

When organisations change

A middle management perspective on getting it right



Written by:

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The Advanced Institute of Management Research (AIM) develops UK-based world-class management research. AIM seeks to identify ways to enhance the competitiveness of the UK economy and its infrastructure through research into management and organisational performance in both the private and public sectors.

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AIM research themes

Current AIM research projects focus on:

UK productivity and performance for the 21st century.

How can UK policymakers evaluate and address concerns surrounding the UK's performance in relation to other countries?

National productivity has been the concern of economists, government policymakers, and corporate decision-makers for some time. Further research by scholars from a range of disciplines is bringing new voices to the debates about how the productivity gap can be measured, and what the UK can do to improve the effectiveness of UK industry and its supporting public services.

Sustaining innovation to achieve competitive advantage and high quality public services.

How can UK managers capture the benefits of innovation while meeting other demands of a competitive and social environment?

Innovation is a key source of competitive advantage and public value through new strategies, products, services and organisational processes. The UK has outstanding exemplars of innovative private and public sector organisations and is investing significantly in its science and skills base to underpin future innovative capacity.



Adapting promising practices to enhance performance across varied organisational contexts.

How can UK managers disseminate their experience whilst learning from others?

Improved management practices are identified as important for enhancing productivity and performance. The main focus is on how evidence behind good or promising practices can be systematically assessed, creatively adapted, successfully implemented and knowledge diffused to other organisations that will benefit.

Organisational change is a fact of business life. With globalisation, increased competition, and improved technology, organisations are moving towards flatter organisational models.

Managing the type of fundamental changes involved in moving from a hierarchical to a flatter organisational structure, for example, often involving greater empowerment of employees and internal markets, is a challenging task.

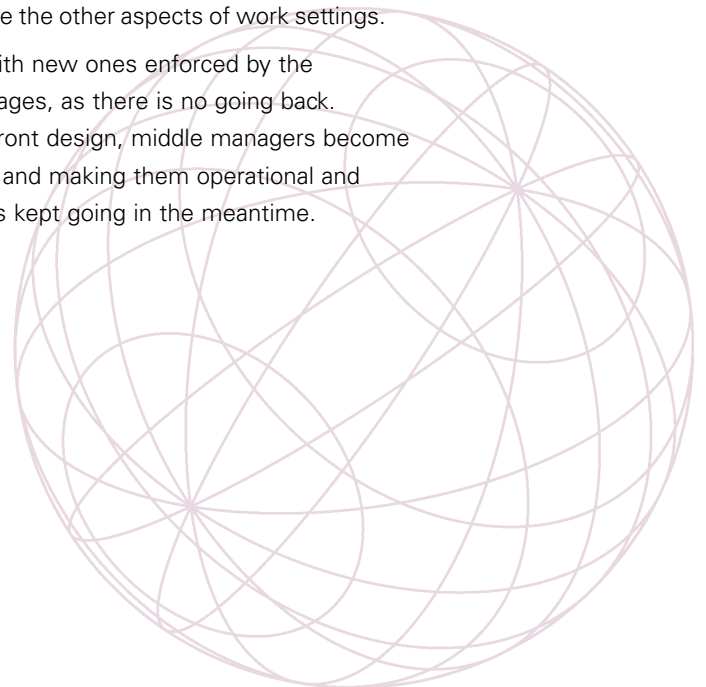
This research analyses the dynamics involved in a typical restructuring exercise and, in particular, looks at the role of the often undervalued middle manager in implementing change, making sense of the new structures and conveying that sense to other workers.

A number of observations and lessons are apparent from the research and informative for any organisations contemplating or undergoing change.


Many more organisations are likely to make the organisational transition from hierarchical structures to more modular flatter structures with consequent empowerment of employees. This research provides an insight into the challenges of managing the change process in such circumstances. In particular it highlights a number of important insights into the process of change, the possible pitfalls, and the issues that need addressing:

- The role of middle managers is likely to become far more important than it is at present.
- Moves to more modular organisational forms, and restructuring in general, introduce fault-lines between previously integrated organisational units. These units need to bridge these fault-lines to co-evolve, whilst simultaneously evolving internally to adapt to their new, more independent goals.
- Attention to design and transition management is essential for the interfaces as well as the individual units. When senior managers redesign their organisations they need to consider the social factors alongside the other aspects of work settings.
- Replacing old patterns of understanding with new ones enforced by the imposition of structural change has advantages, as there is no going back. However, in the absence of extensive up-front design, middle managers become responsible for implementing the changes and making them operational and there are issues about how the business is kept going in the meantime.

This research provides an insight into the challenges of managing the change process in such circumstances.



- A relocation sequence, in which new structures are put in place gradually, resolves the transition management issue but allows for incomplete adoption of the plans and possible derailing of the process.
- There is an assumption that senior management can direct change, however, while the actions of senior managers may influence the relationships and understandings negotiated between people in the new structures, it is doubtful to what extent senior management can manage this process, particularly in larger, geographically dispersed, modularised organisations.
- If senior management wants to exert an influence over the way the change process develops it needs to pay attention to the lateral processes that middle managers engage in that shapes the outcome of change – peer interactions, for example.
- Change leaders, at all levels, must tap into, monitor, and understand the multiple interpretations that are developing among recipients during the change process. They must understand why these interpretations are developing and the outcomes to which they are leading, so that appropriate actions can be taken.



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There is a growing belief that because of increasing dynamism and uncertainty in the business environment, plus in some industries, hypercompetition, organisations need greater organisational flexibility and therefore new forms of organising to maintain competitiveness.

These new forms of organising often involve a move away from traditional hierarchies to modular and network organisations, accompanied by delayering, decentralisation, downscoping, and outsourcing. Within the new organisational model new types of relationships are required, both between internal units, and then between those units and external organisations. Often these relationships both internally and externally, are contractual in nature.

Typically it might be assumed that senior management plays the central role in planning and directing organisational change in such situations. In reality however, in the event of such changes, middle management plays a crucial but often underestimated role.

(i) The nature of organisational change

Organisational change of the magnitude needed for a shift from a traditional hierarchy to a more modular organisation is not just about redrawing divisional lines, shunting units from one silo to another, and changing reporting structures. At the heart of organisational change is something far more fundamental, a change in the way people understand the organisation and environment they work in, and therefore the assumptions that underpin their understanding of the organisation.

Individuals tend to respond to change in fairly predictable ways. When individuals face change they experience surprise, a gap in their expectations versus their experience. They start to act in a more conscious way, interacting with each other in order to make sense of what is going on around them and to determine how they should respond.

In the face of change, individuals exchange gossip, stories, rumours and past experiences, and take note of symbolic behaviours and actions. Through these social processes, people undergoing change reinterpret the world around them.

Central to this reinterpretation is the concept of sensemaking and its constituent elements – *schemata*.

