

Contents

Appendix of Sources	ix
Editor's Introduction: Organizational Culture <i>Mats Alvesson</i>	xvii

Volume I

Anthropological Roots and Inspirations

1. Thick Description: Toward an Interpretive Theory of Culture <i>Clifford Geertz</i>	3
2. Theories of Culture Revisited <i>Roger H. Keesing</i>	27
3. Theory in Anthropology since the Sixties <i>Sherry B. Ortner</i>	41
4. Culture in Action: Symbols and Strategies <i>Ann Swidler</i>	81

Societal Culture

5. Introduction: Zero-sum Games, Grandiosity, and Illusion Tricks from <i>The Triumph of Emptiness</i> <i>Mats Alvesson</i>	107
6. Motivation, Leadership, and Organization: Do American Theories Apply Abroad? <i>Geert Hofstede</i>	135
7. Hofstede's Model of National Cultural Differences and Their Consequences: A Triumph of Faith – A Failure of Analysis <i>Brendan McSweeney</i>	159
8. Institutionalized Organizations: Formal Structure as Myth and Ceremony <i>John W. Meyer and Brian Rowan</i>	187

Basic Perspectives

9. Culture as a Metaphor and Metaphors for Culture <i>Mats Alvesson</i>	213
10. Negations and Ambiguities in the Cultures of Organization <i>Allen W. Batteau</i>	237
11. Native-View Paradigms: Multiple Cultures and Culture Conflicts in Organizations <i>Kathleen L. Gregory</i>	265
12. Cultural Change: An Integration of Three Different Views <i>Debra Meyerson and Joanne Martin</i>	289
13. The Concept of Organizational Culture: Why Bother? <i>Edgar Schein</i>	313

14. Concepts of Culture and Organizational Analysis 329
Linda Smircich

Volume II

Types of Organizational Cultures

15. Measuring Organizational Cultures: A Qualitative and Quantitative Study across Twenty Cases 3
Geert Hofstede, Bram Neuijen, Denise Daval Ohayv and Geert Sanders
16. A Distributed Cognition Perspective on Newcomers' Change Processes: The Management of Cognitive Uncertainty in Two Investment Banks 39
A. Alexandra Michel
17. Shades of Culture and Institutions in International Mergers 97
René Olie
18. Markets, Bureaucracies, and Clans 123
William G. Ouchi

Change

19. Organization Change as a Symbolic Transformation Process 141
Per-Olof Berg
20. Coerced Practice Implementation in Cases of Low Cultural Fit: Cultural Change and Practice Adaptation during the Implementation of Six Sigma at 3M 159
Anna Canato, Davide Ravasi and Nelson Phillips
21. Can Change in Organizational Culture Really Be Managed? 205
Thomas H. Fitzgerald
22. The Creation and Change of Organizational Cultures: A Conceptual Framework 217
Pasquale Gagliardi
23. Developing a Market Oriented Culture: A Critical Evaluation 237
Lloyd C. Harris and Emmanuel Ogbonna
24. Can Organizational Culture Be Managed? A Synthesis 259
Walter R. Nord

Leadership of or by Culture

25. An Institutional Theory of Leadership 271
Nicole Woolsey Biggart and Gary G. Hamilton
26. Management as Symbolic Action: The Creation and Maintenance of Organizational Paradigms 287
Jeffrey Pfeffer
27. Leadership: The Management of Meaning 335
Linda Smircich and Gareth Morgan

Volume III

Control and Resistance

- | | |
|--|----|
| 28. 'Being Yourself' in the Electronic Sweatshop: New Forms of Normative Control
<i>Peter Fleming and Andrew Sturdy</i> | 3 |
| 29. Culture and Organization
<i>Gideon Kunda</i> | 29 |
| 30. Breakfast at Spiro's: Dramaturgy and Dominance
<i>Michael Rosen</i> | 51 |
| 31. The Smile Factory: Work at Disneyland
<i>John Van Maanen</i> | 71 |
| 32. Strength Is Ignorance; Slavery Is Freedom: Managing Culture in Modern Organizations
<i>Hugh Willmott</i> | 89 |

Culture and Organizational Identity

- | | |
|---|-----|
| 33. The Dynamics of Organizational Identity
<i>Mary Jo Hatch and Majken Schultz</i> | 131 |
| 34. Narratives of Organizational Identity and Identification: A Case Study of Hegemony and Resistance
<i>Michael Humphreys and Andrew D. Brown</i> | 157 |
| 35. Making Newsmakers: Conversational Identity at Work
<i>Dan Kärreman and Mats Alvesson</i> | 185 |
| 36. Responding to Organizational Identity Threats: Exploring the Role of Organizational Culture
<i>Davide Ravasi and Majken Schultz</i> | 217 |

Organizational Symbolism

- | | |
|---|-----|
| 37. Corporate Architecture: Turning Physical Settings into Symbolic Resources
<i>Per Olof Berg and Kristian Kreiner</i> | 259 |
| 38. Information in Organizations as Signal and Symbol
<i>Martha S. Feldman and James G. March</i> | 285 |
| 39. The Unmanaged Organization: Stories, Fantasies and Subjectivity
<i>Yiannis Gabriel</i> | 303 |
| 40. Dexterity with Symbols
<i>Robert Jackall</i> | 327 |
| 41. The Uniqueness Paradox in Organizational Stories
<i>Joanne Martin, Martha S. Feldman, Mary Jo Hatch, and Sim B. Sitkin</i> | 363 |
| 42. On Key Symbols
<i>Sherry B. Ortner</i> | 383 |

Volume IV

Gender

43. An Organizational Approach to Undoing Gender: The Unlikely Case of Offshore Oil Platforms 3
Robin J. Ely and Debra E. Meyerson
44. Organizational Symbolism, Culture and Gender 55
Silvia Gherardi
45. Serving Hamburgers and Selling Insurance: Gender, Work, and Identity in Interactive Service Jobs 91
Robin Leidner

Groups and Differentiation

46. 'One Mirror in Another': Managing Diversity and the Discourse of Fashion 115
Anshuman Prasad, Pushkala Prasad and Raza Mir
47. On the Naming of the Rose: Interests and Multiple Meanings as Elements of Organizational Culture 139
Ed. Young

Methods in Studying Organizational Culture

48. A Methodology of Sorts for Theorizing from Empirical Material 161
Mats Alvesson and Dan Kärreman
49. On Studying Organizational Cultures 179
Andrew M. Pettigrew
50. Studying Organizations as Cultures 193
Linda Smircich

22

The Creation and Change of Organizational Cultures: A Conceptual Framework

Pasquale Gagliardi

‘We see that reason is wholly instrumental. It cannot tell us where to go; at best it can tell us how to get there.’

