STRATEGIC ENGINEERING OF THE REED

Reflections on Socio-economic Strategy and Implementation

Henri Savall & Véronique Zardet

A VOLUME IN
RESEARCH IN MANAGEMENT CONSULTING

Strategic Engineering of the Reed

Reflections on Socio-Economic Strategy and Implementation

A Volume in
Research in Management Consulting

Series Editor
Anthony F. Buono
Bentley University

Research in Management Consulting

Anthony F. Buono, Series Editor

Strategic Engineering of the Reed: Reflections on Socio-Eeonomic Strategy and Implementation (2017)
by Henri Savall and Véronique Zardet

Consultation for Organizational Change Revisited (2016)
edited by David W. Jamieson, Robert C. Barnett, and Anthony F. Buono

Decoding the Socio-Economic Approach to Management: Results of the Second SEAM Conference in the United States (2015)
edited by John Conbere, Henri Savall, and Alla Heorhiadi

The Socio-Economic Approach to Management Revisited: The Evolving Nature of SEAM in the 21st Century (2015)
edited by Anthony F. Buono and Henri Savall

Facilitating the Socio-Economic Approach to Management: Results of the First SEAM Conference in North America
edited by Henry Savall, John Conbere, Alla Heorhiadi, Vincent Cristallini, and Anthony F. Buono

The Dynamics and Challenges of Tetranormalization (2013)
by Henry Savall and Véronique Zardet

Exploring the Professional Identity of Management Consultants (2013)
edited by Anthony F. Buono, Léon de Caluwé, and Annemieke Stoppelenburg

Facilitating Collaboration in Public Management (2012)
by Ralph Grossmann, Hubert Lobnig, Klaus Scala, and Michael Stadlober

An Evolving Paradigm: Integrative Perspectives on Organizational Development, Change, Strategic Management, and Ethics (2012)
edited by Anthony F. Buono

Preparing Better Consultants (2011)
edited by Susan Adams and Alberto Zanzi

The Qualimetrics Approach: Observing the Complex Object (2011)
by Henri Savall and Véronique Zardet

The Changing Paradigm of Consulting: Adjusting to the Fast-Paced World (2011)
edited by Anthony F. Buono, Ralph Grossmann, Hubert Lobnig, and Kurt Mayer

Consultation for Organizational Change (2010)
edited by Anthony F. Buono and David W. Jamieson

Work and People: An Economic Evaluation of Job Enrichment (2010)
by Henri Savall

Client-Consultant Collaboration:
Coping with Complexity and Change (2009)
edited by Anthony F. Buono and Flemming Poulfelt

Emerging Trends and Issues in Management Consulting:
Consulting as a Janus-Faced Reality (2009)
edited by Anthony F. Buono

Board Members and Management Consulting: Redefining the Boundaries of Consulting and Corporate Governance (2009)
edited by Pierre-Yves Gomez and Rickie Moore

Mastering Hidden Costs and Socio-Economic Performance (2008)
by Henri Savall and Véronique Zardet

Socio-Economic Intervention in Organizations: The Intervener-Researcher and the SEAM Approach to Organizational Analysis (2007)
edited by Anthony F. Buono and Henri Savall

Challenges and Issues in Knowledge Management (2005)
edited by Anthony F. Buono and Flemming Poulfelt

Creative Consulting: Innovative Perspectives on Management Consulting (2004)
edited by Anthony F. Buono

Enhancing Inter-Firm Networks & Inter-organizational Strategies (2003)
edited by Anthony F. Buono

Developing Knowledge and Value in Management Consulting (2002)
edited by Anthony F. Buono

Current Trends in Management Consulting (2001)
edited by Anthony F. Buono

Strategic Engineering of the Reed

Reflections on Socio-Economic Strategy and Implementation

by

Henri Savall

and

Véronique Zardet
University Jean Moulin Lyon 3

INFORMATION AGE PUBLISHING, INC.
Charlotte, NC • www.infoagepub.com

Library of Congress Cataloging-in-Publication Data

CIP record for this book is available from the Library of Congress
http://www.loc.gov

ISBNs: 978-1-68123-951-4 (Paperback)

978-1-68123-952-1 (Hardcover)

978-1-68123-953-8 (ebook)

Original 1995 and 2005 French versions published by Economica Publishers, Paris, France.

Printed in the United States of America

CONTENTS

PART II: THE SOCIO-ECONOMIC STRATEGY CONCEPT

PART III: THE STRATEGY LITMUS TEST: IMPLEMENTATION, ASSESSMENT, ADJUSTMENT

PREFACE

Anthony F. Buono

This volume is part of an ongoing partnership between the *Research in Management Consulting* book series and the Socio-Economic Institute for Firms and Organizations (ISEOR), located in Écully, France, on the outskirts of Lyon. ISEOR, which can best be conceptualized as an intervention-oriented management think tank—in essence, a hands-on learning laboratory—was founded by Henri Savall with a dedicated team of intervener-researchers committed to enhancing managerial practice and organizational performance. This book represents our 10th collaboration over the years, capturing new developments in organization intervention and change and updating earlier published work on the socio-economic approach to management (SEAM) that was previously only available in French. Together with Véronique Zardet, ISEOR's co-director and Savall's long-time partner, their SEAM approach provides a pathway to creating more engaged, more responsible and responsive, and more productive organizations. In many respects this volume reflects a culmination of Savall and Zardet's work, drawing their insights together and framing them in the context of strategy creation and, as they emphasize, just as if not more important, strategy implementation.

For those readers who may not be familiar with Savall, Zardet, ISEOR, and the SEAM framework some background is warranted. I first met Savall and his team in the mid-1990s through the Management Consulting Divi-

Strategic Engineering of the Reed:
Reflections on Socio-Economic Strategy and Implementation, pp. xi–xiv

sion of the Academy of Management. Working with a talented group of ISEOR's "intervener-researchers" on a series of Professional Development Workshops on different intervention techniques, I became increasingly intrigued by SEAM—conceptually and methodologically—from its holistic perspective on organizational life to its integrated focus on the utility of qualitative, quantitative, *and* financial data to better understand organizational dynamics. It also became apparent that Savall's, Zardet's and their colleagues' work was grounded in evidence-based management—well before the current appeal of the concept (see, e.g., Bartunek & Rynes, 2010; Pfeffer & Sutton, 2006; Rousseau & McCarthy, 2007). This evidence, supported by ISEOR's extensive database—which currently draws on over 1,850 companies and organizations from 72 sectors and 42 countries on four continents collected over the past 42 years—captures the reality that the potential individuals bring to their organizations is vastly underutilized and underdeveloped—a reality that can be changed.

Over the years, this initial professional exchange blossomed into a long-term working relationship and friendship. While I have visited ISEOR many times over the years, I was very fortunate to have two sabbatical-related extended stays where I had the opportunity to work closely the Center's consultant-scholars. This work led to two co-edited volumes (with Savall) on SEAM—*Socio-Economic Intervention in Organizations: The Intervener-Researcher and the SEAM Approach to Organizational Analysis* (2007) and *The Socio-Economic Approach to Management Revisited: The Evolving Nature of SEAM in the 21st Century* (2015). Working directly with ISEOR's intervener-researchers provided the opportunity to better understand the application of the socio-economic approach to management in a variety of organizational types (public and private, from traditional businesses to sports teams to the opera), societal cultures (Africa, Asia, France, Mexico, and the United States), and contexts (from supervisory roles and working with French notary publics and computer specialists to the unique challenges inherent in merger and acquisition integration).

Highly critical of the classical scientific management approach to work organization, Savall and his colleagues also point to significant faults inherent in the traditional accounting model, noting how these approaches limit our ability to fully understand what is happening in our businesses and organizations. In the pages that follow, you will read about how a "virus" based on the early work by Frederick Taylor, Henri Fayol, and Max Weber—referred to as the "TFW virus"—has continued to shape our thinking about management and organization—despite the unparalleled social, economic, political, and technological changes that have taken place since their early work was conceptualized. As Savall and Zardet convincingly argue, the resultant *dysfunctions* this virus unleashes creates *hidden costs*—costs that

are not captured in our accounting information systems—that lead to the *non-creation of potential*, readily destroying a firm's *value-added* possibilities.

This volume casts SEAM in the context of strategy development and implementation. Reflecting on the changing nature of work and the workplace, the potential power of—and need to develop and build on—*human potential* has never been greater. Savall has always thought that the Western concept of *human resources* was misguided, that people are not a resource to use up but rather a source of potential to invest in, develop, and nurture. People bring their potential to the organizations in which they work—and it is their choice as to whether they will apply it in their jobs. Thus, a core managerial challenge is to create an environment in which that potential can be maximized.

SEAM-based strategy builds on this premise, developing an approach to economic and social performance, providing direction as to how managers can create and implement strategies that enhance organizational effectiveness and efficiency. As Savall and Zardet argue, strategic vision does not have to be limited by constraints in the external environment—companies "are not compelled to enter in a 'strategic' tunnel" that mimics the competition and the market. Instead, companies can experience breakthroughs, turning constraints into opportunities by unleashing their internal energy, power, and cohesion, working and succeeding as a team. The SEAM approach to strategy is grounded in innovation and creation far more than imitation—and, as convincingly illustrated in the volume, that creativity can be self-financed through the value-added created by the elimination of organizational dysfunctions and the hidden costs they generate.

One of the voices that clearly resonates throughout the volume is from Serge Pasquier, chairman of Brioche Pasquier, a well-known French bakery, and a long-time advocate of SEAM. As noted in earlier work (Buono & Savall, 2007), Pasquier is a perfect example of the "idea practitioner" (Davenport & Prusak, 2003), one of those key individuals who make new management ideas a reality within their companies. The opportunity to spend the day with Pasquier, touring his bakery and observing the myriad ways in which SEAM had shaped his company's culture and operations, was one of the highpoints of my first sabbatical stay at ISEOR. Pasquier explained how SEAM was "like a religion" at the bakery, one of the key reasons for the company's sustained level of high performance as one of the most successful bakery operations in France, later expanding and enjoying success internationally. His commentary and examples, captured in the Foreword and various inserts throughout the book, illustrate the power of the intervention framework and how the myriad tools that are part of the SEAM framework—priority action plans (PAP), periodically negotiable action plans (PNAC), competency grids, piloting logbooks, and

the internal-external strategic action plan (IESAP) among others—can enhance organizational direction and performance.

