Strategic change and human resource policy in Australian financial services

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By

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THE UNIVERSITY OF NEW SOUTH WALES

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STRATEGIC CHANGE AND HUMAN RESOURCE POLICY
IN AUSTRALIAN FINANCIAL SERVICES

ABSTRACT

This study examined emerging organisational phenomena in the area of organisational change, and the association of these phenomena with business strategies on the one hand, and human resource policy on the other. This study is aimed at extending the theoretical understanding of macro patterns of organisational change, by developing a more differentiated model of change strategies than currently exists in the organisational change literature. This model is then used as a conceptual framework in examining the associations between business strategy, organisational change and human resource policy in Australian financial services organisations.

Ten organisations, five in banking, and five in insurance were chosen for study following a process of independent performance rankings by leading market analysts. All organisations in financial services have been faced with radical discontinuity in their business environments in the 1980's, hence the choice of this industry. The research method involved systematic, fine grained case research and analysis in each of the ten organisations, distributed in three states of Australia. In all, the project spanned 40-50 days of interviews and in-situ field analysis, involving interviews with approximately 350 executives and managers, over 2,000 pages of pro-forma field notes and responses, and 300-350 pages of typed case studies. The latter were

checked by the participating organisations for factual accuracy, but interpretations made of the data are those of the author.

The results provide strong confirmatory evidence and extension of an earlier theoretical contingency model of change co-authored by the researcher. This model challenges the adequacy of the basic theoretical paradigm of the Organisational Development literature: the results suggest that the principles for change enunciated in that literature are viable in only limited circumstances, and that the change model has considerable utility in assisting our understanding of the association of different types of business, change and human resource strategies. The overall model advanced integrates macro-organisational variables in these areas more comprehensively than existing models in the field of organisational change. However, because the research relies on case studies in ten organisations, the validity of the model must eventually be tested in a broader cross section of organisations and industries.

CERTIFICATE

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma of a university or other institute of higher learning, except where due acknowledgement is made in the text.

ACKNOWLEDGEMENTS

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CHAPTER 1

INTRODUCTION TO THE RESEARCH

1.1   THE CONTEXT OF THE RESEARCH

Since the late 1960's western economies have experienced a major period of turbulence through economic, social, technological and political discontinuity. The 1970's and 1980's have been characterised by radical shifts in the operating environments for business, public sector and quasi-public sector organisations, perhaps to an even greater extent than that envisaged by the scenarios of the *'age of discontinuity'* and the *'post-industrial society'* chronicled respectively by Drucker (1969) and Bell (1976). The implications of this discontinuity and the relative decline of primary and secondary industries in western economies has lead to a fundamental shift toward the service industries as a focus for wealth-creation (Ginsberg and Vojta 1981).

The literature on this transition or transformation is often phenomenological in emphasis, and populist (e.g. Reich 1982, and Naisbitt and Aburdene 1986). However, in Australia there is tangible evidence of increasing private-sector and Government activity in creating a new basis for national competitive advantage through a transformed services sector, and primary and secondary sectors which increasingly concentrate on customisation and high value-added market niches. (EPAC Papers 15 and 22, 1986; ACTU/TDC Report 1987; Industry Training Report 1988).

The author participated in the early period of this transition during the 1970's and early 1980's as a manager and executive in the service industries. It was evident during this period that resources in the form of management literature and consulting advice were readily available on questions of macro-adjustments in organisational

strategy (Ackhoff 1970; Andrews 1971; Hofer 1975; Porter 1980) and structure (Chandler 1962; Rumelt 1974; Mintzberg 1979a). However the process literatures, particularly organisational change and personnel management, were dominated by emphasis on micro techniques. These seemed to the author to be more appropriate to small scale organisational adjustment rather than the transformative change which appeared necessary for many organisations to make adequate responses in the face of environmental discontinuity. Up till the late 1970's, the two literatures appeared to be dominated by what Drucker (1955, Chapter 21) characterised as "a cluster of incidental techniques lacking cohesion and purpose, and based primarily on two stagnant and dangerously unrealistic theoretical postures: Scientific Management Theory and the Human Relations Model" (paraphrased by Collins 1979: 2-3). Collins' 1979 investigation, and a later review (Collins 1982) showed that that critique, at least in the area of personnel management, was still true in the late 1970's/ early 1980's.

However by the late 1970's, and into the 1980's a re-orientation was beginning to occur. The newly developing field of strategic management had become concerned with both strategy formulation, and strategy implementation: business content on the one hand, and management process issues on the other. Early writers in this field were Ansoff (1973); Ansoff et al (1976); Mintzberg (1978); Miles and Snow (1978) and Schendel and Hofer (1979). Theirs was an attempt to more closely integrate the strategic perspective of organisational functioning to management process, to complement the disparate literatures on business strategy, organisational change and development, personnel management and general management. Strategic management is closely identified in the literature with the activities and decisions of the executive, or the *dominant coalition* in organisations (Bourgeois 1984).

Inherent in this literature is the view that the task of general management is more complex than simply following the path plotted by strategic planners, or aggregating the disparate views of functional specialists in a bureaucratic organisation to somehow forge a corporate view of what to do and how to do it. Strategic management is portrayed in this literature as the external alignment of the organisation with a turbulent business environment, or reciprocally influencing the environment, followed by the internal integration of ends with means. It is a task for those within organisations whose managerial canvas is open enough to enact a vision of the broad view, and who have the resources and authority to effect fundamental change.

The point is not to posit the strategic management literature as a central paradigm for this study. However these theoretical developments had a profound effect on two of the major management process literatures which are central to the study; personnel management (which was to metamorphose into human resource management in the 1980's), and organisational change. Both of these latter literatures had to that period been characterised by an operationally focused emphasis on individual or administratively-based interventions and techniques, often transported from organisation to organisation without any attempt to relate them to the strategic thrust of the organisation. The emergence of strategic management, however, was one critical factor in lifting the focus of management process to an executive and strategic perspective. The developments which ensued for the organisational change and human resource management literatures were considerable, and will be reviewed in Chapters 2 and 3.

1.2   THE RESEARCH PROBLEM

During 1985 and 1986 the author conducted extensive analyses of the organisational change and human resource management literatures to develop a more comprehensive understanding of management process issues, at a strategic level of analysis. This led to descriptive publications in the field of human resource management (Stace 1986; Stace 1987) and to a co- authored academic critique and development of a contingency model of change (Dunphy and Stace 1986, and 1988; Dunphy and Stace 1989 - in publication).

The research problem arose from these reviews and publications. There appeared to the author to be several interrelated needs:

a)   the need for a more comprehensive understanding of process strategies for change, in the context of a changed business environment, and based on a comprehensive field analysis

b)   the need for better understanding of the contribution of human resource management as a component of strategically driven organisational change processes and transitions

c)   deeper understanding and exploration of the business strategy - human resource management links which had been developing in the strategic management and strategic human resource management literatures, and which were in evidence in corporate practice. Were the links direct, or would they be better explained theoretically, by an intermediate management process framework or filter such as had been developed for the Dunphy/Stace contingency model of change? Such a framework would act

as an intermediate level of analysis between business strategy on the one hand and human resource management on the other.

The research problem thus focused on macro issues, on a desire to extend knowledge by further developing organising frameworks to assist in our knowledge of the operation of critical process variables in differing business conditions. Bartunek and Moch (1987: 483) have observed:

"recent developments in the cognitive sciences, especially the concept of schemata, or organising frameworks for understanding events, can advance the process of organisational development. Schemata function as data reduction devices, allowing individuals to sift through an overwhelming flow of sensations and to focus their attentions on certain aspects of their experience".

The desire to extend or further develop data reduction devices in management process, and in content-process, therefore constitutes the research problem. On a practical level the research has been impelled by a desire to explore how and if business strategy, organisational change and human resource management policy/strategy are related in the day-to-day realities of organisational life. The phenomenological nature of the constructs within this research problem are most appropriately explored in field settings, and fine-grained case analysis became the appropriate and preferred methodology.

1.3   DEFINITIONS

The central construct in the study is organisational change. However we explore it as an intermediate level of organisational analysis in reference to corporate and business strategy on the one hand, and human resource management policy on the other. The operational definitions developed in these areas for the study are as follows:

Strategy

This includes the concepts of **corporate strategy**, and **business strategy**, though the primary emphasis in the study is on the latter. Corporate level strategy is concerned with what type and range of businesses or major activities a company should be in. Business level strategy on the other hand is concerned about the competitive focusing of the company's activities in product-market terms once decisions about corporate strategy have been taken (Johnson and Scholes 1984). This research concentrates on the content of these strategy areas, rather than strategy process, in order to gain insight into the framework of generic business decisions which impel management implementation processes.

Mintzberg (1978 and 1988) makes the useful distinction between strategy as a plan - a consciously intended course of action, and a pattern - an observable pattern in a stream of real-time decisions. This leads him to suggest that there are **intended** and **realised** strategies, which distinguish between intentional courses of action and what actually occurs given the mitigating effects of dynamic internal and external organisational environments (ibid pp14-16). This study concentrates primarily on perceptions within the organisation about 'realised' rather than 'intended' corporate and business strategies.

Organisational Change

Organisational change relates to strategic implementation or process issues. It is the gap between design plans, or intentions, and bringing those intentions into reality. Greiner and Barnes maintain that there are usually two overarching objectives in organisational change - first, change in an organisation's level of adaptation to its environment, and second changes in the internal behavioural patterns of employees (Greiner and Barnes, 1970: 2). However a more complete contingency model of

change extends the second of these to include systems, corporate culture and the managerial leadership exercised by the organisation's decision makers, or *'dominant coalition'*. Thus the focus of organisational change can equally relate to structures, marketing systems, financial systems, behavioural change or changes in management ethos - in fact any variable which is part of the process of strategic implementation.

We are concerned in this study to see if there are macro patterns in organisational change. If so this should assist in coming to a better understanding of how and if particular change processes or practices aggregate to form cohesive change implementation strategies, rather than constituting a series of unrelated events or interventions.

Human Resource Management

The term **human resource** is used in this study to include staff, personnel and employees. **Human Resource Management** encompasses policies, practices and techniques adopted to effectively manage an organisation's human resources. This includes areas formerly referred to under Staffing, Personnel, Employee and Industrial Relations policy and practice.

"Human resource management involves all management decisions and actions that affect the nature of the relationship between the organisation and its employees" (Beer 1984:1).

The ambit of this definition includes strategic, managerial and operational decisions and interventions affecting employees (Tichy, Fombrun and Devanna 1982:51). This encompasses actions and decisions by executives and managers as well as functional specialists in personnel departments and units.

The term **human resource strategy** is also used in the study. Human resource strategies are formed when organisations decide to emphasise certain human

resource policies, practices and techniques relative to others, in implementing their business strategies and/or organisational mission. They are the aggregation of policies and practices which differentiate the way in which organisations effect change through their employees, and control and develop their workforce. There is no one *'universal'* set of human resource strategies suitable for all business strategies and situations: different strategies emerge over time in response to changed business needs.

1.4   AIMS OF THE RESEARCH

The research problem discussed in Section 1.2 above outlines the nature of the author's original research concerns. This led to the framing of specific research aims:

a)   To further develop a situational model of change which is more fully descriptive than current models of contemporary macro organisational change phenomena within organisations.

b)   To develop instrumentation and apply it to organisations to initially validate or disprove the explanatory power of such a model.

c)   To establish through field research whether such a model provides significant theoretical insight in extending the understanding of how content (corporate and business strategy), relates to process, particularly in relation to organisational change and human resource strategies.

The research aims are thus both theoretical and applied, designed to further extend conceptual understanding of complex organisational phenomena. At the same time the aim is to develop schemata, or data reduction devices to assist practitioner

understanding of this complexity, and to suggest promising avenues for future research.

1.5   BOUNDARIES OF THE RESEARCH

This is a theory development study, using qualitative research methods. The study is also essentially a study of macro organisational phenomena for which the appropriate units of analysis are policies, observable organisational events and suites of practices rather than particular and isolated organisational practices. Where the study does deal with practice, it is to investigate the relationship between espoused policies, policies in practice (Argyris 1972) and the process issues which are central to the study.

Finally, the study is based on the service industries (Ginsberg and Vojta 1981) because of the growing importance of the service sector to western industrial economies (Quinn and Gagnon 1986; Reich 1983; Schmenner 1986), and the importance of *'human capital'* (Ordiorne 1985) or *'human assets'* (Beer et al 1984) in service industries.

The value of service industries to western economies has been well articulated in Quinn and Gagnon's article reporting a multi-phase study:

"US-based services offer even more opportunity for growth, and for mismanagement, than product-based industries did in the past ...

*   contrary to popular opinion, services are not responses to marginal demands that people satisfy only after they meet their product needs. People value services at least as highly as they do manufactured products, and purchase them in much less cyclical patterns than manufactured goods

* service companies produce value-added at comparable or higher rates than do product companies

* the service sector is at least as capital intensive as the manufacturing sector, and many industries within it are highly technological" (op cit: 95-96)

Containment of the study to the service sector also has the following advantages:

* an industry or industry sub-sector can be studied in depth

* as most service organisations operate in a single business or related business domain, this avoids in the main the potential for confounding effects of diversified, unrelated business units in the interpretation and analysis of data

* the relative volatility of the service industries is likely to yield more variance in relation to the major variables, to assist in validating a contingency approach to change

Specifically, the study is confined to Australian-based banks and insurance companies in the financial services industry. This restriction helps to ensure that the study is focused, and that any variance in results between organisations is more likely to be because of differences between the major variables, rather than industry effects from a diversity of industries.

1.6   ORGANISATION OF THE THESIS

To guide readers and to minimise repeated references as to where major aspects of the study are covered in detail, a brief overview of the thesis is as follows:

Chapter 1:   Introduction to the Research

This chapter provides the reader with an overview of the context of the research and of the issues which coalesced in the author's thinking to frame the research problem. Definitions of the major constructs are given, together with a specific statement of the research aims. Finally, several boundaries to the study are described.

Chapter 2:   The Historical Development and Current Status of Organisational Change Theory and Models

This chapter provides a comprehensive review of organisational change as a management process variable. The literature review provides an historical perspective but particularly concentrates on thematic developments in the 1980's. This shows that the field is in transition from a micro-based technique orientation, in the tradition of Organisation Development (O.D.) interventions, to an emphasis on integrative process strategies. The Dunphy/Stace theoretical change strategies model is introduced as the central research paradigm of the study.

Chapter 3:   Review of Strategic Human Resource Management Theory

This chapter reviews the developing literature on strategic human resource management. It is viewed as a separable but related component of management process theory where the emphasis has moved away from a purely operational micro focus toward a strategic and executive focus. The chapter explores attempts to date to develop models which relate business strategy to human resource strategies or practices. It then suggests that, while these models have impelled the field of human resource management toward stronger integration with strategic business implementation, clearer linkages between business strategy content and human resource management process are still required. The concept of using the

Dunphy/Stace change model as an intermediate process filter to clarify these linkages is advanced.

Finally the concept of *'strategic fit'* is examined, and current issues surrounding it are explored, as this concept is important to this contingency-oriented study.

Chapter 4:   Research Method

This chapter and the related appendices provide the rationale and detail of the methodological approach chosen; the sequence of the research; the approach taken to developing the case method; the pilot testing and the final sample selection of organisations. The chapter concludes with an examination of the strengths and weaknesses of the methodology.

Chapter 5:   The Findings - The Organisational Change Model

In this chapter the findings relating to the organisational change model are described and analysed. This chapter is central to the research in that the initially validated change matrix provides a base on which other variables in the study can be analysed and explicated.

Chapter 6:   The Findings - Organisational Change and Business Strategy

This chapter explores patterns in the relationship between the content variable, business strategy, and the organisational change process variable in the study. The associations are found to be suggestive for theory development, but not definitive, until a larger sample across a broader range of industries can be researched.

Chapter 7:   The Findings - Human Resource Strategies and the Change Model

This chapter is a detailed analysis of the human resource policy stance of the sample organisations. It analyses similarities and differences between profiles of the human resource strategies of organisations which share similar process strategies for

organisational change. The chapter also examines the degree of congruence between process strategies and the business content decisions of medium to higher performing organisations.

Chapter 8:   Case Analysis of Two Organisations

This chapter provides the reader with an understanding of the case material and results from which the above findings have been drawn. Two of the ten case studies have been reproduced: these show not only the common data sought from each case site, but also the nuances and individuality of the case material from each of the sites. The sample cases do not in themselves carry the macro analysis forward, but they demonstrate the fine-grained analytical base on which the study is built.

Chapter 9:   Discussion of the Overall Results

This chapter discusses the meaning and the implications of the results overall in relation to the original research problem, the research aims, and the specific research questions addressed by the research methodology.

The chapter summarises the study and its major findings, particularly in relation to theory development arising from the study. It also identifies areas for further research to assist in consolidating and refining, or refuting the results obtained in this study, in the interests of extending our knowledge of the functioning of complex organisations.

CHAPTER 2

THE HISTORICAL DEVELOPMENT AND CURRENT STATUS OF ORGANISATIONAL CHANGE THEORY

2.1   INTRODUCTION

In recent years there has been increasing emphasis in management literature on the processes of macro organisational change, as organisations respond to or anticipate turbulence in their economic/financial, political, social and technological environments. Historically the literature on organisation change and development has been profuse, but lacking in a holistic organisational perspective, concentrating more on behavioural than systemic or strategically oriented change interventions and phenomena. The re-orientation from a micro toward a macro systemic perspective began to change in the late 1970's.

This chapter examines the development of the change literature, with particular emphasis on current issues which have led to the research problem being explored in the study. In the following chapter, we review contemporary developments in one stream of the personnel or human resource management literature which emphasises the relationship between business strategy and human resource management. As is the case with organisational change, our interest in the strategic human resource management literature is focused on macro issues.

Both the organisational change and the strategic human resource literatures focus on management process, but the relationship of one to the other has not been strongly explored in the literature, or in research. This project attempts to provide a research base on which associations between the two literatures can conceptually be more effectively integrated.

The review of organisational change in this chapter partially draws on material more fully covered in Dunphy and Stace (1986), and Dunphy and Stace (1988).

2.2 ORGANISATIONAL CHANGE - HISTORICAL OVERVIEW

It could be argued that approaches to organisational change are products of particular political, economic and cultural contexts, and need to be understood in terms of the situations from which they arose and to which they addressed themselves. Table 2.1 demonstrates this by showing an historical schema of organisational change approaches in western industrial democracies in this century. This schema consists of four major elements: first, an analysis of major problems contemporary to the era and situation; second, proposed new ideal states which represent the resolution of these problems; and third, strategies or techniques to move the organisation from the problems to proposed new ideal states. While theoretically these three issues may analytically be independent of each other, in practice they tend to be linked together by a fourth element, the dominant or core values which underlie the theory or ideology of change, coupled with a dominant organisational culture supporting the strategic thrust of the approach to organisational change. Table 2.2 summarises typical techniques and micro interventions which underlay these broader approaches to organisational change.

a)   Classical Approaches To Change

Systematic approaches to organisational change arose in the western world around the turn of this century in response to the emergence of large factories and the rise of bureaucratic organisations. These change approaches were developed to bring order and stability into organisations whose internal systems were in embryonic form and often bordered on chaos. The early part of this period witnessed the use of scientific management with its detailed principles for functional organisation at the

Table 2.1   Approaches To Change

1.   <u>**CLASSICAL APPROACHES TO CHANGE**</u>   **(1900-1940'S)**

PROBLEMS TO BE SOLVED:	Managing larger-scale organisations characterised by inefficiency, low skills and low commitment.
IDEAL STATE:	Ordered, functionally designed organisation with an efficient production system and a disciplined, motivated workforce.
CHANGE STRATEGIES:	Introduction of rational management principles, improved technology, layout and work design, technical training for the workforce, improved human relations skills for superviors, including employee consultation on some shop floor issues.
DOMINANT VALUES:	Order, predictability, consistency.
DOMINANT CULTURE:	Production and Industrial Engineering.

2.   <u>**POST WORLD WAR II APPROACHES TO CHANGE**</u>
       <u>**(1940's to late 1960's)**</u>

      a)   <u>THE NORTH AMERICAN TRADITION</u>

PROBLEMS TO BE SOLVED:	Rapid growth, meeting high demand, diversification.
IDEAL STATE:	Divisionalised design with increasing production capacity, varied products and skilled, motivated workforce.
CHANGE STRATEGIES:	Human processual interventions (team building and individual motivation)
DOMINANT VALUES:	Rapid growth, expansion.
DOMINANT CULTURE:	Marketing.

Table 2.1   **(cont'd)**

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2.   POST WORLD WAR II APPROACHES TO CHANGE
(1940's to late 1960's)

b)   THE EUROPEAN TRADITION

PROBLEMS TO BE SOLVED:	Shortage of materials, skilled personnel and ravaged industrial infrastructures.
IDEAL STATE:	Reconstructed societal and industrial base.
CHANGE STRATEGIES:	Socio-technical systems design (work groups, job design).
DOMINANT VALUES:	Customised, quality products, steady growth.
DOMINANT CULTURE:	Supply, Operations Research.

3.   POST-INDUSTRIAL APPROACH TO CHANGE
(Early 1970's onwards)

PROBLEMS TO BE SOLVED:	Environmental discontinuity, fluctuating demand, tough competition, management of the multi-divisional organisation, management of multiple stakeholder interests.
IDEAL STATE:	Adaptable, goal-directed, expandable, contractable multi-functional organisation operating within a global economy.
CHANGE STRATEGIES:	Co-ordinated, system-wide multi-disciplinary planning and intervention. Management of multiple stakeholders.
DOMINANT VALUES:	Strategic flexibility, value-added orientation.
DOMINANT CULTURE:	Strategy, Finance and, latterly, Human Resources.

Table 2.2   Organisational Change - Techniques Overview

PERIOD	MAJOR TECHNIQUES USED IN ORGANISATIONAL CHANGE

1900 - 1950	**Classical Approaches**
	
	1. *Edict* - Structure/design interventions
	       • infrastructure level ⟨ division of labour / lines of authority / span of control ⟩ (Weberian)
	
	    - Key individuals (replacement)
	
	2. *Production Technology* - work studies; O & M; time & motion; production engineering; piece rates; reward structures (Scientific Management)
	
	3. *Human Relations*
	    - sensitising managers to employees' needs
	    - motivational techniques for employees
	    - democratisation of supervisory practices
	    - group processes; openness; communication techniques

1950 - 1970	**Socio-technical Approaches** **Human Processural Approaches**
	
	Socio-technical Approaches
	• Job Design
	• Technology & work layout
	• Semi-autonomous work groups to increase job satisfaction & eliminate supervision
	• Workflow and production process studies (Trist & Bamforth Trist & Emery)
	
	Human Processural Approaches
	• Sensitivity training (T Group - Lewin)
	• Survey feedback (Mann - Michigan)
	• Transaction Analysis
	• Team/Group/Process Consulting (diagnostic & problem solving skills)
	• Theory Y - participative management (McGregor)
	• Managerial Grid (Blake & Mouton)
	    - concern for production
	    - concern for people
	• 3D effectiveness (Reddin)
	    - managerial effectiveness
	    - managerial style
	    - management by objectives
	
	Macro-structural/Design Interventions - Multi-divisional - Matrix

1970's onward	**Post-Industrial Organisational Change Interventions**
	
	• Mixture of socio-technical and human processural techniques, but typically larger scale interventions covering total organisations (e.g. Reddin - Westpac; AT & T, & McKinsey-type programs)
	• Macro-structural interventions (as above) Moves from Functional to - Multi Divisional - Matrix
	• Legislative change affecting organisations
	    - Appeals rights
	    - EEO
	    - Occupational Health & Safety
	• Change by leadership, or organisational culture interventions ("new management" perspective)
	• High level of intervention in organisational strategy to effect diversification (BCG, McKinsey, Pappas)
	• Change through Industrial Democracy
	    - Political/IR
	    - Organisational/QWL programs

macro-level and for efficient technological work flows at the micro-level. The prime strategy for the latter was work study. As these methods were applied, they were seen to produce order, but as undesirable side products, also low work motivation and alienation of employees from the goals of owners and managers.

This led in turn to the rise of the human relations movement with its stress on the importance of improved human relations training for supervisors, along with more consultation and employee involvement in decision making at lower levels. The human relations principles were an attempt to humanise an approach to change that had become technical in focus and neglected important characteristics of those who had to use the technology. Overall the prescriptions for change in this early period involved adjustments to existing subsystems (like imposing optimum ratios of workers per supervisor) or assistance in helping individuals adjust to the demands of the workplace (like providing counselling by a sympathetic supervisor). Both the earlier and later approaches were predominantly incrementalist, emphasising small-scale adjustive moves, rather than radical change.

b)   Post World War II Approaches To Change

A major transition takes place in the second period shown in Table 2.1 - i.e. post World War II until about the late 1960's. This period saw economic expansion and reconstruction in the western world, involving an exponential increase in the rate of organisational change, and social change generally. This growth was fuelled by the concentration of physical, financial and human resources on the process of technological innovation and diffusion. Economic growth was associated with an accompanying growth in organisational size and complexity - the key *"change problems"* to be solved were keeping pace with accelerating demands for goods and

services, and maintaining a workforce sufficiently skilled to cope with more sophisticated technologies and more complex organisational systems.

There were two major organisational change forms taken during this period. One, more collectivist, is associated primarily with Britain and Europe. This was the socio-technical systems approach which reflected the social reconstruction philosophy of the post World War II period in Europe. It also reflected the realities of power in European countries, where unions were relatively powerful and highly organised. It stressed negotiation between managers and unions over organisation and work design, and the introduction of varying forms of industrial democracy, which institutionalised these bargaining processes.

The other change form during this period is mainly associated with the U.S.A., which was less damaged by World War II than were the European economies. Here the emphasis was more on process than structure, more on psychology than sociology, more on the individual and on interpersonal relations than on collective interventions. This emphasis was not only economic: it was a reflection of the dominant democratic ideology of post World War II U.S.A. and its allies as an antidote to totalitarian ideologies. The democratic and participative ideology flowed over into social and corporate institutions. The central focus was the design of more psychologically satisfying work environments, aimed at attracting and retaining skilled workers and professionals, and to smooth the process of organisational adjustment to increasing size, complexity and new technology. Again, this was a predominantly incrementalist, small scale adjustive approach.

c)   **Post-Industrial Approaches To Change**

The 1970's however, laid the basis for a different kind of change - not rapid and predictable expansion of the west's economic production system, but new and

unexpected economic, political and social discontinuities. The dominant form of work organisation in the first half of the twentieth century had been that of scientifically managed production, and delivery of standardised goods and services by specialised organisations. The economies of scale derived from this mode of operation, and the competitive behaviours developed, were large factors in wealth creation in this period. However, the west's leading role in mass production was increasingly lost as a number of East Asian nations (initially Japan) built more competitive industrial bases. These broad structural shifts in the world economy have been described in detail by many authors (Drucker 1969; Bell 1976; Ginsberg and Vojta 1981; Reich 1983; Hofheinz and Calder 1982).

Their arguments will not be retraced here. However, they describe a series of related developments which dramatically changed the structure of western economies, and the operating milieu of western organisations. These changes had implications for change programs within organisations, and also shifted attention to the changing relationship of the organisation to an environment that was undergoing rapid and unpredictable transformation.

At this period new concerns move to the fore in literature on the management of change and in the then newly emerging strategic management literature. Issues receiving particular attention include:

* analysis of the strategic direction of whole organisations; analysis of the cost effectiveness of major organisational sub-systems and firms within larger portfolios, and the discontinuity of acquisitions, mergers and takeovers (Ansoff, Declerck and Hayes 1976; Henderson 1979; Porter 1980, 1985)

*   organisation designs needed to match or 'fit' new environmental conditions and corporate strategies (Miles and Snow 1978; Mintzberg 1979; Pfeffer 1978)

*   governmental intervention in organisations to achieve politically and socially desirable outcomes (Freeman 1984; Salancik and Pfeffer 1978)

It is at this time that arguments for organisation-wide transformation gain an increasing number of advocates. Organisation Development (O.D.) practitioners began to move beyond advocacy of lower level interventions, such as counselling and sensitivity training, to the adoption of system perspectives and comprehensive organisation change strategies. Beer, for example, in *Organisation Change and Development* (1980) maintained that change programs which are aimed only at changing individuals tend to be ineffectual unless they are part of a broader organisation-wide change program. This view stands in contrast to the more traditional O.D. arguments advanced by writers such as Harrison (1965) who saw system-wide interventions as shallow and argued that deep personal interventions with individuals were necessary to achieve permanent organisational change.

Thus within the behavioural science or O.D. literature in the 1970's and 1980's there emerged comprehensive approaches to organisation-wide change, with strategies such as team building, conflict resolution, or structural redesign seen as complementary tools to personal interventions in an overall change program. Examples of this approach include Beer (1980), Reddin (1978) and Dunphy (1981). Reddin's writings are an excellent example of the transition as they reflect a move from his initial concern with modifying managerial traits and style to the system-wide change strategy of management-by-objectives as a means of enhancing managerial effectiveness within a total organisation systems context.

Nevertheless, while these approaches began to advocate system-wide change, they were still predominantly incrementalist rather than radical, reflecting the ideology of O.D. practitioners whose basic values were internalised in times when organisational environments were relatively stable, demand was expanding, and organisational growth was uni-directional.

Meanwhile, however, the *"age of discontinuity"*, as Drucker called it, was well under way, and conditions arose which did not always favour incrementalism or employee participation. This was coupled with a developing emphasis on pluralism in both management theory and practice. Writers such as Salancik and Pfeffer (1978), Mason and Mitroff (1981), and Bourgeois (1980, 1984a, 1984b) emphasised that the management task, and change programs, are heavily dependent on the exercise of power and characteristically take place in a milieu dominated by the interests of a plethora of stakeholders forming into influential coalitions. The use of coercive power was thus seen as a legitimate means of achieving the aims of the executive or of a dominant coalition of interests. Total corporate change interventions, radical in scale or style, or both, started to emerge as a viable means of redirecting organisational strategies and energies.

The above historical overview demonstrates a sequence of approaches to organisational change, but also shows the genesis of differing ideologies of change, which underlie much debate about the most appropriate ways of effecting organisational change.

2.3   INCREMENTAL OR TRANSFORMATIVE CHANGE?

a)   The Thesis of Incrementation

From the above it is evident that the dominant model arising from the O.D. and related literature has been that of incrementalism, planned change and orderly transitioning. Quinn 1977, 1980; Golembiewski 1979; Dunphy 1981; Kanter 1983; Gagliardi 1986 are contemporary authors who have concentrated on this theme. For example, Quinn (1977, 1980) argued forcibly for the incrementalist view and against radical change in strategic organisational directions, systems or central processes. In particular, Quinn's 1980 work is a cogently presented version of the incrementalist thesis. Paraphrased, his argument is that the effective manager moves the organisation forward in small, logical steps. This is achieved by ensuring that the organisation collects and utilises appropriate environmental information over a long time-frame and, as information is shared, assimilated and internalised by employees, subsystems can be adjusted progressively rather than discontinuously. Quinn argues that incremental change increases confidence amongst employees, reducing organisational dependence on outsiders to provide the impetus and momentum for change.

Quinn's thesis is a prototype of the behavioural scientist's argument for incrementalism. It values evolutionary rather than revolutionary change, order rather than disorder, consensus and collaboration in preference to conflict and power, the use of expert authority and the persuasiveness of data rather than the dictates of positional authority or the emotionality of charismatic leadership.

b) **The Thesis of Transformative Change**

While incrementalism has been well suited to environments producing stability and growth, these conditions have now disappeared in whole sectors of western industrial economies. The *'age of discontinuity'* created conditions in the 1970's and 1980's which were often antithetical to an incrementalist approach. The significance of these major environmental changes was at first ignored by the O.D. movement which, as Beer and Walton (1987) have noted "has focused too narrowly on planned, internal efforts and neglected the role of environmental factors" (p.357).

However these changed environmental conditions have recently led to a developing literature on large-scale organisational transitions, not just involving components of the organisation, but encompassing total structures, management processes and corporate cultures (Tichy 1982; Miller 1982; Miller and Friesen 1984; Kimberly and Quinn 1984; Schein 1985; Kilman et al 1985; Harris 1985; Uzzi 1986; Beer and Walton 1987). Kimberly and Quinn's (ibid) theme of Restructuring, Repositioning and Revitalisation outlined in *Managing Organisational Transitions* is representative of this literature, conceptualising and drawing together what was, in fact, happening in the real world.

c) **Incrementalism or Transformation - An Integration**

Within the organisational change and related literature, we therefore have arguments for incrementalism on the one hand, and on the other, equally eloquent arguments for abrupt and radical organisation transformation. Which arguments have most credence?

A dispassionate analysis seems to indicate that a comprehensive change theory, with its set of intervention strategies, needs to include both approaches. The approaches

are complementary rather than conflicting, and the issue is not whether, but when, to adopt an incrementalist or a transformational approach. Incrementalist strategies appear viable when the organisation is basically in fit with its current and predicted future environmental conditions, but where some adjustments are needed in mission, strategy, structure and/or internal processes. Alternatively, incrementalist strategies also appear appropriate where such fit no longer exists, but there is sufficient time available to make changes without endangering the organisation's viability. Transformational strategies appear to apply when the organisation is markedly out of fit, or the environment changes dramatically, and for the organisation to survive, fit must be achieved by more discontinuous change processes.

Some writers have, in fact, proposed models which allow for both incremental and transformative types of change, seeing these types of change as applying at different stages in the organisational life cycle (Greiner 1972; Miller 1982; Miller and Friesen 1984; Tushman, Newman and Romanelli 1986). The actual terms vary slightly, some writers using the terms evolution and revolution (Greiner; Miller; Miller and Friesen), others using convergence and frame-breaking change (Tushman et al). A summary of related concepts from the literature is shown in Table 2.3. A major tenet of writers who move beyond incrementalism as a unidimensional approach is that revolutionary change is necessary when a relatively stable environment becomes turbulent, or when major elements of organisational functioning (strategy, structure and process) are out of 'fit' with the environment and require substantial re-alignment. These writers appear to place no negative value on 'revolution' as do those from the incrementalist tradition, such as Golembiewski (1979:1-6) who writes:

'Some would argue that only revolution offers any hope that our institutions will be renewed .... At the very least, however, massive efforts at renewal should precede that last resort, revolution.'

Table 2.3   **Some Related Concepts In
The Organisational Change
Literature**

Dunphy and Stace (1988)	*	Incremental change	*	Transformative change
	*	Evolutionary change	*	Revolutionary change
Levy (1986)	*	First-order change	*	Second-order change
Tushman and Romanelli (1986)	*	Convergence	*	Frame-breaking change
	*	Incrementalism	*	Upheaval
	*	Evolutionary change	*	Transformational change
Pettigrew (1985)	*	Evolutions (lower levels of change activity)	*	Revolutions (higher levels of change activity)
Fiol and Lyles (1985) - organisational learning	*	Incremental change and 'constant learning' at all organisational levels	*	Transformative change and 'periodic learning' occurring mainly in upper organisational levels
Miller and Friesen (1984)	*	Incremental, piecemeal change	*	Multi-faceted, concerted change
Miller (1982)	*	Evolutionary, incremental change	*	Revolutionary change
			*	Quantum change
Greiner (1972) - organisational life cycle model	*	Evolution, in times of stability	*	Revolution, at different stages of organisational growth

The essential difference between incremental and transformative change appears not to be the difference between slow and rapid change, or normal and exceptional change. Rather, the difference lies in part on whether organisations are effecting change on a continuous or a discontinuous basis, and in part on whether major environmental discontinuity creates a need for major change in the organisation. Fiol and Lyles (1985) have classified organisations into two categories: those which undergo *constant learning* at all levels in the organisation, and those which undergo *periodic learning*, mainly within the upper echelons of the organisation (1985:803-813). Organisations undergoing constant learning are those which constantly scan the environment and make appropriate adjustments, while those undergoing periodic learning often find or regain fit by a series of large-scale adjustments in strategy, structure, or process, or a combination of the three. It is this latter kind of change that is properly referred to as transformative.

Levy's *polar ideal type model* (Levy, 1986:10) of first-order and second-order change provides a good basis for differentiation between evolutionary and revolutionary change. Levy defines first-order change as taking place by incremental adjustments that do not instantaneously change the system's core. By contrast, second-order change involves alteration of the system's basic governing rules. Second-order change is a multi-dimensional, multi-component and multi-level alteration that shifts the system irreversibly to a new and revolutionary paradigm. Levy argues that the model of change advanced by O.D. practitioners does not go deeply enough to create second-order change, for O.D. interventions do not attempt to change the *metrarules* of the system.

2.4 COLLABORATION OR COERCION? THE MEANS OF EFFECTING ORGANISATIONAL CHANGE

So far, we have examined the dichotomy of two types of organisational change - evolution versus transformation. Now we turn to the equally relevant issue of the means of effecting organisational change. In the main, the organisational change literature has tended to support the general value position of O.D. writers which traditionally has argued for the collaborative approach of employee participation as the one universal way to effect organisational change. The major aim in adopting a collaborative approach has been to facilitate the development of a common organisational vision based on shared values (see Schein 1985). Nevertheless, there are significant variations amongst organisational change theorists about the nature of participation and the rationale for it. A full review of the issue is beyond the scope of this chapter, but some differences are germane to the argument and will therefore be reviewed here.

On the whole, O.D. writers argue for using participative methods as a means for overcoming resistance in the workforce to change initiated and planned by management. Participation by the workforce is normally limited to determining sub-goals of a larger change program designed by management, or to determining how management-initiated goals are to be implemented. In the major (predominantly U.S.) O.D. tradition, there is often an implicit assumption of a harmony of interests among the organisational stakeholders and a downplaying of the value of conflicts of interest. The emphasis, too, is on creating an informal participative change/process rather than on creating enduring formal participative structures. The managerial prerogative is thus preserved, workforce participation being at the invitation of management and essentially limited to consultative

processes. It is fair to point out that management can and does from time to time withdraw the invitation to participate if participation appears to be *'getting out of hand'*.

Another (predominantly European) tradition stands in contrast to the O.D. version of the participative change modes. This is the industrial democracy (I.D.) tradition, often associated with *'sociotechnical systems analysis'* as a change intervention strategy. The I.D. model stresses democratisation rather than participation. Its adherents frequently emphasise the conflicting interests of stakeholder groups, specifically rejecting industrial harmony as a dangerous illusion. They stress the creation of enduring participative structures with legitimate (sometimes legally enforceable) powers which limit the managerial prerogative in some circumstances. This tradition for example, has been formally incorporated into organisational life in Germany, Norway and Sweden (Elden, 1986).

The I.D. tradition of participation also emphasises workforce participation in the setting of major organisational change goals as well as implementation strategies. Its apologists argue that those whose lives will be affected by organisational change programs should have a significant role in determining the direction of change. They also argue that the O.D. model does not envisage the possibility of participation transforming the existing power structure through generating more commitment to it. This is another powerful critique of the O.D. model, again suggesting that O.D. interventions may retard the process of transformation by limiting workforce criticism of mission and structure as well as creating deeper commitment to the established managerial elite. The elite's self-interests and/or circumscribed interpretive scheme may well be preventing the central paradigm shift needed to transform the organisation and bring it into fit in a changed environment.

'Conventional O.D. tends to sustain rather than transform hierarchical authority' (Elden 1986:250).

There is evidence of a growing debate about the importance of participation in organisational change. There is not only controversy amongst the proponents of participation about the kind of participation that is appropriate, but also about whether participation can realistically be advocated as a universal approach to increasing organisational effectiveness. A major attack on the universalist approach was mounted by Locke, Schweiger and Latham in 1986. Locke made a spirited attack on the general O.D. tradition of using participative methods of change in all circumstances, but particularly criticised an article by Sashkin (1984). Sashkin argued that employee participation is not only effective but that its use by management is an ethical imperative. Locke argued, as had Vroom and Yetton (1973) and Kanter (1982) before him, that participation is 'simply a managerial technique that is appropriate in certain circumstances' (p.65). Sashkin (1986) subsequently replied, reaffirming his position, and using the same body of studies referred to by Locke to argue that 'participative management improves performance when it is properly designed and implemented' (p.71). Thus Sashkin continued to argue for the universal effectiveness of participation. More recently, however, Nord and Tucker (1987) concluded that participation 'often does not lead to the best decision' (p.35). Rubenstein and Washburn (1987) use agency theory to show how the O.D. emphasis on shared vision and values can impede or prevent the emergence of champions for new ideas that might challenge dominant organisational paradigms.

Another major limitation of the participative approach is that it has been limited to employee participation. Employees and managers are only two key stakeholders in a potentially wider range of organisational stakeholders who may have vital and

legitimate interests in the direction and extent of organisational change. Other important stakeholders are customers/clients, and governments. Clearly, the I.D. tradition of participation presents a valid critique of traditional O.D. change strategies and significantly widens the debate about the universal applicability of O.D. methods, particularly in bringing about transformative change.

While the I.D. tradition accepts the reality of conflicts of interest, it too fails to present a comprehensive model of the full range of organisational change modes. It goes beyond a simple collaborative mode to include the negotiation of change between two key stakeholder groups (managers and workforce, or their representatives) but does not include other key stakeholders. It also assumes that interests can eventually be reconciled through negotiated trade-offs. However, there may be win/lose situations, where the interests of the respective parties are incompatible, or where other stakeholders cannot or will not accept a negotiated settlement between management and labour which is not in their (i.e. the third stakeholder's) interests.

In such circumstances, these significant conflicts of interest may only be resolved by an authoritative directive (e.g. on the part of legally constituted authority), or by coercion, i.e. a solution imposed by a stronger party. There is an emerging recognition in the organisational change literature that the political dynamics of change (see Tichy's Technical, Political and Cultural thesis of change dynamics - 1982) are often shaped more directively or coercively than a traditional collaborative approach would recommend, and that this may be the only (or even best) way to bring the organisation back into fit with changed environmental circumstances (see e.g. Muczyk and Reimann, 1987, for discussion of directive leadership).

So we can posit a conceptual continuum of the means or style of bringing about change that includes participative means, authoritative direction and coercion. This

theme is partially dealt with by Kotter and Schlesinger (1979) in their exploration of collaborative and coercive means of overcoming resistance to change. It is also covered to some extent by Nadler (1983) in his division of the requirements of organisational change into three parts, viz motivating change, managing the transition, and shaping the political dynamics of change. The pluralist/power writers such as Salancik and Pfeffer (1978), Mason and Mitroff (1981), and Bourgeois (1980, 1984) have also emphasised that the use of coercive power is a legitimate means of achieving the aims of the executive or of a dominant coalition of interests.

This newer emphasis in the literature accords with references in the business press on more directive means of change (e.g. Larry Rawl of Exxon, quoted in Australian Business, August 19, 1988; Jack Welch of General Electric, quoted in Business Week, December 14, 1987). It also accords with the researcher's own observations of organisations: managers, executives and key stakeholders often abandon a collaborative approach to change if that approach is demonstrably unsuited to achieving the changes they value. In other cases, collaboration may be tried but fail if there has not been a history or culture of collaboration within an organisation.

Collaboration or coercion may therefore be equally effective modes of bringing about change in different situations. Collaborative change involves participation by both managers and employees in important decisions about the organisation's future (Heller and Wilpert 1981: 47) and assumes a high degree of communication within the organisation about organisational adjustment and change. It appears to be an effective approach to change when managers and employees are both motivated to support the changes needed to bring the organisation into fit. Directive change on the other hand involves the use of legitimate authority to effect organisational change and may be effective where the authority is respected by key stakeholders. Coercive

change involves the use of explicit or implicit force between managers and employees, and an autocratic process of decision-making by management or other key stakeholders (Heller and Wilpert, op cit). It may be effective in bringing the organisation into fit if the dominant coalition has sufficient power to gain control of the change process. No value judgements are attached to these constructs. They arise by simply accepting the logical implications of Nicholas's review (1982) of the impact of 64 O.D. interventions on 'hard criteria' such as costs, productivity, quality and absenteeism. Nicholas concluded that 'the single most apparent finding of this research is that no one change technique or class of techniques works well in all situations' (p.540).

2.5   A THEORETICAL MODEL OF CHANGE TYPES OR STRATEGIES

This section extends the theoretical discussion above by outlining a theoretical model or typology of change strategies, which becomes the central theoretical paradigm for this study. In Dunphy and Stace (1988) the two major dimensions of organisational change, viz the Scale of change, and the managerial means or Style used to effect organisational change are combined to create a two by two matrix or typology. This is shown in Figure 2.1.

The matrix shows the propensity of organisations to effect change by one or a combination of strategies:

- incremental adjustment, achieved by collaborative means (Participative Evolution - Change Type 1)

- large-scale discontinuous change, achieved by collaborative means (Charismatic Transformation - Change Type 2)

Figure 2.1   A Typology of Change Strategies

	Incremental Change Strategies	Transformative Change Strategies
Collaborative Modes	*Type 1* Participative Evolution	*Type 2* Charismatic Transformation
Coercive Modes	*Type 3* Forced Evolution	*Type 4* Dictatorial Transformation

- incremental adjustment, achieved by coercive means (Forced Evolution - Change Type 3)

- large-scale discontinuous change, achieved by coercive means (Dictatorial Transformation - Change Type 4)

These change types are situational, and represent equally effective means of bringing organizations into environmental fit, the effectiveness of the strategy being mainly dependent on the volatility of the organization's strategic environment and workforce support for change. Change Types 1 to 4 as outlined in Figure 2.1 are based on the tradition of Weberian *'ideal types'* (Weber, in Henderson and Parsons, 1947). The model as developed originally provides grounded examples of Australian and international organisations which appear on the basis of our previous research or consulting, anecdotal evidence or reference in business journals, to best approximate each of the four change types (Dunphy and Stace 1988: pp 328 - 329). Figure 2.2 shows the typology of change strategies, and suggested conditions under which the strategies might appropriately be used.

This model of change goes beyond the uni-dimensional models of Greiner (1972) and Tushman et al (1986) which concentrate essentially on the type of change (evolutionary-revolutionary; convergent-frame-breaking) to also encompass the mode or managerial style by which change is effected. The model assumes no *a priori* value stance on change methodologies , but is rather a contingency model of change in which the ultimate criterion is organisational effectiveness.

Lundberg, in his analysis of strategies for major organisational transitioning, has commented on the paucity of such processual models in the change management literature:

Figure 2.2   **A Typology of Change Strategies and Conditions for their Use**

	Incremental Change Strategies	Transformative Change Strategies
Collaborative Modes	1. Participative Evolution Use when organisation is in *'fit'* but needs minor adjustment, or is out of fit but time is available and key interest groups favour change.	2. Charismatic Transformation Use when organisation is out of *'fit'*, there is little time for extensive participation but there is support for radical change within the organisation.
Coercive Modes	3. Forced Evolution Use when organisation is in *'fit'* but needs minor adjustment, or is out of fit but time is available, but key interest groups oppose change.	4. Dictatorial Transformation Use when organisation is out of *'fit'*, there is no time for extensive participation and no support within the organisation for radical change, but radical change is vital to organisational survival and fulfilment of basic mission.

'Our knowledge and practice... focus on the internal fine-tuning of purposive organizations and their improved alignment to their relevant external environments. To raise questions about the management of those organisational changes we have termed tranistions immediately pinpoints two notable omissions in the change literature - missing are change models concerning the dynamics and structures of major system shifts, that is, organisational transitions, and change strategies, that is those macro models which guide major change endeavours.' (1984:61)

While writers such as Beer (1980) concentrate on systems approaches to change and provide a useful social systems framework for analysing the major elements of change, the classic O.D. literature has lacked holistic change models, or process strategies. Beer and Walton have concluded recently:

'Rather than assume that there is a single way to change organisations, a way consistent with our technology and values, we should develop a contingency theory of organisational change.....we need a theory of organisational adaptation that incorporates all types of interventions, applying them to the management of the numerous crises all organisations face'. (Beer and Walton 1987: 362)

Pettigrew, too, has taken up this theme:

' .... there is a dearth of studies which can make statements about the how and why of change, about the processual dynamics of change ... which go beyond the analysis of change and begin to theorise about changing' (1985:15)

A differentiated contingency model of change strategies, such as that in Figure 2.1 allows managers and researchers to conceptualise the change management task in situational terms. What this paradigm of change strategies suggests is that much of the traditional O.D. literature has been concerned with Change Type 1, 'Participative Evolution', and that its prescriptions are valid for the conditions described in that area of the matrix in Figure 2.2. These conditions are more prevalent in times of

stability or steady economic growth. However, Forced Evolution (Change Type 3) will also be used at such times in organisations where key internal interest groups oppose change. However, as environmental discontinuity increases, Charismatic Transformation (Change Type 2) becomes a more viable approach when there is an acceptance on the part of key organisational stakeholders of the need for large-scale transformation. This is usually the case where rewards are available to ensure sufficient support from within the organisation and where there are no widely divergent views on how to bring the organisation back into fit. Schein (1985: 277-282) in a section on 'How Cultures Change' outlines several alternative approaches to 'collaborative/transformative' change.

Finally, Dictatorial Transformation (Change Type 4) will become more common in periods of environmental discontinuity. At such times, major organisational restructuring may be needed, may run counter to the entrenched interests of key internal groups, and there may be few rewards to offer for change. In such circumstances, external force (authoritive direction or coercion) may become the only available means to ensure organisational survival. It should be emphasised that the two dimensions on this change model are continua, not discrete positions. However, the continua are conceptual, and do not have numerically scalar qualities.

We would expect many organisations to tend more to one type of change than to another. However, there could be a melding of strategies for change, and different strategies for different workforce sectors, and for major product divisions within the one organisation. Thus this change strategies model provided the initial conceptual schema for theory development in this research study. However, as will be shown later in the thesis, the model itself underwent transformation because of definitional inadequacies, firstly prior to the initial pilot study in the field (which operationalised

Change Scale into three categories - Fine Tuning, Incremental Adjustment and Transformative Change, and Change Style into three categories - Collaborative, Directive, Coercive). Following the pilot study another change was made: the effect was to create a four-by-four matrix to provide more discriminant indices of change on both the Scale and Style dimensions (see Chapter 4 - Section 4.6 for a discussion on this).

