

Fostering Renewal – A literature review

Introduction

Globalisation, rapid technological change, increased competition and shortened product life cycle have created an “unprecedented, unparalleled, unrelenting, and largely unpredictable” and rapidly changing business environment (Dyer & Shafer, 1999; Volberda H. W., 1996). Under these conditions, many organizations fall when they fail to keep up with changes in their external environment (Ashkenas, Ulrich, Jick, & Kerr, 1995).

Recognising this challenge, researchers have been analysing practices, searching and examining theories and models in the area of organisational renewal in an attempt to help organisations to create alignments with the turbulent external environment and gain competitive advantages on a sustainable basis in the long-run (Eisenbach, Watson, & Pillai, 1999; Solomon, 2001).

This literature review will begin by explaining the two paradoxical perspectives in literature concerning change and their relevant theories; then it will review the elements of renewal capabilities; followed by analysing how organisational forms, cultures and leadership styles can influence organisational renewal.

Two perspectives of renewal

Two paradoxical perspectives (discontinuous versus continuous) in the area of organisational renewal have emerged.

Advocates of the discontinuous perspective believe that renewal is a discontinuous process: radical and abrupt changes occur during periods of relative stability (which encourages rigidity); to overcome resistance, small, incremental changes are not sufficient; to foster renewal, leaders must abruptly push through changes so that organisations can move quickly away from their old heritage and meet changing demands (Wit & Meyer, 2004; Tushman & O'Reilly, 1997).

In light of this view, models such as skunk works (Phillips, 2009), process reengineering (Harrison & Pratt, 1993), cross-functional product development teams (Sethi, Smith, & Park, 2001), and employee involvement (Wilkinson, Marchington, Goodman, & Ackers, 1992) have been widely applied in attempts to quickly respond to external pressures and/or gain first mover competitive advantages.

Proponents of the second (continuous) perspective argues that revolutionary change is not sustainable because organisations need stability to learn and operate efficiently (after an abrupt changes have occurred, firms often lapse back to a stable state); it is believed that renewal should be a gradual, continuous process in which all members of the organisation are committed to continuous improvements, learning and adaptation; managers should lead renewal by providing guidance and creating suitable environment as opposed to commanding actions (Wit & Meyer, 2004).

Supporting this perspective, paradigms such as the learning organisations (Raidén & Dainty, 2006), the agile organisations (Dyer & Shafer, 1999), the boundaryless organisations (Ashkenas, Ulrich, Jick, & Kerr, 1995), the accelerating organizations (Maira & Scott-Morgan, 1996), the dynamic organizations (Dyer, Lee; Shafer, Richard A., 2003), the quantum organizations (Kilmann, 2001) and corporate kinetic (Fradette & Michaud, 1998) have gained increasing interests.

Renewal capability

Much research has been carried out in organisational renewal capabilities; most studies recognise flexibility as an essential element in enabling successful organisational renewal (Englehardt & Simmons, 2002; Volberda H. W., 1996). Fitzgerald & Siddiqui (2002) further pointed out that the lack of attention in business process reengineering (BPR) development causes its high failure rates (FITZGERALD & SIDDIQUI, 2002).

Management literatures defined flexibility in many forms. By analysing key similarities in these definitions, Jones (2005) summarised organisational flexibility as an organisation's capability to be "proactive", "adaptable", and "resilient" in responding to changes (Jones, 2005). According to Jones,

a flexible organisation is able to proactively engage in generating alternative decisions and scenarios; it has the ability to adjust structures, routines and processes to respond to changes (adaptable); it can minimise stress when reacting to scenarios and recovering from change (resilient).

Further to this, some literatures also considered agility as part of flexibility (Gustavsson, 1984).

Agility is defined as the ability to effectively respond to sudden challenges and exploit new opportunities by integrating organisational processes, characteristics and members with advanced technology (Crocitto & Youssef, 2003) with speed and with surprise (Sambamurthy, Bharadwaj, & Grover, 2003). The agile dimension implies that the speed of alignment is an important aspect of flexibility; it is often associated with an organisation's ability to gain first mover advantage.

Agility, adaptability and flexibility are being used interchangeably in some literatures; this also applies in this literature review.

Organisational form

Organisational form influences organisational flexibility. Researchers observed that under a mechanistic structure, only minor, incremental changes can be implemented (Cohen & Bailey, 1997). Evidence showed that higher level of functional structure and formal control are associated with lower organisational flexibility (Grewal & Tansuhaj, 2001); organisations' ability to adapt is restricted under bureaucratic structure (Volberda H. W., 1996); the flow of information among organisational members is restricted by organisational boundaries -- the demarcation of an organisation's social structure and its resources (Schreyögg & Sydow, 2010). Organizational flexibility disappears and resistance to change increases with growth in size and the hardening of processes over time (Englehardt & Simmons, 2002).