Herman A. Simon,
in *Reason in Human Affairs*

Introduction

In 1977, the Istituto Studi Direzionali – an Italian management institute situated at Belgirate, on lake Maggiore – introduced a number of sessions devoted to corporate culture and cultural change into a management development programme for company executives of around forty years of age and an average of 15 years of working experience. It is interesting now to reflect on how these managers reacted to the suggestion that organizational culture and symbolism should be regarded as being centrally important to their professional activity and not simply as marginal, or rather ‘picturesque’ aspects of organization. Their reactions were perhaps more sincere than they would be today, since the topic had not yet become as fashionable as it has recently been made by a number of best-sellers (Ouchi 1981; Pascale and Athos 1981; Peters and Waterman 1982). Therefore, it was possible to make a much more direct assessment of the impact of the ‘cultural approach’ on traditional management culture.

Source: *Organization Studies*, 7(2) (1986): 117–134.

The reaction of the company executives was basically ambivalent. On the one hand, they were fascinated to discover a new perspective (the creation and the manipulation of the symbolic field) which opened up unsuspected possibilities for action and gave them a feeling of unlimited potential and power. On the other hand, they rejected the new perspective, often out of moral indignation, because it challenged their self-image as managers. This self-image is twofold: (1) the manager is a rational being whose knowledge, based on science rather than on dogma or myth, can be subjected to the close critical scrutiny of experience; (2) the manager is a democrat who applies the consciousness ethic to others as well as to himself and so rejects the use of symbolic persuasion and ideological suggestion as instruments of management.

Even today, beyond the superficial compliance with some concepts presented by scholars of organizational culture, company executives and professional men working in organizational development are reluctant to acknowledge the limits to which organizational change models developed over the past thirty years in psychological and sociological literature can be applied. These models, first formulated by Coch and French (1948) in their famous study on resistance to change and inspired by Lewin's theories, are founded on psychoanalytical theory. They see the educational relationship – understood here in the true etymological sense as a relationship which *leads* from one state to another – as one in which the agent of change (the consultant or leader) helps the client or subordinate system to become aware of its problems, to learn to live with the worries they create, to recognize and analyze its own defence mechanisms, and then to move towards a new situation in which it will be able to recognize and make free use of different, more creative solutions to its problems.

Such models have been used mainly by experts on organizational change. However, they have also had an influence on leadership theory and ideology, and so, also, on management practice, even if management patterns emphasize logical reasoning and negotiation rather than psychological support. On the basis of practical and theoretical research to date, it is by no means certain that the consciousness ethic, psychological support mechanisms and the use of logical argument and bargaining can be successfully employed in situations where change strategies directly challenge deeply-rooted, widely-held traditional values. In such cases, the real problem seems, on the contrary, to be the need to create and win acceptance for a new system of meanings and values consonant with the need to develop organizational expertise and competitiveness. Indeed, the term 'symbolic management' was coined to describe management behaviour models which see management as symbolic action and which propose the systematic use of methods and behaviour aimed at the creation and maintenance of organizational paradigms (Pfeffer 1981).

Many would claim that it is still correct to speak of 'education' in such situations. If this will enable us to eliminate ambiguity and misunderstanding, we can also speak of 'propaganda' and 'apostolic mission' and acknowledge

that, in the actual situations in which these transformations occur, the leader is more of an evangelist (Weick 1979) than an educator. At the same time, we can freely admit that education and propaganda work in two entirely different registers, even if they are confused in practice. Education appeals to reason and critical thinking, while propaganda works on the emotions and the need for identification and certainty. When a leader proposes and wins acceptance for a certain ideology and then uses its cohesive and motivating powers, his personal responsibility in doing so is doubtless a real problem that must be faced. However, it is necessary to recognize that, to a greater or lesser extent, any leader makes use of symbols and values when he manages a regime, even if he is convinced that he is managing democratically or 'by objectives'. What we need is to put more effort into research and analysis in order to understand more fully how these processes work. We need to understand, especially, (a) for what reasons and in which circumstances psychological self-examination, rational argument and patent lack of success do not lead to the adoption of new strategies able to solve new problems and, (b) to what extent and in which circumstances symbolic management can promote or produce cultural change and create new values in the organization. This paper is intended as a contribution to such research and analysis.

The Problem of Cultural Change

The processes of cultural change are, in reality, a 'grey area' (Greiner 1982), not as yet properly explored, where we must seek out the explanation for two patently contradictory aspects of the life of a firm.

On the one hand, we see that culture, understood as a coherent system of assumptions and basic values which distinguish one group from another and orient its choices is, of its very nature, a tenacious and unalterable phenomenon. The more deeply-rooted and diffuse these values are, the more tenacious and unalterable is the culture. A culture can, then, be forced to take a new direction at an extremely high organizational cost to the firm. As soon as the pressure is relaxed, however, it will tend to return to its original state and attitude. On this basis, we could invert the traditional view of the relationship between strategy and structure, which says that structure is a variable that depends on, and adapts to, strategy, and claim that the only strategies a firm can adopt in practice are those which its structure produces 'naturally'.

