CHAPTER SEVENTEEN

Facing the Complexities
of Culture Change
A Case Study

[T]he social context from which a new setting emerges, as well as the thinking of those who create new settings, reflects what seems "natural" in the society. And what seems natural is almost always a function of the culture to a degree that usually renders us incapable of recognizing wherein we are prisoners of the culture. Those who create new settings always want to do something new, subsequently be disarmed by, categories of thought which help produce the conditions the new setting hopes to remedy. If we accept the proposition that the more things change the more they remain the same, it is not because people will it or because of the perversity of the human personality but primarily because of what we think to be "natural," that is, so a part of us that it is inconceivable that things could be otherwise. [Sarason, 1972, pp. xii–xiii]

The purpose of this chapter is to illustrate the complexity of culture and culture change when one applies it to a particular

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organization faced with particular problems. In practice, the drive for culture change derives from the need to solve organizational problems. It is only when cultural assumptions get in the way that the issue of culture change arises. We will examine the case of a major turnaround that was designed to solve a great many problems that the Multi Company had generated. This case illustrates many of the mechanisms discussed in Chapters Fifteen and Sixteen but also raises some fundamental questions about whether or not real culture change took place.

In the earlier description, of the Multi paradigm I tried to show how certain deep shared assumptions related to each other and how that pattern of assumptions explained a great deal of the organization's day-to-day behavior. Here I also want to show how a change process revealed elements of Multi's culture and how it did and did not change, even as the organization changed.

As I lay out the case what I mean by a clinical approach to studying culture will become clearer. I will present data from Multi along with contrasting observations of the Action Company to illustrate through concrete events how the change process unfolds and how the consultant gets involved. The cultures of Action and Multi did not reveal themselves easily or automatically. Rather, with the help of members of the organization, I had to reconstruct why certain events that struck me as incongruent made sense when viewed from a cultural point of view. I will therefore interweave into the following account how I made some of the cultural inferences that have been reported in this book.

The information presented here is, of course, not complete, either historically or ethnographically. It is limited by the clinical perspective I am taking and is therefore biased by what the client's purpose was in talking with me. Nevertheless, culture is pervasive, and so the deeper assumptions of a cultural paradigm show through in any of the settings that can be observed. What is less clear is the structure and content of the various subcultures that may have existed, though the impact of some of those subcultures became quite visible during the change process.

Initial Contact and First Annual Meeting

My involvement with the Multi Company began in 1979 with a major "educational intervention" for the top-management group at its annual worldwide meeting. Dr. Peter Stern, Multi's director of management development, had heard me speak at a 1978 open seminar on career development and career anchors (Schein, 1978, 1990a). Dr. Stern suggested to his boss, Richard Maier, the chairman of the executive committee (the group accountable for the company's performance), that my material on career dynamics might be worth sharing with Multi's senior management.

Maier's goal for the annual meeting was to combine work on company problems with some stimulating input for the group, broadly in the area of leadership and creativity. He saw that the company was moving into a more turbulent economic, political, and technological environment that would require new kinds of responses. Maier was a descendant of one of the founding families of the company but had spent ten years of his career in Multi's U.S. subsidiary and had come to appreciate that the more dynamic U.S. environment stimulated a level of creativity that he saw as lacking in the home country. His own educational background was not in science but in law. He was a good example of the kind of marginal leader who could simultaneously be in his culture and yet perceive it somewhat objectively. His bringing various outside speakers into the annual meeting was a deliberate attempt to broaden the perception of his top management. My two days of lecturing were to be focused on leadership and creativity in the context of individual career development.

Both the topic of creativity and the approach of lecturing to the group were completely congruent with Multi's assumptions that (1) creativity is important in science, (2) knowledge is acquired through a scientific process, and (3) knowledge is communicated through experts in a didactic way. By way of contrast, in the pragmatic environment of the Action Company, it would have been inconceivable to devote two whole days of senior management's time to a seminar primarily involving outside lecturers. Similarly, the topic of creativity would not have

interested the senior managers. It would have been viewed as much too abstract and as irrelevant to their work.

Whereas at Action everything was planned to the smallest level of detail, at Multi everything was planned to the smallest level of detail. After Maier and Stern had agreed on the general topic, it was necessary for me to meet Maier to see whether my general approach and personal style were compatible with what he was looking for. I was invited to spend a day and night at his house, where I met his wife as well. Maier and I got along well, so it was agreed that we would go ahead with my sessions at the 1979 annual meeting.

