

Radical organizational transformation, or second-order strategic change, refers to a qualitative alteration of an organization's paradigm—the fundamental rules that organization members use, cognitively and behaviorally, to interact with the world around them. It affects people at all levels of the organization and requires a “frame breaking” change in their mindset (Bartunek & Moch, 1987; Levy, 1986). Radical change is revolutionary because it transforms the basic character of the organization—its assumptions and values--and goes far beyond continuous and incremental improvement (Cummings & Worley, 1997; Schein, 1992).

Understanding of managerial processes that are effective in conducting planned attempts at second-order strategic change is still very limited. Rajagopalan and Spreitzer (1997) undertook a review of the state of knowledge on strategic change and concluded that managerial actions that influence change outcome should represent the focus of future research. Van de Ven (1992: 181) observes that causal relationships between managerial actions and change outcomes are often unclear because in part most empirical studies on innovation and change have been retrospective case histories conducted after the outcomes were known, such prior knowledge of the change outcome invariably biasing the findings. He suggests longitudinal real time studies to minimize the threat of ex-post rationalization, but acknowledges that such studies are costly and securing unfettered access to organizations to study sensitive strategic issues has been difficult.

To attenuate these potential ex-post rationalization biases, I conducted a real-time study of a planned attempt at second-order strategic change that took place in a large information technology firm over a period of three years. I followed the evolution of actions and interpretations of various groups conducting change and being affected by change, and I tracked how these various actions and interpretations affected the outcome of various change initiatives. Subsequent inductive analysis of the data (more detail in the Method section) suggests the importance of enactment of humanistic values with regard to the realization of strategic change initiatives.

This surprising revelation—at least for a student of strategic management—led to a more attentive review of the strategic management literature dealing with humanistic values and organizational change. Humanistic values refer to core beliefs about a code of conduct that promote the long-term survival and welfare of individuals cohabiting in collective systems (Becker, 1998). Much of the strategic management literature dealing with planned organizational change appears ‘value-free’ and seldom treats humanistic values explicitly (e.g., Noda & Bower, 1996; Simons, 1994). It seems that for most strategists, the ends justify the means. The very survival of the organization justifies change agents’ apparent lack of attention to humanistic considerations (Biggart, 1977). Scholars describe change tactics that are often power-coercive or manipulative (Chin & Benne, 1994) and emphasize political and economic sanctions as well as moral power to arouse feelings of dissatisfaction, guilt, or shame about the status quo (Ansoff, 1988: 214).

In widening my literature search, I found at least one literature dealing with planned organizational change that treats humanistic values explicitly—the Organizational Development literature (OD). OD appears to be one of the rare planned change management disciplines that strive to articulate the underlying aspirations and values embodied in change interventions and make this debate explicit and central. Kurt Lewin (1946), generally considered the father of action research, believes that social systems can only be better understood by trying to improve and change them. For action research to be effective, the process of learning should be emergent and conducted in the spirit of collaboration and co-inquiry between change agents and recipients. Surfacing deep assumptions and constructive conflict can only take place in a climate of mutual trust, equality, voluntary participation, respect for diversity, justice, integrity, and freedom from threat. In short, it is assumed that high-quality human relations lead to high-quality information (Shani & Bushe, 1987: 13), and that enactment of humanistic values improves learning and development of individuals as well as human systems (Gellerman, Frankel, & Ladenson, 1990).

This belief about the importance of humanistic values is not devoid of its share of detractors and skeptics, as field practice or theories-in-use can sometimes diverge from espoused

theories and values (Argyris & Schon, 1978; Edmondson, 1996). There is an intense debate among OD professionals about the usefulness of embodying humanistic values in change actions. The “fundamentalist” camp believes that the effectiveness of OD may be curtailed because OD practice becomes too obsessed with techniques at the expense of deep appreciation and enactment of OD values (Church & Burke, 1995). Some thinkers are concerned that OD is gradually losing its distinctiveness by being co-opted by client systems (Mirvis, 1988; Golembiewski, 1994).

There exists a more ‘pragmatic’ perspective held by a number of OD practitioners who share an increasing desire to shed a “heavy humanistic influence” from their work (Church & Burke, 1995: 14). This client-centered approach holds that consultants should try to adapt to the values of the dominant groups, whatever these values may be (Tichy, 1974: 180). Managerial relevance and economic incentives further enhance the attractiveness of such a position.

This ambivalence about humanistic values is partly caused by insufficient understanding of whether and how humanistic values influence the success of planned strategic change. There have been relatively few empirical studies that systematically relate enactment of specific humanistic values to strategic change outcomes. The underlying causal mechanisms are unclear.

Using a grounded theory approach (Glaser & Strauss, 1967), graphically summarized in Figure 1, I will argue that (1) the likelihood of realization of strategic change is mediated by emotion-based trust, and (2) development of emotion-based trust is facilitated by the enactment of humanistic values during a planned change effort. These humanistic values include democracy, diversity, humility, integrity, and justice, which happen to represent a subset of humanistic values embraced by certain OD professionals. This research only allows suggesting some illustrative but non-exhaustive humanistic values that seem important to the realization of planned second-order change. It also suggests a humanistic-oriented approach to second order change for all aspiring change agents, including top executives, external consultants, and OD professionals.

This article is organized in four distinct steps. I begin with a presentation of the methodology and research site. An exposition of several strategic change initiatives is then

presented for illustrative purposes—linking values, emotions, and outcomes. Table 1 contains the definitions of humanistic values. A more theoretical discussion of findings follows. Finally, implications for future research for OD and strategy are discussed.

Insert Table 1 and Figure 1 about here

METHOD

Research Setting. “Servico”¹ is a large service company in the information technology sector which for many years enjoyed a dominant market position. The company developed a vast integrated distribution network using state of the art information technologies, which enabled it to achieve significant economies of scale over large geographical areas. This acquired market power in turn attracted the attention of government regulatory agencies that sought to ensure that the organization follow socially responsible practices, one of which was to provide non-discriminatory and affordable service for the products over which it held a quasi-monopoly. The company had over 50 thousand full time employees, a large asset base, an established reputation, and a market value of more than 15 billion dollars. Its core competence lay in a strong engineering and technology culture that designed high quality and reliable integrated technologies, with cost as a secondary consideration. Employees were in turn indoctrinated with the ethos of providing reliable and courteous customer service on a universal, non-discriminatory basis.

Deregulation changed the rules of market engagement almost over night. A fundamental and sudden change in strategy and organizing was required to address the shift from mild national competition to extreme global competition. A vicious price war ensued. Annual profits declined by almost half in a single year as the company was faced with rapid market erosion of about 10% annually. When this trend continued unabated for two years, the board of directors appointed a new CEO, John Maxwell, a newcomer to the organization.

¹ To protect the anonymity of this large and publicly traded organization that is still undergoing major change at the moment of writing, several measures have been taken. The names of the organization and its members, ethnic origins, geographical locations, and specific technologies have been disguised. In the same spirit, all numbers and calendar

After having assessed the situation in this large and complex organization, the new CEO decided to embark on a radical change attempt by launching a series of large-scale change initiatives, some of which will be discussed in more detail later. An ambitious program called Corporate Transformation (CT) was launched at the end of his first year as CEO. CT was presented to external investors and employees as a three-year comprehensive transformation program that would enhance Servico's competitive ability and restore its financial strength.

The imposed change in mindset was radical in at least in three ways. (1) There was a sudden shift from an engineering dominated, universal service culture in a quasi-monopolistic environment to one with a market customization focus. Power shifted from engineers to marketers and a new set of organizational competencies needed to be developed quickly. (2) There was an overnight abolition of lifetime job security and seniority entitlement for the first time in this more than one hundred year old institution. (3) Tight control of cash flow and financial accountability were imposed on lower levels in the organization that had been used to a munificent past with more relaxed resource allocation procedures.

