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From change to the Management of Organizational Change Capacity : a conceptual approach

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Klarner, Patricia; Probst, Gilbert; Soparnot, R.

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FROM CHANGE TO THE MANAGEMENT OF ORGANIZATIONAL CHANGE CAPACITY : A CONCEPTUAL APPROACH

P. KLARNER
G. PROBST
R. SOPARNOT

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Working paper written by

PATRICIA KLARNER
PhD student
University of Geneva (HEC)
UNI MAIL
Bd du Pont-d´Arve 40
CH- 1211 Genève 4
Phone: +41 (0) 22-3799908
Fax: +41 (0) 22-3798104
e-mail: Patricia.Klarner@hec.unige.ch

RICHARD SOPARNOT
Professor of Strategic Management
ESCEM School of Business and Management
1 Rue Léo Delibes BP 0535
37305 Tours Cedex 3
Phone: +33 (0) 02-47 71 71 68
e-mail: rsoparnot@escem.fr

GILBERT PROBST
Professor of Organization & Management
University of Geneva (HEC)
UNI MAIL
Bd du Pont-d´Arve 40
CH- 1211 Genève 4
Phone: +41 (0) 22-379 81 27
Fax: +41 (0) 22-3798104
e-mail: Gilbert.Probst@hec.unige.ch

ABSTRACT

In an increasingly dynamic business environment, organizations have to constantly change in order to develop and survive. Organizational change capacity is considered a solution to the question: how can sufficient adaptation to internal and external changes be achieved and managed? However, while an upcoming literature stream deals with the characterization of change capacity[1], the understanding of the construct is still underdeveloped. This conceptual paper therefore tries to develop a conceptual model of change capacity. It thereby contributes to the literature in several ways: First, it presents a review and classification of existent approaches to change capacity. Second, a more holistic understanding of the construct is required, which is why this paper combines the existent perspectives within a definition. Third, a conceptual model of change capacity is presented that builds on a case study on change capacity's preliminary findings and enhances them with theoretical arguments. Understanding what change capacity is about will allow companies to better deal with its determinants and consequently increase the organizational level of adaptation and ultimate survival.

Keywords: change capacity, change management, contextualist approach to change, organizational learning, strategic change implementation

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[1] The terms "change capacity" and "organizational change capacity" are used interchangeably in the course of the paper.

AUTHOR BIOGRAPHIES

Patricia Klarner is a Doctoral candidate and teaching and research assistant at the Chair of Organization and Management at the University of Geneva. Prior to that, she worked one year at the Chair of Corporate Strategy at the University of Geneva, where she conducted research on international M&A programmes and published on organizational growth strategies. Her present research interests include organizational changes during corporate growth periods and the organizational capacity to continually transforming itself in order to maintain congruence with a shifting environment.

Richard Soparnot is a Professor of Strategic Management at the ESCEM School of Business and Management in France. In 2003, he received his PHD in Business Administration from the University of Evry in Paris. His teaching and research interests include Business strategy, change management, organizational learning and organizational change capacity. He is currently a member of many academic associations, such as AIMS and ASAC and a reviewer for many journals. He has published numerous articles in academic journals such as *Revue internationale de gestion, Gestion 2000* and he is the author and co-author of books such as *Organisation et gestion de l'entreprise, Développer l'entreprise.* Besides his research activities, he is a consultant for strategic change for many companies, such as *Renault, Bouygues Telecom.*

Gilbert J.B. Probst is a Professor of Organizational Behavior and Management and director of the Executive-MBA program at the University of Geneva, Switzerland. He got his PhD as well as his habilitation in business administration from the University of St. Gall, Switzerland where he was also a lecturer and vice president of the Institute of Management. As a visiting faculty member Prof. Probst taught at the Wharton School of the University of Pennsylvania, Philadelphia, as well as at the International Management Institute (IMI) in Geneva. He also serves as the president of the board of Swiss Top Executive Training (SKU) and on the board of the Swiss Banking School. Gilbert Probst is the founder of the Geneva Knowledge Forum with 18 companies. He served as a consultant for various major companies such as Kuoni, Holcim, Hewlett Packard, Siemens, Winterthur Insurance, Deutsche Bank, DaimlerChrysler, Swisscom.

FROM CHANGE MANAGEMENT TO THE MANAGEMENT OF ORGANIZATIONAL CHANGE CAPACITY: A CONCEPTUAL APPROACH

INTRODUCTION

In the last decades, organizational change has received increasing attention from management research and practice. Due to the various shapes, forms and sizes in which it manifests itself (Burnes, 2004; Carnall, 2003), organizational change is regarded as an industry-wide phenomenon that affects all organizations (By, 2005). It is also perceived as risky, as it always involves at least some destruction of existing practices (Biggart, 1977; Delacroix & Swaminathan, 1991). More worrying is that a recent survey revealed that change programs still have a failure rate of around 70 percent (Balogun & Hope Hailey, 2004; By, 2005; Daft & Noe, 2000; Day, 1999). This poor success rate may be due to the wide range of confusing and contradictory theories on organizational change that lack a common framework through which to fully understand the phenomenon as well as its implementation and management (By, 2005). This theoretical patchwork is no doubt due to the change phenomenon's complexity. Nevertheless, our understanding of how to address the issue of change has to improve, both from a more holistic theoretical approach to change, and from a practical perspective.

A review of the literature on organizational change depicts two contrasting paradigms: On the one hand, population ecologists emphasize environmental determinism, which forces an organization to adapt to a set of given constraints over time (Carroll, 1984; Greenwood & Hinings, 1996; Hannan & Freeman, 1989). On the other hand, the strategic choice paradigm emphasizes managerial action and views adaptation as an outcome of managerial choice (Child, 1972; Greenwood & Hinings, 1996; Lorange, 1980; Pfeffer & Salancik, 1978; Soparnot, 2006).

