

**Human Resource Practices in Organizational
Transformation: Are They Culture Specific?¹**

by

Edgar H. Schein

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MIT Sloan School of Management

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The search for universal principles of human resource management has been a long one marked by periodic rediscoveries. Indeed one of the paradoxes in this search is that we keep finding answers but somehow do not stick to them. For example, the principle that "if you want people to change, you will be more likely to succeed if you involve them in the process of planning the change" is as old as management inquiry itself, yet we find participatory management, Likert's System 4, employee empowerment, and similar concepts emerging over and over again as if they are new and brilliant insights. Similarly, the principle that "if you want good communication in an organization it is necessary to build high levels of mutual trust," has been known for a long time, yet we casually introduce management practices that undermine trust and then wonder later why our organizations are not more effective.

Most management theories espouse that people are important, but few of them treat people as more than a resource to

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be managed like any other resource, and few of them treat people as a capital investment. In fact the frenzy of downsizing that we are seeing all over the world today suggests that people are viewed primarily as a cost to be controlled and minimized. Part of the problem is that we have split off human resource management from the general management problem, as if there were some other kind of management other than human resource management. As long as organizations are based upon the coordinated action of two or more people, management is by definition human resource management.

It is a reasonable to postulate that those few organizations in the world who understand the above points, who understand that all management involves people, and who practice the principles of empowerment and trust building will consistently outperform those who do not, and that this result will occur in organizations all over the world regardless of culture. However, this result will only show up empirically in studies that are carried out over a long period of time.

Unfortunately most organizational research is not longitudinal so we try to infer the validity of these principles from sets of organizations that are only studied at one point in time. And, as you know, those studies are often embarrassed by the fact that the very organizations named as the high performers at the time of the research turn out to be poor performers a few years later.

There are a few research studies, however, that have taken a longer range view and have tried to identify organizations that have been effective over a long period of time and, by comparing them to less effective organizations, have attempted to distill some principles that might qualify as candidates for universals. Most of this research has been done in U.S. or at least western companies so the extrapolation to Asian companies remains an issue, but at least we can make a start.

I will review the results of three major studies and then add my own case material to sharpen the points. In their study "Decision Making at the Top" (1983) Donaldson and Lorsch reported that the executives of companies that are successful for a long period of time tend to operate from strong belief systems, and that a major component of those systems is the belief that one must be responsive to all one's stakeholders--owners, customers, suppliers, employees, and the community at large. In developing their own agenda, these executives recognize that any stakeholder can "put them out of business" so to speak, therefore one cannot really commit totally to customers any more than one can commit totally to stockholders or to employees.

Kotter and Heskett in "Corporate Culture and Performance" (1992) also found that companies that have made major cultural changes during their histories have in common a core set of beliefs and values. They note that the core values of such "adaptive cultures" are 1) a deep concern about customers, stockholders, and

employees, 2) a strong valuing of people, and 3) a valuing of processes that can produce change. Products, markets, ways of working, and organizational structures changed in these organizations, but the core values did not.

Collins and Porras in their monumental study "Built to Last" (1994) found that visionary companies that have survived and grown successfully for a very long time cared less about particular customers, products or markets and cared more about building the organization itself. The founders of these companies wanted to create organizations that could adapt to changing circumstances and that necessarily required a genuine concern for people. These companies shared with the ones studied by others a real commitment to learning, change, and creative adaptation.

How do these results shape up in the three cases that I know very well--an old and very successful Swiss-German Chemical and Pharmaceutical Company, a U.S. computer manufacturer whose success has levelled off in recent years, and the Economic Development Board of Singapore? Will we find universals across these organizations even though they grew up in difference cultures?

Each of these organizations have what I called a cultural paradigm, a set of shared assumptions that are coordinated with each other and, in combination, form the basic shared mental model of the key members of the organization. I will not review all

the elements of the model but will focus on those which had an impact on human resource practices.