The volume provides an insightful guide for enhancing economic and social performance, with a useful mixture of specific tools and techniques—grounded in a conceptual view of organizational life—interspersed throughout that illustrate how it can be done. Savall, Zardet, and their team of intervener-researchers are once again to be commended for their long-term commitment to making the workplace a better place—economically and socially—providing a valuable framework for achieving sustainable performance in an ever-changing world.

REFERENCES

Bartunek, J. M., & Rynes, S. L. (2010). The construction and contributions of "implications for practice": What's in them and what might they offer? *Academy of Management Learning & Education*, *9*(1), 100–117.

Buono, A. F., & Savall, H. (Eds.). (2007). *Socio-economic intervention in organizations: The intervener-researcher and the SEAM approach to organizational analysis*. Charlotte, NC: Information Age Publishing.

Buono, A. F., & Savall, H. (2015). *The socio-economic approach to management revisited: The evolving nature of SEAM in the 21st century*. Charlotte, NC: Information Age Publishing.

Davenport, T., & Prusak, L. (2003). *What's the big idea? Creating and capitalizing on the best management thinking*. Cambridge, MA: Harvard Business School Press.

Pfeffer, J., & Sutton, R.I. (2006). *Hard facts, dangerous half-truths and total nonsense: Profiting from evidence-based management*. Cambridge, MA: Harvard Business School Press.

Rousseau, D. M., & McCarthy, S. (2007). Evidence-based management: Educating managers from an evidence-based perspective. *Academy of Management Learning & Education, 6*, 94–101.

FOREWORD

Serge Pasquier
CEO, Brioche Pasquier Group

In 1984 when my brother Louis-Marie and I solicited ISEOR, our company was in a strong growth mode. We feared, however, that we would not be able to control this expansion to its full extent. Henri Savall praised our company's sense to anticipate growth-related challenges, especially considering that our company's performance at that time was very good. He seemed to place emphasis on the fact that many companies wait for difficulties to emerge before turning to consultants.

Considering all the information it reveals about our company, I would have hesitated to write the foreword for this book work if I had not been extremely satisfied with the progress we have achieved over the years—proud to dedicate this success to the 2,700 employees who have chosen to strengthen, each and every day, the success of our company.[1] I have also wondered how to explain the power of the Socio-Economic Approach to Management (SEAM) which, with modesty, has become ours. I would like to portray the spirit in which the authors have helped us in our project, without needlessly lengthening the list of examples, anecdotes, and successes that capture our daily operations. I would also like to draw the reader's attention to our company's history and spirit.

In the early 1980s, the Brioche Pasquier Group (BPG) worked with a large number of consulting firms. Our relationship with ISEOR was initially very traditional, that of leaders and business consultants. The fact that

Strategic Engineering of the Reed:
Reflections on Socio-Economic Strategy and Implementation, pp. xv–xviii

ISEOR always claimed to be different—in essence a research center rather than a traditional consultancy—did not mean very much to us. Today, and this point should not displease Henri Savall and Véronique Zardet, BPG now only works with two consulting firms, both academic, one in agri-food marketing and the other, ISEOR in the field of strategic management. We do not make strategic decisions without consulting with Savall and Zardet. Our criterion when we selected ISEOR as our strategy consulting firms was based on the methods and tools they proposed and their credibility in the eyes of our employees. Reflecting on this volume I have to underscore that I know very well all the figures and tables that follow.

The main crossroad between our company and the socio-economic strategy was the strategic approach to people. It was not just another speech about satisfaction, well-being, motivation, consideration, animation, and so forth. Everyone knows it. It was about putting these themes into actions, which is a far more subtle and challenging matter. I began to perceive into the socio-economic strategy a more "structural" dimension of the human being, consisting into placing people into identified freedom spaces. This principle of accountability, of the recognition that human energy must be developed—through a highly visible, responsible, and contractual approach—has become anchored into our company. One of our mottos is to "make responsible the one who does the action."

We have learned, through the principles of the socio-economic (SEAM) strategy, to choose actions in which we put our energy and to watch ourselves at work. Indeed, we have become accustomed to writing our future priority actions along the period, without dispersing ourselves. Over the years, we also gained a lot of patience. This patience, which we might call the "quiet power," consists of choosing to master what exists before diving headlong into development. Thanks to the *periodically negotiable activity contracts* and the *priority action plans*, people are always moving, implementing changes that are constant and "soft."

The principles developed in this volume are, without presumption, those that we have been practicing for 32 years. This approach reflects our organization, we take in its principles while accommodating them. I often say that we fully apply the approach but, at the same time, "*in own way.*" After these years of practice of socio-economic strategy, I think that strategy is part of our company's chosen management method, while others would call it our culture, our operation mode, our values. As examples, I will mention a few notable parallels between the concepts of socio-economic strategy and what I call our management actions.

Looking at the broader environment, we can complain about the school system and its lack of effectiveness in producing informed graduates. Our strong belief, however, is that a young person who is integrated in our company is not obliged to know everything from the start, which is why

we have invested in operational training. With this type of commitment, I don't know what an unskilled worker is, such a mention is the proof of the foolishness of classification systems.

Savall and Zardet's *synchronized decentralization* is certainly our most visible method. Full-fledged sites that they talk about in his volume are essentially companies within a company. These firms will never have a separate marketing department, or even a human resource department. We do not want people making decisions in the place of the leader of its core functions. There is no leader without products and without people to manage. We do not fall into the excesses of the renowned decentralization of 1985 when everyone wanted to destroy company headquarters. Synchronization has allowed us to decentralize with rules and harmony without falling into feudalism.

Costs externalization is largely missing in our practices. At a glance at our operation mode, I remember that in 1995 we scaled back the price of our products to the equivalent of 1989. Paradoxically, our company also has a hidden application of socio-economic strategy. When I say that hidden costs are not calculated in our business, I need to clarify that the logic of *hidden costs* is fully integrated into our decision-making process. When we want to reduce raw material loading problems at our farmer suppliers' places, which increases lost time for our drivers, we provide them with a budget so that they can negotiate a special layout in the delivery area. Similarly, if the word *HISOFIS* (the stimulating information system discussed in the book) is not used in our business, its principle is used in practice. Acting out is my obsession, since my deepest fear is that my words will not be translated into facts.

The reader will have certainly noticed that, when I talk about our company, I also mention SEAM theory to the point that I can't say which of the two feeds the other. The socio-economic strategy is not a method that can be plated and used to replace others. I went to Japan and I learned a number of interesting principles from my travels. However, the socio-economic strategy is more generic, it allows me to assess the quality of other principles and other methods. It filters ideas and projects in terms of performance, giving me the strength to implement them effectively. It is not meant to be learned, but to be lived.

Since it is not possible to live this method by simply reading this book, I want to testify to the relevance of the principles it reveals and encourage those who have been convinced to live this experience with Henri Savall, Véronique Zardet and the ISEOR team.

Serge Pasquier
Chief Executive Officer
Brioche Pasquier Group

NOTE

1. This Foreword originally appeared in the earlier version French version of this book. BPG's current staff is roughly 4,400 people, operating in 19 sites, in 6 countries (France, Spain, Italy, Belgium, United States, and United Kingdom)

INTRODUCTION

Dedicated to the memory of Germán Bernácer,

A Spanish economist (1883–1965) precursor of Keynes, author of a general theory of employment, earnings and double hoarding, largely validated by the current economic crisis.

Looking back to 1973 on the eve of a long economic crisis, our reflection on corporate strategies of a socio-economic nature (Savall, 1975a, b) was prompted by our observation of the activities and performance of French companies. These firms were facing acute challenges that not only posed problems with respect to their continued development and success but also to their very survival. These challenges—which were seen as local and global—pointed to the need to search for ways to preserve strong competitiveness.

At that time, strategy management scientists were proposing approaches and models that were significantly incomplete, focused more on intellectual aesthetics than the basic objective of ensuring the effectiveness of management and organizational practice. Renewing practice and strategic thinking has been our ever-increasing concern for over 40 years, impelling us to progressively build the socio-economic strategy concept, which has

Strategic Engineering of the Reed:
Reflections on Socioeconomic Strategy and Implementation, pp. xix–xxxviii

now been tested and assessed in hundreds of companies and organizations (see www.iseor.com).

Today, rescuing companies and jobs has become an even more critical matter. However, when attempting to accurately observe current business practices, we see a deep malaise that can be described as *strategic disarray*. This disarray leads to strategic decisions which are, in broad strokes, misguided. For example,

- We are told that our country's labor cost is excessive, so downsizing and reducing wages are imperative. As a result, employment has become the main reason for social conflict and claims, leaving wage demands and working conditions at the second stage. Even senior managers show a strong fear of unemployment.
- We are also told that work must be shared and hours must be reduced on purpose.
- We are finally told that we must become more competitive so that reducing prices and cash margins would be suitable for maintaining market share.

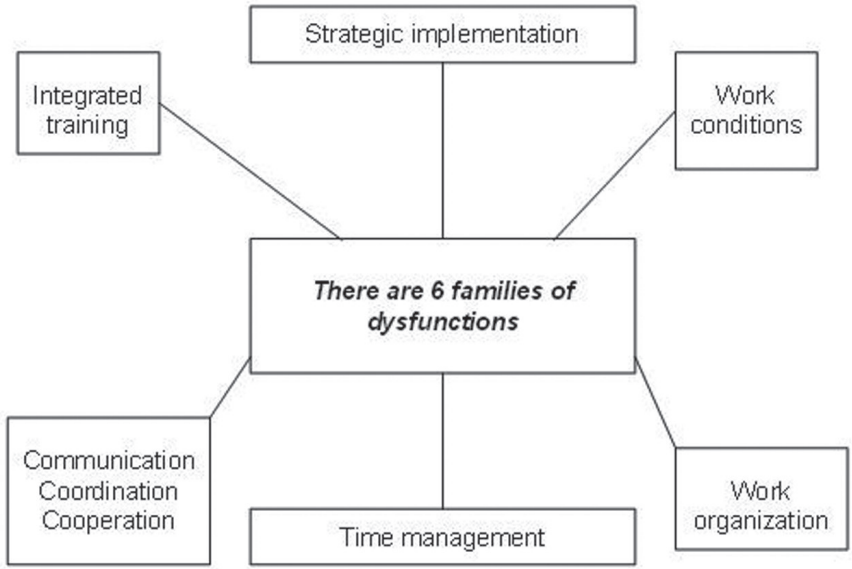


Figure I.1. The Dysfunctions.