2.6   SUMMARY

This historical review, summary of current thematic issues in the organisational change literature, and introduction of the Dunphy/Stace change model demonstrates the move from a micro to a macro or strategic focus. It also demonstrates that management process, including organisational change strategies, approaches and techniques, is now a critical variable in implementing business content decisions. This is all the more so in the emerging service industries, where a prime operating technology is the organisation's human resource base - "in the service industries people not only produce the product, they are the product" (Saul 1987: 89).

The criticality of organisational change strategy to organisational business strategy and repositioning has led to the need for a theory and research base which synthesises alternate approaches into a comprehensive change strategies model. This model forms such a base and is the central research paradigm for this study.

CHAPTER 3

A REVIEW OF STRATEGIC HUMAN RESOURCE MANAGEMENT THEORY

3.1   CHANGES IN HUMAN RESOURCE MANAGEMENT EMPHASIS

Developments in macro theories of organisational transitions in the organisational change literature have been paralleled by, but not necessarily linked with, similar developments in the area of human resource management. In the main concepts of human resource management developed in the post World War II era in a framework of growth and planned organisational change. Emphasis was focused on the almost uniform application of personnel/human resource management techniques within and across organisations (Flippo 1976; Beach 1975). This approach was adequate to a period of relative organisational stability where the optimisation of all resources was not totally necessary for survival.

However, since the late 1970's there has been considerable growth in a new literature on contingency approaches to human resource management. In one major stream of this literature, corporate/business strategy is treated as the independent variable. The emphasis is on developing differential human resource strategies for different organisations, to suit different business strategies, and for different workforce sectors. The aim of this more differentiated appraoch is to assist in achieving strategic fit or congruence between the organisation's business strategies, structures, systems and management processes. (Angle 1985; Beer et al 1984; Baird and Meshoulam 1984; Devanna, Tichy and Fombrun 1981; Dyer 1983; Galbraith and Nathanson 1978; Miles and Snow 1984a; Ordiorne 1985).

This emphasis in human resource management literature has arisen in part from the strategic management literature (the relationship of strategy to management processes), and in part from contingency theory, (the fit between strategy, structure, management process and the environment). Tichy, Fombrun and Devanna (1982) credit the genesis of systematic attention on strategy and human resource management to the seminal work of Galbraith and Nathanson (1978) - whose emphasis was on the implementation of strategy through structure and process. Other authors such as Dyer (1983) and Miles and Snow (1984a) go beyond the role of management process in strategy implementation, to stress the integral and interactive nature of business planning and management process. This emphasis in the literature is coupled with growing recognition within many organisations that the human resource function is potentially an agency for change, in addition to or replacing its traditional administrative role, a trend well documented in personnel practitioner journals, and recently in the Australian context (Stace 1986; Deery and Dowling 1986; Towers, Perrin, Foster and Crosby 1986).

Beer has adequately summarised some of the major reasons for these trends:

* increasing international competition for western economies has created the need for dramatic improvements in human productivity

* the impact of technology on organistional structures has had a fundamental impact on work organisation and job design

* the increasing size and complexity of organisations, concerns for the high costs of bureaucratic layers, and isolation of employees from both the organisation and its competitive environment has created the need to build new patterns and structures for human interaction within organisations

*   divisionalisation, the geographic spread of firms, and the emergence of
multinational organisations, all have implications for strategic process issues
in managing more diverse and dispersed corporate workforces

*   slower growth and declining markets is affecting the capacity of some
organisations to offer advancement and/or life-long employment security,
with consequent effects on career planning and career mobility

*   greater involvement by governments in human resource policy and practice
via social legislation;   increasing education, and changing values of the
workforce;   changes in workforce demography, particularly in relation to
women and minorities, all impact on assumptions about employee
involvement and influence in management processes, and human resource
policy and practice.

The relative success of the Japanese economic model, with its emphasis on
value-adding people management strategies, has also been an influence on this trend.
Beer continues "... it is not surprising that such pressures have created the need for
more institutional attention to people, a longer time perspective in managing people,
and consideration of people as a potential asset rather than merely a variable cost"
(Beer 1984: 4-6: trends summarised).

Overall, these new emphases in human resource management have had the effect of
taking the field beyond its characteristic technique-based orientation of the 1950's to
the 1970's, to a more holistic conceptualisation of suites of policies, practices and
techniques appropriate to the implementation of corporate and business level
strategy. These trends toward a more strategic human resource orientation have
been particularly noticeable in the financial service industry. The fact that these

trends are an international phenomenon in advanced economies was underlined by the 1988 OECD study *Human Resources and Corporate Strategy* (Bertrand and Noyelle 1988) - a comprehensive study of human resource strategy in financial services, spanning France, Germany, Japan, Sweden and the United States. Increasingly, as organisations have responded to environmental turbulence there has been emphasis on conjoint adjustments to strategy, structure and process in maintaining organisational growth and/or viability.

3.2 THE STRATEGIC HUMAN RESOURCE MANAGEMENT LITERATURE

The stream of thinking most clearly contributing to a macro perspective of personnel/human resource policy is the strategic human resource management (SHRM) literature. Conceptually SHRM is the generic term used to refer to the linkage of business content strategies to management process, via personnel policies, practices and techniques. Human resource strategy on the other hand can also be defined in tactical terms as in Wils (1984:7):

"a human resource strategy refers to a set of important decisions related to the management of human resources, which defines the adaptation of an organisation to its external as well as its internal environment in the pursuit of its objectives"

The SHRM literature has been primarily concerned with implementation, or process issues. In Collins' terms this involves "identifying and creating tight fitting configurations in organisational design and human resource policies and practices that ensure that (business) strategy is translated into action" (1987:5). However the potential role of human resource issues in reciprocally influencing business strategy formulation is also recognised (Collins ibid). This occurs through the availability of

distinctive human resource competencies to pursue a business strategy. Tichy, Fombrun and Devanna refer to these joint foci as the emerging strategic role of human resource management in "both the formulation and implementation of long run plans" (1982: 47). This research project looks at both these dimensions of SHRM. On the one hand we look at any association between business strategy content and organisational change types, and on the other hand at the association between organisational change types and human resource policy as process or implementation variables. The current status of the SHRM literature is therefore reviewed from this joint perspective.

One arm of the SHRM literature concerns the necessity to link business strategy (content) with human resource policy at the strategy formulation stage, to render the process of strategic positioning and implementation more effective. Tichy, Fombrun and Devanna (1982); Dyer (1983); Miles and Snow (1984a); Nininger (1980) and Davis (1983) are all illustrative of this normative emphasis. The major thematic thrust of this literature is the extent to which the development of internal synergy, or fit, between strategy, structure and management processes (including human resources) enhances organisational performance.

Other authors (Baird, Meshoulam and De Give 1983; Baird and Meshoulam 1984) have developed models to demonstrate how personnel policies can be developed to produce an integrated human resources strategy, or to assist executives to identify gaps in human resource activities within organisations. Angle, Manz and Van de Ven (1985) show how a strategic human resource program has been developed at a large American corporation through a 'systematic program of cultural analysis; professional development of line managers and human resource specialists;

restructuring of the human resource management organisation, and creation of a new partnership between line and human resource managers'.

Still other authors have extended the content-process link by proposing differentiated human resource policy emphases according to different generic business strategies. Smith (1982 and 1983) has developed a matrix showing characteristics of a human resources program by product-life cycle and organisational development stages. Tichy, Fombrun and Devanna (1982) have adapted Galbraith and Nathanson (1978) to show the links between product/diversification strategies to organisational structure and differentiated human resource management policies. Miles and Snow (1984b) have developed an analysis of three different business strategies (Defender, Prospector, Analyser) against the managerial and human resource systems required for these generic business strategy positions. Olian and Rynes (1984) subsequently adopted the Miles and Snow typology as a basis on which to make predictions about recruiting and selection practices. In associated, but less comprehensive analyses, Szilagyi and Schweiger (1984) and Leontiades (1982) have developed models to match managerial characteristics with particular business strategies.

More recently the literature on content - process linkages has been critiqued, researched and refined by several authors. Collins (1987 pp.10-11) has presented a comprehensive synopsis of the integration of strategic management theory and human resource management. The generic business strategies he uses as his content referent points are drawn from Porter (1985) and Miller (1986), and bear some resemblance to Miles and Snow's business strategy types as follows:

Porter/Miller	Miles and Snow
Low Cost Producer	Defender
Innovating Differentiators	Prospectors
Marketing Differentiators	Analysers
Asset Parsimony	-
-	Reactors

In particular Collins has offered an analysis of the human resource policies likely to be followed in implementing two of the business strategy types, viz. the innovating differentiator and the low cost producer. This is similar to the analysis by Miles and Snow (1984b) of the human resource policies likely to be actioned by organisations following any of the Defender, Prospector or Analyser business strategies. However the business strategy types referred to by Collins have not been operationalised in the way that has been done by Snow and Hrebiniak (1980) to Miles and Snow's (1978) types.

In a statistically based questionnaire-type study Fisher and Shaw (1987) used the Miles and Snow business strategy descriptors (as modified by Snow and Hrebiniak) to develop and test hypotheses about the association of business strategies with particular human resource practices (recruiting; promotion, training; performance appraisal; compensation; personnel policies; job descriptions). The results of this study were largely inconclusive and suggest that "organisations often do not follow the human resource practices suggested (as per researcher hypothesis) for their business strategy" (pp 27-28). The inconclusive results from Fisher and Shaw's study were one influence in confirming that a comprehensive field based approach to researching strategy-process linkages was required at this stage of theory development, based on field studies rather than a mailed questionnaire methodology.

In another study (Schuler 1986; Schuler and Jackson 1987; Schuler 1988) the business strategy framework of Gerstein and Reisman (1983) was used as the strategy referent. This was used to develop a normative statement of the human resources practices likely to be followed while undertaking the following corporate business strategies - entrepreneurial; dynamic growth; contract/profit; liquidation/divestiture; turnaround. However, the normative prescriptions of human resource practice are very generalised, and do not give a tight definitive analysis of how, or if one set of human resource strategies differs from another.

One of the most recent critiques of SHRM has been offered by Lengnick-Hall and Lengnick-Hall (1988). After reviewing the SHRM literature these authors contend that the real issue is not what human resource policy and practice should be used to implement specific business strategies, but how to develop a reciprocal interdependence between competitive business strategy and human resource strategy. Their Figure 2 (p. 467) portrays the competitive business strategy of the organisation creating a demand for skills and employees, while the human resource strategy creates organisation availability and readiness for business strategy actioning. The one is dependent on the other, and vice versa, They argue

"... both human resource strategy and business strategy are seen as composite outcomes because in each, many functions, events, and relationships influence organisational results. The crucial interaction is between multi dimensional demand (as in economic conditions, industry structure, distinct competence, competitive advantage and product/market scope), and multifaceted readiness (as in the labour market, skills and values, culture, and economic conditions): each is an input to and a constraint on the other" (p.467)

The authors have also developed a typology of human resource management in a two by two matrix form which has the major dimensions of corporate growth expectations

(presumably business strategy), and organisational readiness or availability/ obtainability of human resources as the two axes. This *growth readiness matrix* depicts four types of human resource strategy viz. expansion; development; productivity, and redirection.

This is potentially a useful contribution to the literature in that the emphasis on reciprocal interdependence of business and human resource strategy shows, conceptually, how human resource strategy is a critical variable in both business strategy formulation, and implementation. In this model, human resource strategy is not the totally dependent variable in a deterministic strategy/finance based world which is often inferred in business practice. However, whether the relationship of one variable to the other is one of complete interdependence is open to question. This is because outside determinate forces may place powerful constraints on the extent to which organisational availability and readiness through its human resource strategy can influence business strategy. Industry structure, price leaders in the industry and national or global economic fluctuation may constitute powerful determinants of business strategy despite an organisation's human resource-based readiness.

However the Lengnick-Hall's paper was also useful in confirming the utility of type statements in describing the content of human resource strategies e.g. expansion, development, productivity, redirection (pp 462-466). For each of these human resource management types, the authors have developed a type statement.

3.3   EMERGING TRENDS IN THE SHRM LITERATURE

The above is a representative rather than a complete review of the SHRM literature.

However, several clear trends are evident:

* the field of SHRM is still in a stage of theory development, as no clearly dominant theoretical schema or research framework has yet emerged.

* although the dominant emphasis in the literature is on the association of business strategy with human resource strategy as an implementation variable, there is a growing emphasis on reciprocity between business content and management process, indicating the criticality of human resource strategy to business positioning strategies.

* the generic business strategy descriptors most commonly used in establishing differentiation or types of human resource strategy appear to be those developed by Miles and Snow (1978) and Miller (1986), despite the potential limitations of such business strategy descriptors outlined by Snow and Hambrick (1980); Hambrick (1980) and Hambrick (1983).

* the SHRM literature is primarily normative, with a growing research base.

The SHRM literature, however, does not yet appear to have a clearly dominant macro-model such as was evident in the strategy-structure literature of the early 1970's (Rumelt 1974). This leads us to ask whether the conceptual distance between generic business strategy descriptors, and clusters of micro human resource practices is not too great. It is equivalent in the strategy-structure literature of the distance between macro business strategy descriptors, and micro job design without any intermediate step. The strategy-structure literature appeared to gain focus in the 1970's when theorists and researchers began to look beyond micro concepts such as span-of-control, degree of functional specialty, and overall standardisation (Pugh, Hickson, Hinnings and Turner 1968) to intermediate concepts such as structural

divisionalisation. It was this intermediate level of structural understanding, initially developed through Chandler's case studies (1962), and refined by Rumelt (1972 and 1974) which led to synoptic works such as Mintzberg (1979) which consolidated our knowledge of strategy-structure linkages.

The strategy-management process literature may be at such a threshold stage. In our view organisational change could represent the intermediate process level, to help bridge the gap, conceptually, between business strategy and human resource practice at the micro process level. It is for this reason that this present study attempts to provide an intermediate process filter, conceptualised as organisational change, to assist our understanding of the association between business strategy and human resource management.

3.4   THE CONCEPT OF STRATEGIC FIT

Discussion of SHRM would be incomplete without reference to the role played by the contingency theorists' concept of 'strategic fit' in the theory and research models explored in this study. Some of the earlier writers on the post-Weberian bureaucratic structure (for instance, Burns and Stalker 1961), and early writers on strategic management (Ansoff 1972) tended to infer that mechanistic efficiency - based organisations would be less effective than entrepreneurial, innovative organisations.

Since then, we have witnessed a developing literature from the contingency school (Lawrence and Lorsch 1967; Khandawalla 1977; Kast and Rosenweig 1979) which stresses that organisational choice in areas such as business strategy, structure and process is not necessarily a question of selection of an ideal variable, irrespective of the organisation situation. The organisational task is to ensure that business strategy, as related to the business environment, industry structure, and product life cycles,

should mesh with appropriate structures and management processes to achieve co-alignment or internal consistency of major variables, or *'strategic fit'*. As a consequence, organisational effectiveness, growth and profitability is more likely to be achieved. Miles and Snow have put the concept well:

"Fit is a process as well as a state - a dynamic search that seeks to align the organisation with its environment and arranges resources internally in support of that alignment. In practical terms, the basic alignment mechanism is strategy, and the internal arrangements are organisation structure and management processes." (1984a:11)

Contingency theory and the concept of strategic fit provide the basis for the development of situational business strategies, structures and processes rather than the imposition of *'ideal'* types.

These concepts are central to this study. In relation to the major variable, organisational change, we are attempting to develop and seek initial corroboration of a situational model of change. In relation to business strategy, we are re-testing a situational model of business strategy types, while in human resource strategy, we are seeking to further develop an understanding of patterns, or gestalts, which extend our knowledge of the situational use of human resource policies.

There are two streams of debate arising from this interpretation of contingency theory which need to be briefly reviewed. The first relates to the determinism-managerial choice issue. The second relates to whether 'strategic fit' is in fact a useful organisational state at all. The determinism-managerial choice issue is primarily concerned with whether the business environment, and organisational business strategy are independent variables which drive the dependent variables of structure and management process virtually irrespective of managerial prerogative.

It is a causal path debate: does strategy lead to structure and management process, or is there reciprocal causality and what role, if any, is occupied by managers in strategic choice? This debate is covered by such authors as: Child (1972) and Donaldson (1987), and increasingly by the pluralist/power writers (Salancik and Pfeffer 1978; Mason and Mitroff 1981).

The second stream of debate relates closely to the first. It centres around the idea that among the top decision-makers of the organisation, ideas of strategic focus and co-alignment may be counterproductive. Is not creative dissonance (Bourgeois 1984) a more productive trait among the organisation's top decision-makers? By being too focused, and even unanimous about what constitutes best strategy, and strategic fit, members of the organisation's 'dominant coalition' may create and reinforce their own reality, and gradually allow the organisation to drift from important constraints and opportunities in the business environment. However, it seems that this is not so much an argument against the concept of 'strategic fit' per se, as a commentary on managerial behaviour.

The strategic fit issue as it relates to SHRM has been covered extensively in Lengnick-Hall and Lengnick-Hall (1988: pp.457-460) who maintain that -

"... in a turbulent environment, the search for fit involves a constantly moving target .... the whole issue of fit deserves reassessment. Research has shown that achieving fit is not always desirable. Further, a focus on maximising fit can be counterproductive if organisation change is needed...."

The position adopted in the present study is that fit is a useful concept in bringing some discipline to thinking about the alignment of major organisational variables. Contingency theory has given rise to an extensive body of research which has led to better definition of the conditions under which different business strategies,

structures and management processes might be employed. While recognising that the business environment is volatile, this does not in our view provide a base for arguing that alignment or near-alignment of major variables is not desirable in the interests of organisational survival and growth. We do however agree that fit is a constantly moving state, and not an ultimate destination.

In both of areas of debate it seems that a totally deterministic stance may be conceptually unsound, not reflecting the reality of organisational functioning. There appears to be a case to argue for some reciprocal causality between major organisational variables, but we believe that business strategy content variables are more dominant in the path of causality than process variables. In relation to managerial behaviours there may also be a powerful case to allow for creative dissonance to maximise the chance that appropriate organisational choices will be explored and made, rather than a fixed mindset or 'strategic fit' template operating in the minds of decision-makers. However, there is a less compelling case that this should lead, at the extreme, to either the characteristics described in Lindblom's *The Science of Muddling Through* (1959) or to the position adopted by some of the pluralist writers (Jay 1970; Salancik and Pfeffer 1978; Mason and Mitroff 1981) that the ultimate organisational reality is the exercise of power. Strategic fit provides a useful conceptual and managerial tool to redress these extremes in an attempt to create some organisational objectivity in actioning critical variables, however fleeting the state of stability or fit may be. The concept at least provides a set of moving goalposts, essential for a research study such as this.

3.5   SUMMARY

In this chapter changes in the orientation of the human resource management literature to a strategic focus have been described. This was followed by a review of

attempts to date to conceptually and empirically develop links between generic business strategies and patterns in human resource management policy/practice. Finally the concept of 'strategic fit' was briefly examined to orient the study within the contingency framework. Two current 'challenges' to the concept of strategic fit were examined: in both cases the concepts of 'reciprocal causality' (rather than determinism) and managerial 'creative dissonance' provide useful insights into the dangers of too mechanistic an approach to strategic fit, but in our view they do not displace the concept.

Chapters 2 and 3 jointly provide the conceptual base on which this research project is based.

CHAPTER 4

RESEARCH METHOD

4.1   INTRODUCTION

This chapter begins with a statement of the research questions, followed by the rationale for a field-based theory development study to address these questions. Detailed descriptions then follow of:

- the research sequence

- development of the case methodology, including instruments/ documentation and research formats developed to obtain an understanding of the key variables in the study.

- pilot testing of the methodology

- selection of the sample organisations

- case study write ups, and organisational responses

- strengths and limitations of the methodology

The appropriateness of the methodology to a theory development study will be demonstrated.

4.2   THE RESEARCH QUESTIONS

The primary aim of the research is theory building to explore the applicability of the Dunphy/Stace change model as a valid and systematic description of macro-

organisational change phenomena. The secondary aim is to see if this model has any power in explaining the relationships firstly between generic business strategies and organisational change strategies, and secondly between organisational change strategies and human resource strategies, as macro descriptors of organisational functioning.

The research questions can therefore be framed as follows:

a)   Is the Dunphy/Stace model of macro-organisational change phenomena descriptive of the world of events in the Australian financial services sector?

b)   Is there a systematic pattern of relationships between business strategies, measured by type statements, and patterns in the change model?

c)   Is there a systematic pattern of relationships between human resource strategies, assessed by detailed case research, and patterns in the change model?

These are not research hypotheses. Rather they are questions which provide the operational parameters firstly for a study of macro management process phenomena, and secondly of linkages between management process descriptors and business strategy (content) descriptors.

4.3   THE RESEARCH APPROACH

Chapters 1, 2 and 3 provide an outline of the theoretical frameworks which have impelled this research project. Simply stated it is the desire to extend the boundaries of theory development in management process through the use of what Harrigan (1985) calls "systems of classification which consider packages of attributes, or gestalts" (p 58). Pinder and Moore (1979) make the case for the greater use of such

taxonomic or typological approaches in the development of middle range theories (i.e. conceptual understanding, in contrast to the study of micro variables). The phenomena under investigation in this study are holistic, dynamic, macro-organisational variables, suitable to examination and interpretation by qualitative, inductive research methodology (Van Mannen 1979; Mintzberg 1979b; Hagg and Hedlund 1979). They are phenomena which do not easily lend themselves to single observation, cross-sectional research.

Beer has recently argued for comparative case research in organisational change and development:

"Driven by the "normal science" paradigm, research in the (O.D.) field attempts to evaluate intervention methods using before and after measures .... quantitative methods and quasi experimental designs are particularly valued ...

O.D. is in need of redefinition. We must focus on the central question of why and how organizations change and develop, not on intervention techniques applied without understanding of the context that enables them to succeed or fail ...

The primary research methodology appropriate to this focus is not that of "normal science", which attempts to answer little questions precisely. Instead we should do broader longitudinal studies which answer more important questions less precisely. I suggest clinical, archival and participant observer methods across several companies. This will yield comparative case studies of organizations facing similar problems." (Beer 1988)

As the primary aim of the research is therefore theory building rather than theory testing, case research utilising focused, comparative case studies has been chosen as the research method most appropriate to these research aims (Spender, in Schendel and Hofer 1979: 385-387). The case study approach has the following characteristics:

1.   The researcher intensely examines a single unit, or units

2.   Data are often collected by multiple means

3.   No attempt is made to exercise experimental or statistical controls

4.   Phenomena are studied in natural settings

5.   The strategy is suited more to the generation of hypotheses than their testing
        (Stone 1978:136, quoted by Wils 1984:30)

Among the limitations of this type of research are the difficulty of external generalisability through lack of variance or representativeness in the sample, and lack of replicability because many of the interpretations are unique to the researcher. However, this is the trade-off for greater understanding of the complexity of organisational phenomena, in a limited range of settings, which is the strength of case analysis. It is a trade off between a rigorous micro methodology, and applied research relevance. The quality of complex data is the important element of this study.

However, to assist in increasing the possibility of generalisability arising from the study, emphasis has been placed on a systematic means of organisational sample selection, and structured case methodology to ensure reasonable comparability of treatment between research sites. The case methodology involves the systematic use of structured interviews; administration of type statements and a questionnaire; access to and analysis of business policy documentation, and review of documented information on human resource policy and practices. In design, the research lies somewhere between *"grounded"* research (Glaser and Strauss 1967; Turner 1983) and *"cross-triangulation"* (Spender op cit; Miles 1979; Jick 1979; Harrigan 1985). In

the latter a variety of data collection methods is used to compensate for weaknesses in each single method, by the counterbalancing strengths of another (Jick 1979:604).

Hagg & Hedlund (op cit) recommend that case researchers relate observations gained in situ to general research frameworks. It is for this reason that a theoretical/conceptual schema, the change model, has been developed as a basic analytical tool. This acts within the study as a guiding research framework, but we have had to be open to the possibility, inherent in case methodology, that "one's conception of the initial relevant boundaries will be replaced by others" (Hagg and Hedlund op cit:142). The theoretical/conceptual schema provided by the change model is thus intended to guide rather than delimit the research parameters.

Several significant studies have used intensive case method as the research paradigm in a limited sample of organisations. Chandler's classic study (1962) of the growing phenomenon of structural divisionalisation was based on a sample of four organisations; Lipset's study (et al 1956) of union democracy in the U.S.A. was based on a sample of one organisation, as was Pettigrew's detailed study (1985) of I.C.I.. Kanter's study (1983) was based on intensive case research in ten organisations in a variety of industries. Thus, focused case research such as this study of ten organisations in the same industry, provides the possibility of similarly adding to the store of knowledge in the management of complex organisations.

4.4 THE SEQUENCE OF THE RESEARCH

The field research development and implementation phase of the study spanned eighteen months from July 1987 to December 1988, and covered the stages outlined in Figure 4.1.

**Figure 4.1   The Research Method in
Diagrammatic Form**

Development of Research Questions and Conceptual Framework	Development of the Case Methodology	Piloting of the Case Methodology
Modification Of Case Methodology	Ranking of Potential Case Sites by Industry Analysts	Selection of Case Study Organisations
Initial Contact with C.E.O.'s or Senior Representatives	3-5 day Field Study Visits x 10 Organisations	Follow-up Interviews. Systematic Data Analysis.
Draft Case Studies Prepared	Checking of Case Studies with the Organisation	Final Case Studies and Human Resource Policy Profiles x 10 Organisations

Following the research development and piloting stage, the contact with potential sample organisations, field study visits, case write ups, preparation of the final case studies and human resource profiles spanned the twelve months of 1988. The field studies were conducted in brackets of two, after which the respective cases were written up, prior to proceeding to the next field studies. The methodology and case write up for the pilot study tended to be less structured than the later studies, by which time a systematic process had been developed which allowed for better cross comparison, without losing the unique characteristics of the organisation being described.

4.5   DETAILS OF THE CASE METHODOLOGY

As this is a policy oriented study, the focus of the case method was on interviews with senior executives, reviews of policy documentation, and systematic cross comparison of the information derived across the sample organisations. In methodological terms we are therefore primarily dealing with perceptual data from the policy making levels of the organisation. However, to act as a form of internal validation within an organisation, a group interview technique was developed for administration among middle level and first line managers. This 'view from below' greatly strengthened the methodology.

The case methodology was refined after an initial pilot run in Qantas Airways Limited. The methodological variations following the pilot run will be described in Section 4.6, but the final methodology took the following form:

4.5.1   **Entry to Organisations**

a)   Preliminary telephone discussions were held by the researcher with either the Chief Executive or the Human Resource Director of each organisation, to describe the project and to seek an interview

b)   The researcher and the research supervisor visited the Chief Executive or the Human Resource Director to give further details of the project, to describe the extent of time, information and documentary sources required, and to jointly identify the senior executives to be included in the interview process.   During this visit, an in-house project co-ordinator was also identified.

c)   This was followed by a formal letter of request for the study to proceed, attaching a suggested interview schedule, documentary sources required, and guidelines for selection and structuring of middle level and first line manager interviews (Appendices 1.1 to 1.4).

4.5.2   **Executive Questionnaires on Human Resource Strategies**

a)   Executive questionnaires (Appendix 1.5) were distributed by the in-house co-ordinator to all executive interviewees, together with information on the research study.

b)   A separate questionnaire was developed for the Human Resource Director, providing for more detailed responses on human resource areas and practices (Appendix 1.6).

c)   The internal co-ordinator advised each interviewee to have the questionnaire available at the interview.

4.5.3 **Primary Data - Executive Interviews**

a)　　The initial interviews of 75 - 120 minutes duration were held with the Chief Executive (in two cases with the Deputy Chief Executive), and separately with the Human Resource Director. In these two interviews, and at times in one or two others, the researcher was accompanied by Professor Dunphy, the research supervisor. This tandem interview technique (Bouchard op cit: 372-374) allowed for more concentrated questioning and cross validation in reconstructing the results of the interview post-hoc. In eight out of ten cases a second interview was held toward the conclusion of the organisational visit with the Human Resource Director, and in three cases with the Chief Executive to seek further information, and to clarify issues and impressions.

b)　　Interviews of 75-90 minutes duration were held with other nominated/agreed senior executives, some holding executive staff positions, some holding senior line executive positions. The number of these interviews in each organisation varied from between five and eight, in addition to the interviews covered in 4.5.3(a). In the majority of organisations one or several *'emergent'* interviews were held with key individuals, not originally nominated, in order to gain a more comprehensive understanding of the phenomena under study.

c)　　For interviews under a) and b) standard interview formats were developed, piloted and modified. Two separate formats were used:

- Chief Executive Interview Schedule (Appendix 1.7). After the pilot study, this schedule was also used for the Human Resource Director interviews

- Divisional/Key Departmental Head Interview Schedules. These are identical in Sections 1-4 to the CEO/Human Resource Director Schedule, but differ in Section 5 (Human Resource Strategies), focusing less on corporate human resource issues, and more on human resource issues as they related to the Division/Department/Business Unit (The modified Section 4 is shown at Appendix 1.8)

These interview formats were developed for, and piloted in this research, as were the Executive and Human Resource Director questionnaires. This includes the Type statements covering measures of

- Scale of Change

- Style of Change

The only non-original material was the Business Strategy type measure, which derives from Snow and Hrebiniak (1980).

d) In actual usage the interview schedules became an organising schema for each interview, rather than a totally binding sequence. In all of the above categories of interview, a range of question types were used. Using Bouchard's schema (Bouchard 1977: 370), the following question types were built into the methodology:

Type 2   Specified questions, but open responses

Type 3   Questions not specified, but type of response is specified (as in Type choices)

Type 4   Open ranging questions

The mix varied between subjects. For instance, with Chief Executives and Human Resource Directors the questions were predominantly Types 2 and 4. The method with these respondents more closely resembled *grounded research*, with the researcher following themes of discussion as the interviews unfolded. The rationale for this was that "the key analytic decisions of qualitative study are most often accomplished by the researcher in the research setting itself - the selection of topics to pursue in a given study cannot be disembodied from the actual research process itself" (Van Maanen 1979). However, unlike grounded research there was an underlying thematic structure to these interviews, if not always a strict order in the actual questions asked.

In order to focus the study within a comparative timeframe for each organisation, three time periods were used for questions on the majority of variables

- the past 3 (or 3-5 years)

- now

- projected ahead for the next three years

The first two of these represented responses on perceptions of past or present events/phenomena (*realised*), while the latter represented *intended* organisational responses. Approximate three year periods were used primarily because this span is often required for major organisational decisions either to be implemented or to take effect, and secondly because the extent of executive and workforce mobility in financial services often meant that three years was the maximum timespan which could usefully be utilised in drawing on perceptual data. On occasions interviewees

couched their answers in a 3-5 year timeframe, particularly in relation to human resource policies, which seem typically to be actioned over an extended timeframe.

4.5.4   Primary Data - Group Interviews

The methodology provided for some internal cross-validation of the outcomes of the executive interviews by holding group interview sessions with four or five groups of 5-6 middle level and first line managers in each organisation. The actual number of interviewees in each organisation varied between 18 and 25, but the requirement of each organisation was to supply a representative list of 100-200 staff at these levels, so that the researcher could randomly select 24, with a reserve list of 16 for replacement purposes. The method of sample selection specified to organisations is shown in Appendix 1.4. Many interviewees travelled 30-50 kilometres from branch offices and business units for these interviews.

These interviews were structured in groups to economise on time, because of the impossibility of conducting individual interviews with this number of subjects in 10 organisations. However, to prevent 'group think' the interview process was conducted using a modified Delphi technique (Delbecq et al 1975). This approach allows for individually written responses, and gradual consolidation of the most common responses, without the undue influence of group opinion leaders. The complete method used, and the sample worksheets used for this process are shown in Appendix 1.9.

These interviews served two purposes. They provided a rich source of data on perceptions of each organisation's process policies from those who daily administer and manage the policy implementation. A secondary and important benefit to the research was the knowledge, among executive interviewees, that the group interviews at the lower levels would take place. From many comments made by executives, we

believe that this resulted in more objective responses from executives themselves, focusing more on 'realised' than 'intended' policies and strategies.

4.5.5 Secondary Data

This data was obtained by a systematic perusal of policy documents, position papers and procedures documents primarily in the area of human resource management. However, major or key reports and documents on strategic re-direction, structural and other change also provided essential material in building up a picture of the relationship between key variables in the study. Examples of such data included many confidential documents such as:

- agendas and minutes of Policy/Executive Committees

- reports commissioned by organisations from major consulting firms

- corporate strategy papers and plans

- business unit environmental analyses, critical issues analyses and planning documents

No organisation refused any request made for documentation, confidential or otherwise.

The intent of these 'unobtrusive measures' (Bouchard op cit) was to cross-check answers and impressions gained from interviews and questionnaires. Apparent discrepancies, or differences in policy documentation and implementation, were the subject of second interviews with senior executives in the majority of organisations.

4.5.6   Contextual Analysis

A necessary component of case research is a broadly based understanding of the organisation and its industry environment, against which data on the major variables can be analysed. The researcher systematically accessed reports in the public domain on the financial services sector, and undertook regular reviews of the financial media, preceding and during the research.

4.6   DEVELOPMENT OF THE SCALE AND STYLE OF CHANGE MEASURES

As shown in Chapter 2 there has been a developing literature over recent years on contingency approaches to change and managerial leadership styles used to effect change. However, at the commencement of this research in 1985 there had been few schemas available in this literature to assist in conceptually differentiating the component parts of a differentiated approach to change (which we have termed the 'scale of change') or to discriminate between the emergent managerial leadership styles used to effect change (which we have termed the 'style of change').

In relation to the Scale of change, helpful material had been developed by Miller and Friesen in their identification of critical events surrounding major quantum change in organisations (Miller and Friesen 1984, op cit p131ff). Tushman, Newman and Romanelli had also identified patterns and events associated with fine tuning, incremental adjustment and frame-breaking change (Tushman et al 1986, pp34-36). This latter material was used as a base from which we operationalised three "types" of change Scale as shown in Appendix 1.10. This instrument was used during the pilot study, but following comments from respondents it was clear that further differentiation was required, particularly in the Scale Type 3 category, to separate

major quantum change restricted to a major Division or Department, from quantum change affecting the whole organisation.

A revised instrument was then developed and repiloted with four types of change, representing the Scale of Change (Appendix 1.11). Respondents appeared able to use this revised instrument without the questioning of the researchers which we found characteristic of the earlier version. Subsequent discussions with respondents indicated that they saw the separate categories of the Scale of Change as useful though not necessarily discrete distinctions in identifying differing characteristics of change at different periods of recent organisational history. The instrument, as revised, was used throughout the study, without difficulty being expressed by respondents, on questions of interpretation or clarity. It was found however that some respondents wished to give split scores between two types, normally because they believed two adjacent types were equally characteristic of their organisation at a particular period of time. Split ratings of the types were allowed.

In relation to the style of managerial leadership used to effect change, the available body of literature is more developed than for the Scale of Change. However, we used Heller and Wilpert's (1981: 47ff) distinctions between collaborative, directive and coercive management of change as a framework to operationalise three Type statements representing the possible modes or managerial styles used to effect change (Appendix 1.12). When this instrument was used in the pilot stage, it became clear that the initial collaborative category created difficulties for respondents, there being frequent questions about staff involvement in decisions on the ends and/or means of change. Respondents were of the view that there were different types and levels of staff involvement, and hence management style.

Following these interpretive difficulties in the pilot stage, the Collaborative Type was split into two - Collaboration and Consultation, to distinguish the ends and means of change if a basically involving managerial style were used within the organisation. This led to the development of a modified instrument with four Style Types: Collaborative, Consultive, Directive, Coercive (Appendix 1.13). Through repiloting we gained sufficient confidence that the instrument drew out meaningful distinctions between different styles of managerial behaviour in the management of change. As with the scale of change dimension, split scores were permitted.

The model of change, and the instrumentation, has therefore evolved through three stages:

a) the original 2x2 typology associated with the theory development stage - showing incremental and transformative change strategies, and collaborative and coercive *"modes"* of change

b) the 3x3 typology used initially in the pilot testing stage. The Scale of Change axis included Fine Tuning, Incremental and Transformative Change: the Style of Change axis included Collaborative, Directive and Coercive categories

c) the 4x4 typology developed and modified from the above stages, and used throughout the field studies in the sample organisations

The evidence from the field studies was that the measures provided respondents with a logical categorisation of change Scale and Style. The ratings derived from these perceptual measures provided a basis for both discussions with interviewees during the field studies, and for the positioning of organisations on the change model. To check the accuracy of ratings, there was a systematic search during the interview

process for examples to illustrate why the rating was made and to build up a qualitative understanding of the change process as seen by each interviewee.

Two important decisions were taken during the analysis phase in relation to the *positioning* of organisations. The first was a decision to utilise only the types rated by interviewees for the past and present periods in positioning organisations on the matrix. The rationale was that these represented perceptions of *realised* or current change strategies, rather than *intended* change strategies. Even though the research was designed to give respondents the opportunity of rating past and present as against future projected or idealised change types, we judged that only the perceptions of realised or current change strategies would be appropriate for positioning on the matrix (we have however used the rating of projected position to examine the possibility of ideological bias or socially desireable response - in Chapter 5). The second was the decision to utilise the modal scores for the type statements for each organisation, against the two axes of the change grid, to position an organisation on the grid. The decision was taken because the Scale and Style axes are nominal, not ordinal or interval. Medians and means would therefore be inappropriate measures of central location (Stevens 1959). In the next iteration of the research it may be possible to rework the type statements into some form of strength of response rating system; using median scores or arithmetic means to find the central tendency for each axis. This approach was not adopted in this project because of the need to initially establish the general validity of Scale and Style types as phenomenological categories.

4.7 DEVELOPMENT OF THE HUMAN RESOURCE QUESTIONNAIRES

The questionnaires (Appendices 1.5 and 1.9) relating to the emphasis of human resource policy and practice, used for both the executive and first-line and middle manager interviews were designed to provide focus in the interviews rather than

providing a basis for statistical analysis. The instruments draw out ranked priorities rather than strength of response against each item.

The questionnaires were developed on an iterative basis through 1986 and 1987 by the researcher, drawing on human resource and organisational questionnaires developed by Collins (1979), Schuler (circa 1987), Towers, Perrin, Forster and Crosby (1986), and OASIS, University of Michigan (1985). During 1986-7 the Australian Graduate School of Management organised an informal cluster of some of Sydney's leading human resource practitioners for bi-monthly seminars. During this period the researcher piloted two versions of the questionnaire with several members of this group. Several views and principles emerged during these discussions:

a)   executive interviewees would be irritated by, and would probably not be able to complete, a detailed instrument which sought strength of response scores on detailed human resource practices. Similarly, first-line and middle managers would not have the breadth of knowledge of all human resource interventions to answer a comprehensive and detailed instrument.

b)   human resource managers/directors would have more comprehensive knowledge on particular human resource practices because it was within their functional area of expertise.

c)   interest in human resource issues, by both executives/managers and senior human resource practitioners is currently focused on macro questions of human resource policy fit with business strategies, and other organisational process interventions. The instruments should therefore be constructed to draw out responses at the macro level as an adjunct to an intensive case methodology.

Separate instruments were developed for executives, the Human Resource Director, and first-line/middle managers. Only in the case of the Human Resource Director are questions focused down to the level of particular human resource practices. The other two questionnaires list particular human resource practices, but within the context of broader human resource policy areas.

4.8   THE PILOT STUDY

A pilot study of the methodology was run in Qantas Airways Limited in October 1987, and the case study write-up completed in December 1987. The decision to involve Qantas was based on three factors: a service industry; an industry outside the potential sample, and access which was readily granted. The pilot study resulted in adjustments to the methodology as follows:

a)   the Scale of Change descriptors/types were refined following difficulty expressed by respondents in separating their perceptions of overall organisation change, and change in their Division. Four categories/types were developed to replace the three originally included in the pilot study.

b)   the Style of Change descriptors/types were refined to break the Collaborative style into Collaborative and Consultative, to provide separate categories for managerial/staff involvement in discussion on the ends and means of change, as distinct from involvement in the means of change alone.

c)   the Human Resource Questionnaire administered to first- line/middle managers as part of the group discussion format originally asked for priority rankings of major human resource areas utilised in their area in the past three years, and projected ahead for the next three. It became clear in the pilot study that this level of managers was unable to project their responses ahead

because the locus of action on human resource policy is largely out of their control. A decision was therefore taken to ask these interviewees to rate their current perception of the positive and negative aspects of their organisation's human resource policies, as it effected their managerial responsibilities. This change considerably strengthened the perceptual data the researchers were able to obtain from this level of interviewees.

d)   a decision was taken to use the same interview format for the Human Resource Director, as the Chief Executive, as the latter portion focused more on strategic change and strategic human resource issues, compared to the executive formats.

e)   it was found that the overall interview format was in some cases too long for 75-90 minute interviews. However it was decided that not all detailed questions needed to be covered with every interviewee. Rather, the format was subsequently used as an organising schema to ensure that all relevant areas were covered and cross checked during every executive interview.

The pilot study case study was presented in written and oral form to a meeting of 20 Qantas senior executives, including all Policy Committee members. The aim of both the case write-up and the presentation was to give a balanced, research-based account of the relationship of the key research variables in Qantas, rather than to confirm or eulogise the organisation's policy stance on the key issues. Following the oral presentation, several executives indicated that while they found the presentation helpful and insightful, they were unsure as to whether the researchers were praising or criticising the organisation. This acted as confirmation that, for research purposes, an appropriate balance had been struck for descriptive, but objective research.

4.9   SELECTION OF THE SAMPLE ORGANISATIONS

The decision to study Australian financial service organisations was taken for several reasons. The decision points were as follows:

a)   the service industries are areas of prime focus and growth in the Australian economy and in other western economies (Ginsberg and Vojta 1981). OECD projections show the share of Gross Domestic Product contributed by service industries is projected to increase in Australia from 47.6% to 62.2% over the period 1960- 2000.

b)   the Financial Services sector has undergone major deregulatory change and internationalisation during the 1980's, and was therefore seen as an industry sector which would provide 'change variance' for testing the validity of a situational model of change.

c)   restricting the study to five organisations in each of two sub-industry sectors i.e. domestic banks and insurance companies, provided sufficient opportunity to conduct focused, in-depth, within-area comparative studies, while allowing for the development of some breadth to the study. This decision meant that independent finance companies, building societies, credit unions, specialist merchant banks and financial services brokers were excluded - many of which lack the organisational size to be in any way comparable with organisations included in the sample.

d)   to counter the effects of researcher bias in the selection of cases, a systematic process of case selection was employed. The 1986 and 1987 Business Review Weekly's Top 500 listing was used as an initial list from which to select the

organisations in the two industry sub-sectors. This list provides a sales size rank ordering, within industries and overall, of listed companies on Australian first board Stock Exchanges. Initial sampling was confined to Australian-based organisations with headquarters in the major east coast cities (Sydney, Melbourne, Brisbane) for reasons of logistics and cost in undertaking the field research.

e)   as sales size is not necessarily a measure of performance, senior industry analysts from three stockbroking or financial analyst firms (Bain and Co., Whitlam, Turnbull and BNZ Meares and Co.) were asked to provide ratings and rankings of the relative performance of organisations in the banking and insurance industry sectors, down to firm 500 in the BRW listing. In this way relative performance of companies was built into the sample selection, but by arm's length rankings. The instructions to these independent analysts are shown in Appendix 1.14.

We wished to focus the major research effort on medium to high performing organisations, but also wanted to include in an indicative way one relatively lower performing organisation in each industry. Therefore in each sector the four top performers over the past three years, and the lowest performer, based on the averaged ratings of the analysts for each organisation, were sequentially identified and approached. If entry was declined, the next organisation in the sequentially ordered list was approached. Entry was declined by one large and one small bank, and two large and one small insurance companies. In two cases the reason given was lack of available time for the organisation to participate. In the other three, the extent of current internal organisational turbulence, and external competitive repositioning was considered by the Chief Executives concerned to be so great as to preclude any

coherent focus by senior members of the organisation on a study of the kind proposed. In only one case was there an outright refusal given on first contact. In the remaining four cases, it appeared that the matter had been sympathetically considered, but the judgement was that participation would be inappropriate at the time for various reasons. The attitude of key executives and interviewees in the ten organisations finally selected could be described as very positive - all were keen to see an objective evaluation of their key process strategies by means of outside, independent research.

4.10   THE WRITTEN CASE STUDIES, AND ORGANISATION RESPONSES

The written case studies were prepared after extensive analysis of field study notes, systematic cross-comparison between interviewee's answers to the researchers questions, and analysis of data in the form of Type scores, priorities shown on the human resource questionnaire, and written documents from each field site.

The following steps were followed:

a)   each case site typically yielded 200 + pages of field study pro-formas, on which were recorded interview and group responses, and qualitative data from each interviewee. In addition many other sources of documentary information were provided by organisations, at the request of the researcher. Each category of information (e.g. change events in the organisation, business strategy) was collated by the researcher for each organisation drawing on the responses of all respondents. This resulted in a 20-30 page dot point summary for each organisation using the major headings and sub-headings following the research framework shown in Appendices 1.7, 1.8 and 1.9.

b)   using the above information the researcher then prepared a 30-35 page draft case study.

c)   the supervisor, Professor Dunphy, reviewed this draft, after which a revised copy was prepared.

d)   the revised draft was forwarded to a senior nominated member of the organisation concerned with a covering note as shown in Appendix 1.15. In most instances the draft document was reviewed by several senior executives, including the Chief Executive. Comments were conveyed to the researcher, mostly verbally. In several cases a written response was received - see Appendix 1.16.

e)   a final case was prepared, and copies were forwarded to the organisation. In the majority of cases copies were distributed widely among executives, and in several cases to members of Executive Committees, Boards and Councils.

The way in which the case studies were received provided strong confirmatory evidence of the power of the methodology in describing, analysing and explicating the patterns between the major research variables within each organisation.

4.11   SUMMARY

The strength of this methodology is its reliance on a range of perceptual, observational and documentary-based techniques used to study the interrelationship of the key variables in the sample organisations. It focuses on macro-organisational phenomena, is qualitative in orientation, and seeks to utilise or develop organising conceptual frameworks to advance the current stage of macro theory development typical of the organisational process field.

The earlier quotation by Bartunek and Moch (1987: 483) summarises well the aims of the methodology:

"recent developments in the cognitive sciences, especially the concept of schemata (organising frameworks for understanding events), can advance the practice of organisation development. Schemata function as data reduction devices, allowing individuals to sift through an overwhelming flow of sensations and to focus their attentions on certain aspects of their experience".

This study has utilised one schemata existing before the study (business strategy); developed and sought initial validation of another (situational change strategies), and has proposed another (human resource strategies). The conceptual and methodological framework underlying the study is shown in Figure 4.2.

The limitations of the method are acknowledged as its lack of generalisability at this stage beyond the industry involved in the study; almost sole reliance on qualitative methods of data reduction, and the breadth of the study. The latter two of these could equally well be regarded as strengths.

One measure of the relevance and utility of the study is the positive response accorded to the written case studies. They were seen as analytically relevant, and objective to the extent that Executive/Policy Committees in many of the sample organisations have reviewed the document.

The detailed analysis of overall results in the ten participating organisations is shown in the following three chapters.

Figure 4.2　　　　　**Change Strategy As An Intermediate Process Filter Between Business Strategy And Human Resource Strategy**
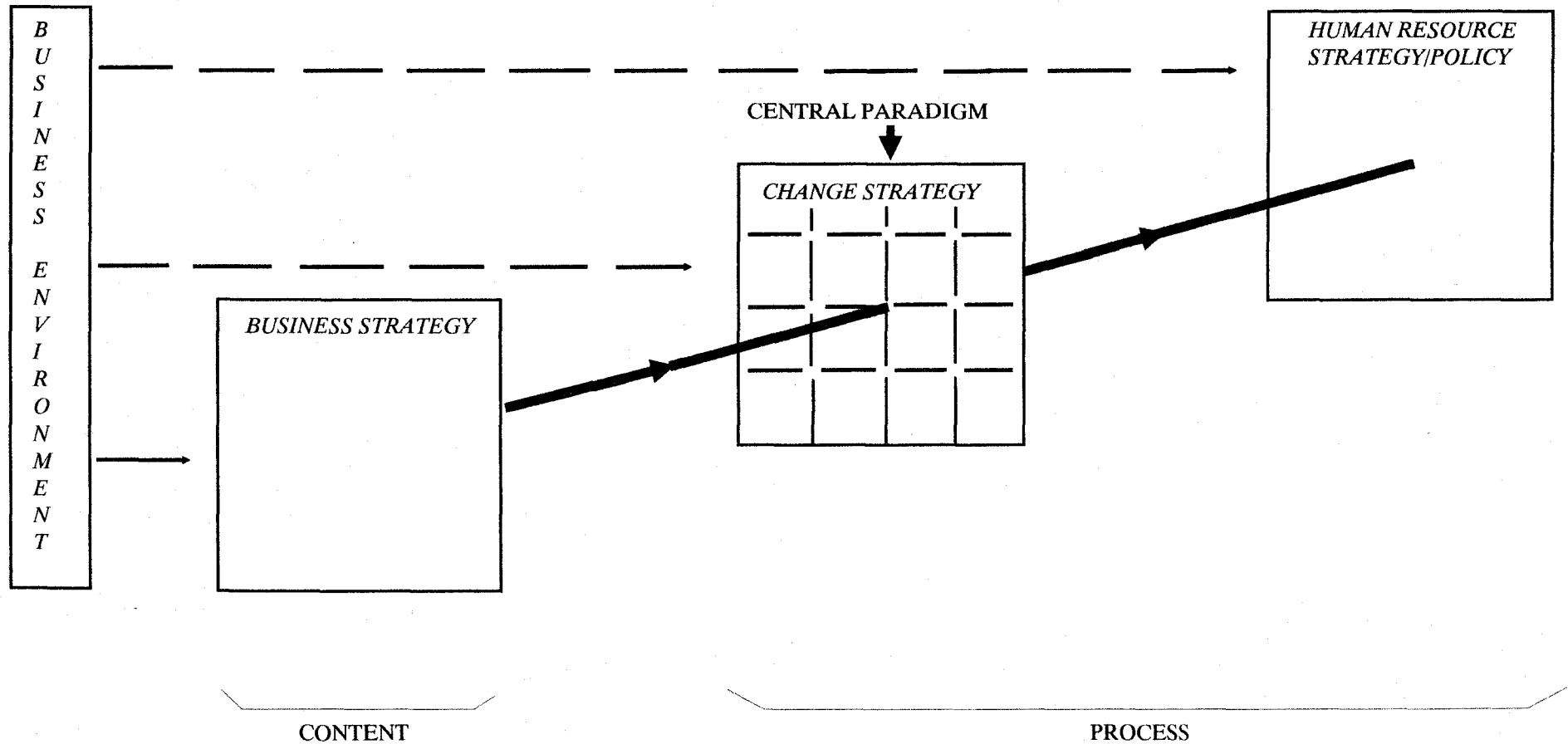
CHAPTER 5

THE FINDINGS: THE ORGANISATIONAL CHANGE MODEL

5.1   INTRODUCTION

In this chapter the findings relating to the organisational change model are described and analysed. These results are central to the study. An important aim has been to develop and seek initial corroboration or refutation that the two dimensional process model of organisational change is descriptive of a real world of events and is useful in advancing our theoretical understanding of change processes.

