

**ADOPTING A MINDSET FOR THIRD WAVE
MANAGEMENT IN SOUTH AFRICA**

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ABSTRACT

ADOPTING THE MINDSET FOR THIRD WAVE MANAGEMENT IN SOUTH AFRICA: THE NEED

The world is an ever-changing place, with industrial and information revolutions coming and going. Technological developments have resulted in shorter cycles of each revolution. Adopting the mindset for the Third Wave management simply means embracing change. This change involves a paradigm shift from the Second Wave to the Third Wave management and thereafter to evolve further into the Fourth Wave management organizations.

The principles of the Second Wave and the Third Wave management have been dissected in order to gain a deeper understanding of each. A comparison of the characteristics of the Second Wave and Third Wave management principles has also been made. It is justified to say that many South African organizations are still operating with the top-down hierarchical pyramid. They are still locked in the Second Wave management thinking, and South African authors have confirmed this fact in their discussion of management issues in this country. Therefore the objective of this dissertation was to create a framework and guidelines for a mind shift towards the Third Wave management. Elements discussed are the evolution towards the Third Wave organization with specific reference to the waves of management and South Africa's positioning.

More complex organizational forms will put renewed focus on elements such as visionary and participative management with teambuilding and networking as essential focus areas.

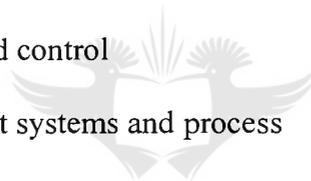
Various South African authors have indicated that the principles of the Third Wave management can indeed be applicable in a South African context. It is therefore incumbent on corporate leaders in South Africa to start embracing change and transforming to the Third Wave.

The world is changing and at a speed no one can keep up with. That is the one thing corporate leaders can be sure of. Change management will therefore play a vital role in a continuous strive towards global competitiveness. The Second Wave principle of management are however long outdated for the global economy and the challenges facing South African organizations. This calls for the mindset of organizations to move towards the Third Wave management and to become network organizations. South African organizations will therefore have to be flexible, adapt to change, develop flatter organization structures, be sensitive to the environment, look after their shareholders' needs and empower and reward personnel for performance. The challenge facing the corporate leaders today is to become "world class" or perish.

TABLE OF CONTENTS	PAGE
Chapter 1: Introduction	1
1.1. Epilogue	1
1.2. Problem statement	4
1.3. The aims of the study.	7
1.4. The importance of the study	7
1.5. Terminology	8
1.5.1. Second Wave management	8
1.5.2. Third Wave management	8
1.5.3. Flat structure	8
1.5.4. The network organization structure	8
1.5.5. Team	9
1.6. Research methodology	9
1.7. Limitations of the study	10
1.8. Chapter division	10
 Chapter 2: The evolution towards the Third Wave	 12
2.1. Introduction	12
2.2. The First Wave	13
2.3. The Second Wave	14
2.3.1. Structure	17
2.3.2. Culture	19



2.3.3. Standardization	19
2.3.4. Specialization	20
2.3.5. Synchronization	20
2.3.6. Stability	21
2.3.7. Security	22
2.3.8. Power base	23
2.3.9. Focus and Responsiveness	23
2.3.10. Management Systems	25
2.4. The Third Wave Management	25
2.4.1. Structure and leadership	27
2.4.2. Culture	28
2.4.3. Power base	30
2.4.4. Function and control	30
2.4.5. Management systems and process	31
2.4.6. Skills	32
2.4.7. Focus	32
2.4.8. Roles	33
2.4.9. Responsiveness	34
2.5. Summary	35



Chapter 3: Change management as a prerequisite to Third Wave

management	40
3.1. Introduction	40
3.2. Change management	41
3.2.1. The meaning of change and the nature of change	42
3.2.2. Forces of change	44
3.2.2.1. Internal change forces	45
3.2.2.2. External change forces	46
3.3. Key organizational issues	47
3.3.1. Reasons for resistance to change	47
3.3.1.1. Individual resistance to change	49
3.3.1.2. Organizational resistance to change	51
3.4. Keys to successful change	54
3.5. Organization strategy and change	60
3.6. Organization structure and change	61
3.7. Strategic leadership: Embracing Change	62
3.7.1. Clarifying strategic intent	63
3.7.2. Building an organization	63
3.7.3. Shaping the organizational structure	64
3.8. Conclusion	65

Chapter 4: The network structure	66
4.1. Introduction	66
4.2. The meaning of an organization structure	66
4.3. Network and networking defined	67
4.3.1. Organizational networking	69
4.4. Components of a network structure	70
4.4.1. Structure	70
4.4.2. Matrix v/s network structure	72
4.4.3. Is there an appropriate environment for the network structure	73
4.4.4. Participants in the network structure	74
4.4.5. Teams v/s individuals	77
4.4.6. Culture	80
4.4.6.1. Communication	80
4.4.6.2. Power and empowerment	81
4.4.6.3. Management style	84
4.5. Summary	85
Chapter 5: Summary, Conclusion and Recommendations	87
5.1. Summary	87
5.2. Conclusions	89
5.3. Recommendation	90



LIST OF FIGURES

Figure 1 Organizational Pyramid 17

TABLES

Table 2.1. A Comparison: The Second Wave v/s the Third Wave 37

Table 2.2. A Comparison: The Second Wave v/s the Third Wave 38

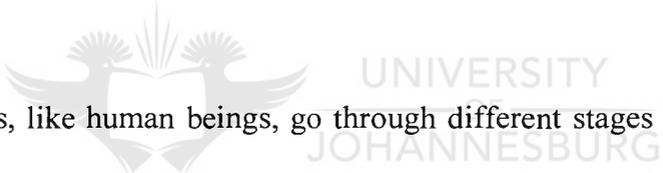


CHAPTER 1

INTRODUCTION

1.1. PROLOGUE

Management is defined in different ways by different authors. (Bateman & Snell, 1999: 6) define management as the process of working with people and resources to accomplish organizational goals. It can also be defined as getting things done through other people. Management therefore describes how things should be done “through other people”. The term management however, neither describes nor prescribes specifically what should be done, nor does it define tasks. It is rather a generic term that is used by all organizations and that should suite all people and organizations with different structures.



Management theories, like human beings, go through different stages in life. Over time, management theories have evolved and each theory is linked to a different era, namely the agricultural age, the industrial age and the information age. With each era, structures have been formed that were and are still used by many organizations, both big and small.

The world is an ever-changing place, with industrial and information revolutions coming and going. Technological developments have resulted in shorter cycles of each revolution. Adopting the mindset for the Third Wave management simply means embracing change. This change involves a paradigm shift from the Second wave to the Third Wave management.

Today, change is the buzzword of survival. Unfortunately resistance to change and adaptation are two major problems that impede organization development and renewal. In simpler terms, change is a process where something gets altered or modified. It can be described as a planned or unplanned reaction to environmental forces or stimuli.

The old say that “times are changing” is a true statement and will continue to exist. The only difference is that today times are moving at an incredible faster rate. The tempo and complexity of change have changed. The change is rapid and dramatic. South Africa therefore needs to move with times and adapt to changes as they arise.

South Africa saw change approaching in the decade of the nineties. This change was a result of the political, socio-economic factors as well as the re-emergence of South Africa into the global marketplace. Today, the key to success and survival of organizations is determined by the extent to which they adapt to the tempo, the degree of change and complexity of change. Therefore change can be seen as one of the weapons that South Africa can use to survive the global competition.

The Third Wave has introduced itself all over the world, including South Africa. These rapid changes touch all the businesses and all spheres of life. No business or human being can escape these changes. The new world of the Third Wave management is at the doorstep in South Africa. This calls for the mindset of organizations to move towards the Third Wave management in order to become world- class organizations.

To become world-class organizations, South African organizations will have to be flexible, adapt to change, develop flatter organization structures, be sensitive to the environment, look after their shareholders' needs and empower and reward the personnel for performance. According to Pretorius, 2001:5, the challenge facing leaders today is simply to "become world class or perish". Embracing change and adopting the mindset for Third Wave management is the first step toward becoming world class companies.

Literature has it that the world is changing rapidly. Human beings are witnesses of those changes. These accelerated changes are gradually taking us closer to the Third Wave. Recall that the Third Wave is at the doorstep in South Africa, already crashing onto the shores. These changes, if adopted, will move South African companies from the traditional, bureaucratic, hierarchical power structure to the electronic information age, the Third Wave.

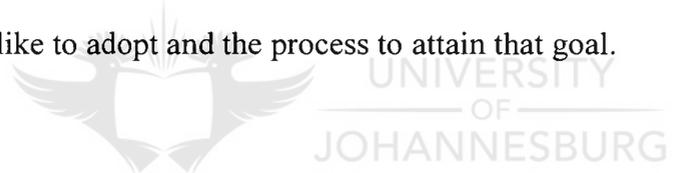


The Third Wave is the era of information that is freely available. As such, South African organizations need to access this information in order to identify the opportunities and challenges that are emerging with the Third Wave.

Many organizations have operated for decades under the hierarchical structure. This is the second wave that is characterized by autocracy, bureaucracy, hierarchical power structure with standardization and restraint by rules and regulations as well as a search for order, security and stability. Time has come for organizations to make a move.

Managers are constantly been assaulted by change. Leaders of organizations are constantly engaged in lengthy meetings where the most important item in the agenda is “change” or “re-engineering”. Change is therefore inevitable. For those managers who are ready to accept change, the rigid hierarchical power structure has done its past and it is no longer relevant and does not add value anymore. This necessitates a move to the next wave, the Third Wave. Unfortunately change is painful and we cannot ignore the fact that resisting it is a natural instinct.

People are the building blocks of the structure of the organization. Therefore changing the structure of the organization calls for a change in the mindset of people as well as a change in culture. This necessitates an investigation in the need for change in the current structure of the organization, the envisaged structure or future structure that the organization would like to adopt and the process to attain that goal.

The logo of the University of Johannesburg, featuring a stylized bird or eagle with its wings spread, holding a book. The text 'UNIVERSITY OF JOHANNESBURG' is written in a serif font to the right of the bird.

1.2. PROBLEM STATEMENT

Some people have been the victims of the hierarchical power structure for a very long time. Since change is the subject of discussion in almost every literature that one lays hands on, people are becoming more aware of the future changes. People and organizations are aware that the only way to survive in the world of business is through change. For it is now clear that the acceleration of change has reached so rapid a pace that even bureaucracy can no longer keep up.

“Information surges through society so rapidly drastic changes in technology come so quickly that newer, even more instantly responsive forms of organizations must characterize the future” (Toffler, 1971: 136-137).

What will the characteristics of the Third Wave organizations be? Organizations of the Third Wave are described by three words, namely, “creativity”, “innovation” and “adaptability”. This implies that Third Wave organizations require creativity, innovation and adaptability.

All managers who still find themselves in the midst of the stable, safe and secure hierarchical structure have realized the need for change. To survive in the information era, organizations must cast off those traditional bureaucratic practices that immobilize them, making them less sensitive and less responsive to change. Organizations need to move towards a working society of technical equals in which the one demarcation between the leader and the led has become indistinct. Moving from the hierarchical power structure that emphasizes rigid hierarchy and formal autocratic management style to the Third Wave is not an easy task. This movement is actually a strategic change that has been seen as a big challenge and an obstacle by many organizations.

Corporations must discover that the only way to be competitive and to survive is to become increasingly flexible and precise, to work harder, to throw the old formulas out and to become increasingly efficient. South Africa is at the forefront of the world of the Third wave.

With the proliferation of information that is available, managers are aware that the only way to be globally competitive is by embracing the Third Wave management. They are now faced with the challenge of how to prepare for the information age. They have to find ways of throwing away the old ways of doing things and face challenges of the Third Wave. Organizations have to develop strategies of changing the mindset of their incumbents so that they should be able to respond positively to change or even initiate change.

Moving from the old traditional pyramidal power structure to the information age is not only challenging, but it is also confusing. It is confusing in that the move is from a known territory to an unknown territory. This also leads to fear, uncertainty and resistance to change. Third Wave management is much more than an increasing reliance on information and “high” technology. It is new forms of retailing among people and nature, new meanings, new forms of organization, new customer needs, new forms of management, a new society and a new economy. All these changes that come with the Third Wave are bound to make managers confused, as to what their responsibilities, roles, accountability and goals are. As such a recipe has to be found that will help to lessen the confusion and uncertainty that cloud the heads of managers. Management means getting things done through other people. If managers are confused, who is going to lead their teams and the organization as a whole? Adopting the mindset for Third Wave management is imperative today, it is a need.

