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(Author's note. This paper concerns part of a larger research project done in collaboration with the University of Southern Queensland. The research title was "Organisational Change from the perspective of Organisational Change Consultants." Eighty "key" consultants, referred to the researchers by their peers, were interviewed – 64 in Australia and 16 in New Zealand. This paper addresses just one small part of that research – the recent, current and emerging forces for organisational change in Australasia. The paper was written as the chapter of a book that never came to fruition. The paper is presented in its final form following the editor's suggestions and requirements and as submitted for publication. Inclusion on this website is the first public appearance of this paper – lodged on this site in 2002).

CHAPTER 2

The Context for Organisational Change

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Contents

Some Historical Developments
Political Environment
Economic environment
Management Practices
Competition
Globalisation.
Technology
Labour Reform
Other Observations
Concluding Comments

There are a number of interesting factors about the topic of this chapter. First, there is a distinct difference in the way the New Zealand and Australian consultants have responded to questions about the context of change, driving forces for change and the emerging trends. Some of these differences are highlighted throughout the chapter. This may or may not represent a difference between the context for change in New Zealand versus Australia. It may represent a distinct difference in the way New Zealand versus Australian consultants perceive their world and their country. Second, the chapter is virtually a victim of its own title - a victim of the context for change. There was a sense of futility in writing such a chapter. In the short time since the consultants were interviewed the political, economic and social environments have changed profoundly in Australasia.

For instance, at the time of interviewing, New Zealand was starting out on its journey into a coalition government elected under Mixed Member Proportional (MMP) representation. Even more striking, the economic environment on Monday 27 of

October 1997 was somewhat different from the environment just six days earlier on Wednesday 22 October 1997. With the crises on the Hong Kong Stock Exchange and on Wall Street, the economic context changed over the weekend. If we were to interview the consultants today, their responses concerning the context of change would probably be different from what they would have stated in early October 1997, and different from what they stated at the time of interview.

Notwithstanding that, this remains an important chapter. There are clear messages being conveyed by the consultants regarding the context of change in Australasia, and many of these messages need to be listened to and heeded by those running businesses and those inevitably embroiled in the management of a changing environment.

The chapter describes some of the historical developments and consultants' responses regarding recent, current and anticipated future trends.

Some Historical Developments

Prior to the 1980's New Zealand and Australia shared a distinctive mode of economic regulation and social protection. The mode of regulation is well described by Castles (1988) as 'domestic defence'. Domestic defence particularly suited wealthy colonial economies in an era of organised capitalism. It involved the maintenance of high domestic protective barriers against foreign manufactured goods and a dependence on the export of primary products to a narrow range of markets, notably Britain.

Broadly, particularly so in New Zealand, both countries subscribed to the traditional social democratic objectives of modifying the reward structures of capitalism in order to establish greater social and economic equality. This modification was partially achieved through enabling full employment goals to be attained behind protective trade barriers. It was also complemented by centralised wage-fixing systems allowing for a 'fair' wage, progressive taxation, state expenditure on welfare and state expenditure on the provision, subsidisation or regulation of public goods such as education and health and on natural monopolies such as electrical generation and reticulation, railways, postal services and telecommunications.

Both countries entered the 1980's in economic crisis. Average economic growth rates per capita had been substantially less than the OECD average since the 1950's (see for example Dowrick and Nguyen, 1989). It was apparent to many that economic growth could not create sufficient wealth to maintain existing levels of state expenditure. With commodity prices falling, little foreign investment in domestic manufacturing, and agricultural protectionism in the North Atlantic weakening their natural comparative advantages in primary production, the wealth-generating foundations of both countries were in long-term decline. National confidence in interventionist domestic defence strategies had been eroded. Consequently, both countries were susceptible to the new international policy agenda of neo-classical economic liberalism (Schwartz, 1994).

Deregulation, 'downsizing' government, restructuring the public service along quasi-private sector lines, and the privatisation of government business enterprises and services became the dominant paradigms shaping the discourse of public policy (Castles, Gerritson & Vowles, 1996). This phenomenon was intensified by a

resurgence of the intellectual right who held out the prospect of a new age of growth and prosperity if only the accumulated mass of regulations and controls, including the welfare state systems, were stripped away. Governments were advised to step back from the attempt to secure the great aims of the post-war era: full employment, growth, and collective responsibility for social welfare.

Under the new policy prescription, governments' responsibilities were to be pruned back to a minimalist prescription of securing price stability by means of monetary policy and balancing a reduced government budget (Roper and Rudd, 1993, Garnaut, 1994, & Bollard, 1994). Paradoxically, in both countries (Australia in 1983, New Zealand in 1984), leftist Labour governments came into power in circumstances that called for policies that were traditionally anathema to Australasian social democrats.

Differing circumstances and personalities led each Labour party on election to a different policy approach to change that has led to divergent consequences in the late 1990's. The pace of change was slower in Australia than in New Zealand. This was due to a variety of factors. There was the contrast between a bicameral and federal division of powers (as in Australia) versus the lack of checks and balances in a unicameral parliament (as in New Zealand) with all power deriving from the outcome of a winner-takes-all plurality voting system.

There were divergences in the personalities of leaders, with Bob Hawkes' consensus seeking in Australia being at the opposite extreme from Roger Douglas's 'blitzkrieg' approach on economic policy issues in New Zealand. Also, most crucially, there was a different relationship existing between governments and trade unions in the two countries. Attenuated links between the two wings of the New Zealand labour movement, meant the virtual exclusion of a union role in policy formation, leaving the way open for the adoption of radical policies of market liberalisation, monetarist economics, financial deregulation, privatisation and a flattening and broadening of the tax system.