As illustrated in Figure I.1, there are six "families" of dysfunctions. These families are (1) explanatory variables of the infrastructure and (2) solutions axes for the sensed dysfunctions. The scores of reductions and the strategic

behaviors they lean on—based on shrinkage, downsizing, cutbacks and defense—are alarmingly frightening. Today, countless companies do not prepare for their future anymore. Instead they are obsessed and terrified about their survival, leading to a quest for immediate and short-sighted economic performance. Without a doubt, the sense of social responsibility the company has grown compared to 40 years ago. Thus, dozens of large French companies are symbolically organized to defend the ethics of the company's social commitment. In reality, this means reclassification and accompaniment measures of redundancies, financially by supported companies, public authorities and, in some cases, by the employees themselves.

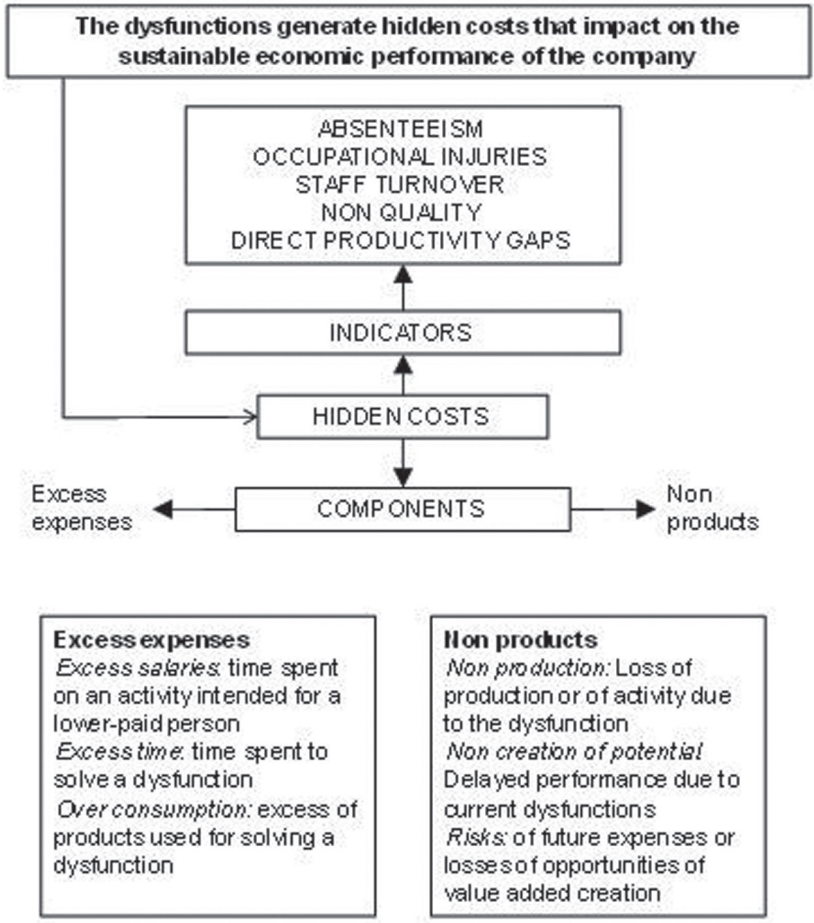


Figure I.2. Performance and Hidden Costs.

The strategic disarray portrayed in Figure I.2 is probably related to strategic analysis and errors and ignorance about the underlying causes of the company's economic performance. The company could be compared to a strategic vehicle that loses too much energy because of leaks or internal and external bleedings. Internal bleedings come from the many dysfunctions (see Figure I.1) that happen every day in all and every organizations. They generate chronic over-consumption of technological, human, and financial resources (Figure I.2). Although people in the company intuitively feel those daily losses, they tend to underestimate their costs and mistakenly think of those as necessary and inevitable (see Table I.1).

Table I.1. Illustrative High Hidden Costs

	Business Sector	*Euros Per Person Per Year*	*% of Payroll*
Industries	Electronics	68,000€	220%
	Metallurgy	32,00000€	80%
	Glass industry	57,000€	150%
	Household goods	21,000€	50%
	Agri-food	20,000€	45%
Services	Bank	29,000€	45%
	Telecommunication	27,000€	40%
	Town halls	21,000€	35%
	Mass distribution	22,000€	40%
	Mass distribution after sale service	27,000€	84 %
		28,000€	40 %
	Notaries	26,000€	51 %
	Social security organizations	24,000€	45 %

Examples of hidden costs calculated in companies and organizations

Source: Based on 1,854 cases in ISEOR's database; see www.iseor.com

These hidden costs include the external consumption of goods and services that are purchased by the company in order to solve their dysfunctions, such as the use of temporary workers due to high absenteeism, the use of raw materials that end up as waste, excessive transport costs for delivering faster because production was completed too late, and so forth. Other resources, in terms of time and human energy, are also significantly utilized to solve dysfunctions, for example, correcting mistakes and production defects, looking for missing but indispensable information, waiting until the maintenance department arrives to repair defective equipment, and

receiving clients to solve commercial claims among many other problems. These costs are so-called *hidden* (Savall & Zardet, 1987a, 2008a) because they are not identified, quantified, nor monitored in company accounts. They add to production costs and impact the selling price. They also have a direct impact on the quality of services to customers and product competitiveness, from longer delivery time, to products with technical defects in the industry, to errors in services.

When a company tries to pass off some of these costs to external actors (e.g., suppliers, subcontractors, clients, public organizations), those externalized costs usually come back to the company through a *boomerang effect* (see Figure I.3). A similar phenomenon has been observed 40 years ago in highly polluting companies. Those firms that were not committed to environment pollution preventive policies were penalized a few years later, through both an excess of expenses and a loss of image, the latter of which is hard to turn around.

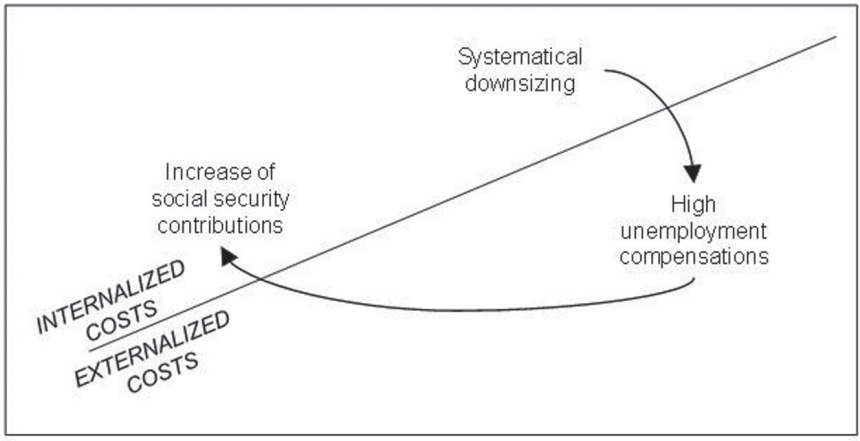


Figure I.3. The Boomerang Effect of Externalized Costs.

This same type of phenomenon is currently happening, with the transfer of responsibility for unemployment. The systematic downsizings that have marked the past several years have generated an increase in the cost of unemployment. These increased costs ultimately turned into increased social contributions, paid by the companies, which again increases the cost of labor. Layoffs lead to reclassifications, but also to social conflicts with their striking but recognized consequences.

Thus, companies externalize too many costs, with the logic of reducing costs, which is relatively tolerable in the short term. Such potential savings, however, are often lost, for example by hidden costs such as the

loss of know-how related to the departure of qualified personnel or to non-recruitment of new employees with new skill sets. In terms of employment policy, companies suffer a lack of planning, or at least an anticipation of their human potential evolution. It seems as if the reasoning was "since there is so much uncertainty and turbulence, is there any reason to plan?" This reasoning is applied to downsizings and to the degradation of skills and activities. The lack of commercial actions is another characteristic of French companies. The French education system, universities, and business schools now train more financial executives than managers and sales people.

- Deficit (430 years 1973 → 2016) of active and coherent strategic actions
- Lack of commercial actions
- Lack of medium-term planning of the staff variation by the companies (reduction, new professions...)
- The company = Strategic vehicle leaking too much energy (internal and external bleeding), too many dysfunctions and hidden costs
- → Lack of managerial professionalism

Figure I.4. Socio-economic Analysis of the Current Situation.

