

CONVERSATIONAL STRUCTURE, A SHIFT IN ORGANIZATIONAL CHANGE

Organizations of all sorts are in the middle of profound shifts. Global market, customer and competitiveness driven, put strong pressure upon organizations to improve quality, product performance and price reduction. This paper presents an alternative way of approaching change and transformation in organizations: language. The study delineates the major elements and assumptions of a strategy labeled conversation structure. In this approach, change relies less on planning, tools or techniques for quality or complexity management and more on a method focused primarily on conversations –language– viewed not as a communication nor a symbolic or narrative device, but as a reality construction and action generator to reach the organization desired future. After the conceptual framework, the paper discusses the results of this strategy that has been tested, at different levels, in five organizations.

For Drucker (1992), every fifty years, society drifts and rearranges itself –its worldview, its basic values, its social and political structures, its arts, its key institutions. Then, a new universe emerges and people will never recognize nor imagine the world into which their own parents were born. It seems that our age is such a period of transformation. In the last score of years, knowledge has accumulated immensely, technology innovations come one after other at unthinkable rates, markets are heavily disputed, well-informed customers are exacting, and competition becomes global.

In this new order, all types of organizations confront continuously increasing pressure from many battlefields. The changes that organizations have to face are unlike everything they have met before in terms of nature, scope and duration.

These challenges require fundamental organization shifts and have forced organizations to set up new strategies for dealing with these rapid changes, ensure success and often-just survival.

Based on this perspective, this paper addresses the need of a different change paradigm and it is divided in three parts. The first one put in *perspective* change and characterizes briefly the reasons for change, the most recent and major change strategies, the actual situation of these approaches, and the components of a model of change.

The second and most relevant part deals with the *conceptual* aspect of the strategy. We briefly present the major elements of the proposed paradigm labeled conversational structure, together with a short discussion of the implementation process.

Finally, we describe concisely the major results that we are obtaining from

applying the conversational structure paradigm, at different levels of intervention, in five organizations: three industrial companies, one health care institution and one university.

A SOCIETY IN CHANGE

Many things and decisions can compel systems to engage in large scale and pervasive changes. Some reasons are economic, some technical, and some strategic.

For one thing, market drifts, recession or inflation can have a serious effect in terms of declining sales, rising costs, increased competition, change in interest rates, and organizations have to respond and adapt to these economic shifts.

Organizations constantly experience significant pressure from the introduction of new technologies, particularly the information technology.

External demands and internal processes may act alone or combine to produce sustained improvement, change or transformation in organizations. These strategic decisions or forces may include a new mission, restructuring operations, mergers, strategic alliances, new products or markets, downsizing, substantial cuts in funding, transition to a new CEO. Change may also come just from the organization evolving to a different level in its life cycle.

Models of change

Many approaches and strategies have been developed to change organizations. They go from general models for changing the whole organization to specific techniques for updating concrete processes. In the first, we can include human relations' movement, quality circles, total quality management, business process reengineering, learning organizations, knowledge management, continuous improvement, core competencies and information technology management. In the second ones, one can mention cellular manufacturing, quick change-over, pre-automation, zero inventories, five s, six sigma and benchmarking.

The numerous existing strategies can be viewed from different perspectives. For instance, Maskell (1999) considers organization improvement as a progressive unfolding of different types of organization. For him, agile organization is the last link in this evolution and the journey to agility has four stages: traditional manufacturing, gaining control, world class manufacturing and agile manufacturing.

However, with Kilmann and Kilmann (1995), we find useful to stipulate three unique generic models of organizational change that somehow subsume most of the approaches and strategies that have been used: planned change, quality management and complexity management.

Planned change

The planned change model –or organizational development–has its roots in the T-group movement and is associated with a set of tools and techniques. These tools and techniques go from the extensive use of team building and diagnostic questionnaires to process consultation, cooperative projects, work and job design career planning and performance appraisal (Cummings and Worley, 1993; Harvey and Brown, 1992). The planned change movement has used almost every tool and technique, with the exception of statistical control and information technology, that can affect the individual, group or organizational behavior, at one time or another (Kilmann and Kilmann, 1995).

From the emphasis on tools and techniques, organizational development moved to considering the fundamental problem of organizational change: the introduction and management of change itself. Argyris (1970) enunciated the three essential conditions for an effective intervention: valid information, free choice of alternatives and internal commitment to change.

Progressively, in the past few decades, additional principles and guidelines were introduced. Among these, we can mention gaining top management support, communication of clear vision of the new future, qualifications of change agents and the need of mixed teams (external consultants and internal groups of interest). Especial emphasis has been put on the ethics of change and, particularly, detailed steps of planned change which were far beyond Lewin's (1951) unfreezing, changing and refreezing stages.

They are three basic contributions of the organizational development approach to organizational change. First, it developed a broad and deep knowledge about how to introduce and manage the process of change. Second, it focused on traits and needs of those who introduce, organize and conduct planned change: the internal and external agents. Finally, planned change provided organizational improvement with a great assortment of tools and techniques that other perspectives would later reformulate to foster change (Worren, Ruddle and Moore, 1999).

Quality management

Quality management can be considered the second generic model of organizational change. The essence of this approach is, concisely stated, to describe, control and improve production processes with the aid of statistical tools. Briefly, this strategy consists in three elements. The first is translating customers' expectations and requirements in numerical data. The second is streamlining the processes by eliminating unnecessary steps and barriers (defects, errors, failures, long cycle times...). The third consists in learning how well each process, operation and action works in practice, in order to continuously improve the whole process and, therefore, obtain the results expected by clients, customers and consumers.