On the other hand, we all know that organizations evolve, and we see that when cultural identity is being modified there is always a charismatic leader or elite which leads the group towards a new, broader or different view of things.

The attention of scholars who have described and interpreted the birth (or rebirth) of organizational culture has mainly been directed at the role of the leader – the institutional leader (Selznick 1957), the founder (Schein 1983), the senior executive (Greiner 1982; Tagiuri 1982; Peters 1978) – and

so on. These analyses of leadership fall between two extremes. At one end Selznick's thesis allows the leader only limited scope for action; basically, he can partially and indirectly orient processes brought into being by circumstantial and historical forces. At the other end, Peters is openly optimistic about the practical scope a leader has for action. He lists a whole repertoire of possible symbolic actions (specialized language and idiom, the time devoted to the activity proposed as important, the design of physical space, etc.) without, however, specifying the precise conditions and degrees of cultural change in which a leader will be able to operate effectively.

It is difficult to estimate a leader's scope for action and so illuminate the 'grey area' of cultural change unless we examine the specific psychological and social processes through which an organization acquires its values and becomes an institution – as defined by Selznick (1957) – or, once established, absorbs new values. The analysis of these processes has been rather neglected in the literature.

The most important work on the subject so far has been that of Schein (1984). He describes the creation of organizational culture as a dynamic learning process and defines culture as 'the pattern of basic assumptions which a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, which have 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'. If we see the creation of culture as a dynamic learning process, it is of crucial importance to establish whether the culture *does* in fact change when experience indicates that its basic assumptions are no longer workable and problems of external adaptation and internal integration remain unsolved.

This clearly does not always happen, and Schein introduces a fundamental distinction into his argument here. There exist, he claims, positive problem-solving efforts, and anxiety-avoidance efforts. In the former case, an organization will abandon a certain response to a given problem and look for new alternatives when that response is clearly no longer valid. In the latter case, since the response was learned because it enabled the organization to reduce anxiety, it is likely to be repeated indefinitely. Schein himself admits that the two situations are closely intertwined, but assumes that they are sufficiently separate to enable a leader to follow two different courses of action. In positive problem-solving, it is enough to show that a better solution exists, whilst in anxiety avoidance one must find the source of anxiety and then show that it no longer exists. Otherwise, an alternative way of reducing or avoiding anxiety has to be provided.

My experience as a researcher and manager has taught me that it is extremely difficult to distinguish between these two situations. All the 'responses' of an organization are formulated not only to solve a particular problem but also, at the same time, to reduce the anxiety that the unsolved problem creates. Every assumption written into the cultural code of an organization – i.e. into the system of rules which governs the attribution of

meaning – aims to provide an illusion or feeling of control over events (Kelley 1971), to simplify the reality and to make forecasting possible. In this sense, anxiety about the future, the unknown and, in the last analysis, death itself lies behind any cultural construct we care to examine (Berger and Luckmann 1966).

The first situation described by Schein (positive problem-solving) is probably found in its pure form in situations of highly controllable technical rationality, i.e. when a certain input is unquestionably and demonstrably linked to a certain output in a chain of cause and effect. But, as has been observed (Thompson 1967; Spender 1983), scientifically-based knowledge is only part of the knowledge that underlies an organization's behaviour. To a very large extent, the knowledge used in forecasting and handling problems is pre-scientific and mythical. A desired event often happens at the same time as, or immediately after, another event so that the second event might be considered an 'effect' and the first event its 'cause'. The number and uncertainty of the variables in play at any given moment, however, mean that we cannot establish beyond any doubt that a causal relationship between the two events exists. Thompson uses a clear image to describe this situation: the organization is, he says, suspended over the cutting edge of uncertainty (1967: 9).

There could be, then, two main reasons why an organization does not, in fact, abandon one of its deeply-rooted values when the working orientations inspired by it no longer solve the problems for which they were created: (1) to admit that orientation is, in fact, inadequate to the task rekindles anxiety, and (2) it is rarely possible to demonstrate effectively that a given cause produces a given effect. My argument is more drastic, however. If a value is deeply rooted in the culture of an organization, it is not abandoned when the behavior inspired by it no longer solves existing problems for the simple reason that it is a value, and as such, it is not considered as being open to criticism and discussion.

It is only recently that organization theorists have paid some attention to the ideological elements in organizations (Starbuck 1982) and current knowledge about the relationship between organizational learning and ideologies is weak and limited. In my opinion, the analytical reconstruction of the process by which organizational values and ideologies are born and consolidate themselves is of crucial importance in the definition of a more comprehensive and satisfactory conceptual framework.

The Genesis of Organizational Values

There are four phases in the genesis of an organizational value.

1. In the first phase, when an organization is being created, its leader knowingly uses a 'vision' – i.e. a specific set of beliefs – as a point of reference and criterion for evaluation when defining objectives and assigning tasks to members of the organization. These beliefs are ideas of cause-effect

- relationship, and are based upon his education, experience and knowledge of the environment. As an example, we might take an entrepreneur who opens up operations in a new sector. He believes that good fortune will smile on all those who can invent new and better products before their competitors can. This belief leads him to invest time and resources in innovation, to recruit and reward people with creative talent, to set up ambitious product renewal objectives, to control their development and realization systematically, and so on. During this phase, all members of the organization may not share the entrepreneur's ideas. He has the power, however, to orient their behaviour in the desired direction, at least in the areas where he can exercise direct control.
2. If and when the behaviour oriented by the basic belief of the leader achieves the desired results – if, to use our previous example once again, an innovation-based enterprise rapidly wins a place in the market and works to the detriment of its competitors – the belief confirmed by experience is likely to be shared by all members of the organization and used as a reference criterion for action. This means that it will influence the choice of means and objectives, even in areas where the leader has no direct control. The psychological and economic costs of control are reduced and the efficiency of the system is improved, or rather, the resources saved can be used to reinforce the firm's basic strategy.
 3. In the next phase, when members of the organization have been reassured and gratified by the fact that desired results continue to be achieved, the organization turns its attention away from 'effects' (i.e. evidence of the validity of its belief) and concentrates more on identifying itself with the 'cause'. The 'effects', in fact, go out-of-sight in the life and history of the organization, while the 'cause' remains visible and becomes ideal, i.e. something desirable and important in and out of itself and not as a means to an end. From then on, the organization fights for the cause, not for the effect. The enterprise of our example continues to innovate even under adverse circumstances. Indeed, the group will defend and assert the validity of its faith in innovation even when faced with threats and criticisms from the external environment or from new members of the group. Critics will be treated as heretics and doctrine will be codified and elaborated, so that the ideal becomes part of an organic ideology.
 4. In the fourth and final phase, the value, now shared unquestioningly by all concerned, is taken more and more for granted, to the point where members of the organization are no longer consciously aware of it. This value automatically orients their behaviour. In terms of Schein's definition (1983), the value now becomes an assumption.

