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How to Implement Radical Strategies in Large Organizations

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Carrying out a radical strategy in a large firm is the acid test of corporate leadership. Yet, there are no models available to prepare and guide leaders to take unprecedented actions. The authors in this article address this issue and propose a framework for devising and implementing strategies that are discontinuous with the organization's present course of action. The framework considers four types of radical strategies: reorientation, turnaround, revitalization, and transformation. *Ed.*

The business press has recently chronicled many corporations that are experiencing momentous shifts in strategic orientation. Reference is often made to a corporation's market repositioning, acquisitions and divestitures, structural changes, etc. However, when reporting on such major strategic changes, the press has also begun to emphasize the softer dimensions, such as values, culture, and mind-sets. Thus, it is not entirely accidental that the topic of corporate culture has become a popular issue at a time when many corporations are experiencing major overhauls. Culture, and its resistance to change, provides an explanation for the insuperable difficulties a firm encounters when it attempts to shift its strategic direction. Not only has the "right" corporate culture become the essence and foundation of corporate excellence, but it is also claimed that the success or failure of needed corporate reforms hinges on management's sagacity and ability to change the firm's driving culture *in time* and *in tune* with required changes in formal strategies, structures, and management systems.

But while such observations are relevant, even though they are sometimes simplistic or faddish, they fail to inform corporate leaders on two critical issues:

1. What different types of radical strategies are available? And do different strategies call for different implementation procedures? For example, there has to be a difference between a radical strategy to turn around a moribund firm and a strategy to shift a corporation's resources to totally new markets and industries; or a strategy to prepare a healthy organization for major changes in its industry.
2. What lessons have been learned from the experience of corporations that have attempted, succeeded, or failed at radical strategies? Are there emerging frameworks, models, bits of wisdom that can guide corporate leaders facing such a task?

This article addresses these two issues by proposing clear, operational distinctions among four types of radical strategies: reorientation, turnaround, revitalization, and transformation. These four, well-demarcated radical change situations, which all call for very different actions, flow from a simple diagnosis of how the firm *fits* in its present and future environments. We then go on to describe a framework for thinking about, devising, and implementing strategies that are discontinuous with the organization's present course of action.

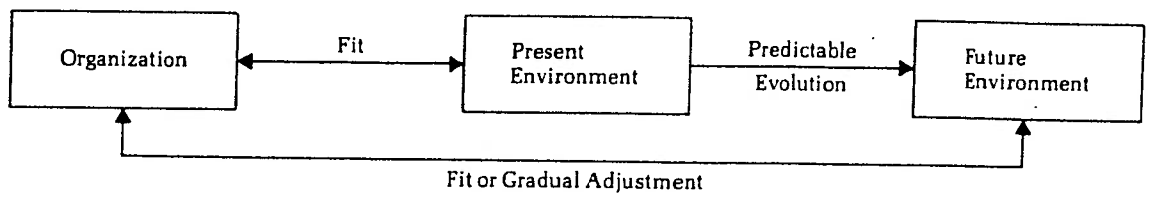
Four Case Situations

No radical strategy will ever occur if the corporation's leadership is not convinced of the need for dramatic actions. Therefore, a critical first step is for a firm to arrive at an appropriate diagnosis of how the firm fits in its present environment. A prescription prevalent in the business policy and strategy field has been the need for fit[1] or alignment[2] between the firm's strategy and its environment. Still, this wise, but trite, prescription can be made more potent if more of a distinction were made between present and future environments: an assessment of a corporation's fit and adjustment to its *present* and *future* environments will reveal one of four possible situations, which are described below.

Case I: Harmony and Continuity

In this first case, the firm's strategy is well

Figure 1 **Case I: Harmony and Continuity**



adjusted to its present environment, which results in the firm's sound economic performance. The future is an evolutionary, predictable version of the present, for which the firm will prepare in an incremental manner. In other words, the preferred state of affairs, whenever attainable, is for a firm to have a harmonious fit in its present environment while making synchronized, gradual changes to meet anticipated future requirements (see Figure 1).

Still, managers, and, for that matter, most people, have a strong tendency to cling to this approach even when there are warning signals indicating that a new approach is needed for the firm to cope with the future. (To the extent that the firm's management is not deluding itself into believing that a Case I strategy is the proper diagnosis, the textbook prescriptions and techniques for good management formulated for just such conditions are relevant and useful.)

A company's harmonious fit to present and future environments is most easily achieved in periods of easy economic growth and tranquil technology. However, periods of economic upheaval or economic transformation may disrupt and threaten the status quo of large businesses. If this happens, the business environment becomes "discontinuous," and becomes increasingly characterized by radical changes in the rules of the game. It is as if, in an ongoing game of chess, one of the players or some outside authority were to decree suddenly changes in the rules that govern the moves of chess pieces. Much of the players' past chess experience (and the hundreds of books offering advice on how to play chess) would automatically become obsolete. In the final analysis, if an organization finds that it has to adjust to radically changed circumstances, the Case I scenario is inappropriate, and even dangerous.

