COLIN CARNALL & RUNE TODNEM BY

Sixth Edition

MANAGING CHANGE IN ORGANIZATIONS

ALWAYS LEARNING

PEARSON

COLIN CARNALL & RUNE TODNEM BY

Sixth Edition

MANAGING CHANGE IN ORGANIZATIONS

Managing Change in Organizations – now in its 6th edition - provides a practical and thorough overview of how effective change can be achieved in organizations. At its core is an acknowledgement of change being about people and culture as much as structure and process.

Managing Change in Organizations takes a strategic approach, outlining guidance and techniques for planning and implementing, evaluating and learning from organizational change. Utilising theory and examples that the authors find helpful when advising organizations and delivering programmes on organizational change, *Managing Change in Organizations* presents models and frameworks for change that are appropriate for the complex and fast-moving challenges of contemporary organizations.

The text is ideal for advanced undergraduates, MBA and postgraduate students on courses in managing change, organizational change, leadership and organizational behaviour.

In particular this 6th edition has been revised to provide:

- newly developed case studies with an additional international focus, written by a range of eminent subject specialists
- easy navigation through a 5-part structure which covers the theories and themes, techniques and models of change management
- a focus on both traditional models and the latest theory as well as critical perspectives of change
- a model of Strategic Convergence to address the complexity of multiple change initiatives running concurrently
- questions and exercises to enable readers to test and apply their knowledge, skills and techniques

Colin Carnall is Director of Executive Education at Cass Business School, City University, where his fields of interest and expertise include leadership development and strategic change. Colin has played a pivotal role in the development of change management as an academic subject area at leading business schools, and he is an active practitioner and consultant in the field.

Rune Todnem By is Professor of Organisational Behaviour and Academic Group Leader (Organisational Behaviour, Leadership and Change) at Staffordshire University Business School. He serves as Editor-in-Chief of Journal of Change Management and is the co-editor of The Psychology of Organizational Change (2013), Organizational Change, Leadership and Ethics (2013) and Managing Organizational Change in Public Services (2009)

ISBN 978-0-273-73641-7

9 780273 736417

www.pearson-books.com

Front cover image: © Getty Images

Managing Change in Organizations

PEARSON

At Pearson, we have a simple mission: to help people make more of their lives through learning.

We combine innovative learning technology with trusted content and educational expertise to provide engaging and effective learning experiences that serve people wherever and whenever they are learning.

From classroom to boardroom, our curriculum materials, digital learning tools and testing programmes help to educate millions of people worldwide – more than any other private enterprise.

Every day our work helps learning flourish, and wherever learning flourishes, so do people.

To learn more, please visit us at **www.pearson.com/uk**

Sixth edition

Managing Change in Organizations

Colin Carnall and Rune Todnem By

PEARSON

Harlow, England • London • New York • Boston • San Francisco • Toronto • Sydney
Auckland • Singapore • Hong Kong • Tokyo • Seoul • Taipei • New Delhi
Cape Town • São Paulo • Mexico City • Madrid • Amsterdam • Munich • Paris • Milan

Pearson Education Limited

Edinburgh Gate
Harlow CM20 2JE
United Kingdom
Tel: +44 (0)1279 623623

Web: www.pearson.com/uk

First published 1990 (print)
Second edition published 1995 (print)
Third edition published 1999 (print)
Fourth edition published 2003 (print)
Fifth edition published 2007 (print)
Sixth edition published 2014 (print and electronic)

ISBN: 978-0-273-73641-7 (print)
978-0-273-73643-1 (PDF)
978-0-273-78049-6 (eText)

British Library Cataloguing-in-Publication Data
A catalogue record for the print edition is available from the British Library

Library of Congress Cataloging-in-Publication Data
A catalog record for the print edition is available from the Library of Congress

10 9 8 7 6 5 4 3 2 1
18 17 16 15 14

Print edition typeset in CharterITCStd 9.5/12.5 pt by 75
Print edition printed and bound in Malaysia

NOTE THAT ANY PAGE CROSS-REFERENCES REFER TO THE PRINT EDITION

Brief contents

Contents

Preface

Organizational change and its management remains an important and challenging dimension to all organizations—being private, public or third sector. Having a wide range of theories, approaches and models available to us, it is important to take stock and ensure we apply what is most appropriate in any given context. As with leadership more generally, there is no one right way when it comes to organizational change. However, we need to be courageous and bold. We must be able to make decisions, take risks and welcome potential failure as learning opportunities. And we need to celebrate and institutionalize success. Most importantly, we must never forget that change is about people and culture as much as structure and process.

