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ORGANIZATIONAL CULTURE AND LEADERSHIP

3RD EDITION

Contents

ORGANIZATIONAL CULTURE AND LEADERSHIP DEFINED

In this section of the book I will define the concept of culture and show its relationship to leadership. Culture is both a dynamic phenomenon that surrounds us at all times, being constantly enacted and created by our interactions with others and shaped by leadership behavior, and a set of structures, routines, rules, and norms that guide and constrain behavior. When one brings culture to the level of the organization and even down to groups within the organization, one can see clearly how culture is created, embedded, evolved, and ultimately manipulated, and, at the same time, how culture constrains, stabilizes, and provides structure and meaning to the group members. These dynamic processes of culture creation and management are the essence of leadership and make one realize that leadership and culture are two sides of the same coin.

Leadership has been studied in far greater detail than organizational culture, leading to a frustrating diffusion of concepts and ideas of what leadership is really all about, whether one is born or

made as a leader, whether one can train people to be leaders, and what characteristics successful leaders possess. I will not review this literature, focusing instead on what I consider to be *uniquely* associated with leadership—the creation and management of culture.

As we will see, this requires an evolutionary perspective. I believe that cultures begin with leaders who impose their own values and assumptions on a group. If that group is successful and the assumptions come to be taken for granted, we then have a culture that will define for later generations of members what kinds of leadership are acceptable. The culture now defines leadership. But as the group runs into adaptive difficulties, as its environment changes to the point where some of its assumptions are no longer valid, leadership comes into play once more. Leadership is now the ability to step outside the culture that created the leader and to start evolutionary change processes that are more adaptive. This ability to perceive the limitations of one's own culture and to evolve the culture adaptively is the essence and ultimate challenge of leadership.

If leaders are to fulfill this challenge, they must first understand the dynamics of culture, so our journey begins with a focus on definitions, case illustrations, and a suggested way of thinking about organizational culture. In this part, I begin in Chapter One with some brief illustrations and a definition. Chapter Two expands the concept and argues for a multilevel conception of culture. In Chapter Three, I examine in some detail two cases that illustrate well the complexity of culture and will be used throughout the rest of the book. And in Chapter Four, I show how culture arises in the process of human interaction.

At this point, the most important message for leaders is this: "try to understand culture, give it its due, and ask yourself how well you can begin to understand the culture in which you are embedded.

In Part Two of this book we turn to the content of culture, and in Part Three, to the dynamic processes involved in the interaction of leadership and culture.

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THE CONCEPT OF ORGANIZATIONAL CULTURE: WHY BOTHER?

Culture is an abstraction, yet the forces that are created in social and organizational situations that derive from culture are powerful. If we don't understand the operation of these forces, we become victim to them. To illustrate how the concept of culture helps to illuminate organizational situations, I will begin by describing several situations I have encountered in my experience as a consultant.

Four Brief Examples

In the first case, that of Digital Equipment Corporation (DEC), I was called in to help a management group improve its communication, interpersonal relationships, and decision making. After sitting in on a number of meetings, I observed, among other things, (1) high levels of interrupting, confrontation, and debate; (2) excessive emotionality about proposed courses of action; (3) great frustration over the difficulty of getting a point of view across; and (4) a sense that every member of the group wanted to win all the time.

Over a period of several months, I made many suggestions about better listening, less interrupting, more orderly processing of the agenda, the potential negative effects of high emotionality and conflict, and the need to reduce the frustration level. The group members said that the suggestions were helpful, and they modified certain aspects of their procedure; for example, they scheduled more time for some of their meetings. However, the basic pattern did not change. No matter what kind of intervention I attempted, the basic style of the group remained the same.

In the second case, that of the Ciba-Geigy Company—a large multinational chemical and pharmaceutical company located in Basel, Switzerland—I was asked, as part of a broader consultation project, to help create a climate for innovation in an organization that felt a need to become more flexible in order to respond to its increasingly dynamic business environment. The organization consisted of many different business units, geographical units, and functional groups. As I got to know more about these units and their problems, I observed that some very innovative things were going on in many places in the company. I wrote several memos that described these innovations and presented other ideas from my own experience. I gave the memos to my contact person in the company with the request that he distribute them to the various geographic and business unit managers who needed to be made aware of these ideas.

After some months, I discovered that those managers to whom I had personally given the memo thought it was helpful and on target, but rarely, if ever, did they pass it on, and none were ever distributed by my contact person. I also suggested meetings of managers from different units to stimulate lateral communication, but found no support at all for such meetings. No matter what I did, I could not seem to get information flowing, especially laterally across divisional, functional, or geographical boundaries. Yet everyone agreed in principle that innovation would be stimulated by more lateral communication and encouraged me to keep on "helping."

In the third example, Amoco, a large oil company that was eventually merged with British Petroleum (BP), decided to centralize all of its engineering functions in a single service unit. Whereas engineers had previously been regular parts of projects, they were now supposed to sell their services to clients who would be charged for these services. The engineers resisted violently and many of them threatened to leave the organization. We were unable to reorganize this engineering organization to fit the new company requirements.

In the fourth example, Alpha Power, an electric and gas utility that services a large urban area, was faced with having to become more environmentally responsible after the company was brought up on criminal charges for allegedly failing to report the presence of asbestos in a local unit that had suffered an accident. Electrical workers, who took pride in their "heroic" self-image of keeping the lights on no matter what, also held the strong norm that one did not report spills and other environmental and safety problems if such reports would embarrass the group. I was involved in a multi-year project to change this self-image to one in which the "heroic" model would be to report all safety and environmental hazards, even if that meant reporting on peers—or bosses. All employees were supposed to adopt a new concept of personal responsibility, teamwork, and openness of communication. Yet no matter how clear the new mandate was made, safety problems continued wherever peer group relations were involved.

I did not really understand the forces operating in any of these cases until I began to examine my own assumptions about how things should work in these organizations and began to test whether my assumptions fitted those operating in my clients' systems. This step—examining the shared assumptions in the organization or group one is dealing with and comparing them to one's own—takes one into cultural analysis and will be the focus from here on.

It turned out that at DEC, an assumption was shared by senior managers and most of the other members of the organization: that one cannot determine whether or not something is "true" or "valid" unless one subjects the idea or proposal to intensive debate; and further, that only ideas that survive such debate are worth acting on, and only ideas that survive such scrutiny will be implemented. The group assumed that what they were doing was discovering truth, and in this context being polite to each other was relatively unimportant. I became more helpful to the group when I realized this and went to the flip chart and just started to write down the various ideas they were processing. If someone was interrupted, I could ask

them to restate their point instead of punishing the interrupter. The group began to focus on the items on the chart and found that this really did help their communication and decision process. I had finally understood and entered into an essential element of *their* culture instead of imposing my own.

At Ciba-Geigy I eventually discovered that there was a strong shared assumption that each manager's job was his or her private "turf," not to be infringed on. The strong impression was communicated that one's job is like one's home, and if someone gives one unsolicited information, it is like walking into one's home uninvited. Sending memos to people implies that they do not already know what is in the memo, and that is potentially insulting. In this organization managers prided themselves on knowing whatever they needed to know to do their job. Had I understood this, I would have asked for a list of the names of the managers and sent the memo directly to them. They would have accepted it from me because I was the paid consultant and expert.

At Amoco I began to understand the resistance of the engineers when I learned that in their occupational culture there are strong assumptions that "good work should speak for itself" and "engineers should not have to go out and sell themselves." They were used to having people come to them for services and did not have a good role model for how to sell themselves.

At Alpha Power I learned that all work units had strong norms and values of self-protection that often overrode the new requirements imposed on the company by the courts. The groups had their own experience base for what was safe and what was not, which they were willing to trust, whereas the tasks of reporting environmental spills and cleaning them up involved *new* skills that workers were eventually willing to learn and collaborate on.

In each of these cases I initially did not understand what was going on because my own basic assumptions about truth and turf and group relations differed from the shared assumptions of the members of the organization. And my assumptions reflected my occupation as a social psychologist and organization consultant,

while the group's assumptions reflected in part their occupations as electrical engineers, chemists, and electrical workers.

To make sense of such situations requires taking a cultural perspective; learning to see the world through *cultural lenses;* becoming competent in cultural analysis—by which I mean being able to perceive and decipher the cultural forces that operate in groups, organizations, and occupations. Once we learn to see the world through cultural lenses, all kinds of things begin to make sense that initially were mysterious, frustrating, or seemingly stupid.

Culture: An Empirically Based Abstraction

Culture as a concept has had a long and checkered history. It has been used by the layman as a word to indicate sophistication, as when we say that someone is very "cultured." It has been used by anthropologists to refer to the customs and rituals that societies develop over the course of their history. In the last several decades it has been used by some organizational researchers and managers to refer to the climate and practices that organizations develop around their handling of people, or to the espoused values and credo of an organization.

In this context, managers speak of developing the "right kind of culture," a "culture of quality" or a "culture of customer service," suggesting that culture has to do with certain values that managers are trying to inculcate in their organizations. Also implied in this usage is the assumption that there are better or worse cultures and stronger or weaker cultures, and that the "right" kind of culture will influence how effective the organization is. In the managerial literature there is often the implication that having a culture is necessary for effective performance, and that the stronger the culture, the more effective the organization.

Researchers have supported some of these views by reporting findings that cultural "strength" or certain kinds of cultures correlate with economic performance (Denison, 1990; Kotter and Heskett, 1992; Sorensen, 2002). Consultants have touted "culture

surveys" and have claimed that they can improve organizational performance by helping organizations create certain kinds of cultures, but these claims are based on very different definitions of culture than what I will be arguing for here. As we will see, many of these usages of the word *culture* display not only a superficial and incorrect view of culture, but also a dangerous tendency to evaluate particular cultures in an absolute way and to suggest that there actually are "right" cultures for organizations. As we will also see, whether or not a culture is "good" or "bad," "functionally effective" or not, depends not on the culture alone, but on the relationship of the culture to the environment in which it exists.

Perhaps the most intriguing aspect of culture as a concept is that it points us to phenomena that are below the surface, that are powerful in their impact but invisible and to a considerable degree unconscious. In that sense, culture is to a group what personality or character is to an individual. We can see the behavior that results, but often we cannot see the forces underneath that cause certain kinds of behavior. Yet, just as our personality and character guide and constrain our behavior, so does culture guide and constrain the behavior of members of a group through the shared norms that are held in that group.

To complicate matters further, one can view personality and character as the accumulation of cultural learning that an individual has experienced in the family, the peer group, the school, the community, and the occupation. In this sense, culture is within us as individuals and yet constantly evolving as we join and create new groups that eventually create new cultures. Culture as a concept is thus an abstraction but its behavioral and attitudinal consequences are very concrete indeed.

If an abstract concept is to be useful to our thinking, it should be observable and also increase our understanding of a set of events that are otherwise mysterious or not well understood. From this point of view, I will argue that we must avoid the superficial models of culture and build on the deeper, more complex anthropological models. Culture as a concept will be most useful if it helps us to bet-

ter understand the hidden and complex aspects of life in groups, organizations, and occupations, and we cannot obtain this understanding if we use superficial definitions.

What Needs to Be Explained?

Most of us, in our roles as students, employees, managers, researchers, or consultants, work in and have to deal with groups and organizations of all kinds. Yet we continue to find it amazingly difficult to understand and justify much of what we observe and experience in our organizational life. Too much seems to be bureaucratic or political or just plain irrational—as in the four cases that I described at the beginning of this chapter.

People in positions of authority, especially our immediate bosses, often frustrate us or act incomprehensibly; those we consider the leaders of our organizations often disappoint us. When we get into arguments or negotiations with others, we often cannot understand how our opponents could take such ridiculous positions. When we observe other organizations, we often find it incomprehensible that smart people could do such dumb things. We recognize cultural differences at the ethnic or national level, but find them puzzling at the group, organizational, or occupational level.

As managers, when we try to change the behavior of subordinates, we often encounter resistance to change to an extent that seems beyond reason. We observe departments in our organization that seem to be more interested in fighting with each other than getting the job done. We see communication problems and misunderstandings between group members that should not be occurring between reasonable people. We explain in detail why something different must be done, yet people continue to act as if they had not heard us.

As leaders who are trying to get our organizations to become more effective in the face of severe environmental pressures, we are sometimes amazed at the degree to which individuals and groups in the organization will continue to behave in obviously ineffective

ways, often threatening the very survival of the organization. As we try to get things done that involve other groups, we often discover that they do not communicate with each other and that the level of conflict between groups in organizations and in the community is often astonishingly high.

As teachers, we encounter the sometimes mysterious phenomenon that different classes behave completely differently from each other, even though our material and teaching style remains the same. As employees considering a new job, we realize that companies differ greatly in their approach, even in the same industry and geographic locale. We feel these differences even as we walk through the doors of different organizations, such as restaurants, banks, stores, or airlines.

As members of different occupations, we are aware that being a doctor, lawyer, engineer, accountant, or other professional involves not only the learning of technical skills but also the adoption of certain values and norms that define our occupation. If we violate some of these norms we can be thrown out of the occupation. But where do these come from and how do we reconcile the fact that each occupation considers its norms and values to be the correct ones?

The concept of culture helps to explain all of these phenomena and to normalize them. If we understand the dynamics of culture, we will be less likely to be puzzled, irritated, and anxious when we encounter the unfamiliar and seemingly irrational behavior of people in organizations, and we will have a deeper understanding not only of why various groups of people or organizations can be so different, but also why it is so hard to change them. Even more important, if we understand culture better we will better understand ourselves—better understand the forces acting within us that define who we are, that reflect the groups with which we identify and to which we want to belong.

Culture and Leadership

When we examine culture and leadership closely, we see that they are two sides of the same coin; neither can really be understood by

itself. On the one hand, cultural norms define how a given nation or organizations will define leadership—who will get promoted, who will get the attention of followers. On the other hand, it can be argued that the only thing of real importance that leaders do is to create and manage culture; that the unique talent of leaders is their ability to understand and work with culture; and that it is an ultimate act of leadership to destroy culture when it is viewed as dysfunctional.

If one wishes to distinguish leadership from management or administration, one can argue that leadership creates and changes cultures, while management and administration act within a culture. By defining leadership in this manner, I am not implying that culture is easy to create or change, or that formal leaders are the only determiners of culture. On the contrary, as we will see, culture refers to those elements of a group or organization that are most stable and least malleable.