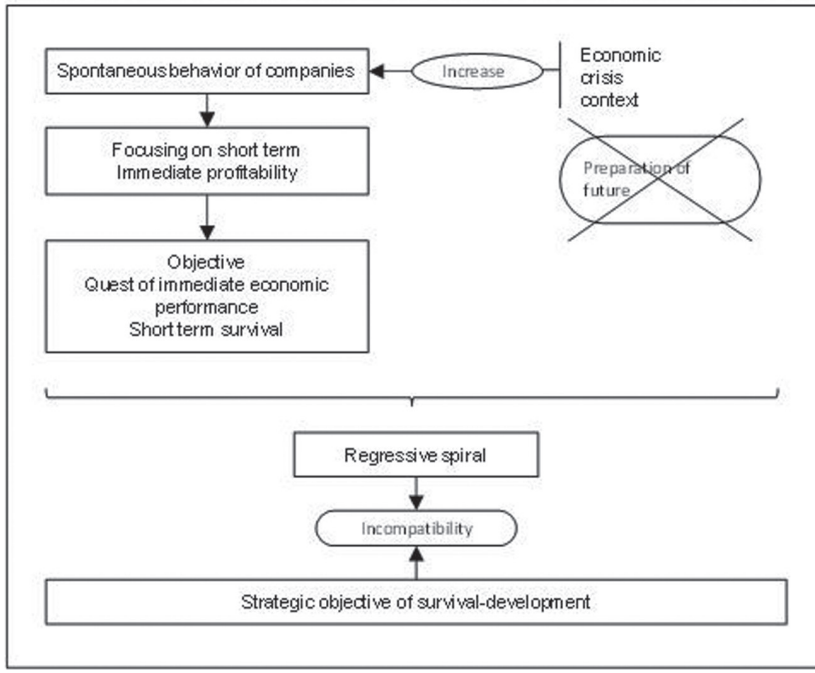


Figure I.5. Regressive Evolution of Economic Activity.

If the origin of these practices had to be described, from our many experimentation-research projects in a wide range of companies and organizations, it is important to emphasize on a lack of professionalism in management (see Figures I.4 & I.5), currently coupled to a lack of serenity in decision making. Multiple synchronization failures within companies, a lack of "grooming" of the organizations (which can explain on its own the sudden redundancies that delete thousands of job), poor stimulation of actors, an obvious lack of shared responsibility all become visible through the brutal cuts in corporate budgets, in a relentless obsession on killing costs, instead of promoting dynamic actions for developing product-market couples that correspond to new customer needs and generating value-added.

The demographic features of our workforce are increasingly facing this logic. Because employees are better or more trained, they have more claims on the security and content of their jobs. However, recent surveys show that nearly half of employees feel their situation has deteriorated and that their efforts and merits are insufficiently recognized or rewarded. Two-thirds of them complain about their managers not considering their expectations and suggestions, though laws on the expression of the employees have been settled 35 years ago. Participative management experiences are perceived today as little more than a deception.

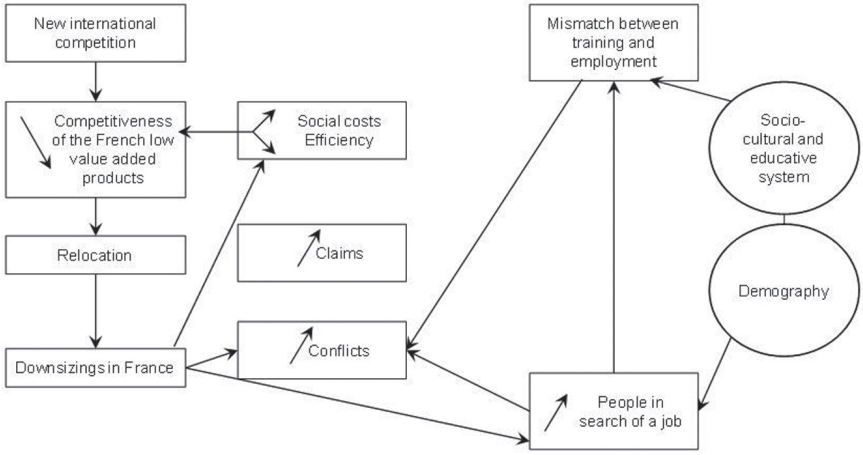


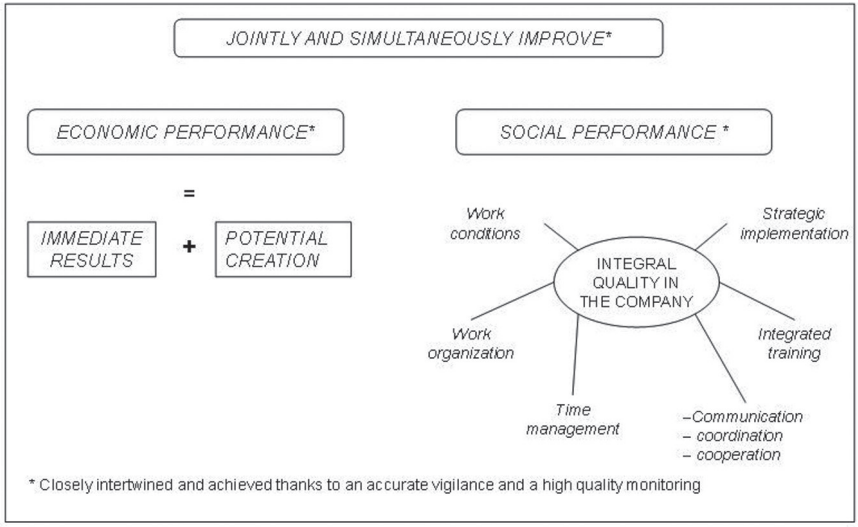
Figure I.6. The Regressive Spiral.

Through a dual social and economic lens, the company's situation is caught in a downward spiral motion (see Figure I.6), which exceeds that of a mere "vicious circle" due to the aggravation it leads in each "loop" of

the spiral. The poor competitiveness of French low value added products entails a relocation of production sites, which leads to further downsizings in France. The now abundant, better educated and more demanding workforce is faced with organization designs and management methods that have barely changed compared to changing employee expectations. It causes a deep gap, often observed in all kinds of companies, between training and jobs. For the people who have a job, it leads to the "social" hidden costs, which ultimately reflect a profound mismatch between business structures and human behaviors. The resulting hidden costs, in turn, increase production costs and enhance the loss of product competitiveness. For unemployed people, they face, at best, significant discomfort at the individual level as well as economic costs for companies in the form of collectivized or pooled expenses. Finally, the systematic pursuit of immediate economic and short-sighted performance works against the company because it is largely offset by the impact of internal hidden costs and the hidden costs that are temporarily externalized, which will ultimately be re-internalized through the boomerang effect. Thus, in a vindictive move, the external environment sends back to the company the expenses that it had once expelled externally.

Since 1976, ISEOR has developed a change method that emphasizes a "socio-economic" approach to management (SEAM) in companies, jointly improving their economic and social performance (see Figure I.7). This method was applied to a wide range of companies, from traditional competitive sectors such as manufacturing industries and services to the public sector, which were either experiencing prosperity or facing economic difficulty. The first experimental results of these socio-economic strategies were presented at a Universities-Companies conference organized by ISEOR in 1982. The program—"Innovative Socio-economic Management: Corporate Strategy and Job Trends"—included the support of four pilot companies.

All of these companies were initially characterized by a high level of hidden costs. The innovative actions they implemented were aimed at reducing dysfunctions and, hence, their hidden costs, including cost reduction and increased revenues—added value and potential creation. Recycling hidden costs into value-added creation is done through a collaborative method monitored by managers, both at the solutions design and implementation stages. These actions address a range of different areas, from work conditions, work organization, and time management, to communication-coordination-cooperation (3C), integrated training, and strategic implementation. An innovative organization triggers the active involvement of employees seeking business improvement solutions and development of the skills and human potential that are the first strategic levers necessary for achieving sustainable economic performance.



Source: © Iseor, 1981

Figure I-7. Socioeconomic Approach (SEAM) to Sustainable Performance.

One fruitful way is to develop human skills implementation rather than accumulating more or less virtual and volatile skills. Indeed, the gap between available skills and job requirements is wide within companies. First, the skills acquired through basic education or continuing training are not adequately implemented in the jobs. Second, there is a lack of operational and practical skills, which then generates quality defects, poorly handled tasks or operations and, consequently, loss of value added (Savall & Zardet, 1987a, 2008a).

Addressing the issue of reducing hidden costs, however, raises the question of recovered economic resources reallocation. Excessive consumption is not a major problem: if scrap and waste volume is reduced, "raw materials" consumption decreases for the same volume of sold products in bookkeeping entries, through decreasing the production cost by reducing the direct cost of materials. However, recovered human resources by reducing hidden costs of excess time and non-production raises an important challenge—how should the recovered human potential be used. How should a company make the most of this additional performance potential? These questions lead to identify possible strategic scenarios for recovered resources reallocation (Savall & Zardet, 1992; see Figure I.8.)

Growth is undoubtedly the most favorable strategic situation. The company plans to reallocate all hours recovered based on dysfunctions

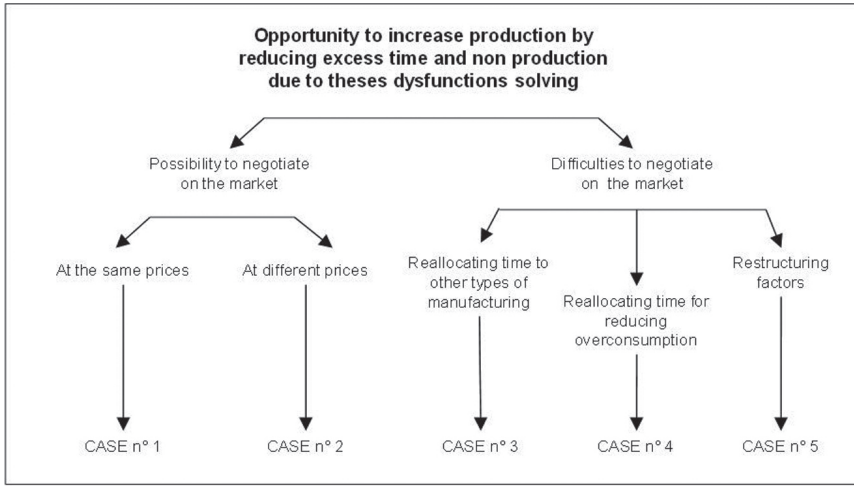


Figure I-8. Different Possible Scenarios in the Case of a Decrease in Dysfunctions.

reduction→production and sales increase. The company assumes that sales can increase in the current market, whether because it is in a growth stage, or because the company is in a sufficiently favorable situation compared to its competitors for capturing greater market share. It is the most favorable situation in which the company's economic and social performance increase together, since the level of employment does not decrease (or is increasing due to strong and sustainable growth) and employment conditions are improving in qualitative and financial terms.

