

Managing Strategic Change within Local Government – Towards a Complex Process Theory of Change

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Abstract: The paper proposes a theoretical framework for studying strategic change processes within local government. The framework is based on concepts and empirical findings from strategy and innovation research, especially work done within the Minnesota Innovation Research Program (MIRP). The framework refers to the debate whether strategic change is better seen as episode of reorientation or continuous process that leads to renewal. It is based on the assumption that both types of strategic change should be taken into account while studying change processes in local government. The paper illustrates the applicability of the framework by referring to findings of a single case study analysing the strategy process of local government in Dresden, Eastern Germany.

„In just seven short days you’ll change your life.”
(Jamie Cullum, *Catching Tales*, 2005)

“Strategy can seem like *Mission Impossible*: things are so complicated, so interconnected; where do you begin? The answer here: with a single step. Do something, anything. Venture! As you proceed you will learn, and as you learn you will build. Great strategies grow out of little initiatives.”(Mintzberg et al. 2005, p. 9)

Introduction

It seems hard to find a lesser used motto for saying that there is nothing constant except change. This holds true not only for business people, but for non-profit organizations too. Consider the example of local government in Germany. The list of claims to change the practices of German local politicians and officials is long. For instance, they are urged to formulate strategies for economic development that pay ample attention to small and medium-sized enterprises, not only to big business and large projects. They should acknowledge cultural diversity and guarantee social cohesion in a society which demographic features change constantly. They are urged to provide safe places and to foster a more efficient, risk-based approach to environmental protection. These days, it is easier to say what should be changed through and within local government than to argue for what can stay the same.

The notion that change is ubiquitous and something to prepare for stands in sharp contrast to our abilities to observe, understand, and manage change. Often, change is understood as sequence of events on the one hand and analysed through the comparison of two different states of the object under investigation on the other. In the next section, based on process research on strategic change (for an overview see Poole 2004), the paper proposes building blocks of a theoretical framework for studying strategic change within local government. It illustrates the applicability of the framework through referring to findings from a single case study on strategy making in Dresden, Eastern Germany. Conclusions for further empirical work are drawn. Thereby, we consider that it is often hard to come to general, accurate and simple conclusions. One requirement is sacrificed for the sake of the two others. This paper proposes simple building blocks for a theoretical framework to study strategic change in local government. Future empirical research will give a more accurate account of specific features of change processes of local authorities.

Building Blocks of a Theoretical Framework to Study Strategic Change

Change can take many forms. It can be planned or unplanned, incremental or radical, recurrent or unprecedented. Changes are observable only over time. The basic concept of change involves three aspects: *difference*, at two or more *temporal moments*, between *states* of a unit or system. Research on organizational change, learning, and innovation (Poole & Van de Ven 2004, Easterby-Smith & Lyles 2003) produced rich findings depicting change processes at different levels of strategy making (individual, group, organization, network of organizations, and population of organizations). In this paper, the interplay of episodic and continuous change at group and organizational level is in the foreground of analysis.

Episodic and Continuous Change

The distinction between *episodic* and *continuous* change is of growing importance for understanding and managing change (Weick & Quinn 1999, Tushman & Smith 2002, Poole 2004). The difference seems to apply to all levels of strategy making (Gersick 1991). Table 1 compares episodic with continuous change.

Table 1: Episodic and continuous change (Source: Adapted from Weick and Quinn (1999), p. 366)

<i>Characteristic</i>	<i>Episodic Change</i>	<i>Continuous Change</i>
Metaphor of organization	Organizations are inertia-prone and change is infrequent, discontinuous, and intentional.	Organizations are emergent and self-organizing and change is constant, evolving, and cumulative.
Analytic framework	<p><i>Perspective:</i> Macro, distant <i>Emphasis:</i> Short-run adaptation <i>Key concepts:</i> Inertia, deep structure, interrelated parts, triggering, replacement and substitution, discontinuity, revolution</p> <p>Change is an occasional interruption or divergence from equilibrium. It is externally driven. It is seen as a failure of the organization to adapt to a changing environment.</p>	<p><i>Perspective:</i> Micro, close <i>Emphasis:</i> Long-run adaptability <i>Key concepts:</i> Recurrent interactions, response repertoires, emergent patterns, improvisation, translation, learning</p> <p>Change is a pattern of endless modifications in work processes and social practice. It is driven by organizational instability and alert reactions to daily contingencies. Numerous small accommodations cumulate and multiply.</p>
Intervention theory	<p>Intentional change: “Unfreeze, change, freeze”.</p> <p>Change is inertial, linear, progressive, and requires outside intervention.</p>	<p>Redirection of existing tendencies: “Freeze, reframe, unfreeze”.</p> <p>Change is cyclical, processual, without an end state, equilibrium-seeking, eternal.</p>
Role of change agent	Prime mover who creates change by finding points of leverage in organization. Change agent changes meaning systems, structures, power balance, control system, constellation of actors / management team.	Sense maker who redirects and shapes change. Change agent recognizes, makes salient, and reframes current patterns. Change agent unblocks improvisation, translation, and learning.