Culture is the result of a complex group learning process that is only partially influenced by leader behavior. But if the group's survival is threatened because elements of its culture have become maladapted, it is ultimately the function of leadership at all levels of the organization to recognize and do something about this situation. It is in this sense that leadership and culture are conceptually intertwined.

Toward a Formal Definition of Culture

When we apply the concept of culture to groups, organizations, and occupations, we are almost certain to have conceptual and semantic confusion, because such social units are themselves difficult to define unambiguously. I will use as the critical defining characteristic of a *group* the fact that its members have a shared history. Any social unit that has some kind of shared history will have evolved a culture, with the strength of that culture dependent on the length of its existence, the stability of the group's membership, and the emotional intensity of the actual historical experiences they have shared. We all have a commonsense notion of this phenomenon,

yet it is difficult to define it abstractly. In talking about organizational culture with colleagues and members of organizations, I often find that we agree that "it" exists and that it is important in its effects, but when we try to define it, we have completely different ideas of what "it" is.

To make matters worse, the concept of culture has been the subject of considerable academic debate in the last twenty-five years and there are various approaches to defining and studying culture (for example, those of Hofstede, 1991; Trice and Beyer, 1993; Schultz, 1995; Deal and Kennedy, 1999; Cameron and Quinn, 1999; Ashkanasy, Wilderom, and Peterson, 2000; and Martin, 2002). This debate is a healthy sign in that it testifies to the importance of culture as a concept, but at the same time it creates difficulties for both the scholar and the practitioner if definitions are fuzzy and usages are inconsistent. For the purpose of this introductory chapter, I will give only a quick overview of this range of usage and then offer a precise and formal definition that makes the most sense from my point of view. Other usages and points of view will be further reviewed in later chapters.

Commonly used words relating to culture emphasize one of its critical aspects—the idea that certain things in groups are shared or held in common. The major categories of observables that are associated with culture in this sense are shown in Exhibit 1.1.

All of these concepts relate to culture or reflect culture in that they deal with things that group members *share* or hold in common, but none of them can usefully be thought of as "the culture" of an organization or group. If one asks why we need the word *culture* at

Exhibit 1.1. Various Categories Used to Describe Culture.

Observed behavioral regularities when people interact: the language they use, the customs and traditions that evolve, and the rituals they employ in a wide variety of situations (Goffman, 1959, 1967; Jones, Moore, and Snyder, 1988; Trice and Beyer, 1993, 1985; Van Maanen, 1979b).

Group norms: the implicit standards and values that evolve in working groups, such as the particular norm of "a fair day's work for a fair day's pay" that

Exhibit 1.1. Various Categories Used to Describe Culture, Cont'd.

evolved among workers in the Bank Wiring Room in the Hawthorne studies (Homans, 1950; Kilmann and Saxton, 1983).

Espoused values: the articulated, publicly announced principles and values that the group claims to be trying to achieve, such as "product quality" or "price leadership" (Deal and Kennedy, 1982, 1999).

Formal philosophy: the broad policies and ideological principles that guide a group's actions toward stockholders, employees, customers, and other stakeholders, such as the highly publicized "HP Way" of Hewlett-Packard (Ouchi, 1981; Pascale and Athos,1981; Packard, 1995).

Rules of the game: the implicit, unwritten rules for getting along in the organization; "the ropes" that a newcomer must learn in order to become an accepted member; "the way we do things around here" (Schein, 1968, 1978; Van Maanen, 1979a, 1979b; Ritti and Funkhouser, 1987).

Climate: the feeling that is conveyed in a group by the physical layout and the way in which members of the organization interact with each other, with customers, or other outsiders (Ashkanasy, Wilderom, and Peterson, 2000; Schneider, 1990; Tagiuri and Litwin, 1968).

Embedded skills: the special competencies displayed by group members in accomplishing certain tasks, the ability to make certain things that gets passed on from generation to generation without necessarily being articulated in writing (Argyris and Schön, 1978; Cook and Yanow, 1993; Henderson and Clark, 1990; Peters and Waterman, 1982).

Habits of thinking, mental models, and linguistic paradigms: the shared cognitive frames that guide the perceptions, thought, and language used by the members of a group and taught to new members in the early socialization process (Douglas, 1986; Hofstede, 2001; Van Maanen, 1979b; Senge and others, 1994).

Shared meanings: the emergent understandings created by group members as they interact with each other (as in Geertz, 1973; Smircich, 1983; Van Maanen and Barley, 1984; Weick, 1995).

"Root metaphors" or integrating symbols: the ways in which groups evolve to characterize themselves, which may or may not be appreciated consciously but become embodied in buildings, office layout, and other material artifacts of the group. This level of the culture reflects the emotional and aesthetic response of members as contrasted with the cognitive or evaluative response (as in Gagliardi, 1990; Hatch, 1990; Pondy, Frost, Morgan, and Dandridge, 1983; Schultz, 1995).

Formal rituals and celebrations: the ways in which a group celebrates key events that reflect important values or important "passages" by members, such as promotion, completion of important projects, and milestones (as in Deal and Kennedy, 1982, 1999; Trice and Beyer, 1993).

all when we have so many other concepts—such as norms, values, behavior patterns, rituals, traditions, and so on—one recognizes that the word *culture* adds several other critical elements to the concept of sharing: structural stability, depth, breadth, and patterning or integration.

Structural Stability

Culture implies some level of structural stability in the group. When we say that something is "cultural," we imply that it is not only shared, but also stable, because it defines the group. Once we achieve a sense of group identity, it is our major stabilizing force and will not be given up easily. Culture survives even when some members of the organization depart. Culture is hard to change because group members value stability in that it provides meaning and predictability.

Depth

Culture is the deepest, often unconscious part of a group and is, therefore, less tangible and less visible than other parts. From this point of view, most of the concepts reviewed above can be thought of as manifestations of culture, but they are not the essence of what we mean by culture. Note that when something is more deeply embedded it also gains stability.

Breadth

A third characteristic of culture is that once it has developed, it covers *all* of a group's functioning. Culture is pervasive; it influences all aspects of how an organization deals with its primary task, its various environments, and its internal operations. Not all groups have cultures in this sense, but the concept connotes that when we refer to the culture of a group we are referring to all of its operations.

Patterning or Integration

The fourth characteristic that is implied by the concept of culture and that further lends stability is patterning or integration of the elements into a larger paradigm or "gestalt" that ties together the various elements and that lies at a deeper level. Culture somehow implies that rituals, climate, values, and behaviors tie together into a coherent whole; this patterning or integration is the essence of what we mean by "culture." Such patterning or integration ultimately derives from the human need to make our environment as sensible and orderly as we can (Weick, 1995). Disorder or sense-lessness makes us anxious, so we will work hard to reduce that anxiety by developing a more consistent and predictable view of how things are and how they should be. Thus "organizational cultures, like other cultures, develop as groups of people struggle to make sense of and cope with their worlds" (Trice and Beyer, 1993, p. 4).

How then should we think about the "essence" of culture and how should we formally define it? The most useful way to arrive at a definition of something as abstract as culture is to think in dynamic evolutionary terms. If we can understand where culture comes from and how it evolves, then we can grasp something that is abstract; that exists in a group's unconscious, yet that has powerful influences on a group's behavior.

How Does Culture Form?

Culture forms in two ways. In Chapter Four I will show how spontaneous interaction in an unstructured group gradually lead to patterns and norms of behavior that become the culture of that group—often within just hours of the group's formation. In more formal groups an individual creates the group or becomes its leader. This could be an entrepreneur starting a new company, a religious person creating a following, a political leader creating a new party, a teacher starting a new class, or a manager taking over a new department of an organization. The individual founder—whether

an entrepreneur or just the convener of a new group—will have certain personal visions, goals, beliefs, values, and assumptions about how things should be. He or she will initially impose these on the group and/or select members on the basis of their similarity of thoughts and values.

We can think of this imposition as a primary act of leadership, but it does not automatically produce culture. All it produces is compliance in the followers to do what the leader asks of them. Only if the resulting behavior leads to "success"—in the sense that the group accomplishes its task and the members feel good about their relationships to each other—will the founder's beliefs and values be confirmed and reinforced, and, most important, come to be recognized as *shared*. What was originally the founder's *individual* view of the world leads to shared action, which, if successful, leads to a *shared* recognition that the founder "had it right." The group will then act again on these beliefs and values and, if it continues to be successful, will eventually conclude that it now has the "correct" way to think, feel, and act.

If, on the other hand, the founder's beliefs and values do not lead to success, the group will fail and disappear or will seek other leadership until someone is found whose beliefs and values will lead to success. The culture formation process will then revolve around that new leader. With continued reinforcement, the group will become less and less conscious of these beliefs and values, and it will begin to treat them more and more as nonnegotiable assumptions. As this process continues, these assumptions will gradually drop out of awareness and come to be taken for granted. As assumptions come to be taken for granted they become part of the identity of the group; are taught to newcomers as the way to think, feel, and act; and, if violated, produce discomfort, anxiety, ostracism, and eventually excommunication. This concept of assumptions, as opposed to beliefs and values, implies nonnegotiability. If we are willing to argue about something, then it has not become taken for granted. Therefore, definitions of culture that deal with *values* must specify that culture consists of *nonnegotiable values*—which I am calling *assumptions*.

In summary, we can think of culture as the accumulated shared learning of a given group, covering behavioral, emotional, and cognitive elements of the group members' total psychological functioning. For such shared learning to occur, there must be a history of shared experience that, in turn, implies some stability of membership in the group. Given such stability and a shared history, the human need for stability, consistency, and meaning will cause the various shared elements to form into patterns that eventually can be called a culture.

Culture Formally Defined

The culture of a group can now be defined as *a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.*

I am not arguing that all groups evolve integrated cultures in this sense. We all know of groups, organizations, and societies in which certain beliefs and values work at cross purposes with other beliefs and values, leading to situations full of conflict and ambiguity (Martin, 2002). This may result from insufficient stability of membership, insufficient shared history of experience, or the presence of many subgroups with different kinds of shared experiences. Ambiguity and conflict also result from the fact that each of us belongs to many groups, so that what we bring to any given group is influenced by the assumptions that are appropriate to our other groups.

But if the concept of culture is to have any utility, it should draw our attention to those things that are the product of our human need for stability, consistency, and meaning. Culture formation is always, by definition, a striving toward patterning and integration, even though in many groups their actual history of experiences prevents them from ever achieving a clear-cut, unambiguous paradigm.

If a group's culture is the result of that group's accumulated learning, how do we describe and catalogue the content of that learning? All group and organizational theories distinguish two major sets of problems that all groups, no matter what their size, must deal with: (1) survival, growth, and adaptation in their environment; and (2) internal integration that permits daily functioning and the ability to adapt and learn. Both of these areas of group functioning will reflect the larger cultural context in which the group exists and from which are derived broader and deeper basic assumptions about the nature of reality, time, space, human nature, and human relationships. Each of these areas will be explained in detail in later chapters.

At this point, it is important to discuss several other elements that are important to our formal definition of culture.

The Process of Socialization

Once a group has a culture, it will pass elements of this culture on to new generations of group members (Louis, 1980; Schein, 1968; Van Maanen, 1976; Van Maanen and Schein, 1979). Studying what new members of groups are taught is, in fact, a good way to discover some of the elements of a culture; however, by this means one only learns about surface aspects of the culture—especially because much of what is at the heart of a culture will not be revealed in the rules of behavior taught to newcomers. It will only be revealed to members as they gain permanent status and are allowed into the inner circles of the group in which group secrets are shared.

On the other hand, how one learns and the socialization processes to which one is subjected may indeed reveal deeper assumptions. To get at those deeper levels one must try to understand the perceptions and feelings that arise in critical situations, and one must observe and interview regular members or "old-timers" to get an accurate sense of the deeper-level assumptions that are shared.

Can culture be learned through anticipatory socialization or self-socialization? Can new members discover for themselves what

the basic assumptions are? Yes and no. We certainly know that one of the major activities of any new member when she enters a new group is to decipher the operating norms and assumptions. But this deciphering can be successful only through the feedback that is meted out by old members to new members as they experiment with different kinds of behavior. In this sense, there is always a teaching process going on, even though it may be quite implicit and unsystematic.

If the group does not have shared assumptions, as will sometimes be the case, the new member's interaction with old members will be a more creative process of building a culture. But once shared assumptions exist, the culture survives through teaching them to newcomers. In this regard culture is a mechanism of social control and can be the basis for explicitly manipulating members into perceiving, thinking, and feeling in certain ways (Van Maanen and Kunda, 1989; Kunda, 1992; Schein, 1968). Whether or not we approve of this as a mechanism of social control is a separate question that will be addressed later.

Behavior Is Derivative, Not Central

This formal definition of culture does not include overt behavior patterns (although some such behavior—particularly formal rituals—does reflect cultural assumptions). Instead, it emphasizes that the critical assumptions deal with how we perceive, think about, and feel about things. Overt behavior is always determined both by the cultural predisposition (the perceptions, thoughts, and feelings that are patterned) and by the situational contingencies that arise from the immediate external environment.

Behavioral regularities can occur for reasons other than shared culture. For example, if we observe that all members of a group cower in the presence of a large, loud leader, this could be based on biological, reflex reactions to sound and size, or on individual or shared learning. Such a behavioral regularity should not, therefore, be the basis for defining culture—though we might later discover

that, in a given group's experience, cowering is indeed a result of shared learning and, therefore, a manifestation of deeper shared assumptions. To put it another way, when we observe behavior regularities, we do not know whether or not we are dealing with a cultural manifestation. Only after we have discovered the deeper layers that I define as the essence of culture can we specify what is and what is not an artifact that reflects the culture.

Can a Large Organization or Occupation Have One Culture?

My formal definition does not specify the size of social unit to which it can legitimately be applied. Our experience with large organizations tells us that at a certain size the variations among the subgroups is substantial, suggesting that it might not be appropriate to talk of the culture of an IBM or a General Motors or Shell. In the evolution of DEC over its thirty-five-year history one can see both a strong overall corporate culture and the growth of powerful subcultures that reflected the larger culture but also differed in important ways (Schein, 2003). In fact, the growing tensions among the subcultures were partly the reason why DEC as an economic entity ultimately failed to survive.

Do Occupations Have Cultures?

If an occupation involves an intense period of education and apprenticeship, there will certainly be a shared learning of attitudes, norms, and values that eventually will become taken-for-granted assumptions for the members of those occupations. It is assumed that the beliefs and values learned during this time will remain stable as assumptions even though the person may not always be in a group of occupational peers. But reinforcement of those assumptions occurs at professional meetings and continuing education sessions, and by virtue of the fact that the practice of the occupation often calls for teamwork among several members of the occupation,

who reinforce each other. One reason why so many occupations rely heavily on peer-group evaluation is that this process preserves and protects the culture of the occupation.

