Contemporary management discourse is steeped in a rhetoric of ‘change’. A key part of this is the persistent claim that, under the unavoidable pressure of hyper-competition and chronic environmental uncertainty, lumbering, diversified bureaucratic organisations are giving way to nimble, focused, post-bureaucratic networks. Apparently, business unit autonomy has replaced centralized direction, performance has replaced procedure and horizontal co-operation has replaced hierarchical control – or they are about to do so. These claims of imminent organisational revolution are not new. They have been made for at least twenty years, a period which encompassed not only the ‘business revolution’ of the eighties but also the ‘nano-second nineties’ when change was, supposedly, going to accelerate to an incomprehensible blur.

**e-Cultures: Kanter’s Evolve!**

Kanter’s new book is firmly in the ‘radical change for turbulent times’ genre. Ordinarily, I am wary of books that have an exclamation mark in the title – or, for that matter, where the preface takes the form of the lyrics to a song about organisational change written by the author. However, unlike many written in a similarly accessible style, Kanter’s books have always been underpinned by extensive research and careful analysis and, therefore, demand to be taken seriously. This book is no exception. It is based on the findings of an international research study which included a survey of 785 senior managers and depth interviews with a further 300. Kanter’s central thesis is that organisations will successfully meet the challenges of the ‘Internet Age’ only if they become communities of collaborative work relations with distinct ‘e-cultures’ permeated by creative destruction, improvisation, co-operation and visibility. Throughout, she makes her case inductively from the lessons of numerous case examples.

In Part I, Kanter argues that the opportunities and threats posed by the Internet demand three things of organisations. First, in order to deal with the reach, transparency and speed of change of the Internet, organisations must operate more collaboratively by becoming more like ‘communities’, characterised by a sense of membership, identity and obligation, fluid boundaries, voluntarism, a common culture and collective responsibility. Second, organisations must offer a ‘dotcom workplace style’ of informality, fun, team-working, open communication, 24/7 operation and blurred boundaries between work and home. Kanter is careful to emphasise, however, that for
organisations to become substantive e-cultures, and not merely evanescent ‘e-cults’, youth and novelty of technique must be counter-balanced by a continuity of values. Third, in order to be ‘pacesetters’ not ‘laggards’ in this movement, organisations must undertake fundamental, not cosmetic, change and confront the barriers to such change.

Part II examines in detail the four elements that Kanter argues are essential for future organisational success:

- Strategy as improvisational theatre.
- Networks of partners.
- Organisations as communities.
- Attracting and retaining talent.

**Strategy as improvisational theatre.** Rigid strategic planning must be replaced by continuous improvisation, with a ‘theme’ to give direction and focus; ‘theatres’ in which new ideas can be tried out; ‘actors’ skilled in multi-tasking and improvisation and with the self-discipline and confidence to carry them out; ‘drama and suspense’ as outcomes emerge over time; sensitivity to diverse ‘audiences’; and a willingness to accept successive strategic ‘versions and variations’. Such improvisational strategies may be developed ‘inside-out’, by sponsoring internal entrepreneurs to follow new directions, or ‘outside-in’, by building relationships with other organisations that are doing new things.

**Networks of partners.** Rapid business expansion will come through the creation of a complex network of over-lapping relationships in which accomplished networkers and deal-makers – ‘collabronauts’ – will play a key role. Kanter envisions three types of network: the ‘solar system’ revolving around a single powerful company, the ‘galaxy’ of organisations connected by a key co-ordinator and the ‘space station’ of complex and shifting multi-partner collaborations.

**Organisations as communities.** The development of ‘community’ will be necessary to reintegrate organisations that have become too decentralized, to break down barriers between divisions and business units, avoid the emergence of new barriers between ‘newstream’ and ‘mainstream’ activities and to promote the exchange of knowledge. Such communities will require balanced governance, common routines, copious communication, specialist integrators to manage networks, cross-cutting relationships and incentives to co-operate.