Weick and Quinn (1999) characterize episodic and continuous change in terms of its tempo, defined as “characteristic rate, rhythm, or pattern of work or activity” (Random House Dictionary, cited in Weick & Quinn 1999, p. 365). Episodic change is conceived to be “infrequent, discontinuous and intentional” (p. 365), whereas continuous change is viewed as “ongoing, evolving and cumulative” (p. 375). The two forms of change are associated with different metaphors of organization,

analytical frameworks, theories of intervention, and roles attributed to change agents. The distinction between episodic and continuous change is correlated with several others, including strategic and incremental change (Poole 2004, p. 5).

Strategic and Incremental Change

In this paper, the terms strategic and incremental change refer to the outcome of change processes (see Boyne et al. 2000 for further meanings of incremental and incrementalism). Incremental change (Burgelman 2002) happens within a well-established frame of strategic orientation that the dominant coalition of the organization holds for gathering, analysing, interpreting internal and external data and for action (Daft & Weick 1984). Tushman and Romanelli (1985) propose that a frame encompasses strategic aims and key products, organizational and power structures, as well as reward and control systems. Incremental change is not necessarily small. It is crucial to recognize that incremental change is well-known to the organization which can hold true for small and large resource commitments (Burgelman 2002). In contrast, strategic change is a change of the frame itself and therefore accompanied by perceived uncertainty of organizational members with regard to the implications of change for delivering key products, realizing important aims, and holding on to established organizational and power structures.

Towards a Complex Process Theory of Strategic Change

Based on the two dimensions of (1) basic change process and (2) realized outcome of change, the distinction between strategic reorientation and renewal becomes clear (see Table 2).

Table 2: Four types of organizational change processes and their outcomes

		Basic change process	
		<i>Episodic change</i>	<i>Continuous change</i>
Outcome of the change process	<i>Strategic change</i>	Reorientation	Renewal
	<i>Incremental change</i>	Incrementalism as theory	Organizational everyday life

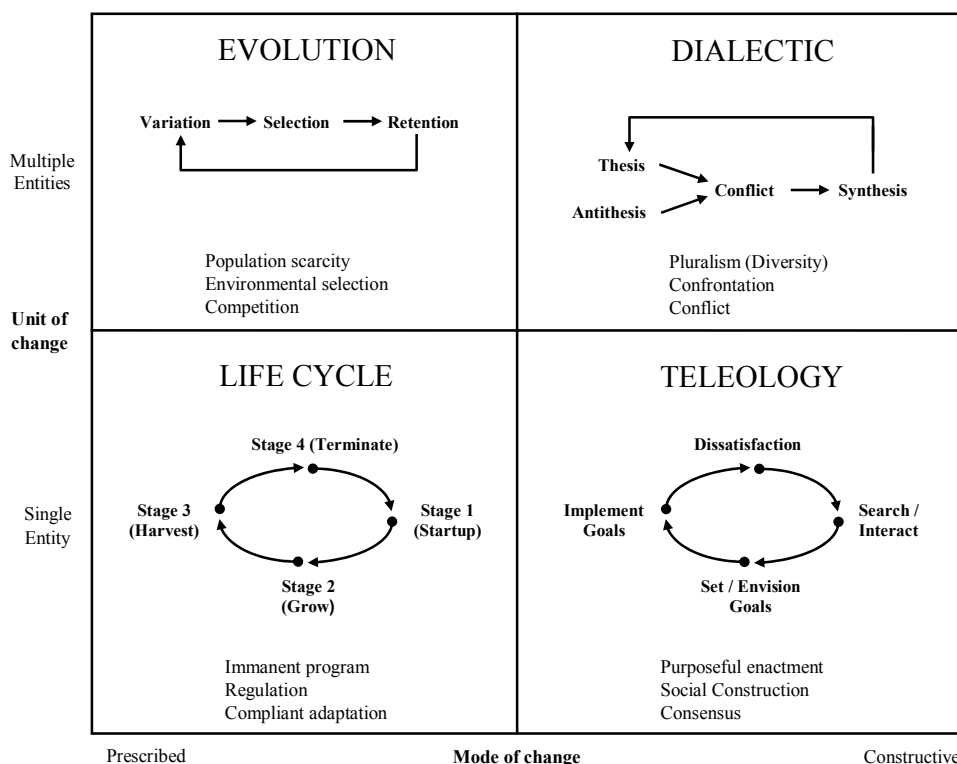
Strategic Reorientation: Tushman and Romanelli (1985, p. 179) define strategic reorientations of organizations as the result of swift and complementary changes in core products and markets, organizational and power structure, as well as reward and control systems. They argue that effective strategic orientations are often accompanied by turnover in the composition of the top management team and significant changes of corporate culture. Leaders do not only engage in symbolic activities. They make “hard” and concrete strategic decisions about how to fashion a new organization. Change can be identified by referring to new symbols, new people, new products, new structures, and new performance measures. The role of charismatic leaders is to change inertia-prone organizations that cannot renew themselves without outside intervention. Tushman and colleagues have a pessimistic view on deploying continuous processes for strategic change.