While the former approach describes adaptation as a reaction to perceived environmental evolution, the latter explains pro-action as intentional organizational change (Soparnot, 2006).

The two contrasting paradigms build the framework of a construct that has recently received increased attention in the literature: organizational change capacity. If the paradigm of strategic choice holds true, organizational change capacity describes the way of configuring the organizational environment and can be characterized as a pro-active change capacity (Soparnot, 2006). If, conversely, the deterministic approach holds true, organizational change capacity is limited due to the environment's internal and external constraints (Delacroix & Swaminathan, 1991) and is, at best, an adaptive capacity. Although the two approaches represent two extreme poles of a scale, they nevertheless influence the analysis of organizational change capacity. However, only depicting its general framework does not adequately improve our understanding of organizational change capacity. Instead, the conflicting paradigms raise a much broader issue: Assuming that successful companies are able to change pro-actively and/or adapt to internal and external evolution, how can this ability be defined? This question leads us to a deeper analysis of organizational change capacity. We thus follow the emerging argument that researchers have to move away from the analysis of change management to the analysis of change capacity's management (Demers, 1999; Hafsi, 1999; Soparnot, 2005). Consequently, the following questions are asked: What are organizational change capacity's main underlying dimensions? How can each dimension be characterized?

The paper will try to respond to these questions by introducing a conceptual model of organizational change capacity. It contributes both theoretically and empirically to the organizational development literature: A review of organizational change capacity and its determinants will serve as the basis for a more holistic definition. In a further step, the change

capacity construct will be analyzed in more detail: Consequently, we will first present the findings of an in-depth case study on organizational change capacity that we conducted. The case study reveals change capacity's different dimensions and identifies each dimension's respective determinants. These empirical results will afterwards be compared with the theory in order to develop a conceptual model of change capacity.

TOWARDS A DEFINITION OF CHANGE CAPACITY

In order to improve our understanding of change capacity, we first have to draw on the literature on organizational change itself. It is not the aim of this paper to conduct an all-embracing review of the latter; we instead focus on those paradigms that have been identified as an adequate change capacity framework. The strategic choice versus environmental determinism paradigms described above refer to the question whether organization adaptation is managerially or environmentally induced (Astely & Van de Ven, 1983), and therefore explain the change's form (pro-action versus reaction). The two paradigms highlight the relevance of adaptation and pro-action for the firm's survival, but they do not explain how adaptation and pro-action can be managed. As we aim at understanding the deeper nature of organizational change capacity, we use organizational change management approaches as a guiding framework for the analysis of change capacity.

In the following section, we first review the sparse literature on change capacity by categorizing its different antecedents according to two change management paradigms (the manageability versus non-manageability of change). The diverse definitions of and findings on change capacity summarized within the change paradigms' general framework then lead us to

the development of our own definition of the construct. This sets the stage for the development of a conceptual model of change capacity in the next section.

Change capacity in-between two change management paradigms: A review and classification of the literature

Organizational change capacity has only recently achieved in-depth attention in the literature. Although the construct has often been mentioned in the organizational change and development literature (e.g. Amburgey, Kelly & Barnett, 1993; Carnall, 2003; Chakravarthy, 1982; Greenwood & Hinings, 1996; Nadler & Tushman, 1989), it has seldom been defined or described. Moreover, there are multiple definitions of organizational change capacity in the literature (Meyer & Stensaker, 2006), as well as a diversity of synonyms. We therefore conducted a review of these studies, not only based on the term "organizational change capacity", but also on terms that have been mentioned as synonyms. The few existent studies that analyze change capacity in more detail can be classified as having a focus on either its context or process determinants, or both. Context determinants are forces or conditions within an organization's external and internal environments that can enable or hinder change (e.g. Armenakis & Bedeian, 1999). Process determinants refer to actions undertaken during the enactment of an intended change (Armenakis & Bedeian, 1999).

In the following paragraphs, these studies are summarized according to the above-mentioned change management paradigms. They are reviewed according to their definition of change capacity or a synonymous term as well as their findings if they have empirical studies.

Context determinants. Judge & Elenkov's (2005) study deals only with the context determinants of organizational change capacity. They mention *organizational capacity for*

change and define it as *"a broad and dynamic organizational capability that allows the enterprise to adapt old capabilities to new threats and opportunities as well as create new capabilities"*. This definition is built on the literature on dynamic capabilities. A review of the organizational change literature leads them to the following context determinants of change capacity: trustworthy leadership, trusting followers, capable champions, involved mid-management, an innovative culture, an accountable culture, systems communications, and systems thinking.

According to the perspective that highlights organizational change capacity's context determinants, change is a non manageable phenomenon. Indeed, certain authors (Thiétart & Forgues, 1993; Thiétart, 2001) have underlined the dangers of such a conceptualization of managerial action, stating that an organization's complexity is difficult to combine with ideas based on the management of change. It is therefore necessary to establish continuous change (Brown & Eisenhardt, 1997) in order to make change an ability embedded in the organizational context. This ability can be compared to an organizational learning capability (e.g. Argyris & Schön, 1996; March, 1991). Concerning the latter, Weick emphasizes: "*doing what one has always done is necessary in short-term adaptation. Doing what one has never done is necessary in long-term adaptation and both are necessary simultaneously*" (in Thiétart & Forgues, 1993). Consequently, organizational learning capability enables the firm to face the unknown future. This requires exploring new opportunities and continually improving organizational practices, which also improves the organizational ability to change. Therefore, according to this approach, organizational change capacity results from organizational learning (OL) and is an embedded capacity.