As an example, the former star of the French stock exchange, among national and international listed companies, Brioche Pasquier Corporation is, from all size and performance, one of the top ten companies in the economic and professional journals annual ranking. With 1 billion euros in revenue, this agri-food company is characterized by its practice of our socio-economic approach to management model (SEAM) for the past 33 years. The company has experienced a regular improvement of its overall economic productivity of 12 to 20% a year, a volume growth of the same magnitude in a slow growth market. Simultaneously, the company has grown from a staff of 240 people in 1984 to 4,400 people in 2005, through organic growth until 1992, then through a balanced external and internal growth strategy.

Training expenses represented 8% of every year's payroll and each employee's base salary was supplemented, twice a year with a bonus of 8 % to 15%, according to job category. This bonus is related to the individual and team achievement of the unit or the production line, mainly concern-

ing quality, productivity, losses, and creation of potential. Through the strategic strength it gained year after year, Brioche Pasquier has increased its strategic ambition, that is, its business activity and its power, building factories and creating new jobs.

At the other extreme is the scenario of strategic shrinkage—a company in a saturated market, in a mature or declining stage, which does not assume that sales can increase. In this case, improved economic performance can cause a decrease in employment levels and the volume of business activity because the hours recovered through dysfunctions reduction lead to either reductions of personnel expenses, by reducing each employee's working time, or to downsizing. In these cases, most companies aim at improving or regaining economic performance through cost reduction. But since the beginning of 1993, we observed French companies developing practices aimed at maintaining the level of employment through negotiated wages reduction with employees (e.g., Potain, MAAF). In February 1995, Brioche Pasquier's agreement on working time modulation and the creation of 10% new jobs was part of the company's deliberate policy (see Insert I.1). It simultaneously impacted both its social and economic performance, forerunning the Robien and Aubry Acts that were voted later.

Some years later, an assessment showed that the company had created 15% new jobs instead of the 10% it had committed to recruit when signing the agreement. Modulation of working time allowed improving the quality of service (delivery improvement, in superstore and hypermarkets, six days a week instead of five). During three years after this change, it also allowed increasing the overall economic productivity respectively by 7%, 14%, and 20% a year.

BRIOCHE PASQUIER, a company from Cholet, France, employs 1,100 people. They have decided to annualize and reduce working time. The weekly average of working time shifts from 39 h to 33h15 with a modulation that depends on activity level. Considering that the weekly working time can reach 48 h, the employees are certain to work at least 4 days during 30 weeks. Consulted by referendum, 70% of employees have approved this approach, which will decrease their remunerations by 2%. In return, the company is committed to create 110 jobs within 6 months.

From *Le Monde*, 2.2.1995.

At this point, we would emphasize that other strategies than shrinkage are possible, except in the rare exception of some companies in very serious economic situations for which there is probably no other possible outcome. These firms have waited too long time to start a strategic lifesaving change.

The first suggestion is to find a proper pace for increasing the company's *overall economic productivity*, avoiding maximum downsizings in the short term. The "homeopathic" dose of soft but unrelenting rhythm of

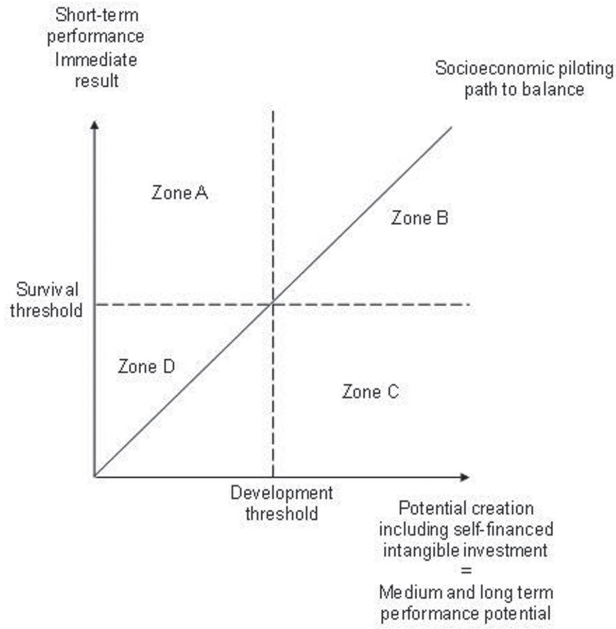
hidden costs recycling into value-added creation has a double advantage. It consists of avoiding a brutal cut of jobs and gives time to develop strategic scenarios concerning new markets, new products and services development, and resources redeployment. This strategic logic reverses the common predisposition to systematically adjust the employment volume, by setting a target employment level that the company will strive to maintain. The company can then adjust other strategic decisions—for example, saving on purchases of goods or services, rationalizing the use of equipment, increasing self-financed intangible creation of potential—to reinvigorate the company while waiting for better days.

CREATION OF POTENTIAL STRATEGIC INDICATORS

Over and over again, we have observed that radical downsizing—so-called "surgical" reductions—are launched within companies after years or decades during which no real beneficial and soft restructuring has been fulfilled (Hall & Saïas, 1979). In these cases, stagnation and standstill created either by the company's and its stakeholders' short-sightedness, or by seeking social peace in the short-term, are abruptly followed by downsizing significant proportions the workforce, of 10%, 20% or even 30%. In opposition to these tendencies, the socio-economic management (SEAM) tools that we have created and implemented in many companies focus questions about the short-term plans (roughly for the impending 6 month period) of the company during the preparation of the *priority actions plans*. If necessary, this questioning leads to soft micro-restructurings that create improvements, to soft and successive development of job content, in order to grow individuals' potential and prepare them for the product-, profession-, and technology-related changes. This pace gives them time to gradually develop their professional behavior (with the exception of the chronobiological rhythms of companies and their actors).

It is therefore recommended that business strategies aimed at maximizing the immediate and short-term economic performance of the firm be reconsidered. On the contrary, companies should allocate a part of their human resources to potential creation activities, including business, technological, and socio-organizational *innovation*. These activities will generate additional economic performance one or two years later (see Figure I.9). As illustrated in this figure, we often observe business strategies struck in a pendulum movement. At one time, significant investments and too rapid development of strategic potential, mainly tangible equipment, are directly followed by a deterioration of the immediate economic result. At other times, an abrupt stop of creation of potential, in order to restore financial performance is followed, a few years later, by strong deficiencies

that arise from a non-renewed product or client portfolio, from outdated skills or from an organization highly unsuited to the business and to the markets structure (see Figures I.10 & I.11).



Legend

Zone A: *Insidiously dangerous strategy* in the short- and medium-term as the company cumulates delays in potential creation and does not prepare its future performance by investing (tangible and intangible potential creation). Risk of loss of employment at short- and medium-term.

Zone B: *Survival-development zone* balancing Strategy in the short and medium terms. Probability of creating employment at short-term or medium-term provided that the degree of strategic ambition of the company is adequate.

Zone C: *Dangerous strategy* because the company temporarily cumulates creation of potential without creating immediate performance. At the short- and medium-term, the company will have problems for funding its potential development. The company generates too much medium, long term but not enough immediate and short term performance. Immediate risk of loss of employment

Zone D: O*bviously very dangerous zone* as the company is below its survival threshold (insufficient immediate results and cash flow) and below its incompressible threshold of innovation potential renewal. Immediate risks of loss of employment and company death

Source: ©ISEOR (1977).

Figure I-9. Socio-economic Strategic Steering of the Company.

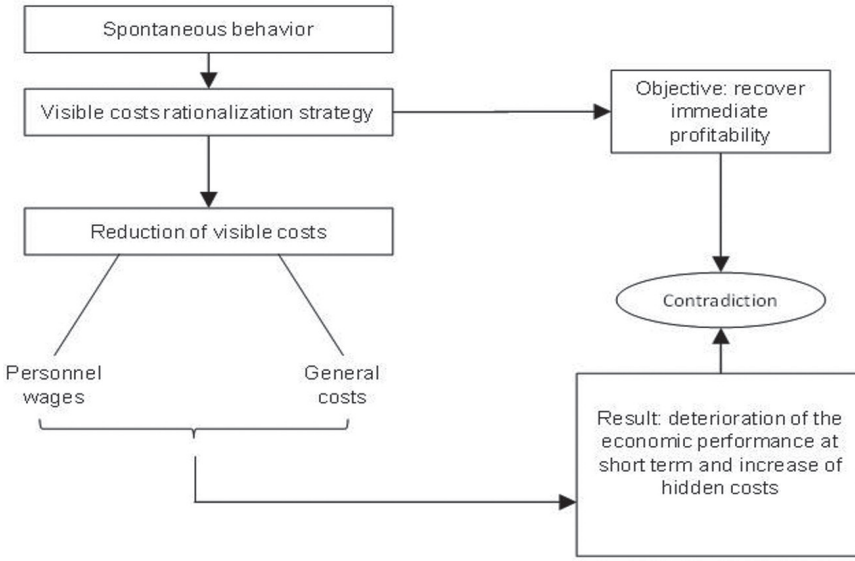


Figure I-10. Companies in Zone D: Companies under profitability *and* development thresholds.

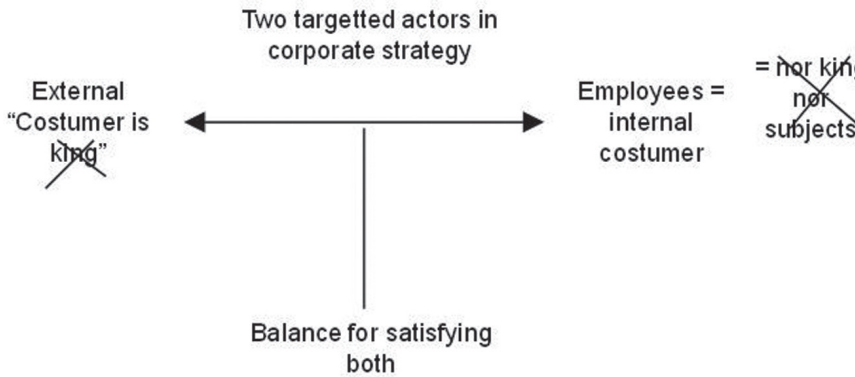


Figure 1-11. A Major Challenge.