Strategic Renewal: Robert Burgelman (1991, 2002) posits that strategic change not necessarily happens in form of an episode of reorientation. Based on a longitudinal single case study, he shows that continuous change processes can lead to strategic renewal. Referring to evolutionary theory, he

defines strategy as *theory of the organization about the reasons of past and current successes* (2002, p. 11). Strategy as a collectively shared cognitive structure explains success and retains explicit knowledge about external conditions (e.g., important stakeholders). Strategy is a precondition to avoid dissipating scarce resources over a set of activities that lack coherence (“strategic neglect”). Strategy as success theory is embedded in distinctive organizational competences and the “character” of a corporation. In line with theories of episodic change, Burgelman assumes that organizations are inertia-prone, but this does not necessarily mean that change happens only through episodic change. Leaders can shape cultural conditions (e.g., rules for agreeing in case of diverse perspectives and interests) and structural mechanisms (e.g., criteria for resource allocation) to continuously balance the competing demands of following a given strategic orientation on the one hand and experimenting with new initiatives on the other.

Strategic Change as Complex Process: Whether in form of reorientation or renewal, strategic change can be understood as the outcome of a complex organizational process that encompasses multiple organizing modes at multiple levels of strategy making (e.g., Machado & Burns 1998, Pettigrew 1990). To understand such processes, Van de Ven and Poole distinguish between four process theories of organizational development and change: teleological, dialectical, life-cycle (e.g., institutional) and evolutionary change (Poole & Van de Ven 2004, see Figure 1).

Figure 1: Process Theories of Organizational Development and Change (Source: Van de Ven & Poole 1995, p. 520)



Complex theories of change combine multiple types of process theories. The propositions of Tushman and Romanelli (1985, 1994) and Burgelman (1991, 2002) both can be interpreted as complex theories for explaining strategic change (Hutter 2006). Strategic reorientations are due to a teleological change processes driven by new leaders. Subsequent periods of convergence and stability within a given strategic orientation are dependent on evolutionary forces and product life cycles. In contrast, explaining strategic renewal requires the deployment of all four types of process theories.

Applying the Framework – Strategic Change in Local Government: The Case of Dresden

Often, implicitly or explicitly, attempts to understand and manage strategic change of local government in Germany refer to a teleological motor of change. Desired significant changes seem to require rational planning, monitoring, learning from experiences and again, based on lessons learned, planning. Many reform initiatives rest on the assumption that strategies can be formulated within an episode of collective effort in which strategic aims, appropriate organizational structures and processes as well as tools for learning (e.g., monitoring systems) are chosen and then implemented. By using an example from the City of Dresden, the following findings from a single case study (Yin 2003) illustrates that research on strategic change of local government could benefit from using multiple process theories of change, especially teleological, dialectical and life cycle theories.

Local government in Germany in general, in large cities in particular, happens in loosely coupled systems (e.g., Keim & Grymer 1995, Stein 2005). Loose coupling exists if an element affects another element suddenly (rather than continuously), negligibly (rather than significantly), indirectly (rather than directly), and eventually (rather than immediately) (Weick 1982/2001, p. 383). Loose coupling of elements is difficult to observe and difficult to predict. Intentions and actions in large organizations are often loosely coupled. For this reason, continuous teleological processes at organizational level of local government in large cities as Dresden should not be expected. Thus, contrary to the notion of the “learning organization” (Senge 1990, see also Seo et al. 2004) we propose that teleological change processes will take place in various departments, task forces, working groups, and informal as well as formal interactions. In combination with further change motors, teleological changes can amplify, cohere, and lead to strategic change. Under which conditions the overall strategy process links “small pockets” of teleological change to strategy making at city level remains to be seen. In what follows we illustrate one element at the group level that is relevant for organizational strategic change in Dresden.