(ii) Sensemaking

Sensemaking is a conversational and narrative process through which a person's idea of the world around them is created and maintained. The process may involve information reaching the person making sense of their environment, in many different ways, formally and informally, including conversations, utterances, documents, and storytelling. It may also involve the actions and behaviours of others.

(iii) Schemata

Central to this process of sensemaking are schemata. These are the structured units or clusters of thematically related knowledge which act as reference frameworks. They 'are the bases upon which one relates knowledge, attributes meaning and fashions understanding'¹. Schemata allow us to make sense of the 'now' through reference to the past.

When change happens in an organisation, the schemata of individuals change, albeit reluctantly in many cases. It is not exactly clear how this change occurs. However, a number of models have been suggested, these include: a *conflict model* that proposes that old and new ways of understanding interact, resulting in a synthesis of the two; a *conversion model* which suggests that the old ways of understanding are replaced with the new; and the *bookkeeping model* where an incremental process occurs, fine-tuning the schema with each new piece of discrepant information so that change occurs gradually.

The research: data collection

The research examined the role of middle managers in implementing organisational change and, in particular, looked at their sensemaking processes in the face of change.

A privatised utility in the UK, 'Anonco', was implementing planned strategic change in response to forthcoming changes in its competitive environment. The research focused on the middle manager experiences of a major restructuring initiative in the core business division.

In line with the shift to more modular organisational forms, the restructuring of Anonco split the old core business division into three new divisions – a small core division responsible for the strategic business responsibilities and activities, and two support divisions, engineering and services, responsible for the maintenance of the utility's asset base and end customer services.

The restructuring created an internal market for the provision of services to the core division. The idea was to drive down costs whilst maintaining quality and improving service levels. Contracts were to be put in place between the three new divisions to create internal supplier customer relationships. If any part of the support divisions failed to offer competitive services in terms of quality and price, the core division could contract out provision of these services to other organisations.

The restructuring involved redundancies (layoffs), delayering, new working practices, and an intent to change from a technical, risk averse culture to an empowered, customer focused organisation.

The appointment of an overall executive director and three divisional directors marked the start of implementation in March 1993. There was a designated transition phase from April 1993 to April 1994 after which the contracts came into operation. A team of consultants and senior managers (the review group) developed a blueprint and rationale for the new structure, along with job roles and staff numbers. Implementation involved the roll-out of the change plans developed by the design team. The middle managers had to develop the detail of their roles and responsibilities themselves once appointed to the new structure.

Tracking of implementation progress by the middle managers for all three divisions started in August 1993 once they had taken up their appointments in the new structure, and continued until July 1994. The research used diaries as the primary data collection mechanism to provide an insider's account of a situation; 26 middle managers acted as diarists from a group of about 90 managers at this level across the three divisions. There were also meetings, interviews and focus groups.

The questions that the middle managers addressed at each stage of the restructuring were: What is going well and why? What is going badly and why? What problems do you foresee? What have been the significant events? What rumours and stories are circulating?

The research yielded 1400 pages of data. Data was gathered on four time periods: prior to the start of change in April 1993; in the early days of change whilst appointments were still occurring in August and September, 1993; as change progressed from October through to March 1994; and as contracts came into place (April – July 1994).

Change plans

Following the director appointments, all employees were either reappointed to the new structure through a briefing and counselling process, or they left. This process started for senior managers in April 1993, and ended with junior staff in September that same year. New structures, systems, roles and responsibilities were due to be implemented.

To explain the strategy for keeping the business running during the transitional period the company used the phrase 'business as usual'. In other words individuals continued to do their old duties alongside their new duties, until they were relieved of their old duties by the person responsible for them under the new structure.

This arrangement applied primarily to engineering and services. They had to continue to perform tasks that the core division would ultimately be responsible for until suitable core division systems and processes were in place.

To ensure everyone understood the changes an extensive communications exercise was undertaken that included 'roadshows' with a video explaining the changes, followed by 'vision workshops'. Team briefings provided information on progress and other change issues.

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(i) The core

The core division, with about 300 staff, took over planning duties performed by engineering and developed new working practices, such as specifying and monitoring contractual work. Unpriced shadow contracts were to be in place for April 1994 and full commercial relationships between the divisions were slated to start in April 1995. An office move was also planned in order to co-locate most of the division's staff away from head office.

(ii) Engineering

Engineering was responsible for the maintenance and development of the utility's asset base for the core division. It was split into three further businesses: repairs, construction and maintenance.

Each business interfaced directly with the core division through the contracts. When there was a need for the businesses to use each others' staff or equipment this would be charged for through a new inter-business trading (IBT) system, which was a form of transfer pricing. The division needed to improve productivity and drive costs down by re-engineering working practices, introducing flexible working practices, devolving duties, and reducing the number of depots. Much of this work was to be done or underway by mid-1994. There was to be a ten per cent reduction in employees, leaving around 2,300 people in engineering. Further redundancies were possible.

(iii) Services

Services were responsible for interfacing with the end customer to provide customer services. There was little change in responsibilities for staff in this division. However, they also needed to re-engineer their working practices, with a particular focus on the use of new technology to enable flexible working and a reduction in staff numbers, and introduce new work scheduling systems.

Working parties were examining the options open to services through the autumn of 1993 with implementation and associated redundancies planned for the second half of 1994.

The following describes the change process as experienced by the diarists in the three time periods:

Phase 1: August and September 1993 when all appointments were finalised;

Phase 2: October 1993 to March 1994 during which time the diarists were attempting to make the new structure work;

Phase 3: April 1994 to July 1994 as the contracts come into force.



A Phase 1: August and September 1993 (Time T1):

From common purpose to inter-divisional and inter-business tensions

1 On the ground

(i) Common purpose

Before the imposed structural change middle managers had a shared common purpose relating to technical excellence and 'keeping the lights on' – delivering the service to peoples' houses. They worked together cooperatively within cost centres to achieve this, on the basis of goodwill, and as equals.

I think people still remember the days when they were all together with the same terms of conditions, and if something applied to one of them it applied to all of them, and now it doesn't. (Engineering, interview)

The engineer was king at one time. With the accountant beginning to come in, the engineer is now the end product of the job... Technical quality not cost and profit was what mattered. (Engineering, interview)

(ii) Competition and profit centres

The imposed change from hierarchy to decentralisation involved a significant shift in working patterns, and challenged the old assumptions of common purpose, since there were now three divisions with different, although interlinked, priorities.

The introduction of contracts pointed to the need for all three divisions to operate as profitable stand alone businesses, with engineering and services only doing work required by the core division. In all three divisions there was evidence of tensions between colleagues who used to work cooperatively, but were now coming to terms with a structural change that challenged the old company norms.

The introduction of contracts pointed to the need for all three divisions to operate as profitable stand alone businesses...