This 6th edition includes two most significant changes. First, this book is now a collaborative venture. The original author is joined by a co-author. Second, we have invited a number of colleagues to contribute case studies. This has allowed us not only to increase the range of case studies included in this edition but, importantly, it has also enabled us to add a significantly more international flavour to the mix. We hope that our readers will gain from both these changes.

In this edition we have updated much of the theoretical material. Nevertheless, our approach remains that of including theory we find helpful when advising organizations and when delivering programmes on organizational change.

We gratefully acknowledge the contribution of the hundreds of executives and others with whom we have worked over the years. We also acknowledge the authors of the case studies who you will find listed following this preface.

Colin Carnall and Rune Todnem By
Westerham, Kent
April 2014

Acknowledgements

Authors' acknowledgements (in alphabetical order)

We would like to thank the following colleagues for their case study contributions:

Andrés Hatum, IAE Business School, Universidad Austral
Andrew M. Pettigrew OBE, FBA, Said Business School, University of Oxford
Anni Hollings, Staffordshire University Business School
Chris Taylor, Taylor Knight Associates
Dylan Tutt, HaCIRIC Reading, University of Reading
Einar Iveroth, Uppsala University
Eric Lofquist, BI Norwegian Business School and NHH Norwegian School of Economics
Fay Giæver, NTNU (Norwegian University of Science and Technology)
Josefina Michelini, IAE Business School, Universidad Austral
Joseph Lyons, Air Force Research Laboratory
Ken Eason, Loughborough University/The Bayswater Institute
Marc Day, Henley Business School, University of Reading
Matthew M. Mars, McGuire Center for Entrepreneurship, Eller College of Management, The University of Arizona
Mike Dent, Staffordshire University
Ole Hope, NHH Norwegian School of Economics
Patrick Waterson, Loughborough University
Rebecca Newton van Dijk, London School of Economics and Political Science
Rolf van Dick, Goethe University
Sarah E. A. Dixon, Xi'an Jiaotong-Liverpool University (XJTLU)

Publisher's acknowledgements

We are grateful to the following for permission to reproduce copyright material:

Tables

Table 2.1 from *Walton, R.E. 'From control to commitment: transforming work-force management in the USA' in Clark, K., Hayes, R.H. and Lorenz, C. (eds) The Uneasy Alliance: Managing the productivity-technology dilemma*, Harvard Business School Press (1985), Reprinted with permission from Harvard Business School Publishing; Table 14.1 from *Personal Development*, John Wiley & Sons (Juch, B. 1983), © John Wiley & Sons Limited. Reproduced with permission; Table 16.1 from *The Neurotic* Organization, Jossey-Bass (Miller, D. and de Vries, K. 1984), Copyright © 1984, John Wiley and Sons. Reproduced with permission.

Text

Case Study on pages 12-14 from 'The Rise and Fall of Yukos: A Case Study of Success and Failure in an Unstable Institutional Environment', *Journal of Change Management*, 10 (3), 275-292 (Dixon, S. and Day, M. 2010), Reprinted by permission of the publisher (Taylor and Francis Ltd, http://www.tandf.co.uk/journals); Case Study on pages 107-11 from 'The consequence of underestimating stakeholder power during change: the Avinor case' by Eric Lofquist, Associate Professor, BI Norwegian Business