Some weeks later, a Mr. Kunz visited me at MIT to discuss the details. Kunz was the seminar administrator responsible for the detailed agenda of the three-day meeting and, as it turned out, also had to indoctrinate me on how to deal with this group. He had been a line manager who had moved into executive training but by virtue of his prior experience was familiar with the expectations of senior line management. Kunz met with me for many hours some months prior to the seminar to plan for the materials to be used, the exercise to be designed to involve the participants, the schedule, and so on.

In this process I observed firsthand how carefully Multi managers planned for every detail of any activity for which they were responsible. The company was clearly willing to commit all the time and energy it might take to design as nearly "perfect" a meeting as possible. Not only was Multi's high degree of commitment to structure revealed in this process, but in retrospect, the process also revealed how basic the assumption was about managerial turf. Kunz had clear responsibility for the conduct of the meeting, though hierarchically he was two levels below the participants. He had formed a review committee that included Maier and some members of the executive committee to review the seminar plan and to obtain their involvement. However, this group gave Kunz considerable freedom to make final decisions on seminar format. Thus, at both Action and Multi, each culture was displaying itself in the manner in which I encountered the organization, but I did not know this at the time.

The participants at the Multi annual meeting were Maier; the chairman of the board, Maier's boss; several board members who came as visitors; the nine-person executive committee; all the senior functional and divisional managers; and the most important country managers — some forty-five people in all.

Though I did not know it at the time, the meeting served a major integrative and communication function in that it legitimized during the three-day event what culturally did not occur in day-to-day operations — a high level of open and *lateral* communication. It also reflected the hierarchical emphasis, however, in that this sharing across units took place in public under the scrutiny of the executive committee and board members. Moreover, there was still a strong tendency to defer to others and to share ideas only when information was specifically requested. The meeting also provided an opportunity for senior management to send a major message quickly to the entire organization and, as we will see, to involve the entire organization in crisis management when that was needed.

The meeting took place at a pleasant mountain resort and included a special recreational event that helped the group to loosen up with each other. My talks were delivered on the second and third day and included a set of mutual interviews on career histories to help participants determine their "career anchors." I put creativity into the context of innovation, especially role innovation, to highlight that scientific creativity is by no means the only kind and that managers in any role can become more innovative in their approach. I asked people to pair themselves up in any way that seemed comfortable. The chairman of the board enthusiastically participated and thereby set a good tone for the meeting.

His enthusiasm was confirmed when, during the informal dinner following the recreational event on the third day, he spoke humorously and personally about his own career anchors thereby legitimating the previous day's input, and again illustrating how ready managers in this organization were to listen to authority and utilize academic inputs.

The major effects of the two days as I now reconstruct these events were as follows:

1. The group obtained new insights and information about creativity and innovation, especially the insight that innovation occurs within a variety of careers and organizational settings and should not be confused with the pure creative process in which scientists are creative had crept in, so those managers who had left their technical identities behind long ago were reassured by my message that managerial role innovations in all the functions of the business were much needed in a healthy organization. This legitimized as "creative" a great many activities that had previously not been perceived as such and liberated some problem-solving energy by linking innovation to day-to-day problem solving. This insight would not have been all that important but for the fact that the group held such strong assumptions about science and the creative process within science. I learned later that it was Maier's intention all along to broaden the group's perspective and to lay a groundwork for changes that he had in mind.

2. The group obtained new insights from the discussion of career anchors, which emphasized the variety of careers and the different things people are looking for in their careers. The effect was to unfreeze some of the monolithic notions about careers and the role of scientific backgrounds in careers. The board chairman's humorous talk legitimized the notion of individual differences in careers, particularly since the chairman also was a lawyer, not a scientist.

3. The group got to know me and my style as a responsive process consultant through several spontaneous interventions that I made during the two days. In particular, I was allowed to attend Kunz's planning committee meetings to review each day's activities and found in that context a number of occasions where my ideas for process and design facilitated the group's planning. In these meetings Maier and other members of the executive committee observed that a process consultant could be very helpful at a meeting.

During the informal times at meals and in the evening, my spontaneous responses were geared to getting out of the expert role. For example, if I was asked what companies were doing

today in the field of participative management, I would give examples and highlight the diversity of what I observed rather than generalizing as I was expected to do. I had the sense that in this process I was disappointing some of the managers with whom I was speaking because I did not fit the stereotype of the scientist who is willing to summarize the state of knowledge in a field. On the other hand, my willingness to delve into Multi's problems appealed to some managers, and they accepted my self-definition as a process consultant rather than an expert consultant.