At the time of beginning my research, I had entertained good working relationships with various groups inside Servico since I had worked intermittently with them on various special projects. I first approached several middle managers and executives I knew well to arrange preliminary access and to ask for their guidance in developing a realistic research plan because Servico was a very large organization and one was not always sure where to find the most insight-yielding change phenomena. Access was granted, and I was thus able to follow in real time the unfolding of the transformation attempt six weeks after CT was officially launched.

Research Design. Two basic assumptions underlie my research: first, that organizational reality is socially constructed (Berger & Luckman, 1967) and, second, that the interpretations and feelings of various individuals and groups are to be given precedence without any a priori attempt to impose uniform meanings upon possibly divergent understandings and behaviors. Only much

later in the analysis was triangulation of multiple perspectives conducted to achieve a balanced understanding. Since real time longitudinal research on large-scale change and on the effectiveness of managerial actions is still relatively rare, I adopted an inductive, theory-building approach. As a result, my initial research questions were deliberately open-ended: (1) How do various groups think, feel, and act in a radical change context? (2) How does the evolution of perceptions, feelings, and actions affect the outcome of strategic change?

I gave consideration to a plurality of voices at all levels of the organization, from the CEO to the front-line workers. My research borrows certain elements from symbolic interactionist methodology (cf. Prasad, 1993) in that it uses more than one data collection technique to capture the diversity of perspectives. It uses formal in-depth interviews, informal discussions, on-site observations, non-participant attendance at meetings, company documents, and survey data.

Data Collection. I initiated and maintained relatively casual interactions with people on the site, discussing my research informally with them. Out of this continuous process of informal conversations (estimated at around 1000 with more than 500 individuals), I eventually formally interviewed 148 individuals (including five internal OD professionals) a total of 265 times (see Table 2). Most of these individuals were involved in at least one change initiative. Each formal interview averaged about an hour and a half. Eighty-seven percent (87%) of these interviews were tape recorded, resulting in over 8000 pages of transcripts. Open-ended questions at the beginning of the research became semi-structured over time.

Insert Table 2 about here

In addition, I was an observer at more than 15 group meetings where I was usually allowed to audio tape. These meetings, which reported on the status of ongoing change initiatives, tended to last one or two days. The transcripts of these meetings comprise over 2000 pages. I also collected a copious number of internal reports, project descriptions, and status presentations.

presentation of the data should not affect understanding of the proposed theoretical concepts.

Data Analysis. As is typical of grounded theory building, the conceptualization process was anything but linear and many iterations between tentative theoretical frameworks and data validation were attempted. These analytic methods were largely inspired by the works of Glaser and Strauss (1967), Miles and Huberman (1994), and Strauss and Corbin (1990).

First, I developed narratives (or case studies) on subgroups of change initiatives that seemed to exhibit approximately the same nature, evolution, and outcome. I sorted the evolution of change initiatives using different themes, starting with the most general—emotion, cognition, action, outcome--grouping various respondents' quotes on concept cards and summarizing key dynamics in data flow diagrams. Each of these themes became more textured in subsequent analyses—for instance, different types of emotion could be identified, such as anger, sadness, hope. I attached greater weight to information independently corroborated by informants in different groups or levels. I further triangulated this information with other sources of data (e.g. observations of meetings, employee pulse surveys, internal company documents). In a few cases when I felt more corroboration was needed, I went back to interview multiple respondents to make sure that no inference was made from a single source of data or indirect sources and that no inconsistencies in interpretation existed. Table 3 illustrates this triangulation process—relating specific values to specific change interventions. The presentation and classification methods used were largely inspired by Sutton and Hargadon's work (1996). These classifications reflect different organizational realities in that violations or enactment of values did not affect every organization member equally nor were they equally influential in shaping the strategic change outcomes, which is similar to Prasad's (1993: 1412) analysis and findings (see Figure 2 for an illustration of coding schemes).

Insert Table 3 and Figure 2 about here

Ongoing analyses were regularly validated with several key informants on site. I was privileged to have eight such well-informed individuals scattered throughout Servico with whom I

shared a high trust relationship (one of them is an experienced internal OD professional). They provided further evidence or confirmed or helped to nuance the findings. Once there was general agreement on constructs and relationships between them, I connected the latter to the relevant literatures to build a conceptual frame for my paper and to enhance the plausibility, insight, and generality of my theoretical findings, as suggested by Golden-Biddle and Locke (1997).

RESEARCH FINDINGS AND ANALYSIS

Overview of conceptual constructs and findings

In order to facilitate understanding of the presentation of data and analysis, an overview of the theoretical constructs is provided here. As depicted in Figure 1, I construe the *process* of realizing a change proposal (called change initiative) as having at least two conceptual components--physical and emotional--that complement each other in varying degrees.

(1) The physical component refers to the change *agents'* material actions to implement a change initiative. Examples of such actions include recruiting new people, downsizing manpower, announcing a new mission statement, divesting or outsourcing a business unit, designing a new incentives system. In Schein's (1992) terminology, the content or object of these change actions is often associated with the organization's concrete visible artifacts such as formal structures and systems or explicit rules and standards.

(2) The emotional component refers to the change *recipients'* emotional responses to change agents' behaviors. Positive emotions may arise if change recipients perceive change actions to be beneficial for them and for the organization they cherish. In contrast, change recipients may experience negative or mixed emotions if they perceive a harmful effect. The emotional component is often activated when the target of change is associated with the more private and hence more difficult-to-control realms of people's minds and hearts. The latter includes the abstract values and basic assumptions people feel strongly attached to and are proud of (Schein, 1992).

Preoccupation with values transcends narrow concerns about material self-interest. Indeed, values refer to (1) concepts or beliefs (2) about desirable states or behaviors (3) that trans-

cent specific situations and (4) guide selection or evaluation of behavior and events (Shamir, 1990: 321). Values, in contrast to more narrow personal desires, priorities, or valences, have a social origin and echo social and cultural judgments (Schwartz, 1992). An individual's internalized values provide rewards and sanctions that are independent of the outcome of the person's actions, as moral actions concern both intentions and processes (Etzioni, 1988: 43). Reward is thus mainly intrinsic and comes more from the contribution to the effort than the outcome itself.

Two types of values can be distinguished: (1) moral or "motivational" values infused by one's family and social upbringing (Schwarz, 1992: 45), and (2) organizational values inculcated by the organization's identity or core ideology (Dutton & Dukerich, 1991). Together, these values and basic assumptions guide organization members' thinking and feeling about the world around them. These provide the source of meaning because they constitute tacit rules that define what is 'right' in sensemaking activities and human relationships (Schein, 1992). Most human beings have an intrinsic need to make sense and socially bond (Maslow, 1954). Values shape one's core identity and constitute a source of cognitive and emotional stability. As a result, value violation could be appraised as a grave offense to one's core identity and well-being and could trigger intense emotional responses as a near-instantaneous private defense mechanism (Damasio, 1994). Shock and anxiety are easily aroused (Schein, 1992). At the same time, one's level of trust in the person perceived as the perpetrator of value violations is likely to be reduced.

McAllister (1995: 37) distinguishes two main dimensions of trust. (1) Cognition-based trust relies on appraisals of others' professional competence and reliability and is often based on work track record. (2) Affect or emotion-based trust is present when people feel free to share their private feelings and personal difficulties, knowing that the other party would respond constructively and caringly. One means of building emotion-based trust is through affiliate citizenship behaviors, such as attentive listening to others' worries, personal interest in others' personal welfare, helping others even at the risk of under-optimizing one's personal interests.