In accordance with this approach, the capacity to change implies that conditions that

facilitate organizational change have to be established in order to handle an organization's complexity. Change capacity's context determinant perspective therefore highlights what we call the "complex paradigm" of change management, which refers to change as a non manageable phenomenon, which is called the "context dimension" of change capacity.

Process determinants. In contrast to the above, Meyer & Stensaker (2006) adopt a process perspective of change capacity. They define *capacity for change* as *"the allocation and development of change and operational capabilities that sustains long-term performance"*. It is comprised of *"the ability (resources and capabilities) to change the organization successfully"* and the *"capability to maintain daily operations and implement subsequent change processes"*. This definition reveals that change capacity is not limited to a single change event, but is dedicated to a series of changes and a longitudinal perspective. Moreover, the theoretical paper emphasizes the importance of ambidexterity in change capacity, in that it consists of the ability to handle continuity and change at the same time.

Oxtoby, McGuiness and Morgan (2002) consider *organizational change capability* as *generic to all other dynamic capabilities* and outline a rather practical process model of change that helps organizations to develop their change capability.

According to the perspective that highlights change capacity's process determinants, change is a manageable phenomenon. Initiated by an organization's management, the change process is considered as being mastered through specific strategies. Thus, in contrast to the context determinant perspective, the process perspective is based on prescriptive models that deal with improving the change process's management. These models emphasize different aspects of the change process that have to be managed by means of different change strategies (Table 1): The hierarchical model (Child, 1972) emphasizes the necessity to plan the change

10

process's various stages, whereas the organizational development (OD) model (Beckhard, 1969) insists that by supporting and motivating individuals, their behavior can be influenced. The political model (Pfeffer, 1981) highlights the importance of involving those individuals who have power in the organization in the change management process in order to obtain greater political support. On the other hand, the incrementalist model (Cyert & March, 1963) emphasizes the necessity to rely on the organization's existing routines, which results in change occuring in a more evolutionary way. To conclude, the interpretativist model (Burrell & Morgan, 1979) insists on the role of sense making, consequently underlining the importance of adopting symbolic actions in order to influence employees' interpretation of the change.

Insert Table 1 about here

Since these models tend to focus on specific aspects of the change process, they complement rather than oppose one another. Indeed, a number of authors (Pettigrew, 1985; Demers, 1999; Soparnot, 2005) have emphasized the necessity to consider and study change from a multi-dimensional perspective in order to improve understanding of the phenomenon.

In line with this approach, the capacity to change is formed by the different ways change can be implemented as described in the above models. Consequently, change capacity's process determinant perspective emphasizes what we call the "management paradigm" of change management, which refers to the manageability of organizational changes, which is called the

"process dimension" of change capacity.

To summarize, the capacity to change is founded on two dominant theoretical approaches to change management (Demers, 1999; Soparnot, 2005, 2006): the "complex" and "management" paradigms. The theoretical state of the art is highlighted in change capacity's "context" and "process" dimensions that underlie the two contrasting change management paradigms described above (Figure 1).

Insert Figure 1 about here

These theoretical approaches to change management have been analyzed as contrasting ones. A relativistic perspective considers contrasting paradigms as complementary ones, which is also emphasized by the following definitions of change capacity that combine its "process" and "context" dimensions.

Process and context determinants. McGuiness & Morgan (2005) use a process perspective and define *organizational change capability* as an organization's *"capability of implementing incessant change"* and *"a capability for leading and managing a cascading series of inter-related change initiatives that are consistent with an intended type of strategy dynamics"*. They also draw on the dynamic capability literature, regarding change capability as one example of a dynamic capability. However, their focus on change implementation (process perspective) is in line with Meyer & Stensaker's (2006) view, i.e. change capacity refers to multiple changes of various types, importance and outcome. Despite McGuiness & Morgan's

12

(2005) focus on change implementation, they also include some context determinants, such as organizational culture, organizational structure, systems and processes, as well as employees' commitment to and the capacity to formulate and implement change, in their analysis.

The *adaptive capacity* construct is contrasted with organizational adaptation by Staber & Sydow (2002). While adaptation is regarded as equilibrium-seeking behavior that maximizes fit with existing conditions, adaptive capacity is defined as *"the ability to cope with unknown future circumstances"*. Organizations are regarded as having adaptive capacity when *"learning takes place at a rate faster than the rate of change in the conditions that require dismantling old routines and creating new ones"*. Although the authors do not conduct an empirical analysis of the defined construct, their definition of adaptive capacity is important in that it introduces the importance of learning for adaptive capacity. In order to underline their arguments, the authors apply Gidden's structuration theory, which focuses on the recursive interplay of structure and process on organizational change. However, they theoretically distill adaptive capacity's structural dimension without analyzing the process dimension in more detail.

Finally, Gravenhorst, Werkman & Boonstra (2003) define *change capacity* as "*the degree to which aspects of an organization and aspects of a change process contribute to or hinder change"*. They discover four different configurations in organizations' change capacity along the two dimensions 'organizational aspects' and 'change process aspects' as well as a positive or negative evaluation of each dimension. The study is the only one that explicitly combines change capacity's organizational context and change process determinants, and therefore provides us with a better understanding of organizational change capacity and in its variation among companies.