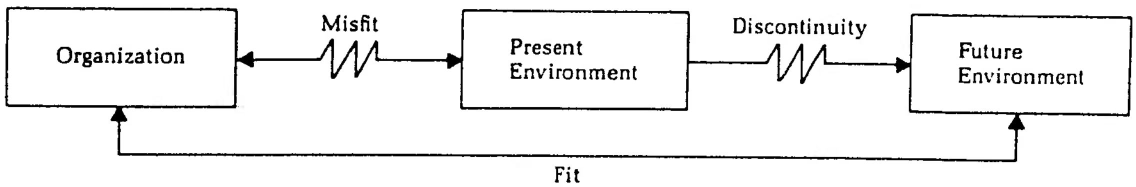
Case II: Preemptive Adjustment or Temporary Misfit

Preemptive Adjustment

In this case, the firm is not well adjusted to its present market circumstances, which results in its immediate unsatisfactory performance. However, it is anticipated that the future will be fundamentally different from the present situation. The environment is expected to undergo a sudden breach of continuity or a sharp change from present conditions and trends: the firm is prepared and ready to reap rich rewards when this happens (see Figure 2).

A good illustration of this case is provided by Citibank's expenditures on technology and product development, which resulted in poor performances for some years in its retail banking operations. Nonetheless, this orientation has presently placed the firm in a favorable strategic position as deregulation of the banking industry has begun to take effect and radically change the compet-

Figure 2 Case II: Preemptive Adjustment or a Temporary Misfit



itive and market environments. Another example is MCI Communications. Its quixotic challenge at AT&T in the long-distance telephone market has been made more significant by successive changes in the regulations of the telecommunications industry in the U.S.

Also included in this category are innovating firms that propose radically new products to presently unreceptive or undeveloped markets. Genentech's early foray in the gene-splicing and biotechnology field is a good example. Firms in this situation, if they are persistent and if their resources are sufficient, may eventually be vindicated; on the other hand, it may be that their ventures were ill-timed and ill-conceived.

Temporary Misfit

Transient, short-lived phenomena may perturb the organization's present environment, thereby creating havoc and misalignment for the firm. Nonetheless, the future could bring a return to normal circumstances to which the organization will be well adjusted. The organization will then resume its past acceptable level of economic performance. Although this scenario may be plausible, it may also be one of wishful thinking, or what Abernathy, Clark, and Kantrow call the "transient economic misfortune" school of thought.[3]

The prevalence of this type of unfounded rationale is particularly evident in industries that are coming to the end of their growth cycle. For example, the leveling off in sales of kerosene heaters, cross-country ski equipment, video games, snowmobiles, and personal computers was characteristically attributed to transient phenomenon, such as bad weather or bad economic conditions. However, it was believed that as soon as these conditions returned to normal, sales would again surge at their previous rate. Of course, this did not happen. In these cases, sticking to this strategy was damaging as it led to a postponement of the kind of actions required to adjust these businesses to new realities.

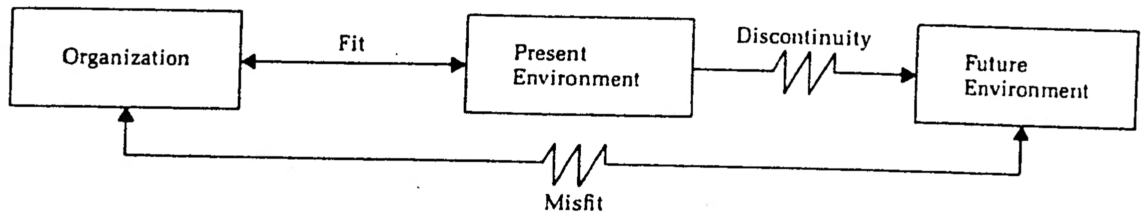
Case III: Transformation or Reorientation

Here, the firm is well adjusted to its present environment and turns in strong, respectable performances. However, its management foresees a future environment that is quite different from the prevailing one as a result of demographic, technological, regulatory, or competitive changes. To cope with, and thrive in, these upcoming circumstances, the organization must undergo a fundamental change (see Figure 3).