We therefore examine the following issues in this chapter: how the organisations in the sample are positioned on the change model; the utility of the contingency change model for both descriptive purposes and theory building; differences between the banking and insurance organisations included in the study in terms of their positioning on the model; whether the positioning of organisations on the change model is related to higher or lower performance; variations in types of change management style and differences between the realised and intended change strategies of the sample organisations.

5.2   POSITIONING OF ORGANISATIONS ON THE CHANGE MODEL

Following completion of the ten case analyses, the perceptual data from each study relating to the Scale and Style of change was utilised to position organisations on the change matrix. The raw scores for senior executive's ratings of the Scale and Style of change for each sample organisation are shown in Tables 5.1 and 5.2. For reasons described in Chapter 4, the analysis focuses primarily on the *'realised'* perceptions of

Table 5.1   Raw Scores – Banks

(Modal Scores Are Underlined)

		STRATEGY TYPE				SCALE OF CHANGE				STYLE OF CHANGE			
BANKS													
(Period Shown in Brackets)	N	Defender	Prospector	Analyser	Reactor	Fine Tuning	Incremental Adjustment	Modular Transformation	Corporate Transformation	Collaborative	Consultative	Directive	Coercive
		1	2	3	4	1	2	3	4	1	2	3	4
MACQUARIE													
Executives (-3)	8	1.5	_4.0_	2.5	–	2.0	_5.0_	1.0	–	0.5	_2.5_	_2.5_	_2.5_
Executives (Present)	8	1.5	_4.0_	2.5	–	1.0	_5.5_	1.5	–	–	_4.5_	2.0	1.5
Managers (Present)	21									1.5	4.5	_15.0_	
Executives (+3)	8	1.5	3.0	_3.5_	–	2.0	_3.0_	2.0	1.0	–	_4.5_	2.5	1.0
Managers - B.Unit Rankings	21									7.5	_9.5_	4.0	–
WESTPAC													
Executives (-3)	8	0.5	_7.0_	–	0.5	1.0	–	_7.0_	–	2.0	_5.5_	–	0.5
Executives (Present)	8	–	_5.5_	2.0	0.5	–	0.5	_7.5_	–	–	_4.0_	3.5	0.5
Managers (Present)	23									–	2.0	_18.0_	3.0
Executives (+3)	8	–	2.0	_6.0_	–	–	–	2.5	_5.5_	–	3.0	_4.0_	1.0
Managers - B.Unit Rankings	23									2.0	6.0	_15.0_	–

Table 5.1   Continued

BANKS		STRATEGY TYPE				SCALE OF CHANGE				STYLE OF CHANGE			
(Period Shown in Brackets)	N	Defender	Prospector	Analyser	Reactor	Fine Tuning	Incremental Adjustment	Modular Transformation	Corporate Transformation	Collaborative	Consultative	Directive	Coercive
		1	2	3	4	1	2	3	4	1	2	3	4
ADVANCE													
Executives (-3)	10	–	–	3.0	7.0	–	–	2.5	7.5	–	0.5	7.0	2.5
Executives (Present)	10	2.5	3.0	4.5	–	0.5	6.5	2.0	1.0	–	–	8.5	1.5
Managers (Present)	18									–	4.0	13.0	1.0
Executives (+3)	10	1.5	3.0	5.5	–	0.5	4.5	1.5	3.5	1.0	1.0	6.0	2.0
Managers - B.Unit Rankings	18									1.0	11.0	6.0	
ANZ													
Executives (-3)	8	1.0	2.0	2.5	2.5	–	–	1.5	6.5	–	1.0	4.0	3.0
Executives (Present)	8	0.5	4.0	3.5	–	0.5	3.0	4.0	0.5	–	3.5	3.5	1.0
Managers (Present)	24									1.0	2.5	16.0	4.5
Executives (+3)	8	1.0	3.0	4.0	–	2.0	3.0	2.0	1.0	2.0	3.5	2.0	0.5
Managers - B.Unit Rankings	24									2.0	10.0	12.0	–

Table 5.1　　　Continued

		STRATEGY TYPE				SCALE OF CHANGE				STYLE OF CHANGE			
BANKS													
(Period Shown In Brackets)	N	Defender	Prospector	Analyser	Reactor	Fine Tuning	Incremental Adjustment	Modular Transformation	Corporate Transformation	Collaborative	Consultative	Directive	Coercive
		1	2	3	4	1	2	3	4	1	2	3	4
COMMONWEALTH													
Executives (-3)	8	2.0	2.0	3.0	1.0	5.0	2.0	1.0	–	–	5.5	2.5	–
Executives (Present)	8	1.0	1.0	6.0	–	1.5	2.0	3.5	1.0	–	4.5	3.5	–
Managers (Present)	23										1.0	15.0	7.0
Executives (+3)	8	1.0	1.0	6.0	–	2.0	1.0	2.5	2.5	–	4.5	3.0	0.5
Managers - B.Unit Rankings	23									2.0	12.5	6.5	2.0

Table 5.2   Raw Scores - Insurance

(Modal Scores Are Underlined)

		STRATEGY TYPE				SCALE OF CHANGE				STYLE OF CHANGE			

INSURANCE

(Period Shown In Brackets)	N	Defender 1	Prospector 2	Analyser 3	Reactor 4	Fine Tuning 1	Incremental Adjustment 2	Modular Transformation 3	Corporate Transformation 4	Collaborative 1	Consultative 2	Directive 3	Coercive 4
CAPITA													
Executives (-3)	6	–	–	–	6.0	–	–	–	6.0	–	–	5.0	1.0
Executives (Present)	6	1.0	3.0	2.0	–	1.0	2.0	3.0	–	0.5	2.5	3.0	–
Managers (Present)	25									2.0	3.0	13.0	7.0
Executives (+3)	6	1.0	1.0	4.0	–	3.0	2.5	0.5	–	0.5	4.0	1.5	–
Managers - B.Unit Rankings	25									11.5	12.5	1.0	–
MLC Life													
Executives (-3)	15	–	–	2.0	13.0	–	–	1.0	13.0 (1 N/a)	–	–	1.0	11.0*
Executives (Present)	15	3.5	1.5	9.0	1.0	3.0	4.0	7.0	– (1 N/a)	–	3.5	10.5	1.0
Managers (Present)	7									–	3.0	4.0	
Executives (+3)	15	2.5	5.5	7.0	–	4.0	1.5	6.5	2.0 (1 N/a)	1.0	10.5	3.5	–
Managers (B.Unit) Rankings	7									–	4.0	3.0	–

* (3 N/a)

Table 5.2   Continued

		STRATEGY TYPE				SCALE OF CHANGE				STYLE OF CHANGE			
INSURANCE														
(Period Shown In Brackets)	**N**	**Defender**	**Prospector**	**Analyser**	**Reactor**	**Fine Tuning**	**Incremental Adjustment**	**Modular Transformation**	**Corporate Transformation**	**Collaborative**	**Consultative**	**Directive**	**Coercive**
		1	**2**	**3**	**4**	**1**	**2**	**3**	**4**	**1**	**2**	**3**	**4**
NRMA														
Executives (-3)	8	<u>6.5</u>	1.0	0.5	–	1.0	1.0	2.0	<u>4.0</u>	–	1.0	<u>6.5</u>	0.5
Executives (Present)	8	<u>4.0</u>	1.5	2.5	–	1.0	<u>4.0</u>	1.0	2.0	1.0	<u>4.5</u>	2.5	–
Managers (Present)	24									–	3.5	<u>17.5</u>	3.0
Executives (+3)	8	<u>3.5</u>	3.0	1.5	–	<u>5.0</u>	1.5	0.5	1.0	4.0	4.0	–	–
Managers - B.Unit Rankings	24									1.5	<u>17.0</u>	5.5	–
SUNCORP														
Executives (-3)	9	0.5	–	–	<u>8.5</u>	1.0	1.0	3.0	<u>4.0</u>	–	–	<u>7.0</u>	1.0
Executives (Present)	9	2.5	1.0	<u>3.0</u>	2.5	1.0	2.5	<u>4.5</u>	1.0	–	3.5	<u>4.5</u>	–
Managers (Present)	22									2.0	5.5	<u>14.5</u>	
Executives (+3)	9	1.5	<u>4.5</u>	3.0	–	1.0	1.5	0.5	<u>6.0</u>	–	4.5	3.5	–
Managers - B.Unit Rankings	22									2.5	<u>12.5</u>	7.0	–

Table 5.2   Continued

		STRATEGY TYPE				SCALE OF CHANGE				STYLE OF CHANGE			

INSURANCE

(Period Shown In Brackets)	N	Defender 1	Prospector 2	Analyser 3	Reactor 4	Fine Tuning 1	Incremental Adjustment 2	Modular Transformation 3	Corporate Transformation 4	Collaborative 1	Consultative 2	Directive 3	Coercive 4
MMI													
Executives (-3)	9/10	2.5	1.0	–	5.5	4.0	–	6.0	–	–	2.0	8.0	–
Executives (Present)	9/10	4.5	0.5	3.5	0.5	7.5	1.0	1.5	–	1.0	2.0	7.0	–
Managers (Present)	21									–	2.5	18.5	
Executives (+3)	9/10	2.0	0.5	6.5	–	5.0	3.0	1.0	1.0	1.0	4.5	4.5	
Managers - B.Unit Rankings	21									–	16.0	5.0	

change, that is the modal scores for three years ago and the present rather than projections of *'intended'* change. We do briefly discuss the patterns projected ahead by the interviewees for their organisations, but these projections are not used in any definitive sense in theory development.

Positioning an organisation on the 4 x 4 change matrix was done by plotting the intersection of the modal scores for the Scale of change, and the Style of management/leadership for each of the two time periods, 3 years ago and the present. This gave a position on the matrix for each organisation for each of the two time periods. The pattern of results is shown in Figure 5.1. A *'boundary'* line shows the overall areas of the change model utilised by organisations in the sample. The following trends can be identified:

a)   as measured by modal managerial perceptions, all Scale Types (1-4), from Fine Tuning to Corporate Transformation, have been utilised by one or several of the sample organisations in describing their change strategies.

b)   the incidence of scores on the Scale axis of the model is almost twice as great for transformative as for fine tuning/incremental change, as shown below:

Scale Type		Incidence of Scores
		(Two Time Periods for Each Organisation)
Type 1	Fine Tuning	3
Type 2	Incremental Adjustment	4
	Sub Total	7
Type 3	Modular Transformation	7
Type 4	Corporate Transformation	6
	Sub Total	13

Figure 5.1   Change Matrix Positioning of All Sample Organisations
(-3 Years and Present)

STYLE OF CHANGE	**SCALE OF CHANGE** Fine Tuning	Incremental Adjustment	Modular Trans-formation	Corporate Trans-formation
Collaborative				
Consultative	5, 15	11, 18	2, 12	
Directive	20	1, 13	14 10, 16, 17, 19	3, 4, 6, 8, 9
Coercive				7

Organisational Legend   (Past and Present Change Positionings by Modal Scores)

1 and 11	Macquarie
2 and 12	Westpac
3 and 13	Advance
4 and 14	ANZ
5 and 15	CBA
6 and 16	Capita
7 and 17	MLC
8 and 18	NRMA
9 and 19	Suncorp
10 and 20	MMI

c)   there is less dispersion of scores across the Style dimension of the model.
There was no modal rating (and minimal individual interviewee ratings) for
Style Type 1 (Collaborative) and only one modal rating for Style Type 4
(Coercive) out of a total of twenty possible scores (i.e. ten organisations in
two time periods). This dispersion is as shown below:

Style Type		Incidence of Scores
		(Two Time Periods for Each Organisation)
Type 1	Collaborative	-
Type 2	Consultative	_6
	Sub Total	**6**
Type 3	Directive	13
Type 4	Coercive	_1
	Sub Total	**14**

d)   in terms of the generic Change Types 1 to 4 of the original conceptual model
(Chapter 2), the broad distribution of intersect points for the two time
periods is as follows:

Overall Change Type		Incidence of Scores
		(Two Time Periods for Each Organisation)
Type 1	Participative Evolution	4
Type 2	Charismatic Transformation	2
Type 3	Forced Evolution	3
Type 4	Dictatorial Transformation	11
	Total	**20**

showing a preponderance of perceived change in Change Type 4 Dictatorial Transformation, upper portion, actioned predominantly by directive rather than coercive managerial style.

5.3 UTILITY OF THE CONTINGENCY CHANGE MODEL

These results give an initial indication of the utility of the change model in mapping and describing a situational approach to change management in Australian Financial Service organisations. As discussed in Chapter 2, the dominant model of change in contemporary management literature, particularly that from the Organisational Development (O.D.) tradition, is Participative Evolution, and more recently, Charismatic Transformation. Our mapping of empirical results from organisations in this study supports the propositions in Chapter 2 that this represents a value position rather than a description of the real world of events. In Argyris's terms (1972), it is an *'espoused'* theory, not *'a theory in action'*.

By contrast, the Dunphy/Stace change theory was extended to propose that senior managers actually use situationally based change strategies, whatever their rhetoric, closely related both to the relative turbulence of their business environment (which affects the Scale of Change), and to a dominant managerial/leadership style within the organisation (similar to Davis, Yetton and Crawford's managerial operating profile (1986)). This is strongly supported by the findings above and by the qualitative responses of executives and managers in interviews. Material illustrating this can be found in Sections 3 and 4 of the two sample case studies included in Chapter 8.

Therefore as a situational description, the change model and the associated diagnostic instrumentation appears to have utility for the following reasons:

a)   of the ten organisations, only two (the CBA and Westpac) have the same change positioning in the two time periods, while the remaining eight have different positions on the matrix over the two time periods, as follows:

- different Scale and Style (ANZ, MLC, NRMA)

- different Scale only (Advance, Capita, Suncorp, MMI)

- different Style only (Macquarie)

Therefore the model is capable of discriminating between the change strategies pursued by organisations at different stages of their history even within the 3-5 year timespan covered by the study.

b)   while there is dispersion of scores across all Scale Types, the scores for Style of change management cluster predominantly around Types 2 and 3 only (Consultative and Directive). This was particularly puzzling at first in that our expectation was for a spread of change strategies across most or all of the 4 x 4 grid positions on the model. The contrary finding, in relation to Style Type, has several possible explanations:

*   while the sample of organisations may be reasonably representative of their industry sector, it may not be representative of the broader population of organisations in all industry sectors. A wider sample of organisations in other industries may yield more dispersed Style results.

*   the concentration of scores around Style Types 2 and 3 (Consultative and Directive) may be a national phenomenon - a manifestation of the egalitarian, group-centric nature of organisations in Australia (Hilmer

1985). The strength of the industrial union movement may preclude Type 4 Coercion, except in rare cases. Similarly, Type 1 Collaboration may not sit easily with managers in Australia if faced with a workforce which views collaboration with management suspiciously (the 'conscript mindset' - Hilmer ibid).

* the turbulent business environment experienced by the Financial Services sector, while increasing the range of responses in Scale Type may have led to more convergence in Style Type over recent years. This could even be a 'social contagion' phenomenon as approaches to organisational change have been widely discussed in the industry and the financial press.

* respondents may have given socially desirable responses for behavioural, i.e. Style-related choices, while giving more objective responses to the phenomenological i.e. Scale - related choices.

There is evidence that although limited, the differentiation in the realised change strategies of organisations is nevertheless meaningful. Executives commented frequently during the interview process that the Style and Scale Types helped them to categorise in their own thinking what had been happening in their organisation. Many made comments such as - 'that statement (a Type statement) describes us to the nth degree', and several asked variants of - 'did you research here (in this organisation) before putting these statements together: the categories fit so well.' The positive reception of the case study analysis by organisations also provides strong confirmatory evidence that the model provides a useful basis for making meaningful statements about situational approaches to change. This is particularly so in that for many of the organisations the case analyses contained findings tangential to

prevailing *'espoused theory'*, particularly relating to managerial style. There seems good evidence to suggest therefore that the revised model is a *'theory in action'*.

5.4   DIFFERENCES IN CHANGE PATTERNS BETWEEN BANKING AND INSURANCE

Figures 5.2 and 5.3 illustrate that there are differences in the change patterns of the sample banking and insurance organisations. The patterns are summarised numerically in Table 5.3.

Several clear trends arise from analysis of this data:

a)   the Scale of Change in the Banks, for the two time points in question, has been less dramatic than for Insurance. The Scale for Banks is an even split between Incremental Types 1 and 2 and Transformative Types 3 and 4, while for Insurance the dominant scores are for Transformative Scale Types 3 and 4.

b)   while for the Banks, the Style Type is nearly equally split between Type 2 Consultative and Type 3 Directive, Type 3 Directive is the dominant Style Type in Insurance.

c)   when related to the original change model, overall the realised change strategies of the Banks are more evenly spread across the model, whereas those of the Insurer organisations are concentrated primarily around the upper area of Change Type 4 (Dictatorial Transformation). Thus the model appears capable of distinguishing sub-industry differences as well as organisational differences.

Figure 5.2   **Change Matrix Positioning of Five Banking Organisations**

(-3 Years and Present)

SCALE OF CHANGE	Fine Tuning	Incremental Adjustment	Modular Trans-formation	Corporate Trans-formation
STYLE OF CHANGE				
Collaborative				
Consultative	5, 15	11	2, 12	
Directive		1, 13	14	3, 4
Coercive				

Organisational Legend   (Past and Present Change Positioning by Modal Scores)

1 and 11	Macquarie
2 and 12	Westpac
3 and 13	Advance
4 and 14	ANZ
5 and 15	CBA

Figure 5.3   Change Matrix Positioning of Five Insurance Organisations

(-3 Years and Present)

SCALE OF CHANGE / STYLE OF CHANGE	Fine Tuning	Incremental Adjustment	Modular Trans-formation	Corporate Trans-formation
Collaborative				
Consultative		18		
Directive	20		10, 16, 17, 19	6, 8, 9
Coercive				7

Organisational Legend   (Past and Present Change Positioning by Modal Scores)

6 and 16	Capita
7 and 17	MLC
8 and 18	NRMA
9 and 19	Suncorp
10 and 20	MMI

Table 5.3 **Summary Of Incidence of Modal Scores: Two Time Periods For Each Organisation (N = 20)**

Descriptor		Banks	Insurance	Overall
Scale of Change				
Fine Tuning	(Type 1)	2	1	3
Incremental Adjustment	(Type 2)	3	1	4
Modular Transformation	(Type 3)	3	4	7
Corporate Transformation	(Type 4)	2	4	6
		N = 10	N = 10	N = 20
Style of Change				
Collaborative	(Type 1)	-	-	-
Consultative	(Type 2)	5	1	6
Directive	(Type 3)	5	8	13
Coercive	(Type 4)	-	1	1
		N = 10	N = 10	N = 20
Positioning on Model - Overall Change Type				
Participative Evolution	(Type 1)	3	1	4
Charismatic Transformation	(Type 2)	2	-	2
Forced Evolution	(Type 3)	2	1	3
Dictatorial Transformation	(Type 4)	3	8	11
		N = 10	N = 10	N = 20

There are several possible explanations of these differences:

*   the progressive deregulation of financial services in Australia had a greater impact initially on banks than on insurance companies. Government enquiries and legislative reforms of the 1979 - 1985 period were all directed at freeing up the operating environment of the highly regulated banking sector. This created the primary turbulence in the financial services industry. Secondary turbulence, affecting insurance companies, was created by the banks themselves as they widened their market focus from traditional banking to include insurance and other financial services markets. Thus transformative change came to the banks earlier, in a period not covered by the ratings. There are two exceptions to this: Advance Bank only became part of the banking sector in 1985, having previously been a Building Society; the ANZ Banking Group since 1984/5 has made continuing major strategic and structural change as part of a strategy of internationalisation. The model therefore appears to explain the differences between banks and insurers in relation to the Scale of Change while being sensitive to atypical organisations within the two industry sub-sectors.

*   there may be traditional differences in the corporate management/leadership style between bankers and insurers. During the field research there was considerable discussion by interviewees about perceived 'corporate' management styles. The researcher gained an impression that the differing product/market orientations of the two sectors could explain a dominantly shorter-term, directive focus in

insurance as compared to a longer term focus in banking organisations, particularly in the larger banks.

* the size variation of the sample - three banks with over 35,000 employees, one insurer with 3,500 and the remainder (two banks, four insurers) with 750-1600 employees - may also be important. The three large banks are spread across the model (Change Type 1 - CBA, Change Type 2 - Westpac, Change Type 4 - ANZ), whereas there is a clustering of smaller organisations in Change Type 4. The exceptions are Macquarie Bank, a small but successful niche bank, and two insurers (NRMA and MMI) which were positioned in Change Type 4 for the first period but in Change Types 1 and 2 respectively for the second. It may be that in a deregulated financial services sector, size has become more important. A possible explanation for the overall differences is that the larger players can choose to differentiate their change strategies whereas the smaller players may be continually forced toward Change Type 4 change strategies (Dictatorial Transformation) for survival, unless they become niche specialists like Macquarie Bank, or exploit another membership base (NRMA Motoring) in the case of NRMA Insurance.

Thus, the change model has utility in demonstrating the differences in the realised change strategies of two sectors within the Financial Services industry. This suggests that it may have similar utility in other industries, and industry sub-sectors.

5.5   CHANGE POSITIONING AS RELATED TO HIGHER OR LOWER PERFORMANCE

We have not sought to introduce notions of causality into this study, i.e. whether particular change strategies have led to better performance. However, the decision to include lower performing organisations in the sample was taken to see if there were any evident contrasts in the way these organisations managed change against others in the sample.

As shown in Chapter 4, the industry analysts' performance rating of organisations were for the period 1985-87. Values were assigned to the low-medium-high performance ratings of the three analysts for each organisation. These were added for each organisation to yield a ranked performance listing of the sample organisations. The numerical values assigned were High = 6, Medium = 4, Low = 2. In descending order, the lists in the two sectors were as follows:

Organisation	Analyst's Ratings (1985-1987)	Cumulative Performance Rating Points
Banks		
Macquarie Bank	(MHH)	16
Westpac	(MLH)	12
Advance Bank	(MMM)	12
ANZ	(LMM)	10
CBA	(MLL)	8

Organisation	Analyst's Ratings (1985-1987)	Cumulative Performance Rating Points
Insurance		
Capita	(MHM)	14
MLC Life	(MMM)	12
NRMA	(HLM)	12
Suncorp	(LHL)	10
MMI	(MLL)	8

Due to our inability to gain access to three insurers ranked above Capita, the performance variance in insurance is marginally not as great as for the banks.

However, one interesting result relates to the considerable performance variance in Banking, as between Macquarie Bank (Medium, High, High) and the CBA (Medium, Low, Low). Yet their current positioning on the change matrix is close (Macquarie - Incremental Adjustment/Collaborative; CBA - Fine Tuning/Collaborative).

In the CBA's case, the field research provided rich evidence of an organisation run on paternalistic management principles, with a risk-averse, conservative workforce culture with low tolerance for change. It was also evident from interviews with executives and particularly with personnel specialists that there was a strong value position in the Bank for incrementalism, and a strong preference for consultative management. However, this was increasingly being challenged by the new Chief Executive, an outside appointee, and a *new guard* of younger executives. Many of the latter were vocal in their questioning of the recent signing of an agreement

Thus we have two organisations in the same industry, which are placed in close proximity on the change matrix, but one is a high performer, while the other is a comparatively low performer. The critical difference appears to be in the Scale of change. The CBA rated Scale Type 1 - Fine Tuning, while Macquarie rated Scale Type 2 - Incremental Adjustment. During the interviews, across the sample, many executives picked up the Scale Type 1 card (each of the Scale, Style and Strategy Types was on a separate card, in their respective series) and made statements like - 'that type of change (Scale Type 1) is no longer possible in this industry', or 'that was where we were ten years ago, but that era of change has passed in financial services'. This leads us to suggest that Scale Type 2 appears to be the minimum viable but sufficient Scale Type to maintain medium to high performance in the current environment. When related to the relative performance rankings of the two banks above, the reasoning becomes reasonably compelling, but still however speculative.

The situational specificity and appropriateness of the change strategy to each organisation's strategic situation thus seems to be an important factor. The size difference may also be a factor. One possibility we explored in looking at the difference between the CBA and Macquarie was that a smaller organisation can maintain 'fit' by incremental change, without large-scale discontinuous leaps which may be necessary for a larger more bureaucratic organisation. However, the fact that all the other six smaller organisations in the sample have, over the past three years moved to Change Type 4 - Corporate Transformation is not conducive to a theory that small size is a critical factor in being able to successfully adopt an incrementalist change strategy for if this were so, there would have been no need for them to restructure and change so dramatically. In Macquarie's case, however, as a merchant bank it had been part of the pressure which led to financial services deregulation through innovatory, aggressive and risk-taking product/market strategies. When

deregulation arrived, its change strategies did not therefore have to be as transformative as was the case of the other smaller organisations, all of which needed to make large scale moves to regain fit. This demonstrates that the model is able to discriminate between the change strategies used by an organisation which is basically retaining its fit, those used by organisations to regain fit, and those used by organisations which are relatively out of fit.

The results in both Banking and Insurance thus suggest that in a turbulent environment, organisations cannot afford the luxury of Fine Tuning change (Type 1 Scale). There were only three positionings for this Type of Change (2 for the CBA, and 1 for MMI). The field research showed that both of these organisations were operating in semi-protected environments. In the CBA's case, government ownership gave the Bank protection against the discipline of market pressure on share prices, in contrast to its competitors. In MMI's case, its major revenue (75-80%) came from fee income from the NSW Government-controlled Workcare Insurance system, for which MMI is one of three insurance companies acting as arms-length managers on behalf of the Government. Thus neither the CBA nor MMI are operating in a fully commercial environment; both show up on the industry analysts ratings as being relatively the lowest performers, and the field research revealed that both had a value preference for fine tuning change and an aversion to radical change. A typical comment from interviewees in both these organisations, when reviewing the Scale Type 4 card, was - 'I hope we never get to that.'

In contrast the six organisations which had gone through Scale Type 4 change (Corporate Transformation) were all either operating in a fully commercial environment, were unshackling themselves from restrictive ownership structures or were making radical strategic and structural changes to better fit them for competitive

play in a deregulated and global financial services market. A brief description of each underlines the point.

ADVANCE BANK - Change of status from a Building Society to a Bank; creation of new banking division and strategic business units; development of a banking *'culture'* to replace the older *'deposit/lending'* culture.

ANZ BANKING GROUP - Acquisition of an international banking network (Grindlays PLC); radical world-wide and domestic restructuring via external (McKinseys') and internal interventions; major challenges to the bureaucratic *'mindset'* and the development of an entrepreneurial managerial framework; re-advertisement of the majority of managerial jobs.

SUNCORP INSURANCE - Corporatisation of a previous Government Department (State Government Insurance Office); corporate name change; severing service relationships with the Public Service Board and development of internal corporate service functions; 25% staff reduction program in 3 months; major corporate and workplace restructuring.

CAPITA INSURANCE - Transformation of a moribund Life Office (City Mutual); new outside Chief Executive; major corporate and workforce restructuring; new business strategy (high value-added business); corporate name change; concerted program of external recruitment, and internal marketing to effect a change in workforce culture.

MLC INSURANCE - Take-over of a declining Life Office by a development/project management company - Lend Lease. Almost total replacement of the top team of executives; workforce retrenchments (25% overall, up to 40% in some areas); major

corporate and workforce restructuring; abolition of the Personnel Department; focused on profit performance rather than market share.

NRMA INSURANCE - Amalgamation and restructuring of a motoring and an insurance organisation into one corporate structure, and under one Chief Executive; commercialisation of operation by full cost allocation to all business units; systematic and far reaching approaches to workforce culture change.

In conceptual terms therefore, we see these organisations in the early period of the study making radical moves to maintain/regain their *'fit'* with a turbulent operating environment.

It is evident that Miller and Friesen's (1984) and Tushman and Romanelli's (1986) notion that organisations will go through periods of radical, quantum, frame-breaking change and then revert to less dramatic change, has been true of the Australian financial services industry.

After a usually brief period of such frame-breaking change (1 year in the case of the NRMA to 3 + years for the ANZ) organisations revert to a middle level of change (i.e. Scale Type 2 - Incremental Adjustment, or Scale Type 3 - Modular Transformation) and may stay in that position for several or many years (see Deal and Kennedy 1982: p157ff for discussion on the time required to effect lasting change). Westpac is an example of an organisation which went through Scale Type 4 - Corporate Transformation in the late 1970's and early 1980's, but since then has been following intermediate level Scale Type 3 - Modular Transformation change strategies.

The conclusions we can therefore draw about change strategies and performance from the evidence in this study is that in a turbulent business environment -

a)   there is a tendency for medium to higher performing organisations to move toward radical change for periods of 1-3 years to retain/regain *'fit'*, particularly if they are small and do not enjoy market leadership.

b)   fine tuning change strategies appear to be associated with poorer performing organisations.

c)   there tends to be an association between organisations using intermediate level change Scale strategies (Incremental Adjustment to Modular Transformation) over an extended period, and the maintenance of performance in the medium to higher bands.

These patterns are not absolute. For instance MMI did go through a brief period of Scale Type 3 - Modular Transformation prior to moving back to Scale Type 1 - Fine Tuning, which was clearly its value preference. It could be that Scale Type 3 - Modular Transformation was sufficient to break the old strategic structural and cultural frame, although MMI's performance ranking suggests that this amount of change may not have been sufficient to regain fit. There was certainly adequate evidence in the field study to suggest that the "old MMI culture" was still very dominant in the organisation - during the interviews there were frequent references to the need to hold onto "the older MMI values".

5.6   CHANGE MANAGEMENT STYLE TYPES

While the findings of the field research provide confirmatory evidence for the propositions of Miller and Friesen (1984), and Tushman et al (1986) in relation to Scale of change, this study has gone further to investigate perceptions within organisations of change management/leadership styles.

The Style ratings used to position organisations on the change matrix were the modal scores of senior executive/executive interviewees when asked to rate the Style Type of the *'dominant coalition'*, using four forced choice responses. We asked the same question of a randomly selected sample of first line and middle level managers in each organisation: they were asked firstly to choose their perception of the dominant management/leadership style of the corporate executive, and secondly of their Business Unit executives in effecting change. The intention was to analyse the "received" Style Type at lower levels in the organisation in comparison to the ratings of the corporate executive interviewees. The modal scores are shown in Table 5.4.

Several observations can be made of the results in this Table.

a)   **Corporate Style Type**

*   in six cases there is exact correspondence between the modal scores by the executives and first line/middle managers. These are cases when radical change has been very recent (Advance, ANZ); where the scope of the change has fundamentally changed the strategic/structural/systems/leadership and cultural profile of the organisation (Capita, MLC, Suncorp), or where an historically characteristic style has remained unaltered despite some change in the Scale of change (MMI). The memory of change in these organisations appears to be vivid, and the style is agreed between the two levels of raters.

*   in four cases first line/middle managers perceptions were of more directive styles than those rated by executives (Macquarie, Westpac, CBA, NRMA). These are all organisations where the field research revealed that senior executives had modal scores rating a consultative approach to management. This style is demonstrated in Macquarie's Goals and Values Statement;

Table 5.4   **Modal Categories For Style Type (Management/Leadership): Present Period In All Organisations**

Organisation	Corporate Style Type		Business Unit Style Type
	Ratings By Executives	Ratings By First Line/ Middle Managers	Ratings By First Line/ Middle Managers
Banks			
Macquarie	Consultative	Directive	Consultative
Westpac	Consultative	Directive	Directive
Advance	Directive	Directive	Consultative
ANZ	Directive/ Consultative	Directive	Directive
CBA	Consultative	Directive	Consultative
Insurance			
Capita	Directive	Directive	Consultative
MLC	Directive	Directive	Consultative
NRMA	Consultative	Directive	Consultative
Suncorp	Directive	Directive	Consultative
MMI	Directive	Directive	Consultative

Westpac's Team Skills approach, post the Reddin intervention; CBA's Agreement on Industrial Democracy, and the NRMA's adoption of a Managerial Style Strategy and Quality Management Principles.

We are unable to draw firm conclusions from this evidence. One hypothesis is that there may be a difference between an espoused value system and reality. However there was evidence in the field research of a comparatively greater range of consultative management processes in the four organisations rated as Consultative Style by executives, which was not apparent in the other organisations. This suggests some real differences, as is reflected by the executive ratings. Alternatively it may be that the communication distance between executives and managers many levels down may be too great to draw meaningful conclusions - any decision process involving executives may appear to be directive at lower levels. Thirdly, the sample of the overall population of lower level managers was small compared to the sample of executives interviewed. Future research might investigate these perceptual inconsistencies in greater depth, but this was not possible within the scope of this research without revisiting the case sites.

b)   **Business Unit Style Type**

Ratings were sought from executives for Style Type in the corporation overall. However, first line/middle managers rated change style for both Corporate and Business Units.

The modal scores shown in Table 5.4 fall into the following patterns:

*   in eight organisations (Macquarie, Advance, CBA, Capita, MLC, NRMA, Suncorp, MMI) there is a one step difference between the ratings by middle managers/supervisors of the current Corporate Change Style and Business

Unit Change Styles, i.e. the Style at Corporate level was seen to be Directive while it was seen to be Consultative at Business Unit level. This seems to suggest that there is a general tendency for consultative management styles to be more prevalent at Business Unit level than at Corporate level. The most probable explanation is that, as a general rule, major organisational change strategies are conceived at corporate level by senior executives who direct those below them to follow the strategies. At Business Unit level, however, there tends to be more consultation on the implementation of these strategies.

* in two organisations (ANZ and Westpac) there is no difference between the supervisor/middle managers' ratings of the Style Type for Corporate executives (Directive), and for Business Unit executives (Directive). In the first, ANZ Banking Group, the only explanation that can be offered is that the results-oriented change program has been driven so hard at all levels, and the profit imperatives of Business Unit executives is so strong, that often only vestiges of consultation exist. These were certainly the qualitative findings of the research case study on the ANZ. The ANZ currently epitomises a results-oriented culture, with little emphasis on process strategies.

In the second case, Westpac, the explanation is different. This was one of the first case studies undertaken. During the group interviews, first-line and middle managers were asked by the researcher to note their perception of the Style Type of their Divisional executives (not Business Unit executives as in other organisations). Westpac is the largest (44,000 employees) of the organisations in the sample, and its Divisions are large. Some Divisions in

Westpac are many times larger than some other organisations in the study, and operate with considerable autonomy. They are therefore more like firms than Business Units. Over recent years the organisation has adopted many process strategies (team skills, task forces, managerial-employee goal setting and development interviews) to effect a consultative approach in the workplace. It is suggested that in this case rating by managers of the Style Type at the larger Divisional level rather than Business Unit level has affected this result.

c)   **Overall Summary of Style Types**

These results show that, in Australian financial service organisations during periods of environmental turbulence, two overall Style Types have dominated in managing the process of change:

*   Directive at the Corporate level. Some organisations may however have a corporate value system of consultation, but this tends not to be the *'perceived'* style as expressed by middle managers/supervisors.

*   Consultative at the Business Unit level. The exception is when change programs are almost totally task-oriented with little room for the development of the normal consultative forms (e.g. ANZ).

This suggests that more discriminant analysis and description may be required in the change management literature on questions of management style. The results of this study partially support the value position of consultative management so frequently used by management writers, but mainly at the Business Unit level. There is evidence in these results that a Consultative Style Type is used at the Corporate level by a few organisations during periods of turbulent environmental change. However, it

appears that the corporate leadership required for many organisations during such periods usually demands a Directive, or even in very extreme cases, a Coercive Style.

5.7 "REALISED" AND "INTENDED" CHANGE STRATEGIES

In Chapter 3 it was suggested that the value basis of the dominant paradigm in the North American O.D. literature had been for Incremental Fine Tuning by Collaborative/Consultative means (Change Type 1), with some recent emphasis on Transformative Change by Collaborative/Consultative means (Change Type 2). One would expect that values and ideology would have the greatest influence on projected future ratings, which are more in the nature of a projective test than a reflection of actuality. Therefore, if there is a dominant paradigm it should show up in projected ratings more vividly. We therefore took the modal ratings of executives' projected Scale and Style positionings for their organisations over the next three years. The intersects for the sample organisations are shown on Figure 5.4.

These results for 'intended' change strategies demonstrate that:

a) executives' thinking is situationally based as to Scale of Change with projected future scores spanning Scale Type 1 - Fine Tuning, to Scale Type 4 - Corporate Transformation. Even in the case of the CBA, there is an expectation of externally-imposed Scale Type 3/4 - Modular/Corporate Transformation over the next three years.

b) in relation to managerial Style Types there is less flexibility in responses. The value position of Style Type 2 - Consultative is the most strongly represented score in the ratings for the future. This could be a function of either

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Figure 5.4   Change Matrix Positioning of All Sample Organisations
(Future "Intended" Change Strategies)

STYLE OF CHANGE / SCALE OF CHANGE	Fine Tuning	Incremental Adjustment	Modular Trans-formation	Corporate Trans-formation
Collaborative	28			29
Consultative	26 / 30	21, 24	27	25
Directive		23		22
Coercive				

Organisational Legend   (Future, +3 Years)

21	Macquarie	**Note:**	Numerals shown
22	Westpac		next to or above
23	Advance		lines on the matrix
24	ANZ		indicate a split
25	CBA		modal score
26	Capita		
27	MLC		
28	NRMA		
29	Suncorp		
30	MMI		

- a strong ideological bias by executives/managers against directively/coercively imposed corporate change.

- a belief that future change can be effected at the Corporate level by greater consultation, or that the 'human capital' approach to business in the service industries will be characterised by qualitatively different management styles than those used during the turbulence of the 1980's, or both.

This suggests that there is a dominant management ideology at work in the sample organisations. If this were also shown to be true of a wider sample of organisations in other industries, it could explain the negative reaction so often evident among some managers (but not among financial analysts) when internal or external change agents use Change Type 4 strategies. This was certainly so in the case of the MLC and is widely reported of in populist management books, or the business press of the change effected by Chief Executives such as Iacocca of Chrysler, Murdoch of News Limited, Rawl of Exxon and Welch of General Electric. Yet in certain situations these may be the only strategies available when the extent of needed change is so great, and the internal resistance so powerful. Other strategies may not result in organisational survival and growth.

5.8   SUMMARY

The results from the positioning of organisations on the change grid have provided a framework for a better understanding of the dynamics of realised change strategies in the sample organisations. Whether such a model has wider generalisability would have to be tested in subsequent research in other organisations and other industries. The positive responses to the written case studies by Chief Executives and Human

Resource Directors provides some evidence of the utility of the model to practitioners as an organising schema to analyse and describe change process strategies.

The purpose of this chapter has been to systematically integrate the findings of the field research through the use of the change model. As such the emphasis has been interpretive rather than extrapolative: qualitative rather than quantitative. The results are important at a macro level of understanding in corroborating that a typology of change strategies provides one valid framework for analysing the operationalisation of change process strategies. The results are important also in challenging the dominant O.D. theory of change, suggesting that at the executive level of organisations it inappropriately advocates impractical, or at least unacceptable, prescriptions for collaborative leadership. O.D. theory has also failed to recognise the importance of transformative change actioned by more directive means in organisational survival and growth.

Although these results were a primary focus for the research, a subsidiary aim was to explore the relationship of the change model to business strategy content on the one hand, and human resource strategies (as a particular component of process change strategies) on the other. These areas are covered in Chapters 6 and 7 respectively.

CHAPTER 6

THE FINDINGS: ORGANISATIONAL CHANGE AND BUSINESS STRATEGY

6.1   INCLUDING BUSINESS CONTENT IN A PROCESS ORIENTED STUDY

This chapter concentrates on the association between the central paradigm of the study, organisational change strategies, and business strategy. Although the study is primarily process oriented (i.e. change, and human resource strategies), a decision was taken while developing and testing the pilot field study to include an analysis of content (business strategy) as an important conceptual referent point in understanding the internal forces influencing process change strategies within the organisation.

The inclusion of business strategy proved invaluable in interviews with senior executives, many of whose remarks were both content and process oriented. It was also useful for a second reason: much of the human resource management literature over the past decade has developed theories about the relationship between business strategy and human resource management (Galbraith and Nathanson 1978; Miles and Snow 1978; Fombrun, Tichy and Devanna 1984; Wils 1984; Fisher and Shaw 1987; Schuler 1988). Despite considerable work in the area by such writers, no one definitive model has yet emerged showing a clear relationship between business strategy and human resource policy/practice in the way it has in the strategy - structure literature (Rumelt 1974). The intention of this research was that, by using change strategy as the central paradigm, i.e. as a filter between business strategy and human resource strategy, it might be possible to develop a different kind of model -

one which uses change strategy as an intermediate variable between business strategies and human resource policies and practices. This would provide an understanding of how change strategies are associated with business strategies, flowing through to patterns of human resource policy. This was previously represented conceptually in Figure 4.2.

The research findings on the association between change strategies and business strategies will be developed in this chapter: the association between change strategy and human resource policy and practice will be explored in Chapter 7.

6.2   THE STRATEGY CONCEPT

Schendel and Hofer (1979) have proposed a hierarchy of strategy at three levels: (a) corporate level, (b) business level, and (c) functional level. As shown in Chapter 1 this study focuses primarily on the second of these, business strategy, with some reference to corporate strategy.

The essential questions in corporate strategy are - what business(es) are we in, and how are multi-businesses integrated into an effective corporate portfolio? (Wils 1984). The generic descriptors typically used in the strategy - structure literature for corporate strategy are:

- single business

- related diversification

- unrelated diversification

In the context of this study, organisations in the banking and insurance industries have been in the process of changing from a single business focus (i.e. banking, or

insurance) to related diversification as financial service institutions. The removal of regulatory barriers between and within these two industries has led to the development of more broadly defined corporate business bases in the sample organisations. The broadening into financial service institutions has been more vigorous in the case of the banks than insurance companies, but the redevelopment of a competitive, value-added ethos has been a feature of both sectors. The extent of corporate strategic change in the sample organisations is briefly summarised in Table 6.1.

At the second level of analysis, business strategy relates to the competitive product/market focus of the organisation - how the organisation competes in its chosen areas of business. Business strategies form into perceptible patterns over time (Mintzberg 1978; Miles & Snow 1978) and the object of this portion of the research was to identify, through the perceptions of senior executives, the dominant and/or changing patterns in the strategic business thrust of the sample organisations. An approximate six-year timespan with three time points was used for this analysis (3-5 years ago, now, and projected ahead 3 years). However the primary focus was on the first two time points because they represent the perceived pattern of *"realised strategies"* rather than projected or *"intended strategies"*.

6.3   OPERATIONALISING THE CONCEPT OF BUSINESS STRATEGY

Even though we have previously shown that there are limitations in the use of strategic types in research (Hambrick 1980; Snow and Hambrick 1980; Hambrick 1983), it was decided to utilise a typology of business strategies in this study for the following reasons:

Table 6.1   Corporate Strategic Re-direction Of The Sample Organisations

ORGANISATION	THRESHOLD EVENTS		CORPORATE STRATEGIC RE-DIRECTION
Macquarie Bank (Previously Hill Samuel Australia)	1985	Banking License	Transition from an overseas owned merchant bank to a licensed Australian bank. Concentration on the development of specialist markets and high value-added niches (corporate services; bullion; commodities; equities; property financing, leasing) and a limited move into domestic retail banking.
Westpac Banking Corporation	1982	Merger of Bank of N.S.W., and Commercial Bank of Australia	Continuing transition from a domestically based bank to an international financial services institution. Developmental strategies have been used in corporate and international business growth, and in developing a life insurance subsidiary. Acquisition strategies have been used in new related financial service areas - bullion; capital markets; equities and futures; primary dealerships; merchant finance; stockbroking.
	1983	Divisionalisation into Retail Banking and Corporate and International Business Divisions	
Advance Bank (previously N.S.W. Building Society)	1985	Banking License	Transition from a building society (savings and loans emphasis) to a licensed bank concentrating in three areas: retail banking specialising in property loans; corporate banking (small to medium corporate sectors); commercial finance and insurance.
	1986	New C.E.O.	
ANZ Banking Group	1984	Acquisition of Grindlays Bank PLC	Major process of diversification, internationally (Grindlay's acquisition) and in related financial services (merchant banking; trustee/investments; investment property trusts; life assurance; stockbroking).
	1986	Successive radical re-structurings, 1986 and onwards	

Table 6.1   Continued

ORGANISATION	THRESHOLD EVENTS		CORPORATE STRATEGIC RE-DIRECTION
Commonwealth Bank of Australia		Nil	A process of domestic re-orientation rather than redirection. The Bank is constrained by government legislation, and a limited capital base.
Capita Financial Group (previously City Mutual Life Assurance)	1984	Appointment of outside C.E.O.	Broadening of narrow insurance focus to position in the business of financial security and financial services. This included: divestment of general insurance; acquisition of a merchant bank; broadening of life insurance business to include investment and superannuation products; acquisition of key financial services assets (superannuation fund planning; equity trusts; financial planning services); acquisition and development of related business assets (actuarial software; retirement villages).
MLC Life Limited	1983	Takeover of MLC by Lend Lease Corporation Removal of all but one senior executive.	Major shakeout of a moribund life office. Change has been more focused in the area of competitive business strategy, than on dramatic changes in corporate strategy.

Table 6.1   Continued

ORGANISATION	THRESHOLD EVENTS		CORPORATE STRATEGIC RE-DIRECTION
NRMA Group	1986	Amalgamation of NRMA Motoring and NRMA Insurance	Minimal corporate strategic re-direction. Major change has been in the competitive ethos of the organisation (business strategy).
Suncorp Insurance (previously State Government Insurance Office)	1986	Change of status from a government department to a Statutory Corporation, with commercial freedom.	Progressive moves into related financial services through strategic alliances (Suncorp Building Society; Suncorp Finance Limited); acquisition of a 45% holding in the Bank of Queensland; broadening insurance emphasis to include investment products.
Manufacturers Mutual Insurance	1984-5	Partial nationalisation of Worker's Compensation Insurance	Related diversification from general insurance into commercial insurance through a strategic acquisition. At the same time MMI has mounted a defense to secure its core business, Workers Compensation, against government moves to nationalise this area of insurance.
	1986	Acquisition of Allianz Insurance	

-       a short-hand analytical device was required, as business strategy is a component part, but not the total focus of the study.

-       much of the current literature on business strategy and human resource management linkages is based on a business strategy typological approach (e.g. Miles and Snow 1984b; Collins 1987; Fisher and Shaw 1987), while literature linking corporate strategy and human resource management is based on generic corporate strategy descriptors or types (Tichy, Fombrun & Devanna 1982). Types have therefore already been useful in theory development in the strategic human resource literature.

-       a typology is a generic descriptor which suits the stage of theory development in which the rest of this study is framed.

There are several typologies available including Miles and Snow's (1978) four types - Defenders, Prospectors, Analysers, Reactors; Hofer and Schendel's (1978) six types - share-increasing, growth, profit, market concentration, asset reduction, turnaround and divestiture; Miller's (1986) four types of strategic orientation - differentration, cost leadership, focus and asset parsimony. Miles and Snow's types were chosen for this study primarily because they had been operationalised in the form of a self-typing questionnaire (Snow and Hrebiniak 1980) and because they are the types which to date have been most prominent in the strategic human resource management literature.

Miles and Snow's four business strategy types are detailed in the research instrumentation, but can be summarised as follows:

TYPE	BASIC COMPETITIVE CHARACTERISTICS
Defender	The low-cost producer of high quality goods/services. Stable markets.
Prospector	The product-market innovator. Changing markets.
Analyser	Focused strategy. Cost containment in some areas of the business, product-market innovation in others.
Reactor	Inconsistent, non - viable business strategy

The self-typing instrument was administered within the broader case methodology to elicit responses from the senior executives of each organisation in the three time periods. The latter period was utilised to overcome Hambricks' concern that in self-typing 'executives generally report their organisation's intended strategies as opposed to emergent or realised strategies' (Snow and Hambrick 1980: 533). By including a later period for *"intended"* ratings it was calculated that it would be more likely that the ratings for the earlier periods would reflect *"realised"* strategies.