Defining organizational change capacity

A review of the literature reveals several important aspects that serve as a first guideline for the development of a change capacity definition. First, the construct is regarded as generic to an organization's dynamic capabilities. Second, change capacity is built in the course of time, which is why it concerns multiple changes and has to be studied from a longitudinal perspective. Third, although many examinations of change capacity focus either on the context or process determinants of change, studies by Gravenhorst et al. (2003), and McGuiness & Morgan (2005) reveal the importance of studying both change context *and* change process determinants as possible antecedents of change capacity. This is in line with the dimensions of change capacity described above (see Figure 1), which are determined by the change's manageability versus the non manageability. Fourth, it has been revealed that both adaptation to environmental changes and organizational reflexivity, which allow organizations to reconstruct environments in ways that change the conditions to which they then adapt (Staber & Sydow, 2002; see also Judge & Elenkov, 2005), have to be included in a definition of change capacity. Finally, the theoretical work of Staber & Sydow (2006) emphasizes learning's importance for change capacity.

In order to establish our own definition of organizational change capacity, we build on the reviewed literature concerning the construct as well as on the paradigms that frame the two change capacity dimensions, and use Pettigrew's (1985) contextualist approach as a guiding framework. The latter emphasizes that the inquiry into change should link not only organizational context and the change process, but should also include the change content. This leads us to a more holistic definition of change capacity than those existent in the literature: *Organizational change capacity is the organization's ability to develop and implement (change process perspective) appropriate organizational changes (change content perspective) to*

14

constantly adapt to environmental evolutions (external context) and/or organizational evolutions (internal context) in either a reactive way (adaptation) or by initiating it (pro-action).

CHANGE CAPACITY: TOWARDS A CONCEPTUAL MODEL

A clear definition of change capacity is a prerequisite for conducting any further analysis of the construct. Consequently, existing studies mainly focus on a quantitative methodology, thereby analyzing change capacity determinants distilled from a literature review. This approach does not, however, provide a holistic definition of the construct. We therefore decided to base our model on an in-depth empirical case study in order to discover and describe all of change capacity's relevant dimensions. The results are presented in the following section and are then compared with those of existent studies on change capacity, which leads us to the presentation of our conceptual model of change capacity.

Change capacity: An empirical examination by means of an in-depth case study

In order to identify the dimensions of change capacity, we conducted an in-depth case study of a company in the automotive industry. We will not present the entire case study in detail, but rather briefly summarize the methodology and then focus on the main findings, which are important to improve our understanding of change capacity.

The criteria for choosing the case study company was age (it is a hundred-year-old company) and the magnitude of the changes undertaken. It was, at the time of selection, considered able to transform itself and, consequently, adapting to its environment as well as simultaneously possessing a pro-action capacity. The company was studied between 1970 and 2003, a longitudinal period known for the major changes occurring in the industry. In order to

reveal the capacity's dimensions and their respective determinants, exploratory, semi-structured interviews were conducted with employees from all hierarchical levels from one department. The respondents were not limited to those who managed the changes (top management level), but also included those who experienced them (different hierarchical levels). The interview content was based on Pettigrew's (1985) approach that requires change's context, content and process issues to be combined for a better understanding of the phenomenon. The respondents were therefore asked to describe the changes that they best remembered, and to name the change's relevant process and context determinants. The focus was moreover on different changes, i.e. successful and less successful or failed ones, in order to enable the researcher to compare the information received on both change types. Afterwards, the respondents were asked to describe their company's change capacity. The data obtained from the interviews were compared and put in perspective with those from the analysis of the documentation material, such as press reviews and working documents, as well as direct observations of work and service meetings. A thematic content analysis (coding) approach revealed the determinants, which are illustrated in Figure 2.

Insert Figure 2 about here

The case study findings reveal that the identified determinants can be summarized in three change capacity dimensions: context determinants, process determinants and organizational reflexivity.

First, *context determinants* describe the conditions that facilitate change and can

therefore be subsumed under change's "complex paradigm". We call this dimension of change capacity the "contextual dimension".[2]

Our study firstly emphasizes the *value of change* in the company, which we also call "shared organizational representations" of change. The latter are the employees' shared belief in the importance of change, which governs their support for change as well as their behavior with regard to decisions to initiate and implement changes. The *flexibility of the structure* constitutes a second characteristic. An "organic" organizational structure facilitates employees' discussions of the change's stakes, which leads to better solutions to change problems and an increased understanding of the change process. *Cultural cohesion* has been identified as a third characteristic. A common and strong organizational culture binds the employees to the company, thereby creating greater identification with the latter, as well as increasing employees' commitment to change and improvement.[3] *Trust*, as a relational asset, has been revealed as a further characteristic that is required in the relationship between a change promoter and the actors[4] involved in the change initiative. A trusted change promoter can implement changes in a company easier and swifter. Our study also highlights the importance of *collective problem-solving practices* that are *based on consensus*. These practices motivate employees to actively participate in the change process. Once institutionalized within the company and its culture, these practices increase employees' initiative regarding problem-solving issues, which also increases their learning during the change process. Finally, the *learning capabilities* of employees involved in the change have an important impact on change initiatives' success: They determine the

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[2] The "contextual dimension" is similar to the "context dimension" identified in the literature review above. Nevertheless, we choose a different terminology here in order to clearly differentiate between findings revealed by our literature review and those of our empirical study.

[3] If, however, organizational change clashes with the dominant cultural traits, culture can also become a source of inertia.

[4] The terms "actors" and "employees" are used interchangeably in the course of the paper.

actors' ability to learn new ways of thinking and operating and, therefore, characterize their capacity to cope with different organizational changes in a much better way.

Second, the study revealed five **process determinants** of successful changes which refer to the implementation of changes. They can be classified under change's "management paradigm" and summarized by the term "driving dimension"[5], which underlines that they provide the company with a greater potential to successfully manage changes.