**Attracting and retaining talent.** Finally, highly mobile ‘knowledge nomads’ will need to be attracted and retained by the offer of ‘mastery’, challenging work and opportunities for personal growth and development; ‘membership’, a sense of belonging, recognition, trust and respect; and ‘meaning’, a sense of purpose and contribution.

In Part III, Kanter offers a ‘how to’ guide to business leaders on bringing about the kind of radical, systemic change that these new organisational structures and processes imply. She discusses how to create the momentum for a culture of change, emphasising the need for all the different elements – vision, accountability, training, role models, communication, performance measures and HR systems – to be mutually reinforcing. She examines the process of leading change, particularly in terms of the skills needed to overcome resistance to change. Finally, she reflects on the way in which broader human skills and attitudes may be shaped by the pervasive influence of the Internet.

There is safety in the past, even if it is only the immediate past, and any book that deals with the future embarks on a bold but dangerous enterprise. Certainly, Kanter’s book does not lack boldness but neither is it simply a flight of fancy. Her analysis is not only grounded in empirical research but also is at pains to emphasise continuity and how a radically new business environment will still require the application of ‘enduring truths’ about management and change.

This echoes continuities in Kanter’s work itself. Many of the things that she identified in her early work on communes (Kanter 1972) resurface here in the discussion of organisational ‘communities’ and breaking down internal barriers. Many of the skills of ‘change masters’ (Kanter 1985) are repeated here in the discussion of how to create e-cultures. And many of the attributes of ‘giants that learn to dance’ (Kanter 1990) reappear in the discussions of strategic networks. In short, this is, despite its upbeat style, not
just a call to action but a thoughtful and nuanced piece of analysis. Also valuable is what she says about the development of internal networks to manage knowledge more effectively and external networks to access additional intellectual and market resources.

There are detailed aspects of Kanter’s analysis about which doubts might be raised. For example, given that, in the light of Kanter’s own earlier research, even communes have difficulty operating as ‘communities’ in her sense of the term, it may be even more difficult for business organisations with more instrumental purposes to do so. The paradox of what Kanter calls ‘co-opetition’ (co-operation combined with competition) may be irresolvable. Further, her claim that strategy must be improvised, not planned, assumes that organisations are largely powerless relative to their environments. But it has long been recognised that large organisations have the resources and market clout to shape, even manage, their environments and to develop strategies that attempt to do that. The retreat of Napster, one of Kanter’s examples of strategic nimbleness, in the face of a determined effort by media corporations to control the supply of recorded music, is a case in point.

However, more fundamentally, the strength of the book – its willingness to envision the future – is also its weakness. Nothing looks as dated as yesterday’s fashion and there is much in Kanter’s book that is redolent of a glad, confident, not to say manic, morning that has now clouded over. The ‘dotcom workplace’ with pinball, pets and percolators in every corner now looks less like a permanent workplace makeover, more like a temporary tactic for coping with a shortage of particular kinds of skilled labour. Bullish, not to say arrogant, ‘knowledge nomads’ are now a little less fixated with their stock options and more concerned with finding a safe berth. Many of the stars of the ‘new economy’, such as e-Bay and Cisco Systems, which figure so prominently in Kanter’s analysis, have lost their lustre. ‘Networks’ now look less like clever new forms of business organisation and more like something covert and threatening. To some extent, this is an occupational hazard for futurologists. But part of the problem lies in the nature of the research study on which Kanter’s futurology relies. Her informants were, by her own admission, an ‘opportunistic, suggestive sample’ (p314) of key players in the dotcom bubble and of senior managers who probably could not contemplate the prospect of being left behind or accused of ‘not getting it’. Research of this kind runs the real risk of becoming a conversation among elites, in which high-profile academics and business leaders mutually reinforce their own particular world view as senior managers replay what they assume to be the new business idea and academics feel their ideas vindicated. A similar study now, just one year on, might reveal, not a fetish for change, but a yearning for stability and solidity in how organisations operate.