In Australia, by contrast, there was formalised co-operation between the government and the Australian Council of Trade Unions (the 1983 Accord), that effectively shaped the parameters of economic policy and debate for the rest of the decade. The success of the accord as an instrument of consensus policy making provides the explanation for the limited privatisation initiatives of the late 1980's (Head, 1989).

In contrast to New Zealand, the process of change was slower. There was more emphasis on consultation making it possible for countervailing forces to organise, make their views known, and modify policy. For example, the 1985 proposal to introduce a goods and service tax modelled on that of New Zealand, was withdrawn by the Labour government after it encountered strong opposition from the Australian Council of Trade Unions (ACTU).

In essence then, Australia approached change slowly while New Zealand went "hell for leather." This is reinforced by the responses of the consultants. When the New Zealand consultants were asked, "what are the significant forces affecting the performance of your clients?" a notable first reaction was reference to the sheer enormity of the forces for change in New Zealand in the past decade. One consultant revealed that at a recent conference the 120 delegates were asked how they saw the

forces for change altering over the next decade. Apparently the almost universal response was that the turbulence cannot be stopped and the New Zealand environment would become even more turbulent, no matter what government is in power.

A number of the New Zealand consultants felt that the recent and current trends would continue to be forces for change over the next decade. Just one consultant stated that he believed there would be a profoundly different set of drivers operating in the early twenty-first century.

In contrast the Australian consultants were less willing to offer a prediction for the future and those who did, reported that they did not expect current trends to change much. Responses such as “who knows?” and “how can you predict?” were offered, along with comment that some of their clients felt that way too.

Some Australian consultants anticipated the “slow burn” to continue, and that the forces for change would remain largely the same, unless there was some sort of global disaster - environmental, economic or political. We have heard about some changes for ten years or more, yet we have not seen huge movement towards them in Australia. Instead there has been a gradual edging towards them. The forces for change, both internal and external were not seen to be terribly new, may not speed up in their impact, but may increase in intensity, number and the number of people directly influenced by them.

Summary

Both Australia and New Zealand had, until the 1980's subscribed to a traditional social democratic approach of modifying capitalism reward structures to establish social and economic equality. Both countries entered the 1980's in economic crisis, and from that point there was a departure away from the shared mode of economic regulation and social protection. Deregulation, restructuring, privatisation of the public sector became the dominant models for shaping public policy, backed by new intellectual right discourse. On each side of the Tasman Sea, however, the changes differed. The pace of change was much slower in Australia and described as a “slow burn.” A “slow burn” that was forecast to continue. This was in part seen as a consequence of Bob Hawke's consensus seeking approach, the structural inertia inherent in the bicameral and federal governments, and the cooperative government-labour relations of the 1983 Accord. By contrast, in New Zealand, the pace of change was rapid, turbulent and forecast to continue that way. The direction of the New Zealand change was seen as partly due to a relatively unchecked unicameral parliament of New Zealand, the influence that “Rogernomics” was able to assert and the development of slender links between the government and the labour movement.

Political Environment

The political outcomes of the pace of change have differed between the two countries. In Australia, the Labour government won five consecutive elections and has left a legacy of a consultative process that the liberal Howard government is having difficulty removing. In New Zealand, Labour lost support directly as a result of the way in which it implemented its policies (Vowles and McAllister, 1996), and only

lasted two terms. The policy initiatives adopted and the strategies embraced under Labour have however determined the National party policy agenda. National's major policy innovations have included the Employment Contracts Act 1991, which brought to an end compulsory unionism, reduced unions to the status of incorporated societies, and greatly extended the practice of enterprise bargaining; very substantial benefit cuts; and major cuts to health and education administration. Perhaps to set limits on state power, New Zealanders voted to a shift to proportional representation in a referendum in 1993. The first elections under this system were held in 1996. For National, despite having to share power under a coalition agreement, the policy agenda appears as business as usual.

The political environment received scant mention from the Australian respondents. On the other side of the Tasman Sea more than one-third of the consultants referred to New Zealand's political environment as a major force for change in recent years. Not surprising, most (but not all) of the consultants who responded this way, worked in Wellington, near the seats of political power, with some history of consulting to the government and some experience of the constraints and interference associated with working in the political arena. A major driver for change came from a "political and economic milieu of a country that has taken the brakes off and deregulated."

The deregulation of the New Zealand economy and in particular the public sector was the most frequently cited force within this context and seen as especially important since the late 1980's. An enormous restructuring of the public sector, under a change programme designed to increase fiscal responsibility and accountability. As part of this New Zealand saw regulatory introduction in the form of the Commerce Act 1986 and Resource Management Act 1991, which had major implications for both private and public sector organisations.

During the same time New Zealand has seen the removal of regulations, trade protection and tariffs which had preserved the status quo. For at least one consultant the removal of these barriers has been viewed as having a liberating effect by enabling managers to actually effect change in their organisations. Another consultant saw the contrast - a situation where factors that enabled creativity had been legislated against. A third consultant stated that their removal led managers into consideration of business planning, strategy and a quest for improvement. In contrast to viewing these barrier removals as a liberating factor, a fourth consultant cited it as a clear pressure placed on the private sector in the past decade.

It is important to consider that at the time of many of these interviews, New Zealand was experiencing a hiatus in government. The country had just completed its first MMP election, and for some months experienced political uncertainty as negotiations proceeded towards forming the first coalition government. A major context of change in late 1996 was founded in the "lack of government" and perhaps an optimism associated with this transitional stage. Needless to say, the introduction of MMP would have a major impact on the context of change and was mentioned by one-third of the New Zealand consultants.

Summary

The political environment as a force for change has been seen differently by the

consultants from each side of the Tasman Sea. Indeed the political environment hardly rated a mention from Australian consultants but was seen as having major implications in New Zealand. In particular, in New Zealand, the introduction of MMP and the deregulation of the economy were seen as especially important forces for change.