If we look at the Swiss-German company (Chart 1), the key assumption that drove their human resource practices during a major turnaround in the 80's was the paternalistic sense of being one family and the implied sense of obligation of the parents to the children, of management to the employees. Several divisions, including the main headquarters unit had to undergo severe downsizing which appeared to violate the core assumption about family. Yet the company maintained this assumption by insuring that every manager and employee who was declared redundant would be eased out of the organization in the most generous and humane way possible. The length of time before one had to exercise early retirement was stretched as much as possible. In the case of some senior managers, they were kept on for several years beyond where their service was needed. Each person was individually counseled by his or her supervisor on why their job was being eliminated. Each person was counseled by a financial adviser and given opportunities for outplacement counseling. Many managers were given opportunities to continue in part-time roles or were re-hired for a time as consultants.

In other words, as the business environment forced changes in products and markets the structure and functioning of the organization had to change, but the core assumptions about the importance of people and the need of the organization to be

humanely responsible for its people did not change. Instead, they invented a whole set of outplacement practices that preserved the basic assumption and measured their success by the fact that people understood and accepted their outplacement.

The U.S. computer company presents a somewhat different picture (Chart 2). What basically drove this company was a strong sense of individualism because truth and successful implementation could only be accomplished by every person feeling totally responsible and thinking for him or herself. As this company grew, they functioned like a family because the managers and employees knew and liked each other. The model of battling it out and thinking for themselves worked because they felt like a family doing things together.

As the company grew and became more successful one could see that the balance of individualism and family feeling gradually weakened because of the sheer size of the organization. As people no longer knew each other personally, it became harder to sustain trusting debates in a search for truth. Often one was debating or negotiating with a stranger. As competitive pressures increased, the organization was stretched and people began to make commitments to each other that they could not sustain, increasing the level of mistrust and the building of local empires. The organization had no effective way of disciplining itself or cutting off projects and, therefore, grew too large and costly.

Eventually the decline in profitability led to a series of massive lay-offs which destroyed even the morale of the survivors. An almost 100 percent turnover in senior management brought with it a new set of assumptions which are gradually reshaping the nature of this organization and have started a new culture building process. If there is a lesson to be learned from this story it is that this company's concern for people was too unidimensional-- everyone was given freedom and expected to use it responsibly and for the good of the organization. This worked during the building process when people knew and cared about each other. But there were insufficient mechanisms in place to discipline those who took advantage of the situation, and there never developed a sense of responsibility to the larger community as the organization grew large and more diffuse. The individualistic assumption of doing the right thing could be modulated in the local units and projects, but the political fights between units could not be managed in such a way that the organization as a whole would benefit. In a certain sense this company was a victim of its own success.

If one extrapolates from the two cases analyzed thus far, one could argue that an effective human resource or management policy would be one that appropriately balances the needs of the individual and the organization. Organizations thrive on strong individualism and creativity, the philosophy often embodied in the concept of empowering people. But as organizations grow and differentiate themselves into sub-cultures and different

communities, mechanisms need to be in place to insure that a sense of responsibility to the total organization is maintained and that a violation of that sense of responsibility can be identified and dealt with. Along with empowerment must come adequate systems of coordination and an acceptance of the assumption that the empowered individual must exercise his or her freedom on behalf of the organization as a whole.

Such a balance was achieved in the Swiss-German company where loyalty to the firm as a whole was historically strongly embedded while individual contribution was respected and honored.

The general literature on culture tends to stereotype western cultures as more individualistic and Asian cultures as more groupist or communitarian. My third case, the Economic Development Board of Singapore, represents an interesting case, from this point of view, because it is to some degree an east-west hybrid (Chart 3). The five shared basic assumptions are, in this case, depicted as a star to indicate that they were of equal importance in the paradigm.

The labels for the core assumptions of the EDB try to reflect what I would call a balance or integration of the individualistic and the groupist assumption, though the context within which the EDB works is certainly an Asian one in which sense of responsibility to the group is, from the outset, more deeply taken for granted. When

one encounters such a culture in which individualism and groupism appear to be more balanced, one must examine the managerial practices that make this possible. This goes beyond human resource practices into the structure and core processes of the organization itself.