My participation in the meeting ended when my two days were finished, but plans were made to institute career planning and job/role planning in broader segments of the company. Specifically, Maier and the executive committee decided to ask all senior managers to do the "job/role planning exercise," which involves rethinking one's own job in the context of how it has changed and will continue to change as one projects ahead five years and analyzes the environment around the job (Schein, 1978). Maier also encouraged more managers to do the "career anchor interview exercise" as input to the annual management development process and authorized the development of an adaptation of the original interview questionnaire for use specifically in the company. I was asked to work with the headquarters management development group to help implement these two activities by spending roughly ten to fifteen days during the subsequent year as a consultant. My clients were to be Maier and Stern, the management development director; the broad mission was to increase the company's ability to innovate in all areas.

First Year's Work: Getting Acquainted with the Culture

I visited the company several times during the year, each time for two to three days. During these visits I learned more about the management development system, met some of the members of the executive committee, and gradually got involved in what I considered to be my most important activity, the planning of the next annual meeting. From my point of view, if in-

novation was to take hold, the relatively more open climate of the annual meeting was the most important thing to take advantage of. My goal was to be accepted as a process consultant to the entire meeting, not as an educator coming in with wisdom for one or two days.

However, the notion that I could help "on line" continued to be quite foreign to most of the managers. At Action I had learned the opposite lesson: unless I worked on line with real problems, the group considered me more or less useless. Initially, I thought that the reactions of Multi's managers were simply based on misunderstanding. It was only with repeated experiences of not being invited to working meetings at Multi, of always being put into an expert role, and of always having to plan my visits in great detail that I realized I was up against something that could be genuinely defined as cultural. The Multi managers' perception of what consultants do and how they work reflected their more general assumptions about what managers do and how they work.

For example, on several occasions I noticed that managers whom I had met on previous visits looked past me and ignored me when I encountered them in the public lobby or the executive dining room. As I later learned, to be seen with a consultant meant that one had problems and needed help—a position that these managers strongly avoided. I could only be accepted in a role that fitted Multi's model, that of educator and expert to management as a whole. The point is important because my request to attend the next annual meeting as a process consultant was, unbeknownst to me, strongly countercultural. But Maier was intrigued, and his own innovativeness swayed other members of the planning committee.

We compromised on the notion that I would give some lectures on relevant topics based on the events I observed at the meeting, thus legitimizing my attendance. My role as a consultant was further legitimized by my being cast as a scientist who had to be given an opportunity to get to know top management better so that I could be more helpful in the future. Maier and other senior managers had a specific view of what the total group needed, and they were prepared to introduce

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Who's arguing view?

What are the salary considerations?

Given these goals, the planning committee saw the point of having me help in the design of the meeting and plan lectures as needed on how to initiate and manage various change projects. In other words, the economic and market environment was creating a financial crisis, top management decided it was time to deal with it, and the consultation process became one piece of management's more general process of launching the redirection project.

Unfreezing at the Second Annual Meeting

The first segment of the second annual meeting that I attended was devoted to presenting financial data, division by division, and then having small group meetings to digest and analyze the situation and formulate proposals for reversing the business decline. What made the situation complicated was that some of the divisions, those operating in mature markets, were losing money and needed major restructuring while other divisions were growing and making significant contributions to overall profit levels. The division managers from the problem divisions were embarrassed, apologetic, and overconfident that they could reverse the situation, while others said privately that the losing divisions could not possibly accomplish their goals, were not really committed to change, and would make only cosmetic alterations.

The division managers from the profitable divisions bragged, felt complacent, and wondered when top management would do something about the "losers" who were dragging others down with them. However, many people from the losing divisions and from top management said privately that even the profitable divisions, although they might look good relative to others inside the company, were not performing as well as they should in comparison to outside competitors in their own industrial market segment. Clearly, it was up to the hierarchy to solve the problem, as the divisions saw it.

During the division reviews and presentations, another important cultural assumption became evident. The company had been diversifying for a number of years and was attempting to enter the consumer goods market via a recent acquisition in

introduce a program of change ....

This business problem had been developing over several years but had not yet been identified as a crisis to be collectively shared with senior management worldwide. The major product divisions of the company were the primary profit centers but, as indicated earlier, were not likely to communicate much with each other, even though their various headquarters were all in the same city. These divisions knew what their individual situations were but seemed unaware of the impact of dropping profit levels in many areas on the company as a whole. Only the executive committee had the total picture.

This situation could easily arise because of the low amount of lateral communication, permitting the manager of a division that was losing money to rationalize that his loss was easily compensated for by other divisions and that things would soon improve. The culture encouraged each manager to worry only about his own piece of the organization, not to take a broad corporate view. Although communications that had gone out to the divisions over the year had suggested a total company problem, no one seemed to take the message very seriously. Therefore, much of the annual meeting was to be devoted to selling the idea that there was a total company problem and helping managers in small group meetings to accept and deal with those problems.