Transformation

Classic examples of major strategic *transformations* that have restructured whole industries include Boeing's shift to the production of jet engine commercial airplanes and

Figure 3 **Case III: Transformation or Reorientation**



IBM's immense wager on the integrated circuit technology of the 360. More recently, current and anticipated dramatic changes in computer markets and technology have called for major modifications of strategy at IBM and Digital Equipment. In the latter case, K.C. Olsen, Digital's president, "embarked upon a radical transformation of his engineering-oriented company into a tough, market-driven competitor."[4]

At Black and Decker, painful competition from Japanese manufacturers has led the company to bet its future on a "global" market strategy that requires a major transformation of the corporation.[5] The management of Beatrice Foods has also voiced its intention to "transform the sprawling food, consumer, and industrial products holding company into a consolidated marketing giant on the order of Procter & Gamble Co."[6]

In Canada, the Bank of Montreal has undertaken a major transformation of its structures and modes of operation. It is preparing for (and ushering in) an emerging banking environment that is thought to call for radically different operating technologies, management systems, and banking philosophy.[7]

The breakup of AT&T along with the heroic efforts of some of its components (Western Electric, Bell Labs, AT&T Information Systems, etc.) to shift from a regulated telephone monopoly environment to a competitive market context is perhaps the most striking example of a large-scale attempt at strategic transformation.[8]

Transformations may also result from a firm's resolve to change the "center of gravity" of the corporation.[9] For example, Monsanto's move downstream from commodity chemicals to proprietary, patented products illustrates a transformation strategy.[10] The displacement of a corporation's center of gravity often means that new skills and radically different modes of operation and styles of management must be brought into the organization in a short period of time. This kind of transformation may result in a company that is temporarily misaligned with its present environment.

Reorientation

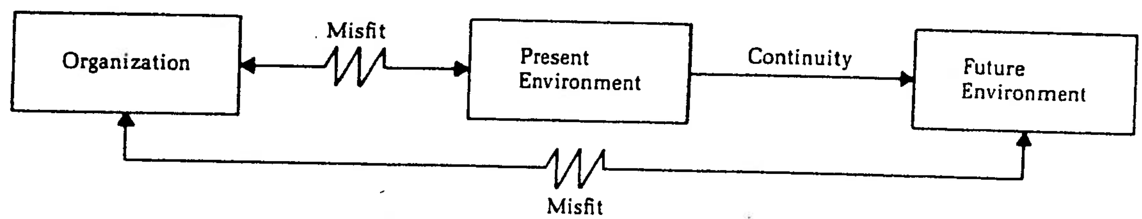
A reorientation scenario is one where a company, in anticipation of stagnation and even decline as its present markets mature, may *reorient* its resources into more attractive markets and industries. The business press is full of accounts of companies that are searching for renewed vitality through reorientation strategies. Below is a list of organizations that either have reoriented or are in the process of reorienting their operations.

— General Electric's shift from traditional electric products to high technology (computer services, factory automation);[11]

— Sears, Roebuck and American Express's invasion of the financial services market;[12]

— Philip Morris's aggressive entry into the

Figure 4 Case IV: Turnaround and Revitalization



beer industry (through Miller) and into the soft drink industry (through Seven-Up);

— Eaton's shift from reliance on trucks and other vehicle parts to electronics, factory automation machinery, and fluid power systems;[13]

— Pillsbury's shift to fast food and restaurant chains;[14]

— Gould's move from battery operations — the very foundation of the corporation which it recently and symbolically sold — to the production and selling of electronic equipment. Gould Inc. now operates fifty-seven electronic plants in eleven countries;

— Imasco's (a large Canadian cigarette manufacturer) move into the United States' fast food restaurants and retail drug stores;[15]

— Philip's shift to high-tech products;[16]

— Cincinnati Milacron's shift from metal bender to supplier of new robotic technology;[17]

— U.S. Steel's redeployment of assets (Marathon Oil, etc.);[18]

— Singer's expansion into aerospace;[19] and

— Johnson & Johnson's recent emphasis on high-tech medical hardware.[20]

Because the environments in which these firms presently operate do not provide a future with sufficient prospects for growth and profitability, they are seeking to move voluntarily to market environments offering more promise and potential. In such a reorientation of activities, the firm must manage a breach, or discontinuity, between its present and future state.

Case IV: Turnaround and Revitalization

The firm in this case is misaligned with its present environment: its performance may range from mediocre to dismal. Furthermore, the company is ill-equipped to meet the future (see Figure 4). The business press reverberates with stories of dramatic efforts of companies salvaging and turning around large organizations, such as Chrysler, Massey-Ferguson, International Harvester, American Motors, Montgomery Ward, AM International, Geico, Clark Equipment, A&P, Braniff, Pan-Am, Boise Cascade, Allis-Chalmers, Dome Petroleum, Eastern Airlines, and Western Union.

But whether the situation calls for *revitalization* or *turnaround* actions hinges on the severity of the problems. There is, for example, a difference between a Burrough's or a Westinghouse's lackadaisical profit performance, sagging market share, and groping adjustment to changing markets on the one hand and, on the other hand, a Chrysler, Massey-Ferguson, or International Harvester on the brink of bankruptcy.