These phases can clearly be seen (as they were actually experienced or sought) in the following account from a leader of a firm which was undergoing a difficult process of cultural regeneration:

'It was as if we had to start a new life, or bring a corpse back to life. I had my ideas which were not those of my colleagues, but I wasn't prepared to give way. I said to them: we can argue about this all we like, but the line we have decided on is going to be followed to the letter. No one openly disagreed with me or the strategy we had defined, but I discovered that they had no faith either in the strategy or themselves – perhaps even without consciously realizing it – , and behaved as if they had lost before even starting.

It was as if they had to drive a golf ball over a lake on a golf course and, knowing that they could never manage it, had already chosen the worst ball they could find. I had to go around like a maniac checking that the details were right and making sure that the rules were being observed and proper methods were being used' (phase 1).

'When things started to go better, my men couldn't believe it. They had driven the ball over the lake all right, but they didn't know and didn't want to believe that they themselves had done it. Then, things gradually began to change. They stopped throwing merit to the winds for what was happening and began to realize that they themselves and the strategy we had developed were really responsible for the way things were going. Now I don't have to bother to check any more that poor quality balls are being used' (phase 2).

'But we still have a long way to go. It's true that my men are convinced now that they themselves are driving the ball over the lake, but they still have no pride in the skill that means that they can do it. When they have this pride, we'll really be able to say that the firm has been reborn, that we've forded our way over at last' (phase 3).

'Of course, it would be better if certain things didn't need saying or boasting about, that certain things were understood at once. Then perhaps, we could really do great things' (phase 4).

In the light of this interpretation, organizational *values can be seen as the idealization of a collective experience of success in the use of a skill and the emotional transfiguration of previous beliefs.*

Many authors have observed that success consolidates the belief systems of organizations (Nystrom et al. 1976; Starbuck and Hedberg 1977; Argyris and Schön 1978). However, only the *idealization* of past successes can fully explain why organizations are often unable to unlearn obsolete knowledge in spite of strong disconfirmations. Through the idealization, process beliefs become values, the dichotomy 'sacred–profane' replaces the dichotomy 'true–false' (Bolognini 1984), and the rational acceptance of beliefs gives way to the emotional identification with values.

As we have described it, the process by which a value system is born and consolidated can be explained at two levels: the psychological and the organizational and social.

The psychological dynamic of the process is interpreted well enough by Allport's theory of the functional autonomy of motives (1937). In this view, human behavioural motivation changes and stratifies out in time. Each motivation is linked originally to preceding motivation in a functional way, but gradually becomes autonomous i.e. able to continue even if the original motivation no longer exists. In our example, in the first phase the group members behaved consistently with the leader's views in order to earn the rewards reserved for the faithful and/or to avoid incurring the sanctions reserved for those who deviate from the leader's views. In the next phase, the evidence of results enabled the members to attribute different motivation to the behaviour which conformed to the prescribed view. The members of the organization acted upon the leader's beliefs because they agreed with their rationality, i.e. their ability to solve problems in real situations. Finally, the experience of success made possible certain types of gratification which were able to satisfy other types of motivation, such as pride, self-esteem, the need for identification and super-ego approval etc. In each phase, an emerging motivation became autonomous as time passed, maintaining its historical link, but losing its functional link with the motivation which preceded it.

In organizational and social terms, the birth and stabilization of values is promoted, in the first place, by the complexity of the organizational system itself and the uneven distribution of information and power within it. This would appear to happen for two reasons. On the one hand, task specialization, and the physical separation, dispersion, and interdependence of organizational activities mean that a simplified map of reality has to be produced. This map – that can be called the 'symbolic field' of the organization – must be shared by all concerned in order to make the organization manageable and a tolerable place within which to live (Berger and Luckmann 1966). On the other hand, it is this very complexity and dispersion of information and operational systems that enables the production of a simplified map which can be regarded as valid independently of the continuous and/or full control of all the members of the organization. It happens only rarely that an individual or group can verify directly the validity of the beliefs which inspired its actions; factual evidence is usually lost in the outlying areas of the organization, where any uncertainty regarding the evidence is absorbed. This absorption of uncertainty is greater when the results cannot easily or definitively be measured, or when the individuals or groups concerned have made efforts to avoid assessment of the outcomes of organizational action (Pfeffer 1981).

In the second place, factual evidence is lost as generation succeeds generation in the organization: the testimony of the generation that originally puts the belief to test replaces direct, tangible proof of its validity in the minds of the succeeding generation. Thus, in any organization, even those with a positivist conception of reality, there is a nucleus of 'revealed' truths which have been passed on through the years and which have been incorporated into the mythical constructs that we commonly define as 'tradition'.

These mythical constructs are then at the very core of the organizational symbolic field.