Humanistic values such as justice and integrity belong to a morally justifiable code of

values in that this code promotes the long-term survival and well-being of individuals in collective systems (Becker, 1998). Therefore, behavioral enactment of humanistic values (or perceived violations thereof) tends to be strongly associated with both individual and collective long-term well-being and triggers in an important way emotions and emotion-based trust.

I was able to identify five humanistic values that seemed important in the conduct of second-order change by studying the evolution of seven strategic change interventions initiated and controlled by top management. These values are representative democracy, diversity, humility, integrity, and justice. I stress that these values are illustrative and not exhaustive. The planned interventions were strategic because they could affect the performance of the whole organization in a meaningful way. They involved intentional change in (1) senior management—near wholesale replacement; (2) organizational culture—from bureaucratic to more organic; (3) formal structure—from a centralized bureaucracy to a divisionalized form; (4) strategy—moving from a quasi-monopoly to intense global competition; (5) measurement and incentive systems—abolishment of lifetime job security; (6) size of work force—reduction by 25% in three years; (7) skills set—from engineering-dominant to marketing-dominant. Together, they represent a diverse yet representative set of large-scale change interventions that could only be typically launched quickly and comprehensively by top executives in a planned second-order change attempt. This massive change is consistent with the revolutionary mode of change described by Miller and Friesen (1984) and Tushman and Romanelli (1985) in that key organizational dimensions were changed simultaneously and quickly in order to maintain internal consistency among and fit with the external environment.

I analyzed four change interventions that experienced unsatisfactory outcomes—the intended change outcome did not materialize or last—and subsequently contrasted them with three interventions that were realized and still in place at the time I completed my three-year field study. I identified the values that seemed to be present or missing in the conduct of change agents. These interventions, their outcome, the associated humanistic values and emotional responses are

summarized in Table 4. I stress that the enactment of humanistic values facilitates the adoption of a proposed change, that is, they constitute moderating factors, as there are obviously other external and internal factors that impinge on the outcome of a change intervention.

Insert Table 4 about here

Space limitation allows me to discuss only two change initiatives to illustrate how the presence or lack of enactment of humanistic values affects the evolution of strategic change interventions: (1) one experiencing an unsatisfactory outcome due to lack of values, (2) one with a satisfactory outcome with the presence of values.

Changing the composition of senior management: Lack of representative democracy and humility leads to an unsatisfactory change outcome

Local meanings of representative democracy. From a symbolist interactionist perspective, local meanings are important because the same change evokes different interpretations and emotions among different organization members. Here I will focus on the responses of three groups: (1) veteran middle managers who typically had between 10 to 25 years of tenure with the organization and two particular subgroups: (2) Hispanics and (3) women. There were about 3000 middle managers in this 50 thousand strong work force (40% of the work force was composed of women or Hispanics) in relation to a senior executive team of about 30 individuals. Middle managers therefore played an important role in the translation and coordination of change efforts as well as conduct of ongoing business activities. Over the past 30 years, there had been a continuous and deliberate effort to seek out and promote women and Hispanics in front-line positions into middle management positions then into senior posts, and this effort seemed to have shown tangible progress. This representation bore a high symbolic value among the rank-and-file, and veteran senior executives recognized this sensitive political reality. The importance of symbolism was emphasized by one veteran ex-CEO in a private interview that took place about six months after the launch of CT:

The Servico Hispanic/ English symbols were critical for Hispanic customers, and that's for political reasons. Marketing wise, you have to be close for the customers you serve. It was also a great rallying cry for the employees of Hispanic ancestry. Employees recognize themselves within the company in which they work.

Newly appointed CEO Maxwell orchestrated a sweeping change in the senior management team. All of the five top team members were male, four out of five individuals were English and newcomers. Only one top team member, Torres, was both a veteran and Hispanic. As CEO Maxwell explained to me in a private interview that took place about one year after the launch of CT, his dominant selection criterion was heterogeneity of functional skills. However, other groups interpreted this situation differently. Middle managers and union officials perceived Torres as a "token" with relatively little power. But their dissatisfaction was publicly subdued, as minority representation issues constituted controversial subjects inside this rational bureaucracy (advancement theoretically based on task competence) and so were seldom discussed openly. They constituted taboo issues that most politically shrewd veterans in management positions knew about but did not want to register in writing, as illustrated by the previous ex-CEO's remarks. Adequate representation in middle and senior management by women and Hispanics formed part of the tacit expectations of these groups and had been nurtured over the past few decades.

On the surface, these minority groups acted calmly—it was business as usual. But in private interviews, many of the individuals expressed palpable resentment tinged with fear of oppression. For example, one veteran woman middle manager of Hispanic origin—someone I had known for over five years and who was considered a model manager with high advancement potential-- was physically shaking, her speech broken, when she confided: "Right now in this organization it's very dangerous and very unfashionable to be a Hispanic, and especially a Hispanic who complains." She reported she had noticed the same apprehension among her colleagues who formed part of her informal private group. Another veteran woman middle manager was fidgeting in her chair and asked me to turn off my tape recorder when she said: "The executives tend to be white Anglo-Saxon men ... it's just the natural tendency to go and get people you know and trust ... The ratio of women to men in executive positions is just abysmal ... If I'm

a woman or a minority and I'm talented, why would I spend my energy in Servico because I'm not going to be recognized.”

These fears seemed to be corroborated by anecdotal evidence that these individuals shared within their close knit informal networks. For instance, another woman middle manager reported what she heard from her colleagues a newcomer executive recently had said in a departmental meeting: “He expressed surprise that two of his direct reports were women, and that he didn't believe that women were tough enough for this kind of work. So he intended to replace them.” Whether or not these stories were true, and how generalized these phenomena were would be difficult to verify. Solid evidence could lead to damaging civil lawsuits. It is sufficient to note that these stories circulated like wild fire among women and Hispanic groups, explaining their feelings of resentment and mistrust of senior executives, and were shared with me partly because I had had a trustful relationship with these individuals many years before I started this field research.

Local meanings of humility. In this article, humility refers to respect for the human systems one seeks to change. Change agents should not consider that they are *a priori* better than change recipients. Both groups can learn from each other in a respectful climate.

In the case of Servico, one problem compounded another. The larger group of veteran middle managers comprising over 99% of the middle management layers also felt threatened. Several newcomer senior executives belittled veterans in public as incompetent and unfit for the new competitive world. For instance, one newly arrived executive started a kick-off meeting by wondering how so many middle managers present in the room could work for the same company for such a long time--more than fifteen years! A middle manager—who happens to be male of Hispanic ancestry--reported this incident to me in a private interview and interpreted this remark as an insinuation of his own risk aversion and lack of marketability. He said this remark humiliated him so much that he felt compelled to prove the contrary to himself in order to restore his self-confidence. He noted wryly: “Now this leader expects us to be mobilized for change and

[be motivated!] I don't know where he learned his leadership skills from." Three months later, he found a position as senior executive in another multi-national firm.

These emotion-laden stories circulated and were exchanged like war stories. Another veteran male middle manager in Operations told me, with a tinge of exasperation and anger:

The newly arrived executive was speaking from both sides of his mouth. ... He went to see one group and said that the other was incompetent. Then he went to the other group and told them that the first group was bad. ... He didn't know that both of us talked to each other, so the resistance was very strong ... you cannot tell people they have been imbeciles for years.