Determining which sets of assumptions apply to a whole society, or a whole organization, or a whole subgroup within an organization or occupation, should be done empirically. I have found all kinds of combinations; their existence is one reason why some theorists emphasize that organizational cultures can be integrated, differentiated, or fragmented (Martin, 2002). But for the purpose of defining culture, it is important to recognize that a fragmented or differentiated organizational culture usually reflects a multiplicity of subcultures, and within those subcultures there are shared assumptions.

Are Some Assumptions More Important than Others?

As we will see when we examine some of our cases more closely, organizations do seem to function primarily in terms of some core of assumptions, some smaller set that can be thought of as the cultural paradigm or the governing assumptions, or as critical "genes" in the "cultural DNA." For the researcher, the problem is that different organizations will have different paradigms with different core assumptions. As a result, cultural typologies can be very misleading. One could measure many organizations on the same core dimensions, but in some of those organizations a particular dimension could be central to the paradigm, whereas in others its influence on the organization's behavior could be quite peripheral.

If the total set of shared basic assumptions of a given organizational culture can be thought of as its DNA, then we can examine some of the individual genes in terms of their centrality or potency in forcing certain kinds of growth and behavior, and other genes in terms of their power to inhibit or prevent certain kinds of behavior. We can then see that certain kinds of cultural evolution are determined by the "genetic structure," the kind of "autoimmune system" that the organization generates, and the impact of "mutations and hybridization."

Summary and Conclusions

In this chapter I introduced the concept of culture and have argued that it helps to explain some of the more seemingly incomprehensible and irrational aspects of what goes on in groups and organizations. The variety of elements that people perceive to be "culture" was reviewed, leading to a formal definition that puts the emphasis on shared learning experiences that lead, in turn, to shared, taken-for-granted basic assumptions held by the members of the group or organization.

It follows that any group with a stable membership and a history of shared learning will have developed some level of culture, but a group that has had either considerable turnover of members and leaders or a history lacking in any kind of challenging events may well lack any shared assumptions. Not every collection of people develops a culture; in fact, we tend to use the term *group* rather than, say, *crowd* or *collection* of people only when there has been enough of a shared history for some degree of culture formation to have taken place.

Once a set of shared assumptions has come to be taken for granted, it determines much of the group's behavior, and the rules and norms are taught to newcomers in a socialization process that is itself a reflection of culture. To define culture one must go below the behavioral level, because behavioral regularities can be caused by forces other than culture. Even large organizations and entire occupations can have a common culture if there has been enough of a history of shared experience. Finally, I noted that the shared assumptions will form a paradigm, with more or less central or governing assumptions driving the system, much as certain genes drive the genetic structure of human DNA.

Culture and leadership are two sides of the same coin, in that leaders first create cultures when they create groups and organizations. Once cultures exist they determine the criteria for leadership and thus determine who will or will not be a leader. But if elements of a culture become dysfunctional, it is the unique function of lead-

ership to be able to perceive the functional and dysfunctional elements of the existing culture and to manage cultural evolution and change in such a way that the group can survive in a changing environment.

The bottom line for leaders is that if they do not become conscious of the cultures in which they are embedded, those cultures will manage them. Cultural understanding is desirable for all of us, but it is essential to leaders if they are to lead.

A final note: from this point on I will use the term *group* to refer to social units of all sizes—including organizations and subunits of organizations—except when it is necessary to distinguish the type of social unit because of subgroups that exist within larger groups.

2

THE LEVELS OF CULTURE

The purpose of this chapter is to show that culture can be analyzed at several different levels, with the term *level* meaning the degree to which the cultural phenomenon is visible to the observer. Some of the confusion surrounding the definition of what culture really is results from not differentiating the levels at which it manifests itself. These levels range from the very tangible overt manifestations that one can see and feel to the deeply embedded, unconscious, basic assumptions that I am defining as the essence of culture. In between these layers are various espoused beliefs, values, norms, and rules of behavior that members of the culture use as a way of depicting the culture to themselves and others.

Many other culture researchers prefer the term *basic values* to describe the concept of the deepest levels. I prefer *basic assumptions* because these tend to be taken for granted by group members and are treated as nonnegotiable. Values are open to discussion and people can agree to disagree about them. Basic assumptions are so taken for granted that someone who does not hold them is viewed as a "foreigner" or as "crazy" and is automatically dismissed.

The major levels of cultural analysis are shown in Figure 2.1.

Artifacts

At the surface is the level of artifacts, which includes all the phenomena that one sees, hears, and feels when one encounters a new group with an unfamiliar culture. Artifacts include the visible products of the group, such as the architecture of its physical

Figure 2.1. Levels of Culture.

Artifacts	Visible organizational structures and processes (hard to decipher)
Espoused Beliefs and Values	Strategies, goals, philosophies (espoused justifications)
Underlying Assumptions	Unconscious, taken-for-granted beliefs, perceptions, thoughts, and feelings. . . (ultimate source of values and action)
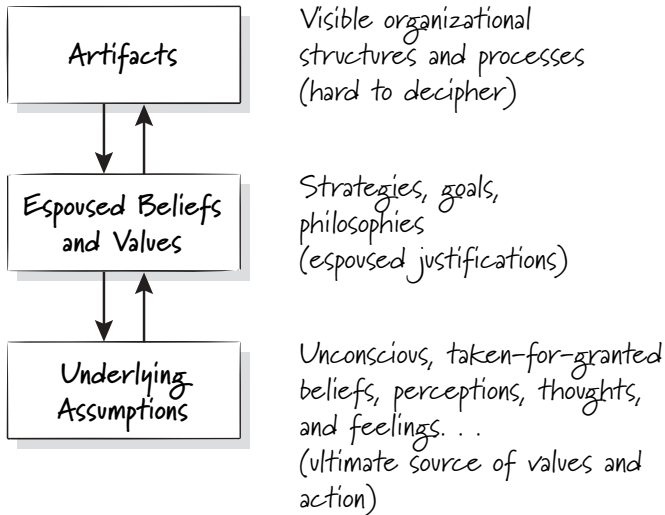
environment; its language; its technology and products; its artistic creations; its style, as embodied in clothing, manners of address, emotional displays, and myths and stories told about the organization; its published lists of values; its observable rituals and ceremonies; and so on.

The "climate" of the group is an artifact of the deeper cultural levels, as is the visible behavior of its members. Artifacts also include, for purposes of cultural analysis, the organizational processes by which such behavior is made routine, and structural elements such as charters, formal descriptions of how the organization works, and organization charts.

The most important point to be made about this level of the culture is that it is both easy to observe and very difficult to decipher. The Egyptians and the Mayans both built highly visible pyramids, but the meaning of pyramids in each culture was very different— tombs in one, temples as well as tombs in the other. In other words, observers can describe what they see and feel, but cannot recon-

struct from that alone what those things mean in the given group, or whether they even reflect important underlying assumptions.

On the other hand, one school of thought argues that one's own response to physical artifacts such as buildings and office layouts can lead to the identification of major images and root metaphors that reflect the deepest level of the culture (Gagliardi, 1990). This kind of immediate insight would be especially relevant if the organization one is experiencing is in the same larger culture as the researcher. The problem is that symbols are ambiguous, and one can only test one's insight into what something may mean if one has also experienced the culture at the deeper levels of values and assumptions.

It is especially dangerous to try to infer the deeper assumptions from artifacts alone, because one's interpretations will inevitably be projections of one's own feelings and reactions. For example, when one sees a very informal, loose organization, one may interpret that as inefficient if one's own background is based on the assumption that informality means playing around and not working. Or, alternatively, if one sees a very formal organization, one may interpret that to be a sign of lack of innovative capacity, if one's own experience is based on the assumption that formality means bureaucracy and formalization.

Every facet of a group's life produces artifacts, creating the problem of classification. In reading cultural descriptions, one often notes that different observers choose to report on different sorts of artifacts, leading to noncomparable descriptions. Anthropologists have developed classification systems, but these tend to be so vast and detailed that cultural essence becomes difficult to discern.

If the observer lives in the group long enough, the meanings of artifacts gradually become clear. If, however, one wants to achieve this level of understanding more quickly, one can attempt to analyze the espoused values, norms, and rules that provide the day-to-day operating principles by which the members of the group guide their behavior. This kind of inquiry takes us to the next level of cultural analysis.

Espoused Beliefs and Values

All group learning ultimately reflects someone's original beliefs and values, their sense of what ought to be, as distinct from what is. When a group is first created or when it faces a new task, issue, or problem, the first solution proposed to deal with it reflects some individual's own assumptions about what is right or wrong, what will work or not work. Those individuals who prevail, who can influence the group to adopt a certain approach to the problem, will later be identified as leaders or founders, but the group does not yet have any *shared* knowledge as a group because it has not yet taken a common action in reference to whatever it is supposed to do. Whatever is proposed will only be perceived as what the leader wants. Until the group has taken some joint action and together observed the outcome of that action, there is not as yet a shared basis for determining whether what the leader wants will turn out to be valid.

For example, in a young business, if sales begin to decline a manager may say "We must increase advertising" because of her belief that advertising always increases sales. The group, never having experienced this situation before, will hear that assertion as a statement of that manager's beliefs and values: "She believes that when one is in trouble it is a good thing to increase advertising." What the leader initially proposes, therefore, cannot have any status other than a value to be questioned, debated, challenged, and tested.

If the manager convinces the group to act on her belief, and if the solution works, and if the group has a shared perception of that success, then the perceived value that advertising is good gradually becomes transformed: first into a shared value or belief, and ultimately into a shared assumption (if actions based on it continue to be successful). If this transformation process occurs, group members will tend to forget that originally they were not sure and that the proposed course of action was at an earlier time just a proposal to be debated and confronted.

Not all beliefs and values undergo such transformation. First of all, the solution based on a given value may not work reliably. Only those beliefs and values that can be empirically tested and that con-

tinue to work reliably in solving the group's problems will become transformed into assumptions. Second, certain value domains—those dealing with the less controllable elements of the environment or with aesthetic or moral matters—may not be testable at all. In such cases, consensus through social validation is still possible, but it is not automatic.

By *social validation* I mean that certain values are confirmed only by the shared social experience of a group. For example, any given culture cannot prove that its religion and moral system are superior to another culture's religion and moral system, but if the members reinforce each others' beliefs and values, they come to be taken for granted. Those who fail to accept such beliefs and values run the risk of "excommunication"—of being thrown out of the group. Such beliefs and values typically involve the group's internal relations; the test of whether they work or not is how comfortable and anxiety-free members are when they abide by them. Social validation also applies to those broader values that are not testable, such as ethics and aesthetics.

In these realms the group learns that certain beliefs and values, as initially promulgated by prophets, founders, and leaders, "work" in the sense of reducing uncertainty in critical areas of the group's functioning. And, as they continue to work, they gradually become transformed into nondiscussible assumptions supported by articulated sets of beliefs, norms, and operational rules of behavior. The derived beliefs and moral and ethical rules remain conscious and are explicitly articulated because they serve the normative or moral function of guiding members of the group in how to deal with certain key situations, and in training new members how to behave. A set of beliefs and values that become embodied in an ideology or organizational philosophy thus can serve as a guide and as a way of dealing with the uncertainty of intrinsically uncontrollable or difficult events. An example of such an ideology is Hewlett-Packard's *The HP Way* (Packard, 1995).

Beliefs and values at this conscious level will predict much of the behavior that can be observed at the artifacts level. But if those beliefs and values are not based on prior learning, they may also

reflect only what Argyris and Schön (1978) have called "espoused theories," which predict well enough what people will *say* in a variety of situations but which may be out of line with what they will actually *do* in situations in which those beliefs and values should, in fact, be operating. Thus, a company may say that it values people and that it has high quality standards for its products, but its record in that regard may contradict what it says.

If the espoused beliefs and values are reasonably congruent with the underlying assumptions, then the articulation of those values into a philosophy of operating can be helpful in bringing the group together, serving as a source of identity and core mission. But in analyzing beliefs and values one must discriminate carefully between those that are congruent with underlying assumptions and those that are, in effect, either rationalizations or only aspirations for the future. Often such lists of beliefs and values are so abstract that they can be mutually contradictory, as when a company claims to be *equally* concerned about stockholders, employees, and customers, or when it claims both highest quality and lowest cost. Espoused beliefs and values often leave large areas of behavior unexplained, leaving us with a feeling that we understand a piece of the culture but still do not have the culture as such in hand. To get at that deeper level of understanding, to decipher the pattern, and to predict future behavior correctly, we have to understand more fully the category of basic underlying assumptions.

Basic Underlying Assumptions

When a solution to a problem works repeatedly, it comes to be taken for granted. What was once a hypothesis, supported only by a hunch or a value, gradually comes to be treated as a reality. We come to believe that nature really works this way. Basic assumptions, in this sense, are different from what some anthropologists called "dominant value orientations" in that such dominant orientations reflect the *preferred* solution among several basic alternatives, but all the alternatives are still visible in the culture, and any

given member of the culture could, from time to time, behave according to variant as well as dominant orientations (Kluckhohn and Strodtbeck, 1961).

Basic assumptions, in the sense in which I want to define that concept, have become so taken for granted that one finds little variation within a social unit. This degree of consensus results from repeated success in implementing certain beliefs and values, as previously described. In fact, if a basic assumption comes to be strongly held in a group, members will find behavior based on any other premise inconceivable. For example, a group whose basic assumption is that the individual's rights supersede those of the group members would find it inconceivable that members would commit suicide or in some other way sacrifice themselves to the group even if they had dishonored the group. In a capitalist country, it is inconceivable that one might design a company to operate consistently at a financial loss, or that it does not matter whether or not a product works. In an occupation such as engineering, it would be inconceivable to *deliberately* design something that is unsafe; it is a taken-for-granted assumption that things should be safe. Basic assumptions, in this sense, are similar to what Argyris has identified as "theories-in-use"—the implicit assumptions that actually guide behavior, that tell group members how to perceive, think about, and feel about things (Argyris, 1976; Argyris and Schön, 1974).

Basic assumptions, like theories-in-use, tend to be nonconfrontable and nondebatable, and hence are extremely difficult to change. To learn something new in this realm requires us to resurrect, reexamine, and possibly change some of the more stable portions of our cognitive structure—a process that Argyris and others have called "double-loop learning," or "frame breaking" (Argyris et al., 1985; Bartunek, 1984). Such learning is intrinsically difficult because the reexamination of basic assumptions temporarily destabilizes our cognitive and interpersonal world, releasing large quantities of basic anxiety.