In light of these findings, paradigms which promote organic fluid organisational forms have gained increased attention. Many firms have moved away from vertical, highly centralised and functional focused structures to more organic structures. Some firms implemented a hybrid model which decentralises decision making to the business units and centralises admin functions at the corporate

level (Lentz, 1996). Other organisations are moving further towards flexibility by experimenting with concepts which promote networking, interaction, open communication, loosely connected, temporary based, boundary less environment.

Well-known concepts include the temporary organisations which treat assignments as projects (Lundin & Söderholm, 1995); latent organisation which consists of individuals collaborating in a series of projects (Ebbers & Wijnberg, 2009); modular organisations in which organisational actors are loosely coupled to enable adjusting to changing demands in different ways and at varying rates (Hoetker, 2006); project based enterprise -- companies formed to pursue a specific project outcome (DeFillippi & Arthur, 1998); virtual organizations which consists of a network of independent organisations to provide services and/or products (Pang, 2001); the boundaryless organisations which seeks freedoms from horizontal, vertical and external boundaries (Ashkenas, Ulrich, Jick, & Kerr, 1995); “heterarchy” organisations with divergent-but-coexistent patterns of relation; and cellular forms which consists of self-managing firms based on entrepreneurship, member and self-ownership (Miles, Snow, Mathews, Miles, & Coleman, 1997).

Although these highly fluid forms largely enhance organisational flexibility, Schreyögg & Sydow (2010) argued that promoting too much fluidity comes at the cost of losing the essence of organisation (Schreyögg & Sydow, 2010). Scott (1965) observed that, too much reactive capacity may lead to overreaction (Scott, 1965); Weick (1982) commented that an organization would not be able to retain a sense of identity and continuity in extreme fluid conditions (Weick, 1982); Volberda (1996) concluded that “flexibility without stability results in chaos” (Volberda H. W., 1996).

It is obvious that neither complete stability nor flexibility is desirable; an organisation must balance the conflicting demands of these stability and flexibility (Hitt, 1995). Schreyögg & Sydow (2010) recommended that organisations can achieve such balance by introducing a separate function to continuously monitor, identify, discuss and modify potential failing and misleading mind maps, changing and adaptation needs. This complements the suggestion made by Hitt (1995) that since learning organisations can establish dynamic networks (therefore enhances fluidity) within the

vertical structure (which secures the stability), they have the potential to balance flexibility and fluidity.

Some literature suggests that adaptive capacity may be obtained by creating organizational structures that permits variations without predictable consequences (Dawkins, 1986). To enable continuous learning, structures can be created to permit “parallel” developments, experimentation, exploratory problem solving, and even mistake making (Grabher, 1994; Staehle, 1991). To support experimentation, “organisational slack” may be required (Greenley & Oktemgil, 1998; STABER & SYDOW, 2002). In addition, Lindkvist (2008) suggested that since project-level processes show similar features of an evolutionary learning process, projects can be used as experiments within an organisation to enhance learning (Lindkvist, 2008).

Leadership, values and culture

An organisation would not exist without people. It is obvious that people are the key in organisational renewal. Bunning (2004) observed that flexible organisations rely on knowledge, learning and a strong culture in which employees are encouraged to be adaptive, responsive and value teamwork (Bunning, 2004). Other literatures suggest that organisational values and leadership style can influence organisational renewal.

Change literatures recognise that organisational cultures are related to organisational flexibility. Volberda (1997) suggested that an innovative culture enhances strategic adaptively; a culture which encourages knowledge sharing and planning enhances organisational proactivity, a supportive culture which encourages team spirit, recognition, and trust can enhance group flexibility (Volberda H. W., 1997). Hitt (1995) commented that values are the essence of organisational culture (Hitt, 1995). Traditional organisations focus on efficiency and effectiveness which restrict flexibility; an organisation should incorporate values such as excellence and self-renewal in its culture to enhance flexibility (Hitt, 1995).

Gini (1997) defined leadership as “a power and value laden relationship between leaders and followers who intend real change(s) that reflect their mutual, purpose(s) and goal(s)” (Gini, 1997). This definition implies that leaders have the power and ability to influence followers’ values and beliefs and hence influence an organisation’s culture. This view is widely agreed among leadership literatures (Marshall , Maureen , & Donald , 2005; Podsakoff & Bommer, 1996). Hitt further pointed out that traditional leaders’ primary functions are control based (such as setting objectives, evaluating performance and take corrective actions). Such leadership style enhances efficiency but restricts flexibility. It is suggested that to enhance flexibility, leadership must be shifted towards promoting learning by creating a shared vision and goals; by providing support and empowerment and by enabling open communication.