According to Thépot (1981), the company makes decisions based on expectations about future demand, prices general trend, or the domestic political and social situation. These factors influence decisions that affect business activity, mostly concerning investments. If investment is reversible, the firm's policy is not dependent on its expectations. However, if investment is irreversible, the company should stop its investment before

the recession begins; thus, in this instance, the chosen policy depends on expectations. Bad expectations are contagious while good ones are not; this asymmetry in competition is due, according to Thépot, to investment irreversibility.

In a competitive situation, companies tend to adopt similar strategies, adjusting theirs to the worst. We observe a phenomenon of resonance between business strategies. Companies blocking their investments when preparing to undergo recession only amplify it. The presence of financial constraints limits the possibilities to react to competition and therefore helps to reduce the spread of the recession.

Companies have to learn how to set up warning and economic vigilance key indicators that not only address the immediate economic performance, but also help measure both economic performance in the medium-term and social performance. The role of the finance and human resources departments is essential to help change the information and business analysis systems, opening their leaders' eyes on the creation of potential achieved during the year—or sacrificed in the name of immediate economic performance, which is often illusory, generating perverse effects (see Figure 1.12).

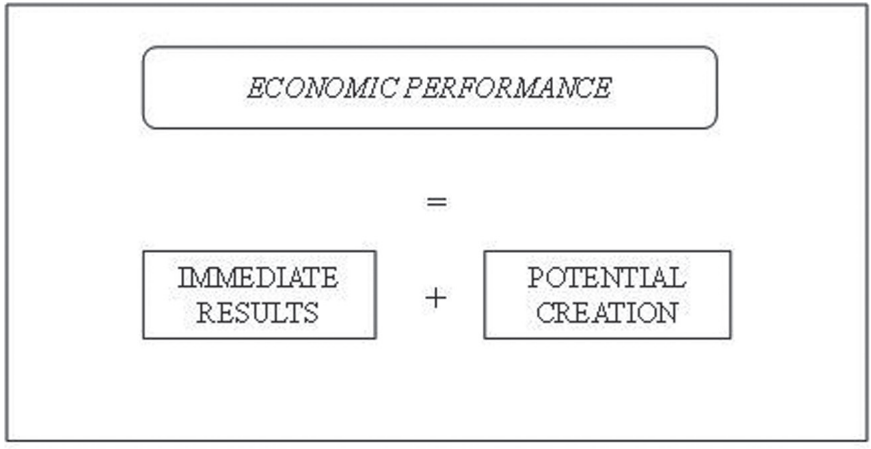


Figure I.12. Organizational Economic Performance.

The re-allotment of the overall economic productivity gains can be divided into three components:

1. First, the growth in sales and production volume or, when possible, new activities. However, caution is important when proposing

diversification, since multiple cases of failure have been observed in recent years. A fruitful path to create new creditworthy business consists of developing new or improved services to customers. The numerous (nearly 2,000) socio-economic diagnosis we have carried out in all kinds of companies and organizations show the countless flaws or gaps in services related to existing activities. We have observed in these pilot-actions that improving services quickly reflects on sales volume. For example, accelerated and reliable delivery conditions strengthen customer loyalty and business development. This is a source of new jobs and new professions, when the company's strategy has set employment development as one of its objectives.

2. Next is the development of potential creation actions. This process helps to save jobs and prepare the company's future in terms of new products and new technological development. It allows developing skills and, even more, converting and formalizing the company's knowledge, which is very low in most instances. It is not a question of only strengthening research and development activities focused on functional departments. To remain competitive, it is important to reinforce the contribution of each unit of the company throughout the year and assess the relative impact of these actions, reflecting on information availability and exchange, training, and *decentralized* but *synchronized* technological and strategic vigilance. This focus implies assigning *indirectly productive time* to generate intangible creation of potential. We are currently witnessing, in contrast, an illusory tendency to maximize *directly productive time*, the domination of an unsavory productivism, reflecting disconcerting signs of a loss of professionalism, quality, and sustainable effectiveness of people and organizations (Figure 1.13).
3. Finally, the reduced hours or downsizing, applied when the first two approaches have been explored, are not effective enough to restore a serious economic situation.

These balanced re-allotment strategies, however, are possible only if the company and its leaders refuse to be judged on the sole immediate results by their shareholders, their auditors and bankers, their suppliers of financial resources, and even by public opinion. The company is recommended to enhance and show its performance, in terms of *strategic potential creation* (the real "*premium life insurance*" of the business), its social performance), and obviously, its immediate economic results.

This book invites the reader to explore more active and acute strategies (see Figure I.14 & I.15), instead of strategies that are often too imitative, constricted, apathetic and somewhat "lazy." It calls on companies to relentlessly and periodically innovate and renew their portfolio of products,

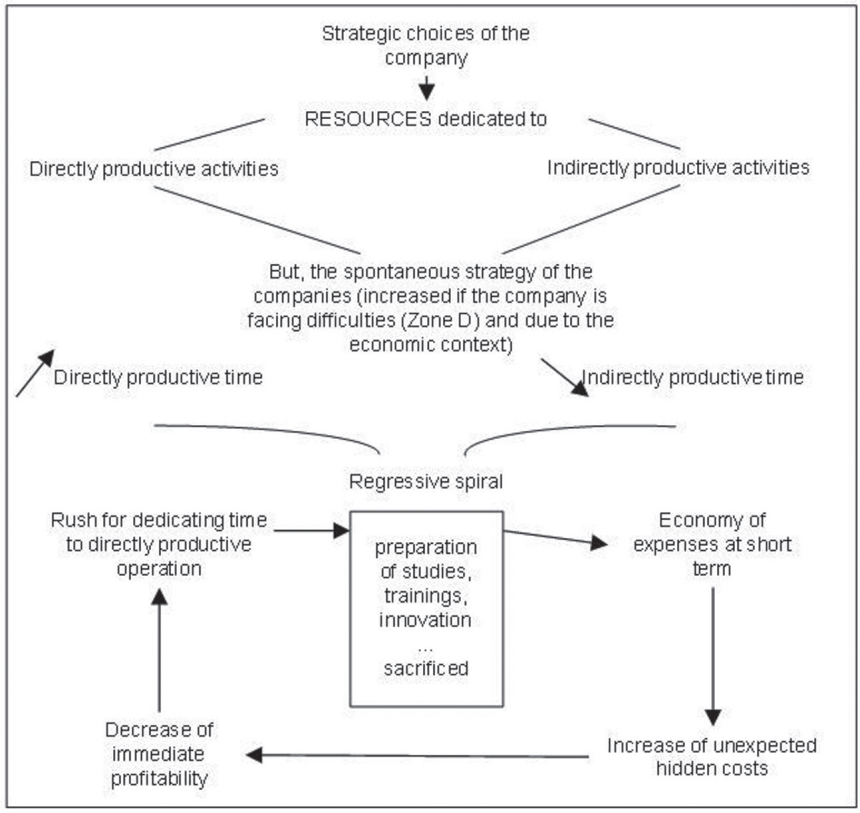


Figure I-13. Development of self-financed creation of potential actions. Company survival at medium and long terms. Preparing future immediate results.

markets, and to share the resulting productivity gains between its stakeholders, including the company, its shareholders, and employees. As roughly 30% of our intervention-research projects have been carried out in public service organizations, in this book we use the terms "company" and "organization." Our socio-economic strategy concepts have been applied without significant difference in a range of organizational types of organizations—from lucrative SMEs and large industrial companies, to public and private organizations, to non-profit social, cultural, artistic, and sports organizations. The scientific knowledge accumulated by ISEOR on socio-economic strategy encompasses more than 1,850 businesses and organizations of all types and sizes, from 42 countries in Europe, America, Africa and Asia, belonging to 72 different sectors and industries.

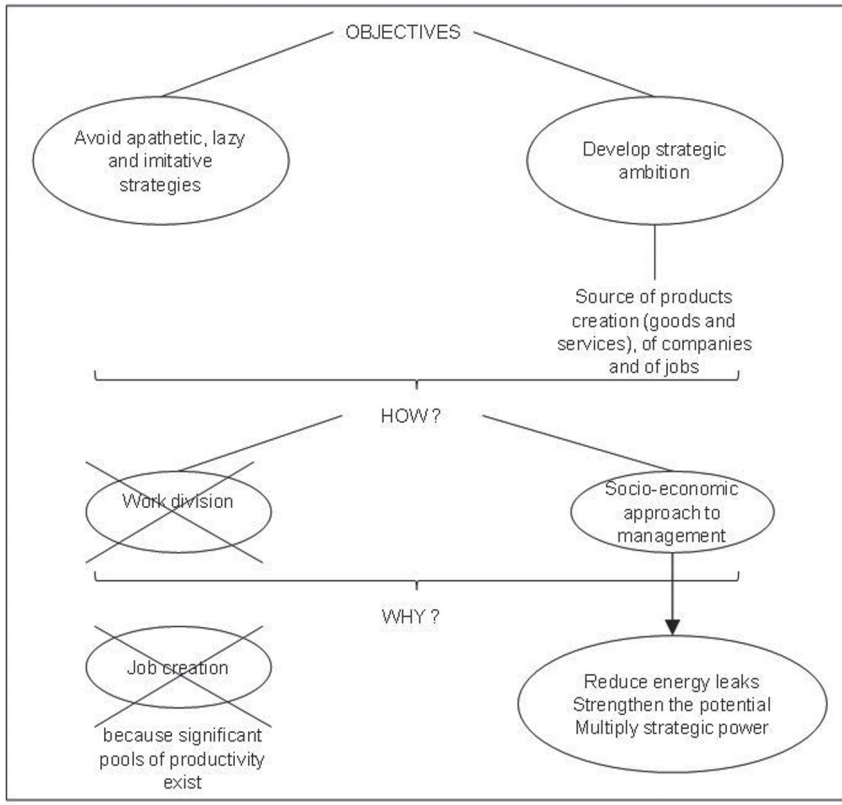


Figure 1-14. Main differences between classical and proactive strategies.