The fear was that 'contracts could make things worse' with individuals only doing exactly as specified and nothing else. Core division diarists talked in their diary entries of 'barriers and walls between divisions', 'defence of turf' in engineering and services, issues over 'who does what', and a 'lack of cooperation'.

Creation of individual divisional identities is putting up barriers. Already there is a view that engineering and core are working against each other, rather than together.
(Core, diary)

Work which does not clearly fall into one or other departments' responsibilities is being passed around until someone accepts it. (Core, diary)

I have been passed a comment from engineering. The words quoted by the senior (engineering) individual concerned are as follows: "We are in the process of building walls so that we can show a profit within our part of the business." (Core, diary)

Engineering also commented on a 'them and us' attitude, 'defence of turf' in the core division, and issues over 'who does what'. In addition, engineering managers were starting to think of themselves as contractors, instead of as equals working cooperatively. Services was also experiencing issues regarding defence of turf and who does what between the divisions.

People in the core division were described as 'prima donnas' who were 'giving orders'. Business as usual was unpopular since it meant engineering continued to do core division's work.

People in engineering feel that the core... (are)... prima donnas... in what they are and what they aren't going to dictate to engineering who, up until five or six months ago, were their colleagues... core seem to think that it is their system and they are going to run it, and from day one they will dictate all the rules and everything else. Basically they will try and tread on you, give you as hard a time as possible.
(Engineering, interview)

My problem is that in engineering we are under a lot of pressure with less staff and core have taken the staff... If there is an inter-divisional problem, you get a glib answer: "Oh it is business as usual, we've not taken that duty on yet."
(Engineering, interview)

(iii) Within engineering

The problems between the divisions were being reflected on a smaller scale between the three new businesses in engineering. The three businesses created another divide in what was previously a united workforce working cooperatively to 'keep the lights on'. There were noticeable differences between the three businesses, although it was argued that this was due to the different goals of each business unit.

Just as contracts had been introduced between the divisions, signaling a move to a more commercial environment, the IBT system had been introduced into engineering as a device to enable each business to be managed as a profit centre. As a result, on one hand, the introduction of the IBT system was welcomed as it enabled the diarists to 'build real businesses' by highlighting who used what services and how much these services cost. On the other hand, 'walls between businesses' were developing with 'defence of turf'. There were also issues over 'who does what', particularly between repairs and maintenance.

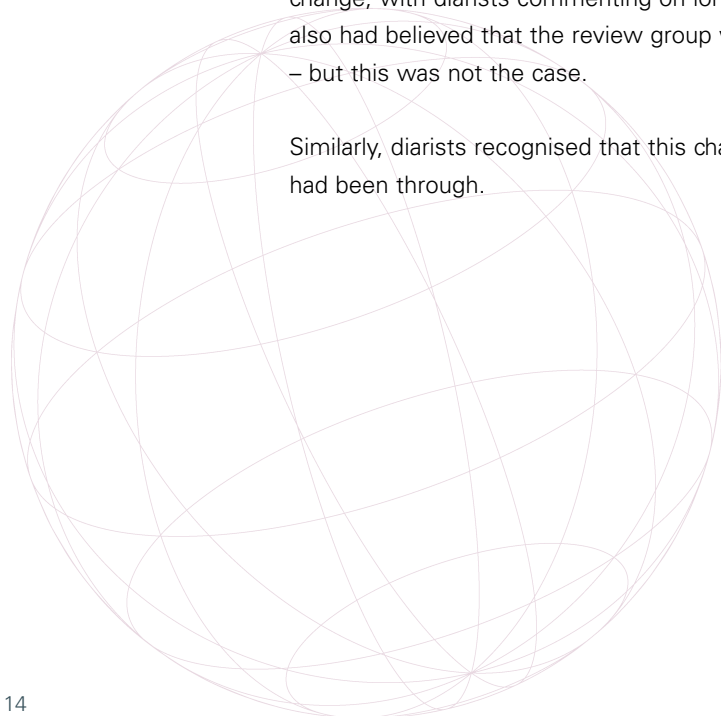
The teams in repairs, construction and maintenance all seem to be working against each other, building barriers. (Engineering, diary)

Plant and equipment is being locked away or chained up. Staff are reluctant to help each other – even to the point of not answering somebody else's phone. (Engineering, diary)

(iv) Change process

There was uncertainty over how change should progress. All diarists had issues about the way the change process was occurring. The core and engineering diarists were experiencing workload problems in keeping the business going whilst introducing change, with diarists commenting on long working hours. The core division diarists also had believed that the review group would prepare the detail of the new structure – but this was not the case.

Similarly, diarists recognised that this change was different to any other changes they had been through.