The major contribution of quality management is the introduction of probability theory and applied statistics. The basic assumption is that any outcome variable (product or service specifications, delivery and cycle times, process costs...) can be clearly defined and translated into valid measures, then be brought to statistical control and, finally, be improved whenever there is a variation and departure from the desired outcome.

It seems that the mysterious “secret” of Toyota production system “Do it right the first time”, is more than common sense, as Kitano put it. From Kiichiro and Ohno inspirational action, many improvement models have emerged that have proved quality management to be an effective change strategy: total quality control, zero inventory production system (Omark Industries), material as needed (Harley Davidson), minimum inventory production system (Westinghouse) stockless production (Hewlett Packard) to mention some of them (Kitano, 1997).

The quality control model can be seen as a movement toward a lean organization. In the 1970s and 1980s, organizations struggled to bring manufacturing operations under control. Enterprise resource planning, manufacturing resource planning (MRPII), shop floor scheduling, better customer service and better communication were major characteristics of this period. During the 1990s, quality control and continuous improvement fully developed. In this time, the struggled was to bring organizations to a world class status (Maskell, 1999; Nadler, 1999).

These strategies improved labor utilization, decreased inventories, reduced manufacturing cycle times (from order receipt to shipment) and increase organizational capacities without capital expenditure (Zimmer, 2000). To these conditions, we could add new methodically techniques to continuous improvement and total quality control like cellular manufacturing, quick change-over, pre-automation (pokayoke), kanban, kaizen, zero inventories, five s, work teams, six sigma and benchmarking (Bonvik, 1997; Xu Qi, 1999).

However, customers pressed organization into greater flexibility, shorter lead times and more variety of products and services with lower cost and greater quality. The lean organizations that started with Toyota production system were approaching its end. “Lean or world class manufacturing is being very good at doing things you can control. Agile manufacturing deals with thing we can NOT control” (Maskell, 1999).

Complexity management

In this environment, another important concept starts to rise: agility, which can be defined as the ability to thrive and prosper in an environment of constant and unpredictable change. In this environment, every thing is changing very fast. Markets require low volume, high quality, custom-specific and immediately delivered products, and these products have very short life cycles. Customers want to be treated as individuals; they expect high quality and high levels of

service (Maskell, 1999).

From this perspective, “competing today requires a new business model –the model of the agile organization. By design, the agile enterprise is ready for anything and is able to evolve spontaneously, innovate instantly, seize unexpected opportunities, organize on the fly and respond instantly to unexpected demands” (Shafer, 1999). Consequently, agility in organizations is not a goal or a strategy; it is a fundamental existence necessity (Dove, 1999).

A flexible and agile organization is one that enriches its customers, competes through cooperation, and responds to change and uncertainty. A firm or enterprise of the kind quickly integrates recent developments, possesses a highly educated and trained work force, has flexible management structures and fully integrates people’s knowledge and information technologies to include distributed information, virtual process, reconfiguration and reusability (Maskell, 1999). Agility, knowledge management, organizational learning and collaboration start to converge into what we can termed the flexible organization (Dove, 1999; Shafer, 1999).

The above approach can be considered the third generic model of change labeled complexity management, a model that deals with *transformation* which is not incremental change within the same existing paradigm, but a radical change and the creation of a new organizational paradigm. The focus is not any more only on developing the organization or meeting customers requirements, but in creating a new vision, forming mergers, carrying acquisitions, establishing strategic alliances, entering the e-commerce, downsizing the working force, making agile and flexible the organization.

The major tenet of complexity management is that uncertainty and disequilibrium are accepted and self-organizing systems are welcomed. Disturbance and perturbation are not a threat, but an opportunity to transform organization. A major tool for transformation is the use of information technology to restructure organization, primarily from tall vertical structures to flat horizontal structures. Another important issue in complexity management is that transforming an organization requires new mental models or psychological schema so that all members in the organization can cognitively and emotionally accept the radical change and behave accordingly in the new organization.

Business process reengineering, process innovation, strategic management, organizational learning, knowledge management, core competencies and information technology management are different approaches that, one way or other, share with different emphasis the principles of the complexity management model.

Organizational change situation

The relevance and importance of organizational change appears unquestionable in

the fact that billions of dollars have been spent on it. By 1995, reengineering was a 51 billion industry (Davenport, 1995) and U. S. businesses paid \$1.5 billion to consultants for knowledge-management advise in 1998 and it is estimated that they will pay \$5 billion a year for it by 2001 (Hibbard, 1997).

There are tens and probably hundreds of techniques and strategies, which look for organizational improvement (Enderby and Phelan, 1994). These strategies range from sensitivity training, effectiveness groups to quality movements and productivity teams. They also include reengineering, zero defects, just in time, total quality management, learning organization and many other similar techniques. All of them are considered as attempts to change organizations and to get better and more efficient results (Farrell, 1996; Hibbard, 1997). But also it appears that a substantial percentage of implementation processes have failed (Munford and Hendricks, 1997; MacIntosh and Francis, 1997; Boje 1997; Devenport, 1995; Farrell, 1996).

Organizational development, planned change, continuous improvement, quality management and, more recently, complexity management became the war cry for not a long span. However, very soon, each of these method surfaced an increasing dissatisfaction and showed signs of wearing away (Jelinek and Litterer, 1988; Boje *et al*, 1997; Worren *et al*, 1999).

Organization development models seem to focus more on tools, techniques and strategies and less on the people who foster, introduce and sustain change. Quality management model appears to emphasize the work processes over the people involved in change; for complexity management model, a major challenge is to integrate cognitively and emotionally people to the newly changed or transformed organization. In all three generic models of organizational change and transformation, it seems that the missing component is the emphasis on people, with their own values, beliefs, traditions; and with their own live inside and outside the organization.

