sector – where would we be without a few good stereotypes?’. *The Essential Public Manager*.

1.2 Developing Country Organisations

The book by Senior *et al* (2020) discusses the concept of the ‘organisation’ (pages 4–6), which is the basic unit of analysis in this module. An immediate challenge to this module is the scarcity of literature on management and organisational change in developing countries. Box 1.1 below provides the sort of analysis by Ba Banutu-Gomez (2002) that is typical of most published material in this area in that it concentrates largely on the cultural context of organisations in developing countries, which is discussed in Unit 4.

¹ Christopher Pollitt is Research Professor of Public Management at the Katholieke Universiteit Leuven in Belgium, and a specialist in comparative public management.

The implication of Ba Banutu-Gomez's analysis is that organisations will only change (in this case, converge with Western organisations) through cultural change.

Box 1.1 Suggestions for Managers, Leaders and Practitioners from Developed Countries in Managing Cultural Differences in Developing Countries for Twenty-First Century Organisations

Solutions to serious problems will never succeed unless one manages relations with community neighbourhood organisations in ways which empower local people. It is essential to learn as much as possible, oneself, from neighbourhood organisation personnel, as well as to train them. 'Indeed, with movement to more global, more cross-cultural business activity, it is insufficient to consider crossborder business and career activity in the context of simplistic geographic shifts or size that do little more than perpetuate ethnocentric business and management approaches' (Fish, 1999). From my consulting experience in developing countries, I learned that if neighbourhood organisations were given the legal power to make changes which will better their community, they would be able to gain the commitment of local people to put forth the effort to make positive changes happen. According to Loo (1999) given the multi-cultural make-up of most countries and the thrust towards globalisation with the resulting growth in international organisations having diverse workforces, there is a growing need to sensitise managers, staff, and in particular, professionals-in-training in our educational systems to cross-cultural differences and the valuing of both cultural and workplace diversity.

For this endeavour to succeed one must make sure that power is accompanied by knowledge. To manage effectively in developing countries, allow the local people in that community to actually 'own' their problems and take responsibility to solve them. They must also be given the power to perform enforcement duties. 'If cultures in an organisation are integrated in such a way that co-operation and mutual trust can flourish, and this internal strength is used successfully in exploiting environmental opportunities and neutralising environmental threats, such an organisation is likely to gain competitive advantages over other firms were these conditions are not met' (Bijisma-Frankema, 2001).

Using organisational culture can provide Western leaders and managers the means by which their vision can be known by their employees so they will be willing to buy into it. To be effective, Western leaders and managers must play a key role in the creation and maintenance of organisational culture in developing countries by creating and influencing legends, rituals and celebrations, as well as visual images which represent their vision for that nation. Western leaders and managers can institutionalise their vision by facilitating the growth of traditions based on legends, rituals and celebrations. As their employees are socialised to this organisational culture, a sense of belonging stimulates them to pass on these traditions to their children, thus providing them with an identity within this organisational culture.

'Cultural forms are the visible expressions and chief means of communicating the vision of a leader. Through stories, myths, rites, reward systems, language, and symbols, cultural meanings are communicated, celebrated and affirmed. Closely related to the use of cultural forms is tradition. Cultural continuity requires that members remember and pass on to new members the ideologies to which they subscribe' (Beyer, 1991).

Kolb, Rubin and Osland (1991) have stated, 'The signs of an organisation's culture can be found in its visible artifacts – the constructed environment of the organisation, its architecture, technology, manner of dress, visible and audible behaviour patterns, and public documents such as charters.' Western leaders and managers send a clear message to the

native people and those outside developing nations by choosing to play a significant role in decision-making involving the visual artifacts of their organisation's organisational culture. Western leaders and managers can use the visual artifacts of their organisation's organisational culture to send a clear message that creates an emotional climate that reinforces the norms and values they want their people to conform to. In this way, by actively moulding their organisation's organisational culture, Western leaders and managers can choose values they wish to be encoded in the behavioural norms of their employees. It is important for Western leaders and managers to go beyond the tangible cultural artifacts of that developing country's current organisational culture to seek the underlying assumptions, which actually determine how their people perceive, think and feel. The interrelated underlying assumptions that people hold form a coherent cognitive pattern, which can be understood as a cultural paradigm. By involving native people in cultural forms such as rituals and celebrations, Western leaders and managers can socialise natives to their values. Thus, their people's underlying assumptions about themselves, their organisation and nation and its role in their society are formed into a cultural paradigm which can motivate them to act collectively to bring their leader's and manager's vision into reality.

Ba Banutu-Gomez (2002: 33–34)

1.2.1 The story so far...

You have now considered two accounts of the distinctiveness of particular types of organisation – that is, organisations in the public sector and in developing countries. In doing so, you have been reminded of the dangers of (simplistic) generalisation, and particularly of assuming that general descriptions of types of organisations are valid for any organisation of that type (including the one in which you work). This warning should be extended to generalising about organisations in OECD countries and/or in the private sector. Likewise, there are private sector organisations that display some of the characteristics Pollitt attributes to the public sector. For example, there is a substantial amount of management research that questions the notion that decision making in *any* organisation is essentially rational.

We tried to safeguard against this problem by asking you to assess your own organisation against the general description provided by Pollitt. In both cases, you started to use descriptive frameworks analytically, producing two (preliminary) organisational analyses or diagnoses. However, although each analysis or diagnosis is (more or less) accurate, and tells 'the truth' about your organisation, each tells you different things. This is because each description, and its underlying framework, is based on different assumptions about which aspects of organisations are important. For Ba Banutu-Gomez, it is clearly about culture. For Pollitt, it is mainly about efficiency and organisational context. There is some overlap in the consideration of organisational goals.

Of course, there are also models developed by organisation theorists that seek to identify 'the most general features common to all organisations' (Beetham, 1991: 129), which seek to provide at least one of the following:

- a generic *descriptive* framework, which enables organisational phenomena to be distinguished and labelled
- an *analytical* framework, which enables relationships between these phenomena to be explored
- a *normative* framework, to enable prescribing particular courses of action to improve organisational effectiveness.

However, in order to start our discussion and analysis at some shared and agreed point, we need a model that allows us to identify, for any organisation, those phenomena we need to understand and manage in organisational change, and which help us to understand the relationships between these phenomena.