If values are born out of the idealization of a collective experience which involves the successful exercise of a skill, the distinctive competence and culture of an organization develop in parallel. A common culture strengthens cohesion, improves the ability to communicate and allows that the spirit, rather than the letter, of the organization's rules are observed. Such a culture is the best antidote against creeping bureaucratization and the dangers of disaggregation implicit in task specialization (Gagliardi 1982). To the extent that it improves the ability of an organization to act in a unified way, a shared culture makes possible the optimal expression of its distinctive competence. Moreover, if the competence matches the problems that have to be tackled, a chain reaction is initiated which we could call 'the virtuous circle', the conceptual opposite of the 'vicious circle' (see Figure 1).

The Maintenance of Cultural Identity as the Primary Strategy of an Organization

The continuity of a culture – as the virtuous circle suggests – does not mean that an organization's action is repetitive or unchanging. However, there are precise limits which govern the extent to which an organization can adapt to circumstances. These limits can be identified by distinguishing different levels in the organization's lines of action.

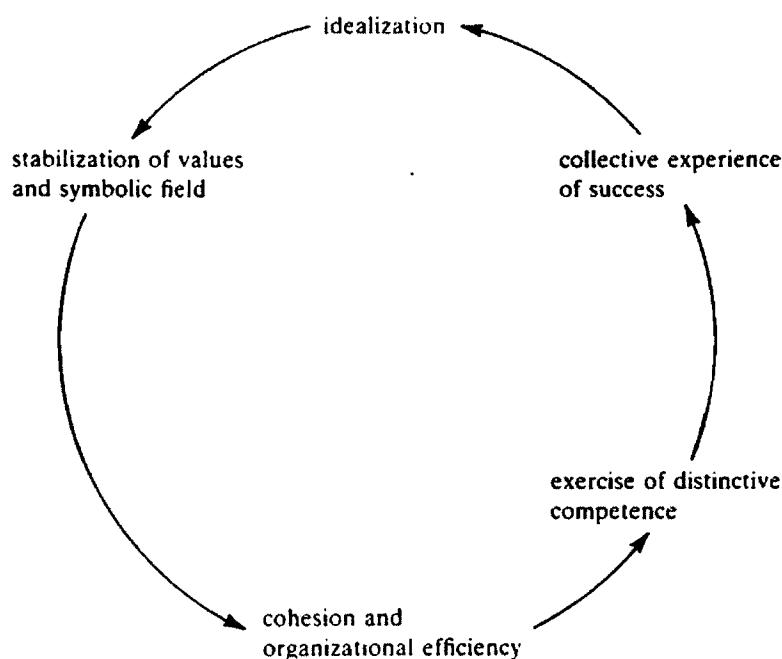


Figure 1: The virtuous circle

Every organization has a *primary strategy*, which is *the maintenance of its cultural identity*, and a series of secondary strategies which are *instrumental* to, or *expressive* of, the primary strategy. The primary strategy is not usually formulated explicitly and is linked to the organization's basic values. The more distinctive the culture, the more coherently the primary strategy is pursued.

Secondary strategies can be graded according to their specificity and then ordered in sequence. The organization's more general secondary strategies concern the choice of territory and methods of competition. At their final level of specificity secondary strategies become the organization's *implementation modes*, i.e. perceivable forms of behaviour and operations.

Instrumental strategies permit the proper management of external problems of adaptation and internal problems of integration, both of which result from efforts to realize the primary strategy. Such strategies are mainly operational in nature (i.e. they tend towards the attainment of specific, measurable objectives).

Expressive strategies operate in the symbolic field and seek to protect the stability and coherence of shared meanings. These strategies may also be oriented towards either the internal or external environment of the organization. In the former case, they enable group members to maintain a lively awareness of their collective identity, while in the latter case they enable the organization to offer a recognizable identity to the outside world.

A strategy can be both instrumental and expressive. A publicity campaign, for example, presents the firm's identity while at the same time persuading consumers to buy its products or convincing public opinion to regard its behavior favourably. In another case, a policy of regular general meetings of all personnel may be adopted in order to reduce tensions caused by the uneven distribution of power and status, while at the same time asserting the importance of cooperation as a fundamental value of the organization.

Instrumental strategies reflect the organization's knowledge. They are formulated, implemented, and continuously adapted to circumstances on the basis of existing beliefs and available know-how. Expressive strategies, although generally more stable, may also be adapted to the ceaseless development of new forms of communication in society, both in order to use the expressive powers of new signs and systems of signs produced by society and in order to keep the special language and idiom of the organization as idiosyncratic as possible.

The adaptation of secondary strategies, which may mean significant changes in behaviour, beliefs, technology, language and symbols, springs basically from the need to preserve and improve their instrumental or expressive effectiveness in relation to the organization's basic values, i.e. their ability to ensure that the firm's cultural identity is preserved.

Primary strategy, secondary strategies, particular modes of implementation and the beliefs that go with them are arranged, then, in a hierarchy which reflects the means/ends chain which underlies the organization's actions.