Economic environment

The economic outcomes of the pace of change have also differed between the two countries. Both countries are now open, 'more-market' economies than before the reforms began. Inflation in both countries has fallen from over 10% to less than 2% and is now less than the OECD average. Unemployment rates have increased in both countries, but are higher than the OECD. Australian economic growth has been superior to New Zealand. Job numbers have fallen in New Zealand by about 6%, but have grown in Australia by around 14%, compared to 8% in the OECD. New Zealand's exports have increased by some 19% over this period. In Australia, exports have increased by 60% (despite adverse terms of trade in the late 1980's), compared to an increase of about 53% in the OECD. Volume GDP in New Zealand has remained about the same over this period. In Australia volume GDP increased about 17%, compared to an OECD increase of about 20%. Thus relative to the OECD, New Zealand's economic performance has substantially worsened, while Australia is marginally worse.

The Australian consultants reported that the economy drives change. The minute there is a recession or a sharemarket crash, there is change. Hence a recent driver of change has been the recession that hit in the late 1980's and no doubt, again, the crash of October 1997. Money was tight (even in banks). The Australian economy was described as "flat" and in need of attention. One consultant mentioned, however, that he does not envy politicians and legislators, on account of the complexity and scope of the challenge involved in paying that attention to the economy.

In contrast a consultant stated that of old Australia was at the hands of economic drivers, but now it is technological and sociological drivers.

The impact of the economic environment was not addressed in great detail or as a specific topic by many of the New Zealand consultants, although there are inevitable references to economic issues in trends discussed below, and heavily implied in the paragraphs above.

Summary

Both countries have shifted towards a more open market economy. Australia's economic growth has been superior to New Zealand's, and although described as "flat" was seen as marginally below OECD figures. New Zealand's position was substantially below OECD. The Australian consultants reported the economy as a major but complex driver of change. The economy per se, did not generate the same specific attention from the New Zealand consultants who appeared instead to take it as "a given" that impacted on other issues that they preferred to voice (such as those reported below).

Management practices

One Australian consultant set the scene by commenting that the single greatest force for change is how the people in the organisation **think**, particularly management, since those people in turn, deal with all the other forces for change. A number of respondents alluded to a mind-shift requirement. The Australian manager was seen as insistent upon seeking short term results, being reactively problem centred rather than mission centred, and cost rather than revenue driven. They were described as quite capable of managing the present in terms of current performance, but the consultants were less confident of their ability to manage the future in terms of production, evolution and rejuvenation.

In essence therefore, there was a call from the consultants for Australian managers to become more proactively future oriented, mission centred and revenue inclined than they have been in recent years. One consultant cited a survey showing that, as a norm, as little as eighteen percent of senior executives' time was actually spent on considering the generation of revenue. Most of their time was spent in meetings and engaged in related activities all concerned with cost cutting.

The ability of Australian managers was mentioned by a good number of the consultants, but there was little uniformity in their responding, except to be rather negative. Managers at the top of many organisations were reported to have an abysmal understanding of their people and of the human resource dynamics. One consultant stated that it would take top management four minutes to make a decision about \$60 million of equipment and four hours of meetings to decide on the design of a new belt buckle for the corporate uniform. Another mentioned senior management structures that would make decisions to spend \$62 million on a new plant, but who would balk at a suggestion to spend \$500 per person on payroll in training. Those who have reached the top were cited as often being from science, engineering or law backgrounds, who can usually cope with technology, but find it difficult to cope with the demands of their people. Coupled with this, managers' leadership skills came under scrutiny. Senior managers can listen to their people and enable feedback upwards in the organisation, but without a whole range of leadership abilities, the attempt is futile. Enhancement of leadership abilities was called for the future.

While still on the track of negative comments about management ability, Australian senior managers were described as timid and inclined to settle for modest goals. They often lacked commitment to stick with their own carefully analysed and planned courses of action. When the heat went on, they were inclined towards snap decisions and to throw the planned action away.

In a related sense a number of consultants mentioned the difficulty of putting thoughts into action. One consultant reported that the thoughts and espoused theory of people in business was at least a decade ahead of practice. Australian managers could get their minds ahead, but had difficulty transferring that into their muscles. There was an inertia, where thoughts have crossed the water shed, but actions have not. Others commented that strategic planning based on logistics, business information, figures and formulae was relatively easy. What was difficult was human ability to implement the plan and see it through. Change itself was a challenge in this regard. Management

talked about change, said they would change, but in practice found it very difficult to do so.

Management thinking and apparent ability may well be a function of the increased complexity of their task. A trend was described whereby over the last five years Australian managers appeared less confident of themselves and relied more heavily upon outside advice. In retrospect it often became apparent that they had more in-house expertise than those they called in. However, business itself was forcing the pace of learning, and questioning some of the sacred cows of organisation. In the 1990's we have seen the emergence, in practice, of non-linear, dynamic systems thinking. It has been emerging for over thirty years but has taken time to come into action, since systems are complex to understand and often messy. Until recently linear thinking has been useful in stable industries. However, more industries are experiencing instability, change and uncertainty. The traditional plan, organise, lead and control model of management is showing signs of decay.

What of the future regarding Australian management thinking and ability? Rather than a prediction, most of the consultants appeared to be calling for a change, and in essence, a change of mindset. Changes in management style were forecast, in many respects related to quality of work-life issues - mentioned below. The call seemed to be a shift from simplistic (short term, reactive, cost driven, formularised, linear) thinking to more complex (future oriented, proactive, revenue generating, systems) thinking.