1.3. THE AIMS OF THE STUDY

The aims of the study are as follows:

- To investigate Third Wave management with specific reference to the network organization structure.-
- For organizations to change their current management styles and move away from the rigid hierarchical structures of management, thus embracing Third Wave management.
- To come up with guidelines for organizations, management and everyone affected by the change from the former hierarchical structure to the Third Wave. This transition process is difficult and challenging and therefore requires much guidance, cooperation and support from those who are tired of the old traditional ways of doing things in organizations. These guidelines are necessary to reduce fear, uncertainty and confusion surrounding managers regarding their roles, responsibility, accountability and organizational goals.

1.4. THE IMPORTANCE OF THE STUDY

The importance of the study is to make managers aware of the opportunities that can be realized by adopting the mindset of the Third Wave management. This study is also meant to encourage managers to realize the need for change. This will help them to cope with the increasingly changing world, challenges of the new management styles, threats facing them in the future and to become global competitors.

1.5.TERMINOLOGY

1.5.1. Second Wave management

Second Wave management is a component of the industrial era and is characterized by autocracy, bureaucracy and hierarchical structures with standardization and restrained by rules and regulations as well as a search for order, security and stability.

1.5.2. Third Wave management

Third Wave management is the electronic information structure that requires a climate of creativity, innovation and adaptability for survival in an increasingly changing environment. It is also referred to as the knowledge age because information is the key to competitive urge and survival.

1.5.3. Flat structure

The flat organizational structure refers to a structure where there are fewer levels of management, ideally three levels of management and is largely dependant on the span of control. With a flat structure, managers or superiors are forced to delegate, clear policies must be formulated and subordinates must be clearly selected.

1.5.4. The Network organisational structure

The network organization refers to a web of inter-relationships among many individual organizations.



“These networks of organizations enable organizations to achieve both efficiency and flexibility to exploit advantages of the mechanistic and organic organization design” (Gibson, 1994: 132). Bateman & Snell, 1999: 322, define a network organization as a collection of independent, mostly single –function firms.

1.5.5. Team

A team is a small number of people with complementary skills who are committed to a common purpose, set of performance goals and approach for which they hold themselves mutually accountable.

1.6. RESEARCH METHODOLOGY

In South Africa the Third Wave management is still at the doorstep. Most companies are not yet ready to implement this new management style. Therefore, to facilitate the research, a study of available literature on wave management will be done. Information will be sourced from applicable articles, handbooks, relevant research papers as well as management journals relating to the topic. In an endeavor to keep the study relevant, where possible, only up to date sources and accurate information will be used.

1.7. LIMITATIONS OF THE STUDY

The study will focus on the use teams and network organizations within the Third Wave. The reason for this is that network structure and teams are the cornerstones of Third Wave management.

1.8. DIVISIONS OF THE STUDY

The study consists of five chapters. These chapters will include the following subjects:

Chapter one emphasizes the importance of organizations to face the challenges of change.

The problem statement also highlights the need for organizations to adapt to change, which results in the objective of the study.

Chapter two focuses on the evolution towards the Third Wave. The chapter also includes the characteristics of each wave of managerial style as well as the comparison of the Second Wave and Third Wave management.

Chapter three focuses on change management as a prerequisite to Third Wave management. Also included in this chapter are the forces necessary to support change from the hierarchical structure to a network structure. When knowing these forces that are necessary to support change, both management and employees of an organization will be able to handle the stress and uncertainties that result from change.

Chapter four will focus on the network structure and the implications it might have for South African organizations. Every organization has an organisation structure that is depicted by an organisation chart. In the organisation chart the position held by each individual within an organisation is clearly indicated. The organisation chart also indicates the managerial style that is used by an organisation. The Second Wave management style has its own organisation structure, and so does the Third Wave management style. This chapter also looks into the possible areas that need to change to suite the network structure.

Chapter five is made up of the conclusion, recommendations and a summary. This chapter will also provide the requirements and a guideline of steps to be followed by organizations in order to become network organizations.



CHAPTER 2

THE EVOLUTION TOWARDS THE THIRD WAVE

2.1. INTRODUCTION

The world is an ever-changing place and agrarian, industrial and information revolutions come and go. Technological developments have resulted in shorter life cycles for each revolution. The information age is the first age whose beginning and end will be witnessed by one generation.

Change is prevalent in every facet of the society. What is more, the rate of change is continually accelerating. The pressures of change have pushed organisations to a stage where they can no longer wait to see what the Third wave has in store for them. Most people have become slaves of literature and the scope of knowledge changes continuously. People can no longer wait to move to the age of electronic information, as this is overdue.

Millions of men and women spent a very long period in life working for companies and organisations with tall, rigid, functional hierarchies, where bosses give orders and workers take them, with lots and lots of employees and with each employee having one job. It once was a safe world, this traditional, tall, rigid hierarchical structure, but it is no longer, because the world is changing rapidly and a global revolution is underway. Therefore, it is time to move to the next wave, the Third Wave.

Management theories, like human beings, go through different stages in life. These management theories are linked to different eras, namely, the agricultural age, the

industrial age and the information age. Each era results in a changed economy and each economy change the form of capital in existence. First there was physical capital during the agricultural age, now there is monetary capital during the industrial age, which in turn is evolving into intellectual capital in the information era. Each age has had its share of problems. Each age produces a form of organisation appropriate to its own tempo.

2.2. THE FIRST WAVE

Wave management started with the First wave, which is also referred to as the Agricultural Era. All countries basically experienced this era. “This was the time during which the survival of communities was dependent on their ability to cultivate crops, stock- breeding and hunting. Goods were not produced for the purpose of selling but for survival of families. For most people therefore, production and consumption were fused into a single life-giving function. They lacked even a word for consumer” (Toffler, 1980: 39). Families were the most important structure. Management was simple and limited to production and consumption. “Societies were marked by low transience. Delays in communication and transportation slowed the rate at which information moved. The pace of individual life was comparatively slow. Organizations were seldom called upon to make what we would regard as high-speed decisions” (Toffler, 1970:136).

Each family was responsible for making decisions regarding the cultivation of crops, stock - breeding and hunting in order to survive. Production was therefore on a very limited scope due to among other things, lack of the necessary facilities such as

machinery, and also due to the fact that goods were produced for consumption by families and not for the purpose of selling.

2.3. THE SECOND WAVE

The First Wave gave way to the Second Wave when industrialisation spread. The Industrial revolution brought along machines that gradually replaced human labour. As a result the rate of unemployment rose and labour unions were formed to protect the welfare of employees. The situation that prevailed in the agricultural age was violently changed. People became more knowledgeable and development opportunities and urbanisation also increased. "The factory replaced the farm as the centre of economic activity; the focus of direction shifted from tradition ("we do it this way because we have always done it this way") to the group ("keeping up with the Joneses"); and the temporal organisation of the culture changed from a focus on the past to a concern for the present" (Mehrtens, 1999: 26). For the first time in history, the Second Wave created a situation in which the overwhelming bulk of all food, goods and services was destined for sale, barter or exchange as opposed to the Agricultural Age where earning a living meant surviving and being self-sufficient from products of the land. The Second Wave virtually got rid of goods produced for ones own family and created a civilization in which almost no one, not even a farmer, was self-sufficient any longer.

Everyone became almost totally dependent upon food, goods or services produced by someone else. This implies that the fused economy of the First Wave was transformed into the split economy of the Second Wave. In other words, industrialism broke the union of production and consumption and split the producer from the consumer.

With industrialisation, management moved to a more structured environment as opposed to the more informal structures of the First Wave. Structures were more than just a hierarchy, but also authority, regulations and boundaries, which kept the unknown outside.

The Second Wave was characterised by autocracy, bureaucracy, hierarchical structures with standardisation and restraint by rules and regulations as well as a search for order, security and stability. The manager of this era was more concerned about a safe appointment with a proper title and position. In this particular system of organisation, the individual fitted into a vertical hierarchy and traditionally occupied a sharply defined slot in a division of labour. A chain of command running from the boss down to the lowest menial formed part of this structure and the individual's organisational relationships tended towards permanence.



Each individual, therefore, filled a precisely positioned slot, a fixed position in a more or less fixed environment. One knew exactly where one's department ended and the next began; the lines between organisations and their sub-structures were anchored firmly in place. In joining an organisation, the individual accepted a set of fixed obligations in return for a specified set of rewards. The individual thus stepped into a comparatively permanent web of relationships – not merely with other people, but with the organisational framework, the structure itself.

Rigid hierarchy and a formal autocratic management style were thus a main characteristic of the Second Wave. "Hierarchies are instruments of power. They work particularly well when there are few well-educated, knowledgeable people available

whose knowledge is advantageous for the organisation, or when the people at the top have a clear division, which for some reason cannot be easily shared with the rest of the organisation” (Fairtlough, 1994:23).

Recall that each age or era has its share of problems. The Industrial age had its own defects, despite the fact that it brought some civilization that led to mass production and thus separating the producer from the consumer. Fairtlough, 1994: 25, asserts that the hierarchical power structures within the Second Wave have many defects. Some of the defects are amongst other things, that hierarchies stifle initiatives since a hierarchy is a means for ensuring ordered behaviour and therefore sticking to the rules must come first. The creativity of the individuals is disappearing, so does creativity of the organisation as a whole. The organization becomes incapable of doing new things, of responding to changes in the environment. It is inflexible, cannot adapt to changes and thus suffers from stasis. Sometimes problems are ignored, because the rules do not specify what should be done about them. At other times problems are approached by different parts of the organization in a segmented way, without any overall coordination.

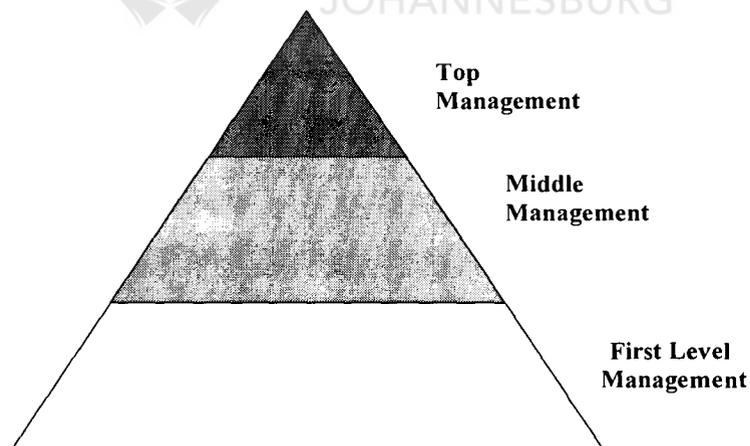
The second major defect of hierarchies is that they inhibit commitment to the goals of the organization as a whole. Since hierarchies are a means of executing the wishes of the people at the top, other people’s views become irrelevant. If ones views and wishes are perceived as irrelevant, ones commitment to hierarchical goals becomes far from passionate. This also results in the dampening of the initiative and creativity of individuals at the bottom of the hierarchy. Why then do hierarchical power structures

continue to exist? The reasons are possibly the love for power and the fear of change. The attributes of the Second wave are discussed below.

2.3.1. STRUCTURE

The Second Wave is characterised by a rigid hierarchical structure, (figure 1) which is the most significant feature of Second Wave management. Different forms of the hierarchical structure can be distinguished, namely, the functional, product, geographical and matrix structure. The hierarchical structure is also distinguished by the many levels that separate top management from the employees at the bottom of the hierarchy. Also found in an organization with a hierarchical structure are fixed predetermined methods of communication, promotion, authority, levels of knowledge, skills, productivity, and decision-making as well as information flow allowed on each hierarchical step.

Figure I: Organizational Pyramid.



Source: Adjusted (Cronje, du Toit and Motlatla, 1999:121)

The above figure shows the three levels of management, namely, top management, middle management and first level management. A hierarchy is a classification according to rank, capacity, or authority and describes the tallness or number of authority levels. The greater the number of reporting levels in an organisation, the more hierarchical it is. This also implies that the taller the structure, the more levels exist between top management or the chairperson and the lowest operational levels. The structure further gives an indication of the span of control, where the span of control is the average number of people reporting to each boss. Many people reporting to one superior means a wide span of control and thus a flatter structure, whilst a few means a narrow span of control and a taller structure. There is therefore an inverted correlation or relationship between the tallness and the number of people reporting to the manager.

The firm's structure is often described by an organisational chart. The organizational chart depicts the positions in the firm and how they are arranged. "The chart provides a picture of the reporting structure that is, (who reports to whom) and the various activities that are carried out by different individuals" (Bateman & Snell, 1999: 278).