The choice we make in this module is to apply and test a 'systems' or 'open systems' model of organisations, the most commonly used in relation to organisational change. It is not, however, the only model of organisations we use. For all its advantages, it also has its limitations. There are important aspects of organisational functioning that are better revealed by other models of organisation (although with their own limitations), which we introduce and apply where appropriate.

1.3 The Systems View of Organisations

Any set of elements that are interdependent and interrelated so as to perform some overall function, or reach some overall goal, can be called a system. Simply, a system is *an entity with interrelated parts*:

- each part, or sub-system, is conceived as affecting the others and each depends on the whole: we learn about the nature of the system as a whole by studying the interrelations between its sub-systems
- no system is entirely closed or self-contained – systems exist in environments and interact with them, hence such systems are *open*
- we can also talk about *inputs* to the system from the environment and *outputs* to the environment from the system, and in acting on inputs to achieve outputs there is some form of *transformation process*
- we may be concerned with defining the *boundary* between the system and its environment
- an important concept is *feedback* – of the processes through which a system senses the impact of its outputs on the environment.

The open systems view of organisations therefore takes into account interactions between the organisation and its environment. In its consideration of sub-systems, it addresses

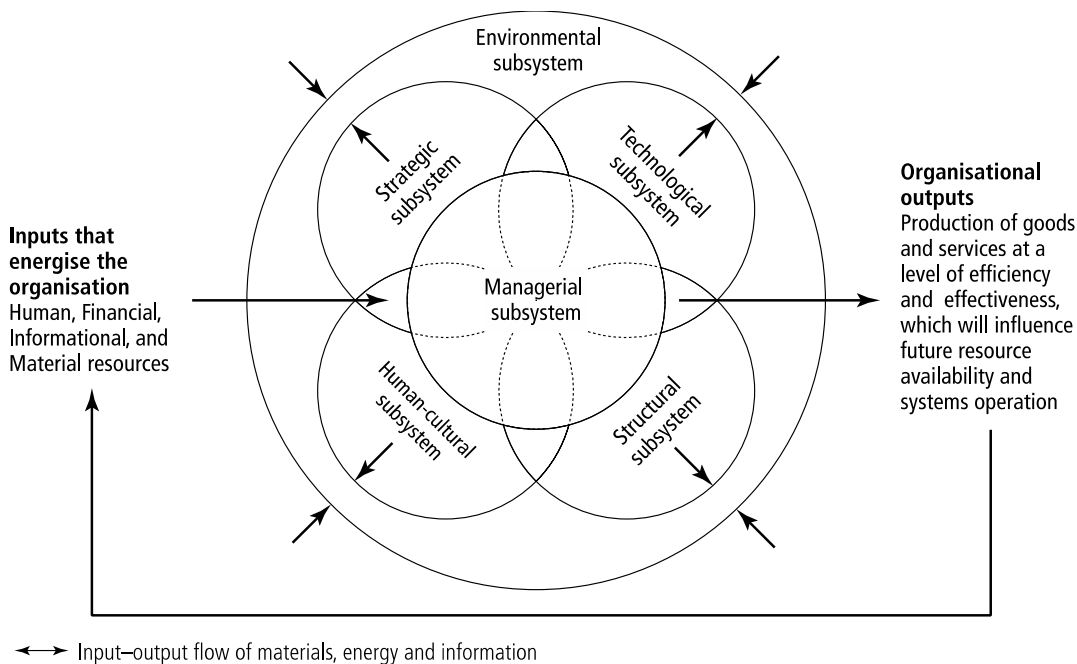
- the human or social dimensions of the organisation
- how the organisation is structured and work carried out
- the relationship between the two, particularly as it affects the transformation process.

This is the source of the term ‘*socio-technical*’ in which ‘technical’ is used in a very broad sense to incorporate organisational structure. Early writers on systems approaches to organisations tended to refer to them as ‘socio-technical systems approaches’, and some writers still do.

As you will see, not every systems view of organisation depicts the same sub-systems. However, the five identified by Morgan in Figure 1.1 are those most commonly found in management texts:

- the *strategic* sub-system refers to how the organisation understands and interacts with its environment
- the *technological* sub-system implies a broad definition of technology as the means by which work is organised and carried out
- the *managerial* sub-system refers to the approach to management, and particularly management style, which is typically represented on a continuum from autocratic to democratic
- the *structural* sub-system refers to what is also known as *organisational design*, including how the organisation is split into departments or distinctive units (its structure)
- the *human-cultural* sub-system refers to values in the organisation – what those values are, the extent to which they are shared, and employee orientations towards work.

Figure 1.1 A systems view of organisations [organisational sub-systems]



Source: adapted from Kast and Rosenzweig (1973) in Morgan (1997: 43)



Reading 1.2

Now turn to *Organizational Change* by Senior *et al*, and read the beginning of Chapter 1, Section ‘A view of organizations’, pages 4–6.

Senior *et al* (2020)
Chapter 1, Section ‘A
view of organizations’ in
Organizational Change.
pp. 4–6.



Note how these authors’ systems model differs from that of Morgan.

Figure 1.1 on page 5 of Senior *et al* (2020) is a diagrammatic representation of the open systems view of organisations. This ‘not-so-tidy’ diagram symbolises the uncertainties of organisational boundary definition. Morgan’s figure, in contrast, makes the feedback process clearer, through the large arrow at the bottom of his diagram.

The fundamental difference, however, is the consideration of overlapping sub-systems. As opposed to the five that Morgan names, Senior *et al* identify two main sub-systems, the *formal* and the *informal*, which in turn have constituent elements. There are advantages to either approach. Morgan makes clear that he wants to improve on earlier socio-technical principles and, as we will see, goes on to illustrate how his model can be used as a framework for organisational analysis and for prescribing organisational change.

Senior *et al* stick more closely to the original social/technical differentiation: their ‘informal’ sub-system broadly encompasses the human, or social side, and their ‘formal’ sub-system the broadly defined technical side (which incorporates both Morgan’s technological and structural sub-systems). The distinction between formal and informal is one that recurs throughout this module. What you should note here is that:

- the *formal* aspects of organisation tend to be those that are most visible, readily understood and manageable
- Senior *et al*’s emphasis, which we follow, is on elements of the *informal* sub-system – culture, leadership and politics – which are less visible, harder to manage, and more frequently ignored than the formal (of which they, and we, consider structure only).

1.3.1 Systems and change

Generally, a systems approach enables us to understand and cope with complex phenomena by identifying their systemic relations; that is, relationships between

- the system and its environment
- interdependent sub-systems
- sub-systems and the whole system.