Reference to management practices, abilities and ways of thinking was also a major theme in terms of recent, current and future forces for change, among the New Zealand consultants. The CEO's and managers of an organisation were reported as a key force. In many respects this force behind change seemed to have occurred as an outcome of the forces mentioned elsewhere throughout this chapter. Deregulation has enabled managers to effect change, globalisation has lead to a shift towards competitive thinking, and quests for efficiency, quality, improvement, value for money and alternative approaches. Some consultants reported that the enormity of change in New Zealand's recent history has had a positive effect on management ability. They have been through turmoil and come out the other side better for it. There is a greater quest also for involvement and the upgrading of management skills. One consultant spoke of a renewed practice in "hiring brain." For ten years, New Zealand organisations have been loath the hire "brain" but this has changed in the past two years. Some key organisations are "desperately" seeking top graduates.

On the other side of the coin, a number of consultants mentioned that New Zealand had too many under-performing CEO's. A number felt this was associated with the abysmal salaries they are paid, for the extremely significant and stressful work they perform. One respondent summarised the thinking by saying that New Zealand has a tendency to pay CEO's \$160,000 per year to do a \$500,000 per year job - with the result that the organisation only gets a \$160,000 per year performance. A number of the Auckland consultants mentioned that their approach was influenced by the work of C.K. Prahalad and Gary Hamel. Hamel (1996) in particular, is critical of top management's propensity to preserve orthodoxy and to neglect the forward thinking ideas of their lower management and technical people. This preoccupation with Hamel's ideas, might be seen as reinforcing the view that these consultants had

concerns about top management and CEO abilities and practices. Two consultants made particular reference to this being a problem in law, accounting and engineering firms, stating that these “dinosaurs” will die if they don’t change their thinking, and adding that the reluctance of the partners to give up some of their power and control has led to some lack of success of consulting interventions in those sorts of firms.

Summary

The people in an organisation, especially management, must deal with all the other forces for change. For this reason, the way management thought and acted was seen as particularly significant in the context for change. On both sides of the Tasman Sea consultants appeared to advocating shifts in management mindset. In this manner, with their advocacy and keen desire to send a messages to management, the consultants themselves could be viewed among the drivers for change. Australian consultants seemed to be championing quality of work-life issues. They mentioned the inertia created by simplistic, reactive, linear, short term management thinking and called for a shift to more complex, future oriented, proactive, revenue generating, systems thinking. The message was much the same in New Zealand. There was mention of the reluctance of New Zealand managers to relinquish power and control, and the preservation of orthodoxy as stagnating forward thinking. New Zealand management was, however, seen positively for the way many of them had surfed the turbulent change processes of the past decade.

Competition

Two of the most significant forces, mentioned separately but intertwined, that have been affecting the private sector (and public sector for that matter) have been competition and globalisation.

It was reported by the New Zealand consultants that the competitiveness of business was a major force affecting the consultant’s clients, especially those with international connections. New Zealand organisations were not only facing stronger competition than before, but were now being hit by a second wave of competition, particularly in the manufacturing and service sectors. Organisations may have thought that they had seen the new competitiveness through in the post 1987 period. However, they were now being hit by renewed off-shore competition and overseas firms showing interest in establishing themselves in New Zealand.

As with New Zealand, the Australian consultants reported competition and competitive pressure as a major force, but tended not to go on and qualify this with specific detail. Competitive pressure was described as a relentless grind creating tension between efficiency and innovation. The reluctant acknowledgment that the firm down the road is now a competitor. Being exposed to external pressure has created some stress and placed Australian organisations in survival mode. A very strong theme among the Australian respondents was that this survival mode was characterised by a mindset of cost cutting to the neglect of revenue generation. The trend towards increased competition is expected to continue, and in the words of one consultant, the survival cost motivated mentality “is getting worse.”

In New Zealand competitiveness was borne out in current management attitudes. A

main undercurrent in their thinking is a striving to beat the competition, and perhaps thinking of alternative approaches in order to do so. Indeed, according to some consultants, New Zealand is an extremely competitive place, is recognised as competitive, and in a number of ways. If an organisation places a new product on the market, it can be virtually guaranteed that four to five competitors will follow suit in very short time. Hence entrepreneurs have a very short window of opportunity in New Zealand. One respondent warns that the competition **is** real, and competitiveness is a mind-shift that managers, as individuals, must take responsibility for if their organisation is to survive.

The competitive pressure in the New Zealand private sector has built up and made it more difficult to run one's business, especially the people side of the business. According to one consultant it was a savage, ceaseless strain, stemming from three sources: the financial environment, political environment and changing customer expectations. More than one-third of the respondents, however, directly attributed the major source of competitive pressure to globalisation while for a number of others, globalisation was implied in their comments.

A number of New Zealand consultants (and a few Australian ones) mentioned the changing expectations of domestic customers as a result of New Zealanders (and Australians) being a nation of travellers. They get to see the rest of the world, gain exposure to a wider variety of products and services and have developed new preferences, which New Zealand firms are now facing in their turn. In relation to customers, one consultant observed a thirty year driver in operation which he termed "the customer moving into the center of the organisation." This driver commenced in the mid 1970's and hence, by implication, was expected to continue into the early twenty-first century. This movement makes the boundaries between supplier and client organisations increasingly blurred.

Changes in the structure of the commercial environment in Australia were also commonly mentioned as forces for change. Business itself, was a driver of change, and according to one respondent is thereby being "hoist on their own petard." One of the change problems in Australia, was reported as the stultified business environment. It was reported that eighty percent of Australia's top twenty companies existed in 1950 and have changed little since then. This contrasted with the equivalent statistic for the USA where eighty percent of the top twenty companies did not exist in 1950, many of them being quite new on the scene.

