

## **ORGANISATION RENEWAL: THE METANOIC ORGANISATION IN SOUTH AFRICA**

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### **INTRODUCTION**

Business, as well as society in general, is faced by increasingly complex sets of problems, which feed on and reinforce each other. These problems have technological, economic, political and social dimensions. Such problems are interrelated and form a nonseparable system of problems, referred to as a 'problematique'. The 'problematique' of the business sector would include manifestations such as a skilled labour shortage, increasing labour unrest and violence in the workplace, sanctions, disinvestment, the threat of nationalisation, and the declining value of the rand. It is impossible to resolve one dimension in isolation – they overlap and a change in one will have a ripple effect on the others. Creative and innovative ways of responding to the environment are needed in order to understand and deal with such complex problematques. There are a small but growing number of South African organisations who have explored innovative ways of transforming their environments and their methods of thinking and operating.

In March 1990, the Institute for Futures Research (IFR) held a conference entitled 'Making their Future: South African Organisations on the Move.' Its purpose was to facilitate a learning experience and allow some of these companies to share their experiences. The companies referred to are Shell, Tongaat-Hulett, ISM, AECl, Cape Cabinets and Eskom. This article aims to examine these cases of organizational renewal within the framework of metanoic organisations, and is based on the conference summary presented by Elisabeth Dostal of the IFR.

### **The metanoic organisation**

The term 'metanoic organisation' was introduced by Peter Senge and Charles F Kiefer (1984), both from MIT. It is used to describe a type of organisation, which, operating under extreme pressure, has achieved high levels of performance. Individuals within the company have united as microcosms of how society can work to everyone's fulfilment.

The work 'metanoic' is derived from the Greek word 'metanoia' and means 'a fundamental shift of mind; (*meta* means transcending and *noia* means mind). The case studies presented during this conference showed that a change in worldview, in ways of thinking, in emphasis on purpose and vision and alignment around that vision, were the driving forces of organizational renewal. The term 'metanoic organisation' is, indeed, an apt one.

### **Worldview of the metanoic organisation**

One of the most fundamental aspects of a metanoic organisation is its view of the future. These organisations have a deep belief that the future cannot be predicted but can be produced by individuals and organisations who are not constrained by circumstances, but who take responsibility for shaping their own destinies. This is in contrast with the view, which says that the future can be 'predicted' as accurately as possible, so that the company can adapt in order to cope with uncontrollable environmental forces.

Producing a future, which the company considers desirable, requires a long-term orientation. This is because the choices of alternative strategies increases the further ahead in time the perceived threats or opportunities lie.

Organisations, which do not explore the future on an ongoing basis, are suddenly confronted by 'unforeseen' circumstances. They then have to take up a reactive stance, with little if any choice regarding strategy. Thus, in a metanoic organisation, the long-term future orientation is enmeshed in the company culture. It is an ongoing, proactive orientation rather than the once-a-year-looking-onto-the-future or strategic planning exercise, which is often the norm.

Producing a desired future requires careful planning which is based on an understanding of the nature of environmental changes and the driving forces behind it. It involves insight into and judgement of what could be based on an understanding of past and present developments (i.e. the possible and the probable), as well as an understanding of what should be (i.e. the desirable). Shell is considered to be a pioneer in this planning style. Using scenarios to give alternative interpretations of the present as well as the desired future, they have made planning, strategic management and strategic learning an integral part of company culture.

To develop understanding of the future, and appropriate responses to it requires analysis of environmental changes as well as the ability to synthesise. Synthesis refers to seeing patterns, relationships, interdependencies, and things in context. It involves a balance of rational thinking as well as intuition. Intuition fosters creativity, and implies sometimes have to rely on and trust hunches, or 'gut feel', to solve problems far too complex for rational analysis. As one speaker said, "the development of vision requires a great deal of intuition and gut feel". The concept of 'surfacing' visions referred to by another speaker, also seems to imply intuition. Eskom have recognised the importance of nonrational processes when they use fundamental principles of 'rites of passage' to develop induction programmes where newcomers are initiated to the values and culture of the company.

Metanoic organisations require an understanding of the systemic nature of an organisation and its environment. The systems approach emphasises the need to look at relationships and interdependencies between the members of an organisation as well as between the organisation and other actors within its environment.

The focus on interdependencies was demonstrated by Errol Marshall of Shell, who said "success depends on understanding the driving forces and then being able to act as these forces produce new circumstances."