One middle manager in Human Resources—the group that monitored career evaluations and employees' attitudes—underscored the frustration shared by many of his colleagues about reaching a premature dead end in their careers inside Servico: "There's an attitude right now ... that if you have been with Servico more than five years you've got that printed on your forehead and you're not going to get anywhere." Some veteran managers felt sidelined and trapped. There were feelings of apprehension that they would be dismissed and replaced by newcomers, as had been happening to their superiors in senior management positions. They feared their turn would come soon. One middle manager in Operations expressed this bitterly: "We, the old Servico, feel like second-class citizens. They keep some of us because they cannot afford to replace all of us. If they could they would, so we feel like we are part of the problem and not of the solution."

Indeed, the metaphor of being regarded as "dinosaurs" often came back in interviews. For example, one veteran middle manager in Customer Service shared his private views about the new dynamics of formal meetings: "Each time we heard an executive or an external consultant suggest something, we said we were not going to say anything. We don't want to appear to be dinosaurs one more time." An internal and veteran OD consultant confirmed that this individual's view seemed justified, based on his own experience of facilitating many group meetings. He observed:

There is a stigma with the old guard. Newcomer change agents expect that the veterans would always bring objections to a proposal, and because they expect objections they would not even bother to consider their merit. ... Any suggestion for modification is considered as the final agonizing cries of veterans ... and so are ignored.

As similarly found by Prasad (1993: 1412), these incidents did not happen in all pockets of the organization, and the interpretations and emotional responses differed in nature as well as in intensity among various levels and groups. Not everything was doom and gloom in Servico, however, as the next case of change success will illustrate. The point I wish to make here is that the change agents' behaviors and recipients' responses depressed the collective mobilization effort that was critical for the realization of a second-order transformation (cf. Amason, 1996; Huy, 1999). Mistrust of change agents was exacerbated because of a perceived lack of concern and care for the recipients' personal welfare and feelings. These critical incidents had a high symbolic value for many people in the organization. Stories about the behavior of newcomer senior executives spread like wild fire in the more private places of Servico—whispered in bathrooms and at water fountains among small groups of individuals--and gradually became rationalized myths that legitimized stronger forms of resistance to change.

I found at least seven forms of behavioral resistance: (1) reduced sharing of knowledge, as employees did not feel free to express their ideas. (2) Reduced risk taking and experimentation, for fear of being penalized for making mistakes. (3) Passive compliance. (4) Foot-dragging, (5) Increased absenteeism. (6) Exit, with increased turnover of demoralized change agents. (7) Undermining the legitimacy of senior executives as change leaders.

The last form of resistance needs further elaboration. From the perspective of newcomer senior executives, Servico had been traditionally strong on customer service but needed to improve its profitability. Hence, there was less need to focus attention on customer service. However, from the veterans' perspective and that of lower levels in the organization, this shift in attention signaled that senior management's actions were short-term and superficially financial. Veterans felt anxious that Servico's distinctive competence of customer service was being eroded by newcomers who did not have an in-depth knowledge of their company and, as a result, they felt compelled to protect their heritage—the acquired reputation of customer service--against “short-term” intruders. Newcomers were often branded as “mercenaries of change” who had little

appreciation and attachment to the core values of the organization. To justify their defensive actions, veterans often mentioned recent cases of other organizations being almost “destroyed” in a few short years by executives who were parachuted in.

Senior management say that the highest priority is our customers.... Yet all their actions demonstrate that the highest priority is short-term financial results.... They had short-term mandates and will make a lot of money.... They are the mercenaries of change.... I do not trust them to make long-term decisions.

Interpretation. While the physical aspect of change in the senior management team did indeed take place (4 out of 5 top executives and 12 out of 20 next-level executives were replaced by newcomers as the transformation reached mid course), the emotional aspect seems problematic. On one hand, most of the employees expressed relief and hope that a more entrepreneurial, functionally heterogeneous senior management was in place. These individuals were expected to bring in new ideas and a more competitive mindset. On the negative side, the significant under-representation of certain minority groups and the widespread disparaging of veterans by newcomers started to sow resentment that would fuel further resistance to change.

Two values seem to be salient here. (1) Representative democracy at the senior level has a high symbolic value (Pfeffer, 1981) for minority groups. The goal of democracy is to protect individual and minority rights, as it is assumed that the majority wields political power (Locke & Becker, 1998). Minority groups’ need to be adequately represented and protected increases in a radical change context with the rapid and massive influx of newcomers into positions of power. Anxious people need some trust referent and the most immediate source of identification may be gender or ethnic kinship. (2) Another value is the humility expressed by newcomer change agents’ acknowledgment of past contributions and the importance of organizational memory. Such behavior would have had a stimulating impact on veterans--as opposed to an almost exclusive emphasis on their limitations in order to ‘unfreeze’ them--and would have corresponded to more recent OD approaches that advocate a more egalitarian and humble approach by change agents—enactment of respect for *other* human systems (Cooperrider & Srivastva, 1987; Murrell, 1994; Weisbord, 1987). Unfreezing methods focusing on negatives could generate counter-effects

if pushed too far and too long, especially when Servico had already been unfrozen with unmistakable market signals about decline. As one veteran middle manager in Operations--himself a change agent—remarked: “[Newcomer senior managers] have to change their speech. They are bad psychologists. They say that we are not good and while we are making an effort to change ourselves they keep saying that we are not good. Eventually we’ll stop trying and go back to where we were initially.”

Perceived violation of the value of representative democracy arouses feelings of threat among those who feel underrepresented. Lack of humility sows feelings of oppression and resentment. Blanket disparagement was felt as a frontal attack on the veterans’ pride and identification with the company (Harquail, 1998). Veterans felt excluded and devalued. Together, these emotions increased change recipients’ emotion-based mistrust of perpetrators of values violations because they apprehended future harm to their individual and collective well-being.

Changing skill sets—moving to industry specialization--Enactment of representative democracy, diversity, humility, justice: A change intervention successfully implemented

As I pointed out previously, Corporate Transformation did not have the same effect on everybody. Multiple change interventions were simultaneously taking place, and some major changes could still succeed despite the overall discouraging climate. This discovery surprised me initially: The same people could respond differently to different change interventions in the same period of time, depending on how they interpreted the content, the context, and the process of a specific intervention. Another reason is that the actions of lower level executives in local contexts could sometimes exert an enabling effect on the more compartmentalized change interventions--that is, those that were under their direct control and were relatively independent of other interventions. Local executives could partly buffer their business units or departments from corporate effects. In large and hierarchical organizations such as Servico, the vast majority of employees did not interact with top executives directly and on a frequent basis. As a result, the

influence of local executives could become important. Newcomers and consultants who enacted humanistic values in their change actions were more likely to be accepted by veterans.

I will illustrate these points with a change intervention that occurred in the Sales and Marketing group. The Project Value Chain (PVC) initiative was an idea brought in by newcomer senior executives in this particular group in the first year of CT. There were over three thousand people working in this department. With the help of an external consulting firm, they wanted to create industry segments to increase customer focus, to build industry specialists as opposed to generalists under the universal service mindset. They also felt it did not make sense to divide the Sales unit along the traditional English and Hispanic lines because there was too much duplication and too many divergent approaches.

The proposed change about industry specialization was well received by a large number of salespeople. Veterans perceived the proposed change as enhancing Servico's traditional value of customer service. Regrouping all customers by industry segments also afforded a larger critical mass to spread the development and marketing costs of customized products and services, which were expected to provide greater profit margins than the current products being commoditized.

The new executives in Sales set up twelve implementation planning teams and appointed team leaders who represented equally the two linguistic divisions. They were concerned about the potential negative reactions of the Hispanic division with regard to the consolidation move, and so tried to attenuate it with fair representation at the change team leaders' level. One veteran Hispanic middle manager exuded Hispanic support for this process with a tone of conviction and commitment that contrasted with the previously described feeling of dejection experienced by his colleagues in other groups:

Having separate sales structures in different geographical areas for large and medium size business customers is just too costly, too slow, and we cannot respond fast enough at the national level ... Thus, we have to integrate various divisions ... Newcomers and consultants gave the opportunity to everyone to express themselves and to be listened to. This allowed us to determine what constitutes the right priorities.