Summary

Both Australian and New Zealand consultants reported competitive pressure as a major force for change, especially for those organisations facing offshore competition or overseas firms interested in establishing in Australasia. A reluctant acknowledgment of competitive pressure in a stultified business environment, described by Australian consultants, had placed their organisations in a survival mode characterised by a cost cutting mentality. On the other hand competitiveness was described as part of the New Zealand business psyche - a people who want to be out there, competing with the rest of the world. New Zealand was acknowledged as an extremely competitive place to do business. One consultant conjectured that the difference in competitive approach between the two countries could be a function of

size. Australia was still large enough to have an internal and external market. New Zealand was too small an island to think of anything else other than competition on a global front. In both countries, the changing expectations of domestic customers was described as a force influencing competitiveness.

Globalisation.

Globalisation has been described by James (1997) as the international spread of the likes of MacDonalds, Sony, Toyota, Pepsi; the establishment of worldwide capital markets in which money can spread across borders with ease and speed; and rising levels of international trade.

About a third of those interviewed in Australia specifically cited globalisation as a major force, in the form of both overseas competition and the ability of Australian companies to take their business and skills offshore. The specifics of the impact of globalisation were generally left unmentioned, it being apparently sufficient simply to say it is a major force. Technology and the South East Asian economies will make Australia less isolated from globalisation. Businesses can no longer survive by thinking of themselves within the Australian context alone and some consultants predict that some organisations will fail at the hands of their inability to cope with global competitive pressures. On the other side of the ledger, increased regulation in the Australian environment, and government interference which is subsidising national loyalty, coupled with deregulation of foreign environments is encouraging Australian firms to seek business opportunities offshore.

It is interesting to note, that reference to globalisation by the Australians often went hand in hand with thinking about South East Asia. This contrasts with the New Zealand responses which generally referred to competing with the rest of the world, beyond the circle of near neighbours. The Australian consultants advocated that the nation must deal with the fact that they are now a part of S.E. Asia, both economically and culturally. The Asian immigration debates and the impact of China on the economy represent a cultural paradigm shift that Australians have yet to get their heads around. Firms moving offshore, are tending to look to South East Asia, but one consultant reports that the few who have tried, have generally “stuffed it up.”

In New Zealand, globalisation and competition are intertwined in the sense that the private sector have needed to become internationally competitive either in an export sense or import sense. It was reported that New Zealanders now understand globalisation and are thinking more strategically in that direction. One respondent from a CA firm indicated that through their international consulting connections they were in a good position to compare or benchmark New Zealand performance with the rest of the world. In the last three years, New Zealanders have wanted to get out there with the world's best - not just Australasia's best, not just the “near neighbours” - but the world's best. New Zealand organisations compete in the global village. They have required a mind-shift from “domestic” to “global” to survive. Some of the consultants, in their reference to New Zealand being different and small, highlighted the way New Zealand organisations see themselves as part of a specific nation and see themselves competing globally in a way that affects all New Zealanders. These *perceptions* of the consultants seem to contradict the export figures cited near the beginning of this chapter. However, perhaps as an indication of the New Zealand

tendency to wish to be part of the whole globe, a recent survey showed that, per capita, New Zealand is the most internet connected country in the world, and Wellington the most internet connected city.

The removal of trade protection barriers was frequently mentioned as a pressure placed on the private sector in the past ten years. This was also seen as part of the globalisation process, and was leading New Zealand businesses to change their thinking towards strategy and improvement.

Summary

A major force for change has been the decay of international trade boundaries. Globalisation refers to the increasing ability of firms from offshore countries to trade in Australasia, establish themselves in Australasia, and vice versa, for Australasian firms to trade and establish footholds offshore and to otherwise compete internationally. Globalisation has been seen as one of the key forces for change in Australasia, especially as businesses realise they are increasingly part of a larger and larger economy - Asia-Pacific at one level, and the entire world at another. Globalisation requires a shift in mindset from “domestic” to “global.”

Technology

For many New Zealand consultants, the impact of technology went without saying. They preferred to mention it as a key force “of course” and then get on with addressing other drivers of change. But for the Australian respondents, nearly one-third saw technology in general as a big driver of change. Not just technology but also the use that people make of it. Installing technology was relatively easy, but what is crucial is whether people adapt to it, use it and use it properly. Technology reduces Australia’s isolation from the rest of the world, therefore contributing to the pressures of globalisation. In some areas of business Australia was, for instance, ten years behind the USA, but now, because of the impact of technology, the time lapse is just a year or less. Technology impacts on how people communicate, and in particular decays the art of face-to-face communication. It may affect the nature of work and paves the possibility for people to work from home, possibly on contractual arrangements.

Other Australian consultants down played or were sceptical about the impact of technology. They said it was easy to mention technology as a driver, but that it was not really a major challenge, nor that dramatic as a force. Ten years ago people were talking about the way technology would absolutely transform business, yet much of the talk has not taken hold today. Some questioned the extent to which companies can continually invest in technology. Another, however, predicted that Australia is on the cusp of a new technological revolution, one that will hopefully see Australia at the world forefront by the year 2005.

The internet was seen as a force in both countries. It was just beginning to filter into New Zealand in 1996 and hence was probably seen as more of a future trend than a recent one. At that stage, it appeared the internet might be popular to talk about, but apart from a few quick adaptors it was not having as much impact on consultant’s clients as might be imagined. A major disappointment for one consultant, was the

large proportion of CEO's he visited who did not have a computer on their desk, nor elsewhere in their office. A key future factor from information or communication technology will be the ability for New Zealand organisations to conduct business unrestricted by geographical boundaries or isolation. The information provided above, about internet connectedness, indicates that the internet has been seized upon with vigour.

In Australia, while cited by some as having a huge impact, or an inevitably huge impact, others maintained that air of scepticism about the internet. While the potential and inevitable impact of the internet was mind-boggling much of corporate Australia had not yet discovered it. "Instead universities and fringe organisation were using it." (It is interesting that in a survey on organisational change anything other than corporate business is considered a "fringe organisation.") It was predicted that both service and product sectors of business would be influenced, as the global medium of the internet enabled people to buy services directly or "shop around" for goods.