Awareness of the systemic interdependence of an organisation and its environment also gives rise to a focus on cooperative strategy, not to replace, but to complement the classical competitive strategy of business. Tongaat-Hulett is a case in point. They have started a planning initiative or regional forum where they are engaging various external stakeholders, who function as a think-tank, to design and create an ideal design for the coordinated vision for the long-term future of the Durban Functional Region. This process developed out of the conviction that business had to contribute to the reform process in South Africa and that it had a responsibility in co producing a desirable future for South Africa.

One of the most important aspects of this systemic worldview is the value it places on each part of the whole. There is an awareness that the whole cannot function unless all its parts function harmoniously together, and that each part has a unique contribution to make. Thus, the hiring/firing attitude of previous management styles is replaced by an attitude of valuing and nurturing each individual. For example, Eskom increasingly see themselves in the 'quality of life business', and are making a long-term investment in the people component, in the invisible assets of the company – i.e. assets of loyalty, culture, competence, motivation and alignment.

### **Purpose, the central focus in metanoic organisations.**

Purpose, vision, mission, that is shared by all members of an organisation, was emphasised as the most important focus of organizational renewal. The centrality of vision was expressed by every speaker in comments such as 'if you have the vision in your company right, then everything else follows... that is vision not in terms of what you want to do, but in terms of what you want to be' (Errol Marshall of Shell). Vision is also one of the main sources of creative tension within a company.

If an organisation is truthful about its current reality (i.e. where it is now), and has developed a clear vision (i.e. where it would like to be), tension or stress to change develops due to the difference between the two. It is this creative tension that releases energy and aligns a company. ISM has built in the stress needed for change by asking employees the difference between the company they would like to work in, and the company they thought they would work in if things continued in the same way.

The practicality of using a company vision as a framework for day-to-day decision-making was emphasised by many speakers. ISM outlined a process which was initiated after the IBM disinvestment from South Africa. As IBM SA the company was subject to the same regulations as IBM worldwide, for example the same manpower reductions irrespective of unique operating conditions. As a result of disinvestment, ISM had to then develop its own vision, and change from a short-term operational focus to a long-term strategic focus. The vision and overriding purpose of the company is clearly expressed and understood by all members, and it provides the logic for decision-making on all issues, small and large and at all levels. Every activity within an organisation contributes towards the same ultimate purpose. Thus a shared purpose creates alignment throughout the organisation. Nearly every speaker expressed the importance of communicating purpose/vision/mission, both internally to create alignment within the organisation, and externally to create alignment between the organisation and its external stakeholders. The proposed mission statement of Cape Cabinets was communicated internally to each employee for input, and the final document was a synthesis of opinions from all levels. On the other hand both Eskom and ISM place a high priority on frequent meetings with external stakeholders – in order to communicate where the company is going, to get feedback and to become more responsive to operating environments and customer needs. In terms of communication strategies, both companies stress the importance of verbal communication as well as visual images and symbols.

A special quality of leadership is also required at every level in metanoic organisations. The purpose of leadership is largely to act as a catalyst for the various aspects of the envisioning process within a company. The leadership function of top management is to facilitate the creation of a company vision, one which will weave in the threads of employees' own personal visions. Other leadership functions are to translate or decode the vision so as to make it appropriate to various departments and levels, to communicate the vision, to sustain initiatives and create alignment around the vision, to empower and enrol their followers, to reduce resistance and anxiety in them, and to live the vision as an example for all to follow. Thus leadership is necessary at all levels of an organisation. Eskom, in an unusually comprehensive restructuring process for an organisation of more than 50 000 employees, developed a parallel structure to the board (viz the Top 30) to act as a think-tank and to lead the restructuring process. Their purpose was to receive inputs from all over the organisation, set priorities, and to support and lead the changes. Top management played a vital role in living out the vision and acting as role models for the new management style.

### **The structure of metanoic organisations**

Common structural characteristics emerged from various case studies shared at the conference.

The central issue regarding structure is that it is determined by or aligned with purpose. Senge & Kiefer (1984) refer to this as structural integrity. Thus, a profound change in the purpose of a company leads to a restructuring process within an organisation, whilst structural changes alone are often ineffective. Neil Nattrass expressed this explicitly when he spoke of the structural changes that occurred when AECL changed from one large company to six largish companies... "and nothing changed, except whom you reported to... nice boxes drawn on pieces of paper". One needs to realise that structural changes will be ineffective unless accompanied by other changes as well, for example, changes in purpose, changes in process and changes in the way that people operate.