The need of a different model

From the above perspective, it appears clear that a new approach to organizational change and transformation is required, an approach that focuses on the human side of change, on people, without disregarding tools, techniques, strategies and visions of all other models of organizational change.

The need of a *different* approach to organization improvement is accepted by Hammer and Champy (1997) themselves. In their manifesto for business revolution, they admit that as many as 50 to 70 percent of the organization that undertake reengineering do not accomplish the intended results.

Farrell (1996), director of Business Process Reengineering in Hitachi Data Systems, pinpoints the core issue about the need for a different approach to organization improvement:

“What is missing behind those efforts that fail? What is the magic ingredient used by those companies who successfully reengineered and applied new groupware solutions? Ask consultants to describe the current deficiencies in managing reengineering projects. Some will suggest these deficiencies are due to a lack of communication. Others will point fingers at senior management. Few will address the issue of corporate culture” (p. 1).

From this point of view, we consider that, despite the many strategies and techniques currently in use for organization improvement, a different approach is needed, an approach which major focus is on the organization and corporate culture, on the people with a live inside and outside of the organization.

Hammer himself (Farrell, 1996) acknowledges he left out the “human side” of reengineering, and admits it is the hardest part. This “human side” is what a different approach to organization change can contribute to organization improvement, and this is the focus of a model of organizational improvement based on the implementation of a *conversational structure*, which makes conversing people the core of organizational change.

Enderby and Phelan (1994) illustrate this need. After recognizing as general accepted factors of long term business success employees highly motivated and a staff consistently delivering outstanding service, they conclude that “*few organization would genuinely be able to claim that they achieve these people goals on a large scale and sustain them over time*” (p.42). He vividly depicts the situation of change models and strategies.

“Over past decades, there have been myriad techniques tried, concepts rolled down and innovative programmes run as attempts to better harness the people power within organizations so there will be better bottom-line results. These have included sensitivity training, skill-based training, effectiveness groups, quality circles, productivity teams, elaborate performance-appraisal systems, communication videos, team building, and many, many more. They are all generally rated highly by participants and, for a time, 'converts' create pockets of highly successful endeavor. And yet, despite the enthusiasm of those involved, when you step back from it all, the organization seems to remain much the same and bottom-line results seem to click over in much the same way” (p.42).

The question does not seem to be which change or transformation strategy works best, but how to make the best of all of them. Organization development offers a set of effective tools and techniques; quality movement focuses on obtaining the best results by statistically controlling all processes, and complexity management sees turbulence and apparent disorganization as an opportunity to organizational development. All these principles can be integrated or used separately. The core question is by which means an organization can avoid the errors and weaknesses of past approaches and successfully introduces change and transformation for the future.

This paper argues that conversational structure is a model of organizational change that focuses on the human element of an organization to make change happen effectively and successfully. In this approach, change relies less on planning, tools or techniques for quality or complexity management and more on

a method focused primarily on conversations –language– viewed not as a communication nor a symbolic or narrative device, but as a reality construction and action generator to reach the organization desired future.

Components of change models

Why certain organizations are more successful than others are in change intervention programs and why some organizations fail despite being just as determined and committed? The essential missing component does not seem to be planning, nor quality tools nor complexity handling, but human ingredient. Some organizations succeed regardless of having fewer resources, bigger challenges and less strategic planning and complexity management strategies. Simply said, some organizations rely more than others do on human factor to meet the changing process.

Organizational change models, in general, include some principles and assumptions, focus on some organizational components, follow a set of stages or steps, use some specific tools and the define the subjects of change. All these constitutive elements of a change model are relevant. However, we consider that the difference between other change models and the conversational structure strategy is the concept of the human factor and the role they play within the organization. For the conversational structure, the most important element of change are the agents who initiate, lead and manage change or transformation, and the means by which they implement it, that is, language.

Major obstacles to organization survival include over emphasizing management strategies; the focus seems to be on methods for improving problem solving or decision making skills; on ways for identifying opportunities; on means to find, correct or eliminate threats. The emphasis is on changing things, concepts, procedures, and processes, not on people and action, neither on committed leadership, informed participation, nor on organizational culture.

It should be noted immediately that the conversational structure model does not rely on the human relations' approach. It is not a romantic and superficial view of people who need to be considered and cared. Agents of change are not an asset or essential part of an organization; *they are the organization*, they constitute the organization, therefore, they are the ones who are changing.

The very same concepts of organization and change elements are defined in terms of members of the organization that interact, converse and relate. People are valued as persons in their own right –as living, learning, developing beings in language– and that they are not just gears teeth in the wheels of the organization machinery. This is the focus of the change strategy we labeled conversational structure.

CONVERSATIONAL STRUCTURE

In essence, conversational structure is a process in which observers, as constituents of the organization, envision a desired future for the enterprise and make it be reached by means of transforming conversational structures into productive relations between constituents and coadjutants of the firm.

Individuals by acting constitute the organization and the organization is defined in terms of individuals. Constituent members relate and act by means of language; through it, individuals determine, design, implement and assess change. Persons' well being, but particularly their being, is of paramount importance and, consequently, culture plays an essential role in change. Finally, change is carried out primarily by means of conversations among people who relate; planning, quality tools and ability to handle complexity are basic, but complementary to the conversational structure of the members who constitute the organization.

Conversational structure, as change paradigm, aims at making an organization reach its objectives set for it in terms of a desired future whatever it may be. As any organization change, transformation or improvement proposal, we can explain conversational structure stance as having various dimensions and principles; these can be structured under five closely related major categories: observer, organization system, language, culture and conversational structure.

The observer

In any intervention program, people play an essential role. In the conversational structure approach, people are the central element of organizational change and transformation. They create the conditions for change, lead it, implement it, manage it and maintain it. In this approach, change agents or, for that matter, all members of the organizational system, all considered *observers*.