Rather than tolerating such anxiety levels, we tend to want to perceive the events around us as congruent with our assumptions,

even if that means distorting, denying, projecting, or in other ways falsifying to ourselves what may be going on around us. It is in this psychological process that culture has its ultimate power. Culture as a set of basic assumptions defines for us what to pay attention to, what things mean, how to react emotionally to what is going on, and what actions to take in various kinds of situations. Once we have developed an integrated set of such assumptions—a "thought world" or "mental map"—we will be maximally comfortable with others who share the same set of assumptions and very uncomfortable and vulnerable in situations where different assumptions operate, because either we will not understand what is going on, or, worse, we will misperceive and misinterpret the actions of others (Douglas, 1986).

The human mind needs cognitive stability; therefore, any challenge or questioning of a basic assumption will release anxiety and defensiveness. In this sense, the shared basic assumptions that make up the culture of a group can be thought of at both the individual and the group level as psychological cognitive defense mechanisms that permit the group to continue to function. Recognizing this connection is important when one thinks about changing aspects of a group's culture, for it is no easier to do that than to change an individual's pattern of defense mechanisms. As was pointed out in Chapter One, we can also think of culture at this level as the group's DNA, so if new learning or growth is required, the genes have to be there to make such growth possible and the autoimmune system has to be neutralized to sustain new growth. In any case, the two keys to successful culture change are (1) the management of the large amounts of anxiety that accompany any relearning at this level and (2) the assessment of whether the genetic potential for the new learning is even present.

To illustrate how unconscious assumptions can distort data, consider the following example. If we assume, on the basis of past experience or education, that other people will take advantage of us whenever they have an opportunity, we expect to be taken advantage of and we then interpret the behavior of others in a way

that coincides with those expectations. We observe people sitting in a seemingly idle posture at their desk and interpret their behavior as "loafing" rather than "thinking out an important problem." We perceive absence from work as "shirking" rather than "doing work at home."

If this is not only a personal assumption but also one that is shared and thus part of the culture of an organization, we will discuss with others what to do about our "lazy" workforce and institute tight controls to ensure that people are at their desks and busy. If employees suggest that they do some of their work at home, we will be uncomfortable and probably deny the request because we will figure that at home they would loaf (Bailyn, 1992; Perin, 1991).

In contrast, if we assume that everyone is highly motivated and competent, we will act in accordance with that assumption by encouraging people to work at their own pace and in their own way. If someone is discovered to be unproductive in such an organization, we will make the assumption that there is a mismatch between the person and the job assignment, not that the person is lazy or incompetent. If the employee wants to work at home, we will perceive that as evidence of his wanting to be productive even if circumstances required him to be at home.

In both cases there is the potential for distortion, in that the cynical manager will not perceive how highly motivated some of the subordinates really are, and the idealistic manager will not perceive that there are subordinates who are lazy and who are taking advantage of the situation. As McGregor noted many decades ago, such assumptions about "human nature" become the basis of management and control systems that perpetuate themselves because if people are treated consistently in terms of certain basic assumptions, they come eventually to behave according to those assumptions in order to make their world stable and predictable (McGregor, 1960).

Unconscious assumptions sometimes lead to ridiculously tragic situations, as illustrated by a common problem experienced by American supervisors in some Asian countries. A manager who comes from an American pragmatic tradition assumes and takes it

for granted that *solving* a problem always has the highest priority. When that manager encounters a subordinate who comes from a different cultural tradition, in which good relationships and protecting the superior's "face" are assumed to have top priority, the following scenario has often resulted.

The manager proposes a solution to a given problem. The subordinate knows that the solution will not work, but his unconscious assumption requires that he remain silent because to tell the boss that the proposed solution is wrong is a threat to the boss's face. It would not even occur to the subordinate to do anything other than remain silent or, if the boss were to inquire what the subordinate thought, to even reassure the boss that they should go ahead and take the action.

The action is taken, the results are negative, and the boss, somewhat surprised and puzzled, asks the subordinate what he would have done. When the subordinate reports that he would have done something different, the boss quite legitimately asks why the subordinate did not speak up sooner. This question puts the subordinate into an impossible double bind because the answer itself is a threat to the boss's face. He cannot possibly explain his behavior without committing the very sin he was trying to avoid in the first place—namely, embarrassing the boss. He may even lie at this point and argue that what the boss did was right and only "bad luck" or uncontrollable circumstances prevented it from succeeding.

From the point of view of the subordinate, the boss's behavior is incomprehensible because it shows lack of self-pride, possibly causing the subordinate to lose respect for that boss. To the boss, the subordinate's behavior is equally incomprehensible. He cannot develop any sensible explanation of his subordinate's behavior that is not cynically colored by the assumption that the subordinate at some level just does not care about effective performance and therefore must be gotten rid of. It never occurs to the boss that another assumption—such as "one never embarrasses a superior"—is operating, and that, to the subordinate, that assumption is even more powerful than "one gets the job done."

If assumptions such as these operate only in an individual and represent her idiosyncratic experience, they can be corrected more easily because the person will detect that she is alone in holding a given assumption. The power of culture comes about through the fact that the assumptions are shared and, therefore, mutually reinforced. In these instances probably only a third party or some cross-cultural education could help to find common ground whereby both parties could bring their implicit assumptions to the surface. And even after they have surfaced, such assumptions would still operate, forcing the boss and the subordinate to invent a whole new communication mechanism that would permit each to remain congruent with his or her culture—for example, agreeing that, *before* any decision is made and before the boss has stuck his neck out, the subordinate will be asked for suggestions and for factual data that would not be face threatening. Note that the solution has to keep each cultural assumption intact. One cannot in these instances simply declare one or the other cultural assumption "wrong." One has to find a third assumption to allow them both to retain their integrity.

I have dwelled on this long example to illustrate the potency of implicit, unconscious assumptions and to show that such assumptions often deal with fundamental aspects of life—the nature of time and space, human nature and human activities, the nature of truth and how one discovers it, the correct way for the individual and the group to relate to each other, the relative importance of work, family, and self-development, the proper role of men and women, and the nature of the family. These assumptions form the core cultural content as will be discussed in Chapters Seven, Eight, and Nine.

We do not develop new assumptions about each of these areas in every group or organization we join. Members of any new group will bring their own cultural learning from prior groups, from their education, and from their socialization into occupational communities, but as the new group develops its own shared history, it will develop modified or brand-new assumptions in critical areas of its experience. It is those new assumptions that make up the culture of that particular group.

Any group's culture can be studied at these three levels—the level of its artifacts, the level of its espoused beliefs and values, and the level of its basic underlying assumptions. If one does not decipher the pattern of basic assumptions that may be operating, one will not know how to interpret the artifacts correctly or how much credence to give to the articulated values. In other words, the essence of a culture lies in the pattern of basic underlying assumptions, and once one understands those, one can easily understand the other more surface levels and deal appropriately with them.

Summary and Conclusions

Though the essence of a group's culture is its pattern of shared, basic taken-for-granted assumptions, the culture will manifest itself at the level of observable artifacts and shared espoused beliefs and values. In analyzing cultures, it is important to recognize that artifacts are easy to observe but difficult to decipher and that espoused beliefs and values may only reflect rationalizations or aspirations. To understand a group's culture, one must attempt to get at its shared basic assumptions and one must understand the learning process by which such basic assumptions come to be.

Leadership is originally the source of the beliefs and values that get a group moving in dealing with its internal and external problems. If what leaders propose works, and continues to work, what once were only the leader's assumptions gradually come to be shared assumptions. Once a set of shared basic assumptions is formed by this process, it can function as a cognitive defense mechanism both for the individual members and for the group as a whole. In other words, individuals and groups seek stability and meaning. Once achieved, it is easier to distort new data by denial, projection, rationalization, or various other defense mechanisms than to change the basic assumption. As we will see, culture change, in the sense of changing basic assumptions is, therefore, difficult, time-consuming, and highly anxiety-provoking—a point that is especially

relevant for the leader who sets out to change the culture of the organization.

The most central issue for leaders, therefore, is how to get at the deeper levels of a culture, how to assess the functionality of the assumptions made at that level, and how to deal with the anxiety that is unleashed when those levels are challenged.

15

WHAT LEADERS NEED TO KNOW ABOUT HOW CULTURE CHANGES

The role of the leader in "managing" culture differs at the different stages of organizational evolution. We have already discussed in Chapter Twelve how founders of organizations initially impose their assumptions on a new group and how that group evolves its culture as a result of success. We have also shown, in Chapter Thirteen, how leaders embed their assumptions as groups evolve. Chapter Fourteen examined how organizations evolve as they become larger and more differentiated. We now need to analyze the processes by which culture evolves and changes as organizations grow and age, and we need to examine how leaders can influence these processes. In this chapter we will examine culture evolution and change mechanisms that tend to occur naturally at different stages of organizational evolution. In Chapters Sixteen and Seventeen we will examine "planned managed culture change"—which is undertaken if and when a leader decides that the evolutionary processes are too slow or inappropriate.

Mechanisms and Forces That Initiate Culture Change

The way in which culture can and does change depends on the stage at which the organization finds itself. For example, when a culture is in the growth stage, the ways for manipulating the mechanisms of embedding discussed in Chapter Thirteen are also the ways to initiate change in the culture; that is, leaders can change what they pay attention to, control, and reward; their role modeling and coaching; how they allocate resources; how they select, promote, and "deselect"

people; and the organizational structures and processes they create. However, once the culture has stabilized because of a long history of success, leaders find that such manipulations are often limited or superficial in their effects. They discover that to change deeply embedded assumptions requires far more effort and time.

Nevertheless, at different stages in the evolution of a given organization different possibilities for culture change arise, because of the particular function that culture plays at each developmental stage. Table 15.1 shows these stages and identifies the particular change mechanisms that are most relevant at each stage. These mechanisms are cumulative in the sense that at a later stage, all the prior change mechanisms are still operating but additional ones become relevant.

Founding and Early Growth

In the first stage—the founding and early growth of a new organization—the main cultural thrust comes from the founders and their assumptions. The cultural paradigm that becomes embedded, if the

Table 15.1. Culture Change Mechanisms.

Organizational Stage	Change Mechanism
Founding and early growth	1. Incremental change through general and specific evolution 2. Insight 3. Promotion of hybrids within the culture
Midlife	4. Systematic promotion from selected subcultures 5. Technological seduction 6. Infusion of outsiders
Maturity and decline	7. Scandal and explosion of myths 8. Turnarounds 9. Mergers and acquisitions 10. Destruction and rebirth

organization succeeds in fulfilling its primary task and survives, can then be viewed as that organization's distinctive competence, the basis for member identity, and the psychosocial "glue" that holds the organization together. The emphasis in this early stage is on differentiating the organization from the environment and from other organizations, as the organization makes its culture explicit, integrates it as much as possible, and teaches it firmly to newcomers (and/or selects them for initial compatibility).

The distinctive competences in young companies are usually biased toward certain business functions reflecting the occupational biases of the founders. At DEC the bias was clearly in favor of engineering and manufacturing. Not only was it difficult for the other functions to acquire status and prestige, but professionals in those functions, such as professional marketers, were often told by managers who had been with the company from its origin that "marketers never know what they are talking about." At Ciba-Geigy a similar bias persisted for science and research, even though the company was much older. Because R&D was historically the basis of Ciba-Geigy's success, science was defined as the distinctive competence, even though more and more managers were admitting overtly that the future hinged more on marketing, tight financial controls, and efficient operations.

The implications for change at this stage are clear. The culture in young and successfully growing companies is likely to be strongly adhered to because (1) the primary culture creators are still present, (2) the culture helps the organization define itself and make its way into a potentially hostile environment, and (3) many elements of the culture have been learned as defenses against anxiety as the organization struggles to build and maintain itself.

It is therefore likely that proposals to *deliberately change* the culture from either inside or outside will be totally ignored or strongly resisted. Instead, dominant members or coalitions will attempt to preserve and enhance the culture. The only force that might unfreeze such a situation is an external crisis of survival in the form of a sharp drop in growth rate, loss of sales or profit, a major product

failure, or some other event that cannot be ignored. If such a crisis occurs, the founder may be discredited and a new senior manager may be brought into the picture. If the founding organization itself stays intact, so will the culture.

How then does culture change in the growth phase of an organization? Several change mechanisms can be identified.

Incremental Change Through General and Specific Evolution

If the organization is not under too much external stress and if the founder or founding family is around for a long time, the culture evolves in small increments by continuing to assimilate what works best over the years. Such evolution involves two basic processes: general evolution and specific evolution (Sahlins and Service, 1960).

General Evolution. General evolution toward the next stage of development involves diversification, growing complexity, higher levels of differentiation and integration, and creative syntheses into new and higher-level forms. The various impacts of growth and success, which were described in Chapter Fourteen, provide the basis for a more detailed analysis of how this occurs. Implicit in this evolutionary model is the assumption that social systems do have an evolutionary dynamic. Just as groups go through logical stages, so organizations go through logical stages, especially with respect to changing their ownership structure from private to public. However, if a crisis brings in new leadership, there is evidence to suggest that the new direction in which the culture will move is quite unpredictable (Gersick, 1991; Tushman and Anderson, 1986).

The elements of the culture that operate as defenses are likely to be retained and strengthened over the years, but they may be refined and developed into an integrated and more complex structure. Basic assumptions may be retained, but the form in which they

appear may change, creating new behavior patterns that ultimately feed back into the basic assumptions. For example, at DEC the assumptions that one must find "truth through debate" and always "do the right thing" evolved from being individual-level principles to being embedded in intergroup dynamics. Whereas in the early DEC culture individuals were able to stay logical in their debate, as DEC became a large conglomerate of powerful groups those same individuals argued from their positions as representatives and defenders of their projects and groups. Doing the right thing for DEC became doing what that particular *group* wanted to do.

Specific Evolution. Specific evolution involves the adaptation of specific parts of the organization to their particular environments and the impact of the subsequent cultural diversity on the core culture. This is the mechanism that causes organizations in different industries to develop different industry cultures and causes subgroups to develop different subcultures. Thus, a high-technology company will develop highly refined R&D skills, whereas a consumer products company in foods or cosmetics will develop highly refined marketing skills. In each case such differences will come to reflect important underlying assumptions about the nature of the world and the actual growth experience of the organization. In addition, because the different parts of the organization exist in different environments, each of those parts will evolve to adapt to its particular environment, as discussed in Chapter Fourteen.