Brown and Eisenhardt (1997) identified some leadership characteristics which are associated with organisations’ continuous improvement and innovation. These characteristics include setting clear goals and priorities; enabling open, intense communication; encouraging experiments; managing seamless transition between current and future projects by introducing and maintaining predictable time intervals and choreographing transition procedures (which create a rhythm of efficiency) (Brown & Eisenhardt, 1997)). These characters are consistent with findings in other literature (below).

Ford and Ford (1994) observed that leaders start creating changes by providing an attractive vision (Ford & Richardson, 1994). Kotter (1996) commented that leaders’ ability to influence change is determined by whether the perceived changes will satisfy stakeholders’ needs (Kotter, 1996). These literatures imply that leaders should start implementing changes by understanding stakeholders’ needs, linking visions with needs and making sure that the necessity and benefit of changes are well understood. As O’Toole (1996) proposed, best leaders engage people who are affected by changes in the planning and execution stage (O’Toole, 1996).

Ford & Richardson (1994) suggest that leaders can enhance the effectiveness of change execution by setting challenging goals (which appeal to employees’ needs of achievements); by motivating

employees to explore new approaches (which appeal to employees' needs of creation and participation); and by providing reward, guidance and support to individuals (Ford & Richardson, 1994). Eisenbach, Watson, and Pillai observed that coaching and guiding are especially important in implementing radical changes and developing self-management teams (Eisenbach, Watson, & Pillai, 1999). Parry (1999) believes that, to implement changes effectively and improve adaptability, leaders need to resolve uncertainty about the impact and process of change through frequent communication, training, and mentoring.

Jones (2005) suggested that leaders can enhance group flexibility by monitoring and encouraging group adherence; however, other literature suggested that authoritarian leadership styles which impose too much pressure on flexibility can restrict group's flexibility. Ziller (1958) observed that authoritative leaders who often structure communication around them can restrict communication and hence flexibility (Ziller, 1958). He also observed that, by empowerment, leaders are more likely to encourage experiments which enhances organisational flexibility.

Manz and Sims (1990) suggested that transformational leadership which creates changes by transforming the cultural is most effective in enhancing organisational flexibility. This is consistent with other literatures: Bass (1985) observed that transformational leadership is more effective than other leadership styles in non-routine situations (Bass, 1985); Pawar & Eastman (1997) believe that transformational leadership is more receptive when organisational adaptation is the goal (Pawar & Eastman, 1997). Hinkin and Tracey (1988) observed that transformational leadership is unnecessary in a stabilised organisation that exhibits a lack of continuous change (Hinkin & Tracey, 1988).

While transformational leadership style is widely recognised as an effective in supporting change and renewal, it has its limitations. Transformational renewal requires a strong leader with an outstanding vision (which is rare); it relies on collective sense-making which requires huge efforts to get all the parties involved. As such, it may not be sustainable (Volberda, Henk W; Baden-Fuller, Charles; J van den Bosch, Frans A;, 2001).

Weinkauf & Hoegl's research on a multi-team project suggested that the levels of flexibility and leadership functions differ during various project phases; implying that leaders need to apply different leadership styles at different stages based on the levels of flexibility needs (Weinkauf & Hoegl, 2002).

While leaders can influence change, organisational renewal can also be achieved "bottom up" at an individual level. Evidence showed that as flexibility coaching programs; open communication channels (within and inter groups and with external stakeholders); team building activities (which enhances members' ability to work together, not just how to perform tasks) are likely to enhance group level flexibility (Hall & Hollenbeck, 1999).

Summary

In order to survive and gain competitive advantages in today's hypercompetitive, turbulent environment, organisations must be able to effectively respond to sudden challenges and exploit new opportunities. This may be achieved by moving towards a more fluid, organic organisational form and/or engaging suitable leadership styles to create a strong culture which encourages experimentation, learning, adaptation, responsiveness and open communication.

Depending on the perspective of renewal process (continuous vs. discontinuous), different organisational forms (skunk works, process reengineering, cross-functional product development teams etc. which renew by radical means; versus learning organisations, agile organisations, boundary less organisations which enables gradual and incremental renewal) and leadership approaches (top-down strong leadership versus bottom-up, supporting leadership style) may be engaged.

Some articles also pointed out that while organisations need to be more flexible, neither complete flexibility (which causes complete chaos) nor moribund stability (slow, unadaptable) is desirable. Good leaders must understand and balance the conflicting demands of flexibility and stability when applying leadership styles, developing cultures and designing organisational forms. As every

organisation is unique, there is no single solution which ensures effective organisational renewal. Hopefully this literature review will provide enough theories to enable organisational leaders to make the right judgements and decisions.

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