After German unification in 1990, the City of Dresden was suddenly confronted with a highly competitive global market. Industries that once employed every citizen under the socialist regime found themselves dramatically downsizing their workforces in the free market context. In addition, the shift from manufacturing to a service economy only aggravated fast-rising unemployment. As a result, people – especially younger generations – moved to western Germany. In the 1990’s the city lost approx. 10% of its population, the housing vacancy rate jumped up to 14 %. The city responded to urban shrinkage by working diligently to attract new high-tech industries, earning it the moniker “Silicon Saxony.” Since 1999 Dresden has reversed its population decline and even boasts some small growth due to increases in immigration and birth rate. Currently, the performance of Dresden in demographic and economic terms is superior to all other cities in Eastern Germany with the exception of Berlin. Nevertheless, financial resources for public investments are very scarce. Against this background the strategy process within the City of Dresden is changing to meet future challenges of strategy making in an uncertain and dynamic environment (Hutter & Wiechmann 2005).

In the year 2003, the working group “Integriertes Stadtentwicklungsprogramm” (INPROG; “Integrated Urban Development Programme”) was installed within local government of Dresden. The group encompasses representatives of various city offices from the Department of Finances and Land, the Department of City Development and the Mayor's Office as well as external scientific advisors¹. The department for comprehensive town planning is responsible for organizing the working process of the group. Based on planning guidelines and strategic aims laid down in the

¹ With a colleague, the author of this paper fulfilled the role of scientific advisers in the INPROG process.

long-term strategic plan “Integriertes Stadtentwicklungskonzept” (INSEK; “Integrated Urban Development Concept”) in 2002, the group seeks to develop a method for formulating medium-term city-wide development programmes. The goal of a medium-term programme is to specify basic strategic guidelines and decisions that are formulated in various strategic planning documents (INSEK, housing policy concept, and so forth), for instance, through defining “strategic projects” that are given high priority by various departments. Furthermore, they are designed to guide and redirect decision patterns within departments whose current practices seem to be only loosely coupled with aims of the long-term development concept (e.g., hot spots of urban regeneration). For instance, decisions to decrease local school capacities because of diminishing pupil numbers are only loosely coupled with aims to redirect traffic transportation capacities and attempts to reduce housing facilities to rebalance the local housing market.

Discussions within the working group and more detailed inquiries to prepare meetings revealed that only very limited explicit detailed knowledge exists within local administration about how people in diverse departments and positions make decisions based on investment priorities with regard to their own sector policies. Based on this knowledge about non-knowledge, the working group developed a method for formulating integrated urban development programmes that reflects a teleological motor of strategic change and that takes the limited ability of local government for teleological change at the organizational level into account. This was accomplished, for instance, through a method that focuses on projects instead of specifying a complex hierarchy of aims and targets to steer future investments.

Up to now, despite its high-ranking group members and a project-oriented method, the impact of the group process on organizational strategic change is rather limited. This is due partially to the fact that the group was not able to link its own teleological oriented change process with further strategic processes within local administration, especially activities of the board of mayors that are responsible for leading the departments (“Bürgermeisterrunde”). Results from the single case study on the working group “INPROG” as well as findings from case studies that compare Dresden with other large cities in Eastern Germany (e.g., Siedentop & Wiechmann 2005) indicate that a teleological process theory is not sufficient to describe change processes at organizational level in Dresden. Organizational change is partly characterized by pluralism and diversity with limited capabilities of administrative leaders to integrate this diversity through a complex process of pluralistic leadership (Van de Ven et al. 1999). Hence, this seems to show that dialectical forces are at work in Dresden, but this notion has to be specified based on further empirical observations.

Conclusion

To guarantee a high-level of consensus about strategic aims and priorities for allocating increasingly scarce resources of local government, authors like Banner (2002) argue for strong leadership, especially in local administration. These authors remark that attempts to decentralise local administration to provide more leeway for innovative and efficient decision-making in organizational sub-units should be accompanied by forms of recentralization like leadership and new structural mechanisms. Their argumentation resembles the complex theory of strategic reorientation of Tushman and Romanelli (1985). This theory is not false, but it is unlikely that it holds true under all circumstances. In cities like Dresden, developing strong leadership at the organizational level seems to be a long-term challenge. In the short term, strategic change can be fostered through deliberately connecting teleological and dialectical processes. This suggests that strategic change of local government should be analysed with regard to multiple levels, different time-horizons and alternative complex process theories of organizational change. In the end, it would be possible to identify institutional, situational, and policy-specific conditions under which a complex theory of strategic orientation *or* renewal will hold for local government.

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