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the United States of a company that manufactured a line of air-freshening, deodorizing, and cleaning products. I was sitting next to a chemist, a member of the executive committee, when some of the consumer-oriented advertisements were shown on the screen as part of the division review. He was clearly upset by the "low" level of the message and whispered to me in an agitated tone, "Those things aren't even products; they don't do anything." His assumption seemed to be that a product had to be something useful, such as a cure for disease or a successful pesticide that reduces starvation. As I learned subsequently, managers took great pride in the important and useful products that were a current source of success. Selling something only because it made money did not fit some of their cultural assumptions about the nature of their business, and dealing with an organization whose processes were primarily geared to marketing made them uneasy. It was no surprise, therefore, when in 1987 this division was sold even though it was profitable.

The country managers, representing subsidiary companies in the major countries of the world, acknowledged the cross-divisional issues but were actually more upset by the fact that the headquarters organization—representing such functions as research and development, finance and control, personnel, and manufacturing—had become overgrown. These managers insisted that the headquarters functional staffs should be reduced because they were an unnecessary overhead and in many cases an active interference in running the businesses in the various countries. A high degree of centralization of research and development, manufacturing, and financial control had made sense while the company was young and small; but as it expanded and became a worldwide multinational, the small regional sales offices had gradually become large autonomous companies that managed all the functions.

Country heads needed their own staffs; but these staffs then came into conflict with the corporate staffs and the division staffs, who felt that they could communicate directly with their division people in each country. Because of the hierarchical nature of the organization, the headquarters groups asked for enormous amounts of information from the regions and fre-

quently visited them. They felt that if they had worldwide responsibility for something, they had to be fully informed about everything at all times. Because of the lack of lateral communication, the functional staffs did not realize that their various inquiries and visits often paralyzed local operations because of the amount of time it took to answer questions, entertain visitors, get permission to act, and so on.

As the cost structure of the company came under increasing scrutiny, the country organizations were asked to reduce costs, while the headquarters organizations remained complacent, fat, and happy. The question that most worried the country managers was whether top management considered the profit erosion to be serious enough to warrant reductions in the headquarters functional staffs. If not, this must be only a fire-fighting drill, not a real crisis.

By the end of the first day of the meeting, the disconfirming financial data had been presented and groups had met to consider what should be done, but the feedback from the groups indicated neither a complete understanding nor a real acceptance of the problem. There was clearly insufficient anxiety or guilt. The planning committee met to consider what to do and decided that the other consultant could help the participants recognize the seriousness of the problem if he interrogated them in the style of a Harvard case discussion and led them to the inevitable conclusion that a crisis really existed. On the second day of the meeting he did this very effectively in a two-hour session that proved conclusively to all present that the organization could not remain profitable in the long run unless major changes were made. The result was a real sense of panic and depression. For the first time, the message had really been accepted collectively, setting the stage for the introduction of the redirection project.

Why did this work? I had the sense that in a culture where senior managers function symbolically as parent figures, it is difficult for the parents to tell the children that the family may fail if they don't shape up. The children find it too easy to blame each other and the parents and to collectively avoid feeling responsible. At Multi there was too much of a tradition that

senior managers (the parents) would take care of things as they always had. The anxiety of facing up to the "family problem" was too overwhelming, so a great deal of denial had been operating.

The outside consultant could, in this case, take the same information but present it as a problem that the family as a whole owned and had to confront and handle as a total unit. He could be much more direct and confrontational than insiders could be with each other, and at the same time he could remind the total group that all the members were in this together—the executive committee as the symbolic parents along with all the children. This recognition did not reduce the resultant panic; however, it forced it out into the open because denial was no longer possible. The group had been genuinely disconfirmed and made anxious, but it did not feel psychologically safe and hence felt paralyzed.

The next problem, then, was how to deal with the current panic and discouragement. How could we provide some psychological safety that would permit the group to redefine the situation, to begin to feel capable of doing something constructive? The other consultant and I took a long walk to think this out and came up with the idea that now would be a good time to give some lectures on the nature of resistance to change and how to overcome it. He had been confrontational, so I should now come on as supportive and faciliative.

I hurriedly pulled together notes, made transparencies, and on the following morning gave lectures on (1) why healthy organizations need to be able to change, (2) why individuals and groups resist change, (3) how to analyze forces that facilitate and forces that constrain change, and (4) how to develop valid change targets for the coming year, in the context of the redirection project, with timetables, measurements of outcomes, and accountabilities. I emphasized a point that is central to change projects: the period of change must itself be defined as a stage to be managed, with transition managers specifically assigned (Beckhard and Harris, 1987).