**N-forms: Pettigrew and Fenton’s The Innovating Organisation**

Insofar as Pettigrew and Fenton consider future organisational forms, it is as possible trajectories of the recent developments that they identify and document. Their book is a collection of eight case studies, drawn from a pan-European research project, that analyse various examples of organisational innovation, with introductory and concluding chapters by the editors. In their introduction, Fenton and Pettigrew review the substance and lineage of the research on new forms of organisation and identify three key themes:

- How global competition is compelling firms to dissolve internal and external boundaries and organize around processes in order to focus on core competencies and added value.
- How firms must increasingly organize around social relations in order to create, access and integrate knowledge and so leverage intellectual capital for competitive advantage.
- How firms can gain access to new sources, markets and intellectual and social capital only through forms of inter-firm collaboration such as networks and alliances.

In short, the main thrust of organisational innovation is to develop internal and external networks of co-operation and collaboration – N-forms. They report the findings of a large-scale survey of organisations in Europe, the US and Japan which shows that, despite modest changes to formal structure (through decentralization or project teams), there have been widespread changes to internal organisational processes (more horizontal links, IT systems and new HRM practices) and to external boundaries (through strategic alliances and outsourcing) and that high-performing firms tend to be those that have made holistic and congruent changes.
The eight case studies in the book document firms’ attempts to integrate activities and distribute knowledge through the creation of different forms of horizontal linkages:

- **Ove Arup**: Why and how Ove Arup developed a form of ‘network governance’, where control and co-ordination occurs through informal contacts and implicit contracts, and some of the integration problems that remained (Fenton and Pettigrew).

- **Coopers & Lybrand Europe**: How, in the pharmaceutical network within Coopers & Lybrand Europe, ‘social capital’, in the form of shared information, resources, codes of behaviour and trust, is most likely to develop where social mechanisms of control, such as corporate culture, reputation and informal sanctions, are mutually reinforcing (Fenton and Pettigrew).

- **ABB**: How ABB has attempted, with limited success, to solve problems of heterogeneity and conflict in its global matrix by creating a ‘network multi-divisional’ organisation where a sharper focus on business segments is supplemented by an internal network of country-based holdings, centres of excellence and an internal labour market (Ruigrok et al).

- **Rabobank**: How Rabobank tried, again with limited success, to develop a network, or ‘N-form’, organisation in which decentralized operating units are integrated through a combination of temporary project teams and hierarchy, managerial roles become more facilitative and knowledge is shared (Van Wijk and van den Bosch).

- **Hilti**: How Hilti has become a ‘communication organisation’ where a reduced matrix structure is overlain by a series of ‘communication programmes’ that have led to ‘shared leadership’ (Ruigrok et al).

- **Fremap**: How work was restructured around processes at Fremap, with multi-skilled employees (‘integral agents’) reorganized into self-managing teams, thus eliminating two layers of management (Quintanilla and Sánchez-Runde).

- **AGBAR**: How AGBAR sought to facilitate greater horizontal collaboration by combining centralized provision of R&D and information services with decentralized use (Sánchez-Runde and Quintanilla).

- **Saab**: Finally, how a change from a functional to a team-based structure at Saab Training led to better delivery but poor product development, because of a continuing lack of co-operation among teams (Müllern).

In their concluding chapter, Pettigrew and Fenton identify some common themes from the case studies, such as the general attempt to build horizontal linkages, the need for receptive contexts for change, the role of culture, history and leaders, the importance of managed risk through experimentation and the problems of creating networks. They argue that, for networks to be successfully introduced, a number of contradictions or ‘dualities’ need to be managed, such as: the need for hierarchies and networks, vertical accountability and horizontal integration, empowerment and control, continuity/stability and change/innovation.