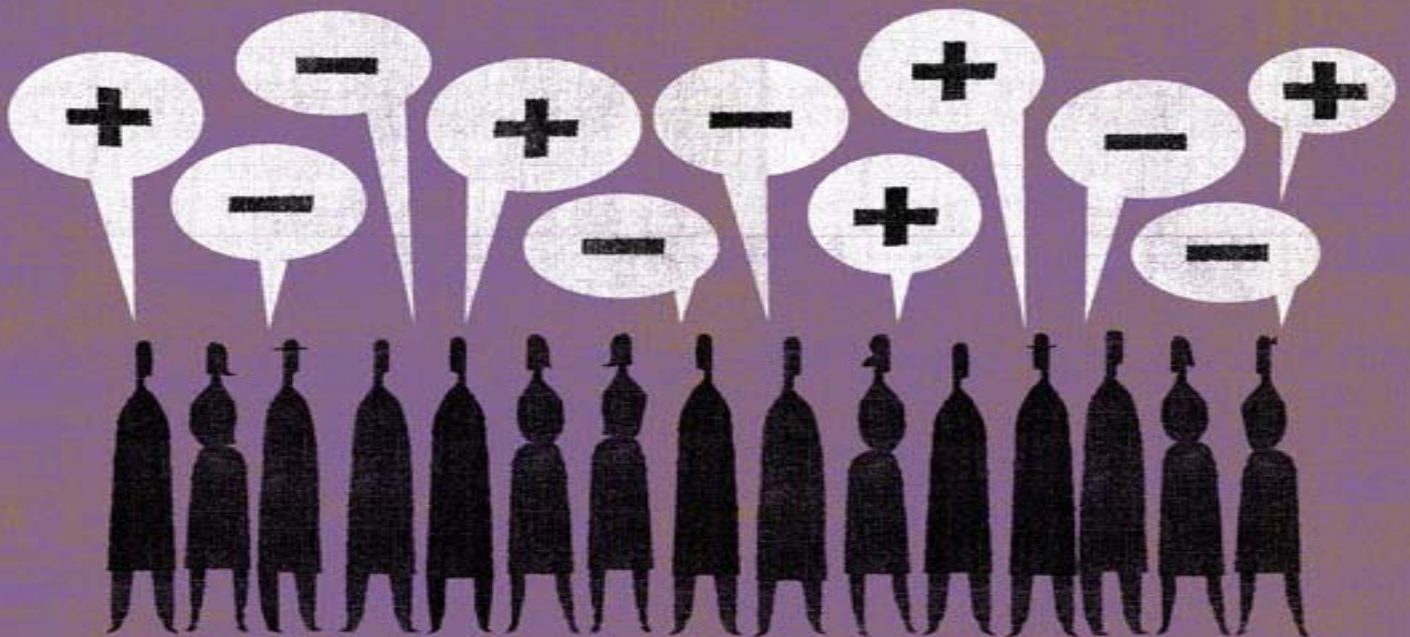


I think people have struggled with their jobs. They came into this situation totally in the dark. Certainly we thought the review group would hand over something that worked, but we didn't inherit any of that. We inherited a sort of concept and we were going to make it work, and it took a few months to realise that's what had happened.
(Core, interview)

I think it's just a totally different way of doing the job than we have ever done.
(Engineering, interview)

2 Middle manager sensemaking and schema change

The big-bang style imposition of a decentralised organisational form (where the organisation as a hierarchy made way for the organisation as multi-divisional) destroyed shared middle manager notions that they were acting for a common purpose. In each of the three divisions, new patterns of clustered sensemaking developed around the changed divisional goals and identities.



Interestingly, however, there was no evidence of a shared interpretation between middle managers in the three groups. Instead, inter-divisional tensions developed as a result of the changes, as individual middle managers sought to build stand-alone profit centres. The pattern of inter-divisional tensions was repeated between the three new businesses in engineering in the form of inter-business tensions.

While the structural changes and resulting staff empowerment were imposed from the top down, nothing was formally done to shape either the management style (control schema) or other aspects associated with the organisational changes such as interaction processes (common purpose schema), or more generally, the culture.

The new modular structure created new patterns of interaction and coordination between middle managers in the three divisions through which they established new (individual) goals through negotiation with each other. These new patterns were developed and sustained by horizontal processes of social interaction between middle managers.

The old schema to do with equality, cooperation, service (keeping the lights on), and technical excellence before cost, were challenged by the restructuring into internal customer supplier divisions.

The new structure rendered existing trustworthy formulas about how middle managers coordinate their work between themselves obsolete. It was no longer possible to develop the future through relation to past experience, but only through current experience and experimentation. There was a loss of meaning, creating ambiguity and uncertainty – a situation that led to active sensemaking.

Instead, middle managers developed their new interpretations through, for example, their direct experience of the behaviour of others, gossip and rumour about senior management behaviour, and shared stories of their experiences and interpretations of the new structure.

The behavioural responses the diarists encountered in others, such as 'defence of turf', 'prima donnas', and 'lack of cooperation', provided feedback on their developing patterns about how the new structure worked. Cooperation was blocked by differences in meaning and a lack of shared communication behaviours.

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Similarly there were visible or symbolic indicators affecting interpretations. The new structure itself with the strategic core developing the company assets through contractual relationships was highly symbolic, leading to early interpretations by people within engineering of their new status as contractors. And there were other physical indicators, such as the centralisation of core division at a different site to engineering and services, the co-location within businesses within engineering, and perceived differences in working patterns, hours and potential job security.

B Phase 2: October 1993 to March 1994 (Time T2): Growing inter-divisional and inter-business tensions

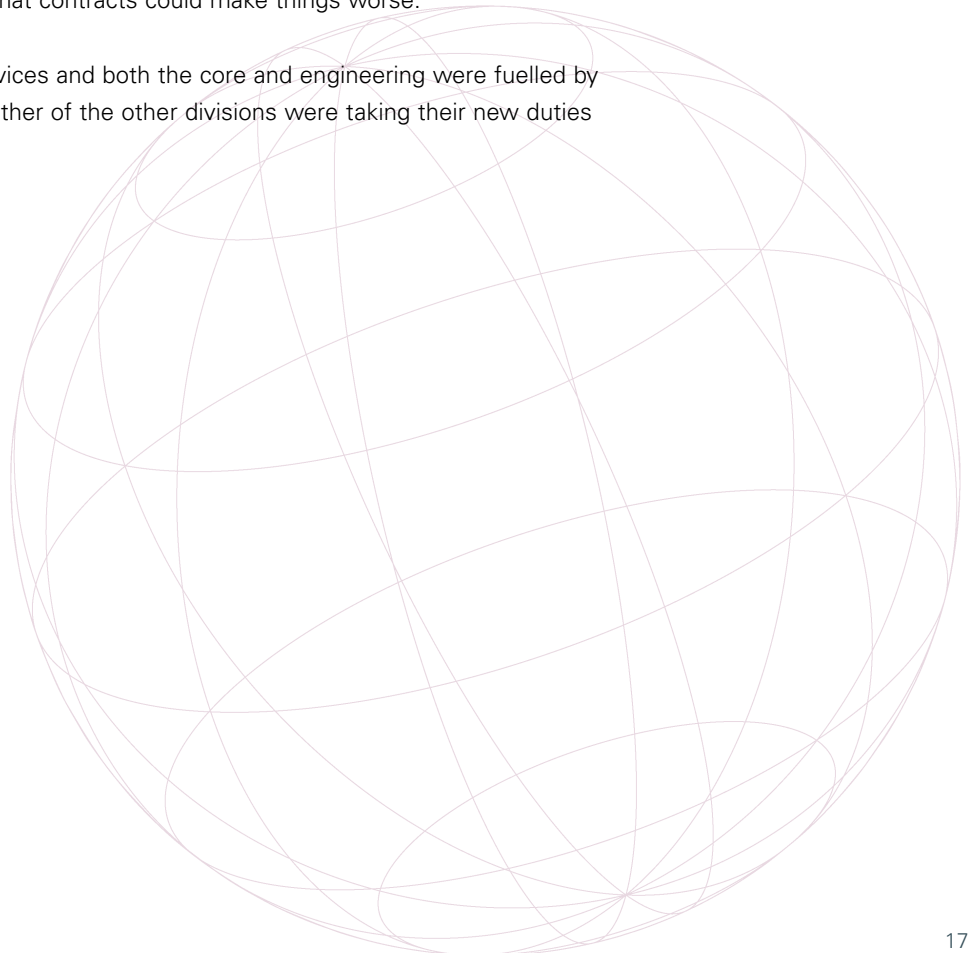
1 On the ground

All three divisions were focused on implementing their required new working practices and systems.

Core division completed its office move. Engineering progressed a number of initiatives: plans to reduce the number of depots were announced; engineer timesheets were introduced; and additional workshops were held for managers to improve understanding of the three business split and forthcoming changes. Devolution of duties continued. Yet these activities had no impact on the 'them and us' between divisions, or between businesses. The activities were internal to the businesses and divisions.