The organization chart conveys the following information:

- Division of work
- Nature of the work performed by each unit
- Reporting relationships
- Layers of management

2.3.2. CULTURE

Following the structure is the culture, which is the easily recognizable and distinguishing characteristic. Such words as “authoritative”, “bureaucratic”, “dominating”, “commanding” and “rigid”, best describe the culture characteristic of the Second Wave. Communication is mostly one-way, just like in the teacher-pupil or parent-child relationship where the pupil or child has to obey authority and execute commands given by the teacher or parent respectively.

“This culture that resides within the rigid, hierarchical structure can be likened to Parent organizations. In such organizations, parent dominant top management desires child-dominant lower levels of the organization. Parent-dominant top management (officers) do not expect or want thinking from the employees, but want conformance to the rules” (Stitt, 1990: 177).



2.3.3. STANDARDISATION

Standardisation is the most familiar principle of the Second Wave. With this principle, the trend was toward standardisation of all processes. Most production processes changed from manual to automate.

Standardisation was aimed at mass production. This included the standardisation of all components, task procedures, administrative routines, salary scales, fringe benefits, lunch hours, holidays and grievance procedures. Educators also designed standardisation curricula to prepare youth for the job market. The result of this

approach was increased efficiency and productivity that manifested as a motivator to further standardisation where possible.

2.3.4. SPECIALIZATION

A second great principle that resided in all Second Wave societies was specialisation. “The Second Wave eliminated diversity in language, leisure and life-style and thus needed diversity in the sphere of work. Accelerating the division of labour, the Second wave replaced the casual jack-of- all-work peasant with the narrow purse-lipped specialist and the worker who did only one task, taylor fashion over and over again” (Toffler A, 1990:49). Each worker had to specialise in a certain aspect of manufacturing. This had its advantages and disadvantages, as it helped to optimise a specific aspect of the manufacturing process on the one side, on the other side it was a tedious job for the person who did it day in and day out. The disadvantage in this approach was that the motivational force that guided the workers was seen merely as cogs in the wheel.

2.3.5. SYNCHRONISATION

The widening split between production and consumption also forced a change in the way Second Wave people dealt with time. “In a market-dependent system, time equals money. Expensive machines cannot be allowed to sit idly, and operate at rhythms of their own. This produced the third principle of industrial civilisation: Synchronisation” (Toffler A, 1990:51).

The Second Wave brought in machinery and silenced the songs of the worker. Organisations centred themselves on the machine and moved to the beat of the machine. As factory production spread, the high cost of machinery and the close interdependence of labour required a much more refined synchronisation. The whole orchestra plays together to produce one part. This implies that if one group of workers in a plant were late in completing a task, others down the line would be further delayed. If a process changes pace, everything else has to follow, whether it is good or bad. This also implies that if a part in the production process is missing, the result is dissatisfactory or incomplete production. Everything was dependent on the other for the complete product or service. Even the behaviour of people had to be synchronised. Thus punctuality, never very important in agricultural communities, became a social necessity, and clocks and watches began to proliferate.

2.3.6. STABILITY



“The manager of the Second Wave period considered a “safe” appointment with a proper title and a position to be important” (Kruger, 2000:6). Standards were created and enforced and no responsibility was further necessary. The process was there to be used as an excuse. As such, the process/standard dictated decisions. Decisions were rarely, left to be made by individuals. Rigid hierarchy and formal autocratic management style were thus, characteristics of Second Wave management. If there was any specific decision to be made, the process sent it up the ladder to a particular person with authority. Nothing was allowed that could rock the boat. Stability is the end result perceived by managers in the Second Wave.

2.3.7. SECURITY

Kruger, (2000:6), says that the rigid hierarchy and a formal autocratic management style were thus a characteristic management of Second Wave management. This system is premised on the unspoken assumption that the dirty, sweaty men down below cannot make sound decisions. Only those higher in the hierarchy are to be trusted with judgement or discretion. Officials at the top make the decisions and individuals at the bottom carry them out. Thus, one group represents the brain of the organisation, the other, the hands.

Structure, procedures, rules and strict authority level provides security to many. One knows precisely where one fits in, what the requirements of the next position are and how long it takes to get there. The boundaries are clearly defined and as such, each position on each level in the hierarchy gives one a title, a level of authority as well as status. This allows authoritative people to exercise control over subordinates, who are expected to understand the hierarchy, the position, authority and the rules of obedience required from. Such strict measures of control provide management with a sense of security. All management tasks, namely, planning, organising, leading and control can thus fall easier into place.

In an organisation, most people do not accept change easily and thus prefer the status quo to change, which is why organisations tend to stay in a state of bureaucratic equilibrium. It is also natural for employees to want the security of knowing that success depends on the organisation's rules and norms as well as the standard of behaviour.

Bureaucracy was initiated to keep people in the company, to keep enhancing their positions, provide them with authority and to create new rules and regulations so as to stay on top. The ultimate achievement is a search for new order crowned with discoveries.

2.3.8. POWER BASE

A person, who occupies a higher level in a company, automatically holds or achieves the higher levels of authority, power, control as well as access to more knowledge. This is typically a true reflection and scenario within the Second Wave organisation. The manager in the Second Wave organisation would always protect his or her position by expanding or increasing his/her activities to become more influential. Bureaucracy is therefore difficult to root out or rather to get rid of in organisations of the Second Wave. It is the “weed of corporations” (Cantoni, 1993: 13).

2.3.9. FOCUS AND RESPONSIVENESS

In the agricultural age people were self-sufficient in that cultivation of land was done for the survival of families. Production and consumption were fused into a single life-giving function. The focus has changed with the Industrial age. The factory with machinery has replaced the firm. Industries were developed where machinery could be used to process and manufacture on a mass production scale.

People were no longer cultivating land to produce food for families, but started to work in factories for others and earned a salary. Large quantities of goods were now

produced for the purpose of selling and no longer for the survival of individual families.

“The Second Wave management does not focus on people, it is totally task – orientated. As a result the response of the employees is confined to the task and to the indirect implications imposed on people, their attitude and productivity” (Pretorius, 1996: 28).

Lack of focus on people has a negative impact on the level of responsiveness. The level of responsiveness is reduced. In the Second Wave management people are motivated by promotion, salary and bonuses. There is little compassion, understanding, care, commitment to ideology and thoughtfulness shown in any communication or interaction. Kruger (2000: 10) writes, “There is lack of motivation to change personally in order to change the world as well as the change to grow as a person”.

On the contrary the Third Wave management, that will be discussed later, focuses on people – “We exist for our people, who are our lifeblood, not the other way round” (Scully, 1990: 144). This is not a possibility with the Second Wave management. Lack of focus on people leads to the stifling of initiative and creativity and thus causes a major setback in participation and accountability.

2.3.10. MANAGEMENT SYSTEMS

In the Second Wave, the focus of control in corporations is centralised in a “top-down” management system. The individuals at the bottom of the hierarchy are not afforded an opportunity to participate in decision – making. Instructions always have to be given by the superiors at the top of the hierarchy. There is therefore one system and process – “Don’t use your own initiatives, do what everybody else does” (Pretorius, 1996:26). This implies that individuals at the bottom of the hierarchy have to generate activities without getting involved in the decision – making process.

2.4. THIRD WAVE MANAGEMENT

Without the desire to learn and the skills to do so, what will happen to the managers and employees of the 21st century? Bennis & Mische (1995: 78) say: “they will be trampled by the success of change”. The success of companies lies not only in executing a well-defined methodology, or in developing leading edge technology, or in structuring a set of human resource enablers, but in actually moving the organisation to implement the changes. It is important to remember that resistance to change is a natural instinct, but if left unchecked it can result in complete reversion of former practices.

The world is on the edge of the 21st century, a century on the extreme front of the Third Wave management, also referred to as the Information age. As such the world is surrounded and bombarded with information at every minute and at an ever- increasing rate. All that is required is for peoples’ minds to be fed

with this information to ensure that people are well armed for the information era. The development of the information systems and global network links through information technology leaves us at the feet of the information mountain. So what then is the picture of the coming Third Wave organisation?

According to Kruger (1994:8), Alvin Toffler identified the need for Third Wave organisations for the first time in 1980. Toffler indicated that organisations should become multi-purposed, not just see themselves as economic entities, but become involved in the complete spectrum of activities to which each individual is exposed.

The Third Wave organisation is the fast moving, information-rich, kinetic organisation of the future that is filled with extremely mobile individuals. Due to the proliferation of information, people have become more aware of what is happening around them, even at the workplace. Managers and supervisors are aware workers no longer take orders blindly, without questioning. The rationale is that workers have gained knowledge, which is the most democratic source of power. People are paid not only for the job done, but also for knowledge possessed. This is the sign of the times – the knowledge age is in full swing. To keep up with this new era, the Third Wave of management was initiated.

The Third Wave ideas are no longer the preserve of top management. They are diffused throughout the organisation, but they must be harnessed and nurtured.

This requires a new relationship between managers and the subordinates; one based more on trust and partnership than on control and compliance.

2.4.1. STRUCTURE AND LEADERSHIP

The Third Wave introduced the flat structure. The tall pyramid structure that characterised the second Wave is falling flat. The many levels of management have been reduced. Everyone is on an eye-to-eye level with one another. Authority is no longer accepted, unless it is earned through respect, knowledge and a leading example. The reason is that employees have access to freely available knowledge and therefore are better informed about positions and rights. Employees can talk back, question decisions of superiors, and this in the Third Wave management is not seen as insubordination or disrespect. It is merely regarded as hunger for understanding information and knowledge.

Whilst on the Third Wave, reference can also be made to the network organisation. "The network organisation describes not one organisation but the web or interrelationships among many individual organisations" (Bateman & Zeithaml, 1993:333). These networks of relationships enable people to communicate to one another and share ideas at random. The collapse of the hierarchy also allows people to work together in teams that later form a network structure. The network brings people much closer to management. Instructions no longer flow from top to bottom because authority levels are weakened and the hierarchy has fallen flat. Instructions can also flow from bottom to top.

The network structure implies that authority levels are weakened on the one side, but strengthened on the other. Tichy & Sherman (1993: 30) say:

“we knock down the walls that separate us from each other on the inside and from our key constituencies on the outsideThe boundary-less company, he said, will remove barriers between functions, levels and locations”.

In this new era, the information age, people have to be educated by using the freely available information. The rationale is that there is no longer a passive market spoon-fed by industry, but an active stage upon which people must pick and choose and move towards search for information and services required. No one owns an idea. Good ideas come from anywhere and anyone. Conventionally clever people are not guaranteed success unless they are equipped with motivation, energy and good health.

2.4.2. CULTURE

People are the cornerstone of any structure. No structure can be formed without people. As such, no structure can change without the people in it changing too. For the structure to change, people in it must also be willing to change. The reason is that the structure cannot change without changing the people framework and thus the culture. In the Second Wave, people accepted what was prescribed, a set of fixed obligations in return for a specified set of rewards. In the Third Wave, things have changed, people are now suddenly more daring, asking questions, initiating

alternative modus operandi. The Third Wave could have emerged only if people were ready to change.

Tichy and Sherman (1990:29) indicated the new way of thinking and acting that GE attempted to spread throughout the organisation.

The following goals were set:

- Building trust by speaking out without jeopardizing ones career.
- Empowering employees to tap their knowledge and emotional energy and expect more responsibility.
- Eliminating unnecessary work to gain productivity, relief some of the stress and generate enthusiasm.
- Creating a new paradigm of a boundary-less organisation.

Based on these goals, the contrast is clearly visible. The boundary-less organisation affords people an opportunity to see and talk to one another for the first time, which implies a move from a see-nothing perspective to a see-through perspective. The boundaries that were used have now fallen away. This encourages people to be independent and think for themselves, participate, ask questions, put forward opinions and take initiatives in events and activities.

2.4.3. POWER BASE

The internal shape of the organisation is taking a new look and this change takes place at a speed that no one can keep up with. Organisations are finding it difficult to maintain traditional chains of command, as both internal and external structures must be changed and temporary units should be created. All these changes result from the collapse of the hierarchy. The organisation structures are broken down, taken apart and built again into new forms. People no longer stick to same titles for a long period; they change them from time to time. This calls for a transformation in jobs and a resultant shift in responsibilities.

The Third Wave brings along a change in the face of power. People no longer accept authority and take orders as blindly as it was under the Second Wave management. Superiors are challenged, questions are asked and answers are demanded before any orders can be carried out. Office managers, supervisors, military officials and even teachers at school are aware of this change. This is an indication that power no longer resides in people who occupy a certain level of management, but is shared by everyone.

2.4.4. FUNCTION AND CONTROL

Function and control are no longer proprietary to a certain level of management, but are being decentralised among all the employees involved in a task or project. Authority and responsibility are therefore shared. On the basis of this, within a network organisation, depending on the situation, the leader can thus also be a

follower, and a peer, offering inspiration, not own dogmatic views. This also implies that the leader can also take a back seat where other team members are stronger and can handle issues better.