These lectures had the desired effect of giving the group members a way of thinking positively so that when they were

sent back into small groups to develop priority issues for making the redirection project a success, they were able to go off to these meetings with a sense of realism and optimism. The general results of the small group meetings were quite clear. The groups saw the need for the unprofitable divisions to shrink and restructure themselves and the need for profitable divisions to become more effective relative to the competition. However, they stated clearly that neither of these things could happen if the headquarters organization did not confront the excess of people in the headquarters and the style of management that was emanating from the functional groups. The ideas were not new, but they were now shared and with some conviction. The meeting ended with top management making a commitment to confront all of the issues identified and to create a set of task forces to deal with the problems.

Creating a Parallel Structure for the Redirection Project

The Multi managers were skillful at working in groups. Maier and the executive committee used this skill first by creating a steering committee to organize the redirection project into thirty or so separate manageable tasks. The steering committee met for several days following the annual meeting to think through the specific tasks to be accomplished in the redirection process and to design the entire parallel system that would implement it.

A separate steering committee was created for each task and one member of the executive committee was made accountable for the performance of that task group. In order to avoid asking some of the senior managers to downsize and restructure divisions for which they had previously been responsible, assignments were reshuffled so that no conflicts of interest would arise and so that each division would be looked at with fresh eyes.

In addition, each task group was assigned a senior manager to review and challenge the proposed solutions of that task group to ensure that they made sense and had been properly thought through. The steering committee defined the timetables, and the broad targets. Each team was also given the services of an internal organizational consultant to help with the

organization of the team itself, and several of the teams asked for and obtained my help on how to structure their work.

All of this was communicated clearly by top management in written form, in meetings, and during visits to various parts of the company throughout the following year. Not only the process but the necessity for it and top management's commitment to it were highlighted. Great emphasis was given to the particular project that would reduce the number of people at headquarters by at least one-third, no small task since in many cases this involved laying off friends and relatives.

These structural changes in job responsibilities were major innovations implemented by the steering committee. The skillful use of groups both at the annual meeting and in the design of the projects struck me as paradoxical. How could a company that was so hierarchical and so concerned about individual turf be so effective in inventing groups and in operating within a group context? The answer appeared to lie in the fact that the top management of the company was itself a group of people who had worked together for a long time and felt jointly accountable. The broader culture in which the company functioned also represented this same paradox—strong individualism but at the same time a strong sense of community and a commitment to work together in groups to solve problems.

This respect for groups was confirmed in a meeting where I was advising two young managers of executive training programs on the design of a one-week middle-management course. I suggested the use of one of the group survival exercises that clearly illustrates how groups can solve some objective problems better than individuals can. These managers told me that they had used the exercise in the past but that participants routinely asked why their time was being wasted, because they were already convinced that groups could do better than individuals in problem solving.

One might also speculate that group work had such importance in Multi because it was virtually the only form of lateral communication available. The sensitivities that might be operating if managers from one division offered or asked for help from another division could be overcome, with faces saved, if

a task force consisting of members of both divisions adopted a process of taking turns reporting to each other on the progress of effective and ineffective interventions. The listener could then learn and get new ideas without either identifying himself as having a problem or having others identify him as a target of their input. Group meetings thus preserved face all the way around.

It was also recognized that groups helped build commitment to projects even though the implementation system was essentially hierarchical. If groups had discussed the issue, the hierarchy worked more smoothly, as in the Japanese system, where consensus is sought before a decision is announced. In various ways the redirection project was using the cultural strengths of the company and was redefining its formal procedures in order to deal with the business problem without changing the culture overtly.

Second Year's Work: Consolidating the Redirection Project

During my several visits to Multi following the second annual meeting, I worked on three important areas. First, I made myself available to any project group or group members who wished to discuss any aspect of how to proceed, the appointment to be made at their initiative. If I learned something that would help other projects, I would summarize it and write it up for circulation to others. I was consulted by several managers on how best to think about early retirement, how to ease people out without them losing face in their home community, how to get managers to think about innovative restructuring, and so on. As already mentioned, I soon discovered that my memos pulling good ideas together died on the desks of the people to whom I gave those memos. That was my first encounter with the cultural norm that at Multi information does not circulate laterally. I also spent a good deal of time with the executive committee member who was responsible for the whole project, helping him keep his role and his leadership behavior in his project group clear and effective. He was the only member of

the executive committee who consistently used me as a process consultant. Parenthetically, he was the chief financial officer and also a lawyer. Several project managers wanted help in thinking through their roles as project chairmen and solicited my reactions to proposals before running them by the challengers.

Second, I became more familiar with the management development inventory and planning system and began a series of meetings with Stern to see how it could be improved. Bringing in and developing better and more innovative managers was viewed as a high-priority longer-range goal of the redirection project. It was also widely known that Stern would retire within a year and his successor might need a consultant who had learned something about the company to help him think out his program.