In both core and engineering, the growing perception that the pressure was greater in engineering wasn't helping divisional tensions. Engineering now also believed, like the core division, that contracts could make things worse.

Tensions between services and both the core and engineering were fuelled by the perception that neither of the other divisions were taking their new duties on from services.



Engineering is looking to core and seeing core not doing a great deal at the moment. That's perhaps the most negative thing at the minute. (Core, interview)

The frustration of hearing core staff (who were formerly working in busy unit offices on work now part of engineering) saying they are bored, have nothing to do, whilst we are struggling to keep the business' head above water. (Engineering, diary)

The introduction of formal contracts between core and engineering will cause renewed friction. Core already has the staff needed to police contract conditions. Engineering will need additional resources or increase the workload on engineers. (Engineering, diary)

Engineering staff do not seem to understand the change and appear to want to carry on as before. Operations works closely with engineering on many jobs which has created problems. (Services, diary)

However, the core division diarists were also actively seeking to diffuse tensions. At the interviews in October, and in subsequent actions, it became clear that the core diarists saw the need to liaise and work with their opposite numbers in the other divisions. They preferred to work with their ex-colleagues rather than external contractors.

Everybody I've talked to have said we want to work together... We need to succeed together, there's no way personally I want to see engineering fail... I'd rather keep the contractors internal, because whenever you've got contractors working who are still part of the same company, then they will still protect our interests... In engineering there is still the strong feeling that it is their system, they own the system... if you give it to an outside contractor, who's not got that feeling, he won't show ownership. (Core, interview)

Diarists said they were cooperating despite the problems and a working party was set-up to sort out the division of responsibilities. But there were still on-going arguments between businesses over 'who does what', 'who pays for what' and the 'defence of turf'.

(i) Frustration with the change process

In engineering, and to some extent services, frustration was growing with the change process. It was thought that the business as usual approach needed to end as it was adding to the workload for engineering, which had less staff with on-going exits. Business as usual was construed as an excuse for not taking responsibility for things – both between divisions and businesses. It was also thought that contracts were needed as soon as possible so diarists could determine who was responsible for what.

Engineering was set up to act as a contractor, to carry out work required by core. As a result of that we exited staff accordingly. The problem of the prolonged business as usual is that our staff were exited and core have failed to take on the duties they should have done. Structures and numbers are out of sync. (Engineering, interview)

There must be a change from business as usual if we are to make progress in the future. Core are now masters at claiming it's business as usual. (Engineering, diary)

Lack of knowledge of the contracts in engineering, combined with the lack of detailed output from the review group, led to holes in the design of the new structure. Diarists could still not pin down the duties they were responsible for. Both services and engineering saw the lack of transition management and inter-divisional problem resolution as an issue.

It was hyped up (review group output). I think maybe the skeleton was put together by the review group, but the flesh wasn't put on the bones until way after. It was one of those things, on the 1st of April, the structure will be in place, and it never was. It will take us time to put the flesh on the bones. (Services, interview)

(ii) From control to... control?

The old senior management style was one of top-down control, and blame for mistakes.

*I have to basically ask my Dad on everything that I want to do that's radical...
The power is at the top. If you want things signing, you want things to happen,
you go upwards. (Engineering, interview)*

*They are running an enquiry like, people are going to die when they find out
who caused the problems, and they will be hung at the top of head office and
left there to rot as an example to all of us. (Engineering, preliminary meeting)*

In order to support the changes to a contractual organisation with managers running profit centres, the new changes involved an espoused shift in culture from top down control to delegated authority.

However, by the time of the second phase of change, frustration was growing with the lack of movement towards empowering profit centre managers in both engineering and services and away from the control and blame culture. Although it was an issue for engineering in the first phase, it became a major issue for both services and engineering in the second phase. The lack of movement contradicted the espoused shift to profit centres.

*To be frank I felt more freedom and empowerment prior to the restructuring.
(Engineering, interview)*

*My local initiatives have been kicked into touch², I haven't been allowed
to do local initiatives. (Engineering, interview)*

*They say you can only have 4% overtime, you can't let your foreman take
his van home, you can't sign expense forms of over x... (Services, interview)*

*We get the same thing wrong time and time again, but its no problem
as long as you've got a head on a pole. (Engineering, interview)*

2 Middle manager sensemaking and schema change

(i) The situation

Patterns of clustered sensemaking remained with only small areas of overlap between the divisions.

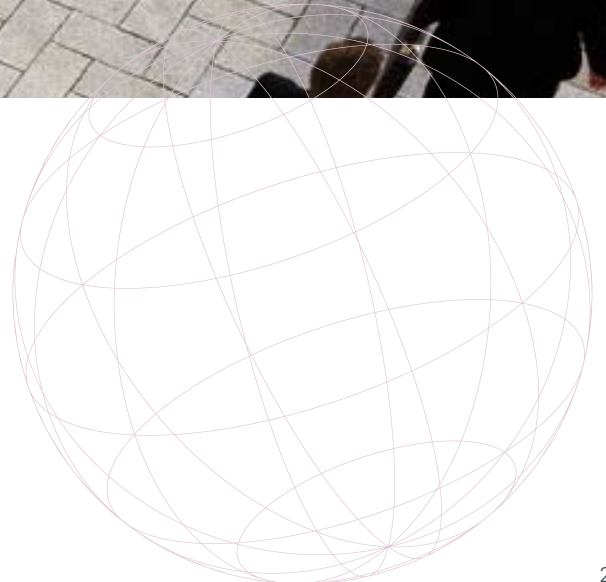
In the core division there was evolution of the inter-divisional relationship schema with a clear desire shown to liaise and work with the other divisions and to resolve inter-divisional tensions.

The main difference between the first and second phase was the evolution of the change process schemata, and the impact of this on the inter-divisional tensions. In engineering, for example, there was resentment about business as usual. Also, a lack of knowledge of who does what created arguments, which, given the antagonistic relationships, prolonged business as usual.

Despite the core division managers' attempts to liaise, inter-divisional (and inter-business) tensions remained. Although the senior managers acknowledged that inter-divisional tensions were undesirable, the diarists saw no signs of planned interventions or attempts by their seniors to resolve the situation.



...continuation
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(ii) Analysis

During the second phase of the change process the 'inter-divisional' and 'inter-business' schemata continued to evolve via horizontal social interaction between middle managers within the context of core division liaison. There was still a lack of vertical interaction with senior managers about divisional and business relationships though, with, for example, the middle managers seeing no output, in terms of actions or communications, from the senior manager inter-divisional quarterly meetings.