In this respect, we firstly identified the importance of *transformational leadership*. A transformational leader is able to convince powerful people within the organization of a change initiative's importance. These people then actively support the leader by communicating the change vision within the organization. Moreover, a transformational leader listens to employees and actively supports their discussions of the change. His strong personality also opens the way for those types of changes that are particularly difficult to implement in the organization. Another determinant that has proved to be important is the *perceived legitimacy of change:* Organizational actors commit themselves only to projects that they consider justified. Legitimacy is determined by the change promoters' commitment to change, the persistence of their actions during the change process, as well as the resources that top management contributes to the change initiative. Our study also shows the fundamental role played by *collectively built change processes*. Organizational change has to occur through negotiation and discussions between all organizational members, as well as through collective problem-solving and learning. It therefore has to be "collectively built" in order to gain sufficient commitment and support and, finally, become effective. Our research further indicates the necessity of "evolutionary" or *incremental*

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[5] The "driving dimension" is similar to the "process dimension" identified in the literature review above. Nevertheless, we choose a different terminology here in order to clearly differentiate between findings revealed by our literature review and those of our empirical study.

deployment. A "step-by-step" change process allows the organization to change organizational characteristics gradually, which gives the employees involved sufficient time to acquire the required new knowledge and skills. This helps to maintain a certain form of stability during the change process, which in turn helps all employees to better cope with change. Similarly, the *visibility* of the process is fundamental. An open and continuous communication of the change process, its stakes, outcomes and the actions undertaken enables all employees to better understand what kind of change their firm is experiencing, which helps them to interpret the change correctly.

Finally, three further determinants are identified which are summarized by change capacity's "organizational reflexivity" dimension, which refers to the organizational ability to continuously investigate its practices in order to improve and renew them. Organizational reflexivity refers to change's "complex paradigm", as it emphasizes the **structuring role** of conditions that are present in the company before the change takes place, which can either facilitate or hinder any change initiative.

Our case study first highlights the influence of practices for *improvement through experience*. Employees draw their lessons from each change initiative, which makes it easier for them to put each new change into context and thus understand it better. Moreover, they apply their learning to ongoing changes, which can improve their outcomes. By collectively sharing their experiences with other organizational members, employees' shared belief in the value of change is continuously modified.

The second form of learning is *renewal through experimentation*. Experimentation improves individual learning capabilities, since organizational actors develop new ideas and knowledge through experimentation. This also leads to the renewal of the organization's

collective memory. Moreover, employees are forced to analyze problems encountered during the experimentation process and to collectively find solutions to them. This builds an ability to negotiate better and to compromise quicker.

Finally, the *cross-functionality (transfer) of the new knowledge* constitutes the last determinant. The transfer of knowledge has a structuring role if it results from a successful testing of a change initiative practice: Diffusing knowledge about this practice gives it greater legitimacy regarding its adoption for similar problems within the organization.

To summarize, the findings show that the capacity to change is built by its management (the "driving dimension" refers to the "management paradigm") and, at the same time, depends on the initial conditions for change (the "contextual dimension", which refers to the "complex paradigm"). Learning impacts both dimensions as a regenerating mechanism (the "structuring dimension"). Finally, organizational change capacity has to be analyzed as a combination of each dimension's determinants.

Comparing theory and empirical findings to establish a conceptual model

Our empirical analysis revealed that, in accordance with Gravenhorst et al. (2003) and McGuiness & Morgan (2005), both the process and context determinants of change have to be considered in an analysis of change capacity. We asked the respondents of our empirical study to mention determinants that concern the organizational context and the process of change and, therefore, ex ante used those two literature dimensions of change capacity as a guiding framework. All the respondents could point out several determinants of both dimensions, which proves that they are both important parts of a conceptual model of change capacity. This leads us to include the organizational context dimension as well as the change process dimension in our

model.

The change process dimension covers the "management paradigm" that considers change to be manageable and is called the "contextual dimension" in our model. It is described by the five process determinants identified in the empirical study. The organizational context dimension refers to the "complex paradigm" that states that an organization can establish facilitating conditions for change in the organizational context, but not manage change itself. It is called the "driving dimension" in our model, and is comprised of the six context determinants found in the case study. Change capacity therefore contains two contrasting views of change that we regard as complementary. On the one hand, change capacity refers to the organizational ability to manage multiple changes over time. In order to survive, an organization therefore has to establish certain conditions in the organizational context in order to cope with unexpected, fast approaching changes. An example of the latter is a competitor's swift strategic move that has not been predicted and harbors a threat to the company's market position. In order to respond to the threat by implementing a strategic change, the company requires certain conditions in the organizational context that enable it to implement the change. On the other hand, the company can manage certain types of changes reactively or pro-actively, which is when change process determinants come into play. Finally, even when conducting only one type of change, the organizational context and the change process dimensions complement each other in a way that leads to successful changes.

A further comparison reveals the importance of a third dimension of change capacity: the *learning dimension*. We called the latter the "structuring dimension" in the empirical study, as it plays a central role in the structuring of the change capacity's determinants within the scope of a learning process. The importance of learning for change capacity has been revealed in the

21

literature (e.g. Staber & Sydow, 2006), but not empirically examined. Our case study complements this, as it reveals three learning determinants of change capacity. An interesting point is that although we did not explicitly ask the respondents whether learning played a role in their company's multiple changes, the learning dimension simply emerged through the inductive approach. This emphasizes a qualitative approach's relevance for construct definition to overcome a quantitative study's limits. In order to obtain a more holistic understanding of change capacity, we include the learning dimension and its three determinants in our conceptual model.