Third, I was asked by Maier and the planning group to think about the cultural assumptions operating, to interview managers about the company culture, and to figure out how the culture was aiding or hindering the redirection project. The basic idea was to be prepared to comment on the role of the culture at the third annual meeting.

Third Annual Meeting: The Culture Lecture Disaster

I had made it clear that one should think of change as a stage to be managed, with targets and assigned change managers. From this point of view, the third annual meeting provided a natural opportunity to review progress, find out what problems had been encountered, share successes and good innovations, replan some projects if necessary, and most important, announce newly defined role relationships between executive committee members, division heads, and country heads. The headquarters organization realized that it was too involved in the day-to-day operation of the local businesses. So as the functions were shrunk and restructured, it also appeared desirable to redefine the corporate headquarters role as more strategic, while the operating units would do more of the day-to-day management. This was possible because country managers were now willing and able to assume more responsibilities and because the executive com-

mittee increasingly recognized the importance of its strategic role.

At the opening session I was asked to review the progress of the redirection project on the basis of interviews with a series of managers about their experiences with the project. This lecture was designed to remind the participants of change theory, to legitimize their individual experiences and frustrations by giving a wide range of examples, to illustrate how innovative managers had dealt with restraining forces, and to introduce the concept of corporate culture as a force to be analyzed. On the basis of my observations and systematic interviews, I was also to review some of the major cultural assumptions operating at Multi.

The reaction to the lecture produced an important insight. Many participants said that I had stated things more or less accurately, but they clearly were not pleased that I, as an outsider, had made portions of their culture public. Some of them insisted that I had made errors of misinterpretation, and one or two executive committee members subsequently decided that I was not a useful consultant. For me to discuss their cultural assumptions created a polarized situation. Some managers moved closer to me, while others moved farther away. I concluded that if one did not want that kind of polarization, one should help the group decipher its own view of that culture rather than present one's own view of that culture in a didactic manner.

Following the general presentation on culture and change, each of the project groups was asked to give a brief review of its status, and small groups met to consider implications and make suggestions. The last part of the meeting and, from the point of view of the planning group, the most difficult part concerned the problem of how to inform everyone about the new roles of the executive committee, the division heads, and the country heads. The executive committee members were not sure that their planned effort to have headquarters become more strategic and to have individual operating units assume more of the day-to-day responsibilities would be understood and accepted.

We therefore planned a three-step process: (1) a formal announcement of the new roles; (2) a brief lecture by me on the

implications of role realignment, emphasizing the systemic character of role networks and the need for each manager to renegotiate his role downward, upward, and laterally if the new system was to work; and (3) a powerful emotional speech by the chief financial officer on the effect of this new alignment in streamlining the company for the future. The meeting ended on a high note, based on a sense of what had already been accomplished in one year, what accomplishments were in the works, and what improvements could be expected from the new role that the executive committee had taken for itself.

The fact that the headquarters organization had begun to shrink through early retirements and had reduced some of its more bothersome control activities sent the clear message that top management was serious about its role in the redirection project even though the early retirement of headquarters people was an extremely painful process. The fact that people were being retired destroyed the taken-for-granted assumption that people had a guaranteed career in the company, but the highly individualized and financially generous manner in which retirements were handled reinforced another basic assumption: the company cared very much for its people and would not hurt them if there was any way to avoid it.

Third Year's Work: Assessing the Redirection Project

Most of my regular visits subsequent to the third annual meeting were devoted to working with John Lyons, the new director of management development. Stern had been asked to retire as part of the headquarters restructuring. Though I continued to meet with members of the executive committee on redirection matters, the priority shifted to helping Lyons think through his new role and reexamine how the entire process could be improved. Dr. Stern was offered, as part of his retirement package, a consultantship with the company provided he developed a research project that could be jointly conducted with me.

We proposed a study of the careers of the top two hundred managers in the company, with the purpose of identifying crit-

ical success factors or problems in those careers. The project was approved by the executive committee on condition that I was to act as technical supervisor of the project, reminding me once again that my credibility as a consultant rested heavily on my scientific reputation and that scientific validity was the ultimate decision criterion for the company. The study involved a detailed reconstruction of the careers and revealed surprisingly little geographical, cross-functional, and cross-divisional movement as those careers progressed.

Stern presented these and other results to the executive committee, and this led to a major discussion of how future general managers should be developed. The committee reached a consensus that there should be more early geographical rotation and movement into and out of headquarters, but cross-functional and cross-divisional movement remained a controversial issue. The executive committee members also realized that rotational moves, if they were to be useful, had to occur early in one's career. They decided that such early movement would occur only if a very clear message about the importance of career development went out to the entire organization.