Tichy & Sherman (1990:30) write: "...replacement of hierarchy with cross-functional teams, the transformation of managers into leaders and a radical empowerment of all the workers who were still being bossed around". This was an indication of how function and control changed with the collapse of the hierarchy.

2.4.5. MANAGEMENT SYSTEMS AND PROCESS

"The corporate leader is not necessarily a paragon of wisdom. In most Second Wave companies the leader is the end product of a process of elimination, not a process of cultivation where talent and ideas shine" (Kruger, 1994: 12). Almost everything is shared; nothing is left for the managers' eyes-only. A point has been reached where everybody has to know everything, implying that transparency is a prerequisite.

In the Third Wave management, information sharing is crucial. Semler (1994: 32) says, "A company that does not share information when times are good loses the right to request solidarity and concessions when they are not". This implies that information sharing unites the employees and management in the company and this encourages support from the employees during bad times.

2.4.6. SKILLS

To survive in the fast-moving information-rich, kinetic organisation of the future, the Third Wave organisation, an open structure of communication is required, as well as knowledge. In the previous paragraphs it was mentioned that the Third Wave is the era in which people are surrounded and bombarded with information that is freely available. This information if accessed will enhance the knowledge and skills of people. Knowledge is one of the most durable assets of all ages. It is everlasting, cannot be taken away and can only be increased. “New knowledge either extends or outmodes the old. In either case it compels those for whom it is relevant to reorganise their store of images. It forces them to re-learn today what they thought they know yesterday” (Toffler, 1970: 148).

A totally new competency profile and new skills are needed in order to fully become successful in the Third Wave. Included in these will be knowledge of the subjects involved, be it processes or technology, analytical skills and innovative and flexible values and attitudes.

2.4.7. FOCUS

In the Second Wave management, the focus was more task- orientated and less people-orientated. On the contrary, the Third Wave has a much better ratio and is much more balanced and holistic. In the Third Wave the shape of organisations change both internally and externally. There is a move away from mass production closer to individualised and more creative items. This in turn alters the focus within the organisation accordingly. Teamwork emerged along with cooperation as a key

prerequisite. This emerging of teamwork gave rise to the network team structure. Teams are not essentially formed by people of the same level, but more frequently formed by people from all levels and different functional departments working together on one project.

2.4.8. ROLES

Change is eminent and cannot be overlooked or ignored in the Third Wave. It was mentioned earlier that organisations are forced to change internally. Titles change from week to week. Jobs are transformed. Responsibilities shift, and roles change. The role of the manager on any level has also changed. The typical bureaucratic arrangement where only those higher in the hierarchy are to be trusted with judgement or discretion, are fading away. Individuals fought against being treated as machines reacting at the push of a button. As the transformation came forth, it was realised that roles of individuals incorporated more than a task. Included in roles are participation, responsibilities and shared values of performance and output. Managers have now to start regarding subordinates as human beings involved in carrying out a task instead of machines. This brings to an end the bureaucratic management style where managers were used to commanding and receiving obedience.

Tichy & Sherman (1990: 28) write, “.....these imaginative, frightened bureaucratic bosses from hell, the ones that demanded that fewer people do everything that once had been done by many more pushed their subordinates to work weekends and nights under intolerable pressure, with no end in sight, often to

accomplish tasks that seemed irrelevant, senseless, or worse. When anyone complained, they blamed corporate headquarters”.

2.4.9. RESPONSIVENESS

“The formal structure is put in place to control people, decisions and actions. But in today’s fast-changing business environment, responsiveness, quickness, agility, ability to adapt to changing demands are more vital than ever to a firm’s survival” (Bateman & Snell, 1999:304).

To be responsive, progressive companies place a premium on being able to act, and act fast. In a constant changing environment, response serves as a major feedback mechanism and input to the next step in the process. As such, in the new age, the Third Wave, response from employees is encouraged and not silenced.

In the Third Wave, people or employees are regarded as human beings with valuable skills and capabilities and not machines that react to a push of a button. Management takes on a more thoughtful approach in consideration, and even the people themselves are more considerate towards one another. There is more interdependence among people and more informal and personal relationship. With the emphasis on people and people empowerment for better performance, responsiveness is improved. There is more compassion, thoughtfulness, respect, understanding and care. In turn this leads to people being motivated to respond positively and being more productive.

2.5. SUMMARY

Kruger (1994:8) states that the ability to change is one of the most important differences between Second and Third Wave management. Especially in South Africa where the pace of change increases so rapidly, Second Wave organisations will be forced to change their focus and become Third Wave organisations. The Second Wave organisation with its inflexible structure and its stability has a strong resistance to change. As such, the Second Wave management will not stop to exist one day and the Third Wave starts the following day. This transition is a process and will take some time before the Second Wave organisations adapt to change. There is definitely a need for change as the old rigid hierarchical structure is no longer sufficient.

“Thinking and positive reinforcement of creativity and innovation are not part of an autocratic system, change in a bureaucratic system is slow and often ineffective. A new system of structure is needed. The structure must be based on talent, values and dynamics that actually exist at present or that are to be developed” (Stitt, 1990:177).

Many people have endured the bureaucratic structure for a long time, and therefore need to operate in a new structure. The previous structure satisfied a certain need, but as soon as this need was satisfied, a new bigger need arises. The new need is on a different level and cannot be addressed by the existing structure. A different environment and structure are required to satisfy the need. Thus a change in a need requires a shift in the environment and structure. This change in a need and a shift in the environment and structure are analogous to Maslow’s hierarchy of needs.

According to Maslow, the needs at the bottom of the hierarchy must be satisfied first before those in the subsequent levels of the hierarchy. This implies that one moves up the ladder or hierarchy with different needs as soon as the previous one has been satisfied. As such the environment and structure in which one operates has to change accordingly with every upward movement on the ladder, giving rise to a need to redesign the system and its society. This implies changing from the rigid hierarchical structure to a flexible, fast- moving, information-rich, flat network structure.

“As individuals and our society grow through Maslow’s basic needs, the adult personalities become more and more dominant. The healthy gratification of the higher needs requires adult-adult transactions. Individuals seek ownership. They want to be significant contributors in solving the problems of the organisation. They want responsibility and authority. They seek adult-adult transactions” (Stitt, 1990:178).

The transition from one management level to the other developed more rapidly and naturally. This transition was an urgent need that could not wait for change and can be fulfilled in a new structure.

Table 2.1. A comparison: The Second Wave versus the Third Wave

Characteristics	Second Wave	Third Wave
Structure	Tall, hierarchy with a narrow span of control	Flat, organic, with a wide span of control
Culture	Authoritative and bureaucratic	Democratic, trust and empowerment
Power base	Boss gives instructions and subordinate obeys	Knowledge is shared
Function and control	One-sided, centralised, bureaucratic	Decentralised, shared, distributed
Management systems and processes	Static, generate unnecessary activities	Dynamic and transparent
Competency	Use hands and feet	Use knowledge, skills, values and attitudes
Focus	Physical and safety needs	Social and esteem needs
Roles	Predefined tasks and limited responsibility	Imaginative, participate and shared responsibility
Automation, information and automation	Mechanistic, limited information, task level transformation	Large quantities of information and high level transformation
Responsiveness/Response	Task level, negative response	Primary feedback

Source: Pretorius, (1996:39)

Table 2.2. A comparison: The Second wave versus the Third Wave

Characteristics	Second Wave	Third Wave
Goal	Maximize profits	Create value
Motive	Make money	Make money and help solve problems
Values	Profit, growth and control	Create value, trust, learning
Outlook	Self-preservation	Cooperation
Assets	Physical plant, inventory	Plant, inventory and intellectual capital
Role of manager	Decision-maker	Coach
Local of control	Centralised, top-down	Democratic participatory
Creativity	Dampened by corporate atmosphere	Stimulated by whole-brain thinking

Source: Adjusted (Mehrtens, 1999:27)

On the basis of the above comparison, one naturally speculates about how the transition from the Second to Third wave will manifest. South Africa is still at the feet of the Third wave, which implies that not all companies have already adopted the mindset for the Third Wave management. People are still working in a corporate atmosphere of fear, where creativity and innovation are dampened. Table 2.2 summarises the features of business or economic activity and indicates clearly that in

the Second Wave creativity of people is dampened by corporate atmosphere while in the Third Wave creativity is stimulated by whole – brain thinking. Employees focus on self – preservation, wondering if jobs will be taken by the next phase of down – sizing, while in the Third Wave management focuses on people and ensures that there is cooperation. The focus of control in corporations of the Second Wave is centralised in a “top – down” management system, unlike in the Third wave management where knowledge is shared, control is decentralised, shared and distributed and there is democratic participation.

The transition from the Second to the Third wave management is overdue. Changes need to be made as soon as possible. To enable all South African businesses to embrace all the opportunities arising from the Information age, Third Wave Management, to stay competitive and successful, change is the answer. After all, Third Wave management is all about the ability to adapt to changes so as to stay competitive in the marketplace.

CHAPTER 3

CHANGE MANAGEMENT AS A PREREQUISITE TO THIRD WAVE MANAGEMENT

3.1. INTRODUCTION

Organisations worldwide find themselves in an intensely dynamic world; A rapidly changing world of technology. The all-persuasive dynamics of change are upon the inhabitants of the world – the people; they touch individuals as much as companies - small, medium and large. “Like the proverbial mill, change grinds on mercilessly. All that needs to be done in reality is to come to grips with the inevitability of a constant spiral of change” (Engelbrecht, 2001: 38).

Organisations worldwide are grappling with redesign, flattening structures and creating teams to make better use of human contribution and to provide better products and services for customers. This requires relinquishing old mindsets and welcoming the challenge to embrace dynamic new paradigms, such as moving towards the network organisations.

The evolution towards the Third wave management as discussed, as well as a shift towards the learning organisation can be described as stated in the phrases: “We are separate and must compete”; we are connected and must co-operate”, We are one and choose to co- create” (Maynard & Mehrtens, 1993: 6). To ultimately reach the final stages of the evolution requires supporting forces that will be discussed in this chapter.

3.2. CHANGE MANAGEMENT

Change management has been variously described. In essence, however it is about the unlocking of intangible value. What is intangible value? Quite simply, it involves connecting people back to the organisation. Crafford (2003: 14) says: “Change management is about changing existing patterns of behaviour or inducing new ones”. Change is inherent in life. People face constant change in all facets of life, at work and at home. Today life is characterised by a rapidly changing society and world. “Change is neither good nor evil: it simply is. Change is part of the natural order of birth and transformation. To ignore its presence is to downplay an aspect of life that gives vitality, purpose and meaning to each person” (Heifetz, 1993:3).

Change for the sake of change as such will not have the desired effect. “If change is to have the desired results it must be managed. If it is to be managed, it must be understood” (Jay & Smith, 1996:65). This implies that people must first understand change, accept it, and develop strategies on how to manage it so as desired results may be attained.

Hattingh (1993: 21) describes change management as a deliberate and purposeful attempt by an individual or a group of individuals to change the status quo within an organisation. According to Hattingh change management has the following characteristics:

- It is a deliberate and purposeful action.
- A group or an individual can apply it.

- It attempts to change the status quo.
- It demands of people to change their behaviour and learn new skills.
- It has physiological and emotional implications.
- It influences the performance of the organisation.

In a changing world the only constant is change. “As leaders of organisations contemplate the futures of their organisations as the 21st century looms, they can’t escape the inevitability of change” (Gibson et al, 1997: 453). The combination of global competition, computer-assisted manufacturing methods and instant communication has implications more far-reaching than anything since the beginning of the Industrial Revolution. A mixed feeling exist in that organisations’ future depends on the ability to master change or even that change is pervasive, persistent and a permanent condition for all organisations. Change is the planned or unplanned reaction on pressure in the environment or because of other related forces. Change cannot be stopped and necessitates the organisation to adapt continually so as to maintain a competitive advantage or just to survive. Communication and resistance to change play an important role in the management of change. The role of the change agent is also very important and has to create a feeling of acceptance of change.

3.2.1. THE MEANING OF CHANGE AND THE NATURE OF CHANGE

Many authors define the word “change” in different ways. The World Book dictionary describes change as “making different, putting (something) in place of another, substituting, variation, different from previous state, to alter, to become different”.

Just as trees change in response to the seasons and thus grow through them, so must human beings adapt to change in everyday life. For example, when the climate changes, human beings behave accordingly, by varying clothes to suite all the seasons of the year, or by regulating the heating or air conditioning. Change is also defined as “the crystallisation of new action possibilities, that is , new policies, new behaviours, new patterns of interaction, new methodologies, new products and new market ideas based on conceptualised patterns in the organisation and management” (Engelbrecht, 2001: 38).