As subgroups differentiate and subcultures develop, the opportunity for more major culture change will arise later, but in this early stage those differences will only be tolerated and efforts will be made to minimize them. For example, it was clear that the service organization at DEC was run more autocratically, but this was tolerated because everyone recognized that a service organization required more discipline if the customers were to get timely and efficient service. The higher-order principle of "do the right thing" justified all kinds of managerial variations in the various functions.

Self-Guided Evolution Through Insight

If one thinks of culture as, in part, a learned defense mechanism to avoid uncertainty and anxiety, then one should be able to help the organization assess for itself the strengths and weaknesses of its culture and to help it modify cultural assumptions if that becomes necessary for survival and effective functioning. Members of the organization can collectively achieve insight if they collectively examine their culture and redefine some of the cognitive elements. Such redefinition involves either changing some of the priorities within the core set of assumptions or abandoning one assumption that is a barrier by subordinating it to a higher-order assumption. The internal deciphering process that will be described in Chapter Seventeen typically produces a level of cultural insight that allows a group to decide the direction of its future evolution. The key role of the leader in this process is to recognize the need for such an intervention and to manage the internal deciphering.

Many of the interventions that have occurred over the years at DEC can be viewed as producing insight. For example, at an annual meeting where the company's poor performance was being discussed, a depressive mood overtook senior management and was articulated as "We could do better if only our president or one of his key lieutenants would decide on a direction and tell us which way to go." A number of us familiar with the culture heard this as a wish for a magic solution, not as a realistic request. I was scheduled to give a short presentation on the company's culture at this meeting and used the opportunity to raise the following question: "Given the history of this company and the kinds of managers and people that you are, if Ken Olsen marched in here right now and told everyone in what direction he wanted you to go in, do you think you would follow?" There was a long silence, followed gradually by a few knowing smiles and ultimately by a more realistic discussion. In effect, the group reaffirmed and strengthened its assumptions about individual responsibility and autonomy but also recognized that its wish for marching orders was really a wish for more disci-

pline in the organization and that this discipline could be achieved among the senior managers by more negotiation and tighter coordination at their own level.

Defenses do not always have to be given up. Sometimes it is enough to recognize how they operate so that their consequences can be realistically assessed. If they are considered too costly, one can engage in compensatory behavior. For example, DEC's commitment to checking all decisions laterally (getting buy-in) before moving ahead was a defense against the anxiety of not knowing whether a given decision was correct. As the company grew, the costs of such a defense mounted because it not only took longer and longer to make a decision but also the process of checking with others who had not grown up in the company, with whom one was not functionally familiar, often could not resolve issues.

The options then were to (1) give up the mechanism, which was difficult to do unless some way was found to contain the anxiety that would be unleashed in the short run (for example, finding a strong leader who would absorb the anxiety), (2) design compensatory mechanisms (for example, having less frequent but longer meetings, classifying decisions and seeking consensus only on certain ones, or finding ways to speed up meetings), or (3) break the company down into smaller units in which the consensual process could work because people could be functionally familiar with each other and build efficient consensual processes. In DEC's evolution all of these mechanisms were discussed and tried from time to time, but breaking up into smaller units was not ever implemented sufficiently to avoid the dysfunctional intergroup negotiations that arose.

Managed Evolution Through Hybrids

The above two mechanisms serve to preserve and enhance the culture as it exists, but changes in the environment often create disequilibria that force more transformational change—change that challenges some of the basic assumptions of the cultural paradigm itself. How can a young organization highly committed to its identity

make such changes? One mechanism of gradual and incremental change is the systematic promotion of insiders whose own assumptions are better adapted to the new external realities. Because they are insiders, they accept much of the cultural core and have credibility. But, because of their personalities, their life experiences, or the subculture in which their career developed, they hold assumptions that are to varying degrees different from the basic paradigm and thus can move the organization gradually into new ways of thinking and acting. When such managers are put in key positions, they often elicit the feeling from others: "We don't like what he is doing in the way of changing the place, but at least he is one of us."

For this mechanism to work, some of the most senior leaders of the company must have insight into what is missing, which implies that they first must get somewhat outside their own culture and obtain insight from their own cultural assessment activities, through the questions of board members and consultants, or through educational programs at which they meet other leaders. If the leaders then recognize the need for change, they can begin to select "hybrids" for key jobs—that is, those members of the old culture who best represent the new assumptions that they want to enhance.

For example, at one stage in its history, DEC found itself increasingly losing the ability to coordinate the efforts of large numbers of units. Olsen and other senior managers knew that a proposal to bring an outsider into a key position would be rejected, so they gradually filled several of the key management positions with managers who had grown up in manufacturing and in field service, where more discipline and centralization had been the norm. These managers operated within the culture but gradually imposed more centralization and discipline. In DEC's case the cultural paradigm was strong enough that it overrode their efforts, but it was clearly the correct strategy at that time in DEC's history.

Similarly, when Ciba-Geigy recognized the need to become more marketing oriented, it began to appoint to more senior positions managers who had grown up in the pharmaceutical division, in which the importance of marketing had been recognized earlier.

In that case the process worked to make Ciba-Geigy both more marketing oriented and more strategically focused on pharmaceuticals, ultimately resulting in the merger with Sandoz to create Novartis. Filling key positions with people who have the beliefs, values, and assumptions that are viewed by senior leaders as the necessary ones for the future growth and survival of the organization is, in fact, the commonest culture change mechanism observed.

Transition to Midlife: Problems of Succession

The succession from founders and owning families to midlife under general managers often involves many substages and processes. There are so many ways in which companies actually move from being under the domination of a founder or a founding family to a state of being managed by second-, third-, and fourth-generation general managers that one can only identify a few prototypical processes and events.

The first and often most critical of these processes is the shift from founder to a second-generation chief executive officer. Even if that person is the founder's son or daughter or another trusted family member, it is in the nature of founders and entrepreneurs to have difficulty giving up what they have created (Dyer, 1986, 1989; Schein, 1978; Watson and Petre, 1990). During the transition phase, conflicts over which elements of the culture employees like or do not like become surrogates for what they do or do not like about the founder, since most of the culture is likely to be a reflection of the founder's personality. Battles develop between "conservatives" who like the founding culture and "liberals" or "radicals" who want to change the culture, partly because they want to enhance their own power position. The danger in this situation is that feelings about the founder are projected onto the culture, and, in the effort to displace the founder, much of the culture comes under challenge. If members of the organization forget that the culture is a set of learned solutions that have produced success, comfort, and identity, they may try to change the very things they value and need.

Often missing in this stage is an understanding of what the or-ganizational culture is and what it is doing for the organization, re-gardless of how it came to be. Succession processes must therefore be designed to enhance those parts of the culture that provide identity, distinctive competence, and protection from anxiety. Such a process can probably be managed only from within, because an outsider could not possibly understand the subtleties of the cultural issues and the emotional relationships between founders and employees.

The preparation for succession is usually psychologically diffi-cult both for the founder and for potential successors, because entrepreneurs typically like to maintain high levels of control. They may officially be grooming successors, but unconsciously they may be preventing powerful and competent people from function-ing in those roles. Or they may designate successors but prevent them from having enough responsibility to learn how to do the job—what we might call the "Prince Albert" syndrome, remem-bering that Queen Victoria did not permit her son many opportu-nities to practice being king. This pattern is particularly likely to operate with a father-to-son transition as was the case at IBM (Watson and Petre, 1990).

When senior management or the founder confronts the criteria for a successor, some cultural issues are forced into the open. It is now clear that much of the culture has become an attribute and property of the organization, even though it may have started out as the property of the founder. It is said that at Kodak "the ghost of George Eastman still walks the halls." If the founder or the founder's family remains dominant in the organization, one may expect little culture change but a great deal of effort to clarify, integrate, main-tain, and evolve the culture, primarily because it is identified with the founder. For example, David Packard turned over the manage-ment of HP to a promoted general manager, but when Packard saw decisions being made that violated some of his own values, he stepped back into the picture and brought in a different CEO who would reinforce those values.

Formal management succession, when the founder or founding family finally relinquishes control, provides an opportunity to change the direction of the cultural evolution if the successor is the right kind of hybrid: representing what is needed for the organization to survive, yet seen as acceptable "because he is one of us" and therefore also a conserver of the valued parts of the old culture. At Steinbergs, after several outsiders had failed as CEOs, someone was found who had been with the company earlier and was therefore perceived by the family to "understand the company" even though he brought in many new assumptions about how to run the business. After hiring several outside CEOs, Apple brought back Steve Jobs, who had run another company and presumably learned some valuable things to bring back to the organization he had founded.

Whereas during the growth period culture is an essential glue, at midlife the most important elements of the culture have become embedded in the structure and major processes of the organization. Hence, consciousness of the culture and the deliberate attempt to build, integrate, or conserve the culture have become less important. The culture that the organization has acquired during its early years now comes to be taken for granted. The only elements that are likely to be conscious are the credos, dominant espoused values, company slogans, written charters, and other public pronouncements of what the company wants to be and claims to stand for—its philosophy and ideology.

At this stage it is more difficult to decipher the culture and make people aware of it because it is so embedded in routines. It may even be counterproductive to make people aware of the culture, unless there is some crisis or problem to be solved. Managers view culture discussions as boring and irrelevant, especially if the company is large and well established. On the other hand, geographical expansions, mergers and acquisitions, and introductions of new technologies require a careful self-assessment to determine whether the new cultural elements to be integrated or merged are, in fact, compatible.

At this stage there may also be strong forces toward cultural diffusion, toward loss of integration, because powerful subcultures will have developed and because a highly integrated culture is difficult to maintain in a large, differentiated, geographically dispersed organization. Furthermore, it is not clear whether or not all the cultural units of an organization should be uniform and integrated. Several conglomerates I have worked with have spent a good deal of time wrestling with the question of whether to attempt to preserve or, in some cases, build a common culture, as the Swedish government example showed (see Chapter Fourteen, "Divisionalization"). Are the costs associated with such an effort worth it? Might there even be a danger that one will impose assumptions on a subunit that might not fit its situation at all? On the other hand, if subunits are all allowed to develop their own cultures, what is the competitive advantage of being a single organization? At this stage it is less clear which functions are served by the total culture, so the problem of managing cultural change is more complex and diverse.

Forces that cause organizations to launch change programs at this stage can come, as in the first stage, either from the outside or from the inside; that is, (1) the entire organization or parts of it may experience economic difficulty or in some other way fail to achieve key goals because the environment has changed in a significant manner, or (2) the organization may develop destructive internal power struggles among subcultures. For example, at Ciba-Geigy prior to its launching of its redirection project (described in Chapter Eighteen), some of the divisions, such as Chemicals, were consistently declining, to the point where the total economic health of Ciba-Geigy was called into question. At the same time, the functional groups in the country companies were increasingly fighting the headquarters organization and were complaining that profits were undermined by the heavy overhead burdens imposed on them by the "fat" Basel headquarters.

A number of change mechanisms can be identified that can occur spontaneously or be systematically managed by and manipu-

lated by leaders. In mid-life organizations these mechanisms will operate *in addition* to the ones previously mentioned.

Change Through Systematic Promotion from Selected Subcultures

The strength of the midlife organization is in the diversity of its subcultures. Whether leaders are conscious of it or not, they evolve midlife organizations culturally by assessing the strengths and weaknesses of different subcultures and then biasing the total culture toward one of those subcultures by systematically promoting people from that subculture into power positions in the total culture. This is an extension of the previously mentioned use of hybrids, but has a more potent effect in midlife because preservation of the total culture is not as big an issue as it was in the young and growing organization. Also, the midlife organization is led by general managers who are not as emotionally embedded in the original culture and are therefore better able to assess needed future directions.

Whereas the diversity of subcultures is a threat to the young organization, in midlife it can be seen as an advantage. The only disadvantage to this change mechanism is that it is very slow. If the pace of culture change is to be increased, systematic planned change projects, of the kind that will be described in Chapters Sixteen and Seventeen, must be launched. It is also the case, as DEC illustrated, that the basic culture can survive and outlive what a hybrid group of managers tries to impose. When the head of Service was given the Sales organization as well, he began to promote a lot of his own people into key sales positions, leading many to complain that Sales was becoming too much like a service organization. However, after DEC was sold to Compaq and eventually was merged with HP, it became clear that it was the service culture that was attractive to Compaq and it is still alive and well within HP. In any case, one of the quickest ways of diagnosing the direction in which an organization's culture is heading is to track the occupational and subcultural origins of the people being promoted into senior positions.

Culture Change Through Technological Seduction

One of the less obvious ways in which the leaders of midlife organizations change cultural assumptions is through the subtle, cumulative, and sometimes unintended impacts of new technology that they introduce deliberately. At one extreme, one can observe the gradual evolutionary diffusion of technological innovation; for example, a new technology—the automobile—displacing not only the horse and buggy but also, eventually, many of the assumptions and rituals that accompanied the old technology. At the other extreme, technological seduction involves the deliberate, managed introduction of specific technologies for the sake of seducing organization members into new behavior, which will, in turn, require them to reexamine their present assumptions and possibly adopt new values, beliefs, and assumptions.

My focus here will be on situations in which a leader consciously decides to introduce a new technology in order to initiate cultural change. Sometimes the goal is to reduce what the leader perceives to be too much cultural diversity by deliberately introducing a seemingly neutral or progressive technology that has the effect of getting people to think and behave in common terms. Sometimes the goal is to force assumptions out into the open in a neutral and ostensibly nonthreatening way. Sometimes the technology is physical, such as the introduction of robots into an assembly line or the automation of a chemical or nuclear plant, and sometimes it is a sociotechnical process, such as the introduction of a formal total quality program.

Many companies have used educational interventions to introduce a new social technology as part of an organization development program, with the avowed purpose of creating some common concepts and language in a situation where they perceive a lack of shared assumptions; for example, Blake's Managerial Grid (Blake and Mouton, 1969; Blake, Mouton, and McCanse, 1989). The most recent and increasingly popular versions of this type of intervention

are Systems Dynamics, as presented in Senge's *The Fifth Discipline* (1990) and Total Quality Management, as presented in a variety of books and programs (e.g., Ciampa, 1992). The assumption underlying this strategy is that a new common language and concepts in a given cultural area, such as "how one relates to subordinates" or "how one defines reality in terms of one's mental models," will gradually force organization members to adopt a common frame of reference that will eventually lead to common assumptions. As the organization builds up experience and resolves crises successfully, new shared assumptions gradually come into being.