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A company is in a *turnaround* situation if it has experienced such grave losses that its very survival is at stake if improvements are not achieved swiftly. However, a corporation may not be in any immediate danger but may show mediocre or below average results, calling for a *revitalization* of its performance in the marketplace. Recent examples of businesses undergoing a revitalization are Prudential-Bache Securities,[21] Continental Corp.,[22] Corning Glass,[23] Burroughs,[24] Goodyear,[25] Sears's retailing division,[26] J.C. Penney,[27] Westinghouse,[28] and Sherwin-Williams.[29]

A Framework to Devise and Implement Radical Strategies

Leaders faced with the challenge of transforming, reorienting, revitalizing, or turning around a large corporation will find few relevant models or useful prescriptions to guide their actions. Instead, they will most likely fret about culture and about how to create and sustain the kind of values they should want for their organizations. They may even be bullied by popular infatuation into a "search for excellence" that promotes specific and contingent observations as universal and compelling management principles.[30]

Based on the experiences of many leaders who assumed the role of corporate revolutionaries, we have devised a framework for implementing radical strategies. The framework is broken down into six basic steps: (1) making a proper diagnosis; (2) formulating a meta-strategy for radical change; (3) assessing the company's culture and structure; (4) defining the goals of the company's culture and structure; (5) proposing a broad agenda for radical change; and (6) stabilizing the organization.

Step 1: Making a Proper Diagnosis

Perhaps the most pernicious role of a corporation's present culture and structure is in its shaping a *corporate mind-set* that makes its leaders and managers immune or oblivious to signals of danger.

For example, a leadership persuaded of its Case I situation of harmony, continuity, and incremental adjustments may be right. However, the leaders may be deluding themselves or they may be impervious to indications of dramatic industry changes. They may even deny the reality of their present difficulties and shortcomings, and they may cling to a Case II diagnosis of a transient, self-correcting phenomenon, thereby attributing the company's poor performance to factors beyond their control. They may, therefore, feel that no radical actions are called for on their part.

Obviously, the first step in implementing any radical strategy is to make sure that the diagnosis of the firm's state of adjustment to its present environment and its preparedness for future circumstances is based on a tough, lucid, and unbiased assessment. Radical strategies must be considered if the leadership concludes, on the basis of that assessment, that it must either transform, reorient, revitalize, or turn around the corporation. Each of these strategies has its own particular dynamics and set of considerations. Although the contents and rate of change will reflect each company's particularities, these four radical strategies (in particular, turnaround, revitalization, and transformation) should unfold in a pattern of steps and actions, sometimes sequential but often overlapping and concurrent.

The Four Radical Strategies

Reorientation

Of the four radical strategies, reorientation is the easiest to implement. If a reorientation calls for the gradual divestment of present businesses and the acquisition of businesses in new fields — as General Electric and Gould are doing — corporate management would acquire the cultures and structures of the newly acquired firms. On the other hand,

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if a reorientation calls for the addition of new businesses to a mature, but profitable business — as Philip Morris, Pillsbury, and Imasco have done — the culture and structure of these businesses should not be disturbed if they are functioning well. Nevertheless, there are a few pitfalls that a company should be aware of when implementing a reorientation strategy:

Corporate Management's Mind-set. The fundamental requirement of a successful reorientation is corporate leaders' awareness that they are entering new territories, and, therefore, that their past experiences and specific skills may be of limited relevance, if not totally inadequate. It is tempting, but dangerous, to assume that what has made their companies successful in their present businesses will also make them successful in other industries. Such an attitude is sometimes reinforced by leaders emphasizing the similarities between the new and old businesses. For example, General Foods bungled in the fast food business (with Burger Chef) precisely because it first attempted to have this totally new business managed by people from its old business.

This trap is particularly dangerous when a corporation moves into new fields incrementally. For example, the chief executive of Johnson & Johnson challenged *Business Week*'s cover story that stated that J&J would have to change its corporate culture as it moved more and more into high-tech medical hardware.[31] In his lettter to *BW*, Mr. Burke retorted, "It is well known that Johnson & Johnson has been a high-technology company for decades. . . ."[32] Obviously, J&J's leadership diagnosed the situation as a Case I scenario (continuity), whereas *Business Week* concluded that it was a Case III situation (reorientation).

The Lure of Efficiency through Integration. Even though corporate management may consciously acknowledge that a newly acquired or a newly formed business is different from the existing mature business, it may be tempted to integrate some of the new business's functions with the old one in order to take advantage of the cost savings. This temptation must be resisted, however, for the old business's culture may permeate the new business, thereby making it increasingly difficult for the new business to adjust to its own competitive environment. Woolworth is a case in point. When Woolworth, a successful, but mature variety store business, formed the discount store Woolco, it decided to integrate some of Woolco's functions (in particular, purchasing) with Woolworth's operations. This led to Woolco's ultimate failure in part because its operations were permeated by Woolworth's "five-and-dime" thinking. In contrast, Kresge managed its successful K mart division as a completely autonomous business.[33]

A successful reorientation, therefore, calls for a corporate leadership that *knows it does not know* how to run the new businesses it is either acquiring or forming. Every attempt should be made to keep the cultures and structures of both the new and old businesses separate and distinct.

