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Socio-Economic Approach to Management

A Successful Systemic Approach to Organizational Change

By John Conbere
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In the United States organizational change and development work has a rich history, including the influence of Kurt Lewin, Rensis Likert, Douglas MacGregor, Warren Bennis, the socio-technical tradition of Tavistock, and more recently, work in large scale change, appreciative inquiry and chaos / complexity. In France, a different tradition has evolved, the Socio-Economic Approach to Management (SEAM). This movement, based in the Socio-Economic Institute of Firms and Organizations Research (ISEOR), began in 1973. SEAM shares many of the beliefs and practices of American OD, but adds some premises and practices that make this approach quite distinct.

While courses on SEAM are taught at two business schools, Central Michigan University and New Mexico State, the SEAM approach is not widely known in the United States. There have been some articles and books (Boje & Gomez, 2008; Boje & Roslie, 2003; Buono & Savall, 2007) mentioning SEAM but they mostly describe how to do SEAM and are not specifically focused on the value system that underlies this approach. The purpose of this article is to introduce the reader to the SEAM approach, pointing out its values, along with similarities to and differences from traditional OD consulting.

In a way, the SEAM approach seems simple. None of the steps is surprising for an American OD practitioner, and some of its management tools share common grounds with the OD tool-kits. A socio-economic intervention “can be considered a ‘machine for negotiating’ innovative

solutions, with the underlying goal of reducing the dysfunctions experienced by the enterprise” (Savall, 2007, p. 3). Innovative solutions are data driven and these data have accumulated over 35 years of experimenting into a solid database, which is part of why the SEAM intervention has been effective repeatedly. The difference comes from the deeper goals of the intervention, systemic aspect of the consulting team, and the researcher-intervener role of each consultant.

SEAM offers a methodical, tested way to assess the hidden costs in an organization. Identifying such costs is not a practice one often finds in other management consulting, although there is the OD consultants’ intuitive belief that the hidden costs are very real. Without the SEAM measurement, however, the hidden costs remain hidden, and can be easily shrugged off by managers as *soft*.

SEAM is based on a set of values and a belief system about management that is different from traditional management premises. Traditional management features a fragmented analysis of organizations that is based on financial data without sufficient attention to the persons involved. SEAM, the socio-economic approach, factors both people and finances into analysis. The result is an intervention that works with the whole organizational system. A core belief of SEAM consultants is that organizations do not exist only to make money, they exist to serve society in general and all the employees in particular. Therefore SEAM rejects the idea that employees are human capital, a term that degrades employees

into non-human commodities. Once an employee is a commodity, there is no moral issue in firing the employee. Instead, SEAM's values insist that the cause of employees' poor productivity begins with the way the employees are managed. This is akin to the belief of W. E. Deming and others, who believed that poor production begins with poor management. The result of the SEAM approach is the development of trust and security among employees, which are prerequisites to full productivity.

Before describing the process, we should offer definitions of the terms that for us are almost a business card of SEAM. The first term is *actors*, the term that SEAM practitioners use to talk about all employees in organization. In sociology, the term actors is used to describe all members of an organization. The purpose of this deliberately non-hierarchical term for owners, leaders, and employees is to reinforce the idea that all actors have significant impact on the organizational effectiveness.

The second term is *hidden costs and performance*. According to Savall and Zardet (2008), "A cost is said to be hidden when it does not explicitly appear on the company information system, such as the budget, financial accounting, and cost accounting, or in the usual ledgers and logbooks" (p. xx-xxi). Hidden costs include "absenteeism, industrial injuries and occupational diseases, staff turnover, non-quality, and direct productivity gaps" (Savall, Zardet, & Bonnet, 2008, p. 149). Hidden performance issues lead to poor productivity and thus to hidden costs.

The SEAM process

The process is referred to as Intervention-Research and is a more transformative process than traditional action research. Before the intervention, SEAM consultants meet with the organization's leader, educating the leader about SEAM. When the leader decides to use the SEAM process, one or more SEAM consultants enter an organization, gather data from participants, synthesize the data, and feed the synthesized data back to the participants. The next important step is to work with the participants to assist them to identify the

necessary changes and ways to implement these changes. The last step is to assess the effectiveness of the change process.