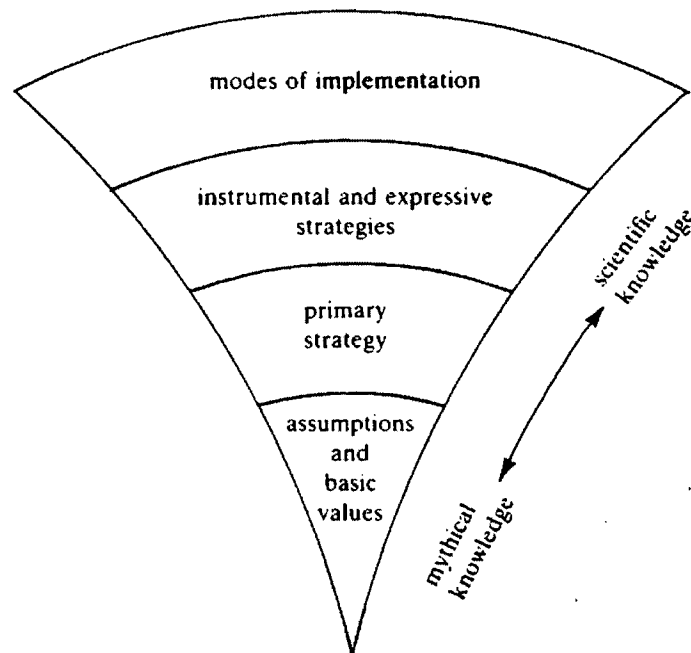


Figure 2: The 'Fan' of options

Basic myths and assumptions are organizational long-term memories (Clark 1972; Hedberg and Jönsson 1977) and express an organization's meta-logic (Beer 1972) from which strategies are derived. They function as theories of action (Argyris and Schön 1978) or at meta-levels which filter signals from the environment and tie stimuli to responses (Hedberg 1981). Mythical knowledge cannot clearly be separated from scientific knowledge. However, the nearer we are to operational reality and the more the effects of an action can be measured, the more the knowledge used by the organization tends to be scientific, and the broader is the range of options. The more directly choices emanate from basic values, the more the knowledge used is mythical and pre-scientific, and the narrower is the range of options. Any coherent cultural system has, then, a *potential for action* which is expressed by the range of its options. Figure 2 presents these concepts in summarized form.

Apparent Cultural Change

We can now return to our initial problem (how and to what extent culture can change, and what real scope for action a leader has) to see if the conceptual framework we have constructed can illuminate the 'grey area' we spoke of and enable us to interpret better the dynamics of cultural change.

It should be noted that, in view of what has been said so far, organizational cultures usually change in order to remain what they have always been. This

seeming paradox is due to the fact that I have used the word 'culture' rather provocatively in order to indicate two distinct scenarios: (1) the coherent system of assumptions and basic values that distinguish a group and orient its choices; (2) a group's distinct set of features or traits, which means, then, not just its basic values but also its beliefs and behaviour models, the technology it uses, its symbols and artifacts, and so on. The indiscriminate use of the word 'culture' in its two definitions (one broader than the other) is at the root of a great deal of confusion in the debate over cultural change and leaders' scope for action. If we want to use 'culture' in its broader sense (as many anthropologists do, incidentally) and include in its definition what we called secondary strategies and their operational manifestations, then we have to distinguish carefully between basic cultural elements – those elements which tend to be enduring (assumptions and basic values) – and secondary cultural elements which are easier to modify.

When methods that have traditionally been used to manage problems of external adaptation and internal integration are seen to be ineffective, a *search for alternative action* is begun within the organization. This will be carried out more completely, rapidly, and effectively, one presumes, in organizations which have a strongly distinctive culture: *the firm must change in order to preserve its identity*.

Moreover, the range of alternatives explored is influenced by assumptions and basic values in a way that only those alternative practices that are compatible with the basic culture of the organization will be considered and, even more so, developed. Behavioural changes are then consistent with the ruling myth (Hedberg 1981) and can be considered 'first-order change' (Watzlawick et al. 1974) or 'single-loop learning' (Argyris 1976).

A culture's potential for action varies according to circumstances and the nature of its values. Technical, social, economic and political realities offer varying possibilities for developing behaviour consistent with basic values. A publishing firm, for example, whose objectives are inspired by the basic value of completeness and objectivity of information, can hardly have much chance to match its behaviour with its values if censorship is introduced into the country in which it operates. On the other hand, a firm inspired by elitist values which tends to service only a restricted, sophisticated clientele will, other conditions equal, be less able to handle a fall in demand than a company which does not preclude itself from servicing different segments of the market.

The search for, and the choice of, alternative practices that are consistent with values and the effort to preserve the organization's particular competence, is not always an easy task. It usually requires managerial action. The anxiety produced by changes and the reluctance to face change must be overcome; rational analysis and information exchange processes are needed in order to adjust for the uneven distribution of information about available alternatives; finally, the interests of the individuals and groups involved in the change may require negotiation and mediation.

When the 'cultural' change required by circumstances is only apparent or superficial because the range of options permitted by the organization's assumptions and basic values already includes valid alternatives, the manager's role will be expressed through management behaviour models that underlie traditional management education. These models are rational, make use of logical argument and provide for the use of group and individual processes that allow anxiety to be controlled and energy to be channelled into the realization of the task at hand. In such cases, moreover, the leader is aided in his work if he is able to recognize basic values and assumptions and promote the expression of the culture's potential for action. The tendency of owners or their representatives to react to critical situations in their firms by replacing existing top management with outsiders from other situations and cultures is often very, damaging, because the new leader naturally tends to explore and give importance to the potential offered by his own original culture, rather than to that of the organization of which he is now in charge.

The Vicious Circle

When the alternatives offered by a culture's potential for action have been explored and have been found unsuitable for solving problems, the virtuous circle becomes a vicious circle. The obsolescence of the organization's distinctive competence is denied and lack of success is blamed on uncontrollable external causes or the behaviour of certain individuals or groups in the organization. These individuals and groups are then attacked and criticized. The organization's energies are employed more and more in the search for excuses and scapegoats and in the obsessive repetition of types of behavior which once suited the problems at hand but are no longer adequate for managing them properly. Tensions in the group increase, while self-confidence, cohesion and efficiency decrease.

In such cases, difficulty in discovering and developing appropriate alternatives stems from the fact that the culture's potential for action in those specific circumstances has been exhausted: *the organization must therefore change its cultural identity in order to survive*. However, the experience of failure does not in itself lead the organization to explore routes which are different from those sanctioned by the group's basic values and point of view, just as the failure to catch fish in the Mediterranean would never in itself have induced the sailors of olden times to go beyond the Pillars of Hercules in search of fish. For these reasons, many organizations will die rather than change, and in this sense we may say that *organizations do not learn from negative experiences*. In claiming this I am making a point rather different from the one made by Hedberg and Jönsson (1977) in their model of the interplay between myth, strategies, and reality. A ruling myth – they say – is a theory that generates strategies and actions; strategies are hypotheses, and

actions test these hypotheses, verifying or falsifying the theory; a ruling myth can be then undermined as strategies and actions fail to produce desired results. In fact, a ruling myth is *also*, and not *only*, a theory of action. It incorporates the values and the 'ethos' of the organization and eludes the rules which govern the development of knowledge.