Turnaround

When a corporation's very survival is threatened, its leaders must carry out emergency actions that will stave off bankruptcy and buy them the time required to implement a radical strategy. The leadership must quickly find a new, more suitable market strategy that offers a compelling long-term solution to the firm's present plight. Often what is required to get the firm out of its rut is a new top management team that will challenge taken-for-granted "facts" and assumptions. Such a crisis provides top management with a formidable tool to carry out changes that would otherwise be impossible. However, the level of stress among managers and employees must be monitored and managed. Too much stress may well lead to counterproductive actions (e.g., rash decisions).

Revitalization

Before a revitalization strategy can be implemented, an organization must first come to terms with two pervasive issues: (1) that there is no immediate evidence of crisis or threat to the firm's survival; and (2) that mediocre performances are often justified by putting the blame on external factors that are thought to be beyond the control of management. Given this backdrop, it is up to corporate leaders to make a looming crisis tangible and to make known the dangers that the corporation faces. The leaders must make the case vivid and persuasive. Corporate management must also develop a sense of control and responsibility for the firm's performance.

Transformation

Of all the radical strategies, transformation requires the most demanding and skillful leadership. What is needed is a genuine revolution initiated by a leader with a *vision* of the corporation's future and the *will* to achieve it. However, the typical scenario is one where the corporation's present performance is satisfactory — maybe even excellent — and thus there is no impetus and no obvious justification for change.

Transformation strategy also involves other risks. Top management frequently makes the mistake of focusing exclusively on the structural aspects of change and of assuming implicitly that an appropriate culture will emerge quickly and inevitably from the new structural arrangements. In addition, in the course of transforming the organization to meet impending changes, top management may bring about a misalignment that is similar to a Case II misfit situation. Corporate management must be aware that some degree of confusion and disarray among employees and clients may be unavoidable during the process of transformation and, therefore, may result in a lower level of economic performance for a period of time.

Step 2: Formulating a Meta-strategy for Radical Change

To achieve radical change, the organization should be instilled with the new strategies, structures and systems, and supporting values deemed necessary to make such a change successful. Obviously, the leader, who is usually the CEO, must be able to distance himself or herself from the ongoing operations in order to set in motion the processes of change. This means that when present or anticipated events indicate that change in an organization's culture and structure is necessary, the leader must be able to formulate a *strategy* to implement a radically different strategy in the organization. This strategy is known as a meta-strategy.

The leader's meta-strategy is unwritten and communicated to very few people, at least in its early stages of implementation. At the beginning, the meta-strategy may consist of a leader's tentative search for broad goals and directions. He or she will then set up or activate multiple (internal and external) channels to consult and discuss the goals and orientations.

When a leader becomes convinced — the sooner the better — that particular goals and directions are appropriate, he or she will then take the necessary steps to broaden support for the chosen direction through a well-thought-out sequence of symbolic actions and structural changes. The leader's meta-strategy will reflect some hard thinking and firm conclusions about the kind of values that should be built into the organization. However, this does not mean that the leader should hold corporatewide seminars on the "culture we should have." (Culture is in the realm of feelings and sentiments, and does not develop well under clinical observation.) Rather, the meta-strategy process is a formal, well-mapped-out strategy that leads to a new, formal, explicit strategy for the organization. In this way, the organization's future is dependent upon the quality of this present leadership's meta-strategy.

Presently, the business press is full of sagas of leaders going about the task of major corporate overhauls. The accounts of these struggles and our own research of specific cases lead to a firm conclusion: radical strategies have been successfully implemented only where corporate leaders were equipped with an effective meta-strategy.

Step 3: Assessing the Corporation's Present Culture and Structure

The objective here is to understand the organization as a sociocultural system, to chart the socialization that the corporation actually provides, and to get at the organization's mind-set. If the leaders emerge from the ranks of the corporation, this step requires that they examine the values, beliefs, and mind-sets (including their own) imparted by the organization. On the other hand, if the leaders are newcomers, this step calls for their fast and sensitive learning of the organization's tangible *and* occult properties. In either case, the process may be helped by finding answers to the following questions:

— What are the tacit background assumptions and expectations in the corporation? Where do they come from?

— What are the values and frames of mind that flow from the particular nature of the industry? How did the industry's peculiar technology, regulations, labor–management relations, nature of competition, and economics shape the beliefs and behavior of the organization? These factors almost always play a critical role in shaping the mind-set of a corporation. Yet, this factor is generally overlooked in the recent crop of books and articles on corporate culture, which tends to view culture merely as the product of past or present charismatic leaders.

— What stories, legends, myths circulate concerning the corporation's history, its past and present leaders? How are its successes and misfortunes explained?

— What are valued behavior, promotion paths, and critical skills for success in the corporation?

— What reinforcement of present culture is afforded by recruitment, training, promotion, organization structures, management systems?

— What is the implicit or explicit process of socialization in the corporation? Who are the role models? What cues and messages are conveyed to new employees? What values are communicated in training sessions?

— What is the degree of employee involvement in the corporation? Is there widespread commitment or calculative, limited participation on the part of management and employees? Are there groups (divisions, departments, etc.) with a subculture substantially at odds with the rest of the corporation?