The air of scepticism among the Australian respondents related largely to the use people will make of information technology and the internet. In saying it will have impact and enable documents to get about faster, there was a hope among some consultants that it will not destroy the art of conversation. Some were wary of the way it encouraged managers to send email "messages" to staff, thereby precluding the value of getting the staff together, talking issues over and actually "communicating" with them. It was reported that Australian companies had invested in information technology without considering the consequences of it not being used properly or effectively. There were examples given of computerised production systems that were creating problems, increasing inventory and altering organisational culture, because they were used improperly. One consultant added that information technology, computers and lap-tops never improve performance. Instead they just generate information and e-mail bogs people down through being inundated by and responding to messages that five years they would have ignored.

Another Australian consultant reported that information technology had not added the value that organisations had anticipated, and this was because of their mentality and reasoning for investing in it. They had seen it as a way of cost cutting and reducing staffing, rather than as a tool for freeing people up and enabling them to focus on activities that added more value to the organisation. Information technology and the internet may well be drivers of change, but we may have overestimated its contribution as a function of the way organisations have chosen to use it, and their reasoning for adopting it.

Particular mention by the New Zealand consultants was made of the impact of information technology, rather than just the internet, as a significant force. To some extent, it might be construed that the key force is managers who are inundated by more information than they can handle, rather than technology itself. Information technology both creates that information overload, and provides the means for handling it (for instance through database technologies). It was contended that for many managers trying to run their day to day business, information overload results in them missing much of the information that would be useful too them. Many New Zealand firms have failed, or have been slow off the mark to invest in the information

technology required to handle the information overload.

Summary

While technology, particularly information technology and the internet were seen as major drivers for change, the consultants expressed concern about the way it was used. The internet was seen as still the domain of quick adaptors, universities and non-corporate organisations, with corporate business slower to respond. There were warnings that internet and information technology, if used ineffectively, may decrease organisational performance, and create information overload.

Labour Reform

A number of the Australian consultants made reference to emerging changes in the labour market, but labour reform hardly rated a mention among the New Zealand consultants. This is a little surprising in view of the labour reform that has occurred in New Zealand, in particular since the enactment of the Employment Contracts Act in 1991. Perhaps, seven to eight years later, the labour reform in New Zealand no longer meets the consultants' perceptions as recent or current - maybe they are "old hat."

Most of the Australian comments regarding labour reform were anticipatory in nature, rather than reporting current trends. There were references to anticipated new industrial relations law and a new labour environment. This would see a change in terms and conditions of employment and a predicted increase in the use of contract employees. However, there was a semblance of consensus among the consultants, that the labour reform initiatives in place, would not have as much impact as current levels of publicity and hype might have us believe. Many companies were preparing to adopt a "steady-as-she-goes" approach, employees were unlikely to accept massive changes in role that threaten their fundamental values and it was commented that much of what was being said at the time the Enterprise Flexibility Agreement (EFA) legislation was introduced, had not in fact come to fruition.

There was a strong tone, particularly among the Australian comments, but also among a number of the New Zealand responses, that might be summarised as issues relating to quality of work-life, and how organisations treat their employees. Australian organisations were being called to think more broadly about how they managed their people and why they come to work. People have values that attract and hold them to work and it was reported that people are looking for a greater sense of meaning from their work. It was forecast that this search for meaning would continue, and it was described by one consultant as more than quality of work life, but a spiritual thing - a sentiment echoed by a number of the New Zealand respondents.

Coupled with the quest for meaning, was a prediction that employees expectations of their organisations would be a force. They would be less tolerant of exploitation by their organisations, would desire more time with families and hence less willing to work longer hours. One consultant predicted, however, that this trend is most likely to occur among the senior people in organisations, not at the bottom end.

The values that attract and hold people at work were reported as having little to do

with who they worked for and more to do with what they did there. Hence, the issue of loyalty was raised by a number of consultants. In this sense, it was reported that employees display loyalty to the job they perform, the discipline or profession of which it is a part and the value it adds, but display relatively less loyalty and commitment to the organisations that employ them.

The Australian labour reform of recent times and future, may continue to erode organisational loyalty. One consultant spoke about the way the industrial revolution uncoupled people's relationships from their clans and families in favour of allegiance to the factory. The Australian labour reform process was uncoupling worker and management loyalty to organisations. She continued, that under the new contract style of labour reform, organisations did not actually need commitment and loyalty. There are many contradictions in that paradigm, however, since for a firm to earn the "extra dollar" they need their employees working and trying harder. That is a challenge when loyalty and commitment have been eroded, and a challenge apparently unravelling in Japan in recent times.

A number of consultants, including those in New Zealand, made reference to stress and burnout. In Australia there has been a cost motivated reduction of staffing. The pressure to get more from less was creating stress. It was predicted that we cannot continue down the same path without increasing the stress and frustration. A number of the consultants attacked the cost motivated downsizing of organisations, described it in terms of flawed logic, and called on organisations to recognise the stress on staff and the trend for them to burn out younger. CEO's and other senior managers are being placed under such pressure that they exit organisations. And with them, exits knowledge and history. They are not there when the organisation goes through the next phase of change. They have to bring in someone else from outside.