6.4 BUSINESS STRATEGY TYPES - MODAL SCORES

Table 6.2 summarises the modal scores for types of business strategy for each of the sample organisations within the two time periods, covering *"realised"* strategies of 3-5 years ago, and now. The occurrence of modal scores for each of the business strategy types is as follows:-

Strategy Type	Banks	Insurance	Overall
Defender	–	3.0	3.0
Prospector	5.0	1.0	6.0
Analyser	3.5	2.0	5.5
Reactor	1.5	4.0	5.5
	----	----	----
	N = 10.0	N = 10.0	N = 20.0

The scores shown on Table 6.2 suggest that in periods of environmental turbulence, organisations may find themselves playing a Reactor-type strategy until they can action an appropriate strategy to regain 'fit'. In the sample organisations this was particularly the case within insurance organisations (Capita, MLC, Suncorp, MMI) as they responded to a rapidly changing legislative framework, and concurrently to the competitive forces unleashed by the deregulation of banks. The previous playing field and competitive strategies of insurance organisations were clearly inadequate in the new environment. A similar case, but in banking, is the relatively small Advance Bank, previously competing as the NSW Permanent Building Society, where environmental changes had forced the organisation into a Reactor strategy mode. An interesting banking case is the large and influential ANZ Banking Group where interviewees gave a split modal rating for the Reactor/Analyser types in the period 3-5 years ago. This reflects a view expressed in the interviews, that prior to the Grindlay's acquisition and the period of major structural re-organisation, the ANZ had been playing an inconsistent competitive strategy compared to its private sector domestic competitors, but not a completely Reactor-type strategy.

Table 6.2   **Modal Scores For Business Strategy Types**

ORGANISATION	BUSINESS STRATEGY TYPE		
	3-5 Years Ago	Now	+3 Years Projected
BANKS			
Macquarie	Prospector	Prospector	Analyser
Westpac	Prospector	Prospector	Analyser
Advance Bank	Reactor	Analyser	Analyser
ANZ Banking Group	Analyser/ Reactor	Prospector	Analyser
Commonwealth Bank	Analyser	Analyser	Analyser
INSURANCE			
Capita	Reactor	Prospector	Analyser
MLC Life	Reactor	Analyser	Analyser
NRMA	Defender	Defender	Defender
Suncorp	Reactor	Analyser	Prospector
M.M.I.	Reactor	Defender	Analyser

The scores also suggest that while the Defender strategy may be appropriate for some organisations when markets are relatively stable or can be controlled, it will probably not be a dominant strategy in periods of environmental turbulence. The three scores for the Defender type are: (1) for MMI in the current period, reflecting its participation as a major agent for the NSW Government in Worker's Compensation insurance - an almost monopolistic situation, and (2 & 3) for the NRMA in both periods. The NRMA is an unusual case of a highly successful insurance organisation within a motoring organisation which enjoys the synergies of a loyal membership base from the motoring organisation, a ready-made membership/marketing list, and an almost monopolistic hold on its motoring services which flow over to its major cash-flow business, insurance. During periods of environmental turbulence the Defender strategy appears appropriate only in such special situations. None of the banks in the sample rated their business strategy as a Defender at any period covered in the study. As we have noted, the impact of environmental change affected most of the banks before the period under study.

The major business strategy-type positionings among Miles and Snow's three viable types during periods of turbulence appear to be the Prospector and Analyser types. The Prospector type appears more prominent in banking which in all probability reflects the fact that the banks have been creating the play in the financial service industry, rather than insurers. The Analyser type strategy appears more evenly spread between banking and insurance organisations.

6.5 BUSINESS STRATEGY TYPES AND THE CHANGE MODEL

Each organisation's *"realised"* business strategy, 3-5 years ago and now, were overlaid on the change model against that organisation's scores for change positioning as

covered in Chapter 5. This overlay of business strategy Types is shown in Figure 6.1 for all organisations in the sample.

While no definitive trend arises, it is interesting to observe the following patterns or gestalts:

–   the Defender type business strategy tends to be associated with Scale Types 1 or 2 - Fine Tuning or Incremental Adjustment (MMI and NRMA, now). The only other Defender score is for a brief period of major structural change in the NRMA which rated as Scale Type 4 - Corporate Transformation. The Defender strategy therefore appears to be associated mainly with an incrementalist rather than a radical transformative change strategy, and on the evidence from this study, is effected by either Style Types 2 or 3 - Consultative or Directive managerial style, although the dominant scores are for Directive.

–   the Prospector type business strategy tends to be associated with mid-range change strategies Scale Types 2 or 3 - Incremental Adjustment, or Modular Transformation, and with Style Type 2 - Consultative managerial/leadership style (Macquarie - now; Westpac - past and now; ANZ - now, but with a split consultative/directive score). The only other Prospector score is for the past 3 - 5 years in Macquarie Bank (Incremental Adjustment, and a split Consultative/Directive/Coercive style score). These ratings for Macquarie reflect a perception in the Bank that the normal collegial relationships in this specialist, high value-added, niche bank were temporarily put under severe strain during the transition from being a merchant bank to an Australian licensed bank, demonstrated in the 1986 en masse defection of six of the organisation's most senior staff to other financial service institutions. The

Figure 6.1   Incidence of Business Strategy Positionings For All Sample Organisations

(Past 3-5 Years, and Now)

SCALE OF CHANGE STYLE OF CHANGE	Fine Tuning	Incremental Adjustment	Modular Trans-formation	Corporate Trans-formation
Collaborative				
Consultative	5 (A) 15 (A)	11 (P) 18 (D)	2 (P) 12 (P)	
Directive	20 (D)	1 (P) 13 (A)	10 (R) 14 (P) 16 (P) 17 (A) 19 (A)	3 (R) 4 (A/R) 6 (R) 8 (D) 9 (R)
Coercive				7 (R)

Organisational Legend   (Past and Now)   **Strategy Legend**

1 and 11	Macquarie
2 and 12	Westpac
3 and 13	Advance
4 and 14	ANZ
5 and 15	CBA
6 and 16	Capita
7 and 17	MLC
8 and 18	NRMA
9 and 19	Suncorp
10 and 20	MMI

A = Analyser
D = Defender
P = Prospector
R = Reactor

scatter of style scores could reflect confusion in the organisation about how to adopt a dominant ideology of collegiality to a new situation. This then is a particular case of a Prospector strategy being associated with other than a consultive style, in a particular set of circumstances.

– the Analyser type business strategy tends to be associated with mid range change strategies Change Scale Types 2 or 3 - Incremental Adjustment, or Modular Transformation and with Style Type 3 Directive managerial/ leadership style. (Advance - now; MLC - now; Suncorp - now). There are however outliers to this pattern. The ANZ (past 3 - 5 years) has a split Analyser/Reactor score associated with Corporate Transformation/Directive. This reflects the fact that the ANZ, in the period of corporate transformation, was probably seeking to retain rather than regain fit using a partial Analyser strategy. The significant outlier, however, is the Commonwealth Bank which shows modal Analyser scores for both periods, in the Fine Tuning/Consultative change position. As the Commonwealth is the lowest performing organisation of all the organisations in the sample, this may be a business strategy/change positioning mismatch, particularly in view of observations made in Chapter 5 about the apparent inconsistency of the Bank's change strategy. However, if a wider sample of organisations and industries were used in a different business environment, the Analyser business strategy may not show the general tendency to be associated with mid range change, and directive managerial/leadership style which arises from this research.

– the Reactor type business strategy is clearly associated with Corporate Transformation by Directive or Coercive managerial/leadership style. Miles

and Snow's Reactor type strategy is regarded by them as non viable in the longer term, and we see in the results a demonstration of the corporate turnaround phenomenon - organisations making radical change to regain strategic fit. In Style type, MLC is the most extreme - rating as Coercive because of the large workforce reduction (25%), and individually targeted rather than voluntary retrenchments.

These trends are suggestive of the business strategy Types which might be associated with change strategies during a period of industry restructuring and discontinuity. A representation of the patterns, or gestalt, arising from this component of the research is shown in Figure 6.2.

6.6   THE EFFECTS ON CHANGE STRATEGY OF A SHIFT IN BUSINESS STRATEGY

The dominant paradigm of the management literature, contingency theory - on which this study is based, holds that in causal terms, strategy is the independent variable among other organisation variables (Rumelt 1974).

If this holds for this study, it might be expected that a change in the modal score for an organisation's business strategy, would result in a subsequent alteration in change strategy. On the available data, we can make a rudimentary analysis of whether a re-direction of business strategy subsequently affected an organisation's change strategies. This is shown in Table 6.3. In both periods we are dealing with "realised" rather than "intended" business strategy.

Analysis of this table shows that in the majority of organisations, if there was change/no change in business strategy, there was correspondingly change/no change in that organisation's change strategies. The exceptions are the NRMA and

Table 6.3

Associated Repositioning Of Business Strategies And Change Strategies

ORGANISATION	BUSINESS STRATEGY CHANGE	CHANGE STRATEGY CHANGE
BANKS		
Macquarie	No	Change in Style only
Westpac	No	No
Advance	Yes. From Reactor to Analyser	Yes. From Corporate Transformation/Directive to Incremental Adjustment/Directive
ANZ	Yes. From Analyser/ Reactor to Prospector	Yes. From Corporate Transformation/Directive to Modular Transformation/Directive-Consultative
Commonwealth	No	No
INSURANCE		
Capita	Yes. From Reactor to Prospector	Yes. From Corporate Transformation/Directive to Modular Transformation/Directive
MLC	Yes. From Reactor to Analyser	Yes. From Corporate Transformation/Coercive to Modular Transformation/Directive
NRMA	No	Yes. From Corporate Transformation/Directive to Incremental Adjustment/Consultative
Suncorp	Yes. From Reactor to Analyser	Yes. From Corporate Transformation/Directive to Modular Transformation/Directive
M.M.I.	Yes. From Reactor to Defender	Yes. From Modular Transformation/Directive to Fine Tuning/Directive

Figure 6.2   **A Schematic of Generic Business Strategy Types and Their Association with the Change Matrix, Based on the Current Research**

SCALE OF CHANGE / STYLE OF CHANGE	Fine Tuning	Incremental Adjustment	Modular Trans- formation	Corporate Trans- formation
Collaborative				
Consultative	*Analyser*	*Prospector*		
Directive	*Defender*	*Analyser*		*Reactor* / *Defender*
Coercive				
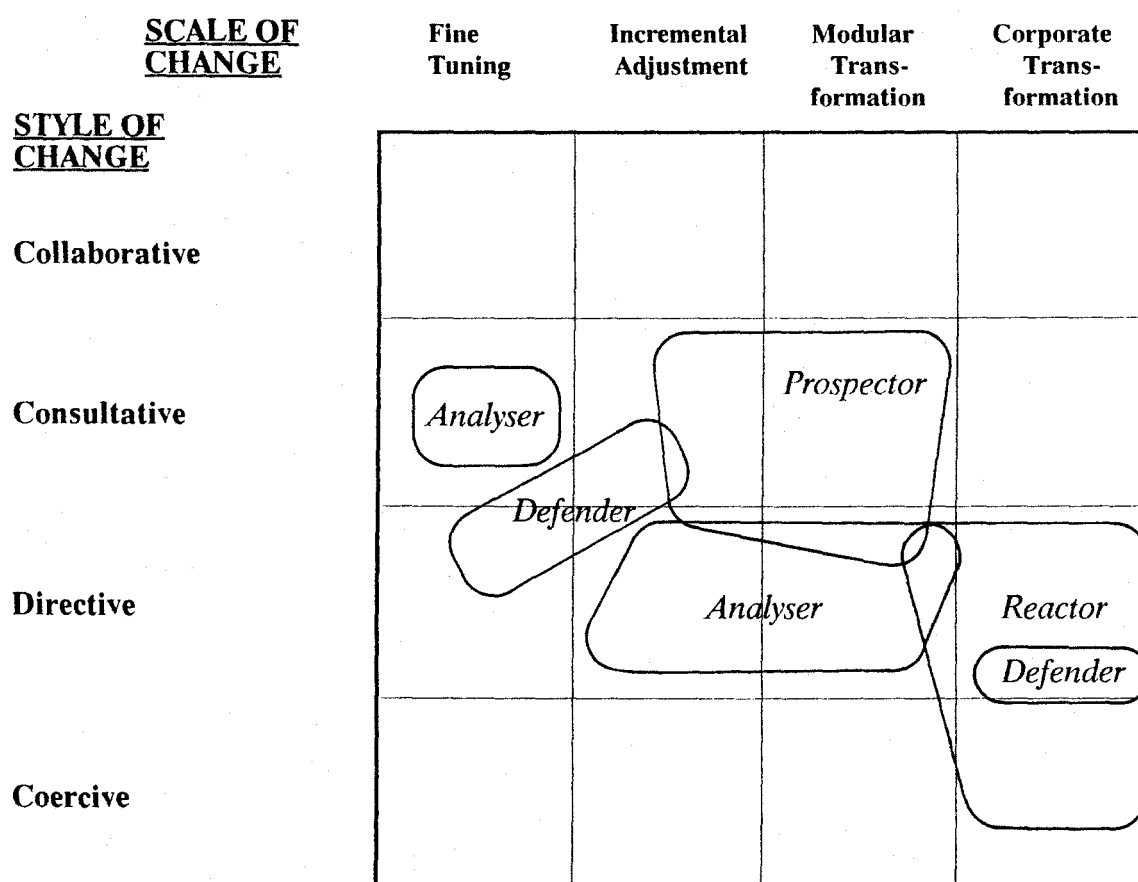
Macquarie Bank. In the NRMA's case, the only explanation is that its 1986 Corporate Transformation/Directive change strategy was in all probability a means of retaining fit, rather than regaining fit, using the to date successful Defender business strategy (note that the future modal score for this organisation is also Defender). In the case of Macquarie Bank, the alteration in its change strategy relates to Style only, which could be explained by a mixed Consultative/Directive/Coercive approach used by executive management in creating a licensed bank in 1985, and to the preferred consultative style of the new chief executive, appointed in 1986.

Once again these patterns are not definitive; but they are strongly suggestive of the inter-relationship of business strategy and change strategy variables, and of the power of the change model in explaining the processual elements of strategic change.

6.7 INTENDED BUSINESS STRATEGIES

This analysis is primarily concerned with realised business strategies. However as with the analysis of change strategies in Chapter 5, it is interesting to note that seven of the ten organisations project a different business strategy for three years hence, and a total of eight out of the ten organisations projected that they will be playing an Analyser/business strategy in the future.

Several explanations of this pattern could be offered:

–   as with the managerial/leadership dimension of change strategies, respondents may hold an idealised notion of a successful business strategy which is neither the low cost producer (Defender) nor the leading edge of product/market innovation (Prospector), but a focused amalgam of the two (Analyser).

–   the Prospector business strategy, rated strongly for the present period early in the deregulatory cycle, may not be capable of being sustained, financially, by organisations in the longer term - hence the strong ratings for an Analyser business strategy in the future.

–   the deregulation of financial markets and financial service industries is a global phenomenon. As we have seen the Defender strategy may only be successful during a period of environmental turbulence in particular, almost monopolistic situations. Similarly the Prospector strategy may be confined to those international organisations with sufficient surplus resources to undertake generic product/market innovation, while other organisations are forced to play the early adopter/niche market strategy (Analyser). An example of this is the Analyser-type strategy currently being played by Australia's Qantas Airways Limited, following deregulation of the international aviation industry, and the emergence of the large international mega carriers. In the 1960's and 1970's Qantas played a Prospector business strategy but according to senior executives, in recent years has had insufficient size and resources to create the play in this way. Similarly, Australian financial service organisations, many of which are large domestically, do not have sufficient scale to generate huge research and product/market development budgets. In this situation the Analyser strategy may be the viable positioning for the majority of Australian financial service institutions.

These explanations are at best speculative, but they do point to some rationale for the strategy intentions of the executive interviewees being so firmly in the directions of the Analyser business strategy.

6.8   SUMMARY

In this chapter we have analysed responses from the field studies relating to executives' perceptions of the business strategies of their organisations, and the association between those business strategies and their organisation's change strategies.

Although the evidence is preliminary, the results suggest that:

– the Defender business strategy is primarily associated with Fine Tuning or Incremental Adjustment, actioned by either Consultative or Directive style at the corporate level.

– the Prospector business strategy is primarily associated with Incremental Adjustment or Modular Transformation (mid range change strategies) actioned by a Consultative style at the corporate level.

– the Analyser business strategy is primarily associated with Incremental Adjustment or Modular Transformation (mid-range change strategies) actioned by a Directive style at the corporate level (there were however some confounding results from the Commonwealth Bank on this).

– the Reactor business strategy is primarily associated with corporate turnaround situations, i.e. Corporate Transformation actioned by either Directive or Coercive style at the corporate level.

These results relate to a period of turbulence in the financial services industry business environment. Of Miles and Snow's viable business types, the Prospector and Analyser strategies seem to be dominant during such a period, although the

Defender strategy can be played in protected or near monopolistic situations. During the period covered by this study two organisations maintained the same business strategy and the same change strategy, but this was atypical. As organisations change their business strategies, there appears to be a complementary and subsequent alteration in their change strategies.

CHAPTER 7

THE FINDINGS: RELATIONSHIPS BETWEEN HUMAN RESOURCE MANAGEMENT STRATEGIES AND THE CHANGE MODEL

7.1   HUMAN RESOURCE POLICY AND STRATEGY

The view taken in this study is that, as in the field of business strategy, human resource practices and policies within organisations aggregate to form perceptible patterns over time. These "patterns in a stream of decisions" (Mintzberg 1978:935) we regard as the realised human resource strategies of an organisation. During the field studies, the focus of analysis in human resource management as a process strategy was on human resource policy and practice. This current analysis seeks to provide an interpretation of this data from a holistic human resource strategy perspective.

The aim is to describe an organisation's orientation in human resource strategy, vis-a-vis other organisations. Thus, for example the analysis is more concerned with the policy question of whether or not an organisation hires laterally or depends on an internal labour market, rather than with details of the validity of any particular recruitment test or practice.

7.2   FROM FIELD STUDIES TO GESTALTS

The field studies provided a rich source of data from each organisation in the form of:

*   ratings of the relative importance of eleven major human resource practice areas over the past three years (e.g. compensation, organisational development, performance appraisal)

* human resource policy documents, including Executive Committee and Board papers/minutes

* printed materials, staff newsletters, annual reports to staff, and internal memoranda relating to human resource policies/practices

* verbal data, following a structured interview format, from between 22 - 30 executives and middle managers in each organisation

This data was initially analysed for the preparation of individual case studies in which the human resource component spanned on average nine pages, including five to six tabular pages of detailed analysis of patterns of human resource practice (refer to Table 5 in the sample case studies in Chapter 8 for examples). The cases were validated for emphasis and accuracy by one or more often several senior executives representing each participating organisation.

Following preparation of the case studies, an individual Human Resource Profile was prepared for each organisation by the researcher. This was used to further summarise the human resource information into a shortened, yet comparable form as between organisations. These profiles are shown as Appendices 2.1 to 2.10.

Thus the steps in translating and aggregating data from the stage of data gathering, through the case study writing and validation process, to the profile stage, and then to patterns or gestalts are based on systematic cross comparison between organisations and interviewer inference. The systematic field research framework used; the rich source of qualitative data gained from 40-50 days spent in the sample organisations; the 50 plus days spent in case study write-ups, and the feedback from organisations on the case studies, have all combined to give a robust methodology for a theory development study.

As with the change and business strategy analyses in Chapters 5 and 6, this analysis will concentrate on *"realised"* human resource policy (what has happened in the past three years, or is being implemented now) rather than future or *"intended"* HR policy.

7.3   EMERGING COMMON TRENDS IN HUMAN RESOURCE MANAGEMENT

In 1986 the author undertook a major study on behalf of the Australian Government (Stace 1986) of emerging trends in human resource management and development, based on case studies of seven organisations. The organisations were dispersed in the computing, project construction, oil, utilities, food and financial services industries. Among the central findings of the study were three major contemporary trends in human resource management which were characteristic across the human resource/personnel area within Australian organisations. These trends could be summarised as follows:

a)   Decentralisation of Human Resource Management

This is the trend away from large, centralised, Personnel Departments, toward either the complete disbandment of Personnel by letting managers assume complete responsibility for personnel issues, or the significant devolution of the operational and managerial aspects of the Personnel role to line executives and managers. This is consistent with a move to flatter, more profit-oriented business structures in most industry sectors in western economies (Drucker 1988). The trend toward devolution of managerial accountability was common to all organisations, while the decentralisation of human resource management was more pronounced, structurally, in the larger organisations in the study. However the decentralisation ethos was common in both large and small organisations.

b) **A Strategic Orientation**

This is the trend for organisations to move to a more strategic orientation in the level at which human resource policy is instigated, considered, and linked into the business planning processes of the organisation. This is evidenced by the increasing incidence of human resource issues being considered at Executive Committee level, and a general trend for the most senior human resource position to report directly to the Chief Executive.

Thus the general trend is for operational human resource practices to be devolved to line managers or line human resource managers/units, while a smaller more strategically oriented corporate human resource unit concentrates on policy and strategy-related issues.

c) **Performance Management**

In all seven organisations in the 1986 sample there was a noticeable move toward the establishment of Management-by-Objectives type goal setting and appraisal systems, associated with embryonic developments in performance-related reward structures. This trend superseded either a vacuum in human resource practice in these areas, or systems of performance management based on behavioural ratings rather than objectives-type performance ratings.

New or vastly revised systems of performance management tended to be the baseline of contemporary human resource practice in all seven organisations in the 1986 study, the only variation being the degree of systematisation or formality. For instance, IBM Australia has a highly systematised, and formal process - the Planning, Performance, Counselling and Evaluation System (PPCE). Lend Lease Corporation, on the other hand had a much less formal process, in system terms, but equally rigorous in terms

of corporate expectations of managers that performance management is a central part of the ethos of the organisation.

The above three major changes in Human Resource policy and practice were again in evidence in varying degrees during the current study. They constitute a strong backdrop of commonality to any study of differences in patterns of human resource policy/strategy, which we explore later in this chapter.

This suggests that differences in an organisation's human resource strategies vis-a-vis another organisation may be partially a function of changed business strategy, partially a function of the organisation's change management strategies, but also partially a function of broader thematic changes in the general culture of management (e.g. the current emphasis on devolution, downsizing, and flatter personnel/structures) and in the functional field of human resources (similar to the transition in other fields e.g. sales to marketing, and accounting to finance).

As in the 1986 study, the extent to which each of the three trends applies varies in emphasis as between organisations. Tables 7.1 and 7.2 seek to illustrate these variations. As little as half a decade ago, none of these trends would have been observed in any of the sample organisations, as Personnel Departments were highly centralised; Personnel policy was precedent-based rather than strategically focused, and performance management systems were either control-based (i.e. an appraisal rather than an appraisal-training-reward orientation), or non-existent.

7.4 RANKINGS OF PRIORITY HUMAN RESOURCE AREAS

In each organisation executive interviewees were asked to complete a short questionnaire, ranking 1 to 5 in priority order the major areas of human resource management activity in their business unit over the past three years, and projected

Table 7.1   Key Human Resource Management Trends In The Sample Banks

ORGANISATION	TREND		
	Decentralisation Of Human Resource Areas	Strategic Orientation Of Human Resources	Performance Management
Macquarie Bank	All Human Resource functions except graduate entrants and remuneration are totally decentralised.	Human Resource policy issues are of strategic significance, with inputs from the Chief Executive/strategic consultants, and the Executive Committee.	A new MBO-type system has been introduced, but its implementation is undisciplined, and focuses on performance only, not development.
Westpac	Progressive decentralisation to line Divisions or SBU's. Still a strong policy input by a downsized central Human Resources Division.	Human Resource policy is regarded as a prime strategic area for Westpac.	The Westpac Management System (Goal Setting-Development-Appraisal-Rewards) is a central part of the Bank's management ethos.
Advance Bank	Totally decentralised, apart from remuneration and training.	Almost nil. The task for the past 3 years has been survival. Human resource management has been totally operationally focused.	An appraisal scheme has recently been re-introduced, but as yet is not systematically used across the organisation.

Table 7.1   **Key Human Resource Management Trends In The Sample Banks (Cont'd)**

ORGANISATION	TREND		
	Decentralisation Of Human Resource Areas	**Strategic Orientation Of Human Resources**	**Performance Management**
ANZ Group	Day-to-day personnel issues are largely decentralised to Sectors and SBU's, but there is strong central direction in salary administration and awards.	Minimal. The task for the past 3 years has been strategic redirection and restructuring.	Sectors and SBU's have good, solid, baseline performance management systems.
Commonwealth Bank	Minimal decentralisation. Centralist paternalistic orientation.	Mainly operationally focused human resource policy.	A new appraisal scheme has recently been introduced - MBO type.

Table 7.2   Key Human Resource Management Trends In The Sample Insurance Companies

ORGANISATION	TREND		
	Decentralisation Of Human Resource Areas	Strategic Orientation Of Human Resources	Performance Management
Capita	Decentralisation of human resource accountability is proceeding rapidly.	The whole 'cultural revolution' in Capita has been strongly driven by a new Chief Executive and key executives. Human resource policy has been integral to new strategic business directions.	A new MBO-type system has been introduced. It has yet to become part of the accepted management ethos of the business units.
MLC	Totally decentralised, apart from remuneration.	The downsizing, restructuring and driving profit orientation of the company have all been backed, de facto, by strategic policy on human resources. Beyond the turnaround, however, there is only the Quality Service program which resembles a centrally driven strategic human resource policy.	Performance management is strong, but in an informal, managerial sense, rather than being system driven. This is typical of Lend Lease companies.

Table 7.2 **Key Human Resource Management Trends In The Sample Insurance Companies (Cont'd)**

ORGANISATION	TREND		
	Decentralisation Of Human Resource Areas	**Strategic Orientation Of Human Resources**	**Performance Management**
NRMA	Decentralisation of human resource accountability, but centralised human resource policy and resourcing.	Human resource planning is an integral component of the corporate strategy and business planning processes.	A very tight, cohesive performance management system is used across the organisation. Performance appraisal and employee development plans are mandatory for staff to receive salary increments.
Suncorp	Decentralisation of human resource accountability, but centralised human resource policy and resourcing.	The major strategic human resource imperative has been to establish a baseline Personnel system, after severing ties with the Public Service. This has been extremely successful.	Performance management is the major thrust of Suncorp's personnel strategy - an MBO goal setting appraisal, development and reward process. This has initially been focused on senior managers.
MMI	Some decentralisation of human resource accountability, but Personnel exerts a strong influence on both policy and practice. Overall, centralist and paternalistic.	Almost nil. Mainly operationally focused.	A systematic goal setting approach is used but linkages to development and rewards are tenuous.

ahead for the next three years. The questionnaire (Appendix 1.5) was completed prior to the interview, handed to the interviewer, and used as a frame of reference during the interview to focus on areas of priority and emphasis in human resource management, using the interviewee's business unit as the frame of analysis.

The eleven major areas of human resource management included:

* Workforce Planning

* Recruitment and Selection

* Performance Appraisal

* Rewards and Compensation

* Severance/Exit Practices

* Human Resource Information Systems

* Training and Skills Development

* Career Development

* Organisation Development

* Employee/Industrial Relations

* Human Resource Legislative Areas.

Each major area contained three typical practices within that area. For instance Workforce Planning contained three sub-headings covering the most common practices in that area viz.

*   Job design, work practice reviews

*   Workgroup, or organisational restructuring

*   Future workforce needs analysis based on business plans

The rankings of the major areas were intended as a shorthand methodology for quickly getting to focused discussion with interviewees on human resource practices in their business unit. This was part of the process of building up the comprehensive picture which emerged in the form of the case study, and later, the Human Resource Policy profiles. The rankings are not definitive, quantitative indicators, nor can they be. For example, in the case of an executive ranking Workforce Planning as first priority over the past three years - the ranking could reflect very heavy emphasis on job redesign at the micro level, or strategically related workforce needs analysis at the macro level. The rankings were therefore not meant to discriminate at the level of detailed human resource practices, but to assist in building up a picture of an organisation's overall human resource policy orientation, by acting as prompts for questioning interviewees around a related area of practices e.g. Workforce Planning.

With this as background, the aggregated priorities for each organisation are shown in Table 7.3. It is clear from this table that two major areas included in the earlier discussion of Performance Management (i.e. Performance Appraisal, and Rewards and Compensation) feature strongly, in 9 out of 10 possible rankings each. This provides confirmatory evidence of the centrality of Performance Management to the transition of human resource management in Australian organisations.

However, if the areas of Performance Appraisal and Rewards are removed, because they appear to represent a common trend in the disciplinary field of human resource management, what patterns remain?

Table 7.3 Priority Human Resource Areas, Past 3 Years, As Perceived By Executives

Organisation	Workforce Planning	Recruitment & Selection	Performance Appraisal	Rewards	Severance/ Exit	H.R. Information	Training & Development	Career Development	Organisational Development	E.R./ I.R.	H.R. Legislation
BANKS											
Macquarie		1	2	3			5		4		
Westpac		2	1	3 (eq)				3 (eq)	5		
Advance	3	1		2				5	4		
ANZ	1	5	2					4	3		
Commonwealth	1 (eq)		1 (eq)	3 (eq)			3 (eq)		3 (eq)		
INSURANCE											
Capita	1	4 (eq)	4 (eq)	2					3		
MLC	1	2	3 (eq)	5				3 (eq)			
NRMA	1		3 (eq)	2				3 (eq)	5		
Suncorp		3	2	4 (eq)		4 (eq)	1				
MMI	3		2	4 (eq)			1	4			

SCALE   1 = 1st priority   5 = 5th priority

The remaining rankings are suggestive of the following residual trends over the past three years in the sample organisations:

a)   the major area of Workforce Planning has been an area of relatively high priority, marginally more for insurance than banking organisations.

b)   the major area of Recruitment and Selection has been an area of relatively high priority, marginally more for banks than insurers.

c)   the related major areas of Training and Development, Career Development and Organisational Development feature as areas of priority with a stronger apparent emphasis on Training (skills) in the insurance organisations, and greater emphasis on Career and Organisational Development in banking organisations.

d)   The major areas of

*   Severance/Exit Procedures

*   Human Resource Information Systems

*   Employee/Industrial Relations

*   Human Resource Legislative Areas (E.E.O., Occupational Health)

have not been areas of strong priority with business unit executives.

The ranking process was clearly limited in discovering the nuances of an organisation's human resource strategy. The rankings were an ordinal rather than interval scale; did not provide for a ranking of all areas listed (because it was judged

that this level of detail would irritate respondents and lead to many non-responses); did not provide for strength of response within each human resource area, and do not lend themselves to quantitative analysis. However, the rankings did serve as a trigger for framing appropriate questions about priorities, as a means of cross-checking documentary and verbal references to the strength of particular human resource practices and policies within the organisation, and as an initial framework for developing an overall picture of the organisation's human resource strategies.

It was therefore necessary to utilise the qualitative material developed in the detailed case studies, in the human resource profiles, and in other documentary and verbal records to reach an understanding of any differences in the human resource policy orientation of the sample organisations. Often it is not so much a question of differences per se of priorities in human resource practice, as in differences in emphasis within a broad HR area. The following section explores these patterns and areas of difference.

7.5   PATTERNS AND GESTALTS IN HUMAN RESOURCE POLICIES

It became evident during the field studies and the case write ups that there were important differences between organisations in human resource policy/strategy. However the question remained as to whether differences in HR would emerge as between organisations with different types of business or change strategies. The major initial difference appeared to be among those organisations which were developmentally oriented, and those which tended to use radical structural solutions as a means of maintaining/regaining strategic fit. The former appeared to emphasise team concepts, and to be more oriented toward staff training and development, career development and culture development. The latter appeared to be more managerially driven, less team oriented and more reliant on organisational

restructuring and lateral recruitment. This initially suggested a developmental-structural divide in a typology of human resource strategies. However to test this researcher perception, a process of analysis was undertaken as follows:

Step 1 The Human Resource Policy Profiles were used as the basic source of reference for each organisation's human resource policies/ strategies. The profiles cover the period three years ago, to now.

Step 2 The positioning of organisations on the change matrix, three years ago and now (Figure 5.1) was used as the analytical frame. This positioning relies on executive's rankings of Scale and Style of change, not the 'perceived' rankings of Style by managers/supervisors. The field research indicated that executives set basic Change and HR policy directions.

Step 3 A sequential process of isolating the Scale and Style areas of the change matrix was followed, to see if by cross comparing emphases in the human resource policies/strategies of organisations in that change area, it was possible to detect any similarities or clustering in human resource emphasis.

Step 4 In conducting Step 3, the areas of Performance Management (Performance Appraisal, Rewards); strategic HR orientation, and HR decentralisation were initially factored out as being common trends related to the disciplinary field of Human Resources - as covered in Section 7.3.

The process of sequential analysis proceeded as follows:

a)   <u>Analysis According to Scale of Change</u> (using Executive's rankings)

*   Fine Tuning (CBA - both periods; MMI-now)

*   Incremental Adjustment (Macquarie - both periods; NRMA - now; Advance Bank - now)

*   Modular Transformation (Westpac - both periods, MMI - past 3 years, ANZ - now, Capita - now, MLC - now, Suncorp - now)

*   Corporate Transformation (Advance Bank, ANZ, Capita, NRMA, Suncorp, MLC - all for the past 3 years)

From this analysis it appears that major clustering in human resource strategy occurs in the Fine Tuning and Corporate Transformative change areas. In the Fine Tuning category, despite differences in the size of the organisations, the CBA and MMI are very similar in human resource orientation. They share the following characteristics:

–   centralised human resource structures, and a centralist orientation to human resource issues (against the general trend)

–   a paternalistic, procedurally oriented human resource approach

–   a heavy emphasis on work-study type efficiency audits, skills training and formal employer-employee negotiations and agreements.

–   minimal emphasis on culture management strategies. Control-oriented.

These we term Paternalistic HR Strategies. It should be noted that these were the lower performing organisations in their respective industry sub-sectors in the sample.

In the Corporate Transformation category all six organisations were involved in:

–   major changes to macro-organisational structures

–   opening of the organisation to extensive lateral recruitment (except NRMA)

–   declaring executive and managerial jobs vacant

–   in most cases radically downsizing the organisation (MLC, Suncorp, ANZ)

and/or retrenching managers and staff.

These we term Turnaround HR Strategies.   In each of the six organisations in this category, these practices were characteristic of the previous three years (the period of corporate turnaround), rather than relating to the present period.

b)   Analysis According to Style of Change   (using Executive's rankings)

*   Collaborative (Nil)

*   Consultative (CBA and Westpac - both periods; Macquarie - now; NRMA
- now)

*   Directive (Macquarie and NRMA - past three years; Advance, ANZ, Capita,
MMI, Suncorp - both periods; MLC - now)

*   Coercive (MLC - past three years)

The clustering here appears to be reasonably compelling.   In the Consultative category, Westpac (both periods), Macquarie (now) and NRMA (now) are typical of the developmental type identified earlier - heavily emphasising workforce and organisational development. These organisations have heavily resourced, and place importance on:

–   incentive-based reward policy

–   personal development, management development (except Macquarie),
career management (Westpac)

–   culture management (internal marketing, multi-media employee
         communication channels, culture surveys)

These we term Developmental HR Strategies.   In the NRMA's case this
developmental emphasis is relatively recent, following an earlier period where a
structural emphasis was dominant. It appears that a Consultative executive ideology,
even when lower level managers rate the 'received' Style as Directive, is associated
with Developmental HR Strategies.

The CBA, which is rated Consultative, does not, however, appear to cluster with the
above organisations. The CBA's value system is consultative, but this is accompanied
by procedurally-oriented development (skills training; an across-the-board rather
than individually differentiated incentive system; a strong basis of formalistic
negotiation between the Bank and the in-house union) - a kind of mechanistic
development, rather than the more organic developmental emphasis typical of
Westpac, NRMA and Macquarie. This suggests that the CBA's human resource
strategy may be more influenced by its Change Scale (Fine Tuning) than its Change
Style (Consultative).

In the Directive category, i.e. the Style area occupied by the majority of organisations
in the sample, the basic orientation appears to cluster around what we term Structural
HR Strategies:

–   organisational, business unit, work team and job restructuring

–   functional skills training

–   lateral recruitment

–   major revamping of performance appraisal systems

—   retrenchments, outplacement

Two organisations (Macquarie and NRMA) included in the Directive category for the first period (three years ago) show evidence of an initial structural approach. However in the move to the Consultative Style category for the present period, in both cases there has been a clear change in human resource emphasis toward more developmentally oriented HR strategies (Goals and Values statement and culture management strategies - Macquarie; Quality Service and management development policies - NRMA). However, two other organisations in the Directive Style category for both periods (Suncorp and Capita) have also clearly begun to adopt a developmental overlay to their structural human resource strategies in the latter period by virtue of their emphasis on management development (Suncorp and Capita) and culture management (Capita). Thus the developmental-structural dichotomy is therefore not a model of pure types, rather a matter of relative emphasis.

In the apparent association of Structural HR strategies with the Directive (and the Coercive) Style, it should be noted that the extent of radical structuralism in human resource policy (e.g. retrenchments, declaring all positions vacant, total workgroup changes, disbandment of whole organisational units, hiring of outside executives), is influenced by the extent of the Scale dimension of change. Thus, in all of the organisations which had shown evidence of radical structuralism (or Turnaround HR Strategies) in the first period, the emphasis had moved back to less radical structural changes in human resources in the present period (e.g. productivity studies, work team restructures, emphasis on staff training and performance appraisal, and heavy emphasis on lateral recruitment of specialists).

What the above analysis suggests is that the orientation of human resource policies/strategies in the sample organisations cannot be solely explained by a

developmental-structural dichotomy. What also appears to have emerged is a paternalism - radicalism divide related to the Scale of Change, overlaid across a developmental - structural divide related to the Style of Change. This is schematically represented in Figure 7.1 by superimposing a human resources gestalt on the change model.

While these are patterns arrived at by inductive methodology, they do appear to have explanatory power in pointing toward differences in the emphasis of human resource policies/strategies in the sample organisations in the two time periods - the past three years and now. It was clear for instance during the field studies that organisations differed in the ethos or orientation of their human resource policies. Of the large banks, the developmental-structural divide seemed capable of describing the differences between Westpac and the ANZ: both had undergone major transformative change (Westpac - Type 3; ANZ - Type 4), but Westpac had actioned the change through Consultative as opposed to Directive managerial style. This difference in managerial style flowed through to a different qualitative emphasis in human resource strategies. However in the case of the CBA and Westpac, which both were rated as Consultative style, the marked difference in human resource strategy seemed more related to differences in the Scale of Change, (in the case of the CBA, a preference for Fine Tuning change in all aspects of its process strategies, as opposed to Westpac's Transformative orientation).

Similarly, with the insurance organisations the explanation between say MMI and MLC's current human resource strategies is more related to Scale (Fine Tuning for MMI, as against Modular Transformation for MLC), than to Style (both are Directive) - MMI is very procedurally and control oriented in its human resource strategies, while the MLC has totally abolished the Personnel Department and

allowed a more organic approach to arise. MMI's approach appears mechanistic as against the more organic (Burns and Stalker 1961) approach of MLC. Thus we appear to have a dynamic model in which the Scale and Style of change interrelate, with other variables, to produce differentiation in human resource strategies.

7.6   CONCURRENT ALTERATIONS IN CHANGE AND HUMAN RESOURCE STRATEGIES

A critical question is whether an organisation's human resource strategies alter in relation to their positioning on the change matrix. In all probability the time spanned by this analysis (past three years to now) is insufficient to definitively say yes or no, given that there are factors like lag between the actioning of macro business strategies and their effect on micro variables such as human resource practices. Other intervening variables like the appointment of a key human resources executive may also affect the pattern of human resource strategies, independent of business or change strategies. However there was some evidence of alteration in human resource strategies consequent on an alteration in change strategies.

These nuances are not completely shown in the Profiles, because of their brevity, but the field studies and case studies did highlight differences at different time points. For instance the organisations which were positioned at Corporate Transformation/Directive on the change model in the first period showed greater evidence of laterally hiring senior executives, radically changing the macro-structure of the organisation, forcing retrenchments or effecting early retirements than was the case now that their change strategy has altered to Modular Transformation/Directive. In the latter period their human resource strategies concentrated on areas like the external hiring of specialists (as opposed to executives), work unit restructuring, and heavy emphasis on performance management (appraisal and rewards).

Another instance of concurrent change in positioning on the change matrix and human resource strategy is the NRMA where the change strategy moved from Corporate Transformation/Directive in the first period to Incremental Adjustment/Consultative in the second. In this case the human resource strategies for the second period changed in two dimensions - toward work unit restructuring in place of macro-restructuring, and emphasis on performance management on the one hand, but at the same time toward developmentally oriented interventions viz. quality service, team-building, heavy resourcing of training and development programs, and careful nurturing of a workforce culture which had just come through a brief period of radical change.

What this suggests is that there appears to be some relationship between an altered position on the change matrix and the orientation of human resource strategies, to the extent that the different patterns of human resource policy could be described in a general model and a theory developmental typology. Such a typology could be tested in further research, validated or changed over a number of research iterations, and used in much the same way as the business strategy type statements (Defender, Prospector, Analyser, Reactor) have been utilised in this study to give some approximation of an organisation's business strategy in different periods. We explore this possibility below.

7.7 A MODEL AND TYPOLOGY OF HUMAN RESOURCE STRATEGIES

The schematic of human resource strategies in Figure 7.1 is at this stage specific to the ten case studies in the financial services industry during a period of rapid environmental change. Whether such a schematic would be descriptive of the world

Figure 7.1   The Orientation of Human Resource Strategies in the Sample Organisations

<u>SCALE OF</u> <u>CHANGE</u>	Fine Tuning	Incremental Adjustment	Modular Trans- formation	Corporate Trans- formation
<u>STYLE</u> **Collaborative**				
Consultative	5, 15 Paternalistic HR Strategies	11, 18 2, 12 Developmental HR Strategies		
Directive	20	1, 13 Structural HR Strategies	10 14,16,17,19	3, 4, 6, 8, 9 Turnaround HR Strategies
Coercive				7

<u>Legend</u>   (Past and Present Change Positioning)

1 and 11	Macquarie
2 and 12	Westpac
3 and 13	Advance
4 and 14	ANZ
5 and 15	CBA
6 and 16	Capita
7 and 17	MLC
8 and 18	NRMA
9 and 19	Suncorp
10 and 20	MMI

of events in a different business environment and in other industries will need testing in subsequent research.

However, it was indicated in the earlier discussion that the schematic was not a model of pure types, particularly in relation to the Developmental - Structural HR dichotomy. For instance a heavy emphasis on functional skills training by organisations using Structural HR strategies, does not imply an absence of such training by organisations using Developmental HR strategies. It rather becomes a question of balance of emphasis rather than absolute differences in HR policy orientation. This is particularly the case for organisations in the mid-range of the change model, but less so for organisations at the extremes (Fine Tuning and Corporate Transformation).

A more general model, which probably more accurately reflects the real world of HR strategies is thus shown in Figure 7.2. This shows almost absolute differentiation between Paternalistic and Turnaround HR strategies, but differentiation in relative emphasis as between Developmental and Structural HR strategies. This provides useful distinctions for conceptualising the different orientations of human resource policies observable in contemporary organisations, without creating pure types where they do not exist in practice.

To assist in further research, the model could be extended into a definitional framework. We have attempted to do this by constructing HR Type statements.

The statements in Table 7.4 therefore attempt to describe the four different types or orientations of organisational human resource strategies which were identified in Section 7.5, and which relate to Figures 7.1 and 7.2. They are not as we have seen mutually exclusive categories, as references in several of the statements may be true

Figure 7.2 A Suggested Model of Human Resource Strategies

SCALE OF CHANGE	Fine Tuning	Incremental Adjustment	Modular Trans-formation	Corporate Trans-formation

STYLE

Collaborative

Consultative

Paternalistic HR Strategies

Developmental HR Strategies

Directive

Structural HR Strategies

Turnaround HR Strategies

Coercive
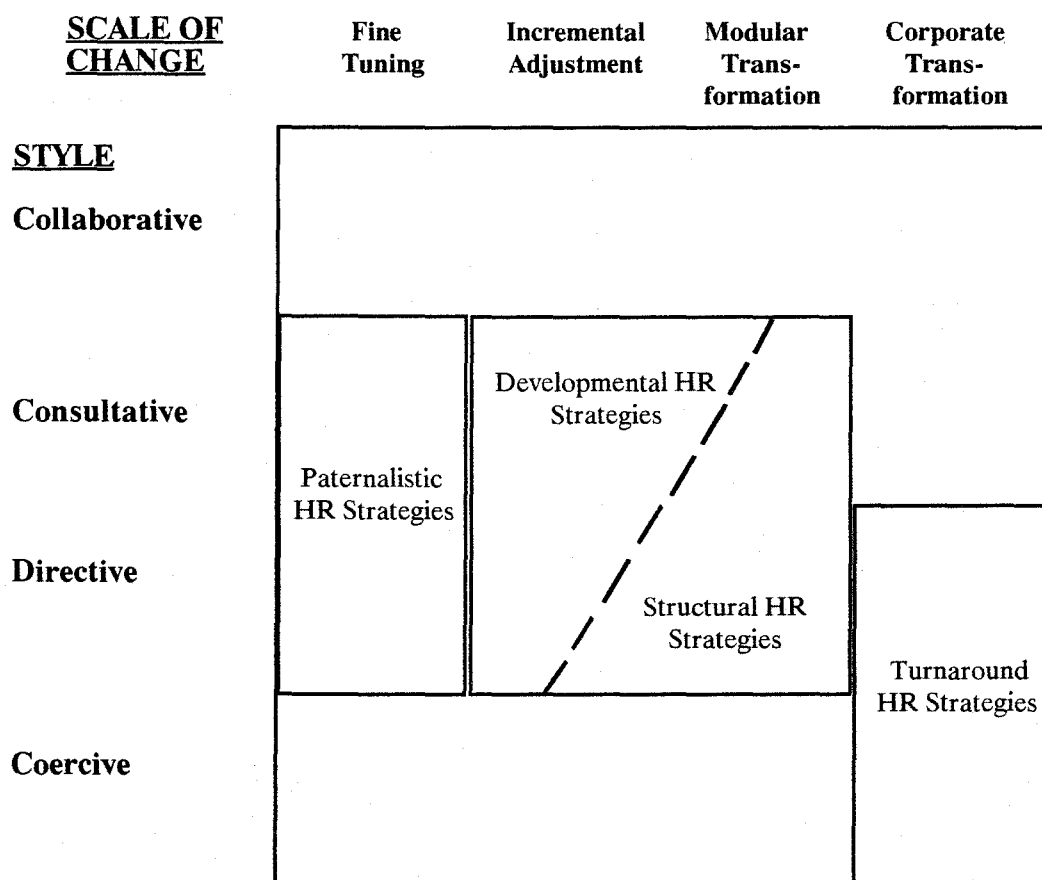
Table 7.4   Typology Of Human Resource Strategies

(Brackets) - not for use in research instruments

TYPE	DESCRIPTION
TYPE A (Structural)	Human resource strategy in this organisation is strongly focused on the business unit, characterised by attention to systems and structures in human resource practice, involving many of the following features: * Prime emphasis on workforce planning, job re-design and work practice reviews to achieve a better fit with business changes. * A pragmatic approach to recruitment and selection by appointing staff at all levels from either inside or outside the organisation. * Performance appraisal and reward systems which track and reward contributions to bottom-line performance. * Emphasis on functional skills training for present jobs, and multi-skilling - mainly at operational and supervisory levels. * Corporate or business unit procedures and guidelines for counselling, discipline and grievance handling, and formal mechanisms for handling relationships with industrial unions.
TYPE B (Developmental)	Human resource strategy in this organisation is jointly actioned by the corporate human resource unit and the business units, characterised by emphasis on developing the individual and the team, for example: * Recruitment and selection where possible from inside the organisation. * Performance appraisal and reward systems which focus on outputs, the skills required to produce outputs, and both tangible and intangible (e.g. job satisfaction) rewards differentiated for individual performance. * Extensive supervisory, management and executive development programs, and interpersonal skills training. * Organisational development through employee communication strategies (video networks, staff news journals) team development, and staff attitude surveys. * Emphasis on a strong corporate culture.

Table 7.4   Typology Of Human Resource Strategies   (cont'd)

(Brackets) - not for use in research instruments

TYPE	DESCRIPTION
TYPE C (Turnaround)	Human resource strategy in this organisation is driven for a short period by the executive leadership, characterised by challenging, restructuring or abolishing human resource systems, structures and methodologies, involving many of the following features: * Major structural intervention to re-orient organisational, business unit and work team structures to create revised patterns of human interaction. * Downsizing the organisation through one or a combination of policies viz. retrenchments, early retirement or attrition through non-replacement. * Lateral recruitment of key executives and experienced specialists. Declaring managerial jobs vacant. * Introduction of performance appraisal and reward systems focused on bottom-line outputs. * Executive team - building and development.
TYPE D (Paternalistic)	Human resource strategy in this organisation is centrally driven, characterised by careful attention to procedures, precedents and achieving uniformity of approach across the organisation, as for example: * Manpower planning reviews, organisation and work methods studies, and incremental adjustment to work team structures based on staffing formulas. * An internal appointments policy. * Performance appraisal based on behavioural assessments, and rewards based on classifications with across-the-board bonuses. * Active skills training and development for operational, supervisory and middle management staff. * Formal and regular consultation with industrial unions in changing personnel policies, procedures and restructuring conditions and awards.

of any organisation at any one time. In the administration of such HR Type statements the task for interviewees or respondents would be to choose the statement which is perceived as being, on balance, most characteristic of their organisation or business unit at specified periods of time.