Essentially SEAM is a deliberate process which includes a very specific approach, using data from over 35 years of research to shape an intervention that will involve actors from throughout the organization to uncover hidden costs and potential and make changes that will increase the organizational effectiveness. The SEAM design first involves top leadership to get their support and understanding, and then cascades the change work

Typically, there are at least 50 to 100 "chunks" of severe types of hidden costs that are found. The leadership team sees data indicating the extent to which the organization is not reaching its potential. The response typically is a mix of shock and recognition. Shock happens due to the overwhelming data presented in the sheer volume of information about organizational dysfunction and hidden costs. Using Lewin's language, the mirror effect helps thoroughly "unfreeze" the top management team, shocking them into action.

through the organization as needed. The outcome is an intervention that flows two ways: a) top-down, when leaders begin and support the change work; and b) bottom-up when all actors are engaged in identifying and reducing hidden costs and performance issues. This is the French blend of top down and participative OD. The intervention begins with the commitment of top management and modeling of new practices, and then moves on to extend the intervention to the rest of the organization in a highly participative manner. The assumption behind this is that the actors have the knowledge and ability to do the changes necessary to improve the climate and effectiveness of the organization.

SEAM emphasizes the importance of the buy-in of the leaders of the organization, for which purpose the CEO and other top managers are invited for a seminar to understand the basic premises of SEAM concepts. The second step is a diagnosis, in which consultants interview all top level actors (the leadership team) for 1 to 2 hours

each. Themes are identified, illustrated by field-note quotes, with a thorough analysis of root causes of the hidden dysfunctions. The ISEOR database consisting of 3,450 categories of dysfunctions is there to help guide the analysis. This use of the database is the application of a generic contingency principle (see below for definition) to the specific organization.

The analyzed data are fed back to the top management team in the "mirror effect." The first part of the mirror effect is the detailed feeding back of what the consultants heard. Typically, there are at

least 50 to 100 "chunks" of severe types of hidden costs that are found. The leadership team sees data indicating the extent to which the organization is not reaching its potential. The response typically is a mix of shock and recognition. Shock happens due to the overwhelming data presented in the sheer volume of information about organizational dysfunction and hidden costs. Using Lewin's language, the mirror effect helps thoroughly "unfreeze" the top management team, shocking them into action. The outcome is agreement about the need to invest time and effort into organizational change.

Typically the leaders sensed some of the hidden costs and missed potential, but had no idea of the magnitude. The overall result of the mirror effect is threefold. The first is the leaders agree to work on projects within their scope to begin to reduce hidden costs. The second is the leaders become supportive of the vertical interventions – moving the analysis and correction of hidden costs down through the

organization. The third result may be less obvious. The leaders have begun a process of change, which will include changing their beliefs about the nature and role of management. Whether or not they realize it, the leadership team has embarked on a journey in which a combination of participative and directive management will shape the organizational culture, changing the roles of all organizational actors. In the language of Chris Argyris, the SEAM intervention works to shift the organizational beliefs from Model 1 theory-in-use to Model 2 theory-in-use (Argyris & Schön, 1978).

Employees need to believe that their environment will improve if the intervention succeeds. Too often during organizational change work, employees' experience is that their participation in interventions does not lead to real long-term change, or even may be punished in some manner. The task of the leadership group and the consultant(s) is to create a realistic hope in employees that participating will really make a difference.

A few weeks later, the mirror effect continues with the expert opinion of the consultants. Note that this is not "expert consulting" as described by Schein (1990), in which the consultant gives the solution to the organizational problem. Rather it is the consultants using their experience and 35 years of ISEOR research to help identify the root causes of the dysfunctions. Thus, the discussion is about what seems to be invisible, such as taboos and unstated ideas. The skill of the consultants in identifying the root causes, and presenting them in a manner that actors can hear without feeling blamed, is part of the core skill set of SEAM consultants. What tends to happen in the mirror effect is that actors are not surprised by the dysfunctions themselves. What they are surprised at is the magnitude of the dysfunctions and the resulting hidden costs.

The diagnosis stages are the most labor intensive, and the diagnostic preparation often takes the majority of the consultants' intervention time. Following the diagnostic in the top management group, the participants begin to identify and work on projects that will convert hidden costs.

Consultants facilitate these projects. At the same time, diagnosis begins in other groups, lower on the hierarchy of the organization. This is the *horivert process* (in French, pronounced "ori-vair"): working with the leadership team is the *horizontal* phase, and then cascading down the hierarchical flow chart and working with a number of other teams or groups are the *vertical* phases.

As the intervention progresses, the horivert process shapes the next steps. The leadership group starts on one or more projects. The leadership group chooses

the project(s), which is the mark of their taking ownership of the need for change in their level of operation. At the same time, detailed SEAM analysis begins within one or more vertical silos. In each silo, the process cascades down the organization in the same order: diagnosis, mirror effect involving the actors in that part of the organization, and one or more projects developed by these same actors, with the goal of reducing hidden costs. The vertical diagnosis records in detail the extent to which hidden costs and underperformance are present in that part of the organization.