As already mentioned, change can be a planned or unplanned action. Planned change is change that is designed and implemented in an orderly and timely fashion in anticipation of future events. Unplanned or reactive change constitutes a piecemeal response to circumstances as they develop. Normally, there are three types of change, according to a change module from the school for the development of business leaders:

- **Development change:** This is the result of the improvement of what is.
- **Transitional change:** This is to move from an old state to the implementation of a known new state, with the management of the interim transition state over a controlled period of time.
- **Transformational change:** This form of change is the emergence of a new state, unknown until it takes shape, out of the death of the old state. This form of change might involve developmental as well as transitional change and the time period is not easily controlled.

“ Adapting to a new future is an ongoing process. Just as a tree changes in response to the seasons and thus grows through them, so must every organisation respond to its continually changing environment” (Manning, 1988: 77). Companies have to change to survive and South African companies are no exception as they are faced with significant changes and at different levels of their organisations as well as from mergers, new product launches, globalisation strategies or the change involved in speeding up business, e-commerce and integrating cultures.

A major problem with change is that it is not easily accepted, but it is almost always resisted. Lack of common vision of the future is another serious problem that exists. Change in organisations can therefore be successfully executed when the following prevail: a shared vision, thorough communication, understanding the organisation, strong leadership, stakeholder buy-in and having cultural alignment. First, a thorough understanding is needed of what the forces of change are and also why people resist change.

3.2.2. FORCES OF CHANGE

Ivancevich et al, (1997: 474) state: “Today’s organisational domain includes unpredictable and uncontrollable domestic and international forces. New developments in mergers and acquisitions, regulations, privatisation, downsizing, union-management collaboration, high involvement participation, plant closing, re-engineering, managing culturally diverse workers and environmental protection, occupy managers’ time”.

Today the globalisation of markets, worldwide communication and e-commerce are forever appearing as agenda items on the minutes of meetings in organisations, both large and small. This is an indication that change is prevalent and inevitable.

It is an integral component of the existence of the society. Rapid and often dramatic change is almost a given in contemporary South African companies. Therefore this calls for organisations to continuously reinvent themselves.

Organisations do not exist in isolation but operate within environments, the internal and external environments. These environments consist of forces that are constantly changing. A number of forces, individually or in combination, will force organisations in South Africa to change. One broad set of forces consists of external factors and another set of forces comprises internal or intra-organisational forces.

3.2.2.1. INTERNAL CHANGE FORCES

Internal change forces are pressures that occur within the organisation. Inside South African firms, changes are occurring as a result of, inter alia, organisational life cycle evolutions, the reinvention of core structures and processes, culturally diverse workforce talent and highly unionised workforce. Internally top management may decide to launch a new strategic thrust with the goal of improving the productivity and profitability of the organisation. Lower management and employees may suggest useful ideas, identify opportunities, or exhibit an innovative entrepreneurial spirit to solve problems in new ways. All these change forces might not only force organisations to change, but might also make change a terrible experience for the organisation.

3.2.2.2. EXTERNAL CHANGE FORCES

Firms transform and change largely as a result of external forces rather than an internal desire or need to change. External forces are pressures that exist externally to the organisation. These external change forces can be an indication that change is needed. External change forces include among others, political, societal, governmental forces and new technological development. In South Africa, extra-organisational factors include massive political, economic and social changes that are now forcing firms to adjust their businesses to ensure alignment with new realities. Other external forces that South African organisations face include pressures from globalisation, shifting demographics, changes in the availability of the labour force, (shortage of skilled workers and oversupply of unskilled workers), reduced technology cycles, changing expectations among workers and customers, government legislation and many more factors.



A change in government regulation or policy affects the competitiveness of the market. The world is rapidly changing due to technological development. The Third Wave technologies not only effect changes to the workplace, but also introduce new ways of competing. New marketing challenges can emerge with a change in the structure of the community. Since an organisation forms part of the community whose needs it satisfies, a change in the community will therefore lead to a change in the organisation. Competitor practices might also lead to organisations changing the way they do things. This was quite evident with introduction of Amazon.com on the World Wide Web. This compelled a number of organisations to change the way they do business.

With globalisation being the buzzword in business today, organisations need to adapt to these changes quickly and continually, so as to be competitive players in the global market.

Theron (2001: 30) says: “Apart from the internal and external change forces, organisations also change because of a performance gap. Change occurs because the organisation experiences some difficulty. This could be a performance gap based on the actual performance of the organisation and what the performance should be. An example of a performance gap could be a low stock price, insufficient sales or poor financial performance. Another gap is between what is, and what could be – thus the realisation that things can be better”. Organisations also undergo change because of natural evolution or growth. It is therefore important to realise that a need for change is not only crucial to the organisation as a whole, but departments, groups and individuals also have a need for change.



3.3. KEY ORGANISATIONAL CHANGE ISSUES

3.3.1. REASONS FOR RESISTANCE TO CHANGE

“ Getting from Second to Third Wave will not be without its hazards and hassles. Because change will be both endemic and large-scale, there is likely to be widespread social and personal suffering as lives and living systems are disrupted in fundamental ways” (Maynard & Mehrtens, 1993: 145). This implies that change is always resisted because it painful, scary and causes uncertainty.

Resistance to change may develop from the individual, the organisation or both. An organisation is made up of people. As such organisational change refers to changes in people. Individuals experience change in life regularly.

This change includes, changing friends, changing personal service suppliers such as restaurants, changing service providers, changing jobs, moving to new areas and many more. Individuals do all these things without even thinking of them as change.

“Any change, no matter how clearly beneficial to employees and the organisation as a whole, will meet with and often be sabotaged by resistance”(Spiker et al, 1995: 17).

Change, whether positive or negative, is scary and breeds fear in people, hence the resistance.

It is not the concept of change that is at fault, but rather the blueprint that fails to take into consideration the human side of the equation and the critical infrastructure and reinforcement mechanisms that are necessary. Major change in an organisation has an effect on all the individuals in the organisation. Such upheavals provoke a complex response involving feelings of anger, denial, loss and frustration. Carnal, 1995: 43, says, “change creates challenges for us all. It brings stress and anxiety as well as opportunities and the possibility for optimism”. This implies that change is uncomfortable and it scares people, even though it can bring opportunities.

According to Plant (1987: 18), resistance is usually a complex mix of historic, factual and emotional issues. Plant (1987: 18) sights the following sources of resistance to change:

- Fear of the unknown.
- Lack of information.

- Misinformation.
- Historical factors.
- Threat to core skills and competence.
- Threat to status.
- Threat to power-base.
- No perceived benefits.
- Low trust in the organisational culture (climate).
- Poor relationships.
- Fear of looking stupid.
- Reluctance to experiment.
- Custom-bound practices.
- Reluctance to let go.
- Strong peer group norms.

Different authors provide different reasons for the resistance to change, as such a summary of thoughts from the School of the Development of Business Leadership will be given below and these will be divided into individual and organisational resistance to change.

3.3.1.1. INDIVIDUAL RESISTANCE TO CHANGE

-Fear of the unknown

This relates to uncertainty about the causes and effects of change.

In South African organisations it manifests as a fear for the changes the workplace will bring because of affirmative action appointments, changes in the workforce demographics and in leadership as well as the impact of changes on social expectations and organisational commitments. While the resistance, resentment and aggression shown towards change leaders by a certain faction of workers must be considered, the fears and uncertainties of others must also be considered.

-Reluctance to change old habits

Change requires new ways of doing tasks and challenges people to develop new skills. Habits provide a programmed method for decision-making and performance and thus need to be changed in order to facilitate innovation and creativity. Changing habits and learning to do things in the new way or learning new processes requires rethinking. This is hard work and might result in a resistance to change.

-Loss of security

Change is scary. People prefer to do things the way they have been doing them. Individuals tend to find security in traditional methods – the familiar is comfortable. Changes in organisations have the potential to threaten the job and economic security of employees, either by loss of job or reduced pay. Security can also be threatened by such changes as, bringing in new managers, new technology, new systems and new procedures.



-Selective perception

Changes in the organisation may be perceived by some employees as threatening and by others as challenging. A person who has a biased interpretation of reality is guilty of selective perception.

-Lack of communication

Implementing change is a process of communication and to manage it successfully communication must be leveraged. “When people communicate many things are possible. When we don’t, almost everything is impossible” (Manning, 1988: vii). Business leaders and change agents need to communicate change to the people, i.e. the what, why and how of change in order to reduce the chances of resisting change. People may also resist change because they don’t fully understand its purpose and how it will be implemented.

-Awareness of potential problems in the proposed change

Employees may foresee problems or weaknesses in the proposed change. This awareness of weaknesses in change may transform into a constructive resistance to change. If employees communicate their objectives to management, the organisation can avoid more problems and realize a saving in time, money and energy.

3.3.1.2. ORGANISATIONAL RESISTANCE TO CHANGE

-Structural inertia

Organisations are designed to maintain stability. The selection process, the induction process, organisational socialisation, formalisation of tasks and processes, and bureaucracy are all processes creating stability.

When confronted with change these forces resist and cause structural inertia. South African companies are at the feet of the Third Wave management and are therefore faced with change.

Major change efforts in these companies are finding resistance from organisational structures put in place years ago under very different circumstances.

-Cultural inertia

Many South African organisations are multicultural and have cultures that emphasise stability and tradition. When faced with change these cultures may result in cultural inertia.

-Threats to existing power relationships, expertise, resource allocation and previously unsuccessful change efforts

Management is about power and resource allocation. In South Africa, the issue of affirmative action has some change implications in the workplace. The new realities of the workplace will mean a significant shift in power and resource allocation to those who were previously disadvantaged.

Even though people have a resistance to change, a stage is reached where a need to accept change develops and people start coping with change. Epstein & Cook (1987: 25) lists seven phases that employees go through in an attempt to cope with change.

-Immobilisation and loss

Employees do not understand the situation and keep on focussing on the past. A decrease in work performance takes place. Feelings of fear are experienced, and behaviour is paralysed.

-Doubt and denial

Employees deny that change is going to influence them and continue with their work as if nothing has happened. Focus remains in the past. Feelings of resentment are experienced, thoughts are sceptical and behaviour is resistant.

-Discomfort and depression

Employees come to terms with the reality and have feelings of aggression, frustration, fear and uncertainty. These feelings are visible in the form of dissatisfaction, lack of participation and a higher level of personnel turnover. Productivity drops dramatically in this phase. Feelings of anxiety are experienced, thoughts are confused and behaviour is unproductive.

-Acceptance

Focus changes from the past to the future. Employees' motivation is at the lowest levels and there is uncertainty about the future of employees in the changing organisation.

-Discovery and investigating

Employees start to change their behaviour to fit the new organisation. They start to show some interest in the change; experimentation and investigation takes place.

Feelings of anticipation are experienced, thoughts are creative and behaviour is energised.

-Search for consequence and understanding

A gradual process of insight starts to develop. Negotiation about new roles and expectations take place. Feelings of confidence are experienced, thoughts are pragmatic and behaviour is productive.

-Internal acceptance and integration

The change is reflected in the behaviour of employees. Focus is on the future and a feeling of team spirit develops. Feelings of satisfaction are experienced, thoughts are focussed and behaviour is generous.

3.4. KEYS TO SUCCESSFUL CHANGE

“The great change afoot within our businesses and in our society at large will not come without pain. We cannot stop the change, but we can take action to mitigate its distress by creating in our companies an environment where workers feel safe, by fostering truth-telling, and by articulating a clear set of goals with explicit criteria to guide action” (Maynard & Mehrtens, 1993: 161).

For organisations to change from a hierarchical structure to a network structure and to be able to deal with this change in a constructive way, they need to anticipate change by developing a culture of continued reinvention. This can only be done in organisations that espouse the value of innovation and entrepreneurship.

“To be innovative, the organisation must build a climate where people are listened to, as every idea can lead to new ways of doing things better. If this happens, the organisation has truly created the spirit of innovation” (Van der Colff, 2001: 18).

Van der Colff (2001:18) provides competencies that are necessary for successful change:

-Shared vision

A shared vision needs to be created to ensure that all parties know the direction of change and where the change is taking them. Not only should the established vision be incorporated into the organisation’s culture, but it should also be reinforced through participative decision-making. This will ensure that the vision grows out of the needs of the entire organisation.

Employees are unlikely to support change unless they believe the future will have fewer obstacles and problems and more benefits than the status quo. As such leaders need to take time to discuss the future with employees so as to alleviate fears that can lead to resistance to change. When change prevails, many people become concerned about how change will affect them, and not so much about the detail of change. To reduce uncertainty and to alleviate fear, “real life” success stories can be used as a tool to show advantages of change as well as the benefits personally for employees.