Thus, *The Innovating Organisation* provides both a good review and summary of ideas about new forms of organisation and a potentially useful source of case material to illustrate how the rather amorphous concepts of ‘networks’, ‘leveraged knowledge’ and ‘intellectual capital’ apply in practice. The problem, however, is that often the case studies fail to show how these ideas apply, despite their claims to do so. A key reason for this is that many of the case studies are based on limited evidence, usually in the form of between ten and 20 interviews, mainly with senior managers or those with an obvious stake in the changes reported. The result is often, therefore, a rehash of the ‘official story’, rather than a critical piece of analysis, reflected in a written style that replicates, rather than questions, management jargon. More seriously, some of the case study authors seem compelled to offer sanguine conclusions unwarranted even by their own data and applaud as ‘innovation’ what is no more than a re-labelling of the status quo. Consequently, although Pettigrew and Fenton identify clear theoretical themes or claims in their introduction, in their concluding chapter they struggle to identify any clear and positive empirical themes arising from the case studies that are more than platitudes. In short, what these case studies demonstrate is contestable, not self-evident. But the determination of some contributors to find and describe ‘innovations’ has led them to turn a blind eye to whether these are what they purport to be and whether they are all that new.
**M-forms: Whittington and Mayer’s The European Corporation**

Whittington and Mayer provide a useful antidote to over-exuberant claims about organisational innovation. They examine, in a European context, Chandler’s thesis that the diversified multi-divisional (M-form) organisation would prevail, as a result of its economies of scale and scope and structural superiority, (Chandler 1962). Recently, this claim has been challenged by those who argue that the M-form organisation was a uniquely post-1945, Anglo-Saxon institution, unsuited either to other national cultures and institutional frameworks or to more uncertain business environments. What gives Whittington and Mayer credibility is the fact that their analysis is based, not on speculation, anecdote or single case studies, but on an extensive longitudinal comparative study of firms in the UK, France and Germany.

They show that diversified, multi-divisional firms have not only become dominant in Europe but have survived and prospered. The cultural and institutional contexts of the UK, France and Germany – particularly in terms of patterns of ownership and control and the character of managerial training and careers – are quite distinct. Yet, in all three countries, there has been a clear general trend towards greater diversification as a strategy – most successfully, but not exclusively, ‘related’ diversification into cognate businesses – and towards the multi-divisional form as the structure to support this. According to Whittington and Mayer, the reasons for diversification as a strategy are partly sociological – managerial control gives senior managers both an interest, in terms of power, prestige and pay, in managing ever-larger firms and a belief in their ability to do so. But they are mainly economic. The primary economic benefit comes from economies of scope resulting from synergies among businesses which, even if they are unrelated operationally, have strategic similarities. Also mainly economic are the reasons why the multi-divisional (M-form) is the corporate structure most able to support such a strategy. The M-form is more efficient because it combines the rationality of separating broad strategic decisions at the centre from local operational decisions in the divisions with the discipline of an internal capital market that channels resources according to market performance. Thus, although firms operate in distinctive national cultural contexts, they are subject to ‘homogenising pressures’, partly from international institutional fashions, but primarily from competitive pressure. They conclude:

> “Ultimately, European business has adopted the diversified, divisionalised form because it has shown itself to be more effective than its alternatives, whether national traditions or the latest institutional fad.”  

Whittington and Mayer do point out, however, that the predominance of this form of business organisation is conditional. First, they concede that some national anomalies remain, such as the persistence of many single-business firms in France and holding companies in Germany, and there are differences in the pace and pattern of transition: there is no simple, linear, irreversible trend from single-business firms to related diversification and thence to unrelated diversification. Second, they note that the diversified firm is fragile because it is crucially dependent upon the strategic expertise of its senior managers, who, for various reasons, do not last forever. Finally, they concede that the M-form organisation is evolving, through increasing fragmentation into ever-smaller operating units and growth of horizontal networks for distributing information and encouraging co-operation across divisions and units. However, they insist that the resulting ‘network multidivisional’ organisation is a refinement of, not a departure from, the basic principle of combining operational decentralization with strategic direction and control from the centre.