School and Adjunct Professor, Norwegian School of Economics (NHH); Case Study on pages 117-9 from Ken Eason, Mike Dent, Patrick Waterson and Dylan Tutt, Reproduced with permission from Ken Eason, Mike Dent, Patrick Waterson and Dylan Tutt; Case Study on pages 154-7 from Einar Iveroth, Uppsala Universiteit, Reproduced with permission; Case Study on pages 252-4 from Fay Giaever, Norwegian University of Science and Technology, Reprinted with permission; Case Study on pages 335-8 from Andrés Hatum, IAE Business School, Universidad Austral, Argentina; Andrew M Pettigrew, Said Business School, University of Oxford and Josefina Michelini, IAE Business School, Universidad Austral. Argentina, Reproduced with permission from Andres Hatum.

In some instances we have been unable to trace the owners of copyright material, and we would appreciate any information that would enable us to do so.

PART 1

Organization change: setting the context

Chapter 1

The challenge of change

Introduction

We have all been told that organizational change is complex and that it hurts (By, 2005). Some have even compared the emotions felt during organizational change to those of grieving when losing a close one (see, for example, McGuire, By and Hutchings, 2007). We have all been told time and again that about 70 per cent of change initiatives fail. But is this really so (Hughes, 2011)? And how do we define change and failure?

Change is indeed challenging to implement successfully because the full consequences are hard if not impossible to predict, even harder to track and can, therefore, create a dynamic all of their own. Change is difficult because it is all about people! You are bound to create some waves and upset by suggesting, initiating, implementing and managing change. Even dreaming about change can prove challenging. Everyone in a position of initiating and leading change are bound to challenge comfort zones and step on toes. But can we step on those toes without causing major bruising?

We all need to gain an understanding about human nature, behaviour and feelings represented on the 'receiving' end of change. We also need to gain a greater understanding of the motivations for change. Is change management and its terminology all a bit of a 'get-out-of-jail card' that in some instances is utilized in order to cover up for a lack of clear and decisive decision making, sensible leadership and followership? Is change management about us and them (leaders versus followers) and keeping this hierarchy in some sort of balance? Or is change management all about creating CV-building opportunities for the ambitious individuals rather than doing what is in the best interest of the overall organizations and the majority of stakeholders?

Do you know of any organization which has not experienced substantial change in the last 18 months or so? Would anyone like to argue that we are not living in a period of rapid, continuous and simultaneous change? Is it not true that we are living in an era through which dramatic changes in society (e.g. the Global Financial Crisis and the Arab Spring) and of productivity, technology, brand, image, workforce, market, funding and reputation are commonplace? Hence, not being able to successfully lead, manage and follow/support change is not really an option no matter how hard/challenging/unpleasant/uncertain/unsettling it may be. Having said that, we should not forget about the very valid option of not changing in certain circumstances. Change for the sake of it is hardly a winning formula and can often lead to organizations being (much) worse off after a change process than before. Some will say 'yes' to the questions above but then query the longer-term consequences.

The above mentioned questions are the easy ones and we don't give enough attention to the wider questions surrounding the implications of change and its management. What kind of organizations are we creating? What kind of organizations do we want to work in and with? Do we devote enough attention to the long-term and ethical consequences of our actions and decisions (By and Burnes, 2012) or are we blindly engaged in the pursuit of continuous growth – which in itself is unsustainable or unrealistic?