The current practice of introducing personal computers to several layers of management as a vehicle for networking the organization, the mandatory attendance at training courses, the introduction of expert systems to facilitate decision making, and the use of various kinds of "groupware" to facilitate meetings across time and space barriers all clearly constitute another version of technological seduction, though perhaps unintended by the original architects (Gerstein, 1987; Grenier and Metes, 1992; Johansen, 1991; Savage, 1990; Schein, 1992).

Sometimes leaders perceive that there is too much diversity in the assumptions governing management decisions and they bring this issue into the open by introducing a technology that forces decision-making premises and styles into consciousness. Some leaders also see in the technology the opportunity to impose the assumptions that underlie the new technology itself, such as the importance of precision, measurement, quantification, and model building. In some cases the effects are unintended—as when information technology is brought in to enable everyone to communicate more effectively with each other and to reduce the impact of formal hierarchy, but the CEO uses the information for control purposes and unwittingly increases the impact of hierarchy.

An unusual example of technological seduction was provided by a manager who took over a British transportation company that had grown up with a royal charter one hundred years earlier and

had developed strong traditions around its blue trucks with the royal coat of arms painted on their sides (Lewis, 1988). The company was losing money because it was not aggressively seeking new concepts of how to sell transportation. After observing the company for a few months, the new chief executive officer abruptly and without giving reasons ordered that the entire fleet of trucks be painted solid white. Needless to say, there was consternation. Delegations urging the president to reconsider, protestations about loss of identity, predictions of total economic disaster, and other forms of resistance arose. All of these were patiently listened to, but the president simply reiterated that he wanted it done, and soon. He eroded the resistance by making the request nonnegotiable.

After the trucks were painted white, the drivers suddenly noticed that customers were curious about what they had done and inquired what they would now put on the trucks in the way of new logos. This got the employees at all levels thinking about what business they were in and it initiated the market-oriented focus that the president had been trying to establish in the first place. Rightly or wrongly, he assumed that he could not get this focus just by requesting it. He had to seduce the employees into a situation in which they had no choice but to rethink their identity.

Managed Culture Change Through Infusion of Outsiders

Shared assumptions can be changed by changing the composition of the dominant groups or coalitions in an organization—what Kleiner in his research has identified as "the group who really matters" (Kleiner, 2003). The most potent version of this change mechanism occurs when a board of directors brings in a new CEO, or when a new CEO is brought in as a result of an acquisition, merger, or leveraged buyout. The new CEO usually brings in some of his or her own people and gets rid of people who are perceived to represent the old and increasingly ineffective way of doing things. In effect, this destroys the group or hierarchical subculture that was the

originator of the total culture and starts a process of new culture for-
mation. If there are strong functional, geographic, or divisional sub-
cultures, the new leaders usually have to replace the leaders of those
units as well.

Dyer (1986) has examined this change mechanism in several
organizations and found that it follows certain patterns:

1. The organization develops a sense of crisis, because of declin-
   ing performance or some kind of failure in the marketplace,
   and concludes it needs new leadership

2. Simultaneously, there is a weakening of "pattern mainte-
   nance" in the sense that procedures, beliefs, and symbols that
   support the old culture break down

3. A new leader with new assumptions is brought in from the
   outside to deal with the crisis

4. Conflict develops between the proponents of the old assump-
   tions and the new leadership

5. If the crisis is eased and the new leader is given the credit, he
   or she wins out in the conflict and the new assumptions begin
   to be embedded and reinforced by a new set of pattern main-
   tenance activities

People may feel "We don't like the new approach, but we can't
argue with the fact that it made us profitable once again, so maybe
we have to try the new ways." Members who continue to cling to
the old ways are either forced out or leave voluntarily because they
no longer feel comfortable with where the organization is headed
and how it does things. However, if improvement does not occur,
or the new leader is not given credit for the improvement that does
occur, or the new assumptions threaten too much of the core of the
culture, the new leader will be discredited and forced out. This sit-
uation occurs frequently when this mechanism is attempted in
young companies in which the founders or owning families are still
powerful. In those situations the probability is high that the new

leader will violate the owners' assumptions and be forced out by them.

To understand fully the dynamics of the process described by Dyer, one would, of course, need to know more about why and how the pattern maintenance mechanisms have become weakened. One common cause of such weakening is a change in ownership. For example, when founders or founding families give up ownership of the company or ownership changes as a result of a merger, acquisition, or leveraged buyout, this structural change substantially reduces the supports to the present cultural assumptions and opens the door to power struggles among diverse elements, which further weakens whatever cultural assumptions were in place. If strong subcultures have formed and if one or more of those subcultures is strongly tied to outside constituencies that hold different assumptions, the existing culture is further weakened. For example, when employees vote in a union and that union is part of a strong international union, management loses some degrees of freedom and new assumptions are likely to be introduced in the internal integration area. A similar effect can occur when senior management is increasingly selected from one function, such as finance, and that function becomes more responsive to the stockholders, whose interests may not be the same as those of the marketing, manufacturing, or technical people inside the organization.

Culture change is sometimes stimulated by systematically bringing outsiders into jobs below the top management level and allowing them gradually to educate and reshape top management's thinking. This is most likely to happen when those outsiders take over subgroups, reshape the cultures of those subgroups, become highly successful, and thereby create a new model of how the organization can work (Kuwada, 1991). Probably the most common version of this process is that of bringing in a strong outsider or an innovative insider to manage one of the more autonomous divisions of a multidivisional organization. If that division becomes successful, it not only generates a new model for others to identify with but it also creates a cadre of managers who can be promoted into

more senior positions and thereby influence the main part of the organization.

For example, the Saturn division of General Motors and the NUMMI plant—a joint venture of GM and Toyota—were deliberately given freedom to develop new assumptions about how to involve employees in the design and productions of cars and thus learned what amount to some new cultural assumptions about human relationships in a manufacturing plant context. Similarly, GM also acquired EDS (Electronic Data Systems) as a technological stimulus to organizational change. But in each of these cases we also see that having an innovative subculture within the larger culture does not guarantee that the larger culture will reexamine or change its culture. The innovative subculture helps in disconfirming some of the core assumptions, but again, unless there is sufficient anxiety or sense of crisis, the top management culture may remain impervious to the very innovations they have created.

The infusion of outsiders inevitably brings various cultural assumptions into conflict with each other, raising discomfort and anxiety levels. Leaders who use this change strategy therefore also have to figure out how to manage the high levels of anxiety and conflict that they have wittingly or unwittingly unleashed.

Culture Change Through Scandal and Explosion of Myths

As an organization matures, it develops a positive ideology and a set of myths about how it operates—what Argyris and Schön (1974, 1978) have labeled *espoused theories* and what I have called the level of *espoused values* in the culture model. At the same time, the organization continues to operate by the shared tacit assumptions that have worked in practice, which Argyris and Schon label *theories-in-use* and which more accurately reflect what actually goes on. And it is not unlikely that the espoused theories, the announced values of the organization come to be, to varying degrees, out of line with the actual assumptions that govern daily practice.

For example, an organization's espoused theory may be that it takes individual needs into consideration in making geographical moves; yet its theory-in-use may be that anyone who refuses an assignment is taken off the promotional list. An organization's espoused theory may be that when it introduces new products it uses rational decision-making techniques based on market research; yet its theory-in-use may be that it indulges the biases and pet projects of a certain key manager. An organization may espouse the value of teamwork, but all of its practices may be strongly individualistic and competitive. An organization may espouse concern for the safety of its employees, but its practices may be driven by assumptions that one must keep costs down to remain competitive, leading to the encouragement of unsafe practices. If, in the history of the organization, nothing happens to expose these incongruities, myths may grow up that support the espoused theories and values, thus even building up reputations that are out of line with reality. The most common example in the 1990s was the myth in many companies that they would never lay anybody off.

It is where such incongruities exist between espoused values and shared tacit assumptions that scandal and myth explosion become relevant as mechanisms of culture change. Nothing changes until the consequences of the actual operating assumptions create a public and visible scandal that cannot be hidden, avoided, or denied. One of the most powerful triggers to change of this sort occurs when a company experiences a disastrous accident, such as the near-meltdown at Three Mile Island, the losses of the *Challenger* and *Columbia* space shuttles, or the Bhopal chemical explosion or the Alpha Power Company that was ordered by the court to improve environmental management because of its explosion that blew asbestos into the neighborhood. In these cases the norms and practices surrounding environmental and safety concerns in relation to productivity and cost concerns have to be re-examined and new norms are then proposed and implemented. If those new norms work better a new cultural element is gradually created.

Another kind of example involves career movement practices. A company that prided itself on a career system that gave managers real choices in overseas assignments had to face the reality that one of their key overseas executives committed suicide and stated in his suicide note that he had been pressured into this assignment in spite of his personal and family objections. At the espoused values level they had idealized their system. The scandal exposed the shared tacit assumption by which they operated: that people were expected to go where senior executives wanted them to go. The recognition of this discrepancy then led to a whole program of re-vamping the career assignment system to bring espoused values and assumptions into line with each other.

In another example, a product development group operated by the espoused theory that its decisions were based on research and careful market analysis, but in fact one manager dominated all deci-sions and he operated from pure intuition. Eventually, one of the products he had insisted on failed in such a dramatic way that a reconstruction of why it had been introduced had to be made pub-lic. The manager's role in the process was revealed by unhappy sub-ordinates and was labeled as scandalous. He was moved out of his job, and a more formal process of product introduction was imme-diately mandated.

What public scandals produce is a situation that forces senior executives to examine norms and practices and assumptions that were taken for granted and operated out of awareness. Disasters and scandals do not automatically cause culture *change*, but they are a powerful disconfirming force that cannot be denied and that starts, therefore, some kind of change program. At a national level this kind of public reexamination is starting in the culture of finance through the public scandals involving Enron and various other orga-nizations that have evolved questionable financial practices. The new practices that may be launched do not automatically create new cultures but create the conditions for new practices and values to come into play that may eventually become new cultural elements.

Insiders sometimes create or "engineer" scandals in order to induce some of the changes they want by leaking information to the right place at the right time. Such leaks are sometimes defined as *whistle-blowing,* in the sense of exposing internal inconsistencies. Since whistle-blowing has the potential for precipitating a crisis that may force some cultural assumptions to be reexamined, one can see why people are cautious about it and why the organization often punishes it. On the other hand, the revelation by organization members that something is wrong and needs to be fixed is one of the only mechanisms whereby leaders can find out when espoused values and tacit assumptions are out of line with each other. From a cultural analysis perspective, it is predictable that the whistle-blower's message would tend to be ignored, because most likely it challenges some of the myths by which the organization is working. One of the most difficult aspects of leadership, therefore, is to stay open to this kind of critical information and even to encourage it.

Organizational Maturity and Potential Decline

Continued success creates strongly held shared assumptions and thus a strong culture. If the internal and external environments remain stable, this is an advantage. However, if there is a change in the environment, some of those shared assumptions can become a liability, precisely because of their strength. This stage is sometimes reached when the organization is no longer able to grow, because it has saturated its markets or become obsolete in its products. It is not necessarily correlated with age, size, or number of managerial generations, but rather reflects the interaction between the organization's outputs and the environmental opportunities and constraints.

Age does matter, however, if culture change is required. If an organization has had a long history of success based on certain assumptions about itself and the environment, it is unlikely to want to challenge or reexamine those assumptions. Even if the assumptions are brought to consciousness, the members of the organization are likely to want to hold on to them because they justify the past

and are the source of their pride and self-esteem. Such assumptions now operate as filters that make it difficult for key managers to understand alternative strategies for survival and renewal (Donaldson and Lorsch, 1983; Lorsch, 1985).

Outside consultants can be brought in and clear alternatives can be identified. But no matter how clear and persuasive the consultant tries to be, some alternatives will not even be understood if they do not fit the old culture, and some alternatives will be resisted even if understood because they create too much anxiety or guilt. Even if top management has insight, some new assumptions cannot be implemented down the line in the organization because people simply would not comprehend or accept the changes that might be required (Davis, 1984).

For example, DEC understood very well that the computer market had shifted toward commodities that could be built cheaply and efficiently by using components from other organizations, but to take this path would have required both a whole different approach to manufacturing and the abandonment of the company's commitment to the fun and excitement of technical innovation.

Similarly, several parts of Ciba-Geigy had to confront the unpleasant realities that patents on some of their better products had run out; that younger, more flexible, and more aggressive competitors were threatening them; that there was overcapacity in several of their major chemical markets because of the overestimation by the whole industry of the market potential; and that it was not clear whether there was enough "left to be invented" to warrant the continued emphasis on research. The company needed to become more innovative in marketing and had to shift its creative energy from R&D to manufacturing process innovation in order to bring its costs down. But the culture was built around research, so the creative marketers and the innovative production engineers had a hard time getting attention from senior management. The research department itself needed to become more responsive to the marketplace, but it still believed that it knew best. Even senior managers who could see the dilemma were caught in their own shared

assumptions. They could not challenge and overrule some of the powerful research people and the culture dictated that they stay off of each other's turf.

In such a situation, the basic choices are between more rapid transformation of parts of the culture to permit the organization to become adaptive once again through some kind of "turnaround," or destruction of the organization and its culture through a process of total reorganization via a merger, acquisition, or bankruptcy proceedings. In either case, strong new change managers or "transformational leaders" are likely to be needed to unfreeze the organization and launch the change programs (Kotter and Heskett, 1992; Tichy and Devanna, 1986).

Culture Change Through Turnarounds

Turnaround, as a mechanism of cultural change, is actually a combination of many of the above mechanisms, fashioned into a single program by a strong leader or team of change agents. In turnaround situations I have observed or heard about, what strikes me is that all the mechanisms previously described may be used in the total change process, especially the replacement of key people with internal hybrids and outsiders who bring in different assumptions. In addition, the turnaround leader will launch planned change programs of the type that will be described in the next two chapters.

Turnarounds usually require the involvement of all organization members, so that the dysfunctional elements of the old culture become clearly visible to everyone. The process of developing new assumptions then is a process of cognitive redefinition through teaching, coaching, changing the structure and processes where necessary, consistently paying attention to and rewarding evidence of learning the new ways, creating new slogans, stories, myths, and rituals, and in other ways coercing people into at least adopting new behaviors. All the other mechanisms described earlier come into play, but it is the willingness to coerce that is the key to turnarounds.

