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Re-conceiving Change Management: A Knowledge-based Perspective

JULIA BALOGUN, *Cranfield School of Management*
MARK JENKINS, *Nottingham University Business School*

This paper argues that for us to advance our thinking on the management of change, it may be useful to re-conceive of change as a process of knowledge generation. For organisational transformation to occur, an organisation's members need to evolve new tacit knowledge about the way they interact both with each other and external stakeholders, and how they co-ordinate their activities. We use a case study of organisational transformation to illustrate how concepts from knowledge generation can be used to reframe some of the typical issues that arise, and make suggestions for practice.

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Introduction

Many organisations, due to a decline in competitiveness, challenges from new entrants in their markets, or a perceived longer-term change in the nature of their industry, attempt to undertake transformational or strategic change – change that involves significant alteration to strategy, structures, systems, processes, and ultimately culture. However, there is still a high failure rate. Explanations offered for this often centre on culture and politics, or a misunderstanding of the dynamics of change. However, it is also possible that existing models do not adequately capture the complexity of the change process from the perspective of the change recipients, and we need to consider alternative theoretical perspectives to help us view change in different ways.

The central argument of this paper is that change can usefully be conceived of as a process of knowledge generation. Furthermore, there is a growing body of theory on organisational knowledge, incorporating a set of established concepts both for understanding the nature of knowledge in organisations and how new knowledge may be created and shared. Thus the concepts from this field may be able to offer some ideas on change could be 'managed' differently. The key to identifying change as a process of new knowledge creation is the link between culture and strategic change. At the root of organisational cultures are a set of shared assumptions and beliefs (Schein, 1985), or shared beliefs and *knowledge* (Nonaka and Takeuchi, 1995). The shared assumptions and beliefs can be likened to tacit knowledge, since they are taken-for-granted and rarely voiced explicitly. Individuals acquire them via a process of osmosis, by learning from others, when they start to work in an organisation (Sathe, 1983). These assumptions and beliefs underpin the routine and often unwritten and informal ways of behaving in an organisation. For strategic change to occur, the routines and their associated meanings have to evolve.

To think about strategic change in terms of knowledge generation challenges the way we conceive of change processes. This paper first sets out the case for viewing change management as a process of knowledge generation. It then presents a case study of organisational change that illustrates many of the typical issues encountered during planned organisational transitions, and uses some of the central concepts from the field of organisational knowledge to analyse the case. We show that concepts such as component and architectural knowledge (Henderson and Clark, 1990), codification and diffusion, redundancy (Nonaka and Takeuchi, 1995), and enabling context (Von Krogh *et al*., 2000) can be used to account for some of the issues that arise as change progresses. This analysis is extended to consider the implications for managing change in organisations.

Strategic Change as a Process of Knowledge Creation

How strategic change occurs in organisations has attracted much interest over the last two to three decades, with many competing explanations and models. There is a strong focus on culture and politics as significant impediments to change (Pettigrew, 1985; Johnson, 1987; Dawson, 1994). Transformational change is not something that should be undertaken lightly. Yet managers of organisations continue to face circumstances in which they need to lead change on an intentional basis, be it to keep pace with fashions and fads such as total quality and business process re-engineering, or to attempt to reverse a decline in competitiveness. Burnes (2000) cites a series of surveys conducted throughout the 1990s that show organisations undergoing a range of changes such as downsizing, corporate restructuring, and culture change. Many managers want to transform their organisations on a planned basis. And history would suggest that some organisations achieve this. Well known examples include British Airways and SAS (Scandinavian Airlines) in the 1980s, GE and ASDA (the British supermarket) in the 1990s. On the other hand, there is also a high failure rate for change processes. Beer and Nohria (2000) suggest a failure rate as high as 70 per cent for organisational change initiatives in general.

Increasingly, the feasibility of ‘managing’ change is being questioned. We have recognised the central role of sensemaking in change (Isabella, 1990), and how this challenges the way we conceive of managing change. Change cannot be reified as something ‘done’ to individuals (Balogun and Johnson, 1998), since individuals play an intrinsic role in shaping change outcomes. The extent to which culture change can be consciously managed is questionable (Willmott, 1993). This does not mean that organisational cultures cannot change, but rather that they may change in a more emergent and evolutionary way than would be suggested by planned models of change (Ogbanna and Harris, 1998). Yet in practice it is still common for change to be seen as something that can be placed on individuals. Change is about issuing objectives and instructions and ‘explaining’ to individuals how they need to change.

An alternative perspective is to view change management as a form of knowledge generation. It is widely accepted that there are two levels of knowledge – explicit knowledge and tacit knowledge. Explicit knowledge is easy for individuals to communicate and share via words and numbers. It can, therefore, be encoded or explained and passed on. Tacit knowledge is personal and hard to communicate with others since it is hard to formalise or write down (Nonaka, 1991). Tacit knowledge may include insight and intuition, and is ‘deeply rooted in an individual’s action and experience, as well as in the ideals, values or emotions he or she embraces’ (Nonaka and Takeuchi, 1995, p. 8). It is context specific. Whereas explicit knowledge is to do with ‘know what’, tacit knowledge is about ‘know how’ (Seeley Brown and Duguid, 2001). ‘Know how’ is embedded in action or social practice and is hard to get at outside of the context in which work is done and working life is played out (Suchman, 1987; Lave and Wenger, 1991; Seeley Brown and Duguid, 2001). This leads to the notion that tacit knowledge needs to be converted into explicit knowledge to be shared outside a community of practice (Nonaka and Takeuchi, 1995). However, explicit knowledge is only useful when the tacit knowledge to make it work is also known (Seeley Brown and Duguid, 2001).

Nonaka (1991) argues that Western management still favours the machine metaphor for organisations, which leads to a view of knowledge as formal and systematic, captured in codified procedures. This can be seen in the way many organisations conceive of change and therefore communication during change. At one level it is recognised that individuals need to translate desired new organisational ways of working into specifics for their own personal ways of working. However, this is not equated with the need for individuals to develop new tacit knowledge or knowhow about the way they do their work and carry out their roles. The tacit component of the knowledge which individuals have about the way they work and interact together and carry out their jobs is not recognised in the way it would be if taking an organisational knowledge perspective. Change is not seen to involve change recipients in a process of innovation and creativity, or even experimentation, in which they need to somehow surface their existing tacit and embedded representation of their work and their organisation and alter it to create a new (tacit) way of working aligned with the new goals and vision for the organisation. Recipients are conceived of in a passive sense, summed up by the use of the term ‘recipients’, rather than as active creators and shapers of the future organisation.

A knowledge-based perspective on organisations is consistent with the view of organisations as cultures (Smircich, 1983). Culture is most commonly defined after Schein (1985) as the set of assumptions and beliefs held in common and shared by an organisation’s members. Culture is ‘a stock of knowledge that has been codified into a pattern of recipes for

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