It is indeed essential to halt the decline of remuneration by pursuing incentive-wage policies. From many of our experiments with companies, we have shown that wages increases are self-sustainable through *hidden costs reduction*, i.e., by their recycling into value-added creation. It is an essential condition for the company that uses a performance-based continuous, constant, and regular improvement strategy. Indeed, employees accept effective process changes, provided that profit sharing is given to them in addition to the qualitative benefits that these changes provide.

A company that regularly recycles its hidden costs, as we have measured in many cases, increases its *strategic strength* and develops its strategic ambitions, especially when it realizes that it has managed to achieve unimagined performance or goals that were thought beyond reach. This renewed strategic ambition is a proven source of job creation, more effective than any reduction in working time reduction, which is too often only solution advocated despite the deception it generates.

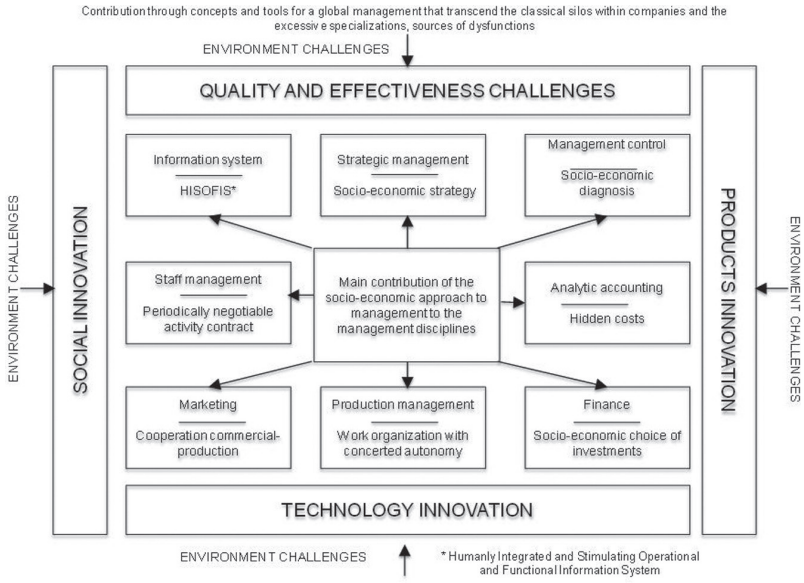


Figure I-15. Scientific field of innovative socio-economic approach to management (SEAM).

As an expert in the French *Commissariat du Plan* (Economic Planning Committee) in 1979, Henri Savall affirmed that human productivity reserves are large, drawing on our research findings (the principle of *high elasticity of human workforce productivity*) that have been demonstrated through our numerous experiments, in all kinds of companies and public service organizations. As a caution, it must be noted that through a working time reduction of a few hours a week most companies and organizations will be able to achieve the same level of activity without creating any new jobs. Nevertheless, by focusing on long-term strategic intelligence, companies can voluntarily create these valuable jobs, based on a proactive strategy embedded in *innovation* in all its facets, from products (goods and services) and markets, to technologies and organization and human potential.

This book is structured in three parts that rely on the multiple observations we have achieved for over 40 years as part of our experimentations through intervention-research (Savall & Zardet, 2004, 2011a, b). The first part develops the challenges of a renewal of analysis and strategic decisions in companies and organizations, both at macroeconomic level and the company itself, and the analysis of the importance of *visibility* in strategic steering. The second part of the volume presents the concept of integrated socio-economic strategy, the methodology of implementation of such

strategies, and the history and in-depth explanation of the concept. Finally, the third part develops the crucial phase after the strategic decision—strategic actions implementation, achievement, and assessment.

FRAMING THE SEAM METHODOLOGY

For over 40 years, the intervention-research team at ISEOR has been practicing a research method that *combines basic and applied research* for developing and validating knowledge hypotheses based on field observation and data from *living* companies and organizations (Savall & Zardet, 2004, 2011b). The researcher, called an "intervener-researcher," aims to better know and understand the observed phenomena through and for action. Therefore, these individuals put themselves in a truly transformative perspective of the research object, since one of the basic assumptions in the intervention-research methodology concerns the *interaction* between the researcher and the "field" (the *cognitive interactivity principle*; see Savall & Zardet, 1996).

THE CHOICE OF TOOLS FOR THE WORK OF SCIENTIFIC INTENTION

The expression "scientific intention" is taken from Perroux—and the more we discover the perfectibility of the human and social sciences, the more relevant this expression becomes. Every discipline possesses a *set of tools* for performing its scientific work. The management sciences, however, suffer from a lack of tools for extensive scientific observation, analysis, and

Strategic Engineering of the Reed:
Reflections on Socio-Economic Strategy and Implementation, pp. xxxix–xlvii

intended for the infinitely small objects and fields within the nature of organizations (Savall, 1985; Savall & Zardet, 1985).

This situation probably takes roots in the paternity of the management science, recently born from splitting off the applied economics sciences. In France, the first "tenure" examination for the management sciences in higher education, for example, was in 1977. Even if management sciences are independent of the French higher education system, this discipline doesn't receive the same recognition in the Centre National de la Recherche Scientifique (the National Center for Scientific Research), where the section is merged with "Economics and Management sciences." This recent evolution in history probably explains the reasons why the tools of scientific observation of the infinitely small (micro) aspects of the management sciences are much less developed than those for observing the meso- and macroscopic fields. It seems that management has been separated from its predecessor, economics, but has maintained the same observation and analysis instruments despite the significant difference of object and scope.

Biology has progressed thanks to the invention of more and more powerful and relevant instruments, aimed at observing the infinitely small, such as the electron microscope, rather than using telescopes intended for astronomy. Indeed, if a thousand employee company can be seen as a *complex* actor in management science, economics considers it as a *single* economic agent or even a mere point in space to be observed through the economics "telescope." It probably explains why management sciences suffer from a lack of instruments—in effect our "microscopes"—as well as a lack of a *sufficiently internalized* geographic and "geopolitical" position of the researcher in the organization. When observing a particle, the resulting knowledge and images representations are quite different depending on whether it is being observed through a microscope or a telescope! Thus, solid knowledge production requires a careful selection of a set of tools, which depends on the size of the observed object, from a wide range of tools including microscopes and telescopes, to a series of intermediate tools, including eyeglasses, magnifying glasses, corrective glasses, and even the naked eye.

For improving the identification and understanding of *practice (actions and discourses of actors inside the organizations)* in the management sciences, it is necessary to develop the missing microscopic tools for the small units or individuals who work in this unit. It is also necessary to alternate from a plunging, in-depth vision to a sometimes panoramic and symptomatic view, by using tools with different goals and levels of magnification, to create a complete "tool box" for management science researchers (see Insert 1).

Table 1. Socioeconomic Diagnosis and Seames Software (Seam Expert System Software)

In 1985, ISEOR collaborated with the professor Jacques Kouloumdjian's computer lab (LISI-INSA Lyon) to design an expert system software for assisting the socio-economic diagnosis of companies or units, the concept and operating method of which was created by Henri Savall (1977). This unique software has been developed in ISEOR with the active cooperation of Nouria Harbi, PhD in information system (Harbi, 1990).

A socio-economic diagnosis aims at identifying dysfunctions and calculating their hidden costs. It is nurtured by three sources of information:

- Semi-structured interviews with at least 30% of the staff of each diagnosed unit and the overall middle and top management team;
- Direct observations to analyze the dysfunctions regulations;
- Document and data analyses.

Dysfunctions are spontaneously reported by the actors during semi-structured interviews, then validated in an oral presentation session in the company to all the interviewees.

The interviews are processed with the software, by facilitating the quotes categorization thanks to a themes, sub-themes and key ideas nomenclature. The software currently includes a 4,713 key ideas qualitative database that has been entirely constructed from the socioeconomic diagnoses achieved during over 40 years in all kinds of companies and organizations.

Approximately over 2,000 socio-economic diagnoses have been completed to date, for which roughly 110,000 people have been interviewed. Dysfunctions are grouped into six themes:

1. work conditions
2. work organization
3. time management
4. communication—coordination—cooperation
5. integrated training
6. strategy and strategy implementation

The sixth theme, which is of particular focus in this volume, includes eight sub-themes involving 580 types of generic dysfunctions that affect strategy. This book presents several extracts, which will be discussed in the following chapters:

- Strategic orientation
- Strategy decision makers
- Breakdown and organization strategic management
- Information system
- Strategic implementation tools
- Means of strategic implementation

The Researcher's Position Choice

If producing scientific knowledge is achieved through the collection of interpreted facts, information, and signals, it is important to realize that researchers choose an observation field and a *position* that allows them to see what they wish to look at. This choice also creates the framework for the following search for satisfactory adequacy between the observation field and the object to be analyzed. This "*strategist researcher*" looks for one (or several positions) for observing what he or she *wants* to observe. As an example, let us consider the basic image of a hill with a top and two sides. Depending on the location of the researcher, three different representations of the hill can be established: two representations from each side of the hill, and a third different representation from the top.

Observing actors' behaviors through the intervention-research method requires negotiating the intervener-researcher's position in the organization with the company CEO and actors. Intervention-research implies that the intervener-researcher and the company leader, or the project manager of the intervention that has been appointed, elaborate a collaborative *methodology specifications chart*. It is aimed at defining the intervention objectives both for the company and the intervener-researcher team, the chosen methodology sequencing, the intervention rhythms, and the geographical and "geopolitical" position of the researcher within the company.

The challenge of this specification is to negotiate the *access to relevant information* in advance, an essential condition for achieving scientific intended research with satisfactory reliability and quality levels (Savall, 1986; Savall & Zardet, 2004). After signing the agreement, a few additional conditions appear to be necessary for completing the research. The intervener-researcher risks getting "trapped" in an approach and, therefore, might have to renounce information sources that could guide the interpretation and conclusions in other directions. The researcher, in essence, undergoes a *methodological and theoretical bias* caused by an overly narrow or biased view of the informants.