Unlike the previous cases, here outsiders, such as newly arrived executives and this more-process oriented consulting firm, seemed to be appreciated by veterans. As veteran change recipients reported with some obvious satisfaction:

Consultants accompanied us through this process and provided information about the information technology markets. They played the role of confessor as well; you could use them to relay your messages upward and downward.... The key is to mix, right at the design stage, salespeople who have been working in silos in different regions, and this at *all* levels. It was not easy for us initially, because we have been working independently for the last fifteen years.... The cultural integration was difficult. At the start you felt that the other side did not really respect you because of your [linguistic] identity.... Senior managers imposed integration and interdependency among all the planning teams. Teams often had a dual prime, each representing one linguistic group.

Senior management's imposed discipline mobilized only to the extent that the proposed change initiative made sense to lower levels. Blind compliance seldom occurred. As a middle manager said: "We often heard that this executive wants this or that.... This kind of leverage does not really impress us. If the idea makes sense, fine. If it doesn't, we're going to challenge, talk, communicate. Name dropping simply doesn't work."

After about two years, sales executives found out that too much consolidation hurt sales results. Certain Hispanic-based customers felt slighted as they saw reduced bilateral executive contacts and less attention to their particular needs. Servico created the positions of President English-Division and President Hispanic-Division for customer interface purposes. A matrix structure was put in place where a layer of symbolic geographical representation was overlaid onto the industry vertical structures that were left intact. As a result, the voices of the English and Hispanic customer groups could thus be heard inside Servico at the senior executive level. These adjustments projected a perception of flexibility and balance and were seen as compatible with the traditional values of Servico--customer service and respect of distinct linguistic representations. This initiative was adopted as a new organizational routine. There was also external validation. Outsiders noted a promising improvement in the company's ability to fight back on the sales and marketing side. As one prominent bond rating agency report noted: "Servico has spent considerable

time and resources ... to become a more effective marketer. These marketing programs have slowed market share losses and helped win back customers.”

Interpretation. The PVC change initiative had a physical and an emotional component. Physically, many managers and sales individuals were designated by executives to participate in work teams or to join newly established industry specialized sales groups—through mildly coercive measures at the beginning. Realignments in incentive systems were programmed and imposed from the top. This whole change could have been effected through consultants’ advice and senior management’s decree—as had happened with other major change interventions. What seems to be different here is the high degree of attention that change agents devoted to the emotional component.

Several humanistic values seem to have been enacted here. First, some form of representative democracy was imposed on the selection of change agents. As the vast majority of these individuals were recruited from within and represented the diversity of the Servico sales groups, emotion-based mistrust of outsider change agents as careless, self-centered, and short-term “mercenaries” was considerably attenuated. These change agents displayed sensitivity and humility in attending to the idiosyncrasies of the local context. For instance, unlike some of the other change initiatives I studied, there was little reported incidence of newcomers disparaging veterans. Secondly, acknowledging tenure and linguistic heterogeneity in the appointment of change agents showed humility and respect for other human systems, another humanistic value. The matrix structure reflecting linguistic diversity illustrated how this intervention was not steamrolled but implemented with flexibility and humility. Adjustments were made from customer feedback, illustrating continuous learning. PVC was implemented with support from various geographical units, but not completely as it had been intended.

Thirdly, there was enactment of the value of diversity through wide participation. Participants felt energized because they felt they had a real influence on the process of change itself. Change “is disturbing when it is done to us, exhilarating when it is done by us” (Kanter, 1983: 63). Empowered participation increased ownership and pride in change. Finally, threat to

recipients' welfare was minimized as a result of an up-front declaration that job cutting was not the main objective, and there was modification of the incentive systems to align the interests of the recipients with the direction of change. Change goals were stated up front, and this relatively transparent process corresponds to the value of procedural justice (Kim & Mauborgne, 1998).

Enactment of these values aroused feelings of commitment, excitement, inclusion and pride that attenuated emotion-based mistrust of change agents. The majority of people I interviewed exhibited an air of self-confidence and pride that set them apart from their colleagues in other groups. Frustrations did exist—as might be expected in a stressful competitive sales context—but these feelings were more work related and were different both in nature and intensity. Indeed, negative emotions were seldom aroused by the behaviors of change agents: few veteran sales and marketing individuals felt *personally* threatened by consultants or newcomers. Relative absence of resentment and fear fostered open exploration of ideas and exchange of tacit knowledge that was necessary to the “implementation” of ambitious change initiatives under tight time constraints. Individuals I interviewed recounted with visible glee incidents in which they actively challenged the recommendations of consultants or superiors and prevailed. Veterans felt that their knowledge and experience were respected and included in the revision of proposed changes, and this encouraged them to participate more actively in the development and diffusion of new ideas. In turn, their organizational experience—such as leveraging informal contacts—helped lateral coordination and continuous learning from changing inside the Sales and Marketing groups. Veterans helped newcomers and consultants to customize new ideas to the local context and helped institutionalize it. The sense of inclusion, collective mobilization, and excitement is palpable in the following animated words of one veteran middle manager of Hispanic descent:

With PVC, people did listen and opinions were respected. Everyone was looking for a means to accomplish this change in a very short time frame.... Around 200 middle managers worked feverishly in a change mode for several months.... We are putting a solid structure in place, with people specialized in various industry segments helping to increase team focus on particular customer needs.... I think this is a very good initiative.

These emotional and behavioral responses are consistent with Mishra and Spreitzer's (1998) model, which predicts that perception of trust, justice, empowerment, and work redesign increase the likelihood of active and constructive responses by employees even under conditions of negative change such as downsizing.

This successful intervention suggests another insight. While absence of enactment of one or two humanistic values could seriously impair the likelihood of adoption of a change initiative, the presence of multiple humanistic values seems necessary to ensure a reasonable likelihood of adoption. Enactment of an *integrated* and consistent set of values would seem desirable for certain types of change in certain contexts. Future research on change practices can probe more deeply into core values versus peripheral ones, and whether the former can or should vary depending on types of interventions and different contexts. For instance, other national and even organizational cultures might respond differently to enactment of various humanistic values (Bartunek & Moch, 1987; Murrell, 1994), and hence the type and intensity of emotional responses could vary. Moreover, organizations often have multiple cognitive frames and ways of behaving, and so linear models may be too simplistic (Bartunek & Louis, 1988: 124).

Summary. Building on the analyses of these two illustrative change interventions as well as of other interventions summarized in Table 4, some tentative propositions can be formally induced that represent context specific hypotheses needing further validation in future research. Furthermore, I stress that the antecedent clauses in these propositions constitute necessary but not sufficient conditions for the predicted outcomes, since strategic change outcome is a systemic phenomenon involving multiple factors at various levels of analysis: institutional, organizational, and individual (Meyer, Brooks, & Goes, 1990).

Proposition 1: The more newcomer change agents personally enact the values of representative democracy and humility in senior management positions, the more veteran change recipients will feel included and accept newcomers as legitimate leaders of change.

Proposition 2: The more newcomer change agents personally enact the value of humility (respect for other human systems), the more veteran change recipients will feel respected, and the more likely the latter will be to share their personal knowledge with newcomers.