Residual conformity meant that managers tended to hang on to the old control schema associated with the old 'organisation as hierarchy' schema. And, while structural change forces may have led to changes in the common purpose schema, they did not eradicate the old rules of hierarchical control between senior and middle managers within the individual new divisions.

In engineering and services, senior managers continued to exercise control over decisions and blame people for making mistakes, rather than thanking them for getting it right. This continuation of the old management style was a problem for the middle managers in these two divisions since it thwarted their attempts to put into practice the move to profit centres by taking local initiatives to develop their businesses.

There was a vertical negotiation process occurring between middle managers and their seniors, with experiences of senior manager actions, such as stopping middle manager initiatives, impacting on middle manager interpretations. However, there was also a set of reinforcing horizontal social processes as the middle managers shared stories about their experiences with each other.

During this time period there was no move from the old schema to new schema.

C Phase 3: April 1994 to July 1994 (Time T3) – Resolution

1 On the ground

(i) Conflict over the change process

By the start of the second year of change, engineering and services were still working on the implementation of their new working practices, but most of the planned changes for the core division were in place. The unpriced shadow contracts were being introduced, starting with the repairs sub-division contract in April.

The implementation of the contracts highlighted confusion over the continuation of business as usual between the divisions. The core division diarists felt business as usual had been and remained necessary, their understanding was that the current year was to be a parallel run of business as usual and the contracts.

It is supposed to be parallel running at the moment with the contracts being used as guidance, black holes being reported... there is supposed to be a period of bedding in of the contracts. (Core, focus group)

Both engineering and services, however, wanted the contracts to end business as usual because of workload issues – and both now viewed business as usual as an excuse. Although engineering and services did acknowledge that business as usual was essential early on.

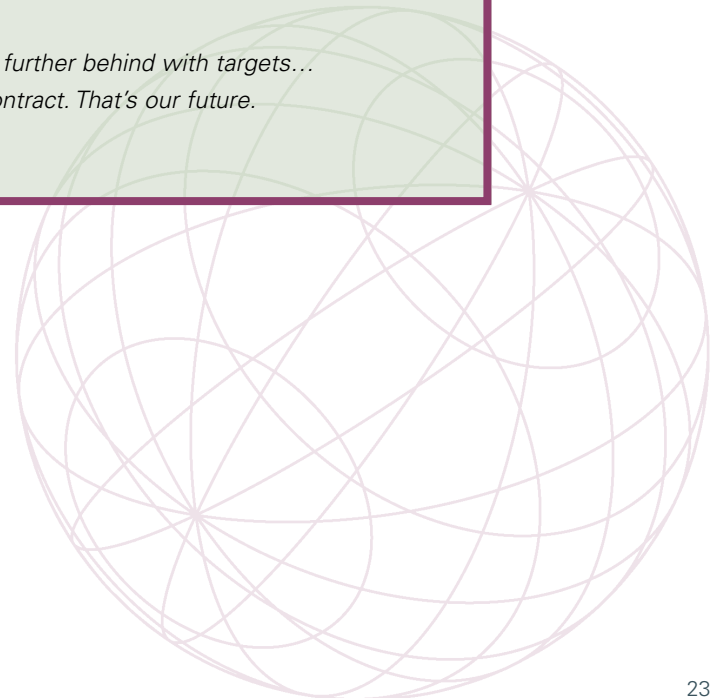
I think it did work initially, and it needed some kind of statement like that, but I think people are using that as a back stop. It's been used as an excuse. (Services, interview)

It's been necessary to keep the job rolling, but in terms of pushing the change forward, it hasn't helped... We've been trying to set ourselves up as a contractor, and... while we're at it, we'll keep core's part of the job going. (Engineering, interview)

Resentment over business as usual was still strong because of the extra work and pressure it placed on engineering and services.

Core can backheel any responsibility they don't want, knowing full well that we'll end up with the customer screaming at us. But we're not staffed to do it... The business as usual is core business activity. We've lost the staff who used to do the work, and core staff numbers included for it, and they've still not taken responsibility for it. (Services, interview)

The result of that is we are getting further and further behind with targets... if we don't meet our targets, we don't get a contract. That's our future. (Engineering, interview)



Given their experiences of unresolved divisional interface issues, and the on-going tensions, diarists in all three divisions now agreed that the lack of transition management for inter-divisional problem resolution had caused and was continuing to cause problems. Also, a lack of detailed output from the review group led to gaps in the implementation.

I think they've got the broad principles right... But they didn't get down to enough detail. They closed the room up when everybody had finished, and just hoped it was all going to work out, and they probably needed some form of over-viewing team, to pull it all together and iron out the wrinkles. (Services, interview)

(ii) Resolution yet tension: The new inter-divisional and inter-business relationship

From core division's perspective, the relationship with engineering was improving, suggesting they could work together through contracts. The engineering focus groups also revealed some improvement in the inter-divisional relationship with the core division as the contracts were implemented. Contracts were bringing an end to business as usual, and resolving who does what, leading to a feeling that the divisions could work together contractually and cooperate. The core division was making efforts to identify and resolve problems with the contracts and to work with engineering.

"There was a lot of doom and gloom about the contracts at the last meeting... The problems that have been seen by other managers in engineering with the repairs contract, certainly seems to have changed... They have been a lot more involved with the other contracts and actively seeking information to brief down to staff so that they are ready when it is actually negotiated and goes in." (Core, focus group)

"Contracts, the reason that is effective, is because we know what the hell we should be doing at last... There are still problem areas... but generally we now know where we're going, who should be doing what. So that's good." (Engineering, interview)

"They are making life a heck of a lot better because we have got things down in black and white now... core are actually admitting that there are grey areas, and they are saying well let's put them down and we'll get them right for next year." (Engineering, focus group)

Earlier problems were not forgotten however, and the on-going change process issues, such as business as usual, meant that tensions remained between the divisions.

I could write a book on it. Some of the things that were said at senior manager level within the first two or three months... Such as we're here to make sure that engineering deliver, we're going to grind the so-and sos down, I've paraphrased that."
(Engineering, interview)

Although there was less tension between engineering and services, there was less improvement in relationships between the core division and services. The core division's newly centralised customer liaison department was the main interface with services.

Centralisation had taken longer than expected and was proving harder to accomplish in terms of developing common working practices. As a result, the department was not picking up work that services believed they should be taking on, prolonging business as usual as well as service's resentment of the core division.



Since engineering interfaced with other parts of the core division as well as this department, there was more scope for an earlier reduction in business as usual.

There were concerns in all three divisions discussed at the focus groups about the impact of the inter-divisional tensions on customer service standards. Response times were slipping. The inter-business tensions within engineering also remained, although it was thought that the contracts would reduce the issues of who does what and who pays for what.