The tools used in the vertical diagnosis are the result of the experience, documented through the ISEOR database, of the most prevalent failings that lead to hidden costs in organizations. For instance, there are five indicators of hidden costs: absenteeism, occupational injuries and diseases, staff turnover, non-quality, and direct productivity gaps. These data are gathered and analyzed to assess the extent to which they are present. In the SEAM intervention, for the first time, the organization receives detailed feedback based, on solid data, on the extent of the specific

losses that accrue from hidden costs and poor performance.

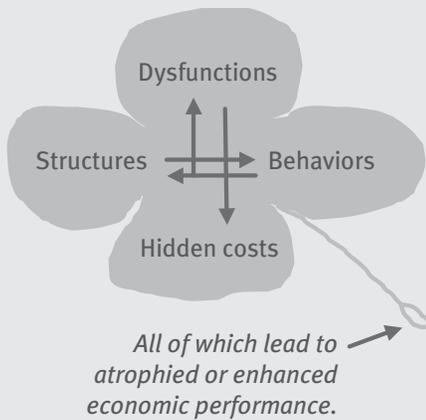
The change in leaders' attitude to how they lead may become important here. Another important task is getting employees to believe that the change process is done fairly and that the change work that employees undertake will be rewarded and not punished. Employees need to believe that their environment will improve if the intervention succeeds. Too often during organizational change work, employees' experience is that their participation in interventions does not lead to real long-term change, or even may be punished in some manner. The task of the leadership group and the consultant(s) is to create a realistic hope in employees that participating will really make a difference.

The diagnosis in the vertical level proceeds by gathering data and assessing the extent to which the six financial consequences of dysfunctions are present: excess salary, overtime, overconsumption, non-production, and risks. (Excess salary means additional expenses when higher salaried actors are paid for the work that is assigned to lower paid actors.) The vertical work groups then explore the extent to which the six dysfunctions are present: working conditions, work organization, communication-coordination-cooperation, time management, integrated training, and strategic implementation. The specificity of the diagnosis, which looks for six financial consequences and six dysfunctions, is no accident. These issues have been identified through more than 1,200 interventions that are recorded in the ISEOR database. As with the mirror effect, consultants feed the results of the analysis back to the employees.

The next step is to reduce the dysfunctions and thus the hidden costs. Six management tools drive the change:

1. The internal/external strategic action plan is a 3–5 year plan that allows all actors to know the direction of the change work and their roles therein.
2. The priority Action Plan is a half-yearly plan that allows the organization to identify the new valued added tasks to be implemented.
3. The competency grid is used to assess

Figure 1: The elements of SEAM



The elements of SEAM can be imagined as a clover leaf with these components.

the skill level of each employee, to make sure people are trained and can gain efficiency in their new activities. This process is not used to fire people, but to find the areas in which employees can be more effective, and as result, satisfied.

4. The time management tool helps assess how well actors use their time.
5. The strategic piloting logbook is a tool for measuring “the results in terms of the value created through management changes” (Savall, Zardet, & Bonnet, 2008, p. 6).
6. The periodically negotiable activity contract is used “to negotiate additional effort required to implement the new activities” (Savall, Zardet, & Bonnet, 2008, p. 109).

Henri Savall sees the SEAM interventions as based in the three major principles: generic contingency, cognitive interactivity, and contradictory inter-subjectivity. *Generic contingency* is the principle that allows for the uniqueness of each organization, and “postulates the existence of invariants that constitute generic invariants” (Savall, 2010, p. 2). In other words, there are commonalities among organizations that allow researchers to predict what is likely to be present in each organization.

Cognitive interactivity pertains to knowledge creation and can be enhanced through interaction between actors and the SEAM consultants. Through successive feedback loops, the sharing of knowledge

leads to added value for the organization. The principle of *contradictory inter-subjectivity* refers to the fact that actors perceive truth differently, and they all are right, according to their beliefs and perceptions. Contradictory inter-subjectivity draws on the ontological belief that in human societies, truth is socially constructed, and therefore is not an objective and unchanging fact. This belief allows consultants to accept different views without having to prove who is right or wrong.

In essence, the SEAM approach is aimed to help actors realize that there is potential to convert hidden costs into something productive that will benefit the actors and the organization, and to help the actors in each of the parts of the organization to design and implement projects to convert hidden costs into added value. That may sound like what many OD consultants claim to do, but there are some differences worth noting.

What is different about SEAM?