The economic conditions shaped by the recent Global Economic Crisis have created a new imperative for change. When markets collapse organizations are forced to revisit their purpose and business models. Moreover, rather than just focusing on 'doing it right' (efficiency) we perhaps are more concerned about 'doing the right thing' (effectiveness). The critique of capital market institutions thought by many to be responsible for the economic crisis from 2007 onwards focuses upon concerns about the business models used by financial institutions of various kinds. Are these models sustainable, transparent and equitable? Is the work of some institutions 'socially valuable'? Do reward practices as applied to investment bankers lead to practices which have undermined capital markets – with the continued utilization of what has proved to be flawed reward practices still being justified by the statement that 'we operate within a competitive market and need to pay the going rate for the best people' – the 'going rate' being set by the sector (rewarding themselves), and 'the best people' including those that were first rewarded for contributing to the financial crisis and are now being rewarded for attempting to clean up their own mess? Can we create a concept and practice of 'socially responsible investment'? If the state ultimately guarantees and underwrites financial institutions, what ought that mean for these questions (e.g. should the taxpayer be represented in remuneration committees)? To what extent will the recent crisis accelerate trends already observable? A continuing and accelerating trend to electronic retailing? An accelerating rebalancing of economic power to the East? A continued support of flawed and unsustainable reward systems? The overdependency of the West on certain oil rich nations? Whatever we think about some of these questions we cannot deny that the need to 'raise our game' must be part of our response and that it is at least arguable that many organizations will be more concerned – rightly or wrongly – with achieving radical changes to business models (which can provide room for short-, medium- and long-term achievements which again can be rewarded) and less concerned with changes to corporate culture, ethics and values and the like which it takes so much longer to successfully achieve and is so much harder to measure and reward. Not that this is an either/or proposition. We merely suggest that the balance will change even further because the degree of urgency and short-term survival strategies demands it. This may be particularly true in the public sector as governments struggle to contain budget deficits. However, it is not to say that the results of this response to the market will at all prove sustainable or even successful for the short term.

CASE STUDY

'Responsible Leadership' for Financial Services

Over several years now the financial crisis has led to profound consequences for individual countries and the financial sector around the world. The level of connectivity consequential of globalization has created a growing sense of inevitability that something must change in the ways we seek to regulate markets which can have a fundamental impact on the world in which we live. The 'sub-prime' mortgage issues, alongside the

Case study (*continued*)

complexities created by the design of 'collateralized debt obligations' and other financial instruments have led to a crisis of confidence in our institutions generally. No single explanation of how this came about will suffice, particularly for those seeking to establish conditions from which confidence can be rebuilt.

Most obviously the most commonly repeated theme in the media relates to what might be termed 'irresponsible lending' by the banking and investment community driven by the pursuit of ambition and short-term bonuses (neither of which we oppose as long as it is sustainable, transparent and equitable). But is it sufficient to claim that this behaviour was solely caused by the private sector 'bonus culture'? Some observers would suggest that there was a combination of bonus-driven behaviour and a context within which policy decisions and preferences emerging from governments (and let us remember that politicians and governments themselves are focusing on short-term achievements as the next election is always in the forefront of politicians minds – their bonus for short-term achievements being election victory; politics almost per definition is unsustainable), central banks and others established relatively inexpensive and accessible credit with the possibility of a vicious cycle being created which was always fated to end in a 'bust'. The only question was when. This has all been in the name of continuous growth, which in itself is unsustainable and unrealistic and will again lead to future economic crises both locally and globally.

You can argue that the central mistake derived from inadequate pricing of risk and more generally the constant chase of growth. The risks taken were not properly priced which led to unsustainable business practices. However, this point is rather circular. Clearly we can consider the question as essentially technical or as being in fact rather broader. On a technical level some suggest that the emergence of new financial instruments creates a level of complexity, obscuring the risk being taken and making effective pricing ever the more challenging. But we need to ask why this is so. We can argue that those involved were not clear about this point. However, that appears unlikely to be the case. Rather, what seems more likely to have happened is that there was little appetite to consider this issue – a behaviour of burying heads in sand springs to mind. Ultimately the real question is why business such as 'sub-prime' was at all designed and offered to the market. It is obvious from the words chosen to depict this business that people were fully conscious about the fact that a higher level of risk was involved. So why was the business taken on? In a growth market that may well have been a complex combination of confidence, a revenue and market share-dominated business model combined with short-term bonuses.

Thus we argue that this is not a simple question of either incompetent pricing of and/or insufficient understanding of risk, or indeed of the impact of a bonus culture, but rather a combination of all three elements in a context within which distortions were likely due to the processes involved. Thus there emerged a 'mood' encouraging short-term and unsustainable revenue and market share growth rather than sustainable value to the business and wider society. Shareholder value had become to appear rather dated and many may now regret that change. Note, however, that whatever the cause there is both a loss of confidence and a loss of trust in financial institutions on which much depends. How can this be rebuilt?