(iii) Control not empowerment

Cultural issues also remained a theme. Diarists in engineering and services continued to experience senior manager control and blame for mistakes rather than thanks for doing well. The core division diarists consistently pointed to a continuation of control in the other two divisions, but presented a mixed picture of movement against this in their own division with some talk of managers who still operated through the old management style while others experienced more open management – particularly from their divisional director.

I think we still do have a blame culture. There seems to be an insecurity all the way up the management ladder... When things go wrong you feel that edginess... There is still a lot of management information that is sucked up, primarily to surround yourself with some facts and hope that nobody is going to pin it to you.
(Services, interview)

2 Middle manager sensemaking and schema change

As the implementation of the contracts facilitated different conversations and negotiations among middle managers across the divisional interfaces, so patterns of shared yet differentiated sensemaking developed with more commonality in the content of the different divisional schemata.

This enabled contractual cooperation around new compatible, yet different, divisional goals. The commonality between services and engineering was strong, both in terms of the change process and organisation schema. A shared contractor schema was developing, whereas the core division was developing a business owner schema.

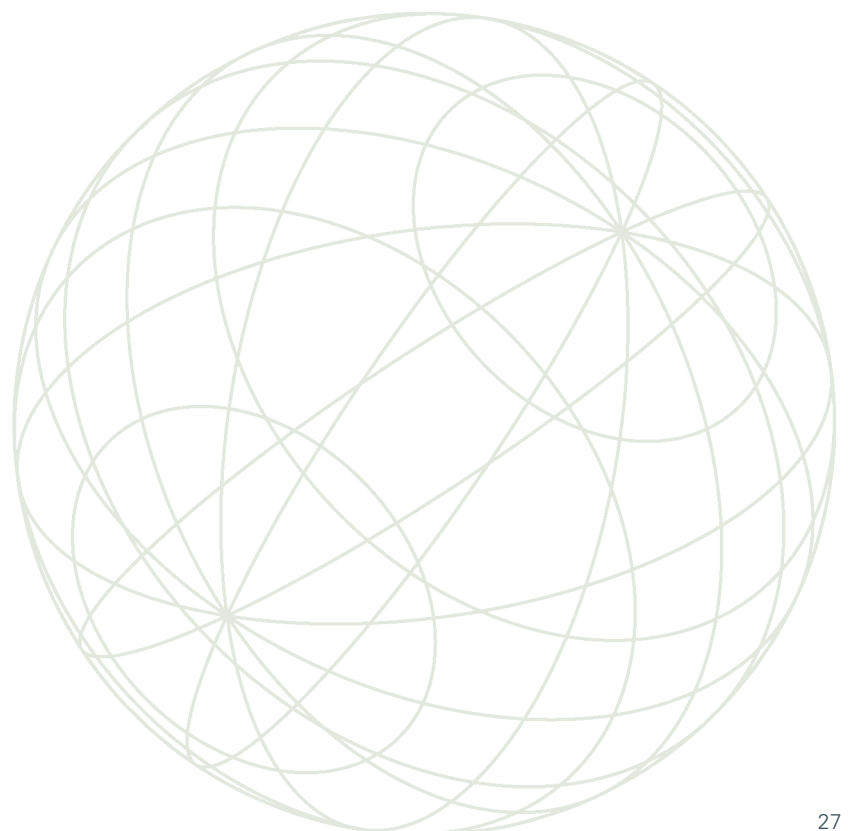
The core division had sympathy for the issues facing the other two divisions, but saw the second year as a parallel run of contracts with business as usual since this matched their needs. Thus there was still conflict between the change process schemata of the divisions. Although cooperation was developing through the contracts, both between divisions and businesses, tension remained as the different divisional (business) middle manager groups strived to meet their different goals and protect their different interests. This also affected customer response times. In addition, there was no shift away from the control and blame culture in engineering and services.

Therefore, in the third phase of change we saw further development of the inter-divisional and inter-business relationship schemata. Middle managers went through a process of re-identification, but with the new goals of their different divisions and businesses.

More commonality in content of the inter-divisional and business schemata developed through on-going horizontal processes of social interaction between middle managers around the contracts, leading to patterns of 'shared yet differentiated sensemaking'.

In terms of the control schema, however, there was still residual conformity, with complaints in engineering and services about the continuation of the old management style growing rather than abating. The core and engineering inter-divisional schemata showed more similarities and movement towards a cooperative contractual relationship than services.

...in the third phase of change we saw further development of the inter-divisional and inter-business relationship schemata.



sensemaking and organisational change

The research looked at organisational change in a utility company from a middle manager perspective during an imposed shift from hierarchy to a modular organisational form. In doing so it identified the patterns of change in those clusters of thematically related knowledge (schema) which act as reference frameworks for individuals trying to make sense of the changing environment around them. The research also attempted to understand how middle manager sensemaking informs the schema development process, and consider the relationship between schema change and restructuring.

The study helps us to better understand organisational restructuring from the point of view of middle managers as 'change recipients' – those who are being told to change, but who have had no influence in the decision. They have the difficult challenge of grasping a change they did not design, and negotiating the details with others equally removed from the strategic decision-making.

There were four time intervals involved.

At the beginning of the process there is shared understanding around the old ideas of 'organisation as hierarchy – common purpose'.

During the first phase of change (Time T1) the sudden imposition of a new modular organisational form introduces differentiation leading to the breakdown of a sense of common purpose and de-identification. The restructuring creates sensemaking fault-lines between the new organisational groups, which have to be resolved through processes of intergroup negotiation. Shared sensemaking is replaced with clustered sensemaking around new divisional 'organisation as multi-divisional – inter-divisional relationships' schemata, and a change process schema is introduced.

Over time these differences in schemata are, to some extent, resolved. Patterns of shared yet differentiated sensemaking develop through core division liaison in phase two of the change (Time T2) and contract implementation (Time T3). The new organisational units start to coordinate their activities in new ways, yet also adjust to their individual goals. By the time of the third phase engineering and services are moving to a 'contractor' position and the core division to a 'business owner' position. However, particularly in engineering and services, we also see residual conformity to the old control schema, more consistent with the former hierarchical ways of working.

Making sense of change

So how do middle managers make sense of the changes, and what is the relationship between managers' sensemaking and the way the restructuring develops?

Clearly there was a lot of experimentation by middle managers in the absence of a clear and shared view of how the new structure was to be operationalised. They used social processes of interaction – both vertical and horizontal, but as expected, given the vertical structural barriers, most of the interaction occurred horizontally between the middle managers.

The nature of the relationships that developed and the way the new structure operated were determined by the middle manager processes of interaction. The outcomes of change – the inter-divisional and inter-business tensions – leading to reduced customer response times, were not those intended by senior management.

Middle manager sensemaking occurred primarily outside of senior management control. This may be because, as here, the middle managers are largely remote from senior management. Yet the delayering that often accompanies decentralisation removes hierarchical barriers between senior and middle managers, simultaneously reducing opportunities for interaction up the management chain. The middle manager lateral processes, which have so far received less attention, are therefore critically important.