One internal test of the descriptive power of this typology was to conduct a post-hoc researcher review as follows:

ORGANISATION/PERIOD	RESEARCHER COMMENT

TYPE A   (Structural HR Strategy)

Macquarie Bank (Past 3 years)	Partially descriptive of Macquarie in the earlier period before the Goals and Values document and recent developmental emphasis by the CEO.
Advance Bank (Now)	An uneasy fit, but on balance the most characteristic of all the categories. A very pragmatic rather than systematic approach to human resources.
MMI (past 3 years)	Characteristic of MMI in the earlier period particularly in relation to lateral recruitment, skills training and employee/ industrial relations.

ANZ (now)	Very characteristic. ANZ is probably the exemplar of the structural approach.
Capita (now)	Very characteristic of the emphasis arising from the Personnel Department, but Capita does have a developmental overlay via its up-market culture management strategies.
MLC (now)	Partially characteristic. MLC tends to move between Types A to C in different business units.
Suncorp (now)	This is the most characteristic category, but like Capita, Suncorp has a developmental overlay.

TYPE B   (Developmental HR Strategy)

Macquarie Bank (now)	Characteristic of the human resource ethos (a high value-added meritocracy), but the developmental thrust is not systematised.
NRMA (now)	NRMA's approach has been built on Type A (Structural), but in the past two years has reoriented its people management policies in parallel with a corporate thrust to qualitatively change the management style to consultative. It models its new

developmental approach on corporations like IBM, Westpac.

Westpac (both periods)

Westpac is probably the exemplar of the Type B approach.   There was, however, growing evidence during the field study that the Bank's executive leadership is now looking for an ad-mixture of the developmental and structural approaches to human resource strategy to boost bottom-line profitability.

TYPE C   (Turnaround HR Strategy)

Advance, ANZ, Capita, MLC,

Suncorp (past 3 years)

Very characteristic of the human resource strategies used in the turnaround period, with varying degrees of major structural change, downsizing and lateral recruitment in the different organisations.

TYPE D   (Paternalistic HR Strategy)

CBA (both periods)

MMI (now)

CBA appears to be the exemplar of this approach, particularly in the past.   Both organisations however orient themselves around a centralist, procedural approach - a

staffing rather than human resources approach.

An external test of this typology would be to pilot the HR Type statements as was done with the Dunphy/Stace Change Types, and then to revisit the original ten organisations, administer a questionnaire containing the type descriptions, and then cross-compare the modal responses with the human resource strategy *"positionings"* shown on the research model in Figure 7.1. It was not practical within the timeframe and scope of this research to extend the study in this way, but the HR Type descriptions could be used in subsequent research where the total relationship between business, change and human resource strategies could now be researched by the use of type descriptions, augmented by other research methods.

7.8   SUMMARY

The material in this chapter has been exploratory and descriptive, in seeking to build up a picture of human resource strategies as related to change strategies. The methodology has been systematic and inductive, as we have been concerned to develop an understanding of patterns or gestalts rather than causal relationships between specific variables.

The results are suggestive rather than definitive. While the research method has been systematic across all sample organisations, researcher knowledge of the research sites, and researcher inference plays a large part in the patterns which have been described. This is theory development. Subsequent theory testing will be required to validate the patterns suggested as a result of this part of the study.

What has been identified however is a possible schema for describing differences in human resource strategies during periods of environmental change covering

Structural, Developmental, Turnaround and Paternalistic HR strategies. The differences between Structural and Developmental HR strategies appear to be associated predominantly with differences between a Directive or Consultative managerial Style on the change model. The differences between Paternalistic and Turnaround HR strategies appear to relate more to differences in the Scale of change on the change model.

In many cases these were differences in emphasis per se rather than the existence or non-existence of a human resource practice. For instance training was an area of practice common to all organisations, but the emphasis on standardised skills training or individual development frequently varied.

Beyond that, however, we also identified the emergence of common human resource trends across the study: a resuscitation of the human resource function (Collins 1982) similar to trends identified in the earlier study by the author (Stace 1986). It appears that within Australian organisations, and in financial services particularly, the field of human resources itself is in a state of transformation. Thus, when executives were asked to rate their areas of priority, there was a strong common trend around Performance Management (Appraisal and Rewards), Workforce Planning, and Recruitment and Selection. The patterns of differentiation identified above should not obscure this common thrust.

The HR strategies schematic, the model and the HR Type statements developed in this chapter are at this stage specific to the financial services sector during a period of major environmental turbulence. Subsequent research is required to further develop the concepts and models, and to test their generalisability.

CHAPTER 8

SAMPLE CASE ANALYSES OF TWO ORGANISATIONS

The benefit of qualitative case research method is its capacity to capture in-depth insights into part of the complex of variables which impel organisational functioning. Chapters 5-7 have described and analysed the results of the study in the three key areas of change, business strategy and human resource strategies. Prior to summarising the study overall in Chapter 9, it is important that readers and fellow researchers gain an understanding of the extent of systematic case analysis undertaken in each organisation.

This chapter is therefore devoted to reproducing two case studies representative of the sample of ten prepared following the field studies. Although extensive, this chapter demonstrates the depth of treatment given to each case, as the base on which a qualitative study such as this was built. This approach has been taken, rather than relegating the sample cases to an Appendix, because of the central part each of the field studies and the written cases played in reaching the conclusions described in this study.

The Chapter is divided into two Sections:

> Section 1   Case Study: ANZ Banking Group
>
> Section 2   Case Study: NRMA Group Limited

The case studies are confidential to the participating organisations, until the research results are released in a more general format.

Chapter 9 which follows discusses the overall results, and summarises the total study.

AUSTRALIAN GRADUATE SCHOOL

OF MANAGEMENT

RESEARCH CASE STUDY

" STRATEGIC CHANGE AND HUMAN RESOURCE POLICY"

ORGANISATION: ANZ BANKING GROUP

NOVEMBER 1988

This case study has been prepared following research into the ANZ Banking Group. It is one of a series of studies being conducted in ten Australian organisations to gain insight into the linkages between business strategy, organisational change and human resource strategies.

The information in this case study was derived from interviewing eight senior executives and twenty four middle or first line managers, over a period of three days. The process involved the use of a systematic research question format; research questionnaires; focussed discussion on the key variables in the study, and access to documentary sources within the Bank. While the information has been derived from these sources, any interpretations are those of the authors.

This document is a summary of the research findings, providing a framework for our feedback discussions with senior management. The document is not a consulting report, although the authors would be happy to discuss informally any implications for action arising from the findings.

ORGANISATIONAL DATA

INDUSTRY	Financial Services/Banking
ESTABLISHMENT	1835, as the Bank of Australasia
	1951, merger of the Bank of Australasia with the Union Bank of Australia, to form the ANZ Bank.
H.Q. LOCATION	Melbourne

TREND DATA *

	1984	1985	1986	1987	1988
Total Revenue	M$ 3,276	M$ 5,324	M$ 6,708	M$ 8,084	–
Profit - Before Tax	M$ 269	M$ 302	M$ 315	M$ 385	–
Total Assets	M$35,855	M$42,782	M$56,631	M$65,310	–
Equiv. F/T Employees	25,991	36,789	38,031	39,018	41,187

Market Share:	Virtually stable
OWNERSHIP STRUCTURE	Public Company
CORE PRODUCTION TECHNOLOGIES	People, computers/information technology

*   Figures supplied by ANZ Banking Group.

1.   THE ANZ BANKING GROUP IN A DEREGULATORY ENVIRONMENT

This case study describes and analyses the interrelationship between the ANZ's business, change and human resource strategies over the approximate period 1983-88. This period we characterise as a 'second wave' of major recent change in the Bank.

The period prior to that, the late 1970's and early 1980's, was a time of major domestic rationalisation and restructuring of the Australian banking industry, particularly involving the ANZ's major competitors. The ANZ itself had earlier gone through a period of restructuring when, in 1970, the ANZ and the English, Scottish and Australian Bank were merged. To that time this was the largest merger in Australian banking history. The conditions under which these 'first wave' moves were made, by both the ANZ and its competitors, were characterised by a regulated market environment and increasing competition from other financial service institutions (merchant banks, finance companies, building societies, credit unions). The mergers reflected a desire by the major banks to dominate the market in size, and to acquire a bargaining position for the imminent deregulation of the industry.

However, the second wave of change has been more far reaching than the first, influenced by a range of complex and dynamic factors:

*   progressive deregulation of the financial services sector by the Australian Labor Government - floating of the Australian dollar (1983); removal of restrictions on competition between banks, building societies, merchant banks and other institutions offering financial or financially related services; approval of an additional 40 foreign exchange dealerships (1984/85) and

approval (1984/85) for 16 new foreign owned banks to commence operating in Australia. Banks were previously rationers of funds in a narrow segment of the market, they are now market driven.

*   the increasing internationalisation of the business system; the participation of leading Australian corporations in this process; the need for major Australian banks to offer domestic and international services to an Australian and overseas client base, and the need to achieve scale/size to operate successfully as an internationally recognised financial intermediary.

*   the effects of rapid developments in information processing and transmission technologies on communications, information/data processing capacity, and flowing over onto organisational and work organisation structures.

*   the effects of a concerted move in Australia toward rationalist political/economic policy (freeing of markets; less government intervention; 'user pays' principles; governments looking to outside financial intermediation rather than public funds for financing of their own projects; encouragement and sponsorship of entrepreneurship).

*   external stakeholders (shareholders/Boards, the financial press, major corporate clients, analysts and stockbrokers) becoming more interventionist and demanding of performance by financial institutions.

*   changing social attitudes to work, career mobility and performance oriented reward structures - causing a re-orientation of major aspects of human resource policy.

177.

The ANZ's response to this environment has been unique among the major Australian banks. If we use Figure 1 as a basic conceptual schema, the ANZ has concentrated heavily on the Strategy-Structure nexus as its mode of competitive repositioning. The elements of Process, and Culture/Managerial Quality have had relatively less attention at this stage. We explore these linkages in subsequent sections.

2.   ANZ - CORPORATE AND BUSINESS STRATEGIES

a)   Corporate Strategy

The central question in corporate strategy is "in what business/es will we compete?" Into the early 1980's the ANZ's corporate strategic domain was regulated domestic banking, with some international representation. The group had earlier acquired a general finance company (Esanda) through the merger of the ANZ and the E.S. & A., but it was not until the mid 1980's that its corporate strategy became multi-dimensional through the development and/or acquisition of major related financial service businesses, viz

ANZ Capital Markets Corporation Limited (1984)	- Merchant Banking
ANZ Executors and Trustee Corporation Limited (1983)	- Trustee/Investment
ANZ Merchant Banking Limited (1984)	- Merchant Banking
Australian Fixed Trusts (1985)	- Investment/Property
Greater Pacific Life Assurance Company Limited (1985/86)	- Assurance
McCaughan Dyson Capel Cure Limited (1987 and 1988)	- Stockbroking

Some internal development has been used in establishing these businesses, but acquisition has been the primary source of the ANZ's diversification.

By far the most strategically important recent acquisition, however, was the purchase by the ANZ in 1984 of Grindlays Bank. The effect of this acquisition is best described in the words of one of the Bank's senior executives - ".... in Grindlays we bought a marvellous network of Branches along the trade routes of the world - specialising in commercial financing, and handling a proportion of World Bank monies for developing countries. We believe that the acquisition, despite the three plus years it has taken us to come to terms with and manage what we've bought, has given us a strategically important competitive edge - it is a major leg into international commerce at a time when a global presence is becoming increasingly important. We had many of these things in mind when we bought, but the growing importance of an international network makes the acquisition emerge almost as strategy by accident!"

As a Group the ANZ is now broadly positioned as a related diversified financial services institution, operating internationally. However, the issue of scale/size is assuming increasing importance for the ANZ and its major domestic competitors - to participate effectively in the world league of banks for funds and intermediation capacity. During the interviews with executives there appeared a consistent view that 1989-90 would see a major domestic acquisition/merger by the ANZ. One senior executive expressed it as follows ... "Scale is an issue, not scale for scale's sake, but critical mass for imaging, access to cheaper funds and greater volumes of business at the large end of the spectrum". Deutsche Bank AG was quoted by several executives as though it had become almost an informal corporate model.

b)   <u>Business Strategy</u>

The focus of business strategy is "how will we compete in our chosen areas of business?" Some detailed analysis was undertaken on this during the case research. A total of 8 senior executives was asked to choose from four statements describing generic business strategies, the statement most accurately depicting the business strategy orientation of the ANZ Group, past, present and projected. The four statements cover the business strategies described in Attachment 1.

As researchers we acknowledge the limitations of generic strategy descriptors in fully capturing the nuances of competitive business strategies, particularly in an organisation with the strategic business unit structure of the ANZ. However, each executive participating in the interviews appeared decisive in selecting a strategy type representative of the Group for the three periods specified. The results are shown in Table 1. By focussing on the modal score for each period, the following pattern emerges:

3-5 Years Ago   Equal scores.

*   Reactor. No clear business strategy.

*   Analyser. Joint emphasis on cost effective product
             delivery, and on innovation/development of new
             products/markets.

Now   *   Prospector. Product/market innovation

+3 Years   *   Analyser. Joint emphasis on development of new
(Projected)   products/markets, and cost effective product
             delivery

The projected shift from the present positioning of Prospector (product/market innovation) to an Analyser (innovation in some areas, but cost effectiveness in the core business) reflects the view in the Bank, expressed in a variety of ways by several executives that .... " there is not enough sustainable market advantage in trying to be first in - we need to rationalise our product line now that the major thrust of the foreign bank entry has been repelled, and let other organisations take the product/market lead - let them pay the development costs".

One senior executive expressed the view that if no further major acquisitions took place, the ANZ would gradually move to a Type 1 Defender (low-cost producer) business strategy - its position during the 1970's. However, if a major acquisition took place, the Group would play a 'pervasive' strategy - utilising the whole range of viable business strategies in different sectors of the business. In view of the diversity of businesses in the ANZ Group, the 'pervasive business strategy' description seems a distinct possibility for the future.

3.   ORGANISATIONAL CHANGE

The ANZ, of all the major domestic banks, has concentrated throughout the 1980's on the strategy-structure nexus in its change strategies (refer Figure 1). The other elements of this strategic fit model, viz Systems (Process), Culture and Managerial Quality have had relatively less emphasis. Leadership by key senior executives, often against the prevailing internal wisdom in the Bank, has however been a potent factor. We discuss these major elements of the ANZ's change strategies below:

a)   Area/Regional Structures

The ANZ was the first of the major banks to commence a process of structural devolution in the form of decentralised area/regional offices - in the 1970's/early

1980's. The aim was to shorten the lines of decision-making, and to put a greater range and concentration of specialist expertise in regional centres. Following the wave of early 1980's mergers, the other banks followed by establishing decentralised regions, with the exception of the Commonwealth Bank which is still grappling with the concept and its implementation.

This process of regionalisation took place within the existing State boundaries of the ANZ State Administrations.

b)   Changes in the Macro Structure - The Business Unit

The acquisition of Grindlays Bank in 1984, and the expansion of the ANZ's range of services through its development and acquisition of finance, merchant bank, unit trust, stockbroking, assurance and executive/trustee businesses, led the Bank in 1984-85 to undertake a review of its strategy and organisation.

The Bank had been structured as a classic functional bureaucracy - "the Retail Bank, with tough audit controls, autocratic mode, wide spans of control and tight role specificity, was the training ground for a cohesive and confident functionally structured elite" (Yetton, Davis, Crawford - A.G.S.M. Working Paper 86-037). Said one senior executive ... "..our previous greatest strength was our discipline as a bureaucratic institution, but following the 1984-85 review, we came to the realisation that we were in a lot of different businesses which could not be controlled, let alone managed, from the centre (Headquarters). So we decided to break the structure down into manageable business units".

International consultants, McKinsey and Company were engaged to assist in this review. The upshot was a radical restructuring of the Bank during 1986 with

accountable business units as the structural building blocks. The main features of the restructure were:

*   the establishment of over 50 profit-accountable business units.

*   business units organised into eight strategic sectors - three Australian sectors (Retail, Commercial Services, Investment Banking and Corporate Services); three international sectors (geographical), and a global treasury sector.

*   moves to create a smaller, streamlined corporate head-quarters focussing on Group policy and corporate strategies.

A review of Bank documents from the period during the review and restructure shows that the review was targeting several perceived problems in the old structure, including unclear ownership of important strategic issues; unclear accountability for bottom-line performance; decision-making at levels too high in the structure; excessive bureaucracy and layers of management; inadequate profit measurement and management information systems, and ineffective EDP systems.

The major thrusts of the restructure were outlined in Group Headquarters Staff Bulletins in January and May 1986, just prior to which all managerial positions in the Bank, except in the branches, were declared vacant. Appointees were chosen for positions in the new structure on their performance record, thus overturning the seniority system which had characterised appointments until then. No staff were, however, retrenched. This was restructuring on a grand scale, designed to change the structural mould and managerial mindset of the 150 year old institution.

A number of qualitative remarks from senior executives help to give the flavour of this quantum leap in the Bank's structuring:

"the restructure was terrific - many are still looking for it to fail, but what we have done is to free up the capacity of people to manage the business."

"The theory was great, but we didn't have the information systems at the time to monitor the newly structured businesses - so we had to let the horses out of the stable and let them run - learning how to run a business. For many it has been very challenging - for others very traumatic."

"The business unit approach is conceptually good regarding devolution and accountability, but the internal competition between business units, in an organisation where there are many interdependencies, makes me think that the business unit approach cannot have the same emphasis in the Bank as in a producer of physical goods like Pacific Dunlop."

"The McKinsey restructuring really amounted to externally driven change - McKinsey's were very good and macro, but extremely poor on anything to do with detailed implementation. As a result ownership of the change existed only at the very senior levels in the Bank."

"During the restructure, Esanda was held up as a model of an effective business unit. But people got locked into Esanda for 20 years, and I fear we are going the same way now across the Group. We have concentrated on structure, without the strong personnel and developmental policies required to prevent business unit myopia, and career stagnation."

"The huge spill out at Group Headquarters did not occur, in fact many of the functions were only duplicated in the Sectors - in many cases we have added, not reduced a layer of bureaucracy. The strength of the Headquarters culture is immense - it just re-assembled itself under the McKinsey structure."

From our brief observations as researchers, it is our assessment that the business unit structure has led to the development of an aggressive, competitive business ethos within the ANZ. However, several consistent themes also emerged during the interviews:

- a perception that internal competition between business units, while conceptually sound, had led in some cases to business unit rivalry and little net added-value for the Group.

- a consistent view that Group Headquarters' influence in operational matters, particularly in personnel areas had shown little decline.

- the negative effect of the business unit structure on career mobility.

These contentions would need to be tested and considered on a more rigorous basis than we were able to do during the period covered by the interviews, but they do point to some of the complexities of destructuring a business where the interdependencies have been traditionally strong.

c)   **Network Reconstruction of Branches**

The business unit restructuring was but part of the overall restructuring of the Bank. Simultaneously with the business unit structuring was the commencement of a process of restructuring of the Branch network. A 1986 internal document, the Ries Report, foreshadowed the need to put greater customer focus and less processing emphasis on local branches. Technological change, communication networks and systems developments all had an impact on the decision to progressively strip away non-customer service activities from retail outlets.

This process of reconstruction is still progressing, amid some perceived or real problems, due to several factors

- the traditional generalist career structure in the branches has been replaced with more focused career structures, leading to staff morale problems because of the demise of the generalist seniority system

- many customers are reportedly dissatisfied that customer service officers do not have sufficient depth of knowledge on products, or have immediate access to customer account information thus depersonalising the service they receive

d)   Reconfiguration of the Australian Domestic Delivery System

During the latter part of 1987 and into 1988 a third element of re-structuring was introduced - the 'demolition' of the State Administrations and the establishment of 35 Regions throughout Australia. These Regions report directly into the Australian Retail Sector, but with product reporting relationships with the other two Australian Sectors (Commercial Services; Investment Banking and Corporate Services) on a matrix basis. In many cases the Regions cross State boundaries, and the matrix reporting structure has introduced a new structural dynamic into the Retail Bank, which was not effected as radically as the rest of the Bank during the McKinsey business unit structuring.

This restructure has the potential to bring the greatest cost savings to the Bank's major product delivery system. "Over the decades we have added delivery system on delivery system - the physical branch structure, overlaid with ATM's, overlaid with EFTPOS, overlaid with a plethora of new specialist products. We needed to rationalise the delivery system in the Retail Bank, starting with the cumbersome and

bureaucratic reporting structure formerly based on history and geography, rather than products" said one executive.

To many in the Bank the direction of this restructuring is logical, but implementation has been the achilles heel. The view is widespread within the Group that the reconfiguration has lead to a 'restructuring overload', to the extent that the new head of the Retail Bank has recently suggested (via an internal video) a slowing of the pace of restructuring, to consolidate the gains already made.

This appears to be the point at which the Bank's concentration on the strategy - structure nexus, and the relative secondary emphasis given to the cultural aspects of change, is perhaps leading to the diminishing effectiveness of its structuring efforts. It could be argued that the new structures will, over time, lead to a different cultural ethos - it is our assessment that in the current situation this would be more by default than design. We systematically explore these themes in subsequent sections.

4.   PERCEPTIONS OF THE SCALE AND STYLE OF CHANGE

a)   Scale of Change

As part of the research investigation the twenty four middle and first-line managers were asked to record their perceptions of the key changes in the ANZ during the past three years, corporately and at Sector/Business Unit level. Their responses were all recorded in group interviews as expressed and were then independently re-rated by each of the interviewees from that group. The responses were then ranked in order of priority. The following pattern emerged:

Changes at Corporate Level

Rank

1.   Restructuring of the Bank (Sectors and Business Units).

2.   Overseas expansion and internationalisation of the ANZ Group.

3.   More competitive ethos in a de-regulated market.

Changes at Sector/Business Unit Level

Rank

1.   Greater devolution of authority/autonomy of business units in decision-making.

2.   The increasing specialisation of business, requiring specialist business skills.

3.   Emphasis on customer driven vis-a-vis systems driven decisions.

All of the group interviewees indicated that managers regard ANZ as an aggressive, successful financial services institution, influencing as much as being influenced by the business environment. The impact of the above changes were however clearly evident in the following areas:

*   the rapidity and complexity of structural change appears to have led to uncertainty among managers about the Bank's strategic directions. We assess that continuing loyalty of managers to the change will become a critical issue, if it is not already, unless there is a clearer articulation (internal marketing) of the Bank's strategic direction, and the relatedness of the ongoing restructuring to strategy.

* the re-organisation into sectors and business units is reported as having created a healthy sense of ownership and a competitive business ethos. Many managers however believe that a segmentalist mindset now dominates the Group which will eventually impede the development of interdependencies between business units and sectors. This is associated with the fear, expressed by almost every managerial interviewee, that their careers would be locked into narrow areas within one or two business units.

We raise these as issues for consideration as matters consistently articulated by middle level interviewees.

Each executive interviewee was asked to rate their perception of the scale or magnitude of change, using the four descriptions (Types) shown in Attachment 2. The Types are indicative of the following scales/magnitude of change:

Type 1   Fine Tuning   (Departmental Level)

Type 2   Incremental Adjustment   (Total Corporation)

Type 3   Divisional Transformation (Sector Level)

Type 4   Corporate Transformation (Total Corporation)

The responses from ANZ executives are shown in Table 2 (attached). These show an almost uniform perception that change over the past 3-5 years has involved major corporate transformation, changing to major Divisional (Sector) transformation in the current period. The modal score for the future (Type 2 Incremental Adjustment) seems to reflect a belief that the next 3 years will involve more consolidation than radical change - although the prospect of a major domestic acquisition/merger would almost certainly lead to Type 4 change.

The researchers also asked questions about particular events which are regarded in the change management literature as being characteristic of transformative change within organisations. This was focussed on the past 3 years and the present and was used as a form of cross-validation. The responses reflect the above ratings in there being a bias toward transformative change, rather than incremental fine tuning, over an extended period in the ANZ.

*   Replacement of Chief Executive   NO

*   Introduction of a new market or product strategy   NO
                                                            (in the core business)
                                                            YES
                                                            (in new businesses)

*   Decision to sell and/or build major new facilities   NO

*   Decision to relinquish and/or adopt a
    significantly different process technology   YES

*   Major changes in distribution, pricing or
    promotion strategies   YES

*   Significant modification of the organisational
    structure   YES

*   A significant change in the external environment
    caused by competitor strategies, technological
    obsolescence, major economic fluctuations   YES

*   Acquisitions/mergers/divestments   YES

*   Change in management systems (control and

information systems, planning methods)   YES

b)   <u>Style of Change Management</u>

Another of the aims of the research has been to explore the way in which change is managed and led. We have sought to do this by identifying perceptions within the ANZ of the dominant style of management and leadership in the organisation, using a forced choice response method. Four descriptions of management/leadership style (Collaborative, Consultative, Directive, Coercive - as defined in Attachment 3) were shown to 8 senior executives. Each style is totally situational, there being no 'good' or 'bad' style. The results from the ANZ are shown in Table 3.

The results portray perceptions of a changing style of leadership/management within the ANZ from a directive (nearly directive/coercive) style of 3-5 years ago, to a directive/consultative style now. The ratings for the past 3-5 years appear to reflect the view that the major structural changes, particularly those associated with McKinsey, were highly directive from inside, and coercive from outside. Said one executive ... "...McKinsey was not just an audit, it was a major coercive external intervention. Will (Bailey) drove the process internally - but the external conceptual coercion gave the process credibility".

The ratings for the present (directive/consultative) indicate that some consultation is utilised now in the change process. Several quotations illustrate this trend:

"... there tends to be a lot more sitting around the table now ... a lot of change is floated in the Australian Staff Committees"

"We have all the forms of consultation now. But in the end the style of the Chief Executive prevails - Will (Bailey) will often cut a meeting short and declare the solution!"

The style of the Chief Executive in the change process is an interesting study in itself, as is the fact that the Bank has recruited several senior executives from outside in the past few years. Of the Chief Executive, Yetton, Davis and Crawford have commented ... "The recent succession to CEO went to the 'deviant', the least conservative and conventional thinker, amongst the four internal candidates." There was considerable recognition of the effective role Mr. Bailey has played in bringing about radical change particularly in the first round of restructuring. The role of other senior appointees from outside should not be underestimated - Don Mercer (ex-Shell), Barry Jackson (ex-Elders, now with ACI), and Bob Edgar (ex-Reserve Bank) were frequently mentioned as co-architects of frame-breaking, transformative change.

The projection of a consultative style for the future parallels the perception, reported earlier, that future change will involve incremental adjustment. We note these results, but question whether the scale of change involved in another major acquisition/merger would not preclude an incrementalist approach, and whether the directive managerial style characteristic of the Bank will not re-emerge as the dominant management/leadership style.

The twenty four middle and first-line managers were also asked for their perception of the managerial/leadership style in the Bank. Their results shown in parenthesis in Table 3, indicate a perception of a directive corporate management style (81% thought this was an appropriate style in the current business environment). There was however, far less satisfaction among respondents when they reported that this

style was carried through to the level of their business units - the view was that there should be far greater consultation at the business unit level.

5.   OVERALL CHANGE STRATEGY

From the preceding analysis it is evident that there has been some alteration in the ANZ's change strategy over the past 3 years. Using the Dunphy/Stace change model (Figure 2), the pattern could be shown as:

3-5 Years Ago	Corporate Transformation by Directive Means
Now	Divisional (Sector/Business Unit) Transformation by Directive/Consultative Means

The projected scores for the next 3 years of Incremental Adjustment by Consultative Means may materialise, but as we have indicated a major acquisition/merger may preclude this as a viable future change strategy.

Table 4 (attached) draws together the associations between the ANZ's business and change strategies, based on the case analysis.

6.   HUMAN RESOURCE STRATEGIES

Table 5 (attached) provides in summary format the direction of change in the ANZ's human resource policy and practice. The analysis derives from the individual and group interviews conducted within the Bank, and questionnaires completed by 8 executives. The primary purpose of this part of the research is to identify policy

thrusts in human resource management, rather than to analyse particular practices and techniques.

The general trends could be summarised as follows:

a) **Putting Personnel Accountabilities Where The People Are**

With the 1986 devolution of profit accountability to business units went responsibility for people management. The May 1986 GHQ Bulletin expressed this as follows: "... to the extent practicable within the context of Group policy, business unit managers have control over all key factors affecting the performance of the unit, including human resources, financial, assets, and physical assets ... managing their units, people and resources to achieve agreed profit objectives." A small Group Headquarters function was to provide policy guidance, advise on structuring issues, a workforce planning capability, monitoring of performance systems, management of global pension policy, and monitoring of cultural issues.

Nearly three years on, a proportion of the operational personnel issues, once handled centrally or through the State Administrations, have been assumed by the business units. Job design, recruitment, training, performance appraisal, career planning and day-to-day employee/industrial relations are in the main handled at this level. Approximately 45 of the 50 business units either have a personnel function or specific staff designated to handle personnel matters in association with management. Our sample of interviewees revealed that several business units (e.g. Commercial; Information Systems) work systematically to a human resource plan, while in many other units the approach was described as being ad hoc, and lacking in depth and consistency.

During the interviews there were two aspects of the devolution/centralisation equation which were frequently critiqued:

- there was a strong view among managers that the business units have insufficient flexibility in personnel issues by virtue of the central GHQ control of awards and rewards

- there often appeared to be insufficient definition of the respective personnel domain of GHQ and the business units, often leading to duplication of functions.

We had insufficient opportunity to verify these contentions, but they were widely expressed.

b)   **Performance Management**

We define performance management as the interlinkage of corporate strategies, through the business unit planning and development process to the level of an individual performance and development contract with the organisation. A schema for such a system of linkages is shown in Figure 3.

The aim of the Bank's restructuring has been to provide the structural framework for performance management to become part of the ethos and practice of the organisation.   There was evidence in the study (e.g. Commercial Banking, Information Systems) of such an approach being implemented - business unit missions, performance objectives and people development strategies - but such developments are not at this stage typical of the Bank as a whole, particularly across the Retail Sector. One executive commented ... "...performance management, via a systematic people management route, has only recently commenced in the Bank - we have had some consulting help (Malcek) on job accountabilities but there needs to

be a sharper process of defining and assessing performance objectives, developing and rewarding our staff as though an individual's contribution to the business unit and Group mission really meant something!"

The policy thrust toward systematic performance management has therefore only just begun.

c)   **Restructuring and Careers**

The move from a centralised to a decentralised structure has had significant impacts on individual careers, as has the move away from generalist to specialist banking. On both counts there have been positive and negative effects: positive in that the generalist seniority system has been replaced with promotions/appointments based on expertise and performance, negative in that there is a perception that the business unit structure will lock good people in (because of their high performance and value to the business unit) to the detriment of broader career development.

This is an issue we have encountered in each of the medium to high performing organisations included in the study, but the views on it have not been as intense as we experienced during the ANZ study. It is the classic short-term profit/long term development dilemma. At issue too is responsibility for career management. In the older structure, careers were 'managed' centrally in a paternalistic way: in the new structure, individuals are as responsible as is the Bank for their progress.

GHQ Personnel are acutely aware of the problem, and has recently commenced publishing articles in Newslink, the first being titled "Yes! You Can Transfer Between Business Units". An inter-Group Working Party on Personnel Progression is co-ordinating a new policy thrust to overcome the actual and potential career blockages possible under the business unit structure.

d) **Developmental Strategies and 'Internal Marketing' of Change**

From a comparative view of the medium to high performing companies included in our sample, this is an area of considerable divergence between the ANZ and other companies. This appears to be because the Bank has placed so much focus on the strategy–structure question, that it has either neglected, or has chosen to place a lower priority on the developmental and cultural aspects of change. This inference came through strongly in the majority of interviews at the senior executive/managerial levels.

The major comments and criticisms could be summarised as follows:

- attempts to articulate the purpose and direction of change are spasmodic. There is a dearth of regular internal media (video, print) for strategic change imaging to gain and retain the commitment of the workforce.

- although GHQ Personnel is responsible for monitoring the development of careers of the top 400, details of any cohesive succession planning system or developmental strategies were sketchy, appeared not to be in any documented form, and were generally not known to the executives we interviewed.

- management development appears to be based more on external course availability than on a fundamental assessment of competencies required, followed by an appropriate mix of customised in-house/externally facilitated development programs, and externally packaged development programs.

- there was consistent comment that the ANZ does not have a "sufficient talent bank for the task ahead." Human capital development and managerial

multi-skilling do not appear as items high on the ANZ's agenda at the moment: the major issues are structural, and profit performance.

—   the Personnel areas of the Bank appear to be largely reliant on line bankers as a source of recruits. There was consistent comment through the study of the need for Personnel specialists and/or advisors, as well as generalists, to give the personnel functions in both business units and GHQ some "intellectual horsepower": there appears to be an emerging view that the strategy–structure nexus must now be complemented with human resource systems and the cultural aspects of change, necessitating a mix of both specialist and generalist personnel expertise.

We raise these issues as critique for consideration by the Group as it looks for the synergies which will assist in maintaining competitive advantage in the marketplace.

7.   PRIORITY AREAS, STRENGTHS AND WEAKNESSES IN PERSONNEL MANAGEMENT

All senior executives interviewed were asked to identify from eleven major categories the areas of human resource practice which they had utilised more than others over the past three years, and to project ahead areas for priority attention over the next three years. In ranked order their responses were:

Rank - Priority Areas (Past 3 Years)

1.   Workforce Planning (Workgroup and organisational restructuring; job re-design; review of work practices; future workforce needs analysis)

2.   Performance Appraisal

3.   Organisation Development (Employee communication; team building)

4.   Career Development

<u>Rank - Priority Areas (Projected Ahead 3 Years)</u>

1.   Career Development (Development programs; cross-functional appointments; multi-skilling; succession planning)

2.   Workforce Planning (Workgroup and organisational restructuring; job re-design; review of work practices; future workforce needs analysis)

3.   (Equal)

       Organisation Development (Employee communication; team building)

       Rewards and Compensation (differential rewards for key performers)

4.   Performance Appraisal

It is interesting to note the similarities and differences to a marginally different question put to the four groups of first-line and middle managers. They were asked which of the ANZ's human resource policies/practices they regarded as being of assistance (positives) to them in their work over the past three years, and which were areas of deficiency (negatives). Rank ordered, the responses were:

<u>Positives (Ranked)</u>

1.   Rewards and Compensation (the start of the move toward performance pay, away from the seniority system)

2.   Performance Appraisal (the P.A. system is still rudimentary, but it assists in tracking performance, and developmental needs)

3.   Workforce Planning (the review of work practices and re- design of jobs has been welcome - jobs are relevant to the present task)

4.   Training and Skills Development (mainly skills training for present jobs - management and supervisory development is very poor)

Negatives (Ranked)

1.   Career Development (" Career paths have vanished, to be re-placed with nothing! Careers are bound up with the short- term profit emphasis of the business units. There is no corporate focus in this area")

2.   Organisation Development ("Apart from the Staff Committees employee communication strategies are minimal; team building is good in some business units and minimal in others")

3.   Training and Skills Development ("Training is mainly operationally focused. Development for future jobs, and management development is very fragmented")

4.   Recruitment and Selection (Fragmented approach as between business units)

There are several points arising from these two sets of responses:

*   there appears to be close correspondence of views between senior executives as to their priorities over the past three years, and the positives ranked by first-line and middle managers in the following areas

        - Workforce Planning

        - Performance Appraisal

The thrust of restructuring (at macro and micro levels) is therefore jointly perceived as a necessary and useful component of the ANZ's change strategies.

* there is a sharp divergence between senior executives and managerial perceptions as to the priority and utility of policy/practice in the following areas:

- Career Development

- Organisation Development

- Training and Skills Development

Executives rated these areas as having received priority over the past three years, while managers have ranked them as the greatest areas of deficiency (negatives). These results strongly validate the conclusions drawn in Section 6(d) - above, relating to the need for a fuller range of human resource developmental strategies.

8.   SUMMARY

It is evident that since the Grindlay's acquisition, the attention of ANZ's top management has been focused on the internationalisation of the Group's business. Half the Group's assets are now off-shore, and geographically much of the locus of executive action and attention has been shared between Melbourne and London.

It is also evident that the ANZ's business and change management strategies have relied heavily on the efficacy of the strategy-structure linkage following the strategic acquisition of an international branch network. In aiming for a low cost position in the core business, while pursuing developmental strategies in Commercial Services

and Investment Banking/Corporate Services, the ANZ has fundamentally changed its structure. The new structure is flatter; gives broad accountabilities and responsibilities to business unit managers; and in concept emphasises the profit contribution (performance) of each unit, while de-emphasising the role of the centre in business-related as distinct from corporate decisions. This follows the broad theme evident in McKinsey-type organisational interventions during the 1980's.

These macro moves have represented a radical challenge to the traditional banking/ANZ culture: risk averse; high reliance on central direction and diffuse ownership of outputs and corporate performance. The evidence from the case analysis and interviews is that there appears to be acceptance throughout the Bank of the restructuring and the performance ethos accompanying it, at the intellectual level. However, the Bank appears to be relying on the innate capacities of its business unit managers, with some impetus from Group Headquarters, to effectively manage the huge cultural shift which is necessary to realise the competitive advantage inherent in the restructuring. There was considerable evidence during the study of a tenuous emotional (as distinct from intellectual) commitment to the new 'strategic fit' being forged by the Bank - particularly in the Retail Bank. A re-structuring overload is now in evidence.

This suggests that what appears to be lacking is consolidation of the gains made through the global and structural moves made by the Bank by attention to business-related people management. Focused approaches in the following areas may be advantageous:

* Corporate level - 'internal marketing' of the major thrust of Group Sector directions and change strategies; more critical analysis of future needs for

human capital formation; greater attention to Group oriented executive and senior management development.

* Business-Unit level - skilling of business unit heads and managers in linking business unit mission/s and objectives with people management strategies and systems to ensure complementarity in approach between business units, without aiming toward uniformity.

The business-unit approach to structuring in the ANZ Group in effect represents a philosophy of management which is highly focused on profit-performance. There are however two factors which suggest that the business-unit approach requires sensitive adaptation in a financial services environment. The first relates to the critical interdependencies between Sectors and business units in market development and product delivery, unlike the almost autonomous operation of business units in a company producing brand name physical goods (e.g. Pacific Dunlop). The second relates to people management: in the service industries, people not only deliver the product, people are the product. These two factors are critical to understanding the need for a more strategic approach to developmental people-related policy in organisations committed to adding-value. The ANZ's strategy- structural fit, in which it is clearly an exemplar among Australian financial institutions, may now need augmenting with developmental policies to help create the synergies necessary to enhance internal strategic fit (illustrated in Figure 1). This does not imply returning to centralisation.

TABLE 1:   RESPONSES - BUSINESS STRATEGY (N = 8)

Period	3-5 Years Ago	Now	Projected (+3 Years)
Strategy			
Defender	1.0	.5	1.0
Prospector	2.0	4.0	3.0
Analyser	2.5	3.5	4.0
Reactor	2.5	–	–

TABLE 2:   SCALE/TYPE OF CHANGE (N = 8)

Period	3-5 Years Ago	Now	Projected (+3 Years)
Type 1 –	–	.5	2.0
Fine Tuning (Departmental Level)			
Type 2 –	–	3.0	3.0
Incremental Adjustment (Corporate Level)			
Type 3 –	1.5	4.0	2.0
Modular Transformation (Divisional Level)			
Type 4 –	6.5	.5	1.0
Corporate Transformation			

TABLE 3:   CORPORATE MANAGERIAL/LEADERSHIP STYLE* (N = 8)

Period	3-5 Years Ago	Now	Projected (+3 Years)
Collaborative	–	– (1.0)	2.0
Consultative	1.0	3.5 (2.5)	3.5
Directive	4.0	3.5 (16.0)	2.0
Coercive	3.0	1.0 (4.5)	.5

*   Figures shown for 8 senior executive interviewees. Figures shown in parenthesis ( ) are the responses of 24 middle or first-line managers.

TABLE 4: SUMMARY * OF BUSINESS AND CHANGE STRATEGIES - ANZ BANKING GROUP

AREA	3-5 YEARS AGO	NOW	+3 YEARS (PROJECTED)
1. BUSINESS STRATEGY	Analyser - joint emphasis on development of new products/markets, and cost- effective product delivery. Reactor - no clear business strategy. (Equal ratings)	Prospector - product/market innovation	Analyser - joint emphasis on development of new products/ markets, and cost-effective product delivery (emphasis on the latter).
2. TYPE/SCALE OF CHANGE	Corporate Transformation	Divisional Level Transformation (Sector/Business Units)	Corporate Level Incremental Adjustment
3. CORPORATE MANAGEMENT/ LEADERSHIP STYLE	Directive	Directive/Consultative	Consultative
4. OVERALL CHANGE STRATEGY	Directive, Corporate Transformation	Directive/Consultative Divisional Transformation	Consultative, Incremental Adjustment

* Based on the modal scores for each area/period

TABLE 5: HUMAN RESOURCE STRATEGIES - ANZ BANKING GROUP

AREA	3-5 YEARS AGO	NOW	+3 YEARS (PROJECTED)
1. GENERAL EMPHASIS	* Functional Personnel Department * Personnel an extension of corporate management. Formal control emphasis. Paternalistic. * People management in ANZ characterised by "autocratic mode, wide spans of control and tight role specificity - the training ground for a cohesive and confident functionally structured elite" (Davis/Yetton/ Crawford).	* Group HQ Personnel function less involved in operational personnel issues, more in organisational structuring, development and human resource policy. Links to corporate and business strategy are still tenuous. * Sectors and Business Units have established their own Personnel functions (most are replicating classical HR solutions/techniques; several only are linking HR to business strategy). * HR practice varies between Business Units.	} General GHQ/Line } delineation to continue. } } Need for greater focus on: } } - linkage of HR to business } strategy } } - human capital develop- } ment ("personnel across } the Bank is too steeped in } the notion of awards, } rather than developmental } policy initiatives") } } - managing the nexus bet- } ween careers in the Group } and the skill needs of } Business Units

TABLE 5: HUMAN RESOURCE STRATEGIES - ANZ BANKING GROUP (CONTD)

AREA	3-5 YEARS AGO	NOW	+ 3 YEARS (PROJECTED)
2. SPECIFIC AREAS **2.1 Workforce Planning**	* Major focus on macro organisational restructuring, workgroup and job re-design, reviews of work practices (Change to Business Unit Structure; Network Reconstruction of Branches)	} } } Continuing with particular } emphasis on the Retail Sector } (Reconfiguration; Productivity } Studies - Proudfoot) } }	* Further macro-structuring to create three banks (Individual, Investment, Commercial) overlaid with geographical area network. Continuing productivity measures/intersecting with new technology.

2.2 Recruitment and Selection	* Career service emphasis, central recruitment. Emphasis on school leavers.
	
	* Predominantly internal appointments policy (5 years), with more recent outside appointments in specialist and key executive areas. Increasing use of executive search firms.
		* Decentralisation of recruitment and selection to Business Units.
		
		* Greater emphasis on graduate recruits
		
		* Career service concept fragmented. Problem of talented staff being "retained" by Business Units.
		
		* Partial embargo on use of executive search because of the possibility of negating internal developmental emphasis
			* More selective recruitment policy
			  - school leavers
			  - graduates
			  - part-time, non career
			    employees
			
			* GHQ Personnel to work on policy to balance Group/ Business Unit recruitment - career nexus.
			
			* Possible emphasis on competency based approach to recruitment.

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TABLE 5: HUMAN RESOURCE STRATEGIES - ANZ BANKING GROUP (CONTD)

AREA	3-5 YEARS AGO	NOW	+3 YEARS (PROJECTED)
2.3 Performance Appraisal	* Appraisal based on 'management qualities' approach. Not linked to rewards. Some links to training/development. "Not a sophisticated system, not a change catalyst".	* Increasing use of Management-By-Objectives approach to Appraisal. * Performance Management (sharper focus on job accountabilities, developmental needs, reward for individual performance contribution) is just commencing.	} } } } } Continuing } } } }
2.4 Rewards and Compensation	* Formal unified reward structure by salary based on industry grading/seniority system.	* Use of Hay job sizing to determine reward relativities. * Progressive introduction of: - Employee Share Purchase Scheme - Egalitarian Profit Participation Scheme - Reward "packaging" (not cafeteria style) - Intrinsic (motivational) rewards in Business Units. * Embryonic development of Key Contributor Scheme (differential, personally targetted rewards). Rewards are matched to the market in a few key specialist areas.	} } } } Continuing, with increasing } emphasis on linkage of } rewards to: } } - Performance } Management Systems } } - market rates } } } Ultimate aim is to have } 30% of monetary reward } based on performance. } }

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TABLE 5: HUMAN RESOURCE STRATEGIES - ANZ BANKING GROUP (CONTD)

AREA	3-5 YEARS AGO	NOW	+3 YEARS (PROJECTED)
2.5 Severance/Exit Practices	* Severance almost unknown, except in cases of fraud/mis-appropriation ("We should have had more severance during the 1986 re-structure").	* Severance policy under review.	* Possibility of greater rate of severance for poor performance.
2.6 Human Resource Information Systems	* Mechanised/computerised Personnel records. Centrally driven, controlled and accessed.	* Decentralisation of Personnel records/data to Business Units, except for key senior staff (Group Resources)	} Continuing
2.7 Training and Skills Development	* In-house skills training for present jobs. Centralised by State. * Externally oriented management development. * Encouragement for staff to study Australian Institute of Bankers accredited courses.	* Business Units utilise a wide range of internal and external resources for skills enhancement e.g. quality/customer service; negotiation, sales skills. * Management development fragmented, and still externally oriented (not competency based). * Continuing use of A.I.B. accredited courses. * Paucity of middle management training.	} Skills enhancement to continue using flexible resourcing, from inside and outside the Bank } Several Sector Executives and Business Unit Managers are concerned that the Bank is "not developing a talent bank for the task ahead - Group Personnel should be the catalyst for this".

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TABLE 5: HUMAN RESOURCE STRATEGIES - ANZ BANKING GROUP (CONTD)

AREA	3-5 YEARS AGO	NOW	+3 YEARS (PROJECTED)
2.8 Career Development	* Career development centrally monitored and actioned - career service approach. Paternalistic.	* Career development now jointly an individual/ Business Unit responsibility. Systematic approach used in some Sectors/Business Units (e.g. Commercial/Information Systems), but overall career development is ad hoc and patchy. Staff becoming locked into Business Units. * Group HQ Personnel responsible for nurturing/monitoring 300-400 1st 4 levels of management. Succession Planning System in embryonic form.	* Sectors/Business Units to pay greater attention to Career Development emphasising: - specialist development - multi-skilling of managers * Group HQ Personnel to play the role of catalyst re: - future human skill formation needs of the Group and development of career paths. - inter Business Unit transfers. * Possibility of the foreshadowed Performance Management System providing the integration between Business Plans - Goals - Development - Appraisal - Rewards and Career Development.

TABLE 5: HUMAN RESOURCE STRATEGIES - ANZ BANKING GROUP (CONTD)

AREA	3-5 YEARS AGO	NOW	+3 YEARS (PROJECTED)
2.9 Organisation Development	* Classic career service emphasis. Hierarchical, centralist employer communication.	* Group communication and imaging strategies: - Newslink/Scope - Occasional use of video network - Corporate wardrobe - Annual Report to Staff * Some Business Units/Sectors working on team development (e.g. FIT - Fully Integrated Team; Customer Service Diagnostic Review) ("Corporate organisational development is very difficult in a Business Unit environment").	} } } } } Plans not discussed in } this area. However almost } 100% of middle level inter- } viewees believe the develop- } mental/cultural aspects of } Bank human resource } policy have been the most } neglected during the 1986- } 88 changes, at Corporate } and Business Unit level. } } } }

TABLE 5: HUMAN RESOURCE STRATEGIES - ANZ BANKING GROUP (CONTD)

AREA	3-5 YEARS AGO	NOW	+3 YEARS (PROJECTED)
2.10 Employee/Industrial Relations	* Formal tripartite approach (Bank, employees, union)	* Greater emphasis on developing managerial, employee relationships with lesser intrusion of third parties. * Union (ABEU) still influential but accepting of a degree of differentiation between private banks in conditions/reward structures. * Staff Committee system: - to encourage a more formal process of communication between the Bank's top management and staff on employee related issues.	} } } } } } } } } } Continuing } } } } } } }
2.11 Human Resource Legislation		* Equal Opportunity and Occupational Health and Safety programs commenced.	

Figure 1

213.

STRATEGIC MANAGEMENT

STRATEGY
(Strategic Directions, Goals)

External Environment

• LEADERSHIP
• CULTURE
• MANAGERIAL QUALITY

STRUCTURE
(Macro to micro levels)

PROCESS
(Management Systems)

AIM : To maintain or regain internal "fit" in the process of strategic implementation

Figure 2

214.

Participative
Evolution

Charismatic
Transformation

Forced
Evolution

Dictatorial
Transformation

TYPE

Fine
Tuning

Incremental
Adjustment

Modular
Transformation

Corporate
Transformation

STYLE

Collaborative

Consultative

Directive

Coercive

3-5 Years ago

Now

Future

Figure 3

215.