Since the middle of 2007 the financial sector has been faced by these problems. Those seeking to resolve the issues of trust and reputation in financial services organizations are doing so within a context of market failure represented by the collapse of iconic firms such as Lehman Brothers. What we have is an ongoing sense of crisis within which governments are struggling to regain trust and stability and taking a range of economic and market decisions whilst seemingly being unable to generate confidence – all this within a media 'storm' of continuous comment, analysis and critique.

In this context it seems likely that technical and structural change alone will not suffice. We seek an approach designed to base the work of the financial services sector firmly on rethought but along with shared values and ethical principles. Whilst the idea is an old one it is argued that we need to return to ideas relating to how to balance ethical principles with the drive to encouraging entrepreneurial endeavour as a key engine of change for sustainable growth within the world economy.

One approach moving forward is to construct more effective and efficient corporate governance. Can we create systems and processes for corporate governance enabling financial institutions to strengthen risk management processes? Corporate governance gained prominence as an indicator of concern about the control of large private sector corporations from the early 1990s. Whilst many countries have adopted corporate governance frameworks over recent years it is also

Case study (*continued*)

true that many exhibit a 'tick box' mentality wherein compliance with the letter rather than the spirit or the intentions behind the framework predominates.

Published losses at banks such as UBS, Merrill Lynch, WestLB, Citigroup, RBS and scandals such as Enron, Parmalat, WorldCom and Madoff have each pushed key stakeholders (e.g. shareholders, lenders, employees, suppliers) to ask 'what happened' and how could such disasters be allowed to continue to happen. Here the main concern is to understand and then to seek to apply good governance principles. However, this would need to be based upon assumptions as to the ability of regulators and/or non-executive directors (acting on behalf of shareholders), or anyone else being put in a position to be able to monitor and control the organizations involved. Greater transparency and more robust risk management practices are each part of this as is the role and position of internal and external audit, board committees and so on. But is this likely to be sufficient?

It is possible to adopt a different position. You can rethink the structure of banking. This is currently being argued both in respect of reward policy and the separation of retail and investment banking. The polarized version of this argument contrasts a retreat to an earlier model sometimes depicted as 'gentleman capitalism' with a view of investment management as a necessary part of a globalized world economic system. Those subscribing to the latter view would accept that whilst change is indeed required, wholesale retreat is not. To return to a separation of retail banking might limit risk for many but would also limit their returns including those of shareholders with obvious consequences for long-term shareholder value.

The importance of encouraging a spirit of inquiry and learning about how, more effectively, to focus the business of any financial services firm upon sustainable growth of value seems likely to be the most enduring basis for long-term success under present conditions. Finding the means for re-establishing trust in these firms appears to be a necessary condition for doing so. Continued attention to revenue or market share growth alone will reinforce the distortions referred to above.

A strategy for change in this context must seek to develop a fuller understanding of key issues for the future, such as:

- What have we learnt about corporate governance at financial institutions?
- Are financial institutions governable?
- What are the principles of 'responsible leadership' in any organization likely to give rise to the sustainable growth of value?
- Can we identify ethical principles to underpin the pursuit of value?
- What implications are there for effective corporate governance via the operation of boards, board committees, non-executive directors and key stakeholders?
- How should risk management processes and practices be developed in this context?
- What is the future for sustainable incentives and rewards?

Case study commentary

It is difficult not to view these issues as complex and difficult but none the less in need of resolution. Nevertheless it may be possible to see change as demanding and tiring but not as necessarily inherently difficult. This argument partly turns on the idea of 'resistance to change'. Some argue that people are inherently resistant to change. Whether for personal or institutional reasons, organizational change can be beset by opposition from key stakeholders (including management), whether key professionals, other vested interests, unions and the like. Although this is true and we do not seek to diminish the importance of this point, it is a partial truth. Much of what we refer to as 'resistance to change' is really 'resistance to uncertainty'. Thus the resistance derives from the process of leading and managing change, not necessarily from the change per se.