The researcher's position and tools choices are thus particularly discriminatory if not decisive. Despite appearances, intervention-research, infused of a transformative vocation, is very different from research completed through "participant observation." This method, used widely in organizational sociology and the sociology of labor, consists of making observations by occasionally participating in certain activities of the company and, in some cases, in the productive activity itself by occupying a workstation in the organization, sometimes without the observed actors being aware. In the intervention-research process, which purposely implies long stays in the company (from months to years), the question of the choice of the intervener-researcher's position is more complex, since it often requires

organizing and negotiating *position movements*. Indeed, researchers alternately change their position from the side to the top, then to another side of the hill to create a dynamic field capable of generating signals, facts, and information that help build the different representations of reality. In effect, a new representation results from the confrontation with the first perspectives.

The alternation between an *immersion* position in the company and a "*distancing*" position is essential to allow the intervener-researcher to develop a conceptual representation of the problematic. In practice, this alternation between different positions is frequent (weekly), through alternation of places where the research-intervention occurs includes the alternation of meetings with different categories of actors who produce signals and facts. So, the choice of the "basket" (set) of informants is a key factor in the quality and quality of the information collected. Limiting signals collection to some categories of actors can result in gathering distorted information. Thus, when addressing an issue about a company's human resources policy or strategy, for example, focusing the information collection from human resources experts or from the *top manager*, according to the case, will lead to a particular representation centered on the objectives and the content of the *stated* human resources policy (or corporate strategy) instead of the actual practices.

Conversely, *expanding the basket of informants*, for example, by including operations managers of the business units, provides a representation of the observable behavior that highlights not only the policy or strategy as perceived, understood, and accepted by the actors who implement it, but also the gaps between the stated objectives and actual practice and achievements. In short, this approach can create a more accurate representation of the observable practices of the company. Another illustration of the importance of the information basket is provided by the socio-economic diagnosis method and by information and data collection from all categories of actors: executives, managers, supervisors, workers, and staff representatives (Savall, 1979b; Savall & Zardet, 1987, 2008, 2014, 2016).

Knowledge and Concept Development Processes

The processes used to generate scientific knowledge in intervention-research are also negotiated with the company's top manager. They are visible and, thus, controlled by the company's actors. These processes reflect the researcher's effectiveness and legitimacy conditions regarding the suppliers (informants) of information, signals, and significant, essential raw material in ensuring the quality of *scientific* intent.

Figure M.1 summarizes the chronology of concept production as they are quasi-concomitantly experienced as they emerge. The concept hypothesis is sometimes established in the place where the intervention-research occurs, and the concept test is negotiated in real time for a first assessment of its relevance. The provisional and sustainable inclusion of the concept in modeling is completed by *critical distancing phases*, as tests are mainly carried out during *immersion phases* within the company or organization. Therefore, the *successive looping iterations* are a fundamental technique we call the *principle of cognitive interactivity* between intervener-researchers, in an ongoing effort to increase the *significance* value of information that have been processed during the scientific work.

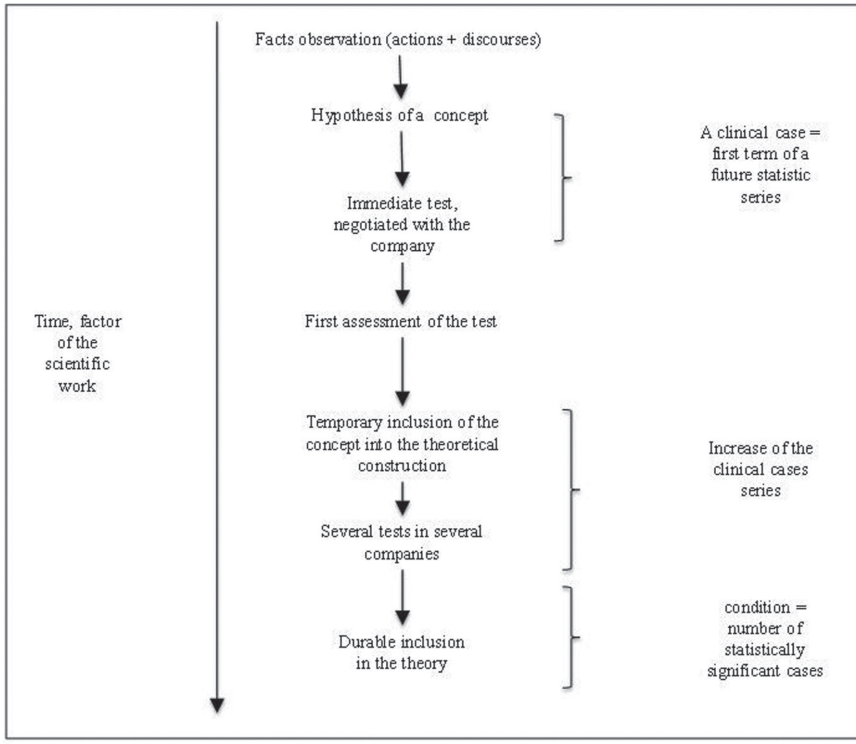


Figure M.1. The Concept Creation and Validation Process.

Towards "Generic Contingency"

The issue of contingency, opposed to universalism and often wrongly associated with the classical rationalism or Cartesian analytics, takes an important place in the epistemological debates that are typically disquieting

in the academic management community. Our position in this debate is ambivalent because our intervention-researches allow us to produce knowledge with a specific *concrete form*, and hence, a contingent nature. However, this knowledge's deep patterns include a few flexible invariants, subject to some relativity, which are generic rules characterized by stability and a "certain universality."

Our practice leads us to reject both the quest of the supposedly unadulterated universal invariants in the strict sense, and the plethoric, volatile, and ephemeral blooms from contingency theory abuses. We propose to refer to the *principle of generic contingency* as the epistemological framework of the results of our intervention-research—which is drawn from more than 1,850 companies, through the work of 600 researchers (monitored by ISEOR) in the field, which represents over 2,000,000 hours work on the topic of dysfunctions and hidden costs impacts on social and economic performance of organizations and their development capacity. These qualitative researches, or longitudinal studies, are not opposed to more quantitative researches of a statistical nature. Indeed, a single case of intervention-research is also an element of a series of statistical analysis constructed in a database. When the number of intervention-researches approaches 2,000, as is the case for the socio-economic diagnoses made or monitored by our team, based on the *generic contingency principle* can conclude that a statistical series of high reliability has been constructed. This process allows us to undertake statistical and data analysis—through the principle of *generic contingency*—that points to the myriad dysfunctions that can have significant and extremely diverse consequences in terms of size, industry, legal status, economic and strategic situation, and national culture. Under the same principle, we have established that the dysfunctions hidden costs monetary value represents between 15 and 35% of revenues or the budget, that is, 50 to 300% of the payroll.

Thus, the dysfunctions analysis we complete in each of our intervention-research projects allows us to produce a relatively stable but evolving knowledge base. Alongside the specific dysfunctions (principle of *contingency*) of each organization, we have identified six invariants and important sensitive points in all organizations (principle of *universality*), which represent the different dysfunctions "families": work conditions, work organization, time management, communication-coordination-cooperation, integrated training, and strategy and strategy implementation. For this reason, the knowledge produced fits into what we have called the principle of *generic contingency*. Our book on the *qualimetric approach* to management sciences research details our research design, from the capitalization of knowledge accumulated from more than 40 years of practice of management research with over 600 intervener-researchers who have worked at ISEOR (Savall & Zardet, 2004, 2011b).

The Role of Company Actors

The company actors alternately or simultaneously play many roles in their relationships with the intervener-researchers, as they are: (1) coproducers of knowledge and providers of information on facts and opinions on company rules; (2) coevaluators of the research and its effects as research partners; and (3) knowledge consumers as end-users. The continuous interaction between actors and intervener-researchers raises very important questions on production process quality. How can the intervener-researcher ensure the quality control of information and data? How can we attempt to ensure the meaning (interpretation) of the ideas expressed by the actors? How should we interpret the signals collected by the researchers in the company as part of a socio-technical field crossed by conflicting visible and hidden perspectives? The fundamental assumption of our work is that decreasing internal and external leaks in a company is possible and improves the *strategic power* or *strength* of the "company-vehicle" through development and implementation of a socio-economic *dual strategy* targeting both internal actors (employees) and external actors (customers, suppliers, competitors, institutions).

CONCLUSION

The framework discussed in this chapter is based on a broad scientific program with a strategy of intervention-researches aimed at validating these assumptions. The goal is both to validate the possibility of defining socioeconomic strategic content appropriate for real *in vivo* situations, and to increase the actors' willingness and ability to implement it. This validation is operated through experiments accompanied and *assessed* in the long term (several years) by the intervener-researcher teams.

The programs of our intervention-research (or so-called scientific consulting) are not mono-focused, since the research objects are multiple. Thus they nurture, with more or less intensity, the validation process of the fundamental principles of the socio-economic strategy (SEAM) concept that the strategic strength of an organization varies according to the level of (1) hidden cost-performance and (2) the quality and intensity of the strategy implementation feedback, the nature or intensity of the strategic decisions and intentions, and their final economic results. Currently, several hundred cases of companies and organizations have provided significant and remarkable results in terms of major strategic adjustments. Some of these business cases are presented in this book and others are illustrated by examples. All those cases of companies support and validate this SEAM conceptualization, especially when they occur simultaneously,

with each company benefiting in turn from the methodological advances of the others.

These experiments begin with an analysis of the company's leaks, i.e., an analysis of the quality, efficiency, and effectiveness of strategy implementation, without questioning *a priori* the existing strategic choices. The detection of leaks due to dysfunctions is followed by the development and the implementation of a (partial) recovery program of these value losses, losses that gradually influence the policy process. The subsequent challenge is to update the strategic analysis, undertake new strategic decisions, and adjust strategic action phases as necessary. The model and tools presented in this volume were gradually built on a scientific approach and work method with the companies, simultaneously incremental, inductive, and heuristic. They are developed more fully in the third part of the book.