To summarize, the comparison between the existent literature on change capacity and our empirical study reveals the process and context dimension of change capacity. Moreover, the empirical study adds to the literature in that it identifies the third dimension of organizational change capacity, namely learning. Despite each organizational change having differing underlying reasons and impacts, we nevertheless maintain that companies conducting multiple changes over time have an organizational change capacity that is comprised of the three described dimensions.

The content dimension: Completing the conceptual model

The paper has up to this point relied on the literature on change capacity and our empirical study in order to develop a conceptual model of change capacity. However, our primary focus on an analysis of change capacity originated in the literature on organizational change. We therefore referred to the integrative approach by Pettigrew (1985), as he emphasizes the combined value of the context, process and content of change. We addressed the first two dimensions by introducing the "management paradigm" and the "complex paradigm" that led us

to the identification of the change process's determinants and the organizational context dimensions. We now complete this view by addressing the issue of the content of change.

The change content was not explicitly analyzed in our case study, as the case study company faced several types of changes during the analysis period. A separate analysis of the complex change initiatives would therefore have prevented us from identifying clusters of context and change capacity's process determinants in general and summarizing them under the two dimensions. A deeper look into the change literature reveals that change content studies largely deal with the substance of changes (for a review see Armenakis & Bedeian, 1999). Gravenhorst et al. (2003), it can even be argued that studies on organizational change have been preoccupied with the content of change. However, there is no study that combines change process and context with change content in order to analyze change capacity. This may be due to the multiplicity of change initiatives that prevents a researcher from conducting a holistic analysis of the change context, process and content dimensions. In order to address the content issue of change together with change capacity's identified dimensions, and, at the same time, frame the analysis by means of a guiding structure, we will focus on changes in organizational strategy, structure and culture. We have chosen these three content types, because the organizational change and development literature often stresses that successful companies change their strategy, structure and culture over time in order to adapt to internal or external evolution (e.g. Hendry & Pettigrew, 1992; Kuwada, 1998).

Strategic change is defined as change in a company's product-market strategic orientation, which can be applied to the corporate as well as to the business unit level (Ginsberg, 1988; Kelly & Amburgey, 1991; Rajagopalan & Spreitzer, 1997). Strategic shifts occur when a product strategy is undermined and firms are forced to either strengthen that strategy or shift to

23

an alternative base of competitive advantage (Hendry & Pettigrew, 1992). According to Werther Jr. (2003), even the best strategies eventually become outdated and must be rethought. We consequently argue that companies have to adapt their strategies over time, which is why change capacity should be studied in respect of strategic changes.

Structural change is defined as a change in the organizational structure, such as vertical integration or divisionalization (Fligstein & Dauber, 1989). A vast body of literature deals with structural changes, and whereas some studies have a broad definition of structural changes that also includes strategic changes (e.g. Miller & Friesen, 1982), others explicitly differentiate between the two types (Amburgey & Dacin, 1994). The outcomes of structural changes' analysis should therefore be considered carefully and evaluated in respect of the author's definition of structural change.

Finally, *cultural change* is defined as a change in the organizational culture, i.e. a change in the deeply rooted set of values and beliefs that provides norms for behavior within an organization (e.g. McGuiness & Morgan, 2005). As organizational culture guides employee behavior, it can have a powerful impact on organizational effectiveness (Cummings & Worley, 1975).

According to the literature on organizational change, strategic, structural and cultural changes are interlinked, and multidimensional changes are likely to work best together, whereas partial change is associated with negative performance (Whittington, Pettigrew, Peck, Fenton, & Conyon, 1999). Strategic changes cannot be conducted without the relevant structural changes (Amburgey & Dacin, 1994; Chandler, 1962; Hendry & Pettigrew, 1992). The importance of the strategy-culture alignment has also been highlighted in the literature (Green, 1988; Scholz, 1987), which implies that organizational culture may be changed (Schein, 1990) to reflect and

support changes in strategy (Parnell, 1994). Finally, in order to make a structural change work, it is important to emphasize the need for a change in a company's culture (Hendry & Pettigrew, 1992). We therefore include all three types of change in our analysis of change capacity, which allows us to evaluate whether all types appear in organizational change capacity, or if certain configurations of different change content types are dominant.

The three change content types build the *content dimension* of change capacity that completes the model established thus far, and is illustrated in Figure 3.

Insert Figure 3 about here

The framework can be used to analyze change capacity from a more holistic perspective. We believe that the context, process and content dimensions of change capacity are interrelated and mutually reinforcing. However, we argue that dividing the construct into the mentioned dimensions allows us to structure its multiple determinants, which finally serves as a starting point for improved change capacity management.

CONCLUSION

We made several contributions to the literature on organizational change capacity. First, a comparison of the few studies on change capacity and our empirical in-depth case study revealed its three dimensions: The context, process and learning dimensions. Second, the theoretical and empirical findings were integrated into a conceptual model of change capacity. Third, the model

was completed by adding the content dimension of change, which is in accordance with Pettigrew's (1985) contextualist approach to change. Although the four dimensions consist of change capacity determinants that are interrelated and mutually reinforcing, we nevertheless believe that splitting the dimensions is a necessary first step towards a more detailed understanding of the change capacity construct. It provided us with a guiding structure that proved to be feasible in our case study on change capacity, as it helped the respondents to structure their arguments.

If all four dimensions are confirmed in an empirical analysis, this clarifies that organizational change capacity is a complex phenomenon built on determinants in the change content, context and process as well as on the ability to maintain organizational reflexivity. This in turn reveals that change capacity management is a challenging undertaking and that managers have to address multiple dimensions simultaneously in order to improve or maintain change capacity.