An observer is a human being operating in language. In language, the observers make distinctions and, by them, constitute what a social system is. For specific subjects, a social system is what they, as observers, observe it is. Any company, enterprise or firm is a social system; consequently, for specific subjects a company, enterprise, or firm is what they, as observers, observe or perceive it is.

An observer is any member of an organization considered from his/her active and influential participation in shaping and defining its nature and characteristics. What "observing" adds to a member of the organization is the active and influential component in his/her behaving through language in shaping the organization.

When an observer shares the same basic values and assumptions (one could say culture), this individual is a standard observer. The standard observer, then, is an observer of a particular group or set of observers adhering to or espousing the criterion of acceptability (Maturana 1988) which circumscribes a given such

community of observers. When an observer shares his/her view, in terms of criterion of acceptability, with other observers, all of them are standard observers and, for the same token, they constitute a group or community; they constitute a social system.

A community of observers, consequently, is a multiplicity of standard observers participating in a common view about something. From this point of view, we may consider management, suppliers, customers, labor or a combination of them, a community of observers. By the same token, when suppliers, customers, management and labor share the same interests, then they are too a community of observers. Here, the concept of organization extends beyond the boundaries of the firm, enterprise, company or institution. This concept is essential to the conversational structure strategy.

In this definition of member of an organization, there are two essential concepts: distinction and criterion of acceptability. These concepts are the two sides of the coin. By distinguishing and by sharing common interests in terms of a criterion of acceptability, members constitute a social system, an organization.

The fundamental operation in observing is that of distinction. Distinction is the pointing to a unity by performing an operation that defines the boundaries of this unity and separates this unity from a background or medium. It consists in the specification of an entity by cleaving or splitting it from that background or medium. Distinction, then, is the process through which a unity becomes asserted or defined. When observers declare that this is their company, they separate this company from other companies, enterprises or firms. They are making a distinction between their company and other social systems, and by making this distinction, they establish their company as a unity separated from other unities.

The criterion of acceptability is the standard by which an observer assesses an explanation as either viable or not. Adequate behavior or adequate action in any domain specified by a question is the phenomenon to be explained. Is this a mathematician? If the individual behaves or acts in the way I expected to behave or act a mathematician, then I *accept* he/she is a mathematician. Is this our firm? If the firm behaves or acts the way the observers expect to act or behave, observers *accept* this is their firm. This is the criterion of acceptability.

Consequently, a social system emerges from observers in two basic operations. First, observers, by means of an operation of distinction, declare a unity; this company is distinct from other companies. Secondly, observers, by means of the criterion of acceptability, declare the nature, in terms of viability, of that unity; this company behaves and acts the way we expect to behave and act.

From this perspective, an organizational system is defined in terms of the observers. The acting and behaving of the members of that organizational system define it. Change, from this view, occurs when observers –members of the organizational system– act, feel and behave differently.

This is a major assumption of the conversational structure model. If there is a way the expectations of the constituent members of an organization can be changed, then they will act and behave according to this new perceived and expected nature of that organization. If constituent members –as observers– observe, perceive or conceive the transformed organization, then the organization for these observers will begin to be different and eventually it will be different, because constituent members will act and behave accordingly.

Organizational system

Observers, by means of an operation of distinction, separate a social system as a unity from other unities. This unity is a *simple unity*. They simply declare that this unity is not other social systems. We are interested in determining the social system unity, but also we are concerned on how this simple unity is composed.

Observers, by further operations of distinction, decompose a social system into its components (elements) that constitute that unity and into the ways in which these components relate. From this point of view, observers declare that this is a unity composed by elements and its relations. This unity is a *composite unity*. Observers observe that this unity is not other social systems or unities (simple unity) and they *further* observe that this unity is a unity composed by elements and relations (composite unity).

The concept of component (observer, constituent) and the concept of relation are the hinges of the conversational structure strategy. As we will discuss later, an organization is its observers –its members– that relate.

As composite unity, a social system has two dimensions. First, it has an *invariant* dimension that makes that system be what it is. Second, it has a *variant* dimension that makes the invariant dimension real and actual. From the production stand, a car making company is not real until it makes a type of cars and uses a type of production technology. Conversely, it is still a car making company even if the type of cars or the production technologies change, as it often happens. We call the first dimension *organization* and the second one *structure*.

Organization

From now on, we use the term “organization” to convey the invariant part of a social system, including companies, firms, enterprises, institutions or, for that matter, any businesses. For the common meaning of organization (firm, company, institution, or enterprise), we use “social system” or “organizational system”.

Organization is the configuration of static or dynamic relations between its components that specifies its class identity as a composite unity that can be distinguished as a simple unity of a particular kind. What makes a social system be this social system is its organization, that is, the components and their relations among them. What makes a triangle be a triangle, and not, say, a pentagon, is the position (relations) of three sides (components).

The organization of a social system (composite unity) is necessarily invariant because if you change it, you create something else. If the components and their relations that constitute the unity change, the identity of the unity changes and that social system is not any more that unity. Organization must remain invariant for the unity to conserve its class identity. If we break the union between sides or we add other side, the figure is not any more a triangle.

Structure

The structure of a given social or organizational system is the way by which their components interconnect and work together with no changes in their organization. Structure refers to the *actual* components and the *actual* relations that realize a particular composite unity. The three sides united in three vertexes are the organization. These same three sides are actual when we observe them drawn or built; the color, size and thickness of the lines together with a specific opening of the three angles is the structure of the triangle. The structure, therefore, realizes *in it* the organization of a composite unity.