The systems view suggests that, in order to survive, organisations need to be

- *adaptive*: the capacity to evolve and develop to make the most of a changing environment
- *interdependent*: organisations interact with the environment in complex ways, influenced by it but also shaping it
- *dynamic*: constantly balancing the need for order and coherence with that for flexibility.

An open systems approach suggests that organisational choice cannot be exercised – that is, change cannot be managed – in a simple directive manner. For example, an imposed redefinition of organisational structure may cause

more problems than it solves if it does not take into account relationships between structural and other sub-systems, and the organisation and its environment. Change has to be based on an understanding of these relationships. For a systems view, there is no 'one best way of managing' – how organisations function effectively is dependent or *contingent* on a range of internal and external circumstances.

Contingency theory

On the basis of this view, some authors try to prescribe how organisations should function in given environmental circumstances. This prescriptive application of systems theory is known as *contingency theory*. Morgan presents contingency theory at its simplest, using his own version of the systems model: 'contingency theory hypothesizes that *congruent* relations between six variables provide the basis for effective organizations... incongruencies are often accompanied by ineffectiveness' (1987: 78). The six variables are the five sub-systems listed above, and the environment.

Table 1.1 provides two profiles of organisational characteristics, one congruent with a stable environment, the other with an unstable environment. Here we see systems theory used in a normative or prescriptive way: that is, to tell managers how their sub-systems *should* function in given environmental circumstances. (You will have the opportunity to compare your own organisation with these profiles in the exercises at the end of the unit.)

Table 1.1 Contingency and organisational congruence

Sub-systems	congruent with stable and certain environment	congruent with turbulent and unpredictable environment
Strategic	defensive, operational goal setting	pro-active, seeking new opportunities
Technological	routine, low discretion roles	complex high discretion roles
Human-cultural	people work for money	people work for self fulfilment ('self actualisation')
Structural	mechanistic/bureaucratic	flexible/organic
Managerial	authoritarian	democratic

Note that these profiles simplify in order to present the principles of contingency theory clearly. In particular,

- relationships between environment and organisational sub-systems are more complex than the table suggests; for example, contingency factors which can affect structure include organisational size, strategy and national culture (Unit 3)
- sub-systems are described in simplistic terms; for example, the description of the complex human-cultural sub-system (Unit 4) is limited here to whether money or some broader sense of self-fulfilment motivates people to work

- the profiles do not explain how managers decide whether the environment is stable/predictable or unstable/turbulent (below and Unit 2), or how to manage change.

1.3.2 Differentiation and integration

The contingency approach was further developed by the work of Lawrence and Lorsch (1967) on the basis that the logic of congruence suggests that organisations should be aligned with their environment. Beyond this, it also recognised that particular departments of an organisation may need a different profile for their own sub-systems. This is known as '*differentiation*', to which '*integration*' is a corresponding need: that is, to manage the differentiated (or specialised) sub-systems so that they serve the goals of the organisation as a whole – which means that they all 'pull in the same direction'! Again, Morgan states (with emphases added):

Where profiles of sub-units are at variance with the overall environment, it is important that they be brought into line, or remain *differentiated*, but in a way that does not subvert the organization's overall ability to deal with the challenges emerging from the environment. For example, in a turbulent environment, the bureaucratic characteristics of the finance and administration department (*although eminently suited for detailed administration within these departments*) should not be allowed to dominate the organization as a whole (1987: 78).

What are the implications of this analysis for the management of change? Morgan draws upon the work of Lawrence and Lorsch (1967) who found that an organisation's ability to change depended on its complexity: the more uncertain and changing the industry, the more 'complex' in terms of differentiation and integration an organisation is likely to be. In relation to the public sector, it is also important to note 'that increased complexity does not necessarily mean greater bureaucracy' (Connor *et al*, 2003: 82).

Box 1.2 A Note on terminology – 'Contingency' and 'Organic'

'Contingency theory' and 'organic' are widely used terms in management, but both can have different meanings. Simply put, these meanings are either narrow or broad.

Contingency Theory

Broad: any theory which suggests how a particular aspect of management or organisation depends on its context – for example, contingency theories of leadership, and structural-contingency theories (Unit 3).

Narrow: the definition suggested by Morgan above – that how organisational sub-systems are arranged should be congruent with the organisation's environment and with each other.

Organic

Broad: the organisation as resembling a living organism and systems theory generally.

Narrow: a particular approach to organisational structure that seeks to ensure flexibility and adaptability (e.g. in Table 1.1 above) – in effect, the opposite of bureaucratic structure.

In this unit

When we use either term on its own, we use it in the narrow sense. When we use contingency in the broader sense, we make this clear by stating, for example, 'contingency theories of leadership' or 'structural-contingency theories'. Rather than use the term 'organic' in a broad sense, we follow Morgan (1997) and use the (less elegant) term 'organismic'.

1.3.3 Applying systems theory

You will encounter a number of readings and cases in this module where a systems model of organisations is used, implicitly or explicitly – for example, in a reading in the next section that uses systems concepts to describe developing country organisational environments. (The term environment in an organisational context is itself a systems term.) The systems model has been widely applied in the public sector. Pollitt uses a diagram which, he says, 'has appeared in dozens, probably hundreds of publications, some aimed at corporate executives, some at chemical plant managers, some at local government managers, some at hospital administrators, and so on' (1993: 304). Systems ideas 'extensively penetrated government and the public sector', although it should be noted that the examples he cites are from the USA and the UK.

However, Pollitt has reservations (which he shares with Dunsire, 1995) about the place of systems theory in contemporary public sector management. Both authors suggest that prescriptive uses of systems theory have been less than successful; and Pollitt suggests some subsequent trends in management theory, particularly those that focus on managing organisational culture, which have influenced managers in the public sector. We agree that:

- systems theory is less dominant than it once was
- we should consider alternatives to it
- its prescriptive uses should be treated with caution.

We continue to address these points throughout the module. At the same time,

- as Dunsire acknowledges, systems theories of organisation are useful and continue to be used in management education as a powerful descriptive and analytical tool
- systems concepts and ideas are still widely used in the public sector, although often not labelled or recognised as such.

An example of the second point is the text by Owen Hughes, *Public Management and Administration*. This is structured by a systems view of organisation – there is a chapter on the internal aspects of the organisation, broken down into sub-functions (e.g. human resources, finance) and a chapter on managing the external environment, both preceded by a chapter on strategy; that is, managing the interface between the organisation and its environment.