Our model does, however, have some limitations as it is partly built on a single in-depth case study. The study confirmed the existent literature, but it also revealed the importance that learning has for change capacity. We included this dimension into our model but, at the same time, we are aware that the model itself and its described dimensions have to be tested by means of a greater number of cases. We believe that a multiple case study approach would be most valuable for testing the model on a larger scale, while also enabling the researcher to reveal further determinants of each dimension, as well as to identify variations in companies' change capacity. The content dimension of change specifically needs to be examined in greater depth in respect of change capacity, for which a qualitative study would seem most appropriate.

Future research could address this issue by developing the content dimension of change

capacity further and testing the model on a larger scale. Moreover, change capacity's further theoretical elements, such as ambidexterity (Meyer & Stensaker, 2006), should be explicitly addressed by future studies. We also consider evaluating the role of dynamic capabilities in change capacity as important. They have been cited in change capacity studies several times (e.g. Judge & Elenkov, 2005; McGuiness & Morgan, 2005; Oxtoby et al., 2002), but the distinction between and commonalities of the two concepts have not as yet been addressed. Although these issues lie beyond our paper's aim, we consider them important features of future research.

Despite these limitations, our model combines several dimensions of change capacity and therefore paves the way towards a better understanding of the construct. We are very aware that each change initiative is unique. Change is a complex, multi-faceted, multidimensional phenomenon that is difficult to understand in its entirety, as existent studies have shown. We therefore believe that analyzing the ability to develop and implement changes is an alternative to existent studies, and that it is a complementary, and perhaps more feasible, approach towards the development of a holistic understanding of organizational change. Without oversimplifying the issue of change, the study of change capacity integrates change's different complementary dimensions.

With a better understanding of these dimensions, we could generate more substantial recommendations for managers who have to tackle the issue of organizational change capacity. Interventions could thus center on several dimensions, which might facilitate pro-active and reactive behavior towards change and increase an organization's chances of survival.

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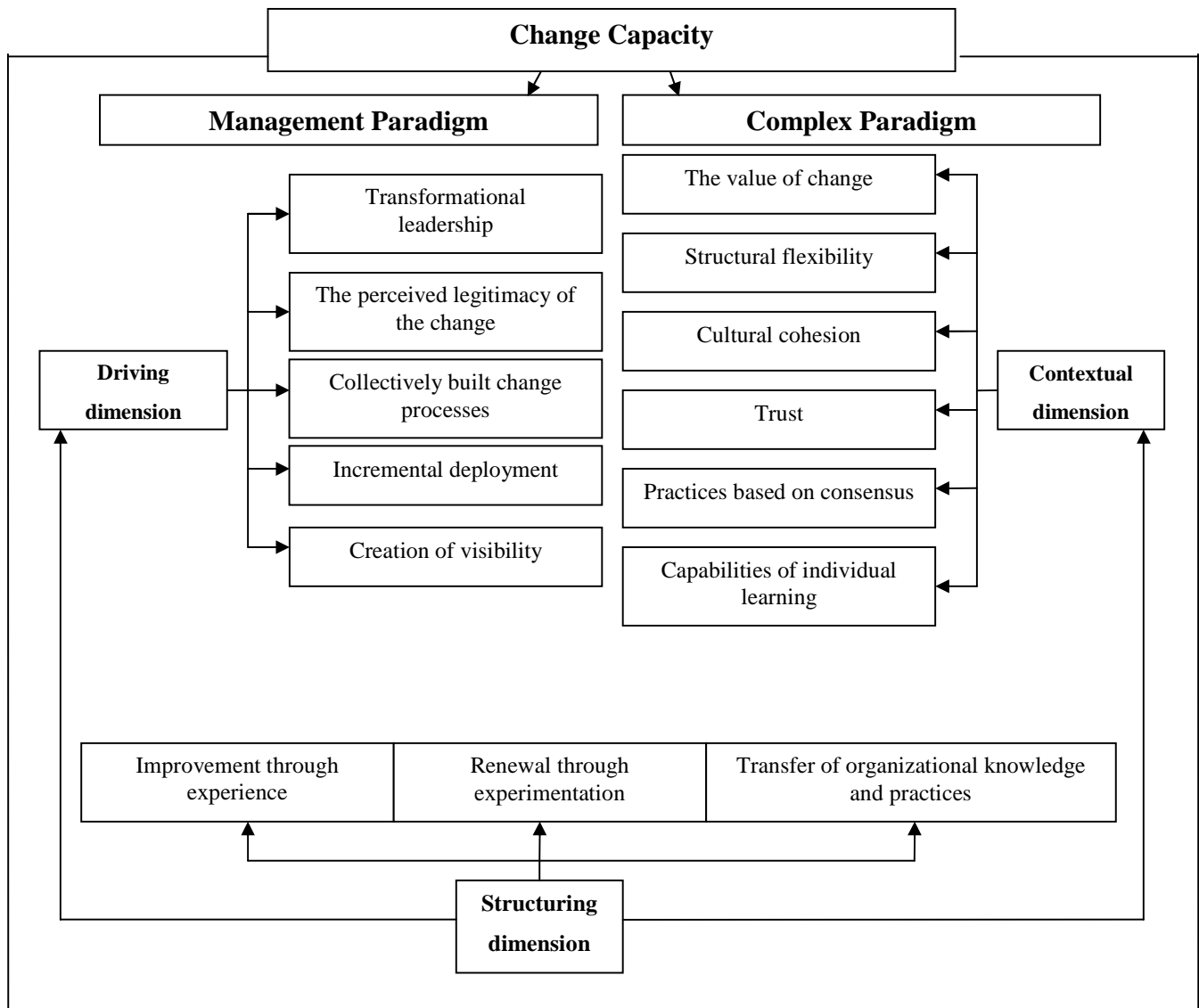
TABLE 1