If people take on board the change message as put forward by Armenakis and Harris (2009; By, 2007) – which should provide answers to questions of discrepancy, efficacy, appropriateness, principal support and personal valence – their levels of change readiness should be increased. According to Armenakis *et al.* (1993, pages 681–2), change readiness can be defined as 'the cognitive precursor to the behaviours of either resistance to, or support for, a change effort'. Adding to this, Jones *et al.* (2005, page 362) suggest that readiness is all about 'the extent to which employees hold positive views about the need for organizational change (i.e. change acceptance), as well as the extent to which employees believe that such changes are likely to have positive implications for themselves and the wider organization'.

This is not to argue that all resistance will disappear, nor that all resistance should disappear. Too often resistance to change is presented as being irrational and dysfunctional reactions by change recipients (Ford *et al.,* 2008). In fact, so-called change agents may very well be some of the greatest barriers to successful change, and change resistance may very well be a resource in support of successful change. Resistance can be evidence of additional organizational energy that can be tapped into and utilized for the purpose of change – and may act as a break, halting change for the sake of change. Organizations need people that ask 'why' and 'how' and not just 'Sir, how high, sir?' Resistance may in fact act as a very useful internal mechanism rightfully questioning justification and purpose of change. All too often change is initiated in promotion of individuals and not organization, and this should rightfully be challenged. Our point here is that the arguments of many behavioural scientists writing about change are overwhelmingly partial and sometimes misleading. Rapidly skating over the issue of what ought to be changed, much of the writing we refer to deals with employee attitudes, satisfactions, beliefs, values and so on. Not that this is unimportant, but it is not the whole story. Much of an employee's response to any change initiative lies in its perceived relevance, credibility and likely success (see, for example, Armenakis and Harris, 2009). If someone argues that something should change and presents a credible plan which we feel is likely to succeed, then we are more likely to agree with it. But we will search the organization change literature in vain for ways of measuring 'implementability'. Nor will we find many attempts to identify the 'degree of ambition' in change initiatives. Much of the literature takes the content of change as a given – a 'black box'. There is some material on risk analysis which clearly is relevant but even so most of the literature ignores even this material.

This book, therefore, seeks to depart from much of the existing literature by tackling three challenges in an integrated fashion:

1 How to identify what should change and evaluate how ambitious the change initiatives are.

2 Assess the likelihood of these changes being realistic in terms of implementation and identify change architectures that can be developed in order to enhance/facilitate the likelihood of implementation success.

3 Identify the people and organizational issues of change and how they can best be managed and led.

The first two challenges are intrinsically linked. Part of the issue of how ambitious any set of initiatives are lies in how ready the organization is to adopt them and/or whether an effective change plan can be designed and adopted. Thus, rigorous risk analysis and a clear sense of organizational capability and capacity of change implementation – in the context of both internal and external factors – is a necessary condition for success. However, this requirement should not become an excuse for not providing leadership or to commit organizational suicide by consultation.

In addressing the first challenge we set out to examine ideas about strategy formulation and new models of organization. However, the purpose is not to write a book on strategy formulation but rather to contribute to a greater understanding of how that specific discipline can help assist us in managing and leading change in organizations. We then turn to a review of the main theories of organization change. These provide a conceptual basis in support of a more critical understanding about how best to manage and lead change in organizations and a greater appreciation of what happens in organizations as change is underway.

We then go on to look at the second challenge. To do so we examine concepts such as change architecture, learning organizations and knowledge management. These ideas will be linked together in order to develop the concept of a change readiness index – a measure of how likely it is that a given set of changes can be implemented. Our purpose here is to enable some analysis to be brought to bear on the question of how ambitious we can and should be when considering change initiatives.