The structure of a social or organizational system is necessarily a variant dimension. A social system (composite unity) changes all the time; it is continuously adapting itself to the equally continuous environmental changes. Since the organization of a composite unity is invariant, then any change in a composite unity is a structural change. A red, thick triangle can be painted green; the organization of the triangle remains, but the structure changed.

This distinction between organization and structure in an organizational system is of paramount importance for change to occur. If the structure is the realization or materialization of the organization, then the organization of a social system can be realized through many different changing structures.

This distinction between organization and structure also explains the possibility of radical change or transformation in organizations without the convulsions that often appear when organizational systems change radically. No matter how radical, broad or deep is the change, what changes is the way people act and behave in the structure, not in the organization.

In other words, an organizational system can change to respond to any internal or external demand and still be the same organizational system. An increase in demand of automotive parts may trigger a major change in structure (for instance, the organizational system may increase labor, inventories, or introduce new technologies), but it leaves organization unchanged— the company continues being this automotive parts enterprise. Organization is what gives a composite unity its class identity; structure gives its realization and opens a range of possible realizations. The organization of the social system remains; change occurs in the structure.

Moreover, change and transformation are imperative to the survival of an organizational system. Social systems continuously interact with its medium that

is continuously changing. Consequently, an organizational system must also change. From this point of view, a dynamic composite unity is in continuous structural change with conservation of its organization. This is a basic idea in organizational improvement. An organizational system conserves its class identity only as long as its structure realizes *in it* the organization that defines its class identity. The moment in which a system loses its organization corresponds to the limit of its tolerance to structural changes. In a composite unity, the loss of the organization would result, eventually, in the death of the social system.

The relation or interaction of the structure with its medium in which a unity conserves its class identity (organization) is called *adaptation*. Structural change, therefore, is the result of adaptation, that is, the result of the interactions with its medium or with other social systems. A social system survives –exists– only if it conserves its class identity (organization) and its ability to respond to its medium (adaptation). Consequently, the conservation of organization and the conservation of adaptation are constitutive conditions for the existence of a social system. If a company or firm does not adapt, say, to the pressures of the new market demands, eventually it will cease to exist. From this perspective, change or transformation is viewed as a necessary and continuous process of the organization adapting itself to the new demands.

Interactions with its medium or other social systems are called perturbations in the sense that the source only triggers, induces or effects indirectly the structural changes, but it does not determine them. Global competition, outsourcing, exacting customers or technology innovations can only perturb the enterprise and trigger a change, but the nature of this change will depend on the company structure. Perturbations do not determine changes, but they trigger them in the structure. In this sense, the conversational structure model coincides with the chaos or complexity management in that uncertainty or disequilibrium is considered an opportunity for change and improvement.

Components

Both the organization and the structure of a composite unity are constituted by components that relate. In strict sense, these components may be persons, resources, organisms or things that along with others serve in making up a complete whole or unity: they are considered essential or necessary part of the whole. From the conversational structure view, however, the focus is on persons. We consider that in a social system (enterprise, firm or company) there are two types of components: constituents and coadjutants.

For this purpose, a component is tantamount to an observer of the organizational system. The components of an organizational system (firm, enterprise, or institution) are people, individual persons or observers that relate. Here, the concepts of member and organizational system converge and become a sole phenomenon viewed from two different perspectives: either as elements (observers) that form a unity or as a unity (organizational system) formed by

elements.

Any person participating in the *constitution* of the organization of a social system (company, firm, or enterprise) is a *constituent*. Constituents, therefore, are observers who are active members participating in the conservation of the class identity of the organization of the social system.

A constituent is an observer, either a person or a group, who contributes to make the organization be what it is. A constituent, therefore, can be a standard observer or a community of observers related with other constituents, as part of the organization of the social system. The CEO, top managers and shareholders, for instance, could be considered constituents of an organizational system.

Constituents, either as standard observer or as community of observers, show (make apparent) their operational coherence in the relationship with every other constituent. The organization of a social system is not a static set of people, but observers who, as components, relate actively to constitute the class identity (organization) that defines what a social or organizational system is. Again, observers and their relations are what is basic in the conversational structure.

Any person contributing to the *realization* of the organization of a social system (company, firm, or enterprise) is a *coadjutant*. Coadjutants, therefore, are observers who, as active components of the structure, have a share in bringing about what the social system actually and concretely is.

A coadjutant is an observer, either a person or a group, who contributes in the realization of the organization of a social system. A coadjutant, therefore, can be a standard observer or a community of observers related with other constituents and coadjutants, as part of the structure of the organizational system. Chambers, industrial associations and owner unions, for instance, can be considered coadjutants in that help the company to achieve its purposes by providing assistance, counseling or information.

What makes an observer to be a constituent or a coadjutant is the role the play in the configuration of the social system. From the conversation structure point of view, managers, customers, suppliers, partners, competitors, workforce (organized as unions or not), owners, regulators, lenders and other observers can be, as individuals or group, either constituents or coadjutants. They either constitute the organization or contribute to realize the organization in the structure.

Language

Components or observers that relate configure both organization and structure of a social system. However, what is the nature of this relation?

Human beings are linguistic beings. Language takes place in the praxis of living of the observer, and it generates the praxis of living of the observer. From this perspective, language is central to the conversational structural approach; for this

reason, we discuss with certain detail this concept. First, we explain the nature of language (linguaging), then we discuss the realization and materialization of language (conversation) and, finally, we discuss the path or bridge that conversations contribute to build between observers (relation).

Linguaging

In strict sense, component of a system can be anything, organism, resource or person in operation within the system. Since we are dealing with social systems, the most relevant components are observers. However, immediately it should be noted that an observer is also a unity and, by the same token, a system but, in this case, a living system. The components of social systems are persons who, in turn, are systems and, therefore, simple and composite unities. The first thing that needs to be established is that language occurs among living systems as unities, and these unities are observers, that is, persons.