Two fundamentally different leadership models have been promulgated for managing turnarounds—or, as they have come to be more popularly known, "transformations." In the *strong vision model,* the leader has a clear vision of where the organization should end up, specifies the means by which to get there, and consistently rewards efforts to move in that direction (Tichy and Devanna, 1986; Bennis and Nanus, 1985; Leavitt, 1986). This model works well if the future is reasonably predictable and if a visionary leader is available. If neither of these conditions can be met, organizations can use the *fuzzy vision model,* whereby the new leader states forcefully that the present is intolerable and that performance must improve within a certain time frame, but then relies on the organization to develop visions of how to actually get there (Pava, 1983). The "We need to change" message is presented forcefully, repeatedly, and to all levels of the organization, but it is supplemented by the message "and we need your help." As various proposals for solutions are generated throughout the organization, the leader selects and reinforces the ones that seem to make the most sense. This model is obviously more applicable in situations in which the turnaround manager comes from the outside and therefore does not initially know what the organization is capable of. It is also more applicable when the future continues to appear turbulent, in that this model begins to train the organization to become conscious of how to change its own assumptions as part of a continuous adaptive process. Turnarounds usually have to be supplemented with longer-range organization development programs to aid in new learning and to help embed new assumptions. To embed new assumptions in a mature organization is much more difficult than in a young and growing organization because all of the organization structures and processes have to be rethought and, perhaps, rebuilt.

Culture Change Through Mergers and Acquisitions

When one organization acquires another organization or when two organizations are merged, there is inevitable culture clash, because it is unlikely that two organizations will have the same cultures. The

leadership role is then to figure out how best to manage this clash. The two cultures can be left alone to continue to evolve in their own way. A more likely scenario is that one culture will dominate and gradually either convert or excommunicate the members of the other culture. A third alternative is to blend the two cultures by selecting elements of both cultures for the new organization, either by letting new learning processes occur or by deliberately selecting elements of each culture for each of the major organizational processes.

For example, in the merger of HP with Compaq, though many felt that it was really an acquisition that would lead to domination by HP, in fact the merger implementation teams examined each business process in both organizations, chose the one that looked better, and imposed it immediately on everyone. Elements of both cultures were imported by this means and this accomplished the goal of eliminating those elements that the HP leadership felt had become dysfunctional in the HP culture.

Culture Change Through Reorganization and Rebirth

Little is known or understood about this process, so little will be said about it here. Suffice it to say that if one physically destroys the organization that is the carrier of a given culture, by definition that culture is destroyed and whatever new organization begins to function begins to build its own new culture. This process is traumatic and therefore not typically used as a deliberate strategy, but it may be relevant if economic survival is at stake.

Organizational changes that are true transformations—not merely incremental adaptations—probably reflect culture changes at this level. In the evolution of companies, such transformations occur periodically and at those times the direction of the change is not always predictable (Tushman and Anderson, 1986; Gersick, 1991). Change at this level sometimes results from mergers, acquisitions, or leveraged buyouts if the new owners decide to completely restructure the organization and are willing to get rid of most of the key managers of the old culture in the process.

Summary and Conclusions

I have described various mechanisms and processes by which culture changes. As was noted, different functions are served by culture at different organizational stages, and the change issues are therefore different at those stages. In the formative stage of an organization, the culture tends to be a positive growth force, which needs to be elaborated, developed, and articulated. In organizational midlife the culture becomes diverse, in that many subcultures will have formed. Deciding which elements need to be changed or preserved then becomes one of the tougher strategic issues that leaders face, but at this time leaders also have more options to change assumptions by differentially rewarding different subcultures. In the maturity and decline stage, the culture often becomes partly dysfunctional and can only be changed through more drastic processes such as scandals and turnarounds.

Culture change also occurs from the entry into the organization of people with new assumptions and from the different experiences of different parts of the organization. For purposes of this analysis, those changes are captured in the observation that organizations differentiate themselves over time into many subcultures. But the important point to focus on is that it is within the power of leaders to enhance diversity and encourage subculture formation, or they can, through selection and promotion, reduce diversity and thus manipulate the direction in which a given organization evolves culturally.

Cultural change in organizational midlife is primarily a matter of deliberately taking advantage of the diversity that the growth of subcultures makes possible. Unless the organization is in real difficulty, there will be enough time to use systematic promotion, organization development, and technological change as the main mechanisms in addition to normal evolution and organizational therapy. What can leaders do to speed up and systematically manage such culture change? In the next three chapters we will examine both the theory and practice of planned culture change.

16

A CONCEPTUAL MODEL
FOR MANAGED CULTURE CHANGE

In Chapter Fifteen I reviewed all the ways in which culture can and does change, noting how leaders can influence these processes. However, many of the mechanisms described are either too slow or inaccessible. Subcultural diversity may not be sufficient, outsiders with the right new assumptions may be unavailable, and creating scandals or introducing new technology may not be practical. How then does a leader systematically set out to change how an organization operates, recognizing that such change may involve varying degrees of culture change? In this chapter I will describe a model of planned, managed change and discuss the various principles that have to be taken into account if the changes involve culture. In Chapter Seventeen I will show how this process leads to cultural assessment and describe the role of such assessment in the overall change process It is my presumption that culture change per se is not usually a valid goal. Instead, the organization typically has some problems that need fixing or some new goals that need to be achieved. In the context of such organizational changes culture becomes involved, but it is essential to understand first the general processes of organizational change before managed culture change as such becomes relevant.

The Psychosocial Dynamics of Transformative Organizational Change

The fundamental assumptions underlying *any* change in a human system are derived originally from Kurt Lewin (1947); I have elaborated and refined his basic model in my studies of coercive persuasion,

professional education, group dynamics training, and management development (Schein, 1961a, 1961b, 1964, 1972; Schein and Bennis, 1965). All human systems attempt to maintain equilibrium and to maximize their autonomy vis-à-vis their environment. Coping, growth, and survival all involve maintaining the integrity of the system in the face of a changing environment that is constantly causing varying degrees of disequilibrium. The function of cognitive structures such as concepts, beliefs, attitudes, values, and assumptions is to organize the mass of environmental stimuli, to make sense of them, and to thereby provide a sense of predictability and meaning to the individual. The set of shared assumptions that develop over time in groups and organizations serves this stabilizing and meaning-providing function. The evolution of culture is therefore one of the ways in which a group or organization preserves its integrity and autonomy, differentiates itself from the environment and other groups, and provides itself an identity.

Unfreezing/Disconfirmation

If any part of the core cognitive structure is to change in more than minor incremental ways, the system must first experience enough disequilibrium to force a coping process that goes beyond just reinforcing the assumptions that are already in place. Lewin called the creation of such disequilibrium *unfreezing,* or creating a motivation to change. Unfreezing as I have subsequently analyzed it is composed of three very different processes, each of which must be present to a certain degree for the system to develop any motivation to change: (1) enough *disconfirming data* to cause serious discomfort and disequilibrium; (2) the connection of the disconfirming data to important goals and ideals, causing *anxiety and/or guilt;* and (3) enough *psychological safety,* in the sense of being able to see a possibility of solving the problem and learning something new without loss of identity or integrity (Schein, 1980, 1999b).

　　Transformative change implies that the person or group that is the target of change must *unlearn* something as well as learn some-

thing new. Transformative change will therefore almost always involve culture change to some degree. Most of the difficulties of such change have to do with the *unlearning,* because what we have learned has become embedded in various routines and may have become part of our personal and group identity. The key to understanding resistance to change is to recognize that some behavior that has become dysfunctional for us may nevertheless be difficult to give up because this might make us lose group membership or may violate some aspect of our identity.

For example, in the case of Amoco, first described in Chapter One, the new reward and control system required engineers to change their self-image from being members of an organization to being self-employed consultants who must sell their services. In the case of the Alpha Power Company, the electrical workers had to change their self-image from being employees who heroically kept power and heat on to being responsible stewards of the environment, preventing and cleaning up spills produced by their trucks or transformers. The new rules required them to report incidents that might be embarrassing to their group, and even to report on each other if they observed environmentally irresponsible behavior in fellow workers. Finally, transformative change at DEC would have required engineers to give up their passion for innovation and learn how to design and manufacture computers that were cheaper and less elegant, a degree of identity change that they would probably not have tolerated.

Disconfirming data are any items of information that show the organization that some of its goals are not being met or some of its processes are not accomplishing what they are supposed to: sales are off, customer complaints are up, products with quality problems are returned more frequently, managers and employees are quitting in greater numbers than usual, employees are sick or absent more and more, and so on. Disconfirming information can be economic, political, social, or personal—as when a charismatic leader chides a group for not living up to its own ideals and thereby induces guilt. However, the information is usually only symptomatic. It does not

automatically tell the organization what the underlying problem might be, but it creates disequilibrium in pointing up that something is wrong somewhere. It makes members of the organization uncomfortable and anxious—a state that we can think of as *survival anxiety,* in that it implies that *unless we change, something bad will happen to the individual, the group, and/or the organization.*

Disconfirmation and its attendant survival anxiety does not, by itself, automatically produce a motivation to change, because members of the organization can rationalize or deny by perceiving the information as being basically irrelevant to important goals or ideals they may hold. For example, if employee turnover suddenly increases, it is still possible for organization members to say, "It is only the bad people who are leaving, the ones we don't want anyway." Or if sales are down, it is possible to say, "This is only a reflection of a minor recession." Members of the organization will only feel anxious or guilty if the disconfirming information relates to important goals or ideals and if it is cognitively impossible to deny such connections. But anxiety and guilt can be denied and repressed as well, so even if the disconfirming information registers, so to speak, that is still not enough to motivate change if the change implies some threat to the more basic sense of identity or integrity that the person or group feels.

What often makes this level of denial and repression likely is the fact that the prospect of learning new ways of perceiving, thinking, feeling, and behaving itself creates anxiety—what we can think of as *learning anxiety,* a feeling that "I cannot learn this without losing a feeling of self-esteem or group membership." It is the reduction of this anxiety that is meant by the third component of unfreezing—the creation of *psychological safety.* The learner must come to feel that the new way of being is possible and achievable, and that the learning process itself will not be too anxiety provoking or demeaning.

The Amoco engineers simply could not imagine how they could function as freelance consultants. They had no skills along those lines. Alpha Power electrical workers were in a panic because they did not know how to diagnose environmentally dangerous

conditions—how to determine, for example, whether a spill requires a simple mop-up or is full of dangerous chemicals such as PCBs, or whether a basement is merely dusty or is filled with asbestos dust, and so on. At DEC, engineers knew how to do things differently, but it was a formidable task for them to change manufacturing processes from building everything to just putting together components purchased from others. At Ciba-Geigy, when patents ran out and more cost-effective manufacturing processes had to be invented and implemented, massive amounts of learning anxiety were unleashed.

In some cases, disconfirming data have existed for a long time but because of a lack of psychological safety the organization has avoided anxiety or guilt by repressing it or by denying the data's relevance or validity—or even its existence. Data that make it clear that something is wrong can easily be ignored or denied as invalid if to take them seriously would unleash learning anxiety. Once a new leader makes the organization feel safe in learning something new, the change can occur rapidly because the motivation was there all the time. The essence of psychological safety, then, is that we can imagine a needed change without feeling a loss of integrity or identity. If the change I have to make threatens my whole self, I will deny the data and the need for change. Only if I can feel that I will retain my identity, my integrity, and my membership in groups that I care about as I learn something new or make a change, will I be able to even contemplate doing so.

The importance of visionary leadership can be understood in this context, in that the vision sometimes serves the function of providing the psychological safety that permits the organization to move forward. For example, a visionary leader could have created a new positive image of the freelance consultant for Amoco engineers and provided role models of engineers who had successfully made the transition. However, without a period of prior disconfirmation it is not clear that a visionary leader would be given much attention. New visions are most important when people are ready to pay attention, and they are only ready to pay attention when they are consciously or unconsciously hurting because of an accumulation of

disconfirming information. One might speculate that the reason why we have had so many books on transformational visionary leadership in the last decade is because the United States, as a society, is hurting and the need for some psychological safety through new visions is particularly acute.

Does disconfirmation always have to be present to start the change process? Is there not a *natural instinct* to learn and improve? Isn't natural curiosity enough of a motive to try new things and overcome old habits of thought? New learning that does not require unlearning probably occurs, though even then one could argue that curiosity is driven to some degree by dissatisfaction with one's present state of perception and thought. The organizational question is this: can a *successful* organization make transformational changes or must there be some threat or sense of failure or crisis before people will be motivated to make such changes? Does there have to be a "wake-up call" or "burning platform" before the need for real change is accepted? In other words, must the process of organizational transformation *always* start with some form of survival anxiety? My own experience convinces me that some sense of threat, crisis, or dissatisfaction must be present before enough motivation is present to start the process of unlearning and relearning.

The disconfirming data are only symptoms, which should trigger some diagnostic work, focusing on the underlying problem or issue that needs to be addressed. Before one even starts to think about culture, one needs to (1) have a clear definition of the operational problem or issue that started the change process and (2) formulate *specific* new behavioral goals. It is in this analysis that one may first encounter the need for some culture assessment in order to determine to what degree cultural elements are involved in the problem situation. It is at this point that an assessment of the kind I will describe in the next chapter first becomes relevant. This should not be undertaken, however, until some effort has been made to identify which changes are going to be made and which "new way of working" will fix the problem, and some assessment has been made of how difficult and anxiety-provoking the learning of the new way will be (Schein, 1999b).

   Changes in self-image or group norms that will be required to fix the problem do not automatically make clear how other elements of the culture will be impacted. More important, if we are to make changes we must look to other elements of the culture that will *help* us in making them—as the highly organized, autocratically administered training program was able to do at Alpha Power, to give employees a sense of comfort in dealing with new environmental hazards.

Cognitive Restructuring

Once an organization has been unfrozen, the change process proceeds along a number of different lines that reflect either new learning, through trial and error based on *scanning* the environment broadly, or imitation of role models, based on psychological *identification* with the role model. In either case, the essence of the new learning is usually some cognitive redefinition of some of the core concepts in the assumption set. For example, when companies that assume they are lifetime employers who never lay anyone off are faced with the economic necessity to reduce payroll costs, they cognitively redefine layoffs as "transitions" or "early retirements," make the transition packages very generous, provide long periods of time during which the employees can seek alternative employment, offer extensive counseling, provide outplacement services, and so on, all to preserve the assumption that "we treat our people fairly and well." This process is more than rationalization. It is a genuine cognitive redefinition on the part of the senior management of the organization and is viewed ultimately as "restructuring."