This decision led to the design of a half-day session on management development, which was inserted into the management seminars that are periodically given to the top five hundred managers of the company. A new policy on early rotation was mandated, and the data from the project were used to justify the new policy. Once senior management accepted a conclusion as valid, it was able to move decisively and to impose a proposed solution on the entire company. The message was communicated by having executive committee members at each seminar, but implementation was left to local management.

During this year Maier relinquished the job of chairman of the executive committee for reasons of health, providing a potential succession problem. However, the executive committee had anticipated the problem and had a new chairman and vice-chairman ready. The new chairman was a scientist, but the new vice-chairman was the chief financial officer who had shown great leadership skills during the redirection project. Both of them strongly reaffirmed the scientific and technical assump-

tions underlying the success of Multi, as if to say, "We are making major changes, but we are the same kind of culture as we were before."

By the end of the third year, the financial results were much better, and the restructuring process in the unprofitable divisions was proceeding rapidly. Each unit learned how to manage early retirements, and a measure of interdivisional cooperation was achieved in the process of placing people who were redundant in one division into other divisions. Initial attitudes were negative, and I heard many complaints from managers that even their best people were not acceptable to other divisions; but this attitude was gradually eroded because the assumption that "we don't throw people out without maximum effort to find jobs for them" eventually overrode the provincialism of the divisions. Managers who were too committed to the old strategy of running those divisions were gradually replaced with managers who were deemed to be more innovative in their approach. One of the managers of a division that needed to make major reductions and redesign its entire product line was deemed so successful in this project that he was promoted to the executive committee and is today its chairman.

Because the redirection project had fulfilled its functions, it was officially terminated at the end of the third year. Relevant change projects would now be handled by the executive committee, and I was asked to be "on call" to line managers needing help. The new head of one of the previously unprofitable divisions, for example, wanted help in restoring the morale of those managers who remained after many of their colleagues were retired or transferred to other divisions. He sensed a level of fear and apathy that made it difficult to move forward positively. In true Multi fashion, he had tried to solve this problem on his own by bringing in an outside training program, but it had been unsuccessful. He then requested a meeting with me to seek alternative solutions. Given the Multi culture and this manager's own commitment, it was obvious that he should build his program internally and enlist the aid of the corporate training people, who would know how to design a program that would be culturally congruent. He had never considered using the cor-

porate training group to help him, though he knew of it and liked some of the people in it. I found myself being the broker between two parts of the organization that could have been talking to each other directly. This individual followed up on my suggestion, and in the following year a successful in-house program was developed.

During the following two years my involvement at Multi declined gradually. The head of the redirection project on headquarters reduction has since become the chairman of the board and the former head of the division that needed the most downsizing has become the chairman of the executive committee. Both of these managers showed their talent in the way they handled their projects. All of the changes were accomplished without any outsiders being brought into Multi. I continued to work with Lyons on management development issues and helped him implement some of his programs. I also worked with the U.S. subsidiary on projects where my knowledge of the culture was considered an asset. Nevertheless, the assumption that one only uses consultants when one has serious problems prevailed. Since 1988 my involvement with Multi has been virtually zero.

Summary and Conclusions

Based on what I observed and have heard, Multi has successfully weathered a major organizational crisis involving many elements of its culture. Let us look at some specifics.

1. The financial trend toward nonprofitability was decisively reversed.

2. Two previously unprofitable divisions restructured themselves by drastically cutting products, facilities, and people and by reorganizing their production and marketing activities to fit the current market and economic realities. One of these divisions was considered a loser, but because of its successful restructuring under a dynamic manager, it is now considered the hero of the company.

3. The functions at corporate headquarters were reduced by 30 to 40 percent, and more line responsibility was delegated to the countries and divisions.

4. The functions in the divisions were also reassessed, and their role was changed in line with headquarters becoming more strategic.

5. The profitable divisions thoroughly reassessed themselves and initiated programs to become more competitive in their particular industries, particularly the pharmaceutical division.

6. Executive committee members restructured their own areas of accountability so that each division, country, and function now has a clear line boss but one whose focus is strategic. In the previous system, these organizational units had felt accountable to the entire executive committee.

7. A major management succession occurred and was negotiated successfully in that the new chairman and vice-chairman of the executive committee were perceived by senior management as good choices, and the two have been promoted further in recent years.

8. In the three-year change process, many managers who were considered less effective were weeded out through early retirement, permitting key jobs to be filled by managers considered more dynamic and effective.

9. Senior managers acquired insight into the ways in which their culture both constrains and helps them.

10. A major cultural assumption about career stability, particularly at headquarters, was reassessed and abandoned. In that process another major assumption about dealing with people on an individualized and humane basis was reaffirmed.