In one sense, the SEAM intervention is classic OD. The intervention is based on the assumptions that different people may see truth differently, and that all participants need to be involved in order for the change work to be successful. In another sense, the research of 35 years has made clear that there are typical patterns that cross all organizations. For instance, in looking for dysfunctions in an organization, the SEAM process identified five types of indicators of dysfunction: absenteeism, occupational injuries and diseases, staff turnover, non-quality, and direct productivity gaps. For each of these, qualitative and quantitative evaluations are used to identify the estimated hidden costs. Here is where SEAM is very different from traditional management approach, because the cost of the five dysfunctions is not included in the financial balance sheets of the organization, or in the loss/profit accounting of the budget. Hidden costs and hidden performance issues should be part of every financial report, but they are not. As a result, organizations make decisions based on less-than-complete data and without leaders taking

into account critical factors that shape the financial bottom line.

Assessing hidden costs and performances allows an intervener to demonstrate return on investment. Without assessing hidden costs and performances, an intervener cannot effectively address ROI. Hidden costs and loss in value by underperformance are high. The amount tends to differ by type of activity, so the hidden costs range from town councils, with hidden costs of €8,000 per capita per year (35% of payroll), to electronics manufacturers with hidden costs of €46,000 per capita per year (220% of payroll) (Savall, 2003).

Hidden cost and poor performance come from organizational dysfunctions, which are the result of a failure to align properly structures and actors’ behaviors. These dysfunctions are the result of management’s failure to listen carefully to customers and employees, and so that the problems that are occurring in the field are not addressed. In the US and British management approach to change, more emphasis is put on changing behavior, and in traditional French approach, more emphasis is put on changing structures. SEAM emphasizes the need to include both behavior and structure in its intervention.

When traditional management reaches a financial crisis (which is often the result of management’s actions), the response often is to cut costs by *down-sizing* employees to achieve a short-term gain. In the long term, employees are hurt, and the capacity of the organization is hurt, a result that is neither ethical nor fiscally wise. SEAM consultants resist the idea of laying off employees, because firing people is poor business practice and poor ethical practice. Not only is morale trashed, but when the organizational economy recovers, the organization needs the people who were fired in order to be fully productive. Rehiring and training slows any returns to productivity. Further, it is ethically wrong to fire employees when management has caused the problem. Ironically, most of the current management training focuses mostly on profit and bottom line, and not on people, which is contradictory to the universal ethical command to treat all employees with love and dignity.

By focusing on people, management can develop new income through reducing hidden costs and performance.

SEAM's core belief is that there is significant untapped potential in each organization, and a better approach than downsizing is to uncover this potential. The SEAM approach is ethical, in that it treats employees as valuable persons rather than as human capital. The SEAM approach is also economically effective, in that it taps into unused potential so that employees are retained and profits increase. To demonstrate the economic effectiveness, a mid-sized company may recoup its investment of €300,000 in the SEAM intervention within a year, and sometimes within three months. (€300,000 is an average fee for a SEAM intervention in a mid-sized organization in France.)

The other difference is that SEAM works as a system that engages in changing organizations systemically. Often when an external consultant intervenes in an organization, it is one or a small group of consultants working to change the organizational system. There is a somewhat lonely sense of a small body working to bring about systems change. SEAM itself is a system that engages other organizational systems. The database is shared memory that carries the results of 1,200 interventions; it is a systems memory, a knowledge base that is used to shape the slowly evolving SEAM interventions. Consultants also share their experience, during and after interventions. The fortunate ones live near Lyon, and meet monthly to discuss their work. Others gather annually to share their experiences. Each intervention has the collective input of the larger team of consultants and the trends indicated by the database. Often consultants seem to be individuals or small groups who try to change a larger organizational system. With SEAM, the SEAM system of the consultant team and the database works to change the organizational system.

Finally, SEAM consultants are both interveners and researchers. This intervener-researcher function is similar to the scholar practitioner role of American OD consultants, discussed so often at conferences. The task of SEAM

consultants is two-fold: to help the organization, and to collect data for the SEAM database. The database is used to assess the short- and long-term impact of SEAM interventions, and to discover the trends of the problems in industries. The intervention aims at leading the actors in the organization to examine the hidden costs and collectively find new ways of operating that will improve individual and collective performance so that hidden costs are reduced.

Conclusion

SEAM offers an approach to OD that is consistent with the core values of OD, as described in the OD Network Principles of Practice (<http://www.odnetwork.org/aboutod/principles.php>), particularly the respect for and valuing of the person that is too often missing from organizational change efforts. ISEOR's use of intervener-researchers has allowed them to establish a database of over 1,200 interventions as a base for the evolution of SEAM management tools and practices. The collection of economic data, in which the hidden costs of organizational dysfunctions are documented and used as a basis for decision-making about change is a unique and powerful aspect of the SEAM approach. This approach should capture the imagination of any consultant who is interested in demonstrating the ROI of organizational change and having a long-lasting impact for their consulting effort.

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