   Most change processes emphasize the need for behavior change. Such change is important in laying the groundwork for cognitive redefinition but is not sufficient unless such redefinition takes place. Behavior change can be coerced, but it will not last once the coercive force is lifted unless cognitive redefinition has preceded or accompanied it. Some change theories (for example, Festinger, 1957) argue that if behavior change is coerced for a long enough

period of time, cognitive structures will adapt to rationalize the behavior change that is occurring. The evidence for this is not clear, however, as recent developments in former Communist countries reveals. People living under communism did not automatically become Communists even though they might be coerced for fifty years or more.

Lorsch (1985), in his study of top management, shows how they attempted to make changes, with small incremental adjustments, to individual beliefs but that the kinds of changes that were necessary to improve adaptation to a rapidly changing environment really required more substantial restructuring of concepts, such as appropriate levels of risk and acceptable level of debt that a company could carry. At both DEC and Ciba-Geigy the concept of what "marketing" was underwent substantial cognitive redefinition as those companies attempted to cope with their changing environments.

Learning New Concepts and New Meanings for Old Concepts. If one has been trained to think in a certain way and has been a member of a group that has also thought that way, how can one imagine changing to a new way of thinking? As pointed out above, if you were an engineer in Amoco, you would have been a member of a division working as an expert technical resource with a clear career line and a single boss. In the new structure of a centralized engineering group "selling its services for set fees," you were now asked to think of yourself as a member of a consulting organization selling its services to customers who could purchase those services elsewhere if they did not like your deal. For you to make such a transformation would require you first of all to develop several *new* concepts—"freelance consultant," "selling services for a fee," and "competing with outsiders who could underbid you." In addition, you would have to learn a new meaning for the concept of what it means to be an engineer, and what it means to be an employee of that organization. You would have to learn a new reward system: being paid and promoted based on your ability to bring in work. You would have to learn to see yourself as much as a salesman as an engineer. You would have to

define your career in different terms and learn to work for lots of different bosses.

Along with new concepts would come new standards of evaluation. Whereas in the former structure you were evaluated largely on the quality of your work, now you would have to estimate more accurately just how many days a given job would take, what quality level could be achieved in that time, and what it would cost if you tried for the higher-quality standard you were used to.

If standards do not shift, problems do not get solved. The computer designers at DEC who tried to develop products competitive with the IBM PC never changed their standards for evaluating what a customer expected. They overdesigned the products, building in far too many bells and whistles, and made them too expensive, thus failing to capture enough of the market to make them financially viable.

Imitation and Identification Versus Scanning and Trial-and-Error Learning.   There are basically two mechanisms by which we learn new concepts, new meanings for old concepts, and new standards of evaluation: either we learn through imitating a role model and psychologically identifying with that person, or we keep inventing our own solutions until something works. The leader as change manager has a choice as to which mechanism to encourage. For example, the leader can "walk the talk" in the sense of making him or herself a role model of the new behavior that is expected. As part of a training program, the leader can provide role models through case materials, films, role-plays, or simulations. One can bring in learners who have acquired the new concepts and encourage others to get to know how they did it. This mechanism works best when (1) it is clear what the new way of working is to be and (2) the concepts to be taught are themselves clear. However, we sometimes can learn things through imitation that do not really fit into our personality or our ongoing relationships. Once we are on our own and the role models are no longer available, we often revert to our old behavior.

If we want to learn things that really fit into our personality, then we must learn to scan our environment and develop our own solutions. For example, Amoco could have developed a training program for how to be a consultant, built around engineers who had made the shift successfully. However, senior management felt that such a shift was so personal that they decided merely to create the structure and the incentives but to let the individual engineers figure out for themselves how they wanted to manage the new kinds of relationships. In some cases this meant people leaving the organization. But those engineers who learned from their own experience how to be consultants genuinely evolved to a new kind of career that they integrated into their total lives.

The general principle here is that the leader as change manager must be clear about the ultimate goals—the new way of working that is to be achieved—but that does not necessarily imply that everyone will get to that goal in the same way. Involvement of the learner does not imply that the learner has a choice about the ultimate *goals,* but does imply that he or she has a choice of the *means* to get there.

Refreezing

The final step in any given change process is *refreezing.* This refers to the necessity for the new behavior and set of cognitions to be reinforced, to produce once-again confirming data. If such new conformation is not forthcoming, the search and coping process continues. As soon as confirming data from important environmental sources, external stakeholders, or internal sources are produced, the new beliefs and values gradually stabilize, become internalized, and, if they continue to work, become taken-for-granted assumptions until new disconfirmations start the change process all over again.

Identification and imitation will produce quicker learning that will be reinforced by the group and the leader who models the behavior, but this may only be as stable as the relationship with that group or leader. If we want real internalization of the new cognitive

constructs and standards of evaluation, we need to encourage scanning and trial-and-error learning from the outset. As we will see below, that outcome is best achieved when the learner is actively involved in the design of the learning process.

Survival Anxiety Versus Learning Anxiety

If the disconfirming data "get through" the learners' denial and defensiveness, they will feel either survival anxiety or guilt. They will recognize the need to change, to give up some old habits and ways of thinking, and to learn some new habits and ways of thinking. But the minute the learners accept the need to change they will also begin to experience learning anxiety. It is the interaction of these two anxieties that creates the complex dynamics of change.

The easiest way to illustrate this dynamic is in terms of learning a new stroke in tennis or golf. The process starts with disconfirmation—you are not beating some of the people you are used to beating, or your aspirations for a better score or a better-looking game are not met, so you feel the need to improve your game. But as you contemplate the actual process of unlearning your old stroke and developing a new stroke, you realize that you may not be able to do it or you may be temporarily incompetent during the learning process. These feelings are learning anxiety. Similar feelings arise in the cultural area when the new learning involves becoming computer competent, changing one's supervisory style, transforming competitive relationships into teamwork and collaboration, changing from high-quality, high-cost strategy to becoming the low-cost producer, moving from engineering domination and product orientation to a marketing and customer orientation, learning to work in nonhierarchical diffuse networks, and so on.

Sociopsychological Bases of Learning Anxiety. Learning anxiety is a combination of several specific fears, all of which may be active at any given time as one contemplates having to unlearn something and learn something new.

Fear of Temporary Incompetence.   During the transition process one will be unable to feel competent because one has given up the old way and has not yet mastered the new way. The best examples probably come from the efforts to learn to use computers.

Fear of Punishment for Incompetence.   If it takes one a long time to learn the new way of thinking and doing things, one will fear that one will be punished for lack of productivity. In the computer arena there are some striking cases in which employees never learned the new system sufficiently to take advantage of its potential, because they felt they had to remain productive and thus spent insufficient time on the new learning.

Fear of Loss of Personal Identity.   If one's current way of thinking identifies one to oneself and to others, one may not wish to be the kind of person that the new way of working would require one to be. For example, in the early days of the breakup of the Bell System many old-time employees left because they could not accept the identity of being a member of a hard-driving, cost-conscious organization that would take phones away from consumers who could not afford them.

Fear of Loss of Group Membership.   The shared assumptions that make up a culture also identify who is in and who is out of the group. If by developing new ways of thinking one will become a deviant in one's group, one may be rejected or even ostracized. To avoid loss of group membership one will often resist learning the new ways of thinking and behaving. This fourth force is perhaps the most difficult to overcome because it requires the whole group to change its ways of thinking and its norms of inclusion and exclusion.

Defensive Responses to Learning Anxiety.   As long as learning anxiety remains high, one will be motivated to resist the validity of the disconfirming data or will invent various excuses why one can-

not really engage in a transformative learning process right now. These responses come in the following stages (Coghlan, 1996):

1. *Denial.* You will convince yourself that the disconfirming data are not valid, are temporary, don't really count, reflect someone just crying "wolf," and so on.

2. *Scapegoating, passing the buck, dodging.* You will convince yourself that the cause is in some other department, that the data do not apply to you, and that others need to change first before you do.

3. *Maneuvering, bargaining.* You will want special compensation for the effort to make the change; you will want to be convinced that it is in your own interest and will be of long-range benefit to you.

Given all of these bases of resistance to change, how then does the change leader create the conditions for transformative change? Two principles come into play:

PRINCIPLE 1: *Survival anxiety or guilt must be greater than learning anxiety.*

PRINCIPLE 2: *Learning anxiety must be reduced rather than increasing survival anxiety.*

From the change leader's point of view, it might seem obvious that the way to motivate learning would be simply to increase the survival anxiety or guilt. The problem with that approach is that greater threat or guilt may simply increase defensiveness to avoid the threat or pain of the learning process. And that logic leads to the key insight about transformative change embodied in Principle 2: the change leader must reduce learning anxiety by increasing the learner's sense of psychological safety—the third component of unfreezing.

How to Create Psychological Safety

Creating psychological safety for organizational members who are undergoing transformational learning involves eight steps that must be taken almost simultaneously. They are listed chronologically but the change leader must be prepared to implement all of them.

1. *A compelling positive vision.* The targets of change must believe that the organization will be better off if they learn the new way of thinking and working. Such a vision must be articulated and widely held by senior management.

2. *Formal training.* If the new way of working requires new knowledge and skill, members must be provided with the necessary formal and informal training. For example, if the new way of working requires teamwork, then formal training on team building and maintenance must be provided.

3. *Involvement of the learner.* If the formal training is to take hold, the learners must have a sense that they can manage their own informal training process, practice, and method of learning. Each learner will learn in a slightly different way, so it is essential to involve learners in designing their own optimal learning process.

4. *Informal training of relevant "family" groups and teams.* Because cultural assumptions are embedded in groups, informal training and practice must be provided to whole groups so that new norms and new assumptions can be jointly built. Learners should not feel like deviants if they decide to engage in the new learning.

5. *Practice fields, coaches, and feedback.* Learners cannot learn something fundamentally new if they don't have the time, the resources, the coaching, and valid feedback on how they are doing. Practice fields are particularly important so that learners can make mistakes without disrupting the organization.

6. *Positive role models*. The new way of thinking and behaving may be so different from what learners are used to that they may need to be able to see what it looks like before they can imagine themselves doing it. They must be able to see the new behavior and attitudes in others with whom they can identify.

7. *Support groups in which learning problems can be aired and discussed.* Learners need to be able to talk about their frustrations and difficulties in learning with others who are experiencing similar difficulties so that they can support each other and jointly learn new ways of dealing with the difficulties.

8. *A reward and discipline system and organizational structures that are consistent with the new way of thinking and working.* For example, if the goal of the change program is to learn how to be more of a team player, the reward system must be group oriented, the discipline system must punish individually aggressive selfish behavior, and the organizational structures must make it possible to work as a team.

Most transformational change programs fail because they do not create the eight conditions outlined above. And when one considers the difficulty of achieving all eight conditions and the energy and resources that have to be expended to achieve them, it is small wonder that changes are often short-lived or never get going at all. On the other hand, when an organization sets out to really transform itself, real and significant cultural changes can be achieved.

Organizing a Change Program
That May Involve Culture Change

When an organization encounters disconfirming information and launches a change program, it is not clear at the outset whether culture change will be involved and how the culture will aid or hinder

the change program. To clarify these issues, a culture assessment process of the kind described in the next chapter becomes appropriate. However, it is generally better to be very clear about the change goals before launching the culture assessment. Several more principles apply at this point.

PRINCIPLE 3: *The change goal must be defined concretely in terms of the specific problem you are trying to fix, not as "culture change."*

For example, in the Alpha Power Company case, the court said that the company had to become more environmentally responsible and more open in its reporting. The change goal was to get employees to (1) be more aware of environmental hazards, (2) report them immediately to the appropriate agencies, (3) learn how to clean up the hazardous conditions, and (4) learn how to prevent spills and other hazards from occurring in the first place. Whether or not the culture needed to be changed was not known when the change program was launched. Only as specific goals were identified could one determine whether cultural elements would aid or hinder the change; as it turned out, large portions of the culture were used positively to change some specific elements in the culture that did have to be changed. For example, workers had to learn that containing oil spills from their vehicles was just as important as fixing the hospital generator, which was, for many of them, a major shift in their sense of identity.

One of the biggest mistakes that leaders make when they undertake change initiatives is to be vague about their change goals and to *assume* that culture change will be needed. When someone asks me to help him or her with a culture change program, my most important initial question is "What do you mean? Can you explain your goals without using the word *culture?*"

PRINCIPLE 4: *Old cultural elements can be destroyed by eliminating the people who "carry" those elements, but new cultural elements can only be learned if the new behavior leads to success and satisfaction.*

Once a culture exists, once an organization has had some period of success and stability, *the culture cannot be changed directly, unless one dismantles the group itself*. A leader can impose new ways of doing things, can articulate new goals and means, can change reward and control systems, but none of those changes will produce *culture* change unless the new way of doing things actually works better and provides the members a new set of shared experiences.

PRINCIPLE 5: *Culture change is always transformative change that requires a period of unlearning that is psychologically painful.*

Many kinds of changes that leaders impose on their organizations require only new learning and therefore will not be resisted. These are usually new behaviors that make it easier to do what we want to do anyway, such as learning a new software program to make our work on the computer more efficient. However, once we are adults and once our organizations have developed routines and processes that we have become used to, we may find that new proposed ways of doing things look like they will be hard to learn or will make us feel inadequate in various ways. We may feel comfortable with our present software and may feel that to learn a new system is not worth the effort. The change leader therefore needs a model of change that includes "unlearning" as a legitimate stage and that can deal with transformations, not just enhancements. This is why a model of *transformative* change, such as was described in this chapter, must underlie any culture change initiative.

Once the change goals are clearly understood in concrete behavioral terms, it becomes appropriate to do a culture assessment to determine how the culture may aid or hinder the change program. The mechanics of this process are described in Chapter Seventeen.

Summary and Conclusions

Culture change inevitably involves unlearning as well as relearning and is therefore, by definition, transformative. This chapter describes a general change model that acknowledges from the outset

the difficulty of launching any transformative change because of the anxiety associated with new learning. The change process starts with disconfirmation, which produces survival anxiety or guilt—the feeling that one must change—but the learning anxiety associated with having to change one's competencies, one's role or power position, one's identity elements, and possibly one's group membership causes denial and resistance to change. The only way to overcome such resistance is to reduce the learning anxiety by making the learner feel psychologically safe. The conditions for creating psychological safety were described. If new learning occurs, it usually reflects cognitive redefinition, which consists of learning new concepts and new meanings for old concepts and adopting new standards of evaluation.

The change goals should initially be focused on the concrete problems to be fixed; only when those goals are clear is it appropriate to do a culture assessment to determine how the culture may aid or hinder the change process.

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