For all the cogency of Whittington and Mayer’s analysis and the robustness of their data, there are a number of doubts that can be raised about their thesis. First, the absence of comparative data from North America means that they do not examine the development of the diversified multi-divisional firm on its home ground. Given what they say about time-lags in its diffusion, there is a possibility that there is a waning of this form of organisation among American corporations that has yet to be reflected in Europe. Second, their claims about the extent of the M-form may be somewhat over-stated. Their own findings show national differences in the extent to which the diversified M-form organisation predominates and in patterns of transition to it, as well as internal changes towards the ‘network multi-divisional’. They maintain that these are merely differences of degree. However, this begs the question of the ‘tipping point’ – how many local exceptions or internal variations there can be before this form of organisation can no longer be
said to ‘predominate’ or be ‘essentially’ the same. A related question is whether these exceptions and variations presage more widespread or substantial change. Third, they continue to maintain that the key to the strength and longevity of the multi-divisional firm is its technical rationality as a form of organisational design and its superior efficiency as a structure, yet elsewhere they argue that human agency, in the form of the interests and, more especially, strategic expertise of senior managers, plays a decisive role. However, if it is the case that diversified M-forms falter when this strategic expertise is lost, neither the strategy nor the structure can be all that robust.

Bureaucracy: Paul du Gay's In Praise of Bureaucracy

If the much-derided and apparently defunct M-form organisation is alive and well and living in Europe and should not be written off just yet, neither, according to Paul du Gay, should the equally vilified bureaucratic form of organisation. Du Gay mounts a robust defence of bureaucracy against its assorted modern detractors. He begins by identifying the three prongs in this attack:

- The tendency to equate ‘bureaucracy’ with the defects of any large organisation, especially those concerned with applying rules to cases.
- The accusation that bureaucracy is a heartless form of organisation in which the full range of human qualities are repressed in favour of a cold, instrumental logic and where the formal rationality of means triumphs over the substantive rationality of ends.
- The need to bring a dose of competitive realism to large public sector organisations through the introduction of private sector management principles and entrepreneurship.

His defence, in essence, rests on the argument that different spheres of human activity constitute different ‘life-orders’ each with their own specific modus operandi and ethics. Thus the critiques of bureaucracy are misconceived because they judge bureaucracy according to a set of inappropriate goals, norms and ethics, drawn from either very different ‘life orders’, such as commerce or politics, or from an unsustainable claim that there is a universal morality. In short, bureaucracy is under attack for not doing what it was, in fact, never designed to do – and should not try to do.

The book is in two parts. Part I is a detailed critique of particular authors who represent the three lines of attack on bureaucracy. Two of these – McIntrye and Bauman – do so from a philosophical and sociological standpoint and are dealt with accordingly. More relevant for our purposes here is du Gay's critique of the ‘anti-bureaucrats’ in the research on business: Kanter and Champy, for example, and above all Tom Peters. Their argument is that the unavoidable requirement for all organisations to compete in an increasingly ‘turbulent’ environment of chronic uncertainty and change means that mechanistic bureaucracies must be replaced by ‘entrepreneurial’ forms of organisation in which there is managerial responsibility, autonomy and accountability for performance. Du Gay's retort is that this is a misrepresentation of the purpose of bureaucracy, particularly in the public sector, which is to provide dispassionate administration that attempts to serve the public interest, and hence is an attempt to measure bureaucracy against an inappropriate commercial yardstick. Public sector bureaucracies as ‘life-spheres’ are quite distinct from commercial organisations and require not ‘entrepreneurs’ – whose concern is only with commercial ends and efficiency – but ‘bureaucrats’ trained to recognise and reconcile competing moral ends and ensure fair treatment.