The end product of this inquiry should be a statement of the basic values, assumptions, or expectations that have emerged from the organization's particular history, leadership, and contingency factors and that are supported by present-day management policies and practices. Below are brief examples of the set of assumptions that deeply permeated the operations of two large corporations.

AT&T. W. Brooke Tunstall, assistant vice president of AT&T, found that AT&T's operations were deeply influenced by the following:[34]

— AT&T's role is to provide the best universal service at the lowest possible cost in a regulated environment;

— AT&T must be "one system," "one policy" throughout the organization to fulfill its role;

— AT&T is a three-legged stool: it must achieve a fair balance in the treatment of its employees, customers, and shareholders;

— operational efficiency, technical skills, and a high level of effort to create a favorable regulatory climate are the keys for success; and

— AT&T is a big family that cares for its employees.

Canadian National. In her study of Canadian National (CN), a state-owned railway company (now diversified to a large extent), Firsirotu discovered the assumptions underlying the corporation:[35]

— CN has a public service responsibility to Canadian communities;

— independence from government interference is a necessary condition of successful operation;

— CN has a degree of control over its market environments;

— revenues for commercial viability are to a large extent dependent upon regulatory and political decisions and orders;

— costing expertise and technical skills are critical to success in the corporation;

— long-range financial planning is essential to successful management of the corporation;

— additional volume of business is always good and will be sought through pricing actions rather than through better service offerings; and

— CN is a big, patriarchal family with a top-down flow of authority and wisdom.

These two studies are instructive in that:

— they identify two sets of assumptions that have their roots in their respective industry's character, not in charismatic leadership. These assumptions are quite functional for the industry and context in which these organizations are operating; however, they would (and did) become very burdensome in different markets and context (e.g., AT&T in communication/information systems, or CN in the trucking business);

— some assumptions may be conflicting, even mutually exclusive (e.g., independence from government and viability that depends upon political decisions), thereby creating tensions, variations in emphasis, and different means of reconciliation at various turns in the organization's history; and

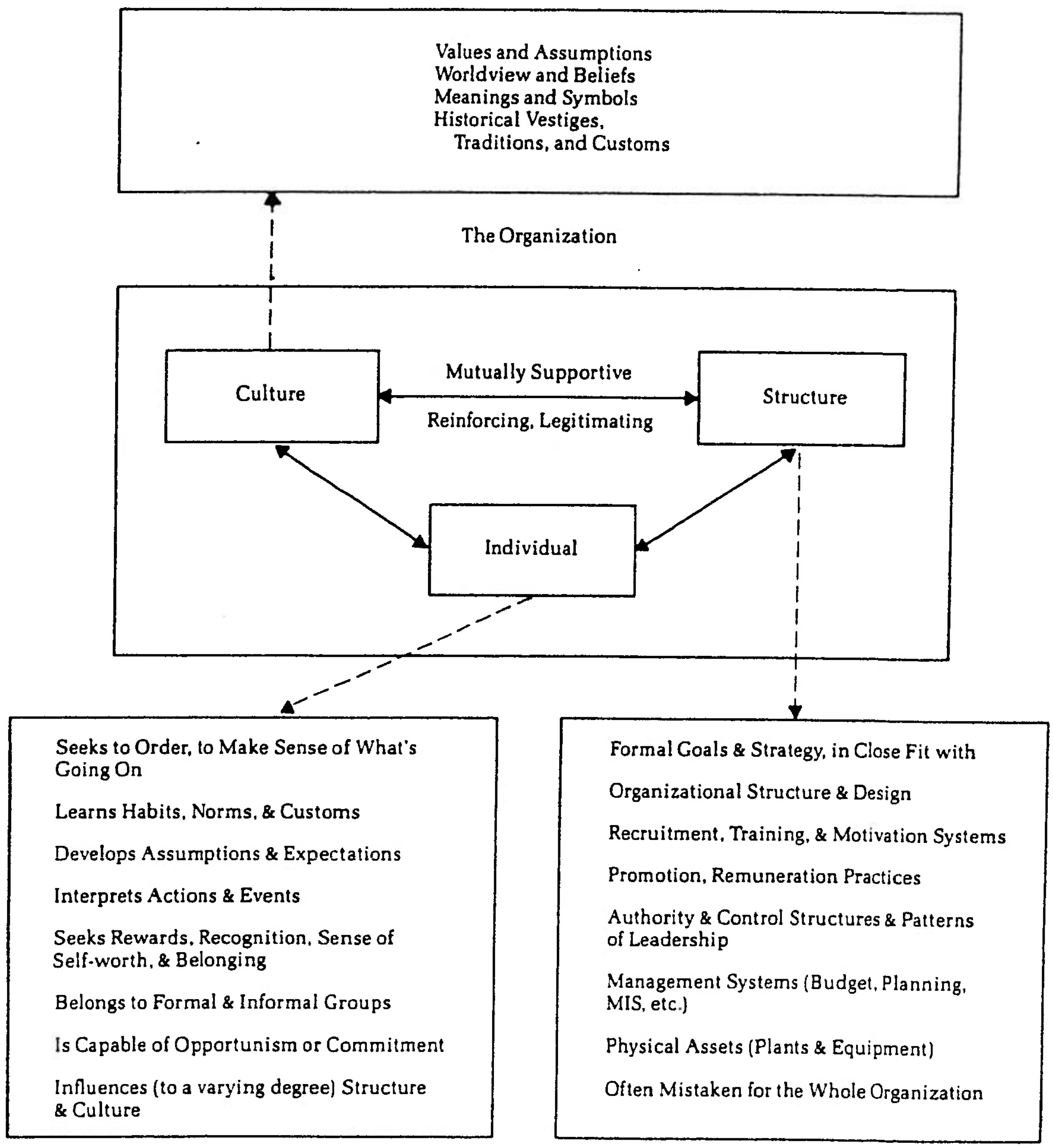
— these values and assumptions are shared and supported with different intensity in different parts of the organization. For instance, the union's leadership at CN is suspicious of the "big family" concept, but it stresses at every opportunity the "public service" role of CN as a functional rampart against the cutbacks and rationalizations that a strictly commercial role would impose on CN.