For example, to be genuinely committed to teamwork, while, at the same time being individualistically competitive in climbing the career ladder requires that the organization have a powerful and clear mission, commitment to which supercedes individualistic careerism. One of the problems of the U.S. computer company was a diffusion and decentralization of mission which permitted local empires to become competitive with each other. In the case of the EDB, the commitment to Singapore's economic growth and welfare was at all times such an overriding issue that there was never any question about the individual putting him or herself ahead of that mission.

At the same time, for this system to work requires a rather unique managerial style and set of attitudes toward authority and power. To be specific, what one sees in the EDB is a strong hierarchy and a clear sense of subordination once decisions are made, but a disregard of hierarchical status during the process of generating ideas and solving problems. Managers have to know how not to misuse their position of potential power by exercising that power only when necessary and when it is completely clear why they are doing so. In other words, the power and authority

must be derived from task requirements, logic and ability, not merely from position.

A third critical component is the notion of free flow of relevant information inside the organization. Members of the EDB maintain a delicate balance between the needs to maintain face and avoid potentially destructive criticism, on the one hand, and the need to fully communicate task relevant information and performance related judgements across hierarchical boundaries, on the other hand. Such communication must be especially strong laterally among the interdependent units of the organization, and one finds in the EDB a strong sense that being a team player is to a large degree defined by communication openness and not using information for personal power aggrandizement.

In this arena I would suspect that it is not easy to define human resource practices in an explicit way. It is my impression that new members of the organization and newly promoted supervisors and managers must learn on the job, so to speak, how to maintain this balance. One thing is clear--western admonitions that one should always give explicit face-to-face performance feedback are not only difficult to implement in western organizations, but would be quite inappropriate in most Asian organizations.

The commitment to partnering with the investing companies reflects, on the one hand, an economic policy to build long-range

relations that will insure Singapore's safety and stability, and, on the other hand, a managerial policy that building up trusting relationships with one's clients is the best guarantee of a sense of partnership and mutual benefit.

The final point on the star reflects a more specific human resource policy--the commitment to a cosmopolitan technocracy by recruiting primarily overseas trained engineers for the front line jobs. This policy derived from Singapore's situation in the 1960's and the decision to link its long range future to high technology, but such a policy would act more as a constraint on future transformation and would not qualify as a cultural universal. On the other hand, to determine what kinds of people will be needed by an organization to fulfill its mission and the explicit recruitment, training and development of such people can probably be considered a universal requirement.

What then can we conclude from the literature and the case studies? Three major conclusions seem warranted. First, across all cultures the organizations that manage to remain successful over long periods of time fundamentally value people, and people includes stockholders, customers, and employees. The details of the human resource practices they pursue are probably not as important as the basic assumption that people make the difference. They cannot be treated as an expendable resource or a cost factor. They are intrinsic to the functioning of the organization and have to be viewed equivalently to other capital investments.

Second, across all cultures the organizations that value change and learning are the ones that are more successful in managing major transformations. Again, how this core assumption plays out in human resource policies will vary from organization to organization and may take different shapes in different cultures, but the organization must be committed to the idea that change, learning, and transformation is fundamentally a necessary and desirable process, not something to be avoided.

Third, across all cultures the organizations that manage to balance individualism with groupism appear to be the most successful in managing major transformations. It is in this arena that human resource policies need to be assessed carefully so that they do not unwittingly undermine the balance by putting either too much emphasis on teamwork and teambuilding or too much emphasis on individual competition for promotions. How this delicate balance is worked out will differ in different cultures, but the need for some kind of balance can be assumed to be a cultural universal.

Additional cultural assumptions that aid transformation but have only indirect impacts on human resource policies would be 1) the valuing of diversity at the individual or group level so that creativity potential remains high in the organization; 2) having enough slack in the organization to allow time for learning and

transformation; and, 3) having the capacity to think systemically and to deal with complexity.

In conclusion, it would appear that certain basic cultural themes are universal, but only at a fairly general level. The actual managerial practices that will reflect those universals will vary as a function of the country or industry in which a given organization finds itself. Most of the universals involve a balancing of opposing poles, between individualism and groupism, between communication openness and tactful concern, between exercising power and empowering others, and, most importantly, between longer range strategy, values, and principles, on the one hand, and practical day to day pragmatic problem solving, on the other hand.