Du Gay develops this latter argument in more detail in Part II where he examines recent attempts to introduce managerialism and ‘entrepreneurial governance’ into the public sector. He takes to task the claim of the ‘new public management’ that, in order to ‘deliver’ public services efficiently, the public sector must import key characteristics of the commercial enterprise – efficiency, contracts, devolved management and responsibility for outcomes. In contrast, he argues that the public sector operates – or should operate – according to different standards: fairness, probity, political accountability and the avoidance of corruption. These standards, he argues, are compromised and threatened by the adoption of an ethos of ‘entrepreneurship’. Taking the creation of Executive Agencies in the UK as his example, he argues that the result is a dilution of ministerial accountability (because decisions can be dismissed as operations, not policy) and the growth of a partisan civil service concerned more with delivery than with impartial advice, scrutiny of policy and fair implementation. It means that administration, in which policy advice combines with implementation, has dissolved into
management, or mere implementation; the complexities of the ‘public interest’ have dissolved into the seductive simplicities of ‘value for money’ and the ‘state’ is falsely equated with the programme of the government of the day.

Du Gay’s book is a refreshing counterpoint to the chorus of voices singing the funeral dirge of bureaucracy and his major refrain, when it cuts through, is a powerful one. One problem, however, is that du Gay’s central counter-thesis sometimes gets lost in more detailed critique of the internal logic or supporting evidence for the claims that he wishes to attack. More important, there are also weaknesses in the substance of du Gay’s central argument. The first is that he tends to assert, rather than demonstrate, that bureaucracy is a distinctive ‘life-order’ with its own ethics of duty, disinterest, vocation, fairness and probity, and therefore, treats as self-evident the inappropriateness of a business logic. Why the adoption of the criterion of efficiency and an emphasis on performance should undermine thoughtful implementation of policy and protection of the public interest is not self-evident, however, and needs to be demonstrated. Some empirical evidence would have helped make the case. There is a sense that du Gay is himself guilty of some conflation – between governance, which may indeed not be amenable to a logic of efficiency, and the public provision of services which, at least in part, may. One of the reasons for the attempt to change the management of public services was precisely that they were run as a form of governance.

The second problem is that du Gay’s target – the ‘entrepreneurial’ model of business organisation – is not only poorly defined but also something of a caricature. Certainly, large business organisations have become looser and more decentralized, with devolution of management to smaller operating units, the replacement of regulation by performance measures and increasing outsourcing. Yet even here, bureaucracy, in the sense of centralised control and hierarchical accountability, remains, albeit in an attenuated form – what I refer to elsewhere as ‘bureaucracy-lite’ (Hales, forthcoming). Furthermore, business organisations cannot simply be guided by a crude logic of efficiency. Although at times their nod to ‘stakeholders’ is only ritual genuflection, most businesses find themselves under threat if they fail to take some account of the complexities of the wider ‘public interest’ – especially given, as Kanter points out, the capacity of opponents and critics to mobilise through the Internet. In short, ‘entrepreneurship’ and ‘bureaucracy’ are not as polarised, nor are the ‘life orders’ and ethics of private and public sector organisations as divergent, as du Gay suggests.

Organisation: A Case of Whither or Wither?

So, who’s right? What will future organisations look like – unfamiliar e-cultures and networks or familiar M-forms and bureaucracies – especially now that the over-hyped ‘uncertainty’ of the nineties has been replaced by very real uncertainties. My guess (no more) is that those organisations that neither blunder on regardless nor succumb to the latest fad will try to combine something of each – bureaucracy to ensure some degree of central direction and control, a divisional/ business unit structure to capture local rationalities, internal and external networks to encourage co-operation and shared knowledge and e-cultures/communities to foster enthusiasm, commitment and creativity. My other guess is that few organisations will be able to pull off quite such an effective blend. But put your money on one that does.

References


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