-Define change objectives and constraints

Objectives of change must be clearly defined; and the way to achieve them must also be stipulated.

To achieve the objectives, the necessary resources must be allocated to the change. If change is to be successful, every detail must be considered. Potential barriers to change as discussed should be considered and this should include both financial and human barriers. Steps to implement the change need to be determined and responsibilities for each step must be assigned. Long-term and short-term objectives need to be finalised and strategies to achieve the desired outcome be formulated.

-Reduce the fear of change

Change is scary and painful and creates uncertainty. As such, employees resist change because of fear of the unknown. The fear may not be logical, rational or reasonable, but it does cause resistance to change. Communication plays a crucial role in this instance. "It should not be surprising to any manager or leader that communication is one of the keys to the management of change, but it is surprising to learn that communication means more than 'telling'; it means, "creating understanding"(Patrick, 2001: 47). Leaders must educate people about the upcoming changes before they occur. Not only should the nature of change be communicated, but its logic must also be communicated. People need to understand the new system if they are to be part to it. "Information must be shared if people are to judge the impact of changes upon themselves and upon their jobs" (Carnall, 1995: 154).

Effective communication is thus vital and this includes a sense of trust, dialogue and negotiation. It is therefore important to give employees visible support and raise awareness of areas that will remain stable and will not change.

To this end, change agents must be identified and there also need to be a good understanding of relationships in the organisation. Leaders need to give people a rationale for change and lay it out clearly and in most dramatic terms. Leaders of organisations should also realise that different people are at different stages in terms of accepting the change. As such it is important that the organisation should provide employees with a “safety net” when they make mistakes.

-Create dissatisfaction with the status quo

Manning (1988:77) says: “When people are content with the way things are, they are unlikely to change”. Former Coca-Cola chairman Robert Woodruff, as quoted by Manning (1998:77) says: “The world belongs to the discontented”. This implies that if people are content with the status quo they need to be made discontent so as to realise a need for change. This can be done by first ascertaining what employees think about the way things are done presently and then clarifying how much pain results from the old ways of doing things. Employees must be exposed to facts that they are possibly not aware of. Guest speakers may be invited to share information and to talk about the need for change. Information needs to be shared and this may include inter alia, information about the current state, lack of available methods to do a better job, lack of recognition system, or inadequate rewards and inadequate tools or equipment. This information sharing may make people aware that “more of the same thing won’t do”, something different is necessary. When the perceived level of pain is high, people will be more receptive to change.

-Do daily reality check

Harari (1999:41) asserts that most people consciously resist change within themselves and their organisations because they are insulated from external changes. Employees' internal focus allows them to do their jobs diligently even as forces in the external environment are moving to making jobs obsolete. With this in mind it is necessary to have a daily reality check. This reality check is obtained through interactions with distributors, customers, partners, suppliers, industry experts, benchmark companies and futurist.

The process of reality check does not only provide the organisation with important feedback on its current actions, but also more importantly shows the unequivocal need for serious change. "Employees are more likely to see the whole need for change as externally driven and thus valid, rather than a hierarchical and unfair directive from above" (Harari, 1998: 42).

-Participation and involvement

Bateman & Snell (1999: 614) say: "It is important to listen to the people who are affected by the change. They should be involved in the change's design and implementation. When feasible, management should use their advice. Often it will be useful and may lead to consideration of important issues previously overlooked".

People who participate in decision-making understand the decisions more fully and are committed to them. Peoples' understanding and commitment are therefore important ingredients in the successful implementation of a change.

-Focus on performance results

Boyett & Boyett (1998:60), say: “successful change programs begin with results – clear, bottom-line results – and the earlier they occur the better”. Leaders should not only focus on long-term wins; short-term wins also contribute towards the success of the change process. Such short-term victories are an indication that the efforts and sacrifices made towards implementing change are worth it. The focus should therefore be on performance and performance measures.

-Align change with negotiation, rewards and recognition

“If change is to occur, there cannot be any missing pieces. Reward and recognition systems need to be in place in order for change to effectively lead the process. People in all levels of the organisation need to be assessed on a fair performance basis” (Theron, 2001:37). One of the most frequent reasons for resentment and resistance to change is absence of reward and recognition of those involved as well as lack of input by those involved. “When necessary management can offer concrete incentives for co-operation with the change. Perhaps job enrichment is acceptable only with a higher wage rate, or a work rule change is resisted until management agrees to a concession on some other rule. Rewards such as bonuses, wages and salaries, recognition, job assignments and perks can be examined and perhaps restructured to reinforce the direction of the change.” (Bateman & Snell, 1999: 614).

3.5. ORGANISATION STRATEGY AND CHANGE

The discussion on organisation strategy is vital in order to understand the traditional role of strategy before the shift from the hierarchical power structure to the network structure. Thompson & Strickland (1999:2) define a company's strategy as the "game plan" management has for positioning the company in its chosen market arena, competing successfully, pleasing customers, and achieving good business performance". It is a pattern of actions and resource allocations designed to achieve the goals of the organisation.

Strategic change has to do with the strategy of the organisation. Examples of strategic change include re-orientation, when the company shifts its resources into new business or more attractive markets; revitalisation, when a company improves its current market position, and turnaround, when the company has to change direction in order to survive under new circumstances.

"Today's managers have to think strategically about their company's position and about the impact of the changing conditions. They have to monitor the external situation closely enough to know when to institute strategy changes. They have to know the business well enough to know what kinds of strategic changes to initiate" (Thompson & Strickland, 1999:23). Strategic focus and positioning therefore play an important role in order to be successful in the anticipation of trends and changes.

Strategy provides an organisation with a roadmap to operate.

“Without a strategy managers have no framework for weaving many different action initiatives into a cohesive whole, no plan for uniting cross-department operations into a team effort” (Thompson & Strickland,1999:2). A strategic vision will ensure a competitive edge for organisations and will prepare organisations in such a way that the necessary structural changes can take place in order to adapt to continuous change. A strategic vision is defined as a roadmap of a company’s future – the direction it is headed, the business position it intends to stake out, and the capabilities it plans to develop. The strategic vision will therefore ensure that the strategies developed are inline with the vision and mission of the organisation.

3.6. ORGANISATION STRUCTURE AND CHANGE

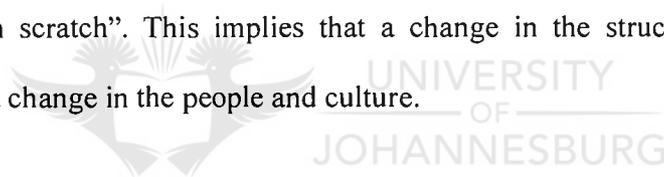
“An organisation structure is the basic framework of formal relationships among responsibilities, tasks and people in the organisation. It indicates designated relationships between resources of the management system. Its purpose is to facilitate the use of each resource, individually and collectively, as the management system attempts to attain its objectives” (Smit & Cronje, 1999: 217). A shift from the hierarchical structure to a network structure is basically a change in the organisational structure. This is a large-scale change. When an organisation is faced with such a large-scale change, it is forced to confront the larger issues of culture and management style. This change may mean a shift or change in either strategy, structure, culture or all three.

Gibson et al (1999: 4) define an organisation as an entity that enables society to pursue accomplishments that can’t be achieved by individuals acting alone.

Therefore, when an organisation changes from one structure to another, a hierarchical structure to a network structure, everything needs to change, including the people, systems, culture and strategy.

Pasmore (1992: 376) says: “we can ask people to change, but when we fail to redesign the structures and systems around them, a lot of old behaviours go unrewarded. Pay systems, leadership styles, job boundaries, technology, policies, if they aren’t also changed, they merely serve to pull people back to where they were before the change process started.

We can train people in facilitation skills until we are blue in the face; or give more stirring speeches; or redesign the process one more time, but in most cases what we really need to do is to change everything at the same time, as if we were designing the organisation from scratch”. This implies that a change in the structure should be accompanied by a change in the people and culture.



3.7. STRATEGIC LEADERSHIP: EMBRACING CHANGE

South African leadership is entering a future that is characterised by radical change. It is fast moving and extremely complex. It is complicated by immense volatility, sensitivity and international turmoil. Change has become an integral part of what leaders and managers deal with daily.

“Leadership challenge is to galvanise commitment among people within an organisation as well as stakeholders outside the organisation to embrace change and implement strategies intended to position the organisation to do so” (Pierce & Robinson, 1997: 353). According to Pierce & Robinson, leaders can facilitate the structural change process successfully through three interrelated activities: **clarifying strategic intent, building an organisation and shaping organisational culture.**

3.7.1. Clarifying strategic intent

A company exhibits strategic intent when it relentlessly pursues an ambitious strategic objective and concentrates its competitive actions and energies on achieving that objective (Thompson & Strickland, 1999: 39). Leaders can help both internal and external stakeholders to embrace change by providing them with a clear vision of where the organisation is heading or what the business’s strategy needs to take the organisation to. The vision of the new organisation structure design must be clearly communicated to the people to enable them to embrace the organisational change.

3.7.2. Building an organisation

Successful strategy implementation depends largely on the organisation’s primary organisational structure. Structure helps identify the organisation’s key activities and the manner in which they will be co-ordinated to achieve the organisation’s strategic purpose. The pressures of change force leaders to spend considerable time shaping and refining their organisational structures and making them function effectively to accomplish the strategic intent. In their effort to embrace change, leaders have to match the structure to the strategy. Leaders need to rebuild and remake the organisation to align it with the ever- changing environment and needs of the strategy.

An important relationship between an organisational structure and an organisational strategy is that, as an organisation changes its strategy to respond to external environmental changes, so should its structure change to maintain the strategy-structure relationship.

3.7.3. Shaping the organisational culture

Smit & Cronje (1997: 269) define organisational culture as the beliefs and values shared by people in an organisation. It can also be seen as what the employees perceive and how this perception creates a pattern of beliefs, values and expectations. Leaders are aware that the values and beliefs shared throughout the organisation will shape how the work of the organisation is done.

As such, when attempting to embrace change, reshaping the organisation's culture is an activity that occupies considerable time of most leaders. Changing the culture of the organisation and aligning it with strategy are among the toughest management tasks – easier to talk about than do.

By assessing cultural risks managers can pinpoint where they are likely to meet resistance to change because of the incompatibility between strategy and culture. This further allows them to make choices regarding whether to ignore the culture; manage around the culture; try to change the culture to fit the strategy; change the strategy to fit the culture, perhaps by reducing performance expectations.

3.8. CONCLUSION

Any change, big or small, will meet with resistance. Usually the concept of change is not at fault, it is rather the blueprint that fails to take into account the human side of the equation and the critical infrastructure and reinforcement mechanisms that are necessary. It is not the changes themselves that are flawed, but the way they are managed.

A shift from the hierarchical structure to a network structure is a large scale change that can possibly meet with resistance. This transition to the network structure is a change process that needs to be managed carefully. To manage this change process, managers need to understand the basis of strategy before looking at the changing role of the network organisation. This change process requires managers also to implement strategic plans.



A discussion of the organisation structure and structural change is also vital to explain the relationship between structure, strategy and organisational culture. The forces supporting a shift from the Second Wave Management to the Third Wave management, the nature of change and change management and the reasons for resistance to change, all serve to enhance the discussion that will follow on the network organisation.

CHAPTER 4

THE NETWORK STRUCTURE

4.1. INTRODUCTION

Within any organisation, there is a structure that is adhered to, that is described by an organisation chart and differs from one organisation to another, whether it is hierarchical, flat or network. The hierarchy, top-down pyramid has been in existence for a long time and therefore well known. The network structure is new and thus emerging.

4.2. THE MEANING OF AN ORGANIZATION STRUCTURE

Organizations as systems are, in particular, social systems. They are social because, in most organizations, to get work done requires the grouping of individuals and the activities they do into some type of divisions or sections. Thus, in order to achieve its goals and objectives, an organization needs to have some way of dividing work up so that it can be allocated to members of the organization for its execution. In other words, the work and the people who will manage and do it must be structured in order to avoid chaos. The allocation of responsibilities, the grouping of workers' activities and the coordination and control of these, are all basic elements of what is called an organization structure which is in essence the social structuring of people and processes.

Wilson & Rosenfeld (1991: 215) offer the following definition of an organization structure: “The established pattern of relationships between the component parts of an organisation, outlining both communication, control and authority patterns.

Structure distinguishes the parts of an organisation and delineates the relationship between them”.

It is therefore important to know that an organisation has a structure that it adheres to and which type of management style it uses. The Second and Third Wave management styles prescribe each an organisational structure, as has been discussed in chapter two. The aim of this chapter is therefore to focus on the network structure.