When there is a real problem of cultural change – what has been called 'second-order change' (Watzlawick et al. 1974), 'double-loop learning' (Agyris 1976) or 'turnaround learning' (Hedberg 1981) – it can probably be diagnosed with sufficient clarity only by people who are not deeply involved in the existing culture (Beer 1972), such as people from deviant subcultures (Martin and Siehl 1983) or 'new comers' – the new owner who takes over a firm in difficulty, the consultants and managers called in from outside to sort our crises. In any case, the first condition of cultural change is the existence of a leadership – exercised by either a person or an elite – which can bring the organization into unexplored territory where its competence can be reconstructed and its identity redefined.

Cultural Revolution

The chances of the survival strategies devised by a leader being accepted and developed by a group depend, essentially, on the relationship between the values postulated by the new strategies and the old values of the organization. The new values may be *antagonistic* towards the traditional ones. This happens when one value stands for, or is perceived to be, the exact opposite of another, such as dependence and independence, respect for nature and exploitation of nature, or innovation and imitation. An innovative firm may no longer be able to be competitively innovative because it can no longer invest as much in research as its competitors can; an imitative strategy could enable this firm to survive, but any argument advanced to support the rationality of this option may come up against negative feelings and lack of respect for the very idea of imitation.

When new strategies assume the presence of new values that are antagonistic towards traditional ones, there is very little chance of them ever being carried through. The weapons of psychology and logic are of no avail against the power of ideology: the only possibility would be to replace the old ideology with a new one. This would mean, however, a quite intolerable act of abnegation on the part of individuals and groups who have built their personal and professional identities on the old values. They would rather throw in the sponge and look for other jobs which allow them to continue to be themselves.

When a value postulated by a new strategy is antagonistic towards an older one, a real *cultural revolution* is needed. This is always extremely costly and necessitates the large-scale defection of old and an influx of new

personnel, financial and emotional disinvestments, corresponding new investments, the destruction of old symbols and the creation of new ones. It is no accident that large-scale cultural transformations have been associated with the death of the 'old man' and the resurrection or birth of the 'new man'. In such cases, can we still say that a firm has changed? It would perhaps be more correct to say that the old firm died and that a new firm, which has little in common with the first, was born.

Cultural Incrementalism

The values postulated by a survival strategy may not be antagonistic towards traditional ones, but simply *different*. If this is the case, new strategies are more likely to be accepted and realized by an organization. Indeed, it is not really a question of disowning the basic values on which the organization's collective identity is founded, but rather of broadening its range of options. The range of possible choices of behaviour may increase considerably, especially at the operational level, but it will be necessary, in any case, to broaden the nucleus of basic values (see Figure 3).

This sort of situation, where ability to manage problems means adhering to values which can be integrated with traditional ones, is probably the only one where we can speak properly of cultural change. Transformations are possible here, but for various reasons they are not easy to bring about.

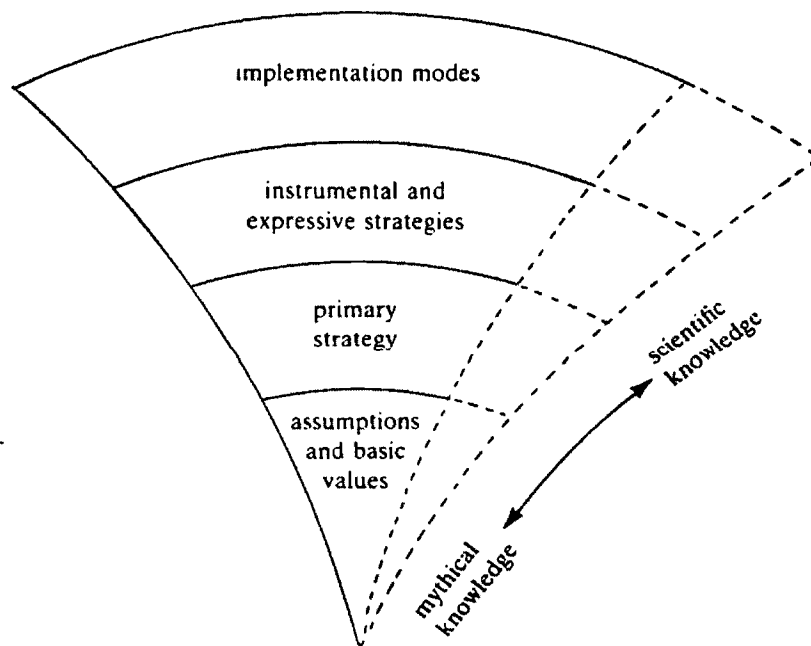


Figure 3: Broadening the 'Fan' of options

The first reason is the difficulty created by the fact that values do not coexist side by side in a system, but rather stratify out hierarchically in order to prevent conflicts which would generate tension and disorient the behaviour of the members of the organization. For example, loyalty to the firm and creativity can coexist in the same value system provided it is clear which is subordinated to which. If the hierarchy of values is not clearly defined, the decision to re-employ a person of creative talent who has gone over to a competitor can be an extremely difficult process, fraught with doubts and tensions, which will leave a part of the organization feeling dissatisfied and disappointed. This will not happen if loyalty is unquestionably subordinated to creativity. The contradictions between values cannot always be resolved and it is here that the myths and organizational stories make the contradictions at least bearable without actually resolving them (Martin et al. 1983). A new value must, then, be fitted into a pre-existing hierarchy of values and then compete with traditional ones openly, showing its relevance to the firm's present situation. The conflicts caused by an alteration in the scale of values require the production of reconciliation myths which can resolve the contradictions, or rather, make ambiguities which cannot be ironed out, at least tolerable to its members.