My study of the EDB led me to title its culture as one of "Strategic Pragmatism" and I have found that this concept can be a model for other organizations that face the necessity for radical transformation as they attempt to function in an ever more complex world.

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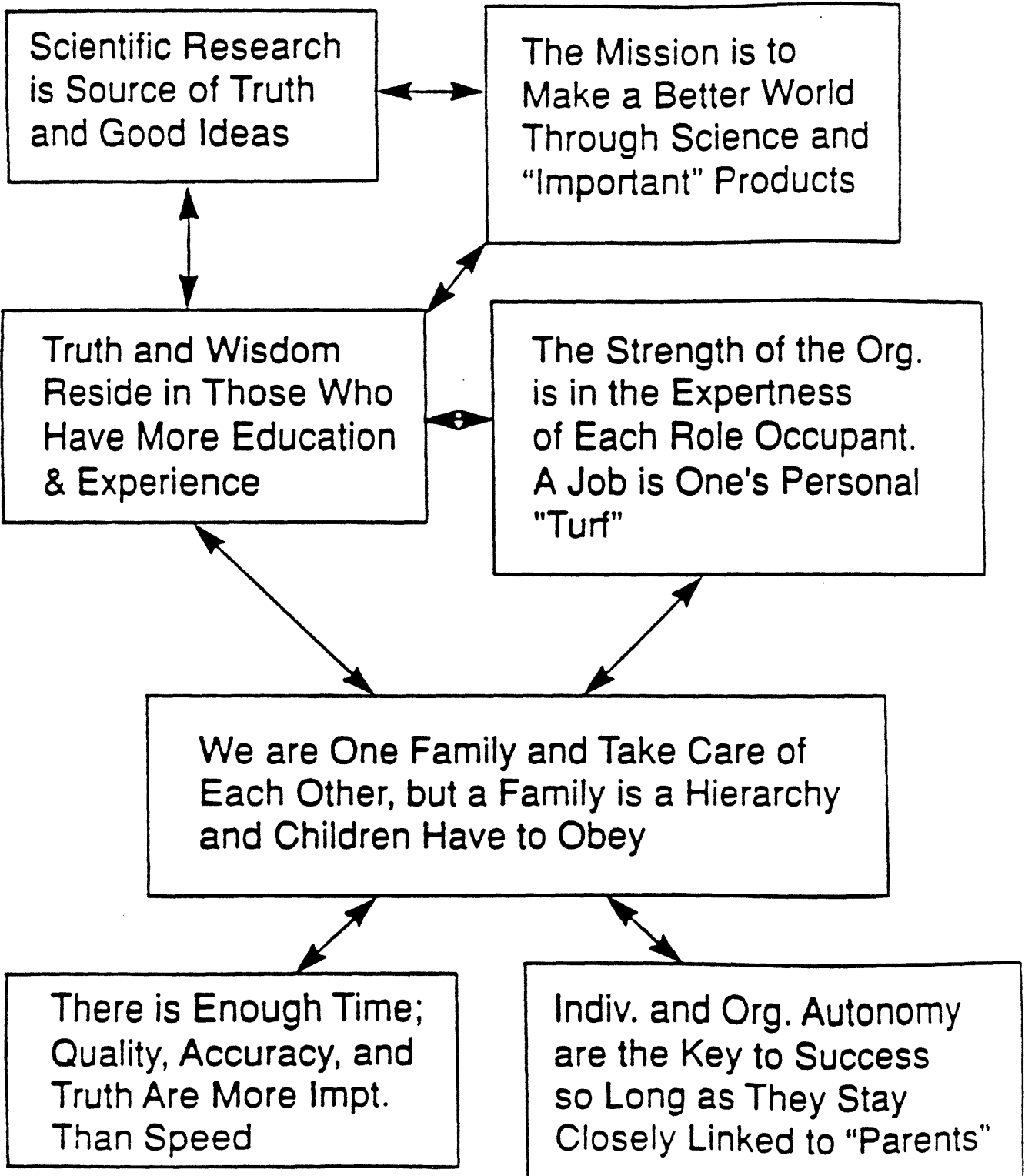
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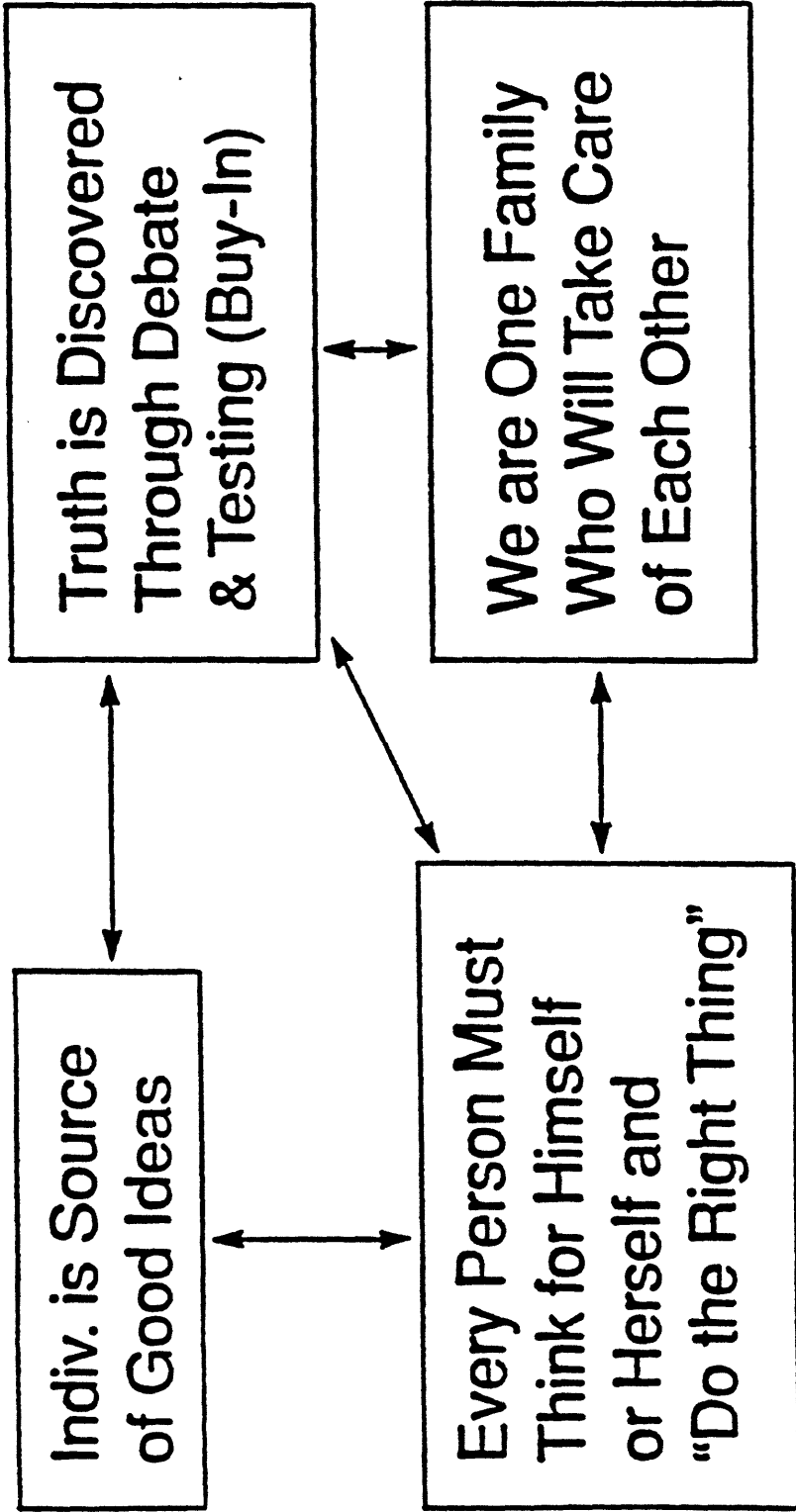