As unities, living systems come together and, through their properties, they influence one another. When two or more unities, through the interplay of their properties, modify their behavior, there is *interaction*. However, interaction is only a process in which each unity triggers a response in the other. In interaction, there is not yet communication, just perturbation. When I see an individual coming toward me in the sidewalk, I may move aside or continue my path; we are interacting, but we are not communicating.

Living systems interact structurally (trigger structural changes) and, in this interaction, they *orient* each other's behavior to the point at which each of the interacting systems obtain and accomplish a *similar* or comparable stance. In this condition, we –as observers– can say that there is “communicative” interaction. *Communication*, then, is the degree of consonance or congruence of mutually oriented behaviors observed among participant living systems. Note that communication is defined in terms of behavioral consonance or congruence, not in terms of transmitted information as if observers were dealing a commodity termed data.

Communication, as the appearance or manifestation of behavioral *congruence* observed among living systems, is not the most relevant issue. What is important is the *reciprocal* or mutual orientation that occurs among adapting living systems. This mutual orientation or congruence of behavior among systems is termed *coordination* of behaviors. The behavior that is coordinated can be either an action or a distinction. Thus, there is a coordination of actions and a coordination of distinctions.

Coordination of actions emphasizes what takes place when an observer interacts as living system with one or other observers as living systems. Coordination of action, then, focus on the living system as a composite unity in terms of the structural changes that it undergoes through the operation of its components. Consequently, coordination of action implies consonance and congruence in

performing, functioning, executing, accomplishing and, in general, acting by two or more observers as living systems that mutually and reciprocally orient their operations.

Coordination of distinction emphasizes what takes place when an observer interacts as living system with its medium or, more precisely, with its environment. Coordination of distinction, then, focuses on the living system as a simple unity that can be distinguished in a medium. Consequently, coordination of distinction implies consonance and congruence –agreement–in bringing forth, describing, asserting, defining or explaining a unity, entity, thing or object.

Actions (and distinctions) can occur repeatedly. If these actions are realized independently and they do not have any effect on the consequences of the previous action, it is simply a *repetition*. If these actions are realized dependently and they do have some effect on the consequences of the previous action, it is a *recursion*. In repetition, observers see that everything remains the same. In recursion, observers see the appearance of new domains, i.e., new sets of interactions and transformations.

When two or more systems interact recurrently and the structure of each follows a course of change dependent on their history of these interactions, they create a set or domain of consensual interactions. Every consensual action serves a referent for further action; in this recurrent process, a consensual domain of interactions is established.

When living systems continue recursively interacting in a consensual domain, it is possible for a recursion to take place within consensual behaviors and the result will be the production of a *consensual coordination* of consensual coordinations of actions.

In this recursive process, the first consensual coordination of action becomes token or sign for another coordination of action which, in turn, becomes a coordination of distinction that becomes a token for a coordination of action. This is precisely *linguaging*: an ongoing process of recursive consensual coordination of consensual coordination of actions or distinctions in any domain.

Linguaging, consequently, is a recurrent coordination of actions among systems. If these systems are observers, then we have individuals coordinating recursively their actions; language is not a tool for describing the world; it is action. When we are *linguaging*, we are acting.

From this perspective, the functional role of language is the creation of a cooperative domain of interactions between linguistically interacting systems (observers) through the development of common frame of reference. If observers of a social system want to achieve a purpose –realize the organization in its structure– they need language. They need to coordinate in a recursive and consensual operation their actions; it is tantamount to say that, in language, they constitute an operating group, a community, or organizational system.

Conversation

Language is, essentially, an ongoing process of interactions among observers. However, language does not exhaust human beings. In daily life, we distinguish in people different emotions when we look at their actions, corporal posture or behavior. Moreover, we also know that in daily life every emotion implies that only certain actions are possible to the person that exhibits them. For these reasons, emotions are defined as inner body or corporal dispositions for action that specify at every moment the domain of actions that a living system can operate at that specific moment.

Emotions, as body dynamic dispositions, determine what living systems can do or not do, in what interactions they can enter or not enter, at any moment. Consequently, emotions define the space in which actions can take place; they are relational behaviors or, more precisely, dynamic body dispositions for relational behaviors, but they are neither actions nor interactions.

Languaging is essentially action. When we operate in language, emotioning (the flow of one emotion to another) changes our domain of actions and, therefore, the path of our languaging changes. Emotions, consequently, determine the concrete and specific languaging in a given moment. From this perspective, language to materialize has to take into account emotions. In other words, language takes place when the flow of coordination of actions and the flow of emotions come together. The emotioning of a given moment determines the languaging of that given moment. This is *conversation*: the flow of languaging and the flow of emotioning.

What we observe when human beings operate in language is a conversation. Conversation, therefore, is the manifest and visible dimension of human interaction (Kenny, 1999). Conversations do not happen fortuitously; they have a development. Consequently, we consider that conversations, as any other observable action that develops, can be designed, implemented and evaluated. Conversations are the central and core element for change and transformation in an organizational system. The basic assumption is that a change in conversations leads to a change in the organizational system.

Relations

When observers as components of a system converse, a relation is established, that is, an understanding and awareness that they are interacting emerges. In a relation, observers know that their behaviors are being coordinated, that is, that they are being mutually and reciprocally oriented. Since the components of a social system can be constituents and coadjutants, relations take place between constituents, between coadjutants, and between constituents and coadjutants.

A relation is always actual. However, from a potential point of view, a relation can be designed and established for a given observer or community of observers. However, this potential relation does not emerge until it is actualized by the

concrete observers (as components or unities) of the organizational system.