Step 4: Defining the Goals of a Company's Culture and Structure

A leader aiming to radically change the corporation must set up processes that lead to some definition of the company's goals in terms of its culture and structure. What would the transformed, revitalized, or turned-around corporation look like? What values, expectations, and assumptions are consistent with, and indeed necessary to, the effective implementation of the firm's changed strategic posture and new operating requirements? This determination must be respectful of the factors that have shaped the corporation and that continue to influence its development. Thus, in attempting to change an organization's culture and structure, the leadership should heed the following observations.

Coherence with Contingency Factors. The values, strategies, and management systems that are proposed for the corporation should have an increasingly *functional* role in ensuring the survival and success of the firm as well as providing rewards to its employees. If contingency factors (e.g., regulations, competition, technology) are *not* changing, the proposed culture must build on the assumptions and expectations that flow from

Figure 5 A Schematic View of the Organization



these factors. For example, despite repeated attempts, it has proven very difficult to instill a "marketing orientation" in banking firms operating in a regulated environment where the critical tasks, and, therefore, skills, consist of credit rationing, that is, of deciding which loan supplicants would be favored.

It will also be futile to, say, exhort the employees of a regulated monopoly offering a public service and requiring large capital investments to become "close to the customer," to show a "bias for action," to manage with "simple form and lean staff," and to preach "autonomy and entrepreneurship." The requirements for success, imposed by the economics and regulations of these industries, are pushing very hard in another direction, and attempts by management to install a culture that works against these forces will, therefore, be counterproductive.

However, when changes in contingency factors *do* occur, it is management's responsibility to ensure that these factors are quickly made visible to the organization's members and that these mutations are used as levers in working out changes in the organization's values and mind-set.

Multiple Linkages with the Present Culture. In the process of reviving or transforming a corporation, the leader must strive to preserve, emphasize, and build upon aspects of the present culture that are positive and compatible. The leader may even propose a culture that is a modernized version of old values and traditions that once made the corporation successful.

For example, Pistner, the CEO of Montgomery Ward, until very recently, declared his intentions of "replacing Ward's post-office mentality" and to "return to the homely, honest virtues that made Montgomery Ward a powerful retailing force fifty or seventy years ago."[36] Similarly, Warren, the CEO of the newly formed Canada Post Corporation, proposed to postal employees a return to the proud values of reliable service that once upon a time made their work honorable and respected in the community.[37]

A present culture may exhibit inherent contradictions in values and assumptions which the proposed culture should then either build on, emphasizing some assumptions or values and downgrading others, or propose a novel reconciliation of these contradictions. Finally, aspects of a present culture and structure that are antagonistic to the proposed culture and structure should be identified and opposed directly. For example, in the overhaul of a Canadian bank, it was found that any reduction in the number of branches was resisted because the size of the network had become a measure of the institution's success and importance. Having recognized this, the leadership marshaled arguments in direct attack of that belief.

Step 5: Proposing a Broad Agenda for Radical Change

Figure 5 offers a useful schema for this step. The *aim* of radical strategies is to bring about required major changes in the structure — new goals and market strategies and new organizational designs and systems. But the *challenge* of radical strategies is to bring about the changes in culture and individual mind-sets deemed necessary to support and reinforce the changes in structure. If this is not achieved, structural changes will be ineffective, or even, counterproductive. However, it should be emphasized that the three dimensions of any organization (culture, structure, individuals) are not to be changed through the same mechanisms.