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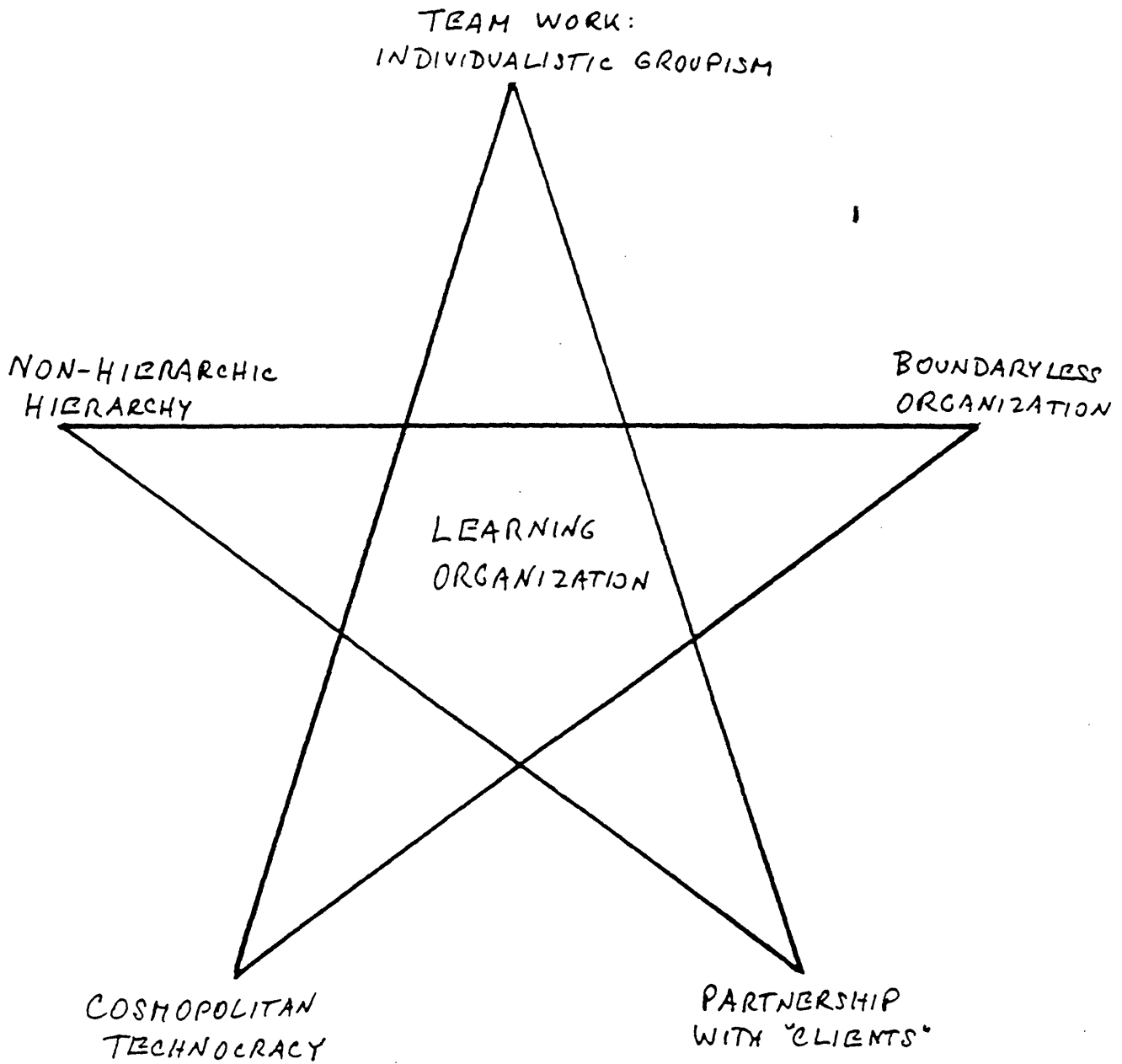


CHART 3
~~Figure 11.1~~ The Shared Tacit Assumptions of the EDB's Culture

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