The second reason for the difficulty of change is the fact that to incorporate a new value into the body of ideals to which the firm subscribes means to initiate the whole lengthy process discussed above by which a value is born and consolidated. No matter how strong the personality of a leader, and irrespective of the level of investment in pressure mechanisms, the beliefs of a leader which sustain new strategic proposals can become the beliefs and the values of the organization as a whole only if they result in a success which can be attributed, directly or indirectly, to the leader's beliefs.

Three conditions are, therefore, necessary for change: (1) there should be no antagonism between the values associated with the new competences the organization is trying to introduce, and its traditional assumptions and values; (2) the organization should collectively experience success in exercising the new competences; (3) the leadership of the organization should promote the mythical interpretation of success after it has happened.

Success may, in fact, be the result of the actions of a limited group in the organization, or an individual, or even just a fortunate combination of circumstances. What counts is that it is rationally seen as a collective success and emotionally felt as such by all concerned. Without success, the leader's arguments will never be able to penetrate the minds of his colleagues, whereas success itself will speak directly to their hearts before it persuades their minds.

Without success, a leader's direct efforts to manipulate the symbolic field by inventing slogans, changing the setting or inventing rituals will either scandalize all concerned or leave them sceptical. A gratifying success offers the materials and ideas by which new symbols and values can be built. In this sense we can say that *organizations learn from positive experiences*.

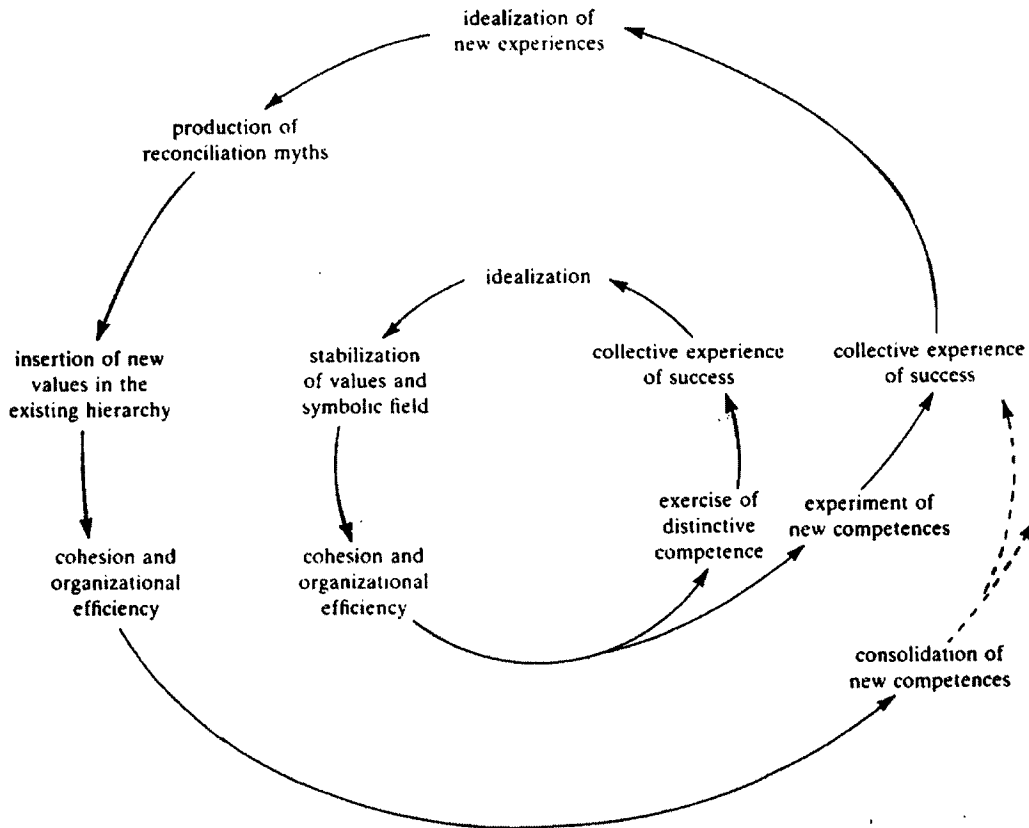


Figure 4: Cultural change as an incremental process

In cultural change, then, the role of the leader is, above all, to create conditions under which success can visibly be achieved, even if only in a limited or partial way, and to rationalize positive events after they have happened, even if accidental. (In the light of this, Napoleon’s habit of promoting only ‘lucky’ men to the rank of general seems rather less a caprice on his part than a selection criterion based on an intuitive grasp of these processes.) A leader does not reinterpret past history to justify retrospectively his own proposals, nor does he go against existing myths; rather, he interprets the recent past and the present in such a way that he promotes the insertion of new emergent values into the hierarchy of current operational ones and encourages the birth of new myths which are superimposed on the old ones and reconcile new contradictions. Cultural change, then, may be described as an *incremental process* (Quinn 1978). Figure 4 summarizes how the process works.

Summary

The analysis carried out in this paper took as its starting point the legitimacy of symbolic management and the limits within which traditional management patterns based on rationality and the consciousness ethic can be

applied. The debate will lead to better results if the processes involved in, and the conditions necessary for, cultural change are reconstructed with greater analytical rigour.

With this aim in mind, a conceptual framework was proposed which made use of and integrated the most important work in the field to date:

- (a) the essential phases in the creation and consolidation of a culture were examined (culture was understood as a coherent set of assumptions and basic values which distinguish a particular organization and orient the behaviour of its members) and the values were defined as the idealization of collective experience of success and the emotional transfiguration of beliefs;
- (b) a primary strategy – maintaining cultural identity – was identified among the organization's strategies, and then other secondary strategies were identified which are instrumental to, or express, the primary one;
- (c) the concept of a culture's 'potential for action' was introduced, thus making it possible to discriminate between different types of change and their different problems.

As a result of this theoretical analysis of change, three system-types were identified – apparent cultural change, cultural revolution and cultural incrementalism – and the scope for effective leadership in these various situations was analysed.

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