1.3.4 The limits of systems theories

Organisational politics, power struggles and conflict are important components of systems analysis, but this issue is often underplayed in a number of accounts.

Organisational power and politics

Senior *et al*'s text does list politics within informal sub-systems, and has a chapter on the subject (which is also the subject of Unit 5). Their consideration of politics is unusual for a systems perspective, which typically fails to consider politics as an expected part of organisational life. For Morgan (1997: 30), this is a symptom of the naturalising effect of systems theory and its assumption of 'functional unity':

If we look at organisms in the natural world we find them characterized by a functional interdependence where every element of the systems under normal circumstances works for all the other elements. Thus, in the human body, the heart, lungs, arms and legs normally work together to preserve the...functioning of the whole. The system is unified and shares a common life and a common future. Circumstances where one element works in a way which sabotages the whole, as when...a heart attack threatens one's life are exceptional, and potentially pathological²

Within organisations, there are almost invariably occasions when individuals or organisational parts conflict with one another. These tend to be characterised as 'organisational politics', often seen as an inherently bad thing. Systems theory tempts us to accept this, and to treat organisational politics as pathological, wrong, and threatening the 'natural' state of organisations, in which every element should be in harmony and 'pulls together'. There is, however, an alternative and no less valid set of views about organisational politics, which we also consider in Unit 5. These identify organisational politics as a *normal* part of organisational life, and some see organisations as principally political, rather than organismic, systems. Note that seeing organisations as *political systems* is *not* the same as (or another version of) *systems theory*. The term systems theory is only used in the sense we have discussed.

Given these limitations of systems theory, it is important to acknowledge that there are other, non-systems, theories and models of organisation. The quotation above from Morgan came from his famous book *Images of Organization* (1997, first published 1986), which categorises different theories of organisation in terms of the *images*, or *metaphors*, which those theories use. A metaphor is the understanding of one thing in terms of another. For example, when we say 'your boss is a snake', we understand one thing (the person, your boss) in terms of another (a snake and its – undesirable – characteristics). Morgan includes systems theories of organisations in the

² Pathological means relating to, or symptomatic of, disease.

'organismic' metaphor, because systems theories describe and analyse organisations as if they were living organisms.

1.4 The Importance of the Environment

As systems theory tells us, understanding an organisation's relationship with its environment is the key to understanding organisational change. However, the challenge of systems theory is to move from its general principles (as outlined) to its practical utility to managers in organisations. We can begin to chart this challenge by posing two questions about organisation–environment relationships:

- how can relationships between organisations and their environments be conceptualised?
- how can managers make useful sense of organisational environments from within their organisations?

1.4.1 Fundamentals of organisation–environment relationships

It is often assumed, at least from a Western perspective that public organisations tend to operate in fairly predictable environments. Even where there is a change of governing party, the organisational change that results tends to be slow and subject to political constraints. While this may be an oversimplification, public sector organisations are not subject to competitive environments to any great degree when compared to their private sector counterparts.

This remains true despite two decades of NPM type reforms, although not entirely. Even where market mechanisms have been introduced in the public sector, they are regarded as a cost-cutting measure rather than 'a strategic initiative designed to allow organisations to become more competitive' (Burnes 2004: 399). However, for the vast majority of public sector organisations, resource dependency on central finance ministries is also very high.

1.4.2 Making sense of the environment?

Making sense of the environment from the perspective of a manager or group of managers within an organisation is not easy. As your next reading says (Turner and Hulme, 1997: 23):

To appreciate the vastness and complexity of the environment we can follow Robert Miles's instructions to 'take the universe, subtract from it the subset that is the organisation and the remainder is the environment'.

We can, of course, begin to split this vastness up into more manageable and readily understandable parts. First, however, we have to recognise that there are different conceptual accounts of how organisation–environment relationships are understood and acted on in organisations.



Reading 1.3

Influenceable and enacted environments

The reading is the first part of a chapter on 'Organizational environments' from *Governance, Administration and Development* by Mark Turner and David Hulme. Read the introductory section, with special attention to the section titled 'Making sense of the environment', pages 23–25.

Turner & Hulme (1997)
Introductory section and
'Making sense of the environment'. *Governance, Administration and Development*.

Exercise 1.2

As you read, answer the following questions.

- What is the difference between approaches which seek an organisational/ environment 'fit' and those which distinguish between 'influenceable' and 'appreciated' environments'?
- Why might environments be described as 'enacted'?
- Why does environmental scanning matter?

You will find specimen answers for this at the end of this unit.

1.4.3 The task environment

Probably the commonest and most straightforward way that environmental scanning is carried out (i.e. that sense is made of the task environment) is to describe the **Political, Economic, Technological and Socio-cultural** aspects of the environment (for example, Senior *et al*, 2020: pp. 13–22), a task commonly known by the mnemonic PEST (sometimes PETS or STEP).

Political environment

The political environment is usually described in terms of wider political systems, and their distribution and concentration of power (e.g. democratic versus autocratic, the balance of power between the state and civil society). Regime transition (for example, from military junta, self-appointed president for life, or one party state – to multi-party democracy) is an example of a significant change in the political environment of organisations in developing countries; but other changes – in the balance of party power, who holds which ministerial post, or specific aspects of government policy – can also have a serious impact on how an organisation functions.

Political factors are closely linked to legal factors, which include the constitutions and laws to which organisations are subject, and how they are practised and enforced. Some aspects of the legal environment may affect certain organisations more than others – for example, regulation applies only to organisations in regulated sectors. Currently, government reform of public sector organisations, including various forms of privatisation, is widespread in a variety of countries, both OECD and others.

Economic environment

The economic environment includes markets for various goods and services, fiscal policies, consumption patterns, patterns of capital investment and the banking system. Changes in global, regional, national and local economies have profound effects on the operation of any organisation, and the complexity of the economic environment increases as the world economy becomes more tightly interconnected. Some global changes impact on all organisations in the world to some degree (for example, recession in Japan or the USA), but the extent and strength of this impact will be stronger in some countries than others and in some sectors of activity than others.

Likewise, regional and local economic changes vary in their effects on organisations. While the path of cause and effect of changes in the economic environment can be hard to trace, and certainly to predict, changes in the economy can have powerful implications for conditions in other sectors of the general environment, and indeed can be hard to distinguish from them. For example, the shift from a centrally planned to a market economy can be considered both an economic and a political change.