Proposition 3: *The more change agents enact the value of diversity (wide participation) in the development of change goals, the higher the feeling of excitement among organization members, and the more mobilized they will be in implementing these goals.*

Proposition 4: *The more change agents enact the values of distributive and procedural justice in change initiatives that negatively affect the personal welfare of change targets, the less resistance change agents will experience.*

Proposition 5: *Enactment of an integrated and consistent set of humanistic values increases the likelihood of adoption. Failure to enact one value significantly reduces the likelihood of adoption of a particular change intervention.*

Discussion and Conclusion

Golden-Biddle and Locke (1993) argue that the potential research value of ethnography lies in evaluation criteria that are distinct from those associated with more positivist, large-sample hypothesis testing studies. More specifically: (1) Authenticity—conveying that the researcher was really in the field and understood the members' world as they construe it; (2) Plausibility—conveying a sense of relevance and familiarity to the community of readers while making distinctions; and the related innovative condition of (3) Criticality—the ability to invite readers to reconsider some of their taken-for-granted ideas and beliefs or to reframe the way in which organizational phenomena are perceived and studied. Even if my findings are derived from an in-depth study of one company, plausibility and generality are enhanced in that I have referred to previous theoretical and empirical research that corroborated many constituents of the theoretical contribution presented in this article. I draw widely on the literatures on trust, emotion, ethics, organizational identity, and OD. The effectiveness of guiding change with humanistic values displayed in action is consistent with many action research works conducted by OD scholars (e.g., Murrell, 1994; Torbert, 1989; Vaill, 1989; Weisborg, 1987).

This article attempts to strike a delicate balance between logical positivist approaches to science that emphasize control, rigor, and predictability, sometimes at the expense of usefulness (Argyris, 1983), and action research that focuses on practice sometimes at the expense of theory building (Porras & Robertson, 1992: 798; Susman & Evered, 1978). Cooperrider and Srivastva (1987) suggest that one should judge the quality of a theory in terms of its generative capaci-

ty—that is, its ability to generate new alternatives for social action that contribute to the adaptation and development of social systems. I hope that I have shown some of the potential generative capacity of humanistic values underpinning change interventions that can result in improved organizational adaptation and effectiveness. I have highlighted the importance of the emotional component of change initiatives and its relationship with enactment of humanistic values.

Some nuancing may be in order here. Attending to the emotional component instrumentally matters to change agents only when the adoption of change requires the *voluntary* involvement and commitment of change recipients who can potentially affect the outcome. Examples of such changes include fundamental changes in organizational values and beliefs, or changes in relationships among organizational members. Deep changes in people’s minds and hearts can hardly be imposed by strictly physical or coercive measures.

Therefore, not all change initiatives require high sensitivity to the emotional component. First, not all change initiatives arouse strong negative emotional responses. Some change actions can be perceived as required by the new business logic but relatively neutral to the interests of the majority of organization members (illustrated by another change initiative affecting cashflow not described here because of space limitation) and so recipients can readily accept these changes even if they are imposed from the top. Not all change initiatives require the voluntary commitment of those being affected. For instance, top managers can decree a divestment of a business unit that no longer fits with the revised corporate strategy. Strictly from a more narrow, instrumental, and non-humanistic perspective, it appears that the voluntary involvement of those who are being divested matters relatively little to the divestment outcome.

As shown in Figure 1, the theoretical arguments of this article build on and extend recent research relating to trust, values, and emotions aroused in stressful change situations (e.g., Brockner et al., 1994; Huy, 1999; Mayer, Davis, & Schoorman, 1995; Mishra & Spreitzer, 1998). Trust refers to the willingness to be vulnerable to others and is based on the belief that those

others—in this case change agents—are trustworthy. Being vulnerable means that a significant potential for loss exists for an individual.

The importance of these findings is likely to be amplified in radical change contexts. Second-order change often implies that existing cognitive abilities need to be revised or fundamentally altered (Bartunek & Moch, 1987). Cognition-based trust is likely to be insufficient, as the organization is collectively searching for new competencies and paradigms in a highly unpredictable environment. Reliance on past track record based on task-competence is no longer considered adequate for organizational survival; at the least, past task-based skills need to be re-proven in the new environment. This void, coupled with the anxiety accompanying any deep examination process (Argyris, 1990), increases the need for an alternative form of trust, one that is based more on emotion. Second-order change implies a leap into the unknown with significant mortality risks (Singh, House, & Tucker, 1986), so change recipients have to be assured that no matter what happens, change agents will *also* be concerned about recipients' best interests (Mishra & Spreitzer, 1998: 574). This appraisal of trust enables change recipients to indulge in risk-taking behaviors and to make themselves vulnerable to change agents (Mayer et al., 1995).

Affect- or emotion-based trust incorporates the virtue of *benevolence*. Benevolence refers to an altruistic concern for the welfare of others and is devoid of egocentric profit motives (Mayer et al., 1995). Such trust links are feeling-laden and serve a relationship maintenance function more than a task function. Emotion-based trust has been found to be more essential to effective coordinated action in organizations (cf. McAllister, 1995). Amason (1996) also discovered that focus on affective interpersonal cues is essential for quality of decision making and implementation of solidarity among team members.

In this respect, behavioral consistency in following humanistic values creates a feeling of predictability and benevolence that attenuates the fear of uncertainty and allows individuals to work together to cope with stressful events (Lazarus & Folkman, 1984). Humanistic values inherently reflect both the welfare of *all* stakeholders and the affiliative citizenship behaviors that

are necessary in second-order change. They create a pattern of meanings in a world that seems no longer to make sense, at least during the painful search for a new organizational paradigm (Bartunek & Louis, 1988). To avoid feelings of complete helplessness that lead to withdrawal behavior, individuals need to regain at least a feeling of partial control (Greenberg, Strasser, & Lee, 1988)—some sense of empowerment (Mishra & Spreitzer, 1998: 578).

Feelings of empowerment enable collective mobilization and learning-from-changing, two critical dynamics of second-order change (Huy, 1999: 329). These two dynamics involve risk-taking behavior from the individuals involved because negative outcomes can occur in this highly uncertain environment. While emotions might be more subdued in more routine changes, the emotional component of many change initiatives reaches high saliency in radical change. In such highly volatile contexts, rationality in the narrow sense of the term—cold and systematic calculation of costs and benefits of a comprehensive set of alternatives—especially when done under the influence of the paradigm being challenged, is often inadequate and can sometimes be dysfunctional. Indeed, some scholars exaggerate to make a point by saying that in rough and complex environments, strategic actions call for “irrationality” (Brunsson, 1982: 42). As the future is highly unpredictable, too much analysis can breed anxiety and paralysis (Langley, 1995).

Unlike the incremental, fine tuning of local organizational pockets that characterizes most first-order changes, second-order change mandates a kind of collective mobilization that requires active collaboration among team members beyond simple agreement or compliance. Adherence to the spirit of the change goals, rather than the letter, is necessary to overcome unforeseen complications along the way (Amason, 1996: 125). For this to materialize, both cognitive understanding and emotional commitment need to be present.

Figure 1 graphically summarizes the theoretical arguments in this paper. The broken arrow linking the physical-and-other-components of a change initiative to change adoption signifies that there are factors other than emotion-based constructs that affect the likelihood of change adoption. The broken arrow linking the emotional to the physical-and-other component recognizes the

potential interaction between analytically distinct constructs. The dynamic nature of the model is reflected in the feedback loops linking outcome to various antecedent factors. Positive outcomes resulting from emotion-based trust are likely to encourage change recipients to persist in their risk-taking behaviors, enhance their emotion-based trust, and reinforce the efficacy of humanistic values on the emotional component of change initiatives. On the other hand, unfavorable conclusions are likely to attenuate the intensity of the relationships between these various constructs.

This article contributes to the OD and strategy literatures in several ways. For the strategy literature, it highlights the relationships between emotion and values in the process of strategic realization. This theme has rarely been tackled in that literature. Emotion and values have often been avoided by mainstream strategists whose theoretical heritage lies in finance and economics (e.g., Porter, 1985; Rumelt, Schendel, & Teece, 1991). These dimensions have often been considered ‘soft’ and intractable.

