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Managing radical organizational change

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### Author

Pearce, JL

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*Managing Radical Organizational Change* by Karen L. Newman and Stanley D. Nollen. Sage, Thousand Oaks, Cal., 1998, xiv + 378 pp., ISBN 0-7619-0933-8, £29.00; ISBN 0-7619-0934-6, £13.99 paper.

The collapse of communism has precipitated one of the most fundamental and, yes, radical changes in organizations we are ever likely to see. Because large organizations are notoriously impervious to change, fundamental breaks of the magnitude seen in the formerly communist countries would be expected to provide exactly the kind of naturally occurring intervention that those who study organizational change would welcome. Yet, surprisingly few have studied the transformations in these societies to learn about organizational change. We have fine descriptions of privatization or public policy development in particular countries, and countless essays finding lessons reflected in these events. However, this book is the rare exception. It addresses a question of universal import: why do some organizations successfully

complete needed radical organizational change while others languish and fail? It is an extraordinary achievement.

The authors draw on detailed case studies of the changes in six Czech firms through 1997. These were: Aero Vodochody, in 1989 the largest producer of jet trainer aircraft in the world; Královopolská, a medium-sized producer of industrial equipment; PBS, a turbine and boiler manufacturer; Poldi Steel Works, a large steel mill dominating its company town; Veba, a medium-sized textile company producing terry cloth and damask; and Zetor, a tractor factory. For each company, Newman and Nollen provide descriptions of its historical development, current lines of business, industry conditions, financial performance, markets, suppliers, organization, its process of privatization and strategic direction, as well as an introduction to Czech history. These comprehensive descriptions are enlivened with numerous quotations from managers, employees and third-parties such as consultants and bankers. The richness of the detail is staggering. These descriptions alone are invaluable; they will be a resource to interested scholars in disciplines such as economics, public policy and industrial relations for years to come.

Further, Newman and Nollen use these cases to provide one of the most valuable analyses of organizational change I have ever seen. First, drawing on the literature, they summarize existing knowledge on radical organizational change and then test those propositions against the evidence of each of the six cases. For example, it is quite common in the literature on organizational change to state that the resources and capabilities of an organization on the brink of change will affect its ability to change successfully. Yet the concept of 'resources and capabilities' is so broad that it can be applied retroactively to anything. Newman and Nollen break down this category into several dimensions and then analyse (1) the extent to which each of their six companies had, for example, experience in competitive environments, and were specialist or generalists in their products and markets, (2) their institutional embeddedness (operationalized as importance to the Soviet Union and to Czech national prestige), (3) the quality of their network with respect to the ministries, banks, export trading companies and Western firms, (4) their relative dependence on suppliers and distributors, (5) the presence of boundary spanners and customer contacts, and (6) intangible resources such as reputation. This kind of comprehensive analysis extends through assessments of the competitiveness and munificence of the industries in which they operated and the qualities of executive leadership. As such, this book stands as a definitive test of numerous propositions regarding successful radical change.

What is more, the authors use their cases to extend and develop the existing literature on organizational change. In the transforming Czech Republic, the need for radical change was both pervasive — affecting political, legal and economic institutions — and undifferentiated — providing few clear signals or models about appropriate action. Newman and Nollen suggest that this led to behaviour that was not anticipated in the existing literature on radical change. For example, they found (1) inertia as executives waited for clearer signals, (2) more time spent in confusion, random action and false starts than under less radical changes, and (3) an increased use of informal, instrumental personal networks. These are important additions which beg many new questions about radical organizational change. For example, is reliance on personal networks a particular feature of this milieu or a general feature of radical organizational change that has been missed by previous scholars? This book will prove fruitful to all those who wish to think more deeply about radical organizational change.

Finally, Newman and Nollen provide a rich catalogue of what did and did not work. By analysing companies with six quite different levels of success in undertaking and sustaining radical change, they were able to conclude that many capabilities and resources that were particularly valuable under the old system were a major source of inertia. Yet some old assumptions, particularly the resilience of a company like Veba, which was ignored by the communist-era elites, were quite similar to what was required in the new market economy. Other communist-era capabilities and resources that proved useful were a capacity for change and adaptation, neither a very harsh nor a very munificent competitive environment, and leaders who were able to think strategically, who were decisive, who behaved 'as if' company ownership was clear, and who understood how to improve their company's efficiency. Further, those companies facing competitive market pressures changed more than protected firms, and those companies attempting to change the assumptions and expectations of their work-forces in ways sensitive to Czech culture made more effective radical changes.

Newman and Nollen provide clear and concise details regarding the daunting scale of radical change required of participants in these Czech companies, and what proved effective and ineffective. However, their adoption of the organization change literature's over-psychologizing of organizational problems contributed little of value. They follow convention and suggest that all radical organizational change requires the participants to change one or more of their 'core values'. Core values are defined as those normative expectations and assumptions that serve as a foundation for how participants believe organizational activity should be conducted. Yet, why should we term such assumptions and expectations 'values'? What is gained by using the word for relatively permanent characteristics of individuals' personalities and conceptualizations of self? Newman and Nollen themselves provide rich detail regarding the historical, political, legal and industrial effects on these organizations and the widely varying approaches of their leaders. Certainly assumptions and expectations had to change, but, as they note, the biggest problem was the lack of clear models, not resistance based on personality or personal moral codes. Those organizations facing unambiguous economic pressures with executives who knew they could not expect political bailouts instituted radical changes. As Newman and Nollen note, the changes needed were in know-how, the addition of new functions and systems, shifts in strategy — suggesting that personalities were not central to these, and possibly other, radical organizational changes. Speaking honestly about what exactly was needed for successful change, as Newman and Nollen do, is practical and useful in theory building. Speaking vaguely of core values confuses rather than clarifies.

Squeezing an analysis into a reductionist psychological framework, even if it is belied by the honesty of one's own data and analysis, matters. Vague simplicities do not help us to understand what actually works and what does not. After all, many of the problems confronting the Czech Republic today were exacerbated by an application of simplistic theories. First, of course, was Marxism–Leninism. Then, early in the transition influential theorists advising the Czech government assumed that all government interference with markets is bad, and that, conversely, bribery and kickbacks are just another form of market activity and so are acceptable. Unfortunately, the people advocating these ideas did not bear the heaviest price for their theoretical myopia. The debris of simplistic-theories-actually-applied has blighted the landscape of Central and Eastern Europe; we in the West should be thankful that our predecessors never gave philosophers, economists or organizational change theorists so much power.

To conclude, despite the unnecessary reliance on the concept of 'values', Newman and Nollen's book is an important contribution to our understanding of radical organizational change. It documents in overpowering detail exactly how some organizations can fundamentally change while others drift. It is a story about compelling external circumstances and a clear vision of what practices would be more effective. I hope this excellent book itself serves as a 'creature of the transition' — marking a transition from a field that reduces all organizational phenomena to the psychological states of the participants to one in which the theories more accurately represent the actual phenomena.

This richly grounded analysis of radical organizational change is an immense contribution to our understanding of organizations and how they change. It is crisply and clearly written, and could be used with confidence in an executive course in international management or in an undergraduate course in organizational change. In the future I'm sure it will be considered one of the core theoretical contributions to organizational change, and a necessity to any practitioner or scholar interested in organizational change or international management. Not only are the authors' theoretical insights fresh and practical, but the in-depth case descriptions will prove invaluable to those with a wide range of purposes.

JONE L. PEARCE  
*University of California, Irvine*