INTERLINKED DEVELOPMENT AND PERFORMANCE

STRATEGIES

Corporate Directions

. Corporate Mission
. Strategic Plans
. Product/Market Strategies
. Financial & Personnel Policies
. "Internal Marketing" Strategies

Business Unit Performance Management

. Business Unit Mission
. Key B.U. Accountabilities
. Team Development/Goal Setting
. Managerial Work Review/Job Re-design
. Workplace Communication Strategies

Business Unit People Management

. Goal Setting
. Training & Development
. Appraisal
. Rewards

Corporate
Development
Strategies

Business Unit
Performance
Strategies

Individual
Performance
Strategies

BUSINESS LEVEL STRATEGIES *

TYPE	DESCRIPTION	DISTINCTIVE COMPETENCIES & STRENGTHS
Type 1 (Defender)	This type of organization attempts to locate and maintain a secure niche in a relatively stable product or service area. The organization tends to offer a more limited rang of products or services than its competitors, and it tries to protect its domain by offering higher quality, superior service, lower prices, and so forth. Often this type of organization is not at the forefront of developments in the industry changes that have no direct influence on current areas of operation and concentrates instead on doing the best job possible in a limited area.	* Strong emphasis on efficiency and low cost production * Strengths in general management, applied engineering and financial management.
Type 2 (Prospector)	This type of organization typically operates within a broad product-market dormain that undergoes periodic redefinition. The organization values being "first in" in new product and market areas even if not all of these efforts prove to be highly profitable. The organization responds rapidly to early signals concerning ares of opportunity, and these responses often lead to a new round of competitive actions. However, this type of organization may not maintain market strength in all of the areas it enters.	* Strong emphasis on product and market effectiveness * Strengths in general management, market research and/or basic engineering
Type 3 (Analyser)	This type of organization attempts to maintain a stable, limited line of products or services, while at the same time moving out quickly to follow a carefully selected set of the more promising new developments' in the industry. The organization is seldom "first in" with new products or services. However, by carefully monitoring the actions of a major competitors in areas compatible with its stable product-market base, the organization can frequently be "second in" with a more cost-efficient product or service.	* Almost as adept as Defenders in producing established products, but avoiding Prospector's large investment in product and market research. * Strengths in general management, production, applied engineering (product adaptation) and marketing/selling
Type 4 (Reactor)	This type of organization does not appear to have a consistent product-market orientation. The organization is usually not as aggressive in maintaining established products and markets as some of its competitors, nor is it willing to take as may risks as other competitors. Rather, the organization responds in those areas where it is forced to by environmental pressures.	* No clear strategy * Usually a low performing organisation.

* adapted from Snow C. C. and Hrebiniak L. G., 1980.

TYPE OF ORGANISATIONAL CHANGE

Which of the following four descriptions most accurately reflects your perception of the type of change in your organisation in the past 3 years?

Use tick ( ) to indicate past 3 years

— **TYPE 1:** Change in this organisation is an ongoing process characterised by fine tuning of the 'fit' or match between its strategy, structure, people and processes. Such effort is typically manifested at departmental/divisional levels and deals with one or more of the following:

- Refining policies, methods, and procedures

- Creating specialist units and linking mechanisms to permit increased volume and increased attention to unit quality and cost

- Developing personnel especially suited to the present strategy (improved training and development; tailoring award systems to match strategic thrusts)

- Fostering individual and group commitment to the company mission and the excellence of one's own department

- Promoting confidence in the accepted norms, beliefs and myths

- Clarifying established roles, power, status, dependencies and allocation mechanisms

— **TYPE 2:** Change in this organisation is characterised by incremental adjustments to the changing environment. Such change involves distinct modifications, (but not radical change) to corporate business strategies, structures and management processes, for example:

- Expanding sales territory

- Shifting the emphasis among products

- Improved production process technology

- Articulating a modified statement of mission to employees

- Adjustments to organisational structures within or across Divisional boundaries to achieve better links in product/service delivery

— **TYPE 3:** Change in this organisation is characterised by major re-alignment of one or more departments/divisions. The process of radical change is focused on these areas rather than the organisation as a whole, for example:

- Major restructuring of particular departments/divisions

- Changes in key executives and managerial appointments in these areas

- Work and productivity studies resulting in significantly reduced/increased workforce numbers

- Reformed departmental/divisional goals

- Introduction of significantly new process technologies affecting key departments/divisions

— **TYPE 4:** Change in this organisation is corporation-wide characterised by radical shifts in business strategy, and revolutionary changes in the system involving many of the following features:

- Reformed organisational mission and core values

- Altered power and status affecting the distribution of power in the organisation

- Reorganisation - major changes in structures, systems and procedures across the organisation

- Revised interaction patterns - new procedures, work flows, communication networks and decision making patterns across the organisation

- New executives in key managerial positions from outside the organisation

ATTACHMENT 3

ORGANISATIONAL CHANGE

AND

MANAGEMENT/LEADERSHIP STYLE

COLLABORATIVE:

This involves widespread participation by employees in important decisions about the organisation's future, and about the means of effecting organisational change.

CONSULTATIVE:

This involves consultation with employees, primarily around the means of effecting organisational change, with possible limited involvement in goal setting relevant to their area of expertise or responsibility.

DIRECTIVE:

This involves the use of managerial authority and direction as the main form of decision-making about the organisation's future, and about the means of effecting organisational change.

COERCIVE:

This involves managers/executives or outside parties forcing or imposing change on key groups in the organisation.

AUSTRALIAN GRADUATE SCHOOL

OF MANAGEMENT

RESEARCH CASE STUDY

"STRATEGIC CHANGE AND HUMAN RESOURCE POLICY"

ORGANISATION: NATIONAL ROADS AND MOTORISTS ASSOCIATION

(GROUP STUDY)

DECEMBER 1988

This case study has been prepared following research into the NRMA Group. It is one of a series of studies being conducted in ten Australian organisations to gain insight into the linkages between business strategy, organisational change and human resource strategies.

The information in this case study was derived from interviewing ten senior executives/senior managers, and twenty four middle level and first-line managers over a period of three and a half days. The process involved the use of a systematic research question format; research questionnaires; focused discussion on the key variables in the study, and access to documentary sources within the NRMA Group. While the information has been derived from these sources, any interpretations are those of the authors.

This document is a summary of the research findings, providing a framework for our feedback discussions with senior management. The document is not a consulting report, although the authors would be happy to discuss informally any implications for action arising from the findings.

ORGANISATIONAL DATA

INDUSTRY   Motoring Services, Insurance, Finance and Travel

ESTABLISHMENT   1920 National Roads Association

                                                            1923 National Roads and Motorists' Association

H.Q. LOCATION   Sydney

TREND DATA *

		1984	1985	1986	1987	1988
1. NRMA (Association)						
Membership	(mil)	1.687	1.782	1.868	1.925	1.988
Membership Income	(M$)	38.322	41.148	46.171	50.954	56.468
Investment Income	(M$)	7.072	7.853	8.642	11.335	10.445
Surplus After Tax	(M$)	5.651	5.030	3.562	3.897	1.185
Reserves	(M$)	38.223	45.052	50.500	64.458	70.543
2. NRMA Insurance Limited						
Premium Income	(M$)	356.5	391.5	443.2	547.1	611.3
Investment Income	(M$)	65.8	79.7	93.2	113.6	119.2
Operating Profit	(M$)	28.5	33.5	27.9	47.6	59.0
3. Staffing Numbers (Both)		2824	3003	3404	3572	3672

OWNERSHIP STRUCTURE   Mutual organisation

CORE PRODUCTION TECHNOLOGIES   People, computers/information technology

*   Figures from 1987-88 Annual Report

1.   NRMA'S EXTERNAL ENVIRONMENT - TURBULENT OR CONTROLLED ?

This case study describes and analyses changes taking place in the NRMA over the period 1985-88, focusing on the relationship between its business, organisational change and human resource strategies. The period has been one of dramatic change for the NRMA's major commercial competitors. The NRMA during this period has made some transformative moves in business ethos, structure and culture, but seemingly without the trauma and discontinuity we have observed in a large proportion of organisations included so far in this research study. Comparative organisations in other Australian states and overseas have not been able to replicate the market penetration of the NRMA.

For these reasons, the NRMA is an interesting study for its uniqueness, as well as for the study of the relationship between the key variables of business, change and human resource strategies. A critical point of differentiation between the NRMA Group and other organisations in the sample is that it comprises a service arm, and a commercial arm. The former operates almost as a monopoly, but without protective legislation, while the latter operates on a competitive basis against a plethora of insurance providers.

Key features of the NRMA's changing external environment can be summarised as follows:

*   deregulation by the Australian government of the financial services sector from 1983 onwards - floating of the Australian dollar; lifting of restrictions on the banking sector, and greater competition through legislation allowing the entry of foreign banks to operate domestically in Australia.

* a consequent blurring of traditional distinctions in a rapidly changing financial services sector. Insurance offices became just one player in the financial services sector competing with, merging with, or forming associations with other large players, particularly the large domestic banks.

* changes in financial markets, globally - it is world trends which influence Australia's markets now, not just domestic forces.

* a dramatic rationalisation of the number of insurers in the general insurance field, and divestment of the general insurance businesses of several major banks and insurance companies.

* consumer-related regulatory moves at the national level through the introduction of the Agents and Brokers Act, and the Contracts Act.

* changes in Australian tax laws relating to tax sheltered life insurance, making NRMA's term life policies more attractive.

* widespread adoption of information technology systems as a major component of a drive in the service industries for quantum improvements in productivity, and client service.

This broad spectrum of change in the industry environment is indicative of and underscored by broader change in the Australian economy. The service industries, currently representing 65% of the GDP have become prime candidates for change, productivity increases and value creation as the Australian economy undergoes radical restructuring.

It is interesting that, in the face of such potential business volatility, only three of the NRMA's senior executives/senior managers interviewed identified any major

environmental issues/threats. The issues/threats and opportunities identified included:

- more reliable vehicles, leading to a lesser felt need for motorist's membership

- government intervention (consumer legislation; privatisation of Third Party Insurance)

- technological impacts (affecting productivity; costs; client service and organisational structuring)

- competitors (NRMA is now seen as traditional re. products, compared to many new products on the market)

The more typical response was as follows:

" ... we are controlling the environment"

" ... as far as I can see there is no dramatic environmental issue on our horizon which would pose problems for us."

" ... our greatest competitor is our own level of service - there is no other NRMA. We are a unique organisation - we dominate the competition to an unusual degree"

" ... the main impetus within NRMA is the vision of the leadership, and the quality of our people. Change is internally rather than externally driven."

" ... NRMA really competes against itself, but we are not as aware as we should be of the external environment."

These responses indicate either confidence in the extent to which the organisation has adjusted to and even controlled its operating environment, or lack of appreciation of potential discontinuity. We explore these themes below.

2. NRMA'S CORPORATE AND BUSINESS STRATEGIES

a) Corporate Strategy

The central question in corporate strategy is - "in which business/es will we compete?" The traditional business areas for NRMA have been as a motoring services organisation (since 1920), car insurance (since 1925) and car finance (since 1933).

As a motoring services organisation NRMA membership covers 66.25% of all NSW vehicles. This is the highest rate of market penetration in the world, providing emergency road service, technical service, travel services, legal service and information services. This core of activities provides the membership baseline on which NRMA's diversification has been built.

The major diversification has been in insurance, building on NRMA's early entry into car insurance. Since 1970 the following insurance businesses have been added:

–	Household Insurance	(1970)
–	Boatsure Insurance	(1973)
–	Term Life Insurance	(1976)
–	Insurance-based Savings Products	(1986)

The insurance business has been highly successful, and has traditionally had the air of commerciality about it, in contrast to the the comparatively staid approach in motoring services. By 1985 the two areas were run as separate organisations, with

separate chief executives, reporting to a central Board. In business ethos and workforce culture, the chasm between the two organisations was enormous.

Unlike many of its insurance competitors, the NRMA has chosen a corporate strategy of limited vertical integration. The closest competitor following a similar strategy is the G.I.O. NRMA has not, nor was there indication of rapid broadening diversification into the financial services sector. It appears to be a "stick to the knitting" approach, growing the business by careful developmental steps rather than quantum leaps. However, several executives indicated that NRMA's participation in the privatisation of Third Party Insurance, commencing in 1989, would represent a quantum business leap. It is still, however, insurance related diversification.

b)   Business Strategy

The focus of business strategy is - "how will we compete in our chosen areas of business?" Some detailed analysis was undertaken on this during the case research in the NRMA. Eight senior executive/senior manager interviewees were asked to choose, from four statements describing generic business strategies, the statement most accurately depicting the business strategy positioning of the NRMA, past, present and projected. The four statements cover the business strategies described in Type form in Attachment 1. They can be summarised as follows:

Type 1   Low Cost Producer/High Quality

Type 2   Product/Market Innovation

Type 3   Focused Strategy - Types 1 or 2 in different market segments

Type 4   Reactive. Non-viable strategy

The results from the NRMA, shown in Table 1, show that in the perception of senior executives/senior managers interviewed, the competitive strategy of NRMA revolves

around low cost production and superior service (Type 1). This type of business strategy has succeeded because of the NRMA's:

–   financial strength (it can price products without loss leading)

–   distribution network   (which avoids intermediaries and ensures direct cashflows)

–   large investment in on-line product and membership information systems (including a M$30 back up site)

The Type 1 positioning has to date been highly successful for the NRMA. Its captive market (or as one executive said "our captivated market") enjoys the synergy between the motoring services provided, and the pricing/quality of its commercial services. As one executive commented "... we are totally focused on our members. Because we are a mutual organisation we do not have to juggle shareholders' profit needs as against members' needs - hence our successful exploration of the price/quality domain".

Table 1 does show however some perception of a diminution of the Type 1 strategy in the current period, and projected ahead. In particular, the Type 2 product/market innovation positioning was discussed by several interviewees as being likely for the future - "... we need to spread our product base, and make some of our products more attractive" was a common theme. However, the modal score was for a continuation of the Type 1 strategy. Several interviewees did express some strong caveats on this, as follows:

" ... we will have to lead in some areas, as we have done in the past, but we will also have to be very early adopters of some of the more innovative product/market thrusts in the industry"

" ... our competition has become more activist and aggressive ... the whole financial services thing is swirling around us ... we must keep our reputation for price and quality, but not drift into a complacent no-innovation approach"

c)   **Operationalising Corporate and Business Strategies**

One of the features of the NRMA study has been to observe the extent to which the corporate mission and business strategy is integrated with the planning processes of the organisation. We have observed such a systematic approach in only one or two other organisations included in this study.

The genesis of this goes back to NRMA's association with IBM in the mid 1970's. As part of its customer support services, IBM Business Systems Division gave the NRMA assistance in setting up an MBO-type, 5-year planning process. This was refined in the early 1980's when the NRMA changed computer suppliers to Amdahl - similar assistance was provided and a Business Strategy Planning process was integrated into NRMA's planning processes, with the assistance of Amdahl's Don Gertsman. Gertsman still provides guidance, now in his capacity as an independent consultant. Since 1986 NRMA has also drawn heavily on its association with McKinsey & Co. in adapting its planning to a more commercially oriented business unit approach. NRMA's work in this area has therefore been both evolutionary and eclectic - drawing on assistance from a variety of sources, but always integrating this to its own needs and stage of development. The NRMA appears to have the capacity to manage its consultants, rather than vice versa.

The annual planning process is activated by the two day Business Strategy Planning Conference attended by all senior executives during October/November, focusing on a rolling 5- year timeframe. The Corporate Mission, Key Strategies, Objectives and Opportunities/Threats are reviewed during this Conference. From this follows:

- a revision of each Divisional/Business Unit plan

- consolidation of Business Unit plans into Divisional summaries

- an iterative budgeting process from January to April, culminating in presentation of plans and budgets to the Board in May

- an ongoing process of performance management, translating business plans into key objectives and goals for managers and employees

The only critique of this process from several interviewees was that the focus is often too internally oriented, to the detriment of rigorous environmental scanning.

3.   ORGANISATIONAL CHANGE

Change within the NRMA has been and is a process of constant incremental adjustment, apart from a period of discontinuity during a major corporate restructure in 1987. Preference for this style of change was expressed by many interviewees, accompanied by comments like " ... we are logical incrementalists, insurance is a mature business and our systems would be damaged if we had to resort to radical change".

The NRMA's incremental change strategy however belies the scale of change which has been undertaken in recent years. It is as though a major transformation has been

made, using in the main an incrementalist approach, and without destroying the strength of the NRMA's culture.

Thee main features of recent change in the NRMA could be summarised as follows:

a)   **Restructuring and Commercialisation**

The trigger for a major review of the NRMA's business structure was the impending retirement of the then Chief Executive of the NRMA motoring organisation in 1986. There was concern that a two-house system mitigated against effective management; that the structures of the organisation had grown without review, and that too many layers of management had led to the development of decision-making processes far too remote from the workforce. A major industrial dispute by line workers in 1986 over the provision of special retirement benefits for senior executives became symbolic of this remoteness.

These factors led to McKinsey and Co. being engaged to advise on an appropriate structure, which resulted in

–   amalgamation of the M$60 p.a. motoring organisation with the M$600 p.a. insurance organisation, under one Chief Executive, John Lamble

–   structuring the organisation into accountable Divisions and business units, operating as profit or cost centres.

–   reducing the number of organisational reporting levels from 10-12 to a maximum of 7

The consensus among interviewees was that this process of restructuring has resulted in

- a much greater degree of commerciality in both arms of the NRMA, but particularly the motoring services area, replacing the older 'clubbish ethos'

- consequent restructuring of work teams and individual jobs - " ... there would not be a person in the organisation who either has not changed jobs, or whose job has not changed substantially in the past three years" said one executive

All were agreed that the driving force had been the Chief Executive, John Lamble. However, implementation of these major changes had been a team effort.

b)   Performance Management Systems

We have earlier commented on the thoroughness of NRMA's approach to planning. This has provided the base on which an aggressive approach to performance management is being developed within the NRMA - involving the devolution of responsibility; establishment of accountabilities and performance measures, and performance review. Conceptually the NRMA is working toward the integration of its business management and people management as shown in Figure 1 (attached).

Historically, the business management processes (ex-IBM, Amdahl, Gertsman and McKinsey) were developed independently of NRMA's personnel performance review processes. The latter process was first attempted on a systematic basis in the mid 1970's and has been gradually modified since then. However, since the organisational restructure the two systems have been regarded as integrated components of NRMA's drive for price leadership and quality service.

This integration is clearly evident in the NRMA's key strategies. One of the most important outputs from the annual Business Planning Strategy Conference is a succinctly stated set of Key Group Strategies - these are the strategies considered by the Group executive to be of overriding importance for business success. They become the organisational change targets for the Group. For 1989 the key strategies are:

* Quality Service

* Management Style

* Market Position

* Information Technology

* 3rd Party Insurance

showing the admixture of both business and people management concerns in the thinking of the NRMA Group executive.

The performance management ethos is perhaps most clearly articulated in the NRMA's Management Style Strategy (1988-1993) viz:

"TO ENHANCE AND BUILD ON OUR NEW MANAGEMENT STYLE WHICH EMPHASISES THE DEVOLUTION OF AUTHORITY, ACCOUNTABILITY FOR PERFORMANCE AND THE DEVELOPMENT AND REWARD OF PEOPLE TO BE ABLE TO MEET THE CHALLENGE OF FUTURE DEVELOPMENT".

c)   **Putting People at the Heart of the Business**

Two aspects of people management are relevant to this study. The first relates to the more formal personnel management policies and techniques used by organisations -

the systemic aspects. We cover these in Sections 6 and 7. The second relates to the more informal, cultural approaches to people management used in effecting change.

Alongside macro-level change in structures and performance management systems, the NRMA has been as active as any organisation we have researched in effecting cultural change. The initial thrust in this area came from Des Liddy, General Manager - Development, during 1986/7 with the systematic introduction of quality service management principles into the organisation. Once again the NRMA has been eclectic: Deming & Townsend supplied the conceptual base; consultants Crosby/McConnell/PA Management provided some early assistance.

For the NRMA quality service is the pivot of cultural and attitudinal change. It is based on the premise that in the service industries people not only produce the product, they are the product. Quality service is an intervention aimed at

–   creating a customer focus in the organisation ("the next step in the process is your customer")

–   developing a voluntaristic mindset in the workplace, particularly in seeking team-inspired productivity increases and procedures modifications

–   breaking down an autocratic and top-down management process through participative processes

Within the NRMA quality service has been introduced as a management philosophy, rather than as a stand-alone quality circles technique.

In almost every interview the topic of quality management arose. The references were positive, enthusiastic and gave recognition to the place of this ongoing

intervention in the business thrust of NRMA. If there was any questioning of quality management, the focus was on three areas:

- a perception that senior managers and some executives were less than whole-hearted in their support, possibly because workplace participative processes had the potential to cut across directional lines of authority, and tended to prolong decision-making processes

- there was a view that quality management principles tend to work better at lower levels where incumbents can change workplace procedures, but are currently less effective at middle levels because of the interdependencies and greater political hurdles to change at this level

- the need to get beyond the curiosity value of the early implementation phase. There is a perception that quality management has reached an initial plateau: the task is to now make it an ongoing part of the business in the same way as the NRMA's performance management systems.

We were able to observe one Quality Team presentation. The enthusiasm and commitment of the team toward productivity and service improvement was excellent. We also noted during the case research the extent to which employees can be motivated by recognition and small intrinsic rewards, costing more in imagination than dollars. Examples were:

- the Quality Certificates for effort and achievement in Quality and Quality Circles, signed by the Chief Executive

- the gifts to all staff (golf umbrella/digital desk clock) for effort and participation in Up-to-Date Day

–   the Quality Parker pen for those involved in Quality Teams

–   the Quality Circle badge

–   the annual presentation dinner hosted by the Chief Executive for Quality Teams

Several executives indicated that the prime challenge of quality management is to ensure that it becomes an integrative management process, and not a management override system or a stand-alone technique.

4.   PERCEPTIONS OF THE SCALE AND STYLE OF CHANGE

a)   Scale of Change

As part of the research investigation the twenty-four middle level and first line managers (the NRMA has deleted the term "supervisor" - all staff with substantial people management responsibilities are termed manager) were asked to record their perceptions of the key changes in the NRMA during the past three years. Responses were sought for perceptions of key changes at the corporate level, and at the business-unit level. The responses were all recorded in group sessions as expressed, and were then independently re-rated by each of the interviewees from that group. The key changes were then ranked in order of priority as to their perceived impact. The following pattern emerged:

Key Changes - Corporate Level (Ranked Responses)

1.   The restructure (amalgamation of the association and insurance; removal of management layers)

2.   Impact of the quality service approach ("we are at the cross roads now - quality service management has to become a way of life")

3.   Change in Chief Executive ("he has brought a business drive, a commercial tone to the whole organisation")

The bottom line of these changes, expressed by one interviewee, was that " ... we have become a professional business house rather than a quaint motoring organisation dabbling with a few commercial ventures".

Key Changes - Business Unit Level (Ranked Responses)

1.   Increase in accountability/performance thrust ("managers are expected to perform")

2.   Rewards/recognition have increased

        (performance pay; intrinsic non-salary rewards)

3.   (Two Equal)

        Growth of the Sales and Service Division;

        Impact of new technologies (BONUS system, and PC technology)

The bottom line of these changes, expressed by one interviewee, was that " ... the NRMA is well to the fore in embedding a profit centre management approach at the business unit level".

There is considerable synergy between the key changes identified by the two levels of interviewees. The impression left on the researchers from the group interviews was of a committed group of managers, supportive of the major thrust of change in

their organisation. There was however discontent around several areas, consistently expressed across all the group interviews:

- a perception that senior managers and executives give only token support to quality service management principles: more visible support is needed if the approach is to become a way of life

- the need to re-build staff confidence after recent morale sapping media coverage re. Board instability and flood claims: there appears to be a need for more visible, personable leadership on the part of the senior executive during such periods

- a perception that the NRMA is underestimating its competitors in product innovation

These points from the group interviews are included in the case as critique for consideration by executive management, but not as criticism.

Each of the senior executives/senior managers interviewed was asked to rate their perceptions of the scale or magnitude of change - past, present and future, using the descriptions (Types) shown in Attachment 2. Their responses are shown in Table 2, indicating an expectation that the corporate transformation (Type 4) of 3 years ago, which had now become a process of incremental adjustment (Type 2), would become fine tuning (Type 1) over the next three years. It was evident from the interviews that the cultural ethos of the NRMA is for Type 2/Type 1 change: however, when business conditions dictated, the NRMA showed its capacity to quickly move to Type 4 change without fracturing a loyal workforce culture. This situational approach may also be necessary in future in the event that incrementalism does not achieve sufficient

change for the NRMA to maintain "strategic fit", or in the event that the NRMA's business environment changes dramatically and quickly.

The research design also involved the researchers asking questions about particular events which are regarded in the change management literature as being characteristic of transformative change within organisations. This was used as a form of cross validation of the above Type responses. Summarised the responses to the change events of the past three years were:

*	Replacement of Chief Executive	YES
*	Introduction of a new market of product strategy	NO
*	Decision to sell and/or build major new facilities	YES
*	Decision to relinquish and/or adopt a significantly different process technology	YES
*	Major changes in distribution, pricing or promotional strategies	NO
*	Significant modification of the organisational structure	YES
*	A significant change in the external environment caused by competitor strategies, technological obsolescence, major economic fluctuations	NO
*	Acquisitions/mergers/divestments	NO
*	Change in management systems (control and information systems, planning methods)	YES

These responses are consistent with the Type 4 transformational change of the past three years - at the organisational level (responses 1, 3, 4, 6 and 9). However the transformation has not touched the product/market strategies of the organisation (responses 2, 5, 7 and 8): the conclusion is that these strategies are either 'in fit', or require some further focus.

b)   Style of Change Management

Another of the aims of the research has been to explore the way in which change is managed and led. We have sought to do this by identifying perceptions within the NRMA of the dominant style of management and leadership (of the corporate executive group) within the organisation, using a forced choice response method. Four descriptions of management/leadership style (collaborative, consultative, directive, coercive - as defined in Attachment 3) were shown to eight senior executives/senior managers. The results are shown in Table 3.

The results (based on the modal scores) show a perceived change in the past three years from a directive (Type 3) style, to a consultative (Type 2) style now, and projecting a consultative/collaborative (Type 2/1) style for the future. In Table 4 we show the results of a similar question asked of the twenty-four middle level and first line managers. We asked them to choose which of the four styles represented their present perception, at both the business unit and corporate levels. The dominant scores are as follows:

<div align="center">

Business Unit Level - Consultative

Corporate Level   - Directive

</div>

These results overall indicate that the corporate executive style is perceived as directive, even though senior interviewees rate the style as consultative. However,

at the level of daily workplace interaction, the style tends to be consultative. "The lower on down the organisation, the more consultative the approach becomes - it has to, because we must get our teams to work with us" said one managerial interviewee.

We make several comments on these results

- the directive (Type 3) style at the corporate level is not inconsistent with many other organisations in the study operating in the current business conditions

- in the NRMA's case there is a disparity between what is perceived by senior executives/senior managers (ie. consultative) and what is rated by other managers (ie. directive)

- over 80% of the managerial respondents rating the directive style, said they believed it to be appropriate in the present business conditions, even though consultation at the workplace level was thought to be essential, and in line with the cultural, quality service management ethos of the NRMA

- at times when a directive corporate style is appropriate, the exercise of personable, visible executive leadership can have positive results (there was some feeling that this is currently missing in the NRMA)

- the research has consistently shown a one step difference between the styles used at corporate and business unit level. Thus, if the corporate style was directive, the business unit style was consultative: if the corporate style was consultative, the business unit style was collaborative. The NRMA results are therefore consistent with the patterns found elsewhere, except in the disparity in perceptions on the corporate managerial/leadership style

Overall, the perception among interviewees was that the process of change in the NRMA had been well handled.

5. OVERALL CHANGE STRATEGY

From the preceding analysis it is evident that the NRMA's change strategy has been situationally adjusted over the past 3 years. If we amalgamate the ratings for Change Type and Managerial/ Leadership Style, using the ratings of senior executives/senior managers, the NRMA's change strategy could be described as follows (using the Dunphy/Stace change model (Figure 2)):

3 Years Ago	Corporate Transformation (Directive)
Now	Corporate Incremental Adjustment (Consultative)
+3 Years Projected	Fine Tuning (Consultative/Collaborative)

Table 5 (attached) draws together the associations between the NRMA's business and change strategies based on the case analysis. We enter two caveats:

- is the present change style at the corporate level consultative, and will business conditions be such in the future that it can be collaborative such as shown in the ratings?

- will an incrementalist change strategy continue to be viable in an uncertain business environment?

Our own view, based on the case analysis is that the more likely description of the NRMA's change strategy for now and the future will be:

Now   Corporate Incremental Adjustment
                             (Directive at corporate level; consultative at
                             business unit level)

+3 Years Projected   Corporate Incremental Adjustment
                             (Directive/consultative at corporate level;
                             consultative/collaborative at business unit
                             level)

The projection for the future will only materialise if quality service management principles are embedded into the organisational ethos, and if there is not dramatic discontinuity in the NRMA's business environment - in which case Type 3 or 4 transformation may again be required.

6.   HUMAN RESOURCE STRATEGIES

Table 6 (attached) provides in summary format the direction of change in the NRMA's human resource policy and practice. The analysis derives from the individual and group interviews conducted within the NRMA, and questionnaires completed by nine executives. The primary purpose of this part of the research is to identify policy thrusts in human resource management, rather than to analyse particular practices and techniques.

The following points summarise both the preceding case material and the analysis in Table 6, in respect of the NRMA's approach to human resource management:

a)   Human resources are a key corporate strategy area in the NRMA. In contrast to a majority of Australian organisations, the NRMA has progressively been working toward the "human capital" approach to management. This involves the integration of people management into its overall business planning, resourcing and development processes.

b)   This approach to people management is being actioned by attention to both personnel systems, and to long-term corporate and workplace cultural issues vital to the achievement of change and value-added behaviours.

c)   The Group Human Resources Division is adopting a key measures approach i.e. qualitative measures on:

- voluntary avoidable staff turnover

- completeness and correctness of staff appraisals

- days lost in industrial disputes

- absenteeism

- top 50 positions filled from within the organisation

as one means of tracking the quality of its work from annual period to annual period.

d)   The critical elements of long-term cultural change are:

- the management style strategy

- the quality program

- the new (1989) management development/training program

- the developing linkage between business plans; the performance review process, and merit-based rewards

e) These people-oriented developmental thrusts have thrived under the Chief Executiveship of John Lamble, and have been driven variously by the energy and/or "intellectual horsepower" of Des Liddy, Howard Graham, Jenny Harley and David Hughes. We assess that the key thrusts are supported by senior and middle managers, but that there is still some distance to go in transferring a sense of responsibility and managerial ownership of people management to managers - to complement the corporate thrust.

f) In comparative terms, the NRMA has a large number of staff (over 60) in its Group Human Resources area. This is particularly noticeable in the Training area. Several executives indicated that care will be needed to ensure that the skills and concepts of these people are kept at the cutting edge, particularly as the NRMA has not until recently utilised outside resources to bring in new thinking in the human resources area.

We analyse below the human resource areas which interviewees rated either as priority areas, or as areas of strength or weakness.

7. PRIORITY AREAS, AREAS OF STRENGTH OR WEAKNESS IN HR PRACTICE

All senior executives/senior managers interviewed were asked to identify the areas of human resource practice which they had utilised more than others over the past

three years, and to project ahead areas for prime attention over the next three years. In ranked order their responses were:

Rank - Priority HR Areas (Past 3 years)

1. Workforce Planning (organisational and workgroup restructuring; job re-design, work practice reviews - "this emphasis has flowed out of the business planning process")

2. Rewards and Compensation (the beginnings of performance based rewards, broadbanding)

3. (Equal)

   Performance Appraisal/Review Process

   Training and Skills Development (mainly product knowledge and procedures training)

Rank Priority Areas (Projected Ahead 3 Years)

1. Performance Appraisal ("the bite is on in this area - what we do in this area affects individual and team performance, and rewards.")

2. Rewards and Compensation ("the more we get into performance management, the more focus there will be on merit-based rewards, and incentive systems. But this will have an effect on a previously homogenous workforce culture.")

3. Career Development ("This has suffered under the restructure - career paths have become very obscure.")

4.   Training and Development ("management development, in particular, needs strengthening.")

These responses demonstrate the way in which the focus of senior staff has moved from structuring issues, through to performance management principles, and is projected to move further toward developmental issues in the future. It is interesting however that, as a group, senior respondents were disinclined to rate organisational development issues very highly. (i.e. employee attitude surveys, team building, employee communication, quality techniques), which is surprising given NRMA's attention to cultural change.

It is interesting to note the similarities and differences in responses to a marginally different question put to the first line/middle management interviewees. They were asked which of NRMA's human resources policies/practices over the past three years they regarded as being of assistance (positives) to them in their work, and which were areas of deficiency (negatives). Rank ordered the responses were:

Positives - Ranked

1.   Performance Appraisal ("this is a good feature of the NRMA - it is becoming more systematic and part of the management process")

2.   Rewards and Compensation ("the broadbanding system is very good, but its introduction has been very slow")

3.   Workforce Planning ("we have real jobs and job descriptions now; middle management can now plan for the future, quality teams have helped in creating more fluid thinking about job structures")

4.   Training and Skills development (the focus here was on procedures and product skills training, and induction)

<u>Negatives - Ranked</u>

1.   Human Resource Information Systems ("we largely operate on an outdated manual system; there is no integrated data on staff; HR information is often inaccurate and patchy.")

2.   Career Development ("career development is not systematic now, and is chancy. There are very few opportunities for cross-functional appointment; internal promotional positions are not well advertised")

3.   Severance/Exit Practices ("we have not been active in developing early retirement schemes for those who cannot make the mental shift in the new NRMA; we do not adequately research why good people leave")

These rankings show a close association between the areas ranked as priorities by senior staff, and the areas regarded as positive by first line of middle managers - for the past three years. There is some divergence in views of priority needs for the next three years, as against negatives - in particular in the areas of human resource information systems and severance/exit practices.

What these responses do is validate the general view that NRMA has been to the fore in the areas of restructuring (organisation, workgroups and jobs) and performance management (business planning, goal setting, appraisal, rewards). These are seen as positive directions by all levels of NRMA management. However, greater attention is now being given to organisation development, management development, career

development), and projected in the future for human resource information systems, and possibly in severance/exit practices.

8. SUMMARY

The NRMA is a classic example of an exceptionally well run Defender-type organisation. Its management image is not as publically prominent as that of many organisations, yet our overriding view is of a very competently managed organisation.

It is interesting to note that all eight members of the Executive Committee have tertiary qualifications - three with MBA's. This would be atypical of commercially based Australian organisations.

We were fascinated as to why the NRMA is so relatively stable in a sea of change. One long serving executive (who could earn multiples with other organisations of his NRMA salary) was most articulate on the subject. We quote his reasoning of NRMA's success.

* good, competent management

* a strong positive culture (at all levels people feel good about working for the NRMA)

* the senior team have a need to succeed

* there is good teamwork throughout the organisation

* market leadership and dominance

* the successful change engineered by John Lamble and Des Liddy in 1986/7

*   good systems

*   the senior team is good at self criticism

There is a clear linkage, and a consistency of approach between NRMA's business, change and human resource strategies. The low cost, high quality business strategy is achieved by a change strategy of constant incremental adjustment (with a short period of transformative change). To this is interlinked highly systematised human resource strategies where the emphasis is on work structuring and performance management, with increasing recent emphasis on developmental policy. NRMA's market position and expected voluntary turnover of 16% in 1988-89, half that of many organisations in this study, is testimony to the effectiveness of the approach adopted so far.

What then is the downside? Several themes became evident during the study.

*   while the NRMA has been able to dominate and influence its environment, only several interviewees were able to articulate any linkages between the changing business environment and the NRMA's business and change strategies. The organisation does appear to have an inward focus.

*   the inward focus has led to an extremely disciplined and ordered approach to management. The organisation was able to accommodate a brief period of transformative change (the restructure), but overall the culture of the organisation may have a low tolerance for radical change if there were a sustained period of discontinuity in its business environment - particularly in insurance.

* the increasing emphasis on commercialisation, performance management and merit/incentive rewards will lead to a less homogeneous workforce culture than presently exists. The implications are for the management of more heterogeneous sub-cultures within a broader group culture; different skill mixes, and tolerance of fluidity in some parts of the Group against systematisation and procedure in other parts. Management of this diversity will present a challenge for NRMA's executive team.

* while NRMA has had market dominance, and is positioned as the low-cost producer, there did not appear to be as much focus as we have experienced elsewhere in the study on cost-containment, technological replacement and staff rationalisation in the core business. This is an impression which would have to be tested by access to comparative data.

These potential downsides do not cancel out the upside of the impressive performance and management record of the NRMA. It is a unique organisation in the Australian business environment, one of several exemplars we have identified in this research study. The judgement to be made by the NRMA is what balance of internal- external focus is appropriate for the future. This will necessitate active environmental scanning, and a constant matching of its business, change and human resource strategies to maintain 'strategic fit', and a competitive edge.

TABLE 1:   RESPONSES - BUSINESS STRATEGY (N = 8)

Period	3-5 Years Ago	Now	Projected (+3 Years)
Strategy			
Defender	6.5	4.0	3.5
Prospector	1.0	1.5	3.0
Analyser	0.5	2.5	1.5
Reactor	–	–	–

TABLE 2:   SCALE/TYPE OF CHANGE   (N = 8)

Period	3-5 Years Ago	Now	Projected (+3 Years)
Type 1 – Fine Tuning (Departmental Level)	1.0	1.0	5.0
Type 2 – Incremental Adjustment (Corporate Level)	1.0	4.0	1.5
Type 3 – Modular Transformation (Divisional Level)	2.0	1.0	0.5
Type 4 – Corporate Transformation	4.0	2.0	1.0

TABLE 3:   CORPORATE MANAGERIAL/LEADERSHIP STYLE (N = 8)

(as rated by senior executives/senior managers)

Period	3-5 Years Ago	Now	Projected (+3 Years)
Collaborative	–	1.0	4.0
Consultative	1.0	4.5	4.0
Directive	6.5	2.5	–
Coercive	0.5	–	–

TABLE 4:   CURRENT CORPORATE AND BUSINESS UNIT MANAGERIAL/LEADERSHIP STYLE (N = 24)

(as rated by middle and first line managers)

	Corporate	Business Unit
Collaborative	–	1.5
Consultative	3.5	17.0
Directive	17.5	5.5
Coercive	3.0	–

TABLE 5: SUMMARY * OF BUSINESS AND CHANGE STRATEGIES - N.R.M.A. GROUP

AREA	3-5 YEARS AGO	NOW	+3 YEARS (PROJECTED)
1. BUSINESS STRATEGY	Defender Low cost production Superior quality	Defender Low cost production Superior quality	Defender Low cost production Superior quality
2. TYPE/SCALE OF CHANGE	Corporate Transformation	Corporate Incremental Adjustment	Fine Tuning
3. CORPORATE MANAGEMENT/ LEADERSHIP STYLE	Directive	Consultative	Consultative/ Collaborative
4. OVERALL CHANGE STRATEGY	Corporate Transformation (Directive)	Corporate Incremental Adjustment (Consultative)	Fine Tuning (Consultative/ Collaborative)

*   based on modal scores of senior executives/senior managers responses, for each area/period. See also our comments and caveats under Section 5 of this case study.

TABLE 6: HUMAN RESOURCE STRATEGIES - N.R.M.A. GROUP

AREA	3-5 YEARS AGO	NOW	+3 YEARS (PROJECTED)
1. GENERAL EMPHASIS	* NRMA has, from the 1960's, had a solid Personnel baseline. Personnel Department established 1963; mid 1960's Clerical work measurement techniques; early 1970's Management Work Study (W.D. Scott); mid 1970's Performance Reviews, and Skills Training. * Major change in HR objectives from 1986 onward ("we have tried to put teeth into the HR system") * Central Personnel unit, moving away from a control/ paternalistic emphasis.	* People management and business objectives are being progressively integrated. Performance management is becoming the philosophical overlay. * HR policy is developed centrally but administered in the Divisions. Central Personnel progressively moving to a facilitative/ resourcing role, while human resources tasks are becoming an integral part of the managers job.	} } } } } } } Continuing with greater } intensity. } } } } } } }

TABLE 6: HUMAN RESOURCE STRATEGIES - N.R.M.A. GROUP (CONT'D)

AREA	3-5 YEARS AGO	NOW	+ 3 YEARS (PROJECTED)
2. SPECIFIC AREAS **2.1 Workforce Planning**	* Major focus on macro organisational restructuring, workgroup and job re-design. * Job descriptions, in place of duty statements.	* Continuing review of work practices, productivity (partially through quality service techniques, partially through managerial direction).	} Continuing with quality } service approaches be- } coming dominant in micro- } level work practice change. }
2.2 Recruitment and Selection	* Career service emphasis. * Central recruitment. * Emphasis on school leavers.	* Corporate image is regarded as positive for recruitment purposes. * Decentralisation of recruit-ment and selection to Divisions/Business Units. * Greater emphasis on - graduate recruits - specialist recruits - mature age entrants	} Continuing, but many line } managers believe there is a } need for clearer corporate } articulation of } - skill/needs for future } business thrusts } - skills acquisition/ } recruitment strategies }

AREA	3-5 YEARS AGO	NOW	+3 YEARS (PROJECTED)
2.3 Performance Appraisal	* Goal setting and appraisal approach (basically a bottom-up approach with minimal linkage to business plans).	* Performance management approach (top down & bottom up). * Six monthly reports now mandatory.	} Continuing with more } effective resourcing to be } given to managers and } employees } - Managers Performance } Planning Kit } - Staff Members } Performance Planning Kit (Containing current Corporate Mission; Divisional/ Business Unit Mission, Performance Planning formats; Career Planning guidelines)
2.4 Rewards and Compensation	* Salary grading system.	* Commencement of performance-based compensation - salary broadbanding - 5-15% performance related rewards * Intrinsic rewards (non cash) used extensively in the Quality Service program.	} Continuing, with increasing } emphasis on performance } measurement to allow } greater use of merit/ } incentive rewards - for } teams and individuals.

AREA	3-5 YEARS AGO	NOW	+3 YEARS (PROJECTED)
2.5 Severance/Exit Practices	* Severance only in cases of misdemeanour. * Exit interviews.	} } Continuing	* Possibility of early retirement scheme * Performance-related severance. * Preventative exit monitoring through employee attitude survey.
2.6 Human Resource Information Systems.	* Manual/mechanised Personnel records. Centrally driven, controlled and accessed.	* Partial decentralisation of Personnel records. Still largely a manual system. Information is fragmented and not easily accessed.	* HR information management system. Centrally driven, on-line access to authorised managers.

AREA	3-5 YEARS AGO	NOW	+ 3 YEARS (PROJECTED)
2.7 Training and Development	* Comprehensive skills and supervisory training programs. (Procedural rather than developmental orientation). * Training and development programs basically internally designed and run.	* Skills training thrust to continue, with increased emphasis on computer-based training. * A major review and re-orientation of management development is under way. From 1989 sequential courses will be offered using a mix of internal and external resources, viz. - Preparing for Management - Management Action Program - Advanced Management * Quality service training is also prominent within work teams, and among managers.	} } } Continuing, with increasing } analysis of skill/development } needs arising from business } plans, and consequent } design/development of } customised programs. } } } } } } } } } }

AREA	3-5 YEARS AGO	NOW	+3 YEARS (PROJECTED)
2.8 Career Development	* Career development centrally monitored and actioned - career service approach - paternalistic	* Career development now jointly a corporate/business unit/individual responsibility * Approach generally not systematic; career advancement is reported as being "chancy and inadequate". * Very few cross-functional appointments, and internal vacancies are not well advertised.	* Major continuing corporate initiatives are planned in 1988/89 to further develop - a 'talent identification process' - competency based management development - succession plans, particularly for the top 50 positions - internal advertising of promotional positions - active job rotation * More systematic career planning will be a component of the Manager's and Employee's Performance Planning Kits. * Graduate trainees will receive special career development opportunities.

AREA	3-5 YEARS AGO	NOW	+3 YEARS (PROJECTED)
2.9 Organisation Development	* Classic career service emphasis. Hierarchical, centralist employer/ management approach to communication * Minimal team development. * Employee attitude survey (inadequately followed up)	* Quality service is the major organisation development initiative, aimed at - increased value-added and productivity - team development and problem solving - changing cultural values in NRMA * Corporate wardrobe.	} } } } } Continuing } } } } * Greater emphasis on employee development through - visible senior executive leadership - systematic employee attitude/morale index surveys - 'internal marketing' of corporate change, and of the NRMA's cultural ethos.

AREA	3-5 YEARS AGO	NOW	+3 YEARS (PROJECTED)
2.10 Employee/Industrial Relations	* Formal tripartite approach (NRMA, employees, union). * Centralist dispute resolution. * Relationships in the main were good, punctuated by the 1986 dispute/strike.	* Greater emphasis now on strengthening management-employee links and communication channels. * Decentralisation of issue/dispute resolution. Central involvement in Group issues only, otherwise centre provides advice to line managers.	} } } } } } Continuing } } } } }
2.11 Human Resource Legislation		* Equal Opportunity and Occupational Health and Safety programs commenced.	} } Continuing }

BUSINESS LEVEL STRATEGIES *

TYPE	DESCRIPTION	DISTINCTIVE COMPETENCIES & STRENGTHS
Type 1 (Defender)	This type of organization attempts to locate and maintain a secure niche in a relatively stable product or service area. The organization tends to offer a more limited rang of products or services than its competitors, and it tries to protect its domain by offering higher quality, superior service, lower prices, and so forth. Often this type of organization is not at the forefront of developments in the industry changes that have no direct influence on current areas of operation and concentrates instead on doing the best job possible in a limited area.	* Strong emphasis on efficiency and low cost production * Strengths in general management, applied engineering and financial management.
Type 2 (Prospector)	This type of organization typically operates within a broad product-market domain that undergoes periodic redefinition. The organization values being "first in" in new product and market areas even if not all of these efforts prove to be highly profitable. The organization responds rapidly to early signals concerning ares of opportunity, and these responses often lead to a new round of competitive actions. However, this type of organization may not maintain market strength in all of the areas it enters.	* Strong emphasis on product and market effectiveness * Strengths in general management, market research and/or basic engineering
Type 3 (Analyser)	This type of organization attempts to maintain a stable, limited line of products or services, while at the same time moving out quickly to follow a carefully selected set of the more promising new developments' in the industry. The organization is seldom "first in" with new products or services. However, by carefully monitoring the actions of a major competitors in areas compatible with its stable product-market base, the organization can frequently be "second in" with a more cost-efficient product or service.	* Almost as adept as Defenders in producing established products, but avoiding Prospector's large investment in product and market research. * Strengths in general management, production, applied engineering (product adaptation) and marketing/selling
Type 4 (Reactor)	This type of organization does not appear to have a consistent product-market orientation. The organization is usually not as aggressive in maintaining established products and markets as some of its competitors, nor is it willing to take as may risks as other competitors. Rather, the organization responds in those areas where it is forced to by environmental pressures.	* No clear strategy * Usually a low performing organisation.

* adapted from Snow C. C. and Hrebiniak L. G., 1980.

TYPE OF ORGANISATIONAL CHANGE

Which of the following four descriptions most accurately reflects your perception of the type of change in your organisation in the past 3 years?

Use tick ( ) to indicate past 3 years

— **TYPE 1:** Change in this organisation is an ongoing process characterised by fine tuning of the 'fit' or match between its strategy, structure, people and processes. Such effort is typically manifested at departmental/divisional levels and deals with one or more of the following:

- Refining policies, methods, and procedures

- Creating specialist units and linking mechanisms to permit increased volume and increased attention to unit quality and cost

- Developing personnel especially suited to the present strategy (improved training and development; tailoring award systems to match strategic thrusts)

- Fostering individual and group commitment to the company mission and the excellence of one's own department

- Promoting confidence in the accepted norms, beliefs and myths

- Clarifying established roles, power, status, dependencies and allocation mechanisms

— **TYPE 2:** Change in this organisation is characterised by incremental adjustments to the changing environment. Such change involves distinct modifications, (but not radical change) to corporate business strategies, structures and management processes, for example:

- Expanding sales territory

- Shifting the emphasis among products

- Improved production process technology

- Articulating a modified statement of mission to employees

- Adjustments to organisational structures within or across Divisional boundaries to achieve better links in product/service delivery

— **TYPE 3:** Change in this organisation is characterised by major re-alignment of one or more departments/divisions. The process of radical change is focused on these areas rather than the organisation as a whole, for example:

- Major restructuring of particular departments/divisions

- Changes in key executives and managerial appointments in these areas

- Work and productivity studies resulting in significantly reduced/increased workforce numbers

- Reformed departmental/divisional goals

- Introduction of significantly new process technologies affecting key departments/divisions

— **TYPE 4:** Change in this organisation is corporation-wide characterised by radical shifts in business strategy, and revolutionary changes in the system involving many of the following features:

- Reformed organisational mission and core values

- Altered power and status affecting the distribution of power in the organisation

- Reorganisation - major changes in structures, systems and procedures across the organisation

- Revised interaction patterns - new procedures, work flows, communication networks and decision making patterns across the organisation

- New executives in key managerial positions from outside the organisation

ATTACHMENT 3

ORGANISATIONAL CHANGE

AND

MANAGEMENT/LEADERSHIP STYLE

COLLABORATIVE:

This involves widespread participation by employees in important decisions about the organisation's future, and about the means of effecting organisational change.

CONSULTATIVE:

This involves consultation with employees, primarily around the means of effecting organisational change, with possible limited involvement in goal setting relevant to their area of expertise or responsibility.

DIRECTIVE:

This involves the use of managerial authority and direction as the main form of decision-making about the organisation's future, and about the means of effecting organisational change.

COERCIVE:

This involves managers/executives or outside parties forcing or imposing change on key groups in the organisation.

PERFORMANCE MANAGEMENT
LINKAGES

CORPORATE DIRECTIONS
- Corporate Mission
- Corporate/Strategic Plans
- Product/Market Strategies
- Financial Goals

BUSINESS UNIT
- B.U. Mission
- Strategic Issues Analysis
- Key B.U. Accountabilities
- Team Development/Goal Setting

PEOPLE MANAGEMENT
- Goal Setting
- Training & Development
- Appraisal
- Rewards

FIGURE 1

265.