The Prescriptive Models of Change Management

Models	Recommendations
Hierarchical model (Child, 1972)	Planning of the stages of change
Organizational development model (Beckhard, 1969)	Device for support and accompaniment of employees: participation, communication, training and incentive
Political model (Pfeffer, 1981)	Negotiation device for ensuring convergence of interests
	Legitimacy of the reformers and political support
Incrementalist model (Cyert & March, 1963)	Reliance on existing routines for initiating in an incremental change
Interpretativist model (Burrell & Morgan, 1979)	Symbolic management of change in order to act on the sense

FIGURE 1
Contrasting Paradigms in the Organizational Change Literature
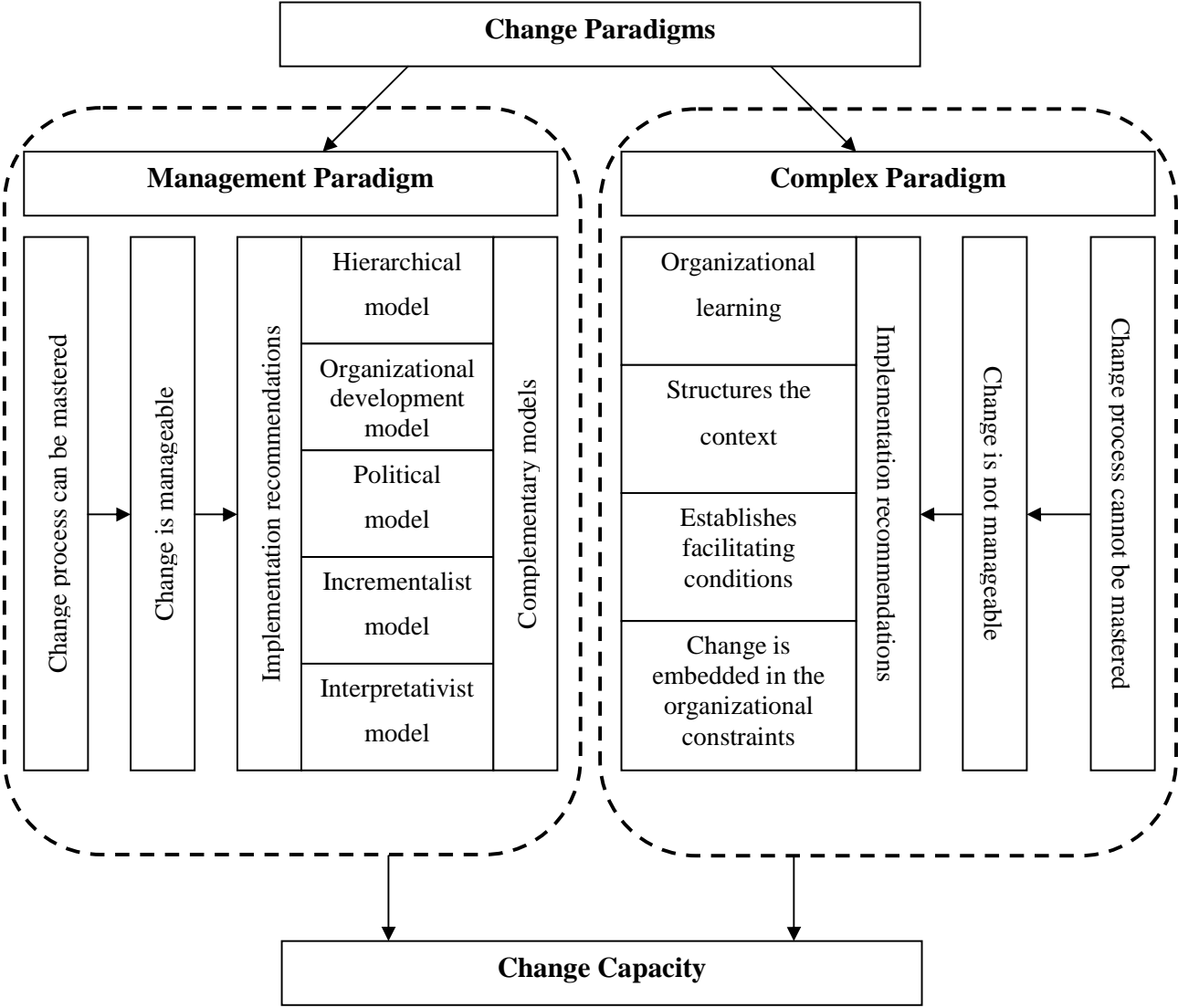
FIGURE 2
Empirical Findings on Change Capacity

FIGURE 3
A Conceptual Model of Change Capacity

| Change content dimension |

| Strategic change | ↔ | Structural change | ↔ | Cultural change |

| Organizational Change Capacity |

| Management Paradigm | Complex Paradigm |

Transformational leadership

The value of change

The perceived legitimacy of the change

Structural flexibility

Collectively built change processes

Cultural cohesion

Trust

Incremental deployment

Practices based on consensus

Creation of visibility

Capabilities of individual learning

Driving dimension

Contextual dimension

Improvement through experience

Renewal through experimentation

Transfer of organizational knowledge and practices

Structuring dimension

| Change process dimension | Change context dimension |

35