With respect to the OD literature, this article shows how enactment of certain OD values carries strategic implications for efforts at second-order change; this seems to rhyme with the OD fundamentalist perspective. For the OD pragmatic perspective and for some strategists, this article reveals the potential danger of excessive pragmatism, as illustrated by the failed initiatives launched by Servico top managers who seemed to espouse this approach in their behavior despite stating almost the opposite in their rhetoric. Some OD practitioners seem to be doing this as well (Church & Burke, 1995; Tichy, 1974). This article may mitigate somewhat the ambivalence of OD professionals in the intermediate position. I have shown how lack of attention to ‘soft’ process issues can result in extremely ‘hard’ consequences. Indeed, the CEO and his top team resigned after four years of transformation on account of unsatisfactory corporate renewal.

Indeed, although Servico’s financial performance dramatically improved and investors were satisfied in the short term, there was a pervasive feeling of frustration and inadequacy across all levels within the organization that the real and deeper changes remained to be carried out “inside”—such as changes in the work systems and the way people relate to each other in order to

share and develop new knowledge and skills. These are the types of changes that would have made the organization more flexible and competitive. Increased attention to the emotional component of change initiatives is likely to improve their chances of adoption. It has been recognized that OD practice has not gone deep enough to facilitate cultural change because of insufficient research (Porras & Robertson, 1992). Thus, sensitivity to emotions and behavioral enactment of values constitute necessary ingredients for developmental cultural change. Focus on values and emotions allows change agents to dampen adverse unintended consequences.

Change has often been treated as a monolithic concept. The strategy literature on radical transformation tends to stay at the level of mission, structure, culture, and mindset, and to treat them conjointly, assuming tight interdependence between these macro level constructs (Tushman & Romanelli, 1985; Miller & Friesen, 1984). Much nuance is lost with such a macro view. On the other hand, many OD change theories tend to assume a homogeneous process of unfreeze-change-refreeze (Lewin, 1951; cf. Porras & Robertson, 1992 for elaboration). While this linear model may work well at the individual or small group levels, this micro view oversimplifies the complexity of second-order change at the organizational level.

While recognizing the appropriateness of these approaches in certain contexts, this article proposes an additional approach to the study of change. By using change initiatives and their constituent components— emotional, physical and possibly others—as units of analysis, and by taking into account the perspectives of multiple stakeholders and multiple data collection methods, a more fine-tuned—and, one hopes, more useful—understanding of second-order strategic change is developed. The article shows how different subgroups responded differently to different types of changes—within the same overall context of radical change and inside the same organization during a relatively short period of four years--resulting in differential dynamics and outcomes that are inadequately captured and predicted by existing linear process models. Future research should pay as much attention to change recipients as to change agents in order to achieve a fuller understanding of change dynamics.

This article embodies, in a modest way, a celebration of humanistic values and human dignity. It argues for a more balanced, pluralistic consideration of various voices in organizations and for giving them equal respect. This respect should be enacted in the various ways in which one does research and describes organizational change to other scholars and practitioners. Language does influence thinking and theory, so one should be careful about the use of ideological words to describe organizational change. For instance, such words as “change mercenaries” applied to change agents or “resistance to change” applied to change recipients should be used with great circumspection. Change recipients—an increasing number of them are knowledge workers--do not necessarily need change agents’ wisdom or paternalistic help. What they need more is equality and respect in mutual interactions.

This call transcends humanistic considerations. A pluralistic epistemology based on equal respect for the objects we study is likely to exert an influential impact on the change phenomena and on the organizational actors we choose to bracket for our attention and what we consider important to report. It is likely that our change theories will display greater granularity and objectivity, contextual precision, enhanced practicality and integration. Such an epistemology is consistent with the spirit of ‘appreciative inquiry’ that seeks new social possibilities that can enrich human existence and give it meaning (Cooperrider & Srivastva, 1987).

It is comforting to note that in a context of perceived environmental turbulence and rapid change, something actually remains quite stable: human intrinsic aspiration for enactment of a set of near-universal humanistic values, a yearning that seems to transcend and outlive both individual and organizational lives (Schwarz, 1992). Collins and Porras’s (1994) study of visionary companies suggests that resilient organizations outperform in the long term because they can progress and adapt without altering their core values, despite massive pressures for change. In the same spirit, I suggest that OD’s ‘strategic advantage’ and authentic source of renewal lie in its humanistic values—something far deeper and more meaningful than the process advantage the field has traditionally been ascribed.

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TABLE 1
DEFINITIONS OF HUMANISTIC VALUES

Representative democracy	Representation of employees of large minority groups in influential management positions
Diversity	Participation by representatives of various groups and hierarchical levels in important decision-making events
Humility	Respect of other human systems & acknowledgment of their potential contributions
Integrity	Consistency between rhetoric and action
Justice	(1) Transparency in the rules of procedure: clear & open decision rules (2) Relative benevolence and evenness in the distribution of outcomes

TABLE 2
Number of Individuals Formally Interviewed
and Number of Interviews (in brackets)

		Group Under Study					
		General Mgmt	Ops	Sales & Mktg	Finance	HR	Unions
For- mal level	<i>CEOs</i>	3 (5)					
	<i>Senior executives</i>	7 (14)	1 (6)	2 (2)	1 (3)	1 (1)	2 (4)
	<i>Middle management</i>	11 (20)	25 (52)	34 (63)	20 (32)	14 (25)	2 (6)
	<i>First-line supervisors</i>		5 (5)	2 (2)	1 (1)		
	<i>Front-line workers</i>		4 (7)	5 (9)			
	<i>Consulting firms</i>	2 (2)	2 (2)	3 (3)	1 (1)		
	Total = 148 (265)	23 (41)	36 (72)	46 (79)	24 (37)	15 (26)	4 (10)

TABLE 3
Illustration of triangulation of multiple sources of data

Values	Context Change Initiative	Formal interviews	Informal discussions	Observations	Formal meetings	Company surveys (*see caveats below)	Company documents
Democracy (representation)	-Change in senior management -Industry specialization	Moderate evidence “Senior execs cloned themselves basically”	Moderate evidence Women, Hispanics, and veterans complain there are very few of their representatives in senior management	Moderate evidence -Org chart shows that by third year of CT, 1 woman, 5 Hispanics, and 9 veterans occupied the top 24 posts. Employee base has 40% women and 40% Hispanics.	Evidence absent One possible reason: discussions along ethnic or gender line have been considered “politically incorrect” in company formal interactions	Tangential evidence -57% have confidence in leadership	Moderate evidence Focus groups conducted with 40 representatives of front-line workers report that some feel that top managers are not comfortable with the Hispanic culture
Diversity (wide participation)	-Strategic vision -Industry specialization	Strong evidence CEO and senior managers admit a disappointing strategic planning exercise confined to the top	Strong evidence Senior and mid.mgrs are concerned strategic direction is unclear; rank and file report being kept in the dark	Moderate evidence Mission and strategy sessions organized with rank and file to diffuse & explain information, not to consult	Moderate evidence Middle managers acting as change agents bemoaned lack of meaningful strategy throughout 3 years of CT; nobody bothered to ask for their input or act upon it	Tangential evidence -49% feel valued as employees -42% feel morale of their group is good	Tangential evidence Internal company reports mention lack of clarity in definitions of future markets and products. Too much focus on cost reduction, not on process improvement; means rank and file concerns not heard
Humility (Respect of other human systems)	-Senior management -Industry specialization -Divisional structural change	Strong evidence “People from outside have more generous compensation, are better regarded and treated” “They expect veterans to object to change. So our opinions are ignored”	Strong evidence Veterans report many incidents of newcomers disparaging them as unfit for new context	Evidence absent Two possible reasons: (1) Researcher did not or could not get access to evaluation type meetings between newcomer top managers and veteran subordinates; (2) observer bias: few would make such remarks in open session with tape running.	Moderate evidence Veteran middle managers complain about aloofness and refusal of newcomer senior managers to come talk to them	Tangential evidence -49% feel valued as employees -41% feel that the organization has a sincere interest in their well-being	Moderate evidence -Senior exec’s letter to middle managers: “Cynicism will not be tolerated” - Focus groups conducted with 40 representatives of front-line workers report that many feel that the company is led by outsiders who are mainly interested in the needs of the financial sector