Actual relations and possible relations form a *domain of relations*. This domain is a realm or sphere which includes the relations among observers as components or unities with which they can be observed to interact and all potential states of relation among these given observers.

With the provision of a realm or sphere of established relations, each successive developmental level supports individual's growth in commitment to the work of the organization, and their relations with others who share their commitment to that work. At the highest level, this commitment brings committed people together in communities of practice that transcend traditional organizations divisions, and create truly sustainable joint ventures.

Inhere, we have a step further in defining an organizational system. An organizational system is constituted by components that relate. These components are observers either constituents or coadjutants. When observers converse – languaging and emotioning–, they relate. Consequently, an organizational system (firm, enterprise, company, institution) can be described as a set of relations, that is, a community of observers that relate in conversations.

Culture

We have discussed organizational systems, as they were separated and independent unities from our world. We have discussed what a social system is (organization and structure), defined its components (constituent and coadjutants) and established the way they interact (languaging, conversations and relation). At this moment, the basic question is how can we refer these elements to actual people and to actual organizational systems. The answer is through culture.

In conversations, distinctions are always present. In the operation of distinctions, when we assert or define a unity, we began to establish some criteria of distinctions that can be present in the next operation of distinctions. With these criteria, we begin to judge, measure and value those unities that we distinguished. Given some criterion, then, we can start to distinguish and recognize things such as animals, objects, families, persons, and nations.

Since these criteria of distinction arise and are present in recurrent conversations that interweave, the actual distinction and recognition of things like person, community, formation, family and nation happen essentially in a *network of conversations*. Every social system selects which are the predominant criteria of distinction. We, as observers, grow in that social system by living in it as a particular way of being human in the network of conversations that defines it.

Distinctions and criteria of distinction occur in conversations. Consequently, **culture** can be defined as a network of conversations that determine a way of living, a way of being oriented in existence in the human domain. Culture involves a manner of acting, a manner of emotioning, and a manner of growing in

acting and emotioning. Culture, as a network of conversations, is the milieu in which the organization of the organizational system is realized or materialized..

There is a strict connection between culture and relations. When observers interact in languaging and emotioning, a relation is established. Relations, in turn, facilitate the taking place of conversations. If we consider that a relation is the vehicle for conversations, then culture, as net of conversations, takes place in relations and relations are realized in culture. In this case, a recurrent spiral curve develops in different planes: from conversations to relations to culture to further conversations to further relations, and so on. From this point of view, culture can be considered the *total domain* where social systems operate as simple unities and as composite unities.

Conversational structure

Conversations are the most basic element in the development of a social system. In conversations, language as a recursive consensual coordination of actions takes place. In them, as structure in action, a social system realizes its organization, that is, accomplishes its purposes. In conversations, observers as components of the organization (constituents) and component of the structure (coadjutants) interact and relate.

A social system is and develops itself in and through conversations. The identity of a social system resides in its organization. The actual realization of the same system dwells in its structure. There are components that relate in the organization of the social system, but the components that relate to make a social system be what it really is are in the structure. These components are observers that operate in languaging and emotioning or, for short, they are human beings that converse, they are conversers. From this perspective, we conclude that the actual structure that makes a social system be what it is and develop to reach its purposes is the *conversational structure*, that is, the structure as conversations.

A conversational structure can be considered as a whole, as a net of all the conversations in the social or organizational systems. However, individuals or groups can structurally operate in a congruent and consistent set of conversations. When this occurs, a *conversational pattern* emerges. A conversational pattern is a set of conversations where specific individual or groups learn as they solved their problems of adaptation and integration. In this set of conversations, individuals promote their own security and their continuity within the organizational life and in their realization of the organization of the social system.

Within a social system, there is not a unique conversational pattern, but a set of them; organizational systems can be seen as a set of non-homogeneous cultures that coexist and work to perform a specific and, supposedly, common task. These conversational patterns have worked well enough to be considered valid and, therefore, are learned by new members as the correct way to act and interpret the organization as a whole. It is in the conversational patterns where operationally a

conversational structure takes place; it is in them where the social system realizes its organization. Conversational patterns, thus, are the basic units that need to be observed, analyzed and, given the case, intervened to reach the purposes of the system (to realize its organization).

The basic assumption underlying the conversational structure approach is that conversational patterns and conversations can be developed, that is, designed, implemented and evaluated. The axle on which change and improvement of an organizational system (enterprise, company or firm) can take place is the development of conversational patterns. We focus now in how all the elements of the model geared in its implementation.

Change

Organizational system *change* is taken in its most common and accepted sense in management theory, that is, as any transformation, improvement, development, revitalization or any other concept that deals with the infusion of new energy, vitality or strength into the organizational system (see, for example, Griffin, 1990). From this point of view, in the conversational structure approach, change is defined as any movement of the organizational system from a current state to a desired future. In this view, the crucial question is how an organizational system changes and what makes it happen. Figure 1 represents the process of change.

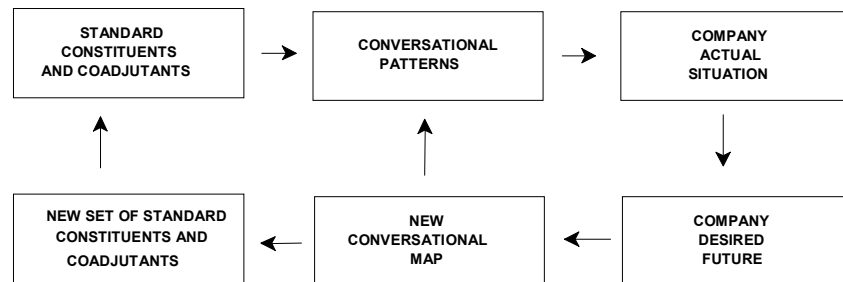


Figure 1. Basic elements of the conversational structure paradigm

There are six major interconnected nodes or elements in the conversation structure model from the perspective of change.