FIGURE 2

	Participative Evolution	Charismatic Transformation
	Forced Evolution	Dictatorial Transformation

TYPE

Fine Tuning   Incremental Adjustment   Modular Transformation   Corporate Transformation

STYLE

Collaborative

Consultative

Directive

Coercive

3-5 Years ago

Now

Future

CHAPTER 9

DISCUSSION OF THE OVERALL RESULTS
AND RESEARCH SUMMARY

9.1.   INTRODUCTION

Throughout this research there has been strong interrelationship and overlap between the original research problem which impelled the project, the specific research aims and the organising questions which have given structure to the research. The interrelationship is shown in Table 9.1.

This chapter provides integration of the results overall in relation to the research aims and questions. There is then discussion of the results of the research in relation to the extension of theoretical boundaries in organisational change and human resource management. We then look beyond the data to see if the findings suggest a more general research and normative model in management process. Finally we suggest some directions for further research, based on the findings of this study and summarise the overall outcomes from the research.

9.2   THE SITUATIONAL MODEL OF CHANGE

Two critical factors in relation to the change model and instruments became obvious during the research. The first was the relative ease with which executives were able to use the Change Scale and Style Type statements to discriminate between different approaches to change along the Scale and Style continua. In a number of cases respondents asked to be allowed to give a split rating between two choices, but in no case after the pilot study did respondents indicate that the forced response categories were unclear, or did not provide sufficient depth or breadth of choice. This indicates

Table 9.1   The Research Framework

---

1. <u>The Research Problem</u>

*   The need for a more comprehensive understanding of process strategies for change, in the context of a changed business environment, based on comprehensive field analysis.

*   The need for an understanding of the contribution of human resource management to strategically driven organisational change processes and transitions.

*   Deeper understanding and exploration of business strategy - human resource management links. Are the links direct, or are they better explained by an intermediate management process filter?

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2. <u>Aims of the Research</u>   (Expected Outcomes)

*   To further develop a situational model of change which addresses not only contingencies in the external environment, but which is more fully descriptive of contemporary macro organisational change phenomena within organisations.

*   To develop instrumentation to initially validate or disprove the functionality of such a model.

*   To establish whether such a model provides any insight in extending understanding of how business strategy content relates to process, particularly in relation to human resource strategies.

---

3. <u>The Research Questions</u>   (The Organising Questions)

*   Is the Dunphy/Stace model of macro-organisational change phenomena descriptive of the world of events in the Australian financial services sector?

*   Is there a systemative pattern of relationships between business strategies, measured by type statements, and patterns in the change model?

*   Is there a systematic pattern of relationships between human resource strategies, assessed by detailed case research, and patterns in the change model?

that the research instruments used to gather responses to position organisations on the change model were relevant and adequate in the context of this study.

The second factor relates to the use of the refined, 4x4 version of the change model, used in the case study write ups. When the case studies were submitted to each participating organisation for comment, the verbal and written feedback provided strong confirmatory evidence that the model had adequately captured and described the change phenomenon at different time periods in the organisation. There was no suggestion from any organisational respondent that the positioning on the change model in the different time periods was inappropriate. This was of particular interest because we had presumed that there may be some objection to the positionings in the lower right hand portion of the model i.e. a wish for the organisation to be portrayed using a more socially desirable change strategy. The two factors provide strong confirmatory evidence that the change instrumentation and model are at least phenomenologically valid descriptors of the scale, style and overall pattern of change in the period reviewed for each of the sample organisations.

There was, however, less Change Type variance in the results than had been envisaged when the the original model was developed. This relates particularly to:

* the absence of any ratings, individually or aggregated as a modal organisational score, for

- Collaborative Style, across Scale dimensions 1-4

- Coercive Style, across Scale dimensions 1-3

*   the relatively greater proportion of positionings over the two time periods
      in the Change Type 4 category - Dictatorial Transformation, than in the other
      three categories, viz

      -     Change Type 1 Participative Evolution (4 positionings)

      -     Change Type 2 Charismatic Transformation (2 positionings)

      -     Change Type 3 Forced Evolution (3 positionings)

      -     Change Type 4 Dictatorial Transformation (11 positionings)

The first of these factors appears to be related to the finding of this research that
Change Styles are less extreme than the classical dichotomy painted by McGregor's
(1960) Theory X and Y. Australian managers on the whole do not see themselves or
their senior executives as either highly collaborative, or highly coercive. However,
the extent of ratings for Change Style 3 - Directive is evidence of what Neilsen (1989)
has recently suggested as the move of collective sentiment on existential issues (like
managerial style) from the *"implicitly permissible into the explicitly permissible"*. On
the evidence of this study we are not able to generalise on this shift beyond the
Australian financial service industry, but we predict that a similar phenomenon could
be revealed, if researched, in many other Australian organisations in a range of
industries. It would also be interesting to undertake research of this factor in the
North American and European contexts.

The second factor, the extent of positionings in Change Type 4, is almost certainly
related to environmental conditions surrounding the financial services industry. In
a less volatile environment it would be expected that responses on Change Scale
would move to the left of the model. During the interviews many respondents, having

made their choices from among the four Scale Types volunteered information such as – "five to six years ago, and certainly ten years ago, Scale Type 1 (Fine Tuning) would have described us perfectly".

The evidence therefore lends support to the view that the Dunphy/Stace model could be regarded as a general contingency model of change. Its situational specificity relates firstly to the responses made by the organisation in maintaining or influencing its strategic fit with the environment. Secondly it relates to the dominant style of managerial leadership within the organisation which influences the way in which change processes are framed and implemented. The research has shown that, as environmental conditions change, the effect is greater on the Scale than the Style dimension of change, although over time both dimensions will in all probability alter. It may be that, if managerial Style is a cultural variable, it may be harder to manipulate than Scale. It may also be that collaborative and consultative Style may be more characteristic of less turbulent environments.

It was evident during the research feedback stage that one of the features of the model was its capacity to provide a conceptual map of alterations in the overall change strategy of organisations over time. For some it also seemed to provide the psychological and conceptual closure necessary for changing the *"implicitly permissible into the explicitly permissible"* . We can report that both of these phenomena are evident when the instrumentation and the change model is used as part of organisational, executive and management development programs. This latter, informal evidence, suggests that the model can be generalised beyond the financial services industry. However, this would need to be formally tested in subsequent research. It would also be desirable to test the model in other economies

and cultural contexts, particularly in North America which has to date provided the dominant thrust in western management literature.

9.3   THE CHANGE MODEL AS A PROCESS FILTER

a)   Overview

Figure 9.1 demonstrates the new conceptual linkages which this research project has explored, contrasted against the dominant theoretical traditions to date. To what extent have the results of the research provided validation of these new linkages?

First, it must be stressed that we have concentrated on patterns of associations, rather than causal patterns. However, we incline toward the basic contingency research findings that business strategy (content) is usually the independent variable in the content-process linkage. Second, we can only claim to have explored these linkages in terms of macro phenomena, using perceptual measures. Within the macro frameworks now suggested it would be possible to conduct more detailed studies using observational and time-series methods to explore the validity of the suggested linkages, or components of them.

b)   Management Process Linkages

The following patterns of association have emerged from the research, although further testing is needed to consolidate these findings:

*   Structural HR Strategies (Type A) appear to be dominantly associated with mid range Change Scale (Incremental Adjustment and Modular Transformation), actioned by Directive Style. However, as shown by Figure 7.2 this does not imply that some elements of Developmental HR Strategies

Figure 9.1   The Change Model As A Process Filter

MANAGEMENT PROCESS PARADIGMS AND LINKAGES

1.   A Common View

| Change Practices and Interventions | HRM Policies and Practices |

2.   This Research

| Change Strategies | ⟶ ⇠ | HRM Strategies |
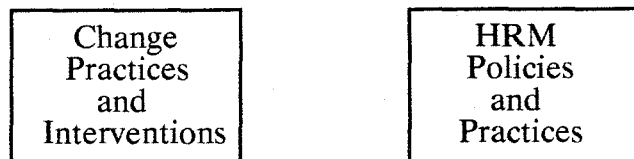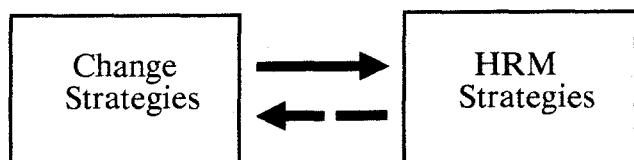
CONTENT - PROCESS LINKAGES

1.   Prevailing Views

| Business Strategy | | HRM Strategy |

or | Business Strategy | ⟶ | HRM Strategy |

2.   This Research

| Business Strategy | ⟶ ⇠ | Change Strategy | ⟶ ⇠ | HRM Strategy |
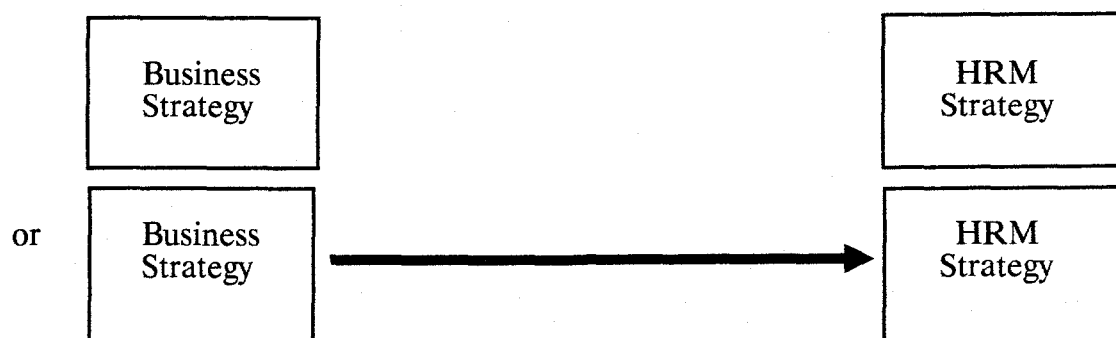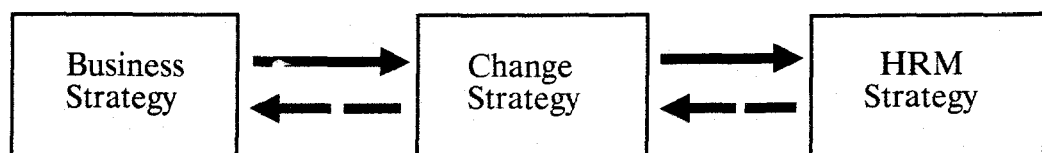
(Type B) e.g. developmental training, will not form part of the overall HR practices of this type of organisation.

* Developmental HR Strategies (Type B) are dominantly associated with mid range Change Scale, actioned by Consultative Style. A reverse caveat to the above applies - for example, Type B (Developmental HR) organisations did not completely neglect job re-design, but the emphasis on it as a critical component of the organisation's HR Strategy was significantly less than for Type A (Structural HR) organisations.

* Turnaround HR Strategies (Type C) are strongly associated with radical change (Corporate Transformation) actioned by Directive, and in one case, Coercive Style.

* Paternalistic HR Strategies (Type D) are strongly associated with incrementalism (Fine Tuning) which is actioned by either Consultative or Directive Style.

* The essential difference between Type A (Structural HR) and Type B (Developmental HR) strategies is managerial Style (Directive vis-a-vis Consultative).

* The essential difference between Type C (Turnaround HR) and Type D (Paternalistic HR) is the Scale of change (Fine Tuning vis-a-vis Corporate Transformation).

The utility of these patterns in management process can be demonstrated in a graphic form, by showing the change strategies typically associated with the newly developed HR Types. This is shown in Figures 9.2 to 9.5, by juxtapositioning the change Scale

Figure 9.2   **Management Process Linkages Characteristic**

of Human Resource Structural (Type A) Strategies

CHANGE STRATEGY
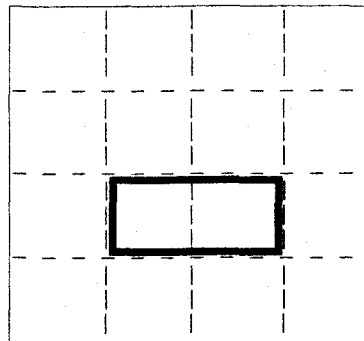
Change Style

TYPE 3: This involves the use of managerial authority and direction as the main form of decision-making about the organisation's future, and about the means of effecting organisational change.

Change Scales

TYPE 2: Change is characterised by incremental adjustments to the changing environment. Such change involves distinct modifications, (but not radical change) to corporate business strategies, structures and management processes, for example:

● Expanding sales territory
● Shifting the emphasis among products
● Improved production process technology
● Articulating a modified statement of mission to employees
● Adjustments to organisational structures within or across Divisional boundaries to achieve better links in product/service delivery

TYPE 3: Change is characterised by major re-alignment of one or more departments/divisions. The process of radical change is focused on these areas rather than the organisation as a whole, for example:

● Major restructuring of particular departments/divisions
● Changes in key executives and managerial appointments in these areas
● Work and productivity studies resulting in significantly reduced/increased workforce numbers
● Reformed departmental/divisional goals
● Introduction of significantly new process technologies affecting key departments/divisions

HUMAN RESOURCE STRATEGY

Dominant H.R. Strategy

TYPE A
(Structural)
Human resource strategy is strongly focused on the business unit, characterised by attention to systems and structures in human resource practice, involving many of the following features:

● Prime emphasis on workforce planning, job re-design and work practice reviews to achieve a better fit with business changes.

● A pragmatic approach to recruitment and selection by appointing staff at all levels from either inside or outside the organisation.

● Performance appraisal and reward systems which track and reward contributions to bottom-line performance.

● Emphasis on functional skills training for present jobs, and multi-skilling - mainly at operational and supervisory levels.

● Corporate or business unit procedures and guidelines for counselling, discipline and grievance handling, and formal mechanisms for handling relationships with industrial unions.

This is associated at times with much less emphasis on elements of the Type B Developmental H.R. Strategy, viz:

TYPE B
(Developmental)
Human resource strategy is jointly actioned by the corporate human resource unit and the business units, characterised by emphasis on developing the individual and the team, for example:

● Recruitment and selection where possible from inside the organisation.

● Performance appraisal and reward systems which focus on outputs, the skills required to produce outputs, and both tangible and intangible (e.g. job satisfaction) rewards differentiated for individual performance.

● Extensive supervisory, management and executive development programs, and interpersonal skills training.

● Organisational development through employee communication strategies (video networks, staff news journals) team development, and staff attitude surveys.

● Emphasis on a strong corporate culture.

Figure 9.3   Management Process Linkages Characteristic
of Human Resource Developmental (Type B) Strategies

CHANGE STRATEGY

Change Style

TYPE 2: This involves consultation with employees, primarily around the means of effecting organisational change, with possible limited involvement in goal setting relevant to their area of expertise or responsibility.

Change Scales

TYPE 2: Change is characterised by incremental adjustments to the changing environment. Such change involves distinct modifications, (but not radical change) to corporate business strategies, structures and management processes, for example:

- Expanding sales territory
- Shifting the emphasis among products
- Improved production process technology
- Articulating a modified statement of mission to employees
- Adjustments to organisational structures within or across Divisional boundaries to achieve better links in product/service delivery

TYPE 3: Change is characterised by major re-alignment of one or more departments/divisions. The process of radical change is focused on these areas rather than the organisation as a whole, for example:

- Major restructuring of particular departments/divisions
- Changes in key executives and managerial appointments in these areas
- Work and productivity studies resulting in significantly reduced/increased workforce numbers
- Reformed departmental/divisional goals
- Introduction of significantly new process technologies affecting key departments/divisions

HUMAN RESOURCE STRATEGY

Dominant H.R. Strategy

TYPE B
(Developmental)
Human resource strategy is jointly actioned by the corporate human resource unit and the business units, characterised by emphasis on developing the individual and the team, for example:

- Recruitment and selection where possible from inside the organisations.

- Performance appraisal and reward systems which focus on outputs, the skills required to produce outputs, and both tangible and intangible (e.g. job satisfaction) rewards differentiated for individual performance.

- Extensive supervisory, management and executive development programs, and interpersonal skills training.

- Organisational development through employee communication strategies (video networks, staff news journals) team development, and staff attitude surveys

- Emphasis on a strong corporate culture.

This is associated at times with much less emphasis on elements of the Type A Structural H.R. Strategy, viz:

TYPE A
(Structural)
Human resource strategy is strongly focused on the business unit, characterised by attention to systems and structures in human resource practice, involving many of the following features:

- Prime emphasis on workforce planning, job re-design and work practice reviews to achieve a better fit with business changes.

- A pragmatic approach to recruitment and selection by appointing staff at all levels from either inside or outside the organisation.

- Performance appraisal and reward systems which track and reward contributions to bottom-line performance.

- Emphasis on functional skills training for present jobs, and multi-skilling - mainly at operational and supervisory levels.

- Corporate or business unit procedures and guidelines for counselling, discipline and grievance handling, and formal mechanisms for handling relationships with industrial unions.

Figure 9.4   Management Process Linkages Characteristic
of Human Resource Turnaround (Type C) Strategies

CHANGE STRATEGY
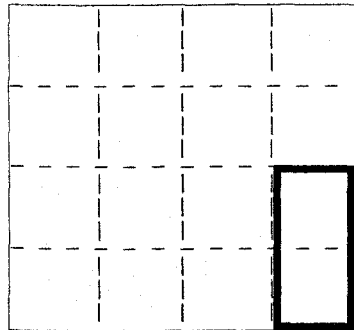
Change Styles

TYPE 3: This involves the use of managerial authority and direction as the main form of decision-making about the organisation's future, and about the means of effecting organisational change.

TYPE 4: This involves managers/executives or outside parties forcing or imposing change on key

Change Scale

TYPE 4: Change in this organisation is corporation-wide characterised by radical shifts in business strategy, and revolutionary changes in the system involving many of the following features:

● Reformed organisational mission and core values
● Altered power and status affecting the distribution of power in the organisation
● Reorganisation - major changes in structures, systems and procedures across the organisation
● Revised interaction patterns - new procedures, work flows, communication networks and decision making patterns across the organisation
● New executives in key managerial positions from outside the organisation

HUMAN RESOURCE STRATEGY

Dominant H.R. Strategy

TYPE C
(Turnaround)

Human resource strategy in this organisation is driven for a short period by the executive leadership, characterised by challenging, restructuring or abolishing human resource systems, structures and methodologies, involving many of the following features:

● Major structural intervention to re-orient organisational, business unit and work team structures to create revised patterns of human interaction.

● Downsizing the organisation through one or a combination of policies viz. retrenchments, early retirement or attrition through non-replacement.

● Lateral recruitment of key executives and experienced specialists. Declaring managerial jobs vacant.

● Introduction of performance appraisal and reward systems focused on bottom-line outputs.

● Executive team-building and development.

CHANGE STRATEGY

Change Styles

TYPE 2: This involves consultation with employees, primarily around the means of effecting organisational change, with possible limited involvement in goal setting relevant to their area of expertise or responsibility.

TYPE 3: This involves the use of managerial authority and direction as the main form of decision-making about the organisation's future, and about the means of effecting organisational change.

Change Scale

TYPE 1: Change is an ongoing process characterised by fine tuning of the *'fit'* or match between its strategy, structure, people and processes. Such effort is typically manifested at departmental/divisional levels and deals with one or more of the following:

- Refining policies, methods and procedures
- Creating specialist units and linking mechanisms to permit increased volume and increased attention to unit quality and cost
- Developing personnel especially suited to the present strategy (improved training and development; tailoring reward systems to match strategic thrusts)
- Fostering individual and group commitment to the company mission and to the excellence of one's own department
- Promoting confidence in the accepted norms, beliefs and myths
- Clarifying established roles, power, status, dependencies and allocation mechanisms

HUMAN RESOURCE STRATEGY

Dominant H.R. Strategy

TYPE D
(Paternalistic)

Human resource strategy is centrally driven, characterised by careful attention to procedures, precedents and achieving uniformity of approach across the organisation, as for example:

- Manpower planning reviews, organisation and work methods studies, and incremental adjustment to work team structures based on staffing formulas.

- An internal appointments policy.

- Performance appraisal based on behavioural assessments, and rewards based on classifications with across-the-board bonuses.

- Active skills training and development for operational, supervisory and middle management staff.

- Formal and regular consultation with industrial unions in changing personnel policies, procedures and restructuring conditions and awards.

and Style descriptions relevant to the particular areas of the change matrix associated with the HR Types (as per Figures 7.1 to 7.2). These figures show evidence of strong conceptual synergy between Change and Human Resource Strategies. A similar technique can be adopted in testing the models in relation to a real organisational setting. For example the NRMA has had a mixed change strategy in the two time periods (i.e. past 3-5 years, and now). In Figure 9.6 we are able to demonstrate the changing management process strategies in NRMA, based on the typological statements developed in this study. Detailed scrutiny of the NRMA case study and the NRMA Human Resource Policy Profile as against Figure 9.6 generally, shows a close relationship between the relevant Change indices in the research instrumentation, and the Human Resource Strategy Types C and B. However as shown in Figure 9.6 there is lack of fit in several areas between the ideal models and what was found by case research (areas underlined on the 'ideal' descriptions fit with the case analysis, while areas not underlined do not fit).

Our view is that this research model and the associated instrumentation considerably advances the understanding of management process linkages at the macro level of analysis. It is a model which has power conceptually, and as an applied, practitioner-oriented mapping device, in reducing the complexity of management process. We are aware that there are complexities in the framework which have not yet been addressed. For instance we have been unable to take account of a possible time *'lag'* factor, if any, between the operationalisation of change strategies and human resource strategies. An impression gained from the research interviews was that now that HR strategies are more pivotal to an organisation's overall strategies, there may be less lag in HR implementation and subsequent effect than earlier research shows (for example, Dimick and Murray 1978). However this would have to be specifically researched. Notwithstanding this the management process model

Figure 9.6   Management Process Linkages * in N.R.M.A.
in Two Time Periods

CHANGE STRATEGY

Change Styles

● **PERIOD 2**
TYPE 2: This involves consultation with employees, primarily around the means of effecting organisational change, with possible limited involvement in goal setting relevant to their area of expertise or responsibility.
● **PERIOD 1**
TYPE 3: This involves the use of managerial authority and direction as the main form of decision-making about the organisation's future, and about the means of effecting organisational change.

Change Scales

● **PERIOD 1**
TYPE 4: Change is corporation-wide characterised by radical shifts in business strategy, and revolutionary changes in the system involving many of the following features:

● Reformed organisational mission and core values
● Altered power and status affecting the distribution of power in the organisation
● Reorganisation - major changes in structures, systems and procedures across the organisation
● Revised interaction patterns - new procedures, work flows, communication networks and decision making patterns across the organisation
● New executives in key managerial positions from outside the organisation

● **PERIOD 2**
TYPE 2: Change is characterised by incremental adjustments to the changing environment. Such change involves distinct modifications, (but not radical change) to corporate business strategies, structures and management processes, for example:

● Expanding sales territory
● Shifting the emphasis among products
● Improved production process technology
● Articulating a modified statement of mission to employees
● Adjustments to organisational structures within or across Divisional boundaries to achieve better links in product/service delivery

HUMAN RESOURCE STRATEGY

Dominant H.R. Strategy in Period 1

TYPE C
(Turnaround) Human resource strategy is driven for a short period by the executive leadership, characterised by challenging restructuring or abolishing human resource systems, structures and methodologies, involving many of the following features:

● Major structural intervention to re-orient organisational, business unit and work team structures to create revised patterns of human interaction.

● Downsizing the organisation through one or a combination of policies viz. retrenchments, early retirement or attrition through non-replacement.

● Lateral recruitment of key executives and experienced specialists. Declaring managerial jobs vacant.

● Introduction of performance appraisal and reward systems focused on bottom-line outputs.

● Executive team-building and development.

Dominant H.R. Strategy in Period 2

TYPE B
(Developmental) Human resource strategy is jointly actioned by the corporate human resource unit and the business units, characterised by emphasis on developing the individual and the team, for example:

● Recruitment and selection where possible from inside the organisations.

● Performance appraisal and reward systems which focus on outputs, the skills required to produce outputs, and both tangible and intangible (e.g. job satisfaction) rewards differentiated for individual performance.

● Extensive supervisory, management and executive development programs, and interpersonal skills training.

● Organisational development through employee communication strategies (video networks, staff news journals) team development, and staff attitude surveys.

● Emphasis on a strong corporate culture.

* Note: This is based on the 'pure types' developed in this research.

Underlinings = descriptions which accord with the findings of the case research

does take us further in our understanding, despite areas like this which still need to be addressed to refine the model.

### c)   <u>Content-Process Linkages</u>

It was noted in Chapter 6 (Section 6.5) that we did not find a clearly definitive trend between business strategy, using Snow and Hrebiniak's generic Business Strategy Type descriptions, and Change Strategy Types. The incidence of Business Strategy Types when superimposed on areas of the change model appropriate to the sample organisation's Change Strategy Types yielded the pattern of gestalts shown in Figure 6.2. This figure shows that two business strategies viz Defender and Analyser do not cluster as strongly in clearly defined areas of the change model as do Prospector and Reactor business strategies.

However, by using the change matrix as the organising schema, we can visually juxtapose the findings on Business Strategy against the Human Resource Strategy Types developed as a result of this research. This juxtaposition is shown in Figure 9.7, and is derived from Figures 6.2 and 7.1. What is suggested by these schematics is as follows:

*   the Prospector Business Strategy appears to have an association with mid range Change Strategies (Consultative Style) and with Developmental HR Strategies.

*   the Analyser Business Strategy appears to have a dominant association with mid range Change Strategies (Directive Style) and with Structural HR Strategies, although this pattern is not absolute.
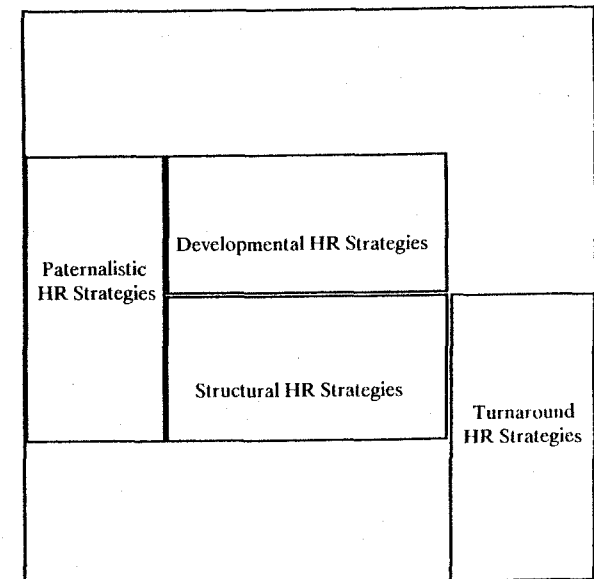
Figure 9.7   Juxtapositioning Of Generic Business Strategies And
Human Resource Strategy Types

Generic Businss Strategy Types
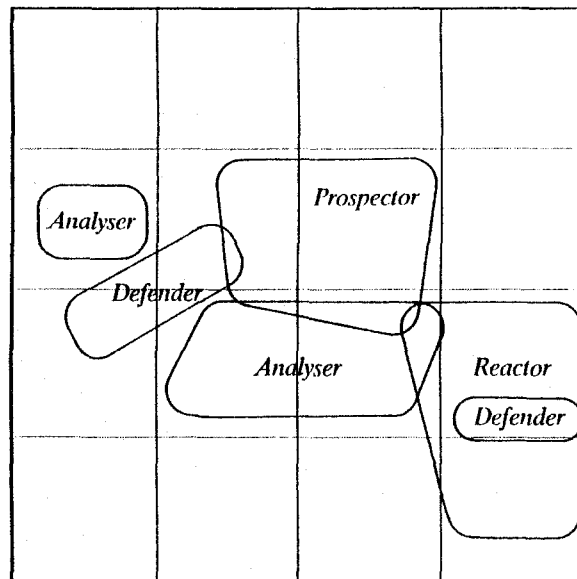
(Figure 6.2)

Human Resource Strategy Types

(Figure 7.1)

*   the Reactor Business Strategy appears to have a dominant association with Corporate Transformation Change Strategies (basically Directive) and with Turnaround HR Strategies, although this pattern is not absolute.

*   the Defender Business Strategy shows no clear pattern of associations with Human Resource Strategies, although its association with Change Strategies mainly spans Fine Tuning and Incremental Change using Consultative/Directive Change Style.

The original incidence of Business Strategy type scores yielded the following pattern - Defender 3.0; Prospector 6.0; Analyser 5.5; Reactor 5.5 (i.e. two time periods for ten organisations). It is therefore interesting that the strongest juxtapositions of Business Strategy against Human Resource Strategy occur as follows:

Business Strategy Type	HR Strategy Type
Prospector	Developmental
Analyser	Structural
Reactor	Turnaround

while the Defender Business Strategy Type shows the weakest associations, being juxtaposed against several HR Strategies, including HR Paternalistic.

This probably indicates that in a turbulent business environment when organisations undergo a period of redefinition in strategy and process, not only will the Defender Business Strategy be less in evidence, but where it occurs, it is unlikely to associated with any consistent Human Resource strategy. On the other hand the more dominant

Business Strategies in this research, the Prospector, Analyser and Reactor, will show greater patterns of consistency with mainstream Human Resource Strategies.

We should raise the question of time lag in relation to one of these sets of associations: the Reactor Business Strategy and the Turnaround HR Strategy. The question is whether the organisation actions a Turnaround HR Strategy while it is still rating a Reactor Business (non-viable) Strategy, or whether while actioning a Turnaround HR Strategy the organisation has moved on to one of the viable Business Strategies. If it is the former, this indicates that HR Strategies are an active part of the process of corporate change and strategic repositioning, rather than a consequent set of actions after business strategy decisions have been taken. If it is the latter, this indicates that subsequent iterations of the research may need to build more rigour into the specification of the time periods under study. However, during the field research, there was strong qualitative evidence that human resource strategies were being actively utilised as a major component of the overall process of business strategy repositioning and adjustment. The growing incidence of HR references and policies in Policy/Executive Committee deliberations was evidence of this. This was so in most cases other than organisations positioned in the Fine Tuning Change Scale category, which are also shown as having Paternalistic HR Strategy.

The above analysis provides a useful framework for subsequent iterations of the research, and for a better conceptual understanding of business strategy-management process linkages. The patterns are suggestive rather than definitive, but the use of the change matrix as an organising schema provides a powerful analytical process filter. The theoretical implications of this will be treated in the following section.

9.4   CONTRIBUTIONS TO THEORY DEVELOPMENT

There are several areas in which this research has potential to contribute to theory development. These areas are identified and discussed below.

a)   Organisational Change and Development

The theoretical paradigm central to this study has been organisational change. The theoretical advance represented by the initial model, developed prior to the research, has now been recognised in an internationally refereed management journal (Dunphy and Stace 1988) and by invitation, as a chapter in a monograph on advances in organisation development (Dunphy and Stace 1989 - in publication). These publications, together with Chapter 2 of this thesis, give a comprehensive review of a new general contingency theory of change. The arguments for this theoretical model will not be retraced here.

However, this research project has provided the basis for further extending the theoretical model in the following ways:

* creating more differentiation on the Scale and Style dimensions than existed in the earlier model

* validating through systematic field research that all the Scale dimensions were representative of a world of events among the sample organisations

* similar validation that three of the four Style dimensions exist in practice (Consultative, Directive, Coercive)

*   demonstrating that an organisation's change position can alter over time, the dimension that is most likely to change being Scale rather than Style of change

The lack of any rating for the Collaborative Style, and the dominance of ratings for Directive over Consultative Style, provides important corroboration of our original contention that the value position of O.D. writers for collaboratively-oriented management may not be representative of the real world of events. At least this is so for the sample organisations during an extended period of environmental discontinuity: we have been unable to test the theory in a more stable environment. We have also found that the *'softer'* styles tend to be more ideologically acceptable to many executives, but used less in practice both on their own evidence and the evidence of subordinate managers.

b)   **A Schema of Management Process**

It would be incorrect to assume that individual management process theories should be aggregated to form a macro process theory. Separate theoretical traditions in management process are still required. Yet there is a need for a more integrated view of how, and if, different process theories relate to each other. This is particularly important between organisational change and human resource theory, both of which are currently being translated into a wide range of interventions in organisations, sometimes in non-complementary ways. For instance we see frequent use of major organisational structuring interventions as part of an overall change strategy instituted by senior managements. Typically however some in-house trainers will try to distance themselves from such draconian measures. They prefer to focus on interventions such as interpersonal skills training, whether or not that form of intervention represents the most appropriate and focused use of the organisation's

resources in actioning its business strategies. The opposite may of course apply if a major structural intervention is utilised by corporate strategists when a more appropriate team development intervention should be used.

This research has provided a basis on which Change and HR strategies can be regarded as complementary and synergistic components of an overall macro schema of management process, concerned with the implementation and influencing of business strategies. We do not claim to have developed an overall theory in this area, but the methodology and the schematics such as those presented in Figures 9.2 - 9.6, provide a more comprehensive integration of macro Change and Human Resource strategies than has been developed to date between these two management process literatures.

If this schema can be further researched and consolidated, better theoretical bases and practitioner-oriented instrumentation could be developed to create more effective maps of the management process territory. The conceptual frameworks developed in this study will considerably assist this ongoing process.

c) **Strategic Human Resource Management (SHRM)**

Chapter 3 provided a review of the current status of the SHRM literature. It showed that attempts to date to link business strategies directly to human resource management had been partially successful, but that a general model had not emerged.

The findings on content-process linkages from this study complement and extend many of the earlier SHRM studies. Some of the earlier studies tend to concentrate on the product/market innovation strategy, and the low cost producer (Innovative Differentiation, and Low Cost Producer - Collins 1987; Innovation, and Cost Reduction - Schuler 1987). The HRM prescriptions for these two generic strategies

closely resemble the organic-mechanistic divide (Burns and Stalker 1961). Miles and Snow (1984a), include both of the above business strategies (i.e. Prospector and Defender), but also include their Analyser business strategy: they analyse these three strategies against major areas of the human resource system viz basic HR strategy; recruitment and selection; staff planning; training and development; performance appraisal; compensation. These studies appear to place considerable emphasis on the Defender/Low Cost strategy and its associated HR practices. We did not find strong evidence of these relationships, unless the Defender strategy is more closely linked with HR Paternalistic than was evident in the study.

Schuler's (1988) analysis of five business strategies, and associated HR strategies provides greater differentiation (Entrepreneurial; Dynamic Growth; Extract Profit/Rationalisation; Liquidation/Divestiture; Turnaround). The importance of this schema is that Schuler has gone beyond the mechanistic-organic divide to include business strategies and HR choices relevant to a turbulent business environment (e.g. Liquidation; Turnaround). It is difficult to cross-reference the findings of the present study into these previous studies other than to summarise that:

* HR strategies associated with cost-leadership did not feature as strongly in this study as they had in earlier studies

* emerging contingency models should desirably include business strategies appropriate to a turbulent business environment. For this study we relied on business strategies which had been already operationalised so that primary attention was placed on the change paradigm and an initial pattern of associations with business and HR strategies.

The distinguishing feature of the study is therefore the use of the change matrix as an intermediate level of analysis between business strategy and HR strategy. It is important for managers and HRM specialists to know what human resource practices might look like in following a particular business strategy, but this should not be divorced from a consideration of how HR strategies fit with overall change strategies. This provides the link between managers/executives who typically initiate business and macro change strategies on the one hand, and HR practitioners who typically action or advise on human resource practices on the other. The change paradigm assists in melding the diverse ideologies of managers, who often operate from a rationalist/financial paradigm, and HR specialists who often operate from a human relations/sociological paradigm. This represents a considerable extension of the theoretical base on which SHRM is constructed.

9.5   BEYOND THE DATA

Figure 4.2 captures the three screen theoretical model which has become the organising schema for this research, while Figures 9.2 - 9.5 and 9.7 provide a concise diagnostic summary of the results of the study. The study has commenced a process of validation of a general contingency model of change. This deals with the middle screen. Is there however a more general research and normative model arising from the research?

Our experience in using the research model (as in Figure 4.2), is that is provides a logical flow from content, through intermediate to human resource process strategies. The model emerged from, rather than existed before, the case study write ups. By the conclusion of the field studies the framework had emerged as the most logical way of ordering the material in the written case studies. Its usefulness was further indicated by the positive responses to the case studies from executives in the

sample organisations. But it is particularly useful in providing a conceptual schema for summarising the results of a major qualitative study such as this. This is similar to Bartunek's *"concept of schemata, or organising frameworks for understanding events"*. By utilising the research instrumentation and the research model as an organising framework, this study is now capable of replication in a variety of settings. A research model therefore exists, with instrumentation for all three screens for use in association with qualitative field methodology.

We cannot assert that a normative model has been developed in all three areas of the research. In change strategy, yes, but in HR strategy more detailed research is required to establish the HR Types as being definitive, and fully descriptive of clusters of HR practices associated with particular Change and Business Strategies.

9.6   SOME DIRECTIONS FOR FUTURE RESEARCH

This research has been directed at further development of integrative macro theory and research frameworks in the area of management process, and at the intersection between content and process. The extent to which the findings can be generalised is obviously related to the limitations of the size and scope of the research sample. However we suggest below several areas where replication or modification of the study would assist in the further development of the general findings:

a)   **Further Development of Research Instruments**

The research documentation and instruments which worked extremely well during the field studies included:

*   the Executive Questionnaire – Human Resource Strategies

*   the Chief Executive and Key Divisional/Departmental Head Interview Schedules

*   the Group (Line Manager) Interview Format

*   the Scale and Style of Change Types

*   the generic Business Strategy Types

However, as an output from the research, we have developed Type statements covering four generic Human Resource strategies. These statements have yet to be tested in a research setting: such testing would assist in validating whether human resource strategies do cluster in the manner suggested in this research. As a first step these Type statements could be selectively administered in some of the participating organisations.

It may also be desireable to operationalise a different set of business strategy descriptors which accommodate a greater range of nuances for business strategic positionings in periods of extreme business turbulence (We were unable to find fully operationalised versions of these prior to the research). This is not to suggest that the Miles and Snow categories presented definitional or choice problems for respondents. Rather, use of other descriptors may assist in providing finer grained analysis of the business strategy variable.

b)   **<u>Replication in the Finance Industry - In Australia and Overseas</u>**

There would be considerable value in replicating the study in Australia, using the refined and newly developed research instruments which have become the outputs from this study. A new sample of organisations in the finance sector - for example finance companies, could be utilised for this purpose. This would assist in

strengthening this Australian based study with a wider sample drawn from the same industry.

However, major value would accrue if the study were to be replicated overseas, particularly in North America and in western economies in Europe.

This would assist in establishing the generalisability or otherwise of the models, and the research findings on a broader theoretical and cross-national basis. If the findings were similar, this would provide theorists and practitioners with a differentiated change contingency framework, and related frameworks in management process and content-process. While the research has already provided this advance, validation by cross-national research would strengthen the findings.

c)   **Replication in Other Industries**

The service industries in particular will provide much of the future focus for wealth creation in western economies. However, high value-added secondary industries will also be important. Replication of the study in these latter industries and sectors would assist in establishing the broader applicability of the models outside the finance industry. Already informal research conducted through executive programs, in blue and white collar industries, suggests that the theoretical and research model has broader applicability than the finance industry. Formal research in a variety of industries would assist in validating these informal findings.

9.7   SUMMARY OF OUTCOMES FROM THE RESEARCH

The major outcomes from the research could be summarised as follows:

a)   **Organisational Change and Development**

*   a refined general contingency model of change

*   change matrix instrumentation in the form of Type statements for Scale and Style of change

*   a methodology for mapping the path of change in organisations

b)   <u>**Human Resource Management**</u>

*   research instruments for use in ranking relative priorities in HR strategy, in the form of HR questionnaires

*   an initial model of HR strategies, identifying four generic HR strategies, and showing their relationship with organisational change strategies

*   HR type statements for the four generic HR strategies (Structural, Developmental, Turnaround, Paternalistic)

c)   <u>**Content-Process Integration**</u>

*   a research model which shows the linkage between business content and management process as a three screen integration, in contrast to prevailing models

*   an initial model of suggested associations between generic business, change and human resource strategies (Figure 9.7)

These are all individually important outcomes, but their strength lies in their synergy as an interrelated set of variables and findings. The study was a conscious attempt to see if, by comprehensive field analysis, it was possible to observe and record perceptions of organisational functioning in a more integrated way than is common in the quantitative and micro traditions of research. As a qualitative and macro study, this research complements these latter traditions, rather than refuting them. It

attempts to provide a set of conceptual linkages assisted by a rigorous, systematic field methodology and supporting research instrumentation.

Major features of this study are its comprehensive approach and size for a field-based approach; the extent of co-operation received by participating organisations, and the extent to which the study assists in the process of integrative theory development. The study has resulted in clearer maps of the territory of strategic change as related to human resource policy. It is hoped that the process of theory development represented by this thesis will inspire further research into some of its concepts, models and findings.

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APPENDICES 1.1 – 1.16

RESEARCH METHODOLOGY DOCUMENTS

AND INSTRUMENTS

**AUSTRALIAN GRADUATE
SCHOOL OF MANAGEMENT**
IN THE
UNIVERSITY OF NEW SOUTH WALES

P.O. BOX 1 · KENSINGTON · NEW SOUTH WALES · AUSTRALIA · 2033 · Telephone (02) 662 0356
University of NSW · Gate 11 · Botany Street · Randwick · Telex AA26054 · Facsimile (02) 662 2451

25th February 1988

Mr. A. R. Berg
Managing Director
Macquarie Bank Limited
20 Bond St.
SYDNEY NSW 2000

Dear Tony,

Following our discussions we are writing to formalise the request for the Bank's participation in the research project on Organizational Change and People Management Strategies in leading Australian corporations. The purpose of this letter is to briefly outline the nature of the project.

While there is increasing pressure for performance at all levels of Australian organisations, there have been few studies of how effective organisations link business strategies to organisational change programs and people management strategies. This research project is an attempt to fill this gap and to identify best practice by documenting how a number of Australian corporations are doing this. The study is focused on the service sector in view of the potential contribution of this sector to the national economy in the next 20 years. The study is being carried out as a doctoral research program at this School.

In order to gain sufficient information on organisational change and human resource policy in the Bank it is desirable that we interview several of your key senior managers/executives, and groups of supervisors/middle managers. A suggested interview schedule is attached, the detail of which could be modified in some areas, subject to further discussion. We would also like to discuss possible access to some documentary sources of information.

The output from this study, based on a pattern now established with other organisations will be:

a. a draft written case study (10-15 pages) supplied to yourself and/or another senior nominated executive for comment as to detail

b. a final case study document, supplied confidentially to the Bank

c. a verbal presentation by ourselves to a nominated group of the Bank's senior executives on the project's major findings, particularly relating to the results of the research across a range of Australian organisations.

We promise your organisation complete confidentiality: any proposal to subsequently publish material involving any participating organisation will be cleared with the chief executive or nominee.

We look forward to the Bank's participation in this important study, and feel confident that we can share some practical and relevant results during the next few months.

Yours sincerely,

Dexter C. Dunphy   Doug A. Stace
Professor of Management   **Doctoral Research Program**
(Telephone: 662 0356)   (Telephone: 975 1744)

Attachments
Biographical Details
Suggested Interview Schedule

AUSTRALIAN GRADUATE SCHOOL OF MANAGEMENT

RESEARCH PROJECT   -   SUGGESTED SEQUENCE OF INTERVIEWS

APPROX. TIME	SEQUENCE OF INTERVIEWS (subject to change)	EMPHASIS
First Visit		
60 mins.	* Chief Executive	* Forces driving change, broad corporate strategic directions * Major change events in the organisation * The process of change * Human resource policy
60/90 mins.	* Personnel/Human Resource Director	* The process of change * Human resource policy * Human resource policy link with business strategies * Organisational development
Second Visit (2-3 days)		
45/60 mins.	* Corporate Planning Director/Manager)) * Finance Director/) Manager))) * 3 x Product Division) Managers (major) Divisions))	* Major change events * The process of change * Human resource policy (corporate and line emphasis)
60/90 mins each	* 3 x Groups (of 6) First line supervisors/middle managers and line staff	* Perceptions about organisational change, and human resource practices.
45/60 mins	* The need for several other interviews may arise following from the above discussions	
½ day	* Review of selected documents.	

DOCUMENTS TO BE REVIEWED FROM EACH ORGANISATION

DOCUMENT   **SOURCE**

a)   Annual reports – past 3 years   HR Director

b)   Mission statement/business objectives $\pm$ 3 yrs

     –   particularly at critical change points, &   CEO/Corporate
         any business policy/HR policy linkages   Planner

c)   Organisation structure – past, present
     and any proposed   CEO

d)   Staff establishment/numbers $\pm$ 3 years   HR Director

e)   Major reports – past 3 years   Emergent during
     –   strategy   the interviews
     –   structure
     –   management systems/processes
     –   corporate culture surveys
     –   industry analyses
     –   relevant excerpts from Board minutes/papers

f)   Personnel/Human Resource Area   HR Director
     –   policy documents
     –   new personnel systems
     –   Personnel Committee minutes/papers

AUSTRALIAN GRADUATE SCHOOL OF MANAGEMENT RESEARCH STUDY

Selection of First-Line and Middle Level Supervisors/Managers

The procedure outlined below is designed to ensure that the overall research results are based on systematic feedback from an unbiased cross-section of your organisation's first-line and middle level supervisors/managers. This means that our final report to management will include a reliable assessment of how change strategies are perceived at this level of the organisation.

Procedure

1. Interviews should be based in the capital city in which the study is being undertaken.

2. The organisation is asked to provide the researchers with a list of 100-200 names of first-line supervisors/middle managers, selected from the following areas (listed by area/location):

    — branch offices

    — marketing/sales

    — service areas (finance, computing, personnel)

    — key functional areas (eg cabin crew supervisors in airlines)

    — production/engineering/operations

3. The researchers will choose 24 names by random selection from this list, with 16 replacements (the names will be chosen in area/location groupings).

4. The co-ordinator nominated by your organisation will be asked to assemble 4 groups of 6 people, each group for a 90 minute group interview session. These sessions should preferably be held on the one day.

5. A small seminar room with whiteboard(s) - or a self copying whiteboard, and a flipchart will be required for the group interviews. Each interviewee will require a pen, and should preferably have a cardboard nameplate.

Your help with this procedure will be greatly appreciated.

Dexter Dunphy
Doug Stace

CONFIDENTIAL   NAME : _____

                                              ORGANISATION : _____

                                              _____

AUSTRALIAN GRADUATE SCHOOL OF MANAGEMENT

EXECUTIVE QUESTIONNAIRE   -   HUMAN RESOURCE STRATEGIES

Estimated completion time :   10 minutes

<u>QUESTIONNAIRE   –   HUMAN RESOURCE STRATEGIES</u>

This short questionnaire is an important part of the research being conducted and is designed to augment the areas to be discussed during the interview. It would be appreciated if you could take 10 minutes prior to our interview to complete this questionnaire, and have it available at the interview.

Your responses to the questionnaire will remain completely confidential to the University researchers undertaking this study.

DEFINITIONS

The term **human resource** is used in this survey to include personnel, staff and employees. **Human Resource Management** encompasses policies, practices and techniques adopted to effectively manage an organisation's human resources, including Personnel, Staffing, Employee and Industrial Relations Policy and Practice.

Human Resource Strategies are formed when organisations decide to emphasise certain human resource policies, practices and techniques, relative to others, in implementing their business strategies and/or organisational mission. They are the policies and practices which differentiate the way in which organisations effect change through their employees, and control and develop their workforce.

There is no one 'right' set of human resource strategies. Rather, different human resource strategies emerge over time in response to the need to encourage desired behaviours among employees in fulfilling the organisational mission.

1. **CHANGES IN HUMAN RESOURCE POLICY AND PRACTICE**

   From your perspective as an executive, has there been any identifiable change in the direction, emphasis and thrust of corporate human resource/personnel policy and practice in this organisation in the past 3 years?

   TICK ONE

   _____   Considerable change

   _____   Some change

   _____   Little or no change

2. **TIME SPENT ON HUMAN RESOURCE ISSUES**

   Compared with 3 years ago (approx) do you now spend more, less, or about the same time, as a percentage of your total work, on human resource issues – as defined on the previous page?

   TICK ONE

   _____   More time

   _____   Less time

   _____   About the same time

3. **HUMAN RESOURCE PRIORITY AREAS   (DIVISIONS/DEPARTMENTS)**

   The human resource policies and practices listed on the next sheet contain groupings of 11 major areas of human resource activity.

   After scanning these could you **rank in order of importance the five (5)** human resource areas which have been/will be of priority concern to you as Divisional/Departmental executive in implementing your business unit plan:
   - over the past 3 years
   - projected for the next 3 years

PRIORITY AREAS IN DIVISIONS/DEPARTMENTS

	Past 3 Years	Projected Next 3 Years		Past 3 Years	Projected Next 3 Years
WORKFORCE PLANNING * Job design, work practices * Workgroup or organisational restructuring * Future workforce needs analysis based on business plans	☐	☐	**TRAINING AND SKILLS DEVELOPMENT** * Functional skills training for present jobs * Interpersonal skills training * Supervisory and Management training	☐	☐
RECRUITMENT AND SELECTION * Corporate image as a prospective employer * Internal appointments policy * Review of selection techniques	☐	☐	**CAREER DEVELOPMENT** * Development programs for future skills/jobs * Cross-functional appointments/transfers/ multi-skilling * Succession Planning	☐	☐
PERFORMANCE APPRAISAL (PA) * PA as a means of tracking goal achievement * PA as a basis for rewarding and compensating staff * PA as a basis for determining employee training/development needs	☐	☐	**ORGANISATION DEVELOPMENT** * Employee attitude surveys * Team-building * Employee communication (newsletters, commencement days, video networks)	☐	☐
REWARDS AND COMPENSATION * Systematic job analysis as a basis for equitable compensation practice * Performance - based compensation systems * Rewards based on both tangible and intrinsic (eg. job satisfaction) rewards	☐	☐	**EMPLOYEE/INDUSTRIAL RELATIONS** * Counselling, discipline, grievance procedures * Consultative mechanisms/procedures with industrial unions * Appeals procedures	☐	☐
SEVERANCE/EXIT PRACTICES * De-hiring, retrenchments * Outplacement counselling * Early retirement	☐	☐	**HUMAN RESOURCE LEGISLATION** * Equal employment opportunity * Occupational Health and Safety * Worker's compensation	☐	☐
HUMAN RESOURCE INFORMATION SYSTEMS * Manual or mechanised HR record systems * Interactive computer-based HR information systems * Link of HR information systems with other corporate planning data systems	☐	☐			

INSTRUCTIONS   Please rank 1-5 the areas of priority concern to you as Divisional/Departmental executive in implementing your business unit plan, past and projected.