11. Managerial career development was redefined in terms of required rotation geographically and through headquarters.

12. The consumer goods acquisition that did not fit was reevaluated and the decision was made to sell it. At the same time the corporate acquisition policy was clarified to look only for companies based on technologies with which Multi felt comfortable.

Most managers in Multi undoubtedly would say that they had undergone some great changes and that many of their assumptions about the world and the company have changed.

However, when one looks closely, the cultural paradigm of the company has not really changed at all. There is the same bias toward scientific authority, the hierarchy functions as strongly as ever but with redefined roles, the assumption that managers do their best job when left alone to learn for themselves is still very strong, and lateral communication is still considered mostly irrelevant. For example, there is still no regular meeting of division heads except at the annual meeting, where they meet with everyone else, and there are no functional meetings across countries or divisions.

Various projects—for example, to bring in MBAs on a trial basis and to hold worldwide meetings of functional people, such as the management development coordinators from all the divisions and key countries—are being advocated, but one senses that they are only tolerated in the culture, not encouraged. On one of my visits, Lyons arranged for me to meet five of the MBAs who had been hired into different parts of Multi to see how they were reacting to their different situations. We had a productive and constructive meeting. A week later Lyons was criticized by several MBAs' bosses for organizing the meeting because he was stepping onto the turf of these other managers, who would not have given permission for such a cross-departmental group to meet.

I mention all this because when the redirection project began, we all talked of culture change. To label a change as culture change enhances the drama of what is happening, so it may have some motivational value even if it is inaccurate. At the same time, it focuses people on the culture so that they can identify both the constraints and the enhancing features of the culture. The important thing to note, however, is that considerable change can take place in an organization's operations without the basic cultural paradigm changing at all. In fact, some of the assumptions could not have changed but for the even stronger action of deeper assumptions. Thus, some parts of the culture helped many of the changes to happen in other parts of the culture. In a study of major changes in large corporations, Donaldson and Lorsch (1983) report something very similar. The basic deep beliefs of management did not change but

actually were used to fuel the changes that the organizations needed to make to become more adaptive and effective.

This insight leads to a further point. Many assumptions surrounding mission, goals, means, measurement systems, roles, and relationships can be superficial within the total structure of the cultural paradigm yet be very important to the organization's day-to-day functioning. The assumption that the headquarters functional groups had worldwide responsibility for tracking everything was not a very deep assumption within the whole Multi culture, but it was having a major impact on business performance and managerial morale in the country companies. Changing some of these superficial assumptions was crucial to Multi's effective adaptation. The deeper assumptions may drive the whole process but may not have to change.

It should also be noted that the deeper assumptions are not necessarily functional. Multi's commitment to science continued to be manifested in commitment to scientists, especially some of the older ones who had helped the company become successful. In one extreme case such a person was a country manager who was performing poorly in that role. A more skillful general manager had been groomed to take over in this country, but the decision to give him authority was held up for two full years in order to let the scientist retire at his originally scheduled time. It was felt that to force him into early retirement would not only be destructive to him but would send an incorrect signal to the rest of the organization.

What, then, really happened in the redirection project and why? Many in the company have also asked this question in order to understand the reasons for the success of the change effort. My own observation is that the effort was successful because the executive committee (1) sent a clear message that a change was needed, (2) involved itself fully in the change process, (3) tackled the impossible job of reducing headquarters staff as well as the power of the functional groups, and (4) thereby not only created involvement and ownership down the line in the country groups but made it clear that operational problems would increasingly be delegated downward. Even though lateral communication is still minimal, the vertical channels were opened

wider. Financial information was shared more than before, suggestions rising through the project structure were listened to, and proposals that were accepted were effectively implemented through the existing hierarchy as a result of clear top-down signals.

Two additional reasons why the redirection project was successful were that the project was designed with an external-ized steering committee that created project groups with consultants and challenger managers and the design provided clear goals, timetables, and time off to work on the problem, reflecting skills embedded in the Multi culture. The organization knew very well how to design group projects and work in groups. In this sense Multi used its cultural strength to redirect itself more rapidly than might have been possible in a less structured organization or one less sensitive to group process issues.

On the original issue that Maier asked me to address, the stimulation of innovation, very little change has taken place from my point of view. However, the culture of Multi works, so one cannot readily assume that some other way would be better.

The driving force and many of the key insights behind this change effort came from Maier, who as mentioned before was the kind of leader who could step outside of his own culture and assess it realistically. The willingness of the chief financial officer and various division managers to step outside their own subcultures and learn some new approaches also played a key role. But in the end the culture changed only in peripheral ways by restructuring some key assumptions. Nevertheless, such peripheral culture change is often sufficient to solve major organizational problems.