Consultants were reporting a greater focus on people management issues over the past few years, and an increasing emphasis on people as assets. The people resource and people investment has been overlooked until recently. One consultant described one of the positive aspects to come out of shedding middle management from organisations, was that middle management are now being returned to them, but in a different guise. The new middle management, having been a part of the upheaval, are more adept at performing mentor facilitator roles, focussing on people, listening to them and thinking about them. Possibly this new middle management role will ease the stress factor. All the time, however, there remain those organisations that seem unenlightened, or whose behaviour is paradoxical within the new management paradigm. They downsize in order to cut costs, ask their employees to work and try harder and require them to do more with less. Their employees do this. One particular huge and very well known Australian organisation was cited as then making an enormous profit and simultaneously announcing even more redundancies. As asked, the people worked harder, tried harder, had gone the extra mile for their organisation and were rewarded with redundancy.

Cutting right against the grain of this general tone towards quality of work-life and sensitivity to employee needs, one lone consultant was advocating a shift of mindset towards longer hours (a sixty to eighty hour week) and working a sixty week year.

As already stated above, rather surprisingly labour market reform hardly rated a

mention from the New Zealand consultants. A number did make reference however to changes in ownership structures as current and future trends. This varied from increased international ownership, community ownership and employee ownership. The latter was related to the way employees are questioning authority, are less prepared to take “garbage” from their employers, and are looking to resign for more comfortable environments - a match of the theme expressed by Australian respondents. There is stress, burnout and a desire to spend more time with family. The adage that “people are our main asset” was described as more talk than action in New Zealand. It was felt that in the future this value for and catering for human beings would be a major trend, but that right now, this message was still falling on fallow ground.

A sizeable chunk of those interviewed in New Zealand made reference to partnership and network structures as current and future trends. The Australians were more inclined to refer to “outsourcing” as an alternative form of business relationship. While perhaps, again, presently “more talk than action” it was reported that there is a great deal of talk about participation, staff involvement, joint ventures, partnerships, alliances and networks. It was predicted that this will emerge in the future, whereby New Zealand firms will “collaborate to compete” globally. Organisations may need to be bigger, not smaller, to survive, not in the sense of massive growth, nor merger, nor being swallowed up, but in the sense of forming into networks in order to move forward. The concept of “the customer moving into the center of the organisation,” mentioned earlier, is already making it increasingly difficult to see the boundaries between organisations, and organisational change will need to deal with this in the future. Already the boundaries between some supplier and client organisations are indistinct and the consultants themselves are working within interwoven networks of organisations (for example one consultant was working in a circumstance involving a food manufacturing firm and elements of the transport and distribution industry that make it difficult to recognise a single client).

It was forecast that New Zealand organisations will need to become more flexible, with more adaptive cultures, more process oriented, more responsive and aware of their organisations as living systems of people.

Summary

Labour reform was a force for change at the forefront of thinking for the Australian consultants. Surprisingly, it hardly rated a mention by the New Zealanders. Most Australian comments about labour reform were anticipatory. It maybe that with the Employment Contracts Act 1991 and subsequent labour reform, the New Zealand consultants saw it as a force of the past compared to others more significant for the present and future. Issues raised concerning labour relations included quality of work-life, spirituality and meaning from work; stress and burnout; a move towards seeing employees as assets; changes to ownership structures in organisations including increases in international, community, employee, partnership and network ownership arrangements.

Other Observations

As stated in the introduction there were some striking differences in the way the New

Zealand and Australian consultants responded. The New Zealand consultants tended to mention most of the same trends as the Australians, plus some more. It became quite clear during the analysis of the interview transcripts that an overwhelming number of the Australian consultants tended to be thinking “business” whereas the New Zealand consultants were thinking more broadly in terms of “organisations in general.” The next part of this chapter mentions therefore strong themes that emanated from the New Zealand interviews, but which were absent from the Australian ones.

When asked what were the significant recent and current forces affecting their clients, the first utterance from most of the New Zealand consultants was “it depends upon the sector.” In general, a distinction was made between the private sector and the public or state sector, and a need to discuss each separately. The industrial sector, health sector, manufacturing sector, service sector and local authority sectors also gained a mention. It is interesting to note, that in relation to this question the private sector - public sector distinction was in fact made. In another question regarding working with different types of organisation, many respondents mentioned the extent to which these two sectors were now blurring together. Needless to say, however, “private sector - public sector” is obviously a dimension at the forefront of New Zealand consultants’ minds when thinking about organisational change - a dimension that did not gain a single mention from the Australian consultants.

In New Zealand the different sectors face different contexts for change, and as stated by one consultant “it is a hell of a hard to generalise here.” There is not one single set of forces, and the context of change differs for each client.

Discussion of the public sector was a pre-occupation among the New Zealand respondents that received some, but little mention among the Australians. One of the most significant influences on organisational change in New Zealand, in the past decade, has been the reform or “disembowelling” that has occurred in the public sector. The public sector and State Owned Enterprises (SOE’s) have seen the introduction of elements of the private sector into their business, exposure to market forces and the rise of competitive behaviours. The main factors in this reform have been privatisation, deregulation, restructuring, regulatory changes and increased fiscal responsibility.

Tranzrail was cited by a couple of consultants as a good example of this public reform process. Once a stodgy government department, New Zealand Railways were known for their rundown facilities and rundown machinery. Reconfigured as Tranzrail, a SOE, within the last decade they have experienced massive restructuring and downsizing. Originally with a staff of around 25,000, Tranzrail plummeted their numbers to about 12,000 and then 7,000 by about 1991. However, they continued to operate the same as they had before - as if they were still the old NZ Railways. Over the next few years and into the current time, they have been making the transition into a fully fledged SOE through a sale - privatisation process and then more recently with a public shareholding float. As a result of that they are now a part of a big international rail company that is buying a large chunk of the British rail system.