Technological environment

The technological environment is often assumed to refer only to so-called 'hard' technologies, such as machinery and computer-based information systems. Changes in this aspect of the environment are significant and rapid, the most obvious being the increased availability of cheap computing power and telecommunications. These, it is argued, have increased the ability of some organisations to operate globally, and facilitated the 'downsizing' of large public and private sector organisations by enabling the development of management control systems without (it is claimed) a need for tiers of middle management.

However, there are also 'soft technologies' which are not so tangible, but can equally shape the ways work is carried out and how organisations manage themselves. These often develop, and are used in conjunction with, hard technologies. Changes in soft technology include changes in skills or organisational processes. It can be argued that the adoption of the 'New HRM Model' is an example of soft technology.

Socio-cultural environment

Changes in demography, social structure, attitudes, values, traditions, expectations and behaviour all shape the socio-cultural environment. The socio-cultural environments within which managers operate both inform and limit their possible courses of action. For example, industries such as oil, chemicals, and energy are under pressure to adjust to changing attitudes about the physical environment. Or, in the case of demographic change, understanding the changing size, composition and location of populations can be vital for organisations, helping public sector managers identify what services are needed where, now and in the future. Developing nations may have an age structure in which the young predominate, as opposed to the

ageing populations of developed countries. Particular age structures may create particular patterns of demand for health, education and other public services.

Changes in values and attitudes are also part of the socio-cultural environment. Perhaps the most obvious recent example concerns gender, and the respective roles of women and men. Many countries have seen a growing demand, backed by legislation (i.e. a change in the political environment), for equality of treatment and opportunity for men and women. This demand impacts on the services that organisations deliver, and on how they operate – for example, the introduction of equal opportunity practices in Human Resource Management.

1.4.4 International dimensions of PEST

The international environment includes institutions such as the World Bank, the UN, bilateral aid donors, International Monetary Fund (IMF), World Trade Organisation (WTO) and many others (including international corporations and banks). An important example of a political change at the international level, which impacts on public sector organisations in specific countries, is the intervention of international agencies to promote ‘good government’ or ‘good governance’. Here the intention is to change political environments (especially in developing and transitional countries), to make them more conducive to the effective operation of public and private sector organisations.

Similarly, the growing concern for the natural environment is another international trend with effects for political, legal and economic processes in many parts of the world.

Exercise 1.1

Now draw a grid like the following one, and summarise in it the important PEST factors in your task environment.

Political	Economic
Socio-cultural	Technological

- Which of the four PEST factors has most influence on your organisation? On the public sector generally?

It is perhaps obvious to note that politics, the first of the PEST factors, has the most – and/or most direct – influence on the public sector in general. However, once again we have to consider the factors that influence particular public sector organisations. It may be that political factors have the most influence on a given public sector organisation. However, in our experience it is also possible that:

- the political environment of a given organisation is stable and does not appear to exert much influence on its management

- other factors have more direct relevance – for example, an increase in the birth rate (a demographic change in the socio-cultural environment) may be most significant for managing primary education
- it is difficult to establish (factor out) which of the four PEST categories is the most influential, because they are so closely interconnected.

The general environment

In the next part of the reading by Turner and Hulme, they make the important point that the distinction between the general environment and the task environment is often blurred, before going on to present a general profile of the environment for organisations in developing countries. The latter is another example of a generalised approach to developing country organisations, and another case where we need to recognise that the circumstances – in this case, in relation to the environment – may differ for particular public sector organisations.

Despite its general nature, Turner and Hulme's profile is useful because

- it provides a rare general description of developing country organisational environments, which is useful to set against similar descriptions in generic change management texts which assume a developed country context (e.g. Senior *et al* [2020: pp. 13–22], although quite a few of the examples they use are relevant, by analogy, to a developing country context)
- it is comparative, differentiating between environmental conditions in developing and developed countries
- it provides a checklist you can use to revise your initial assessment of your own organisation's general and task environment.



Reading 1.4

Now read the Turner and Hulme's section on 'Elements of the environment', pages 25–52.

 As you read, make brief notes on the following.

- Turner and Hulme use PEDC (or ECDP) rather than PEST: what, in your view, are the advantages and disadvantages of this approach?
- Which of the general PEDC influences Turner and Hulme discuss are significant in your own organisation's environment? List them in a grid like this one:

Economic	Cultural
Demographic	Political

- Are there additional factors that you would now want to add to your original PEST analysis?
- Are there factors in your original PEST analysis that are not mentioned by Turner and Hulme?

Turner & Hulme (1997)
The section 'Elements of the environment', from the chapter, 'Organizational Environments'.
Governance, Administration and Development.

PEDC stands for **P**olitical, **E**conomic, **D**emographic and **C**ultural dimensions of organisational environments. There is a strong overlap between the 'C' in


PEDC and the 'S' in PEST (which stands for Socio-cultural). A more significant difference is that PEDC assimilates technology as one factor within the economic environment, and replaces it with demographics as one of four key dimensions. Raising the status of demographic factors in this way suggests that it is of special relevance for developing countries, and more so than technology. Turner and Hulme's analysis of technology supports this point of view. However, one disadvantage of PEDC is that it might downplay considering the implications of introducing 'soft' technologies (like the new HRM model).

You may have now added to your original PEST analysis. But it is possible that some factors in your original PEST analysis are not mentioned by Turner and Hulme, or not described at the same level of detail and relevance. This is why we asked you to conduct your PEST analysis *before* reading Turner and Hulme's description of the environment. While their profile provides a useful checklist, it (and similar descriptions) should not be relied upon as the exclusive basis of environmental analyses.


Box 1.3 From PEST (PETS/STEP) to PESTEL

Some texts on strategic management have chosen to develop the standard PEST model and create a 'PESTEL' model of organisational environmental analysis (cf. Mullins, 2005). This expanded model adds two further factors to the standard PEST model: namely, 'environmental' and 'legal' factors as key points of reference in strategic analysis and management decision-making.

The analysis of 'legal' factors includes reference to elements such as national and international laws and regulations. The 'environmental' component of this model refers to the significance of the natural and man-made physical environments (e.g. climate, geography, and man-made infrastructure). For ease of use, you might wish to consider the second 'E' of the PESTEL model as 'En' – that is, environment. In addition, we may need to refer to specific examples in order to distinguish clearly between references to 'En' (i.e. significant 'environmental') factors and 'environment' as in the general strategic 'environment' described by all six PESTEL factors in combination.