4.3. NETWORK AND NETWORKING DEFINED

“Everywhere around us, networks occur organically in nature as well as in human affairs. You see them referred to in the paper and on the air, concerning life at home, at work, in the community, and among nations. Notice how frequently you hear the word “network” and use it yourself” (Lipnack & Stamps, 1994: 204). This implies that the concepts “network” and “networking” are not new and have therefore been used in many ways by people.

The concepts “network” and “networking” are mostly used in the world of science and technology, particularly the computer and telecommunication industries.

Lipnack & Stamps (1994: 172/3) state: “Since World War 2, the world’s ‘network’ and ‘networking’ have emerged in virtually all the social sciences.

From sociology, anthropology to psychology and psychiatry, from management and administrative sciences to city planning and infrastructure disciplines like communications, transportation, and waste treatment, networks carry an increasingly heavy conceptual load”.

Virtually all uses of the word “network” in the sciences recognise “nodes” which we call “members”, and “relationships” which we call “links” as their critical elements. Nearly all uses of the word in the human sciences also cite some variation on “shared purpose” as a basic criterion. Networks pervade social structure and are understood in depth throughout a wide range of analytical tools developed primarily since the 1970s.

People are always embedded in a web of social relationships, both personal and organisational. One major finding from multiple studies in Social Network Analysis is that the more complex peoples webs are – that is, the greater the number of relationships they have – the happier and healthier they tend to be. Particular cliques, groups, projects and teamnets arise from the larger social network”.

The World Book dictionary offers the following definitions of the words network and networking: Network is any system of lines that cross; a group of radio or television stations that work together, so that what is broadcast by one may be broadcast by all; a group of people who work together informally to promote a number of computers. Networking is the promotion of political goals or the exchange of ideas and information among people who share interests or causes.

Benveniste, 1994:128, says: “Networks are made up of members of affinity groups, that is, people who happen to have common interests, common purposes, shared ideals – something that brings them together. Networks are therefore informal but cut across units, departments and organizations”.

According to Hastings, 1996: 170, networking is sharing of information as a positive aid to accomplishing a task or achieving an objective. Networking is simply making and using connections with others when that will help to get things done or done better.

“Information Technology specialists use the word networking when talking about the electronic exchange of information, while organisation theorists use it when talking about ways in which different organisations become more interdependent on one another” (Hastings, 1996: 12).



4.3.1. ORGANISATIONAL NETWORKING

Hastings, 1996: 14, defines organisational networking as “the implementation of a range of socio-cultural and technological processes that result in a devolution of power and responsibility and the breaking down of boundaries”. This facilitates direct person- to- person connections, sharing of information and joint working (both within and between organisations) in order to pursue common objectives, solve problems and satisfy the expectations of internal and external stakeholders more effectively and rapidly.

The purpose of networking within organisations is to break down boundaries and create quick and open person-to-person communications. Networks exist for a reason, to achieve something both for the organisation and those participating.

4.4. COMPONENTS OF A NETWORK STRUCTURE

4.4.1. STRUCTURE

Within any organisation there is a structure that is adhered to. This structure differs from one organisation to the other depending on whether it is hierarchical, flat or network. In chapter two, reference was made to the different waves of management, namely the Second and Third Wave management as well as the organisational structures. The network structure is emerging everywhere, even though less clearly defined.

An organisation structure has been defined as “the established pattern of relationships between the component parts of an organisation, outlining both communication, control and authority patterns”. It distinguishes the parts of an organisation and delineates the relationship between them.

It has already been mentioned that the purpose of networking within organisations is to break down boundaries and create quick and open person-to-person communications. As such, the network organisation operates wider than just the normal boundaries of the organisation. In networks people work across boundaries, form local teams that bridge time and distance.

The network organisation sets up alliances with role players within the immediate environment. People work closely with clients, customers, vendors, suppliers and even competitors.

“One of the fastest developing practices in business throughout the world involves firms in co-operative relationships with their suppliers, distributors, and even competitors. These networks of relationships enable organisations to achieve both efficiency and flexibility to exploit advantages of the mechanistic and organic organisation designs. These ‘network organisations’ have become so pervasive that some experts refer to them as the models for 21st Century organisations. Such organisation structures are in sense boundaryless organisations” (Gibson et al, 1994: 558).

Hope & Hope, 1997: 89/90, define a network organisation as follows: “.... One where people, teams and sometimes whole organisations act as independent nodes, form multiple links across boundaries, support one another, share common values and report to a matrix of leaders who act more as coaches and mentors than line managers. Individuals and teams within the network gain their authority not from the hierarchy but from their skill and knowledge”.

4.4.2. MATRIX V/S NETWORK STRUCTURE

It is important at this point, to include the discussion of the matrix organisation, since it has some resemblance to the network organisation. Differences between the two structures can also be identified. As far as similarities are concerned, both structures operate across the board of core functionality. It has already been mentioned that the network organisation operates beyond the boundaries and works closely to other organisations or parties such as clients, suppliers, distributors or even competitors. The matrix organisation does not cross the boundaries of the organisation but operates within the organisation. This implies that the matrix organisation does the same thing as the network organisation but within the borders of the organisation and across functional activities. One could therefore say that both the matrix and the network organisations are thus “boundaryless” because they cut across all possible boundaries. Matrix organisations, just like network organisations rely heavily on teamwork for their success.



“ A matrix organisation is an organisation composed of dual reporting relationships in which some managers report to two superiors, a functional and a product manager” (Bateman & Snell, 1999: 292).

Since there is an overlap of the matrix organisation with the network organisation, the network organisation automatically includes the matrix organisation. As such the concept of network structure will be used.

4.4.3. IS THERE AN APPROPRIATE ENVIRONMENT FOR THE NETWORK STRUCTURE?

“A global revolution is underway, a social upheaval in organisation that involves you and everyone you know. It shakes every place of work, quakes the foundations of our biggest institutions and our smallest groups, and even sends quivers into our homes and communications. It swirls through organisations of all sizes, in all sectors, in all countries” (Lipnack & Stamps, 1994:3). This simply implies that the world is constantly changing and will continue to change until mankind’s last day on earth. In this rapidly changing world, it is therefore difficult to find a suitable time and place for the new structure, the network structure.

The Second Wave, the rigid hierarchical structure, replaced the First Wave. The waves of change have crushed on to the shores of South Africa and as such the hierarchical structure is no longer comfortable. The network structure is emerging as the signature form of organisation in the Information Age. What then is the suitable environment for the network structure or the matrix organisation?

Bateman & Zeithaml, 1994: 302, say: “The matrix form is most appropriate when a need for co-ordination exists as in uncertain, complex and changing environment. The major advantage is a higher degree of flexibility and adaptability”.

4.4.4. PARTICIPANTS IN THE NETWORK STRUCTURE

Every organisation has a structure that is adhered to. This structure provides guidelines as to who reports to whom, i.e. the different positions everyone holds. Normally there is a chief Executive officer or the person in charge and other people who do the work.

From what has been discussed already, it is quite that there is a difference between a hierarchy and a network structure, in terms of the managerial style in particular. The trend is to move away from the manager as “boss” to the manager as “coach”. The management determines the success or failure of an organisation thereof. Management decides upon jobs and structures.

- **Management**

The word management has been defined as “getting things done through other people. This has not changed. The role of the manager in any organisation remains to get things done through other people, this done through planning, organising, and control, leading and co-ordinating.

In the traditional hierarchy, with its centralised, top-down control and staff organised to serve the boss, managers are presumed to know more than their subordinates and are therefore the decision-makers. With the network structure, individuals and teams within the network gain their authority from their skill and knowledge and not from the hierarchy.

Leaders of the network act more as coaches and mentors than line managers. “The manager’s role as a member of the team is to coach and serve the other team members and to play a role of advocate for the team” (Maynard & Mehrtens, 1993:91).

“A new style of leadership is emerging. The old-fashioned just-do-as-I-say hierarchy doesn’t work across company lines. Meanwhile those to be led are of a completely new ilk” (Lipnack & Stamps, 1994: 223).

A matrix organisation has a dual rather than single line of command. As such management of matrix or network organisations today need to understand the complexity of reporting and commanding in this structure, because the network structure relies heavily on teams and not on individual performance. The contribution of each team member is important to the company as a whole.

- **Personnel**

The network organisation just like any other organisation is a social system made of people. In the hierarchical structure, each individual has a job description that limits the individual to a predetermined task within given parameters. Beyond these parameters there is someone else’s tasks and responsibilities. With the network structure at the doorstep of organisations, the hierarchical structure is gradually making its exit. Changes are creeping in and the hierarchical structure is turned upside down. Staff members no longer receive instructions from above, but they are part of a team. All members of the team are regarded as prospective leaders, with the position of leadership rotating as the need dictates.

Members of the team are responsible for participating in setting the direction of the business. This makes the employee feel empowered and manifest in high levels of both creativity and productivity.

In the network organisation, team members work across the boundaries and/or across departments, and/or across the external boundaries depending on the need. This allows people to acquire new skills, learn new jobs and broaden the scope of their task and responsibilities.

“As the skills and experiences necessary for a particular project vary over time, membership in the team fluctuates, with employees moving between different teams. Movement is guided primarily through networking and self-selection: “Where is the need?” “Where can I best contribute?” “Where can I make the most difference?” “Where can I grow?” (Maynard & Mehrtens, 1993: 88).



- Co-ordinators

The network structure brought along new jobs and leadership roles. These leadership roles are meant to manage the bewildering webs of connections and relationships found in the network organisation. Lipnack & Stamps, 1994: 224, say: “Co-ordinators, brokers, liaisons, facilitators, consultants, catalysts, linkers, matchmakers and ‘net-weavers’ all represent new types of jobs in the network organisation”.

The network structure requires teams to function properly. Individuals within a team need to know who the others are, identify with their counterparts, share interests, languages and linkages that permit rapid problem solving.

Therefore to enhance the response capability and to link the team members to one another, calls for a co-ordinator.

“In this environment, the person who makes particular networks happen is the ‘Co-ordinator’... Whose distinguishing characteristic is the ability to see ‘connections’ among people.... The co-ordinator brings the network to life, matching needs with resources... It’s a radar type of mind that sees things and connections in the social fog that most people cannot... The co-ordinator is a scanner of possibilities.

Because it is a dynamic rather than a static organisation, a network needs someone to co-ordinate the flow of people. No network survives without connections and co-ordination” (Lipnack & Stamps, 1994: 173/5).

4.4.5. TEAMS V/S INDIVIDUALS.

In the hierarchical structure, people used to work as individuals in groups, reporting to one superior. This restricted the flow of communication among employees and their superiors. As such initiative and creativity were stifled. The network structure has emerged with great changes. With the network structure, people do not function as individuals but are organised into teams. Teams are the most important building blocks of a network structure. The network organisation relies heavily on teamwork and thus cannot survive without teams.

“A team is a small number of people with complementary skills who are committed to a common purpose, set of performance goals, and approach for which they hold themselves mutually accountable” (Bateman & Snell, 1999: 472).

Team members are chosen from areas across the organisation and the team is designed in such a way that its members' skills complement one another.

“Not every team member will have all of the abilities and attributes that might characterise an “ideal” member. Nevertheless, a number of abilities and attributes must be represented on the team so that its members can perform effectively and develop synergy and harmony” (Bennis & Mische, 1995: 95/96).

Teams have the following characteristics:

- **Teams are not groups**

“The first characteristic of the team is that it should be more than just a group of individuals working together... Teamwork has a synergistic effect in that the individuals working together achieve more than they could alone... Yet teams today are not aware of their members' skills, strengths or individuality. Every team is unique and when team members change, the team will also change and team leader should not suppress this” (Owen, 1996: 28).

- **Teams have a purpose and cohesive power**

“The second characteristic of a team is that it shares a common purpose which is clear to each team member. Each member recognises that to achieve the stated goal the effort of everyone is required” (Owen, 1996: 28).

- **Teamwork should be pleasurable hard-work and not a pain**

“Teamwork, however, does not ‘just’ happen and the third characteristic of a team is that it requires continuous hard work. But it should also be of personal satisfaction for every team member... The main aim is to make the team objective more important and exciting than personal interests” (Owen, 1996: 28/9).

- **Teams have a cohesive power**

“The fourth and final characteristic of a team is that it has a ‘feel’ about it, a sort of ‘teamness’... There is a pride, a sense of belonging to the team, which members find motivating” (Owen, 1996: 29).

Bennis & Mische, 1995: 96/7, have the following to say about teams:

The team must:

- Have specific knowledge of the process that is to be re-engineered.
- Understand the organisation’s vision, direction, and competitive position.
- Be creative, adaptable, enjoy a challenge and have high energy.
- Be able to assimilate new ideas, responsibilities and roles quickly.
- Be able to assess the rationale and the value of work.
- Be able to contribute under significant pressure.
- Be able and willing to challenge existing procedures.
- Be able to comprehend complex business issues and their implications.