An organizational system is set up by two groups of observers: *constituents* and *coadjutants*. Constituents and coadjutants, as conversing with a purpose, make emerge different conversational patterns. Through the conversation patterns (in the *conversational structure*), the company is configured and shaped and attains a given situation in time. This *actual situation* of the company is its structure and is defined in terms of its effectiveness in reaching its goals (realizing its organization) which, in turn, are set by the constituents.

The actual situation can be improved. Improvement refers to a direction, to a goal.

Consequently, change and improvement to happen entail a *desired future*; without this vision, companies will continue static and the same for long periods; they may wander astray or even die. Specifically, the desired future of the company is not but the expression of the organization of that social system. The desired future is the organization itself of the organizational system seen as its driving force.

From the desired future of the company, a *map* of new conversations is designed to develop new conversational patterns to change the old ones. In this way, a new conversational structure is determined.

Finally, the new conversational map may require a definition of the organizational system that includes the declaration of a new set of constituents and coadjutants to carry out the map of new conversation patterns. Here the cycle starts again, the process will repeat itself, and it will be recurrent. From this stand, change is continuous process.

Conversations do not occur in a vacuum; they take place in the *relations* between components, between standard observers. Thus, observers that relate are the essence of an organizational system. Interactions, conversations, conversational patterns and conversational structure develop, as the core of the organizational system, between these two pivots. Figure 2 presents graphically this process, which explains how the conversational structure takes place.

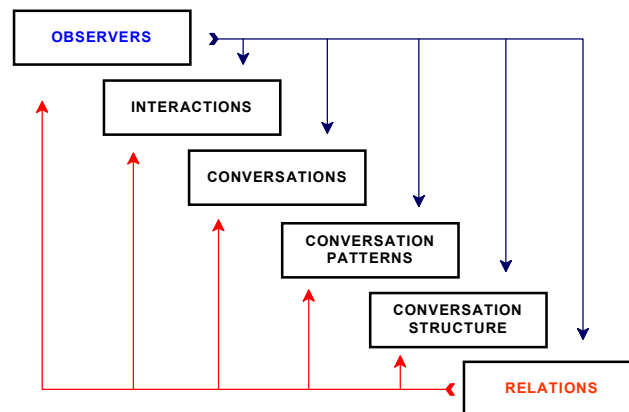


Figure 2. The relations in the conversation structure.

From the conversational structure perspective, a relation could be considered the milieu in which observers interact and converse. We could say that interactions and conversations between observers, consequently conversation patterns and even the conversational structure ride on the relations between observers. Without established or emerging relations, conversations between standard observers can not take place, but at the same time, standard observers constitute the relations. That is the reason why a relation is a domain circumscribing all potential states of interaction and/or activity among standard observers.

Essentially, any implementation method includes the same stages: entry, diagnosis, design or planning, action or implementation, re-diagnosis, evaluation, feedback, and termination (Kolb and Frohman, 1970; Cumming and Worley, 1993).

The implementation method of the conversational structure includes seven steps or stages, that we call processes. 1. Pre-diagnosis, to determine the viability of the change; top management commitment is essential. 2. Diagnosis, to define the current state of the organization in terms of observers, conversations and relations. 3. Establishing the desired future, again in terms of the observers, conversations and relations. 4. Developing the intervention strategy, to carry out the program of intervention. 5. The intervention, the actual carrying out the intervention strategy. 6. Diagnosis posterior to the intervention, to determine the current state after the intervention. 7. Evaluation of the obtained results and of the realized processes, to assess the results and the whole process of change.

APPLICATIONS OF THE MODEL

The conversational structure strategy is being tested in the field. Up to now, it has been applied in five different cases. The first four cases are applications with limited scope. The last one is an application that was planned to follow the complete process.

The first case is an application of the model in an organizational system (a hospital) the author had the opportunity to hold the CEO position. This experience was published (Loyola, 1989) and the application consisted in a current interpretation of that experience under the proposed paradigm. The objective of this case was to validate the major components of the model (observers, organization, conversations and relations).

The second case is based in the author's experience as president for a university campus for the last 10 years. This case summarizes applications of previous versions of the model as well as an application that is currently under way.

The third case is a summary of different applications of preliminary versions of the model applied in a large manufacturing company. We base the application on consulting processes developed in the last two years, mainly with the top management group. The purpose of the second and third cases was to validate in a structured way all the elements of the conversational structure strategy.

The fourth case is based in a consulting experience the author had in a Polish company. This experience is documented in a confidential report to that company. This case is limited to the diagnosis step. The purpose of this case was to validate the already determined main elements of the model: vision, top management involvement, conversations, relations, distinctions and assumptions.

Finally, the fifth case is an application of the model in another large

manufacturing company. In this case, we intended to show the complete process in a top management group. Furthermore, in this case we integrated the previous experiences derived from the first four cases.

The basic assumption to conduct the five cases is to assess and validate progressively the components of the conversational structure strategy. At this point, we consider that the model is sufficiently tested and validated to advance to its complete and full application.

To be able to stay a float in today's turbulent and unpredictable waters of change and transformation, organizations are discovering that they must rely on people. You trust and believe in your people or you do not, and they know it and they act accordingly. When people feel they play a meaningful role in changing and transforming the organization, they are motivated to push the limit of their own potential. People sense that the organization cares about them, values them and wants them to succeed. They feel trusted with the success and direction of the organization. A commitment to the ongoing practice of refining and affirming a shared vision to which everyone contributes in conversations is the basis for change or transformation to occur in an organizational system.

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