 Consider the following questions:

1. To what extent does the PESTEL model serve to define more precisely the interaction of factors shaping your own organisation's strategic environment for managing change and, not least, analysing the need for organisational change?
2. To what extent might these PESTEL factors be relevant to analysing the internal environment for change in your own organisation? For example, what legal factors (e.g. employment contracts and regulations on working conditions) impinge on management decisions to pursue a strategy of change? What social or cultural factors might be significant (e.g. in terms of predicting resistance to management attempts to introduce a strategy of change)? In terms of potential resistance to change, to what extent might these 'S' and 'L' (and, indeed, other) factors interact?

 Be prepared to share your views in the online discussion forum set up especially for this module.

1.5 Environmental Pressures for Change

Drawing upon the experience of both public and private sector organisations, in industrialised as well as in developing countries, we take the view that the public manager should be ready to learn from experience in any quarter that suggests the possibility of improved practice. It is a fact that many of the innovations that have been adopted in developing and transitional countries have their origins in industrialised countries, including those in the private sectors. However, for adoptions to work in a given organisational situation, there has to be an understanding of context in addition to an appreciation of environment, although the two terms are often used conterminously.

1.5.1 The importance of context

The key difference is that context often consists of influences that are not easily picked up by PEST analyses and their like, which were introduced to you above. As Jreisat (2002: 1) explains, '*context* ... generally refers to all external influences that affect management, such as societal values, norms, religion, political culture, and economy', which are also often grouped under the term 'culture'.

Furthermore, and to reiterate, there is a lack of a distinctive public sector strand within the theory and practice of change management, as represented in the managerial literature. There is also the lack of a strand that addresses organisations in developing countries. Although many texts on organisational change refer to differences between public and private sector organisations, that reference is usually brief, and never a main theme. The usual explanation is that in much organisational theory, organisations are considered purely as organisations. Whether they are in the public or private sector is not seen as of significance. Beetham (1991: 129) poses the question:

- 'What do the Vatican and General Motors, NASA and the British Health Service have in common?'

Beetham suggests that answering this question is the task of organisational sociology, or we could say, of organisational theory more broadly. However, the point is that it does so through '...an exploration of the most general features common to all organisations in modern society, and by theorising about the conditions for organisational efficiency, regardless of whether the institution concerned is public or private, sacred or secular, devoted to profits or preaching, to saving life or ending it'.

The public sector context

However, despite this claim, what happens in practice – for example, in the majority of change management texts – is that the private sector is implicitly assumed to be the norm. In Senior *et al* (2020), illustrations of particular points are made by contrasting management perspectives from typical public and private sector organisations – schools and hospitals as well as factories, shops and airlines. At the same time, organisations in the

mainstream management literature are often assumed to be operating in market rather than public sector conditions. Therefore, we try to ensure throughout the module that the specific characteristics of public sector organisations and challenges of public sector management are addressed where possible. This is not a particularly easy task, given that standard texts on the management of organisational change tend to ignore public sector specific issues. We compensate for this by referring to other material and using additional readings which

- discuss particular approaches to the management of organisational change in a general public sector context – for example, a reading in Unit 2 considers the implications of the concept of ‘discontinuous change’ for the public sector
- provide public sector case studies of organisational change – for example, in Unit 3 we consider the role of culture in an African context.

For some topics there is more ‘public sector relevant’ material than others, however. For example, there is surprisingly little literature on organisational politics in the public sector. Moreover, using public sector specific material by itself is not enough. As our interest is in organisations, this requires us to be clear about

- general differences between public and private sector *organisations*
- from an organisational perspective, general differences between the *management of change* in public and private sector organisations
- the extent to which these differences apply in the case of *any given organisation* – for example, the organisation in which you work.

The developing country context

Despite claims for the general validity of theories of organisational change, we do not assume that management concepts from one part of the world – notably the USA and the UK – are inevitably transferable to others, particularly to developing countries. (The notion of transfer is discussed in more detail in Unit 7.) However, just as there is no distinctive consideration of public sector organisations in the managerial literature on organisational change, neither is there much management literature on organisational change in developing countries. The implicit assumption in most of the standard texts on organisational change is that organisations function in developed country/OECD conditions. Moreover, unlike the public/private distinction, the OECD/developing country distinction is rarely acknowledged.

A concern for the impact of differences in national culture does feature to a limited extent in the literature on managing change. Indeed, Chapter 4 of Senior *et al* (2020) offers a useful summary of this comparative national culture perspective. In addition to this, as for the public sector, we use other material and readings to

- discuss particular approaches to managing organisational change in a general developing country/non-OECD context – for example, in this unit we explore the concept of the organisational environment in relation to developing country organisations
- provide developing country/non-OECD case studies of organisational change – for example, the case study on structural change we consider in Unit 3 is from Thailand
- provide case studies of attempts to manage organisational change in hybrid developing country/OECD contexts – for example, in Unit 8 we make a detailed study of attempts to manage change in an organisation which, in key strategic terms, ‘straddles’ both public and private sectors in a Middle Eastern context.

To emphasise this once again, our ability to provide case studies is constrained by the scarcity of relevant material that is available; again, our concern is with the organisation-specific relevance of analyses that appear to speak generically of developing country organisations. Finally, wherever possible we draw on material relevant to managing change in public sector organisations in developing countries and ask you during your progress through this module (and in Unit 8 specifically) to contribute insights and experiences from your own organisational context in order to augment traditional studies and to compensate for the current lack of up-to-date material in the experience of developing countries.

Turner and Hulme conclude their chapter with some general observations about the public sector environment. They begin with one of our recurring themes in this unit: that general statements, in this case about developing country organisational environments, can be useful, but always need to be balanced with the consideration of diversity. We would add, of course, that differences between organisations within countries also need to be taken into account. As you will see, the rest of the chapter also revisits points made earlier in it, or previously in this unit.



Reading 1.5

Now complete your reading of Turner and Hulme, pages 52–56.



As you read, make notes to answer the following questions.

- Where previously have we considered the points that Turner and Hulme make in relation to *competing perceptions, cause and effect, and foreign models and Third World realities*?
- What, in short, is their point regarding turbulence?

Turner & Hulme (1997)
The section ‘Elements of the environment’, from the chapter ‘Organizational Environments’.
Governance, Administration and Development.

What Turner and Hulme say about interconnectedness, and about competing perceptions, restates the enacted and appreciated/influenceable views of organisational environments.