It is not only the formal lateral processes that play a significant role in schema change, but also the multiple and largely informal conversational vehicles – stories, gossip and rumour; behaviours and actions; discussions and negotiations; and sharing of personal experience and interpretations of change interventions. It is the actions, behaviours, gestures, and language of peers and their shared personal experiences and interpretations that have a more direct impact on change outcomes, and therefore on the way the structural blueprint designed by seniors works in practice.



conclusion: implications for practice

Many more organisations are likely to make the organisational transition from hierarchical structures to more modular flatter structures with consequent empowerment of employees. This research provides an insight into the challenges of managing the change process in such circumstances, and also in organisational restructuring exercises in general.

In particular it highlights a number of important insights into the process of change, the possible pitfalls, and the issues that need addressing:

- The role of middle managers is likely to become far more important than it is at present.
- Moves to more modular organisational forms, and restructuring in general, introduce fault-lines between previously integrated organisational units. These units need to bridge these fault-lines to co-evolve, whilst simultaneously evolving internally to adapt to their new, more independent goals.
- Attention to design and transition management is essential for the interfaces as well as the individual units. When senior managers redesign their organisations they need to consider the social factors alongside the other aspects of work settings.
- Replacing old patterns of understanding with new ones enforced by the imposition of structural change has advantages, as there is no going back. However, in the absence of extensive up-front design, middle managers become responsible for implementing the changes and making them operational and there are issues about how the business is kept going in the meantime.
- A relocation sequence, in which new structures are put in place gradually, resolves the transition management issue but allows for incomplete adoption of the plans and possible derailing of the process.
- There is an assumption that senior management can direct change, however, while the actions of senior managers may influence the relationships and understandings negotiated between people in the new structures, it is doubtful to what extent senior management can manage this process, particularly in larger, geographically dispersed, modularised organisations.
- If senior management wants to exert an influence over the way the change process develops it needs to pay attention the lateral processes that middle managers engage in that shape the outcome of change – peer interactions, for example.
- Change leaders, at all levels, must tap into, monitor, and understand the multiple interpretations that are developing among recipients during the change process. They must understand why these interpretations are developing and the outcomes to which they are leading, so that appropriate actions can be taken.

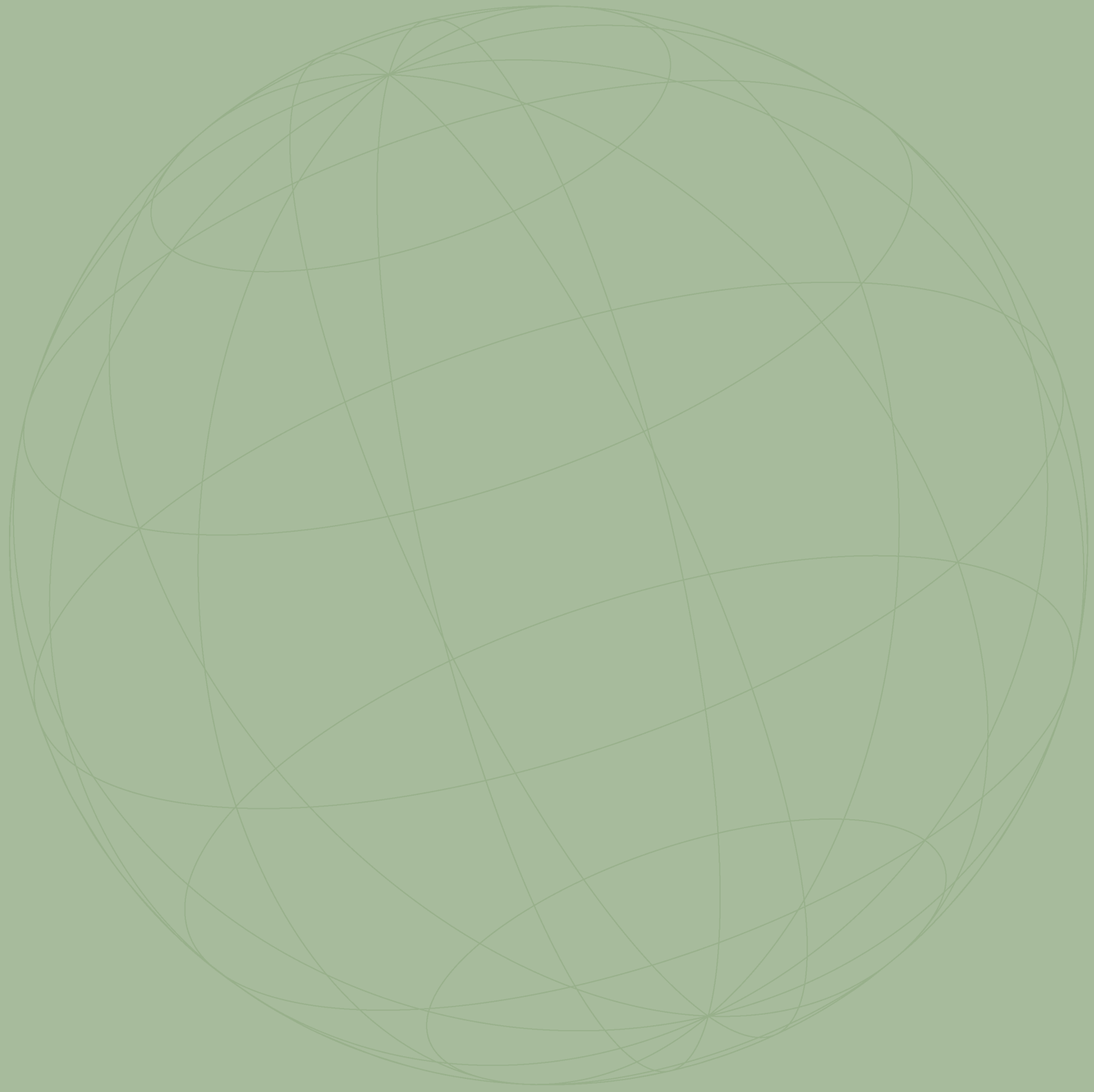
Tracking change is not always easy, however, the research methods used for this study provide an example of how multiple interpretations and gaps impacting on the original strategic plans can be identified as they arise.

At the same time the organisation will need to commit specific transition management resources and interventions in order to track the progress of change, resolve design problems as they occur, and facilitate the resolution of conflict.

The role of middle managers is likely to become far more important than it is at present.

¹ Poole, P., Gioia, D.A. and Gray, B. (1989) Influence modes, Schema Change, and Organisational Transformation. *Journal of Applied Behavioral Science*, 25: 271-289.

² Change initiatives were stopped by the senior managers.



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