Table 1 summarizes the issues raised by radical, discontinuous, strategic change. It underlines the fact that management has a high degree of control on structural variables (formal goals, strategy, design, management systems). These may be changed at moderate to high speed, through the application of good *technical*, analytical management and competent *political* management of internal coalitions. In addition, if structural changes are legitimated by the present culture, management can implement such changes swiftly and easily.

However, when it comes to changes in

Table 1	Dynamics of Strategic Change		
The Organization	**Degree of Control by Management**	**Rate of Change**	**Mode of Change**
Structure	High	Moderate to high	Political & technical management plus cultural legitimacy
Culture	Low to moderate	Low to moderate	Symbolic management supported by structural changes
Individual	Low to moderate	Low to moderate	Conversion through replacement, training, reeducation & restructuring of assumptions & worldviews

cultural properties of the firm, management has, at best, only a moderate degree of control. Changes at that level tend to be slow and must be effected in part through *symbolic* management, accompanied by suitable structural reinforcements.[38] In order for this to happen, management must understand and make a conscious attempt to channel the complex social processes through which symbols, meanings, and values are created.

Effective changes in culture and structure must be carried out in a well-coordinated sequence of actions, which mutually reinforce, legitimate, and aim to cognitively reorient and restructure the mind-sets of management and employees. In the process, some tension between culture and structure is inevitable as changes at one level are not rooted in the other. However, this tension must be calibrated so that it does not reach a point where the linkage is severed and the present culture becomes antagonistic to the new structure. The resulting confusion, disarray, and disorientation among the members of the organization would be most disruptive.

To guard against a cultural clash, individual members should be provided with powerful symbolic materials and tangible structural evidence of a new corporate order. These should contain a compelling explanation of the corporation's present problems and future actions, as well as clear messages about the modes and norms of behavior that will be successful and rewarded henceforth. This agenda for radical change would typically include political and symbolic actions as well as recruiting change agents.

Political Actions. (1) Broaden the political support for radical actions; (2) raise the level of dissatisfaction and discomfort with the present situation; (3) sensitize key actors to the need for change. If necessary, use outside consultants or research results to underline the risk of the present course and to offer a compelling case for change. For example, when Pistner took over as CEO of Montgomery Ward, he prepared a dramatic document that he called, "A Charter for Survival." Pistner wrote, "Survival is the right word. It implies that the company is in trouble and that its future is in doubt unless drastic measures are taken. The trouble is real, and an immediate change must be made."[39]

Symbolic Actions. (1) Communicate forcefully a new image that captures the *external strategy and proposed culture* to be implemented; (2) use all available media channels to disseminate them (in-house journals, orientation sessions, training). Here the leader should become the articulate embodiment of the new goals, directions, and values. For example, Smith of GM is synthesizing the new spirit he wants in the corporation by embodying "the 3 Rs — risk, responsibility, and rewards."[40] Similarly, Sullivan of Borden is trying to capture in an acronym, ROSE (return on shareholder's equity), his target for a revitalized company: "He sent ties with a ROSE logo to the top 200 managers . . . . He instituted incentive programs to reward executives for meeting financial goals, including bonuses tied in part to ROSE . . . ."[41]

Change Agents. (1) Identify or recruit, train, and disseminate throughout the organizations change agents who are favorable to the new orientation and who explain and propagandize it; (2) maintain a liaison relationship.

Step 6: Stabilizing the Organization

During periods of transition, more than any other time, the members of the organization will be looking out for signals — watching for clues, inferring intents and motives — to see which way the organization is going. Any discrepancy between the leadership's words and deeds will be spotted. Furthermore, any contradictory or ambiguous signal can sidetrack or slow down the process of change. For example, at AT&T, the former IBM executive Archie McGill had become the symbolic embodiment of the utility company's resolve to become an effective marketer and competitor in the information systems field. The ups and downs of his career at AT&T were interpreted as evidence of the leadership's real intentions concerning this new orientation. For this reason, his recent departure from AT&T created confusion and uncertainty, a feeling that the new style and spirit of management that had sprung up in parts of the corporation might be quickly uprooted.[42]

Therefore, when stabilizing the organization, the following steps should be taken: (1) ratify and reinforce the emerging worldview in the organization with public decisions and announcements by promoting persons identified with the new vision; (2) establish tight consistency and coherence between words and actions; (3) use tactical decisions to support fundamental changes in orientation; (4) control and channel socialization processes; and (5) ensure that recruitment, selection, and training of employees are consistent with the new orientation.

Conclusion

Implementing a radical strategy in a large organization has proved to be an immensely difficult task, the acid test of a leader's skills. The difficulty of the task is compounded by a great deal of confusion about the very meaning of radical change and the paucity of models to guide management in such endeavors. However, we feel that the concepts and guidelines offered in this article provide a useful framework to think about and devise radical strategies and to manage strategic discontinuities.

Of course, in these matters, nothing can replace a leader's intuitions, his or her experience, and natural skills. Nevertheless, these necessary attributes will work better when they are supported by a clear understanding of how one should go about transforming a social system and of how a corporation can be radically changed.

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