Another point here is familiar by now: we should not assume that US management theories can – and must – apply everywhere in the world. This time

the point is made using systems concepts: that unique environmental factors, and any given organisation's nature as an open system, potentially constrain the transferability of particular management models.

The point about environmental turbulence is simply that the environment is not static, but undergoes rapid changes. This is particularly the case, Turner and Hulme suggest, with the environments of public sector organisations in developing countries, which reinforces the need for up-to date environmental scanning. (We return to the complexities of cause and effect, and analyses of environmental turbulence, in Unit 2.)

The concept of the 'internal' environment

The furthest Senior *et al* go in defining the internal environment is: '...forces for change operating within organizations themselves...' (2016: p. 22) that '...are to some extent [our emphasis] ...first line responses to changes in the external and temporal environments' (2020: p. 22). The organisational learning concept, discussed in more detail in Unit 7, emphasises the importance of the interaction between the internal and the external environment.

1.5.2 The environments within which organisations operate

We begin this section with a short reading from Senior *et al* (2020).



Reading 1.6

First read the brief discussion of the three environments in which an organisation operates (Chapter 1) in *Organizational Change* by Senior *et al* along with Figure 1.4 on pages 21–22.

Senior *et al* (2020)
Chapter 1, Subsection
'Organizational re-
sponses to change' in
Organizational Change.
pp. 21–22.

As you read, try to answer the following question:

- Do you recognise the influence of environmental forces on changes within your own organisation?

Environmental forces for change

Senior *et al* suggest that an organisation's total operating environment can be broken down into three interdependent environments:

- *temporal environment*, which consists of longer-term historical influences, which these authors discuss in more detail in pages 7–8
- *external environment*, which Senior *et al* discuss in PEST terms on pages 13–22
- *internal environment*, the meaning of which we briefly discussed above.

This can be seen from the diagram on page 22 of Senior *et al* (2020), which clearly shows how a change in one environment can have knock-on effects on the other environments and the factors within them. It appears that changes in the general environment with little obvious relevance to the day-to-day concerns of an organisation can actually have profound impacts.

Exercise 1.2

Identify a particular change in your organisation.

- Draw a multiple cause diagram (similar to the one on page 22 of Senior *et al*) to identify the causes of this change and the relationships between them.
 - Now, *optionally*, find a colleague you trust who works in the same organisation as you, who is willing to help out. Briefly explain what a multiple cause diagram is, and ask him or her to draw their own multiple cause diagram for the same change, without showing yours. How similar are the two diagrams?
-

To check out whether your diagram is complete, consider whether it has included inter-relations between:

- every possible PEST/PESTEL factor
- state, market and civil society factors in the environment
- internal organisational causes.

If you have asked a colleague to complete a diagram, we would anticipate some similarities, but also differences (although, of course, we cannot say that this will happen on every occasion). The point of this part of the exercise is to show that within the same organisation, among people who work together, there can be different (and sometimes *substantially* different) perceptions of environmental changes, and the chains of cause and effect that trigger organisational change.

1.5.3 Environmental turbulence

Finally, it should be clear by now that the environment that organisations operate within can trigger organisational change. In addition, the dynamics of the environment creates turbulence. Here, we briefly consider typologies of environmental turbulence, which overlap with those of change. For example, Stacey (1996) provides a categorisation of 'change' that is described in terms of the consequences of environmental change for managers; and Tushman, Newman and Romanelli's (1988) typology of change incorporates environmental conditions.

Typologies of turbulence

The word *turbulent* describes an environment characterised by both a number of changes and change that is occurring rapidly. Turner and Hulme are not unusual in describing organisational environments in developing countries as increasingly turbulent. However, this does not necessarily tell us very much about the environment of a given organisation. That is why you were asked to compare Turner and Hulme with your own organisation's environment, and conduct your own PEST and multiple cause analyses. This still leaves us with two practical problems:

- How might we describe the environment of a specific organisation in a way that is generally understood? If you were asked to explain your

organisation's environment to an outsider for the first time, how would you do so?

- How can we reach an agreed understanding within the organisation of the nature of the environment, given that there may be differences in perception?

Typologies of environmental turbulence address these questions. They enable us to locate the environment of a particular organisation or set of organisations within commonly understood categories, each of which is broad enough to encompass some differences in perception but still provide common ground.



Reading 1.7

Ansoff and McDonnell, and Stacey

Now read Senior *et al*'s section entitled 'Environmental turbulence', page 23 to the end of the chapter.

Senior *et al* (2020)
Chapter 1 from section
on 'Environmental turbulence' in *Organizational Change*. pp. 23–31.



Exercise 1.3

As you read make brief notes on the following:

- What are the similarities between Ansoff and McDonnell's five levels of turbulence, Stacey's three kinds of change situation, and his close-to-certainty/far-from-certainty distinction?
- Stacey's description of closed change, open ended change, and planned change uses private sector illustrations. Can you think of public sector equivalents?

You will find specimen answers for this at the end of this unit.

Implications of turbulence for managers

Senior *et al* discuss the implications of Stacey's typologies for managers in terms of how they plan for the future, which we consider in more detail in Unit 2. We know from our consideration of contingency theory that environments that are highly turbulent (e.g. those which fall within Ansoff and McDonnell's Levels 4 and 5, or Stacey's open-ended change) require different responses from organisational *sub-systems*, and by implication from managers, than those that are not. Senior *et al* also argue that there is a relationship between the level of environmental turbulence and forces for change – that is, what managers experience in terms of whether they have any choice about change. This too is an issue we return to in discussing *force field analysis* and *forces for change* in Unit 2.

1.6 Conclusion

This unit has introduced concepts and issues central to the module. Throughout, the concern has been to alert you to the implications of *general* concepts, analyses and prescriptions for *specific* organisations and their

managers. As we progress, we will continue to ask you to compare general descriptions with your own organisational circumstances and to apply analytical frameworks to your own organisation. Organisational change has been implicit rather than explicit: starting with the notion of organisational choice, in our discussion of contingency theory, and concluding with environmental forces as triggers of change. The next unit makes explicit the theme of change.

We began Unit 1 by enquiring whether public sector and developing country organisations can be said to have distinctive characteristics. In both cases we stressed the limited value of generalisations. We went on to outline the systems model of organisations, again linked to public sector / developing country contexts. This model is useful as it enables us to identify intra-organisational processes that have to be addressed in managing organisational change. Four of these processes – those of structure, culture, politics and leadership – are explored in Units 3, 4, 5 and 6.

