



## Management Focus

# The Practice of Organizational Restructuring: From Design to Reality

JULIA BALOGUN, *Cass Business School, London*

Organizational restructurings are commonplace, put in place by many senior management teams as part of a wider strategic change to create alignment between ways of working and a new strategic intent. Yet we know little about how these restructurings are implemented and delivered by the middle managers often charged with making the senior manager blueprints a reality. This paper argues that for us to appreciate the way restructuring works in practice, we need to recognise that any shift in organisational form requires an accompanying cognitive orientation. The paper discusses the implications this raises for practice.

© 2007 Elsevier Ltd. All rights reserved.

**Keywords:** Restructuring, Middle Managers, Strategic Change, Schema Change, Strategy as Practice

## Introduction

Restructuring is a common phenomenon, undertaken by many organizations on a regular basis (Whittington, Pettigrew, Peck, Fenton, Martin, 1999; Mayer *et al.*, 2003, 2004; Whittington *et al.*, 2007; Whittington *et al.*, 2004). This restructuring can be driven by a number of strategic considerations, such as a desire to adopt new, more flexible and modular organizational forms to respond to an increasingly dynamic business environment (Schilling and Steensma, 2001), or the need for more globally integrated ways of working (Rugman and Hodgetts, 2001), or just

the need to improve business performance through cost reductions or productivity gains (Balogun and Hope Hailey, 2003). For these new structures to work, the structural blueprints designed by senior managers have to be put into practice by others, since new structures require not just a reorganization of individuals on a structure chart, but actual changes in ways of working for the design principles behind the new structure to become a reality (Porras and Robertson, 1992). Yet the focus on the role of senior managers in change research means we know little about the role of these “others” during re-structuring initiatives (Balogun, 2003; Balogun and Johnson, 2004, 2005). Middle managers in particular are likely to be key since they are often those tasked with making senior management plans happen (Floyd and Wooldridge, 1994, 1997) – although in imposed change these managers are as much recipients as they are implementers of senior manager wishes. They have to grasp something they did not design and negotiate the details with others equally removed from strategic decision making. The research reported here therefore examines the implementation of a shift in organizational structure from a traditional hierarchy to a more modular organizational form from the perspective of middle managers rather than senior managers to understand the issues involved in operationalizing a new structure in practice. Consistent with the growing field of strategy as practice (Balogun *et al.*, 2007; Jarzabkowski, 2005; Jarzabkowski *et al.*, 2007; Johnson *et al.*, 2003; Whittington, 2006) the research seeks to understand the actual activities associated with restructuring initiatives and builds implications from this for managerial practice.

The research site was a recently privatized British Utility, Utilco, implementing strategic change involving a shift in structure to a more modular organizational form in response to increasing regulation. The research examines how middle managers interpret senior manager design and actions and why, and how these interpretations in turn shape the way the new structure actually operates. In other words, the research studies the middle manager "sensemaking": how the middle managers build an understanding of what the new structure means for them, their work, roles and responsibilities. In order to achieve this it identifies the schemata, the mental maps or memory models individuals have about their organization and their world more generally, prior to the restructuring, and how these mental models develop and change during the restructuring. Whilst this research focuses on a particular example of restructuring, this example includes issues that many organizations encounter. The nature of the restructuring in which new divisions are created out of an older, established division with an intent for this structure to support a radically different way of working, and the way the restructuring is implemented, through the top-down imposition of a structural outline which requires those within the structure to complete the detail of the design as they work within in, are characteristic of many restructuring initiatives. The case study should therefore be seen as an illustration that reminds us of the problems and issues that commonly arise during restructuring and therefore the lessons we should extract. The key findings are that:

- ❖ Restructuring to new organizational forms requires an accompanying *cognitive reorientation* from middle managers.
- ❖ When introducing differentiation into a previously homogeneous structure, cognitive reorientation occurs through a shift from *shared sensemaking* accompanied by a "deidentification" from common goals and identities, to *differentiated sensemaking* with "reidentification" with new more interdependent goals and identities.
- ❖ During this cognitive orientation individuals pass through a phase of *fractured sensemaking* in which they edit senior manager designs through their interpretations.
- ❖ Particularly in decentralized organizations, such as the one studied here, middle manager interpretations are shaped as much by the more informal social processes of interaction occurring between themselves, as they are by senior manager communications and actions. This has implications for the degree of control senior managers can actually exercise over how change develops.
- ❖ Attention is, therefore, required to both formal and informal aspects of new structure design. This is particularly true in terms of interfaces between the different components of a new structure.

This paper first explains what we know about middle managers and change, and describes the research

study. It then moves on to consider the key observations from the research and the implications these raise for practice. The paper concludes with a consideration of some of the design traps senior managers fall into when developing new organisation structures.

## Middle Managers and Change: Their Undervalued Contribution

Whilst there is a stream of research dating back to Bower (1970) looking at the strategic role of middle managers, most research on strategy and strategic change continues to focus more on upper echelons (Balogun *et al.*, 2007; Jarzabkowski *et al.*, 2007). Thus despite a growing volume of work (for example, Balogun and Johnson, 2004, 2005; Floyd and Wooldridge, 1994, 1997; Huy, 2001, 2002; Rouleau, 2006) arguing for a recognition of the strategic contribution middle managers can make, middle managers continue to be thought of in traditional terms; as "linking pins", or a conduit, connecting senior managers with the rest of the organization and relaying senior manager orders in an unquestioning fashion. Middle managers are also still subject to much criticism as resistant, foot dragging, self seeking, saboteurs of change (Balogun, 2003). Thus although we know that these characterizations of middle managers are unfair, and that middle managers do indeed make an important contribution, their role and potential contributions remain undervalued. Given that these managers do indeed play a pivotal role, (something the notion of "linking pin" does at least capture), we need to understand more about the nature of their "work" in different types of strategic situations, such as different forms of change, and what, therefore, more senior managers can do to facilitate this activity given that it is likely to be critical to the change outcomes achieved.

## Change as a Cognitive Reorientation

Whilst new structures might create cognitive order and alignment with strategic organizational goals and environmental shifts for top executives, it also creates a schism between top managers and their subordinates (McKinley and Scherer, 2000). It creates uncertainty for the subordinates in terms of how things are to be done in future, and presents managers outside of the top team with the conundrum of how to make the new structures "work". In addition, the more radical a new structure, the more it will require a shift in the mental models, or *schemata*, of organizational members about "the way things are done around here". Thus we cannot appreciate the true implications of restructuring unless we see it as a process of "cognitive reorientation", requiring a shift in not just administrative mechanisms, but also the informal side of organizations, such as assumptions and beliefs about the nature of work

Download English Version:

<https://daneshyari.com/en/article/1015330>

Download Persian Version:

<https://daneshyari.com/article/1015330>

[Daneshyari.com](https://daneshyari.com)