Since a network structure is boundary-less, team members must also have the ability to transcend organisational boundaries and critically examine processes across departments.

4.4.6. CULTURE

“The culture of an organisation is its customary and traditional way of thinking and of doing things, which is shared to a greater or lesser degree by all its members, and which new members must learn and at least partially accept, in order to be accepted into service in the firm” (Senior, 2002: 124).It is what is typical of the organisation, the habits, the prevailing attitudes, the grown-up pattern of accepted and expected behaviour.

Culture includes among other things, the way a group of people within an organisation interact, how they communicate, what they allowed and willing to do, level of awareness and empowerment. These parameters are dependent on the structure of the company, which in turn, affects the accompanying culture.

“The culture of an organisation and the structure of the organisation go hand-in-hand” (Stitt, 1990: 180).

4.4.6.1. COMMUNICATION

Communication has been identified as the most important ingredient for healthy cultures, relationships and team spirits. The importance of communication cannot be overemphasised, especially in the network organisation where teams are the main building blocks of the network structure.

The network structure cannot function without teams. Team members also need to know and work with one another. To facilitate this, communication is the answer. Members of a team cannot function without communicating to one another. In the network structure communication flows from everywhere and to everywhere. The network does not have a centre; its core distinction is its nodes and links where the nodes represent the people. The nodes necessitate the flow of information to link them and the links enable better flow of communication and thus, more information. Therefore anyone can talk to everyone else, no matter which level; all necessary information is communicated, and not only selected information to a selected few.

On the contrary, hierarchy limits access to information with its one-way top-down stream of command and control. In the hierarchical structure, the organisation determines the levels, the flow of communication and the task at hand. The network structure aims to achieve the opposite. "Networks increase communication, multiply information and bring people into the loop" (Lipnack & Stamps, 1994:26).

4.4.6.2. POWER AND EMPOWERMENT

- Power

Power and empowerment are the basis of the network structure. In the hierarchical structure, power resided only in those who were on top of the hierarchy, the managers. Power meant authority and instructions were given from the top to the bottom. However, this does not necessarily imply that in the network structure power does not exist, it does, but in a different form. In the network structure, managers, have been replaced by leaders, whose leadership role rotates among the members of the team.

This implies that any member of a team who is more knowledgeable than the others regarding a specific aspect of the project can occupy the driver's seat and become a leader.

“... the hierarchy mentality remains and managers are afraid of letting go their assumed power. This is because they perceive power as a limited resource – in other words, the more one gives away, the less one is left with. Power is unlimited and through empowering people, it grows, not diminishes” (Owen, 1996: 18).

- Empowerment

“ Empowerment is the process of sharing power with employees, thereby enhancing their confidence in their ability to perform their jobs and their belief that they are influential contributors to the organisation” (Batemen & Snell, 1999: 454). Empowerment gives employees authority to exercise their knowledge and skills. It encourages creativity and initiative. This is in stark contrast with the situation in the hierarchical structure where employees are powerless and are not afforded an opportunity to participate in decision-making.

A network structure is without boundaries and allows employees to cross borders and work in different departments. To accomplish this, employees need to be empowered so that they can have authority to carry out certain responsibilities to the full.

Bateman & Snell, 1999: 454, say: “Empowerment results in changes in employees’ beliefs – from feeling powerless to believing strongly in their own personal effectiveness...”

Empowerment encourages the following beliefs among employees: they perceive meaning in their work... they feel competent... they have a sense of self-determination... they have an impact”.

Empowerment is therefore a necessary ingredient that facilitates and prolongs the positive effect of networking. It allows a team and its individual members to perform to the best of their ability, to take initiative and also to make decisions.

“Empowering people also means providing access to information and to other resources and providing social and sometimes emotional support... increasing signature authority and at all levels, reducing the number of rules approval steps; assigning non-routine jobs; allowing independent judgement, flexibility and creativity; defining jobs more broadly as projects rather than tasks; providing more freedom of access to resources and people throughout the organisation” (Bateman & Snell, 1999: 454).



Suddenly people in organisations are free to participate in decision-making processes, have access to information and are also free to take responsibility of their own acts. Without this freedom teams in network organisations will be inhibited to perform to their best ability.

Empowerment is a challenge facing leaders and managers of today. It is a new concept in organisations and as such, might cause some problems at the beginning.

To foster empowerment, management should take it slowly and create an environment in which everyone feels they have real influence over performance standards and business effectiveness within their areas of responsibility. Providing training and making information accessible to people will enable them to perform to their best and thus produce effective teams.

“ We are empowered to manage our areas of responsibility. We work together to achieve common goals for business success. Full participation, cooperation, and open communication lead to superior results” (Lipnack & Stamps, 1994: 56).

4.4.6.3. MANAGEMENT STYLE

Each wave management has its own management style. The traditional hierarchy, with its centralised, top-down control and staff organised to serve the boss, was based on the presumption that managers know more than their subordinates. As such instructions flow from the top to the bottom of the hierarchy and managers are the sole decision-makers.

The new structure, the network structure, also needs to have its own management style. What management style is therefore suitable for this structure?

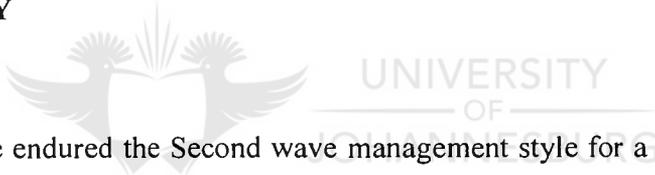
In the network structure, the leader replaced the manager, where the leadership role rotates among the team members, enabling all to lead when desired or necessary. The network structure relies heavily on teamwork, therefore the leader must be able to promote and develop teams, teamwork and networking.

The empowered leader will be in the position to delegate authority and responsibility to others. The leader of the team also needs to observe the performance of the individuals in the team so as to be able to distinguish the different contributions made by each team member as well as the value each one of them adds to the team.

The network structure and networking involves people on all levels. This implies that people are allowed to participate in decision-making and anyone can instructions and opinions to anyone.

To facilitate this, management style that involves participation of people on all levels is appropriate. Such management style includes among others, participatory management, management by objectives and management by walking about.

4.4.7. SUMMARY



Many people have endured the Second wave management style for a very long time. At this stage, the hierarchy top-down pyramid is not acceptable any more. It has become obsolete and has been pronounced dead. The hierarchy has been turned upside down. Companies and their people have moved beyond the hierarchy and are beginning to embrace the new structure, the network structure.

In this rapidly changing world of technology, companies and their people should move with times and take advantage of the opportunities wrapped up in the new organisation. Companies must adapt to the new style of management or perish, because the network structure is here and it is here to stay.

What remains to be done, is for organisations to start slowly and build the foundation of the network structure solidly, steadily and pragmatically. If organisations do not adapt to changes and embrace the new management style, the next wind of change will blow them away.



CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. SUMMARY

Life is a never-ending journey and from birth till man dies, man is on journey called life. Within this journey, man has his better and worse times, but stays on this never-ending journey. Man also goes through different life stages. Management styles, also, like human beings have started on a never ending journey a millennium ago and have been on this journey ever since. Like human beings, management styles too, go through different phases in life.

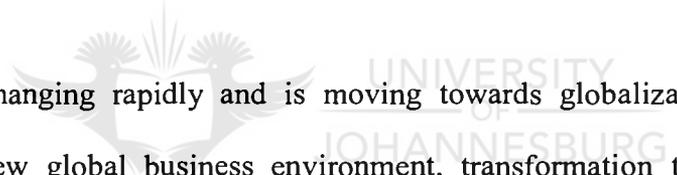
South Africa is on a journey and in the current stages of the journey, South Africa finds herself in time of turmoil and change, changes like she has never known before. The world is an ever-changing place and will continue to change until mankind's last day on earth. That is the one thing managers and/ or leaders of organizations can be sure of. Business of today will not be the same tomorrow. There is a move from a western civilization towards a world civilization, the world is globalising. With the globalised world, comes globalised competition and globalised education. Organizations are faced with an ever-increasing number of competitors. Customers and clients are changing too. They know what they want and that there are many places where they get it. In order to survive this fierce competition, in this constantly changing world, organizations must adapt to changes and adopt the mindset for Third Wave management.

This dissertation started out by discussing the principles of the Second Wave and Third Wave management. A comparison of the characteristics of the Second Wave and Third Wave management was made in chapter two. Change management as a prerequisite to Third Wave management was discussed in chapter three. Included in this chapter, also, forces of change necessary for transformation to Third Wave management, resistance to change as well as guidelines to successful change. Chapter four gave a description of the new structure, the network structure and outlined the components thereof in order to gain a deeper understanding of the structure. The characteristics of the two waves of management, the Second and Third Wave management, are the basis of the dissertation.

The need for the network structure is rising rapidly. South African organizations must actively seek to transform from the Second Wave to the Third Wave management, as the hierarchy is no longer comfortable. Changes in South Africa are probably greater in magnitude, more varied and numerous and occur quickly. The challenges posed by such environmental turbulence require unique strategies if organizations are to face these challenges and survive. Adopting the mindset for Third Wave management seems to be the road to survival.

5.2. CONCLUSION

The initial investigation into the new world is at this stage complete. The theory is known, and based on this theory, one is justified to conclude that South African organizations are still operating with the rigid hierarchical top-down pyramid. They are still locked in the Second Wave management thinking and acting. Recall that the new management style, the Third Wave management is still hitting the South African shores, it is at the doorstep. Therefore not all if any South African organizations have embraced the new structure fully. South African organizations are still on their journey to the network structure. This fact has been confirmed by South African authors in their discussion of management issues in this country.



The world is changing rapidly and is moving towards globalization. Therefore, to survive in the new global business environment, transformation to the Third Wave management has been identified as the necessary and vital weapon. The prerequisites for transformation to the Third wave management have been enunciated in chapter three. Adopting the mindset for Third Wave management is a challenge to all corporate leaders. Therefore it is imperative for South African corporate leaders to start this journey and move away from the rigid hierarchy structure to the new structure, the net work structure.

Change is eminent, it is here. South African companies should adapt to changes or perish. South Africa cannot rely on old principles and practices.

One can conclude unequivocally that there is a dire need for fundamental change. The top-down hierarchy is no longer working, it has become obsolete. Various South African authors have indicated that the principles of the Third Wave management can indeed be relevant and applicable in a South African context.

Change management will play an important role in a continuous strive to competitiveness. South African organizations will however, need to be proactive, initiate change and become change leaders through innovation, and not only be reactive and adapt to change. Organization strategy and a shift towards the network structure will be essential elements to focus on.

5.3. RECOMMENDATIONS

The logo of the University of Johannesburg is centered in the background. It features two stylized birds facing each other with their wings spread, flanking a central emblem that resembles an open book or a shield. Above the birds, the text 'UNIVERSITY OF JOHANNESBURG' is written in a serif font, with 'OF' in smaller letters between 'UNIVERSITY' and 'JOHANNESBURG'.

In this journey of shifting from the Second Wave to the Third Wave management, corporate leaders are confronted with the challenge to bridge the gap between intentions and actions. Participation has been identified as a tool that will enable all to take ownership and become part of the transition to the next wave. In this rapidly changing world that is full of turbulence and uncertainties, South African organizations have no alternative but to adapt to changes and embrace the new management style, the third Wave management.

A recommendation is therefore made that South African corporate leaders should study and understand the principles of the waves of management discussed in this dissertation.

This will enable them to keep abreast of the opportunities that are wrapped up in the new wave. It is only if organizations are equipped with the road map for a shift to the next wave that they will make a true and remarkable progress. To facilitate the shift to the next wave, the Third Wave, it is important organizations understand where they are presently, so as to be able to move towards tomorrow.

From the literature that has been studied, the Third Wave management principles and disciplines are solid and well founded and thus applicable in South Africa. It is therefore convincing that adopting the Third Wave management is the way forward.

The complexities of the South African society and environment, require that a holistic approach towards change be taken. The characteristics used as a base of reference for the comparison of the Second and Third wave management, provide an excellent all-inclusive discussion of factors to be considered in the transition to the Third Wave. Organizations should therefore assess themselves against these benchmarks.

It is also recommended that corporate leaders should have a full understanding of change management so as to be able to guide and manage the process of change. Business leaders are also edged to have a visionary approach to the mundane and usual tasks of management in order to break free into creative sight. Visionary thinking and “can do” attitude have been proven to be important ingredients in successful organizations in South Africa. Without a vision, an organization does not have a direction.

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