The systems approach also has its limitations: a tendency to essentialism and denial of the legitimacy of organisational politics, which alternative approaches take up (although these too have limitations). While the systems view is the main approach used in this module, others will be used where appropriate. In particular, we will consider theories that address organisations primarily from structural, cultural and political (i.e. organisational politics) perspectives.

The systems model focuses attention on factors outside the organisation which impinge on it, and which trigger change. The complexity of organisation–environment relationships was also considered, including how managers understand their organisations’ environments, whether they can be understood purely objectively, or alternatively as ‘enacted’. While understanding the environment is always important, we carry forward the challenge of its significance for any given public sector organisation. Thus our discussion of Turner and Hulme’s general analysis of developing country organisations asked you to consider implications of environmental factors for public sector organisations in general and your own organisation in particular.

This unit has covered:

- the structure and focus of the module, and their rationale
- the extent to which public sector/developing country organisations have general characteristics, and the extent to which these are found in any given organisation
- the principles of the systems view of organisations, and its uses and limits
- the nature of organisation–environment relationships.

You should now be able to:

- identify the general features distinguishing organisations in the public sector and/or developing countries

- describe your own organisation with reference to Pollitt's general profile
- explain the general principles, strengths, and limits of the systems model of organisations
- describe your organisation's environment applying either PEST, PEDC and/or PESTEL models.

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Specimen Answers

Exercise 1.1 Analytic Framework for Reading by Pollitt

The table below summarises one view of important differences between managing private and public organisations.

Table 1.2 Management in the Private and Public Domains

Private sector model	Public sector model
Individual choice in the market	Collective choice in the polity
Demand and price	Need for resources
Closure for private action	Openness for public action
The equity of the market	The equity of need
The search for market satisfaction	The search for justice
Customer sovereignty	Citizenship
Competition as the instrument of the market	Collective action as the instrument of the polity
Exit as the stimulus	Voice as the condition

Table 1.3

	Private sector organisation	Public sector organisation	My organisation
Goals primarily determined by	the market; directors' and senior managers' responses to the market	politics; politicians' and senior public servants' responses to political processes	
Complexity of goals	less complex and more easily stated	more complex, sometimes vaguely defined and contradictory	

Legal constraints on goals	can do anything not forbidden by law	can only do what law permits and prescribes	
Primarily accountable to	owners/ shareholders; ultimately the market	politicians; (in the UK ultimately) 'the public'	
Primarily accountable for	making a profit	delivering services; raising and spending taxes; exercise of power (e.g. law and order); and/or regulation of social life	
Processes of accountability	to consumers through 'market forces'; financial reporting; annual reports, shareholders meetings	legal – must point to legal authority for actions; political – through ministers and legislature to public, inc. pressure groups consumer – through institutional mechanisms professional – through professional bodies	
Planning and decision making processes	relatively 'rational' and straightforward; objectives based on business goals	complex – separation of responsibilities for planning and implementation; need for skill in exploiting political resources	

Exercise 1.2 Influenceable and enacted environments

Turner and Hulme argue that we should not necessarily accept the deterministic cause and effect model of organisational-environment relationships implicit, for example, in the representation of contingency theory in Section 1.3. Instead, we should recognise that organisations can influence parts of their environment (hence the view of the environment as 'influenceable'), as well as be influenced by it.

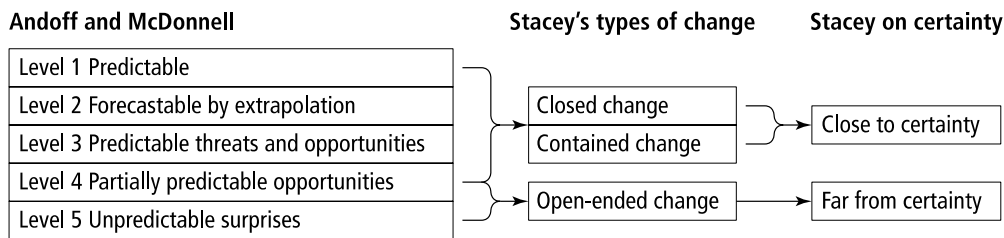
Views of the environment as 'enacted' suggest that understandings of the environment are subjective and socially constructed; how the environment is perceived from within the organisation and choices of whether information about the environment is taken seriously or not, reflect the ability of the most powerful individuals and groups in an organisation to ensure that their interpretations prevail. This is the sense in which organisations, to some extent, create their own environments.

As Turner and Hulme say, whatever our view of the two points above, environmental scanning is important for public sector managers in developing countries because the basic premises of systems theory still hold: that organisations are influenced by, and have to respond to, changes in their environments, and understanding the environment is essential before one can identify those aspects which are influenceable, and those which can only

be appreciated. The view of environment as enacted puts even more pressure on managers to scan the environment thoroughly, to ensure that the understanding of its environment by the organisation can inform its successful adaptation and survival.

Exercise 1.3 Similarities and differences between Ansoff and McDonnell, and Stacey

Figure 1.2



Stacey proposes three types of change in terms of managerial responses in private enterprises to different environmental conditions. Public sector equivalents might include the following.

- *Closed change*: environmental continuity leads to operational continuity within a given public sector organisation. Political, economic, socio-cultural and technological changes occur as predicted at a rate that can be managed, and can be seen as following what happened in the past. For example, in the case of a public service provider – say a hospital – demographic changes, as far as they occur and might affect the organisation, are foreseen and do not lead to questioning the nature of services delivered and how they are delivered.
- *Contained change*: the relationship between what has happened in the past and what will happen in the future is less clear. Changes in the environment and their impact can be predicted as broad probabilities but not with precision. Past demographic change, in the case of the hospital, may have caused changes in the nature of services delivered, and the means of delivering them. A sudden increase in birth rate might lead to a need for more post-natal clinics and childcare specialists. However, this increase may have happened for reasons which are hard to identify, and the extent to which it will continue can only be predicted in general terms
- *Open-ended change*: here there is a range of possibly conflicting opinions about why things happened in the past and what will happen in the future. As a consequence, it can be hard to decide what is to be done in the future. Taking our example of demographic change, the increase in birth rate may be attributed to a range of factors upon which it is hard to agree – for example, better pre-natal care, a sudden shortage of birth-control methods, changes in social values, or changes in economic wellbeing. The action the hospital takes will depend on the explanation that its senior managers adopt.

There are some parallels here with the concept of enactment described by Hulme and Turner.