In most cases the restructuring results in flatter organizational structures – less formal, less hierarchical, more autonomous and more decentralised organisations. For example, AECI created taskforces with the organisation being rebuilt around the concept of small teams, whilst Eskom decentralised the entire organisation into 50 Strategic Business Units – promoting autonomy, independence, individual responsibility, and encouraging customer contact. As mentioned previously, metanoic organisations value the individual as a thinking, feeling and developing human being who has individual needs and unique contributions to make. Consequently, participation in decision-making is an important structural feature of these companies. The impact of this is evident in the case study of Cape Cabinets. According to Jerry Seherie of Cape Cabinets, as a result of worker participation, the employees “began to walk tall, to communicate and to solve problems effectively”. At AECI, too, organizational restructuring according to Neil Nattrass was “line-led, line-designed and line-resourced”. A variety of other organizational development interventions were also used to encourage participation, e.g. quality circles, suggestion schemes and electronic mail systems that fed straight to executive levels. The task orientation of the metanoic organisation is typically result and reward orientated. Examples that were cited are employee ownership schemes, profit sharing and output-related reward systems. In this context, Cape Cabinets served as an interesting learning experience. Although the organisation was restructured around productivity improvement through participation, the reward structure was not adapted to support this. Consequently the workers’ demands for financial remuneration were not met, and employee morale and productivity were seriously affected. This is an example of violating the principle of structural integrity. Lack of alignment between the vision held by the management and workers of the company vis-à-vis that held by the holding company, seemed to be another example of a violation of the principle of structural integrity.

### **Process orientation of metanoic organisations.**

Traditionally organisations have put much emphasis on structure and, as mentioned previously, many organizational restructuring processes have failed dismally due to this preoccupation with structure, and a neglect of ‘process’, e.g. deeply embedded patterns of communication, ways of working or internal customer-supplier chains. Neil Nattrass of AECI went so far as to say that one might well be successful in keeping the old structures and only changing the processes, the way people work.

On the other hand, one could have an organizational structure for participation recorded, as standard operating procedures in a company manual, yet not obtain participation because it was not followed through in process. Metanoic organisations place great emphasis on setting processes into motion and maintaining them. ISM invested a large amount of resources in putting their top executives through a process of creating a strategic vision. The tangible end result (i.e. the paper document), was not as important as the process. One could tear up the document and the plan would remain embedded in the minds of participants.

Process is also open-ended. This was evident with statements such as “the job is never ending”. Company vision and plans are reviewed on an ongoing basis and procedures and structures are adjusted accordingly – the emphasis is on ongoing and gradual behavioural changes.

The concept of logical incrementalism describes this gradual change process. ‘Incrementalism’ refers to a step-by-step change process. ‘Logic’ implies that the step-by-step change is not a random walk but is a process governed by the logic of a desirable destination, i.e. a purpose or vision. Thus, if the purpose of an organisation is changed, the logic of step-by-step change is likewise changed, resulting in step-by-step structural reorganisation while maintaining or creating structural integrity.

Ongoing communication, as a process, was mentioned by very speaker. In a metanoic organisation great emphasis is placed on a two-way communication process. On the one hand leaders use communication to generate alignment and to build consensus around a shared purpose. It was, for example, interesting to hear that ISM's advertising was not only designed and used for external communication but also for communicating a vision to employees. On the other hand, bottom-up communication is encouraged to facilitate participation in defining purpose, creating vision and making decisions. Cape Cabinet's experience highlighted the importance of listening in order to identify the 'true' problems experienced by workers. Listening builds trust. Several speakers emphasised the need for continued feedback through, for example, internal surveys and regular meetings with customers.

### **Conclusion**

The IFR conference showed clearly that the theory and praxis of metanoic organisations are beginning to impact on the South African business environment. We, at the IFR, believe that the metanoic organisation is the organisation type of the future.

As a suggestion for future discussions, we suggest that the metanoic organisation could become the foundation on which economic transformation is built, embodying the desirable aspects of both capitalism and socialism. On the one hand, the metanoic organisation is output-oriented. It emphasises personal responsibility, and it harnesses the rewards of excellence, creativity, innovation, risk-taking, entrepreneurial spirit and hard work of individuals and organisation in a competitive environment. On the other hand, it stresses responsibility for the larger whole, collective values around shared vision, cooperation in co-designing and co-creating a desirable future and shared ownership of the organisation.