The not-for-profit sector rated mention from a few of the New Zealand consultants, along with the Health sector and Education sector - again sectors mentioned by only

one or two Australians (2% - 4%). An opinion was forwarded, that the public sector reform process was not working in these specific sub-sectors. New Zealand has experienced ten years of reform in these sectors but “people realise it just isn’t giving us what we wanted.” In relation to these sub-sectors mention was made of political and financial constraints, role ambiguity whereby administrative compliance costs are removing resources from their very purpose (that is, to deliver a social service), that the internal models in these sectors (for example the medical clinical model) is incompatible with the managerial model being imposed and an advocacy that perhaps a community based ownership structure should be considered rather than privatisation.

Like the labour market environment, New Zealand’s social environment hardly rated a mention by these consultants as part of the context of change. Mention was made of the role of organisations in social evolution, the potential role of Maori development, and the issue of education. One of New Zealand’s advantages was a relatively high literacy and numeracy rate compared to many other countries, but there was a warning that New Zealand is not as literate nor as numerate as it was, and that there was a lack of learning in workplaces and lack of expenditure in training. The latter, lack of expenditure on training, was a theme reiterated by the Australian respondents.

The social environment received just a little more attention from the Australian consultants, mainly in relation to the increased education of the Australian public. A result of that was an increased confidence among the workforce to act independently and question authority. A big challenge for Australian management will be their ability and preparedness to work intelligently with a more intelligent workforce - a workforce now better able to work with management rather than against it. Another social theme to emerge from a few of the Australian interviews concerned the profound shift in values culminating in the concepts of “political correctness,” equal employment opportunities and the need for organisations to be socially responsible corporate citizens.

Summary

Compared to their Australian counterparts, the New Zealand consultants had a pre-occupation of thinking in terms of sector - private sector, public sector, health sector, not-for-profit sector. Surprisingly, as a force for change, the social environment hardly rated a mention from the New Zealand consultants and received just a little more attention from the Australians.

Concluding Comments

In conclusion the recent political and economic background or context for change in Australasia might be described in terms of the emergence of the “new right” where governments sought to completely rid themselves of involvement in the social services sector; sought to rid themselves of involvement in the welfare state. The social services have been de-regulated, privatised, and expected to perform as commercial rather than social units. Some commentators might speculate that private sector employer organisations may fill the vacuum and take up the gap now left in the welfare state. If so, then it seems that the comments of many of the consultants interviewed throughout Australasia may support this notion. A notable theme to

emerge in relation to future predicted trends, as opposed to recent and current trends, was the concept of the quality of work life and the meaning people gain from their work. If there is a message from what the consultants have told us about the context for change, it has been a clear call to organisations to be better focussed on their people, the meaning, spirituality and sense of community they gain from work and as customers, their interaction with organisations. It is an important message, delivered by many consultants with a passion and a fervour.

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Potential Box

False Economies of a Short Term Focus and a Cost Mentality

According to some consultants Australia had gone crazy on a short term focus related to a cost mentality and quick return on investment. Lock states that Australian organisational leaders appeared not to be behaving in ways aimed at preserving their organisations into the long term. “The vision is about a three month vision. Is the share price going to be right in the next three months? What are the revenues like today? Stupid things like that.” “Because the view is so short term, organisational development, I think, is falling apart.” According to Lock “what tends to happen in Australia is that we play the fad game. Management jumps onto the latest bloody thing that is flying around the ridges. While some of those things are good up to a point, they are only good if you pursue them long term.”

The cost cutting mentality appeared to be one of those fads which, according to Allan Fitzgerald was “a matter of some shame to us” or at least some consultants. “I suppose that we’ve aided and abetted in that for a while until we came to understand that arbitrary cost cutting by shedding labour is a short term knee jerk reaction to a crisis, that often compounds the crises.” “Simply reducing numbers for the sake of taking cost out of the business, actually doesn’t take cost out of the business. The evidence is mounting that all that happens is that you simply substitute that cost with another cost.” He continued that “You buy external resources in because people haven’t actually learned to do things differently.”

The cost cutting process, according to Fitzgerald doesn’t work unless you have also redesigned processes, made people willing to accept changed roles and satisfied yourself that the tasks you’re going to dispense with are truly no longer necessary or can be covered in another way. If you have not been through that process “then you’re either simply going to cease some activities that were actually value adding, you just didn’t realise it, and therefore the organisation will be impoverished.” The cost motive leads you to “stop researching your products,” “stop putting so much effort into service quality, you won’t keep up your technologies” all of which, according to Fitzgerald, represent longer term focus.

He continued, “We’re so insistent on short term results. I mean you look at the capital markets responding in a sort of sense of panic to BHP’s half yearly performance.” “You ask yourself, well, why on earth would they be bothered about BHP’s six monthly performance.” The corporation has been investing billions of dollars in a ten year strategy. “How can you assess that in six months?” According to Fitzgerald “our capital markets are so short term focussed.” “We just don’t take a long term position to some things and that drives a whole bunch of behaviours. Pretty sad. And you get the knee jerk reaction to short term reactions. Cost production focus, very short term.”

Matt English stated that as significant forces for change “cost pressures are still major, there is no question about that. Organisations have been reducing costs in this country now for a long time, but it still really hasn’t worked in terms of delivering the real results that we are looking for. So cost pressures are one factor.” As a mind-shift trend that is emerging and needed English spoke of “re-engineering for revenue,” or

“building the top line for growth rather than re-engineering the cost centre.” When looking to the future, English added that “I suspect that the cost pressures will continue to be with us for along time.”

John Gattorna supported this view by saying “there’s been too much emphasis on cost. I think what organisations are looking for now, is a sort of competitive strategy.” By that we mean “a way to be fastest to market or the most innovative in your field or the best alliance partner to work with in the channel. These are the less obvious, more intangible, but if you can get them right, they become more sustainable because people, competitors, can’t emulate you so well.”

The message? The cost cutting mentality and other fads aimed at a short term return or quick fix, according to these consultants, are false economies. You don’t actually cut costs - you relocate it.