4. **HUMAN RESOURCE STRATEGIES AND ORGANISATIONAL CHANGE**

    How would you summarise your organisation's human resource strategies in relation to organisational change

PAST 3	PROJECTED
YEARS	NEXT 3
	YEARS
(TICK ONE)	(TICK ONE)

PAST 3	PROJECTED	
_____	_____	A driving force for organisational change ?
_____	_____	An important component of the change process ?
_____	_____	More part of the administrative process than a significant part of the change process ?

5. **ROLES IN HUMAN RESOURCE STRATEGY**

    Please indicate the extent to which the following have played a significant role in developing the direction of human resource strategy (policies and practices) in your organisation in the past 3 years   (one tick each line)

	CRUCIAL ROLE	IMPORTANT ROLE	LITTLE OR NO ROLE
Chief Executive	_____	_____	_____
Executive/Policy Committee	_____	_____	_____
Divisional Heads	_____	_____	_____
Human Resource Director	_____	_____	_____
Line Managers	_____	_____	_____
Unions	_____	_____	_____
Other (specify)	_____	_____	_____

AUSTRALIAN GRADUATE SCHOOL OF MANAGEMENT

QUESTIONNAIRE –   HUMAN RESOURCE DIRECTOR

ORGANISATION   _____

HUMAN RESOURCE STRATEGIES

DEFINITIONS

The term **human resource** is used in this survey to include personnel, staff and employees. **Human Resource Management** encompasses policies, practices and techniques adopted to effectively manage an organisation's human resources, including Personnel, Staffing, Employee and Industrial Relations Policy and Practice.

Human Resource Strategies are formed when organisations decide to emphasise certain human resource policies, practices and techniques, relative to others, in implementing their business strategies and/or organisational mission. They are the policies and practices which differentiate the way in which organisations effect change through their employees, and control and develop their workforce.

There is no one 'right' set of human resource strategies. Rather, different human resource strategies emerge over time in response to the need to encourage desired behaviours among employees in fulfilling the organisational mission.

1.1   <u>HUMAN RESOURCE POLICIES AND PRACTICES</u>

Below is a listing of 33 areas of human resource policy and practice. Please read carefully through this list, placing a tick against any areas which have been critical to your organisation's human resource strategy in the past three years, <u>as evidenced through new or substantially revised policies or procedures, or substantial reliance on these procedures/practices.</u>

Tick where appropriate

Workforce Planning

1.   Job design   ☐

2.   Workgroup or organisational restructuring   ☐

3.   Future workforce needs analysis based on business plans   ☐

Recruitment and Selection

4.   Corporate image as a prospective employer   ☐

5.   Internal appointments policy   ☐

6.   Review of selection techniques   ☐

Performance Appraisal   (PA)

7.   PA as a means of tracking goal achievement   ☐

8.   PA as a basis for rewarding and compensating staff   ☐

9.   PA as a basis for determining employee training/development needs   ☐

Rewards and Compensation

10.   Systematic job analysis as a basis for equitable compensation practice   ☐

11.   Performance - based compensation systems   ☐

12.   Rewards based on both tangible and intrinsic (eg job satisfaction) rewards   ☐

Severance/Exit Practices

13.   De-hiring, retrenchments   ☐

14.   Outplacement counselling   ☐

15.   Early retirement   ☐

Training and Skills Development

16. Functional skills training for present jobs

17. Interpersonal skills training

18. Supervisory and Management training

Career Development

19. Development programs for future
     skills/jobs

20. Cross-functional appointments/transfers/
     multi-skilling

21. Succession Planning

Organisation Development

22. Employee attitude surveys

23. Team-building

24. Employee communication
     (newsletters, commencement days,
      video networks)

Employee/Industrial Relations

25. Counselling, discipline, grievance
     procedures

26. Consultative mechanisms/procedures
     with industrial unions

27. Appeals procedures

Human Resource legislation

28. Equal employment opportunity

29. Occupational Health and Safety

30. Worker's compensation

Human Resource Information Systems

31.   Manual or mechanised HR record systems

32.   Interactive compuer-based HR information systems

33.   Link of HR information systems with other
       corporate planning data systems

1.2   **PRIORITY POLICIES AND PRACTICES**

From the areas which you have ticked in Section 1.1 (Human Resource
Policies and Practices), please write down in the Table below a
listing of the ten policies and practices which have been of
top priority to implementing your organisation's human resource
strategies over the past three years.

After you have written them down, rank the areas 1-10.

TEN TOP PRIORITY HUMAN RESOURCE POLICIES AND PRACTICES OVER THE PAST 3 YEARS	RANKING
*	
*	
*	
*	
*	
*	
*	
*	
*	
*	

1.3 Considering your responses in 1.2, which of the following workforce sectors in your organisation have been of <u>greater relative focus</u> in implementing the ten priority areas you have listed.

**Tick up
to Two**

* Wages employees

* Supervisors/Middle managers

* Specialist/non-managerial staff

* Senior Managers/executives

* The total workforce

1.4 Your answers in sections 1.1 - 1.3 relate to the <u>past</u> 3 years. Do you envisage giving <u>top priority</u> to any other area/s of human resource activity in the <u>next</u> 3 years which are not shown in your ranked listing in 1.2?

<u>List of New Top Priority Areas</u>

*

*

*

*

*

SECTION 2

ORGANISATIONAL DATA

2.1   **INDUSTRY**

What is your organisation's dominant industry concentration?

(tick one)

☐   Banking and Finance

☐   Insurance

☐   Computers/Electronics/Data Processing

☐   Business and Professional Services

☐   Utilities and Public Administration

☐   Communications and Media

☐   Transport

☐   Retailing

☐   Other _____ (please specify)

2.2 <u>LOCATION OF OPERATIONS</u>

What is the geographical spread of your operation

(tick one)

☐   Confined to one state

☐   Broadly dispersed in several states

☐   Australia wide

☐   Australian and international

2.2 <u>LOCATION OF OPERATIONS</u>

What is the geographical spread of your operation

(tick one)

2.3   OWNERSHIP STRUCTURE

(tick one)

☐   Australian public company

☐   Australian privately owned company

☐   Subsidiary of overseas company operating in Australia

☐   Statutory corporation

☐   Public sector organsations

☐   Mutual ownership structure

☐   Other.   Please specify

_____

2.4 <u>COMPOSITION OF THE WORKFORCE</u>

Within your organisation's Australian operations what are the number of employees in the following categories:

		<u>FULL-TIME</u>	<u>PART-TIME</u>	<u>TOTAL</u>
			expressed in F.T. equivalent	F.T. equivalent
*	Executives/Senior Managers (up to first 4 levels)	____	____	____
*	Middle Managers/Supervisors	____	____	____
*	Specialist salaried employees	____	____	____
*	Wages employees	____	____	____
	SUB TOTAL	____	____	____

C H I E F   E X E C U T I V E   I N T E R V I E W

<u>Organisation</u>   _____

<u>Name</u>   _____

<u>Title</u>   _____

<u>Years in Position</u>   _____

<u>Background</u>   _____

_____

_____

SCHEDULE 1

INTERVIEW WITH C.E.O. AND DOMINANT COALITION MEMBERS

1. **INTRODUCTORY STATEMENT AND THANKS**   (informal)

2. **TYPE AND SCALE OF ORGANISATIONAL CHANGE**

    I am wondering if you would like to describe what have been the most significant **pressures/driving forces for change** in your industry and present organisation in the last 3 years?

    (Open   question)

    *

    *

    *

    *

    *

    *

    *

    RESEARCHER NOTE

    Mark an order of priority, if it has been expressed.

c)   What are the most critical organisational changes which
     have taken place in that period?   (Open question)

          *

          *

          *

          *

          *

          *

          *

          *

          *

          *

          *

d)   Which <u>individuals</u> have been the major instigators of change?

        *   *

        *   *

e)   The following events are usually regarded as being critical
     change events within organisations (from Miller & Friesen).

     Have any of these events taken place in the past 3 years?

     (Note – do not repeat items covered above in c).

     (Closed questions)

*	Replacement of Chief Executive	YES	NO
*	Introduction of a new market or product strategy	YES	NO
*	Decision to sell and/or build major new facilities	YES	NO
*	Decision to relinquish and/or adopt a significantly different product technology	YES	NO
*	Major changes in distribution, pricing or promotion strategies	YES	NO
*	Significant modification of the organisational structure	YES	NO
*	A significant change in the external environment caused by competitor strategies, technological obsolescence, major economic fluctuations	YES	NO
*	Acquisitions/mergers/divestments	YES	NO
*	Change in management systems (control and information systems, planning methods)	YES	NO

<u>Notes</u>

f) Type of Organisational Change

Which of the following four descriptions most accurately reflects your perception of the type of change in your organisation in the past 3 years?

(Hand sheet to C.E.O.) – descriptions modified from Tushman <u>et al</u>.

(Closed question)

<div align="center">

TYPE OF ORGANISATIONAL CHANGE

</div>

Which of the following four descriptions most accurately reflects your perception of the type of change in your organisation in the past 3 years?

Use tick ( ) to indicate past 3 years

- TYPE 1: Change in this organisation is an ongoing process characterised by fine tuning of the 'fit' or match between its strategy, structure, people and processes. Such effort is typically manifested at departmental/divisional levels and deals with one or more of the following:

  * Refining policies, methods, and procedures

  * Creating specialist units and linking mechanisms to permit increased volume and increased attention to unit quality and cost

  * Developing personnel especially suited to the present strategy (improved training and development; tailoring reward systems to match strategic thrusts)

  * Fostering individual and group commitment to the company mission and to the excellence of one's own department

  * Promoting confidence in the accepted norms, beliefs and myths

  * Clarifying established roles, power, status, dependencies and allocation mechanisms

- TYPE 2: Change in this organisation is characterised by incremental adjustments to the changing environment. Such change involves distinct modifications, but not radical change to corporate business strategies, structures and management processes, for example:

  * Expanding sales territory

  * Shifting the emphasis among products

  * Improved production process technology

  * Articulating a modified statement of mission to employees

  * Adjustments to organisational structures within or across Divisional boundaries to achieve better links in product/service delivery

- TYPE 3: Change in this organisation is characterised by major re-alignment of one or more departments/divisions. The process of radical change is focused on these areas rather than the organisation as a whole, for example:

  * Major restructuring of particular departments/divisions

  * Changes in key executives and managerial appointments in these areas

  * Work and productivity studies resulting in significantly reduced/increased workforce numbers

  * Reformed departmental/divisional goals

  * Introduction of significantly new process technologies affecting key departments/divisions

- TYPE 4: Change in this organisation is corporation-wide characterised by major shifts in business strategy, and revolutionary changes in the system involving many of the following features:

  * Reformed organisational mission and core values

  * Altered power and status affecting the distribution of power in the organisation

  * Reorganisation - major changes in structures, systems and procedures across the organisation

  * Revised interaction patterns - new procedures, work flows, communication networks and decision making patterns across the organisation

  * New executives in key managerial positions from outside the organisation

Now indicate which of the above descriptions most accurately reflects your perception of the type of change will characterise your organisation in the next 3 years. Use the symbol (+3) next to the appropriate type.

g) Is this **type** of change

*   representative of how the
    organisation has changed,
    historically, OR   YES   NO

*   is it mainly a function of
    the current volatility of the
    organisational environment   YES   NO

(partially closed question)

Researcher Notes

1. Look for a pre-disposition to 'constant' learning, or
    discontinuous organisational learning. ie. is the
    organisation changing in the way it does because of
    an organisational pre-disposition to change
    (constant fine tuning c.f. discontinuous change)
    OR has the type of change been dictated by
    environmental characteristics   (small scale change
    c.f. discontinuities)

2. Try to anchor the discussion here on real-time,
    observable, events

    -   % of senior managers replaced in past 3 years

    -   large upward/downward movement in number of
        employees

    -   change in ROE in previous 3 years

Notes

3.   <u>STYLE/MODE OF ORGANISATIONAL CHANGE</u>

a)   What has been the general attitude of the workforce to
management initiated organisational change in the past 3
years?   Supportive?   Resistant?   (Open question)

     *

     *

     *

     *

     *

     *

b)   Could you indicate your perception of the tendency of the
following workforce groups to support or resist change in
the past 3 years?   (Closed question)

	TEND TO SUPPORT	TEND TO RESIST
Executives/senior managers	_____	_____
Managers/middle managers	_____	_____
First Line Supervisors	_____	_____
Wages employees	_____	_____
Unions	_____	_____

<u>NOTES</u>

*

*

*

c) Different strategic situations call for different management
    approaches. These four cards (to be handed to interviewee)
    describe different styles of management/leadership in
    organisations. Of these four styles, which in your view
    characterises the main method of management/leadership necessary
    in your present organisation to bring about change in the
    past three years?   Do you project any change in the next
    3 years?   (Closed question).

	PAST 3 YEARS	NEXT 3 YEARS
Collaborative	_____	_____
Consultative	_____	_____
Directive	_____	_____
Coercive		

    NOTES

d) Could you give an example of changes which have been brought
    about using this management/leadership style?

    (Partially closed question)

    *

    *

    *

    *

ORGANISATIONAL CHANGE

AND

MANAGEMENT/LEADERSHIP STYLE

COLLABORATIVE:

TYPE 1

This involves widespread participation by employees in important decisions about the organisation's future, and about the means of effecting organisational change.

CONSULTATIVE:

TYPE 2

This involves consultation with employees, primarily around the means of effecting organisational change, with possible limited involvement in goal setting relevant to their area of expertise or responsibility.

DIRECTIVE:

TYPE 3

This involves the use of managerial authority and direction as the main form of decision-making about the organisation's future, and about the means of effecting organisational change.

COERCIVE:

TYPE 4

This involves managers/executives or outside parties forcing or imposing change on key groups in the organisation.

4.   <u>ORGANISATIONAL PRODUCT/MARKET STRATEGY</u>

a)   To put this all into a strategic context I would like you
      to complete one last task by filling in this measure of
      strategy type.   (Attached).   (Closed question).

      <u>Discussion and Notes</u>

      *

      *

      *

      *

b)   Any other points of elaboration re strategy?
      (Open question)

APPENDIX: Measure of Strategy Type

1. Which one of the following descriptions most closely fits your organization compared to other firms in the industry? (Please consider your division or company as a whole and note that none of the types listed below is inherently "good" or "bad.")

_____ Type 1 This type of organization attempts to locate and maintain a secure niche in a relatively stable product or service area. The organization tends to offer a more limited range of products or services than its competitors, and it tries to protect its domain by offering higher quality, superior service, lower prices, and so forth. Often this type of organization is not at the forefront of developments in the industry — it tends to ignore industry changes that have no direct influence on current areas of operation and concentrates instead on doing the best job possible in a limited area.

_____ Type 2 This type of organization typically operates within a broad product-market domain that undergoes periodic redefinition. The organization values being "first in" in new product and market areas even if not all of these efforts prove to be highly profitable. The organization responds rapidly to early signals concerning areas of opportunity, and these responses often lead to a new round of competitive actions. However, this type of organization may not maintain market strength in all of the areas it enters,

_____ Type 3 This type of organization attempts to maintain a stable, limited line of products or services, while at the same time moving out quickly to follow a carefully selected set of the more promising new developments in the industry. The organization is seldom "first in" with new products or services. However, by carefully monitoring the actions of major competitors in areas compatible with its stable product-market base, the organization can frequently be "second in" with a more cost-efficient product or service.

_____ Type 4 This type of organization does not appear to have a consistent product-market orientation. The organization is usually not as aggressive in maintaining established products and markets as some of its competitors, nor is it willing to take as many risks as other competitors. Rather, the organization responds in those areas where it is forced to by environmental pressures.

2. In the previous question, you selected a particular description of your organization. Which description (i.e., Type 1, 2, 3, or 4) best fits your organization for the period:

1–3 years ago	_____
1–3 years from now	_____

4. **HUMAN RESOURCE STRATEGIES**   (CEO)

    a)   Hand out sheet listing of HRM areas.

    b)   This sheet covers the major areas which usually fall
           within the definition of human resource/personnel policy.
           Has human resource/personnel policy remained much the same,
           or has there been any identifiable change in the directions,
           emphasis and thrust of human resource/personnel policy in
           this organisation in the past 3 years?

           (Open question)

           *

           *

           *

           *

    c)   If changed, how would you summarise these changes?

           *

           *

           *

           *

           *

           *

d)   What has been the instigation/who have been the instigators of these changes?

(Open question)

<u>Notes</u>

e)   What changes in human resource policy do you
      foreshadow for the next 3 years?   (Open question)

      *

      *

      *

      *

      *

      *

      *

      *

f)   Are members of the top management team spending

      _____   Less time

      _____   More time   or

      _____   the same time

      as 3 years ago on human resource matters?   (Closed question)

      Notes

g)   What major decisions on human resource issues, policies
     and strategies do you recall the Board and Executive
     Committee having over the past 3 years?   (Open question)

     Board

          *

          *

          *

     Executive Committee

          *

          *

          *

          *

          *

h)   Has there been any change in the reporting and seniority
     level of the human resource function in the past 3 years?
     (Closed question)
     (Yes/No)

     Notes

i) Looking back over the past three years, what relationship
do you see between your organisation's human resource
strategies, and changes in:

Corporate and Business Strategies

*

*

*

Organisational Structuring

*

*

*

Management Systems   (Processes)

*

*

*

Notes

(Partially closed question)

j)   Does this indicate that your organisation's human resource
      strategies could be described as:

      _____   A driving force for organisational change

      _____   A significant component part of the change
                     process, or

      _____   More part of the administrative process than a
                     significant part of the change process?

(Closed question)

<u>Discussion and Notes</u>   (Ask interviewee to elaborate.   How?   Why?)

k)   When you consider future/contemplated changes in:
      –   corporate and business strategy
      –   organisational structure
      –   management systems

      what relationship with human resource strategies is there
      likely to be?

      *

      *

      *

      *

      *

1)   <u>Human Resource Areas</u>   (CEO)

The list of human resource policies and practices on the Table (to be handed to interviewee) contains groupings of 11 major areas of human resource activity.

Could you rank in order of importance the 5 human resource areas attracting most attention at the CEO level:

—   over the past 3 years

—   projected for the next 3 years

(Closed question)

<u>Researcher</u>

When this task is completed explore the responses to see if the CEO has in mind the total workforce, or whether he/she has particular workforce segments in mind viz:

Executives/senior managers
Middle managers/supervisors
Wages employees
Specialist/professional staff

<u>Notes</u>

HUMAN RESOURCE POLICIES AND PRACTICES

	Past 3 Years	Projected Next 3 Years		Past 3 Years	Projected Next 3 Years
WORKFORCE PLANNING * Job design, work practices * Workgroup or organisational restructuring * Future workforce needs analysis based on business plans	☐	☐	**TRAINING AND SKILLS DEVELOPMENT** * Functional skills training for present jobs * Interpersonal skills training * Supervisory and Management training	☐	☐
RECRUITMENT AND SELECTION * Corporate image as a prospective employer * Internal appointments policy * Review of selection techniques	☐	☐	**CAREER DEVELOPMENT** * Development programs for future skills/jobs * Cross-functional appointments/transfers/ multi-skilling * Succession Planning	☐	☐
PERFORMANCE APPRAISAL (PA) * PA as a means of tracking goal achievement * PA as a basis for rewarding and compensating staff * PA as a basis for determining employee training/development needs	☐	☐	**ORGANISATION DEVELOPMENT** * Employee attitude surveys * Team-building * Employee communication (newsletters, commencement days, video networks)	☐	☐
REWARDS AND COMPENSATION * Systematic job analysis as a basis for equitable compensation practice * Performance - based compensation systems * Rewards based on both tangible and intrinsic (eg. job satisfaction) rewards	☐	☐	**EMPLOYEE/INDUSTRIAL RELATIONS** * Counselling, discipline, grievance procedures * Consultative mechanisms/procedures with industrial unions * Appeals procedures	☐	☐
SEVERANCE/EXIT PRACTICES * De-hiring, retrenchments * Outplacement counselling * Early retirement	☐	☐	**HUMAN RESOURCE LEGISLATION** * Equal employment opportunity * Occupational Health and Safety * Worker's compensation	☐	☐
HUMAN RESOURCE INFORMATION SYSTEMS * Manual or mechanised HR record systems * Interactive computer-based HR information systems * Link of HR information systems with other corporate planning data systems	☐	☐			

4. <u>HUMAN RESOURCE STRATEGIES</u>   (DIVISIONAL/KEY DEPARTMENTAL HEADS)

   a)   <u>Collect Human Resource Strategies Questionnaire</u>

   b)   <u>Changes in Human Resource Policy and Practice</u>

         (Ref. Questionnaire Question 1 - if change)

         How would you summarise the changes in direction, emphasis
         and thrust of corporate human resource/personnel policy and
         practice in the past 3 years?

         *

         *

         *

         *

         What major changes in this area do you envisage over the next
         3 years?

         *

         *

         *

         *

c) **Human Resource Priority Areas**

(Ref. Questionnaire Question 3)

HR Area	AIM/REASON/WORKFORCE SECTOR(S)
Past 3 Years 1 2 3 4 5	
Projected + 3 Years 1 2 3 4 5	

d) For the HR areas projected as being important for the next 3 years:

- what relationship do these have with Divisional business plan?

- are they part of some formal system of planning?

- what business-related changes are you (and your managers) trying to achieve through the HR areas nominated?   (Open question)

*

*

*

*

*

Researcher Note

Ask for relevant supporting documentation if it is available.

e) What are the major problems you experience in implementing HR strategies within the Division/Branch?

(Open question)

*

*

*

*

f)   **Impetus and Roles in Human Resource Management**

      (Ref. Questionnaire Questions 4 and 5)

      Explore answers to Question 4 re driving force etc.

      Explore answers to Question 5 re roles. Is there any
      identifiable pattern/thrust taking place in this area?

      Explore answers to Question 4 re driving force etc.

G R O U P   I N T E R V I E W S

SCHEDULE 2

INTERVIEW WITH GROUPS

1.   **INTRODUCTORY STATEMENT AND THANKS   (informal)**

2.   **TYPE OF ORGANISATIONAL CHANGE   (30 minutes)**

a)   The first thing I would like to look at is organisational change. Change affects us all in different ways.

   (Hand out response sheets – as per attached)

   On the first sheet I would like you to identify two sets of change which have taken place in the past 3 years

   –   major changes (or change events) in the organisation itself

   –   major changes (or change events) in your Branch/Department

b)   Write all responses up on a whiteboard/flipchart

c)   Without discussion (to prevent influence processes), ask individuals to rank order the three most important, having looked at all the responses – use sheet 2.

d)   Repeat.   (Modified Delphi technique)

e)   Discussion to obtain subjective input; to clarify points, and to obtain examples/illustrations

f)   General discussion on the major impetus/driving forces for change

3.   MODE OF ORGANISATIONAL CHANGE   (20 minutes)

a)   Change is managed differently in different organisations. Using sheet 3, and referring to the definitions, please identify the management/leadership style you perceive has been used in your organisation to bring about change

  —   in the organisation overall

  —   in your Division

b)   Put scores up on the whiteboard/flipchart.

c)   Without discussion, ask individuals to consider the pattern of responses, and to re-rank.   (Delphi technique)

d)   Record new scores on board/chart.

e)   Discussion.   Obtain critical incident examples.

  —   at corporate level

  —   at Branch/Department level

4.   HUMAN RESOURCE STRATEGIES   (40 minutes)

a)   What are the most positive/negative features of your organisation's
      personnel/HR practices and systems in relation to your work as a
      supervisor/middle manager.   (Use Sheet 4)

b)   What changes do you perceive in personnel/HR practices in the past
      3 years?

      —   corporately

      —   at line supervision/management level

      (Discussion)

c)   What in your view has been the impetus for these changes?

      (Discussion)

AUSTRALIAN GRADUATE SCHOOL OF MANAGEMENT

RESEARCH PROJECT   —   GROUP DISCUSSION SHEETS

SHEET 1

1.   What have been the **major change events or changes** as you have
       perceived them, **in your organisation overall** in the past 3 years?

       *

       *

       *

       *

       *

2.   What have been the **major change events or changes**, as you have
       perceived them, **in your Department/Branch**, in the past 3 years?

       *

       *

       *

       *

       *

       (Do not turn page until asked)

SHEET 2

Having looked at all the responses from the group, rank order what you now think are the three most important in each set.

1. Major Changes/Change Events in the Organisation (Past 3 Years)

    *

    *

    *

    *

    *

2. Major Changes/Change Events in Branches/Departments (Past 3 Years).

    *

    *

    *

    *

    *

    *

    *

(Do not turn page until asked)

SHEET 3

Change is managed differently in different organisations, and in different organisational Divisions. Three types of change management are defined below:

Collaborative: This involves widespread participation by employees in important decisions about the organisation's future, and about the means of bringing about organisational change.

Consultative: This involves consultation with employees, primarily around the means of bringing about organisational change, with possible limited involvement in goal setting relevant to their area of expertise or responsibility

Directive: This involves the use of managerial authority and direction as the main form of decision-making about the organisation's future, and about the means of bringing about organisational change

Coercive: This involves managers/executives or outside parties forcing or imposing chnage on key groups in the organisation.

RESPONSES

Which management/leadership style do you perceive is used in bringing about change:

a)   Within your Division _____

(Name of Division)   _____)

b)   By the corporate executive _____

(Do not turn page until asked)

SHEET 4

a)   Scan through the areas listed on the hand-out sheet "Human
      Resource Policies and Practices"

b)   What are the most positive/negative features of your organisation's
      personnel/human resource **practices and systems**, in relation to your
      work as a supervisor/middle manager.

      Positive Features

          *

          *

          *

          *

      Negative Features

          *

          *

          *

          *

          *

	Past 3 Years	Projected Next 3 Years		Past 3 Years	Projected Next 3 Years
WORKFORCE PLANNING * Job design, work practices * Workgroup or organisational restructuring * Future workforce needs analysis based on business plans	☐	☐	**TRAINING AND SKILLS DEVELOPMENT** * Functional skills training for present jobs * Interpersonal skills training * Supervisory and Management training	☐	☐
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Appendix 1.9 (cont'd)

TYPE OF ORGANISATIONAL CHANGE

Which of the following three descriptions most accurately reflects your perception of the type of change in your organisation in the past 3 years?

Tick one type only

— **TYPE 1:** Change in this organisation is an ongoing process characterised by fine tuning of the 'fit' or match between its strategy, structure, people and processes. Such effort typically deals with one or more of the following:

* **Refining** policies, methods, and procedures

* Creating **specialised units and linking mechanisms** to permit increased volume and increased attention to unit quality and cost

* **Developing personnel** especially suited to the present strategy (improved training and development; tailoring reward systems to match strategic thrusts)

* Fostering individual and group **commitment** to the company mission and to the excellence of one's own department

* Promoting **confidence** in the accepted norms, beliefs and myths

* **Clarifying** established roles, power, status, dependencies and allocation mechanisms

— **TYPE 2:** Change in this organisation is characterised by incremental adjustments to the changing environment. Such change involves modifying business strategies, structures and management processes, for example:

* **Expanding** sales territory

* **Shifting the emphasis** among products

* **Improved** production process technology

* Articulating a **modified statement of mission** to employees

* **Changing organisational structures** within Divisional boundaries to achieve better links in product/service delivery

— **TYPE 3:** Change in this organisation is characterised by major shifts in business strategy, and revolutionary changes in the system involving many of the following features:

* **Reformed** organisational mission and core values

* **Altered** power and status affecting the distribution of power in the organisation

* **Reorganisation** - modifications in structures, systems and procedures

* **Revised** interaction patterns - new procedures, work flows, communication networks and decision-making patterns

* **New** executives in key managerial positions from outside the organisation (or business unit)

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  * **Changes in key executives and managerial appointments** in these areas

  * Work and productivity studies resulting in **significantly reduced/increased workforce numbers**

  * **Reformed** departmental/divisional **goals**

  * Introduction of significantly **new process technologies** affecting key departments/divisions

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  * **Altered power** and status affecting the distribution of power in the organisation

  * **Reorganisation** - major changes in structures, systems and procedures across the organisation

  * **Revised** interaction patterns - new procedures, work flows, communication networks and decision making patterns across the organisation

  * New executives in key manag̲ers̲ f͟r͟om̲ outside the organisation

ORGANISATIONAL CHANGE

AND

MANAGEMENT/LEADERSHIP STYLE

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AND

MANAGEMENT/LEADERSHIP STYLE

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AUSTRALIAN GRADUATE
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28th October 1987

Dr Don Stammer
Chief Economist
Bain & Company Limited
19th Floor, Grosvenor Square Building
225 George Street
SYDNEY   NSW   2000

Dear Don,

Following your discussion with Doug Stace, enclosed is information on the companies we would like ranked, rated and grouped for performance and product/market focus. This will assist in the selection of a sample of 10 organisations in the following industries:

- Banking and Finance
- Insurance

based on hi/lo performance, for subsequent case study research.

The research project focuses primarily on organisational change and human resource strategies. It is essential therefore that these rankings/ratings be done at arm's length by authoritative market analysts. In this way **relative performance** will be an initial screening device for selection of the required cases, but will not in itself form part of the thesis defence.

Attached are sets of documents comprised of a listing of organisations from the 1986 BRW listing in the following industries/industry sectors.

- Banking & Finance (Major Domestic Banks)
- Banking & Finance (Smaller Australian Banks)
- Insurance

Organisations are listed in sales size order, showing BRW figures on sales, sales rank (1986 & 1985), profit before tax, profit rank (1986), total assets, shareholders funds, return/equity %, return/assets %. These are figures obtained by BRW from the latest published figures on each company as at November 1986. However for ranking/rating purposes we would appreciate a ± 3 year time focus. The criteria we have used in initially selecting these companies from the larger BRW listing are:

- Headquarters in Sydney, Melbourne, Brisbane

- Australian based organisations (excludes overseas subsidiaries

  operating in Australia)

- The top 10-15 organisations in each industry, after applying

  the above criteria

To each industry/industry sector listing is attached Schedules 1 and 2, which provide the format for you to:

Schedule 1

- Rank order the past (-3) and projected (+ 3) performance (profit) for each of the organisations on that sheet, relative to each other

- Provide a performance rating (high, medium, low), past (-3) and projected (+ 3) for each of the organisations on that sheet, relative to the overall industry/industry sector as a whole (some companies may have a low ranking but may still be high performers in absolute terms, or vice versa)

- Add any explanatory notes

Schedule 2

- Cluster the companies in an industry/industry sector which have a similar product/market focus

We appreciate your willingness to assist in this way: it will be of tremendous help in the overall study being undertaken. It would help if we could have this information by late November; any queries could be directed to Doug on (063) 31 9111. We give an undertaking that the information supplied will be used solely for the purpose of selecting organisations based on ranked and rated hi/lo performance variance; the organisations themselves will not have access to the information supplied.

Many thanks,

Yours sincerely

D C Dunphy
Professor of Management

D A Stace
Doctoral Research Program

Industry:

Sector:

Organisation	Performance Ranking * Past 3 yrs	Projected 3 yrs	Performance Rating ** Past 3 yrs	Projected 3 yrs	Notes *** re Ranking/Rating

*   please numerically rank past (-3 years) and projected (+3 years) performance of the above organisations

**   please rate past (-3 years) and projected (+3 years) performance using the scale H = high performance, M = medium performance, L = low performance

***   major reasons for high, low etc rankings and ratings

Industry:

Sector:

PRODÚCT/MARKET FOCUS

Of the organisations listed for this industry/industry sector, which would you **group together** in terms of **similar product/market focus**. One, two or three groups may be necessary.

Group 1   The major focus of Group 1 is:

_____

_____

_____

_____

Group 2   The major focus of Group 2 is:

_____

_____

_____

_____

Group 3   The major focus of Group 3 is:

_____

_____

_____

AUSTRALIAN GRADUATE
SCHOOL OF MANAGEMENT
IN THE
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15.12.88

Mr. J. White
Group Executive
  Personnel & Administration
ANZ Banking Group
Collins Place
55 Collins Street
MELBOURNE VIC. 3001

Dear John,

We are most appreciative of the opportunity to undertake research within the ANZ Group - it has been an invaluable inclusion in the wider study we are undertaking.

Enclosed are two copies of our draft case report. The Group is clearly an exemplar in many areas: we have also explored several areas which may need further focus. We hope that you find the material useful, and would value your comments as to:

a) the general thrust of the report

b) any inaccuracies

If, following discussions of any matters raised under a) or b), you or other executives would like to have more extensive discussions on the report, we would be happy to do so on a mutually agreed basis.

Yours sincerely,

DEXTER DUNPHY
DOUG STACE

ANZ Group

55 Collins Street, Melbourne 3000, Australia

Telephone 03 658 1025, Telex AA 39920
Fax 03 658 2091

10th January, 1989.

E. John White
Group Executive
Personnel & Administration

Messrs. D. Dunphy & D. Stace,
Australian Graduate School of Management,
University of New South Wales,
P.O. Box 1,
KENSINGTON, N.S.W. 2033.

Dear Dexter & Doug,

Many thanks for forwarding a copy of your draft case report with your letter of 15th December.

As advised by phone when conveying details of the few minor technical inaccuracies, we are satisfied that the general thrust of the report is indeed accurate.

One observation we do make which apparently was not conveyed during any of your interviews is the fact that the acquisition and integration of Grindlays Bank plc into the ANZ Group presented a significant diversion of top management time from domestic Australian issues. We are not asking you to draw any conclusions about this factor but simply mention it as the Grindlays' acquisition was a turning point for ANZ in as much as we are now an international bank run from Melbourne with around half our assets and staff outside Australia.

If necessary, I shall contact you once I have shown your report to Messrs. R.A.D. Nicolson and W.J. Bailey.

Kind regards,

Yours sincerely,

NRMA

23rd March 1989

National Roads &
Motorists' Association

Dr D Dunphy & Mr D Stace
Australian Graduate School of Management
University of New South Wales
P O Box 1
KENSINGTON NSW 2033

151 Clarence Street
Sydney NSW 2000
Australia
Telephone (02) 260 9222

Dear Dexter & Doug

RE: RESEARCH CASE STUDY NRMA "STRATEGIC CHANGE AND HUMAN RESOURCE POLICY"

Thank you for your letter of 25th February 1989 and copies of the case study.

The amendments made to pages 5,8 and 13 (latter typographical only) in the amended copies received today are appreciated.

The statement under 3 a) **Restructure and Commercialisation** on page 8, referring to " a major industrial dispute by line workers in 1986," requires some further clarification, however, particularly in the context of linking to the engagement of McKinseys and Co.

It is true that the questions relating to Superannuation which led to the dispute arose during 1986.

The matter became a dispute when it was referred to the Concilliation and Arbitration Commission on 14th September 1987, the day of a one day strike.

It was major in the sense of all unions combining but the time lost was less than one day for the majority of clerical staff who merely attended a stop work meeting over an hour or two at Trades Hall.

McKinsey's had been appointed over 12 months before and indeed the new structure was well in place by mid - 1987.

This information is provided to aid accuracy, not to interfere with your need to report perceptions noted in your study.

NRMA

2

Notwithstanding this comment, we are very pleased to have been part of your study. The contents of the report are most encouraging in the endorsement of our Human Resources Strategies and particularly helpful with the identification of several potential downsides that are receiving close study by the Executive Committee.

Your original document is returned. The loan was most helpful in reproduction for our Board and Council. Thanks again.

Yours sincerely

H W GRAHAM
GENERAL MANAGER HUMAN RESOURCES

HWG:RYS

APPENDICES 2.1 – 2.10

HUMAN RESOURCE POLICY PROFILES

These profiles are condensed versions of the human resource management component of the written case studies, the latter of which were validated for emphasis and accuracy by one or several senior executives representing each participating organisation.

The profiles are presented in standard heading formats, to assist the reader in making cross-comparisons. They are intended as a summary of the overall human resource policy orientation of the sample organisations over the past three years to now, rather than being detailed statements on human resource practices.

In the text of these profiles HR and SBU are used as abbreviations for Human Resources, and Strategic Business Units respectively.

MACQUARIE BANK - HUMAN RESOURCE POLICY PROFILE

Human Resource Structure

* HR responsibility is completely decentralised to the managers of SBU's, with the exception of salaries and new graduate recruitment.

* Macquarie has no HR Department, but the Chief Executive takes an active interest in HR matters.

Policy Emphasis

* The HR policy orientation is to create a meritocracy (recruit the best, pay toward the top of the market) on the Goldman Sachs (New York) model.

* The HR culture is developmental, but in the *"internalist"* (Rotter's Locus of Control) sense - through the creation of an organisational ethos and reward structures which are motivational, and create an internally competitive environment.

Priority Areas Ranked By Executives

* Recruitment has been the prime area, because of rapid growth (100% in 3 years), followed closely by the mutually reinforcing performance appraisal and extrinsic reward systems.

* Back-up areas have been Organisation Development (the Goals and Values Statement, Newsletters) and Training.

Special Features

*   Macquarie, as a specialist niche bank, organises itself as a collegium of specialists. During 1987/88 it took 12 months to develop, and have staff agree to a 26 page Goals and Values Statement - an amalgam of a corporate mission, a strategic directions statement, and a statement of prudential banking ethics - a statement of corporate beliefs powerfully influencing HR practice.

Potential Limitations Identified in the Case Study

*   Although the HR culture is developmental, and the managerial style is consultative, the lack of systematisation in HR areas (i.e. managerial rather than systematic focus) is causing restiveness among staff, as the organisation grows, and as inequities appear.

*   The highly specialist and highly paid workforce is not readily redeployable to accommodate cyclic characteristics in the market (e.g. the move from equities, to property, to bonds, to bullion).

WESTPAC BANKING CORPORATION - HUMAN RESOURCE POLICY PROFILE

Human Resource Structure

* Operational and managerial aspects of HR have been progressively devolved to Divisions and SBU's over the past 3-5 years.

* Group Human Resources Division maintains a strong central input in strategic HR policy, systems development and Group remuneration policy.

Policy Emphasis

* The HR policy orientation has traditionally focused, and continues to focus on developmental thrusts (e.g. Executive Succession Planning; Competency Profiling; Incentive-Based Reward Systems; Management and Executive Development, and Staff Training - Westpac Training Limited).

* Recent emphasis has been on Performance Management (renewed emphasis on the Westpac Management System), Recruitment Streaming (to create multiple career streams), and Business Strategy - HR linkages.

* In type, Westpac appears to have a similar HR orientation to IBM.

Priority Areas Ranked By Executives

* The introduction of Performance Appraisal at below-managerial levels, followed by Recruitment (high labour turnover in the Retail Bank, growth

in Corporate and International), and Career Development (Westpac has been aggressive in development policy for senior managers/executives).

* Back-up areas have been Rewards (Bonus Scheme, Incentive Pay, Staff Share Scheme) and Organisation Development (Video, In-House magazines, Corporate designer wardrobe).

Special Features

* Of all the major banks, Westpac translates rhetoric about people management into well resourced programs. It is the long- term developmental strategy, sometimes drawing adverse comment from financial analysts regarding short-term profitability.

* Business Strategy - HR - Skill Formation linkages are becoming important issues at Executive Committee level.

Potential Limitations Identified in the Case Study

* The possibility that the HR developmental strategy may not produce sustainable competitive advantage.

* Internationalisation and the growth of specialist SBU's is causing a break in a previously cohesive corporate culture. Management of sub-cultures within a larger Group is now a difficult issue in HR.

ADVANCE BANK AUSTRALIA - HUMAN RESOURCE POLICY PROFILE

Human Resource Structure

*   Centralised only in records, salaries and training.

*   HR practice is largely decentralised and managerially driven at SBU level, but not conceptually integrated at corporate level.

Policy Emphasis

*   Emphasis has been on a crash program of lateral recruitment (mainly specialists) to acquire the skills to turn a building society into a full service bank.

*   Restructuring has been the other strong policy thrust at corporate, SBU work-team and individual job levels. This has had a marked impact on the workforce culture and on HR practice (formerly paternalistic, centralised).

Priority Areas Ranked By Executives

*   Recruitment, Rewards (to attract staff in a competitive market) and Workforce Planning have been the prime areas - consistent with the rapid transition to banking status.

*   Organisational Development and Training were the back-up areas ranked, but practices in both areas were in embryonic form.

Special Features

*   The major strategic task for the Bank has been survival, against the background of a deregulated market and instability on the Bank's share register and Board. Advance's history to date has been survival by dint of street-smart executive and managerial skills.

Potential Limitations Identified in the Case Study

*   The cohesive workforce culture of the building society phase has been shattered, with minimal developmental policy to grow a new culture.

*   There is a lack of integration (conceptual and real) of HR policy/practice with the Bank's business thrust: the major emphasis rests with the almost classical hire - keep records - fire HR ethos, in the context of a sophisticated financial services industry environment.

*   The workforce in the Retail SBU appears close to the level of sustainable tolerance in workforce and structural change.

ANZ BANKING GROUP - HUMAN RESOURCE POLICY PROFILE

Human Resource Structure

* Personnel accountabilities have been decentralised to Sectors and SBU's.

* Group HR Division concentrates on Compensation, Awards, Structural Issues, and marginally on Management and Career Development.

Policy Emphasis

* The *"destructuring/let the manager's manage"* ethos of ANZ as a result of three major structural interventions since 1986, has allowed considerable variation and freedom in HR practice across the Group.

* The emphasis on the strategy-structure nexus has flowed into HR in areas such as workforce planning, SBU and work-team restructuring, and productivity reviews.

Priority Areas Ranked By Executives

* The two priority areas were Workforce Planning (restructuring, macro to micro) and Performance Appraisal.

* The next two areas ranked, Organisational Development and Career Development, appear inconsistent with what we observed as researchers. In fact these appear to be areas given close to least priority in the ANZ - as was confirmed in rankings of HR areas by line managers. These rankings cannot

be reconciled with the thrust of the written case study, which was confirmed as an accurate assessment by the Group Human Resources Executive.

Special Features

*   The structural freedoms have created an internally competitive ethos, a strong profit-orientation, and the capacity for some SBU's to break from the previous paternalistic HR emphasis, to adopt imaginative high *'value added'* approaches in HR (e.g. Information Systems, Commercial SBU's).

Potential Limitations Identified in the Case Study

*   A fragmented and increasingly restive workforce culture.

*   Emphasis on strategy-structure, with almost no developmental policy to assist managers and the workforce to bridge the transitional gaps, in conceptual terms.

*   The need for more *'intellectual horsepower'* in Group HR policy development areas.

COMMONWEALTH BANK OF AUSTRALIA - HUMAN RESOURCE POLICY PROFILE

Human Resource Structure

* Totally centralised, and centralist. 350 staff in Personnel Headquarters.

Policy Emphasis

* The CBA's HR policy emphasis was very unclear. A *"new guard"* of executives is challenging the tight control the Personnel Division has exercised via the centralised promotions and seniority system.

* In sum, the Bank is just emerging from HR paternalism, with the impetus for change coming via restive line managers and executives, and from industry pressure generally.

Priority Areas Ranked By Executives

* Equal emphasis on Workforce Planning (an internal productivity review and work study), and a new MBO-type Performance Appraisal system.

* Back-up areas were Rewards (a small bonus scheme), Training (skills-oriented), and Organisation Development. These latter areas did not feature strongly in the case analysis.

Special Features

* An immensely loyal but conservative workforce culture, which values stability rather than change.

Potential Limitations Identified in the Case Study

*   There is little devolution of HR accountability to managers/executives (in an organisation of 34,000 staff).

*   HR policy is almost uniformly applied across the organisation, allowing little HR flexibility in an increasingly specialist and strategically differentiated organisation.

*   Training is operationally focused rather than developmental, while the workforce culture is relatively risk averse.

CAPITA FINANCIAL GROUP - HUMAN RESOURCE POLICY PROFILE

Human Resource Structure

*   HR systems are centrally driven, but some HR areas have been decentralised to SBU's (e.g. skills training).

*   HR accountability is, however, decentralised to SBU's.

Policy Emphasis

*   Capita has changed from a moribund life office to a dynamic financial services organisation (24th to 4th position in insurance in 3 years). The HR policy emphasis has changed from a Staff Office culture, to a contemporary HR function and systems.

*   Prime emphasis has been on Workforce Restructuring (SBU's and work teams), Organisation Development through the internal marketing of change, and Performance Management.

Priority Areas Ranked By Executives

*   Workforce Planning (structural, team and job redesign), Rewards (differentiated for individual performance) and Organisation Development (team-briefs, corporate magazines, internal articulation of corporate directions).

*   Back-up areas were ranked as Appraisal (necessary for rewards), and Recruitment (to cope with growth, and to buy in new specialist skills).

Special Features

*   The development of multi-skilled work teams, allowing active job rotation.

*   Internal marketing of change, even though the change was directively managed.

*   New training/development programs, rated highly by line managers.

Potential Limitations Identified in the Case Study

*   Business planning - HR strategy linkages are tenuous at this stage.

MLC LIFE - HUMAN RESOURCE POLICY PROFILE

Human Resource Structures

* HR completely destructured, and HR accountabilities decentralised, except for salaries.

* Chief Executive exercises a strong influence with SBU executives on HR issues.

Policy Emphasis

* *"Let the manager's manage"* without any third party (e.g. HR Department) intervention.

* Profit performance is paramount - HR strategies and practices are used if they assist this all-pervading aim.

* HR initiatives must correspond with a *"downsized, flat structured"* organisational philosophy.

Priority Areas Ranked By Executives

* Workforce Planning (restructuring of all kinds from macro to micro levels); followed by Recruitment (now handled at SBU level), and Performance Appraisal, equal with Training (Quality service emphasis).

* Back-up area was Rewards (performance pay is just commencing at managerial and line levels).

Special Features

*   Managerial accountability for HR is absolute

*   Culture management through an intrinsically targeted reward structure (e.g. large *"celebration events"*; symbolic recognition events; trips, dinners for staff members and partners).

Potential Limitations Identified in the Case Study

*   HR strategies lack a systematic focus across the business, apart from culture management which is driven from the Chief Executive's office. Inequities are appearing, and suspicions about further downsizing abound.

*   Management Development is given low priority. Experience is the prime requisite for advancement.

Special Features

*   The speed of the transition from a public sector to a commercial organisation, with contemporary HR practices.

*   The two-week self programmed Management Skills course (used under franchise) has had major impact on this emerging commercially-oriented organisation.

*   The Performance Contract system for managers/executives is one of the most rigorous we have observed.

Potential Limitations Identified in the Case Study

*   Culture management was strong during the initial transitional period, but has since lapsed.

*   Contemporary HR policies are basically focused on the top group. Other staff still worked under public-sector-type HR procedures at the time of the research, although change was imminent.

N.R.M.A. GROUP LIMITED - HUMAN RESOURCE POLICY PROFILE

Human Resource Structures

*   Centralised HR policy and systems has resulted in a tightly integrated culture.

*   HR accountability is, however, decentralised to SBU's.

Policy Emphasis

*   There has been strong emphasis on Performance Management (Goal Setting, Appraisal, Rewards) over the past half decade.

*   Culture management and developmental policy has been used to assist managers and staff make the conceptual transition to a new commercial thrust in a completely restructured organisation (from macro structures down to job designs, and job holders).

Priority Areas Ranked By Executives

*   Restructuring has had the major recent impact, implemented as a developmental rather than a *"downsizing"* strategy.

*   A middle cluster of related areas - Rewards (performance pay), Appraisal (MBO-type) and Training (Management Skills) were the next ranked.

*   Career Development was the back-up area.

Special Features

*   The N.R.M.A. has a highly systematic approach to HR, a *'no surprises approach'*, with increasing business strategy - HR linkages.

*   The workforce culture appeared more cohesive and united than any other organisation in the sample.

*   The Quality Service program which is at the heart of a transformation of management and work practices - a cultural rather than a structurally induced revolution.

Potential Limitations Identified in the Case Study

*   The workforce may not be sufficiently change oriented if the N.R.M.A.'s market *'monopoly'* were seriously challenged.

*   HR Information Systems are reported by managers as being inadequate for the decentralised HR accountabilities they exercise.

MMI INSURANCE - HUMAN RESOURCE POLICY PROFILE

Human Resource Structure

* Centralised HR policy, systems and practice (except recruitment which is conducted by SBU's).

* The overall effect has been to create a centralised, paternalistic HR emphasis.

Policy Emphasis

* Primary policy emphasis has been on Organisation and Methods style work-study reviews, cost-containment, and technological replacement in the core business (Workers Compensation).

* HR Department has concentrated on drawing up a comprehensive Personnel procedures manual, and control-based personnel practices (awards, essential skills training, industrial relations negotiations).

Priority Areas Ranked By Executives

* Training (replacement training to cope with 40-50% p.a. labour turnover), Performance Appraisal (with an emphasis on control rather than development) and Workforce Planning (work studies and cost reduction) were the three prime areas.

* Rewards (to attract specialist lateral recruits), and Career Development were ranked as back-up areas. The latter was not confirmed in the field study.

Special Feature

'*   Survival

Potential Limitations Identified in the Case Study

*   The HR systems seem to revolve around control rather than development.

*   There appears to be a complete absence of culture management strategies.