Finally, with regards to the third challenge, we look at a range of individual, team and organizational issues relevant to the understanding of change management. We explore change diagnosis, leadership, the change coping cycle model and much more. Furthermore, we will seek to explore how the various issues implicated by the two first challenges contributes to shaping people's attitudes and behaviour towards any given change initiative. Ultimately, the objective is to create an understanding of how to make change happen. We seek to focus on what we know and on what can be reasonably inferred from experience. Much still remains uncertain and difficult to predict but our view is that we should build on what we know and our own decision capabilities in order to make change not only happen but stick with greater confidence sustained by the thought that we can learn more from the experience of doing so.

Profiling ambition

What does ambition actually mean in the context of organization change and how can such ambition be measured? Clearly, competitiveness is key – just as understanding the assets on which competitiveness can be based is important. However, we must also beware of naïve assumptions. As Hampden-Turner (1996) argues, a focus on a single factor can bring immediate success and longer-term failure. But Kay (1993) probably lays the most appropriate foundation. For him the differentiator on which market power is based – and to which ambition can be linked – is known as 'distinctive capability'. In turn this is based on the following:

- *Reputation*: essentially the market perception of product/service offerings in terms of tangible attributes – linked to brand value.
- *Architecture*: the relationship of resources including knowledge and flexibility – i.e. internal, external and networks – which the organization can bring to bear.
- *Innovation*: the capacity and capability to change.

For distinctive capability and capacity to be sources of competitive advantage it must be *sustainable*. But sustainability is not necessarily something that can be secured or fully planned for by any one organization. Scale and market share help but, as suggested by Dixon and Day (2010) in their work on Yukos, factors such as power and politics are equally important. What is required is an understanding of how to create and sustain value-added as the foundation of corporate success (Kay, 1993).

Value-based management is a watchword of current management. It means different things to different observers. For some it is about economic value added, shareholder value and the like. For others the key is social capital (Fukuyama, 1995). Taking this latter view, others see value-based management as more than simply a matter of monetary value-added. Mission, purposes and strategy require or imply a statement of corporate values and corporate social responsibility. Managing an organization as if values matter then attracts our attention. Herein lies the argument about *alignment*. Success will come to those whose strategic architecture aligns vision, mission, values, strategy, culture and structure.

A proponent of this view is Markides (2000), for whom sustaining advantage is achieved by:

1 Organizing various activities into 'tight' systems which support and reinforce each other. In essence the advantage is sustained because, while imitators may adopt or copy various individual ideas and techniques, the ability to manage interfaces – the whole – really well is difficult to copy.
2 Creating an underlying organization environment of culture, structure, incentives and people, which is also difficult to copy.

Markides (2000) goes on to argue that success now often comes precisely by avoiding the tendency to copy. Instead of competing head-to-head with an existing set of competitors, each with well-protected positions, the key is to take a risk, innovate and create a new strategic position by changing the rules of the game. Examples in the past include Body Shop, CNN, Dell, Direct Line Insurance, easyJet, Federal Express, Ikea and Swatch. Markides (2000) offers a useful framework for considering strategic innovation which, summarized, goes as follows:

> Question the status quo and scan the environment – for sector and your organization.
>
> Does this lead to a potentially new strategic position?
>
> If you adopt this position, can you find synergies with existing business?

Kay's (1993) view takes the idea of *core competence* as a part of strategic architecture, and Grunig and Kuhn (2001) develop these ideas into a clearer analytical framework. For them the evaluation of a strategy's success potential (building on Ohmae, 1982) requires the assessment of market and competitive strength at three distinctive levels:

1 *Market position*	Market attractiveness Competitive intensity Market share Growth/decline of share
2 *Market offers*	Scope and range Quality and service Add-ons Price Speed Including measures relative to competitors
3 *Resources*	Sustainability of competitive advantage (rarity, unitability, substitution)

Following through with the *resource-based* view of strategy these authors note that it is possible to adopt either an 'outside-in' approach to assessing success potential (the market-based view) or an 'inside-out' approach (the resource-based view). However, they regard the latter as being the exception rather than the norm. Nevertheless, what is interesting in their formulation is the way they track from assessing success potential through to the concept of the balanced