Values	Change Initiative	Formal interviews	Informal discussions	Observations	Formal meetings	Company surveys	Company documents
Integrity	Culture change “Warm intensity” -Divisional structure change	Strong evidence “The change program does not match the mission statement. We are focused only on cost reduction, not on improving customer relationships”	Moderate evidence Employees report many incidents of change agents “not walking the talk”	Sporadic evidence -Senior execs still occupy 500-1000 sq. foot offices on top floors while many front line employees see their office space reduced to 30 square-feet. -Use of chauffeured limos	Moderate evidence Employees complain that many of their leaders are far from role models in terms of communication, sharing, trust, etc.	Strong evidence -43% of employees feel senior management was open and honest -50% feel that leadership makes believable statements	Moderate evidence Focus groups conducted with 40 representatives of front line workers report that many feel that top managers did not keep their word: people were removed before work.
Justice	-Downsizing -Industry specialization	Moderate evidence “The process is open and generous”	Moderate evidence Majority of informants feel voluntary separation package is fair	Tangential evidence 3000 more people volunteered to leave with separation package	Sporadic evidence Very few people complained about the terms	Tangential evidence -67% agree that the org. is making the changes necessary to compete effectively	Sporadic evidence -Other firms come to study company’s “best practices” related to downsizing

These qualifiers on evidence have been adapted from Sutton and Hargadon (1996). Strong evidence = a theme in this data source reported by events/individuals belonging to a vast number of diverse groups and hierarchy levels; moderate evidence = a theme reported by events/individuals belonging to many groups and levels; sporadic evidence = a theme reported by events/individuals in some groups and levels. I add two more qualifiers: rare evidence: this theme is reported only by one or a few events/individuals in this data source; tangential evidence = appearance of consistency of theme but causal link cannot be fully established

- These qualifiers are less appropriate for company survey results. In this case, the ‘validity’ of the question in relation to the relevant OD value and the results determine the type of qualifiers I select. Furthermore, the results of these surveys should be treated with circumspection. These surveys were commissioned by the senior managers for “political” reasons. They were telephone surveys. Servico statistics personnel advised the researcher that, based on past experience, these results tended to be “optimistic” in favor of senior managers. A good rule of thumb is to subtract 5% or 10% (absolute number) from these results. For instance, if 49% said they felt valued as employees, a more ‘realistic’ number would be in the 39-44 percent range.

TABLE 4
Summary of Change Interventions, Outcomes, Associated Values, and Emotional Responses

Change Intervention	Outcome	Humanistic Values	Emotional responses
Change in senior management	Failure	Lack of Democracy & Humility	Feelings of oppression and collective threat from minority groups
Change in culture & relationships	Failure	Lack of Integrity	Cynicism
Change in formal organization structure	Failure	Lack of Humility	Resentment
Change in strategic vision	Failure	Lack of Diversity	Alienation
Change in measurement systems—Cash flow	Success	Not Apparent	Emotionally neutral
Downsizing	Success	Enactment of Justice	Feelings of care and fairness
Change in skill sets	Success	Enactment of Democracy, Diversity, Humility, Justice	Commitment & Excitement

FIGURE 1
RELATIONSHIPS BETWEEN HUMANISTIC VALUES AND EMOTION
IN SECOND-ORDER CHANGE

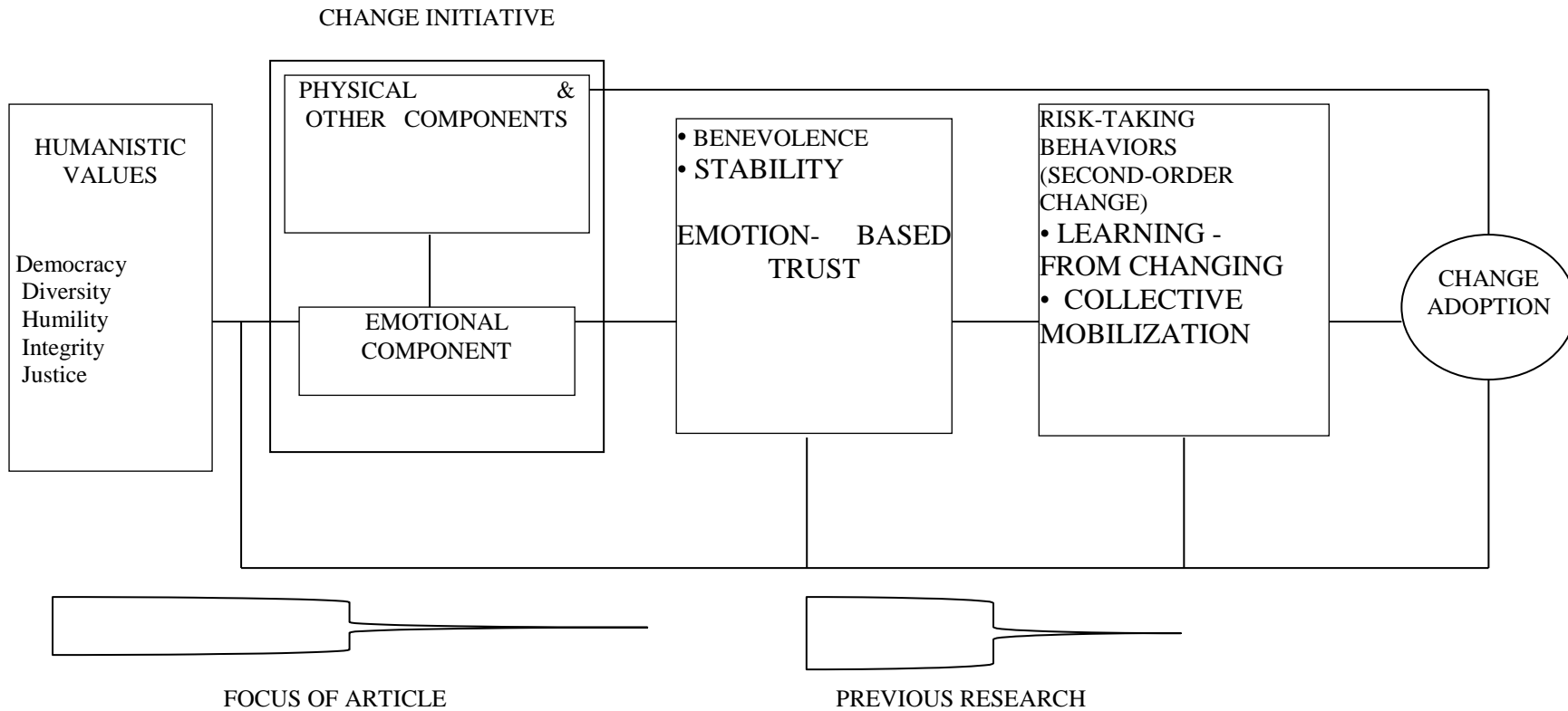


Figure 2: Illustrations of Coding Schemes

