

The Downfall Of A Team
A Tale Of The Modern Workplace And De-Socialization

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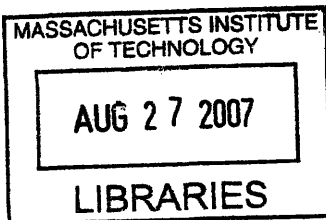
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Maria Alejandra Quijada

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Abstract

My dissertation presents the results of a year long ethnographic study of software engineers. The study defines the process of de-socialization as the decay of the results of the socialization process. This process is triggered by changes in the organization that invalidate or limit the validity of the content of previous socialization efforts. Individuals encounter changes that alter the group identity and do not know how to behave in the new world. In its extreme de-socialization can produce a state akin to anomie. The theory is derived from the observed de-evolution of the studied group from what they recall as the good old days, days when they were central to the organization and perceived to be valued, to the sad new days, days when individuals cared little about their project and their firm and felt unappreciated by top management. The process had significant impact on turnover, productivity and organizational citizenship behaviors. Three events acted as triggers for the process of de-socialization. These events were a bout of reorganizations, the acquisition of a new firm, and the changes to the software global labor market. The process of de-socialization results in individuals that have little or no identification with the firm, their workgroup, or their jobs. A model is proposed along with research questions that might guide future research avenues. Proposed interventions to alleviate or stop the de-socialization process are also presented.

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Maria Alejandra Quijada
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Ph.D. Dissertation
Submitted to the Sloan School of Management

To Charlie, who got me through the first years
and to A. P., who pushed me to the finish line.

To Grams, who prayed really hard so that this would happen.

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Chapter 1

Introduction and Overview

Chapter 1: Introduction and Overview

Introduction

Twelve years ago I was a newly minted software engineer in my first, and it turned out only, job as a computer programmer. It was an exciting profession to be part of, you had inside information on how computers worked and you could make them do things for you. I would have never imagined then that one day I would be an observer, an ethnographer on a mission to understand the world of a group of software engineers. It was a good thing that I still got the jokes! As the prototypical knowledge workers, they seemed an ideal domain of study. Given my background, I felt I could gain a further understanding of the challenges software engineers face, learn how they deal with them, and develop a sense for how they relate to their organization. Furthermore, the world of software engineers to an outsider (or former member) seemed to be undergoing much transformation driven by global competition, new development methodologies (e.g. capability maturity model, extreme programming, SCRUM), new tools, aging of the industry, etc. Since changes might come in similar forms to other professions, gaining insights about the early experiences of software engineers can help shed light on the changes in other professions.

The software engineers and managers I studied opened their worlds and allowed me to observe and experience the nature of their work, their relationships with the corporation, their group and their profession, and much more for a full year. Some of my external perceptions of the profession were confirmed. They are facing increasing competition

from other countries and the engineers worry about it. Other of my preconceptions were not relevant, the new software methodologies, for example, were never an issue.

I was not looking to prove a theory. What I wanted was to understand what life was like for this group of software engineers and their managers. Ethnographic research was the ideal methodology, fraught with challenges that I never anticipated but rich with experiences beyond my wildest imagination. The first days proved to be quite intimidating. Most of my favorite ethnographies describe the colorful and intense environments that were part of the milieu of the groups they studied. My first impression of my field was a sea of beige, no colorful displays in the cubicles, no big logo in the hallway or beautifully engraved mission statement, and it was quiet, real quiet. A tad daunting for a beginner ethnographer who was hoping for some clues as to where to begin.

Some of you might be reading this and thinking ‘but that was data in itself’, yes yes; but a big overt symbol of espoused values, followed by actions clearly misaligned with it, giving me a glimpse of underlying assumptions, would have been greatly appreciated. In the end, I understood the bareness of the walls, the lack of personal mementos in cubicles, and the disposable trays in the cafeteria’s role as cultural artifacts that marked a particular point in the cultural history of the group I studied. In time, these all made sense to me, once I began to learn how the world looks from the “native point of view.” Being an ethnographer demands that you let yourself be surprised by the field, it demands that

you go with an open mind and abandon your preconceptions, and, as I learned, it demands an open heart too.

I observed a story of loss and detachment. At the time of my exit, there was a marked difference in the workgroup. It was still quiet, but it was a different quiet, not one of concentration, but one of disinterest. Individuals seem to have no interest in their work or their organization. Three events were major contributors: a series of organizational changes, an acquisition, and changes to the software engineers' labor market. Each one of these, in different ways, changed the relationship of the group members to each other and to their work and organization. I have developed a concept, de-socialization, to explain this process.

De-socialization is an important process to understand because the triggers in this case were events that have become common in the modern workplace. It is said over and over that if an organization wants to be successful it must be able to change as needed.

Mergers and acquisitions have become a new way to accomplish R&D. The labor market is changing. The change is particularly salient at the moment for software engineers but the barriers for a similar global market in other professions and occupations are crumbling. Many organizations will experience one, two or even the three events I observed and are at risk of finding themselves with a workforce that is unmotivated, having little identification with the organization or to their work. Understanding this process can shed light on new organizational dynamics and can provide insight as to how to avoid it.

De-socialization is the core of the theoretical framework that I use to understand what was happening to the engineers I studied. If socialization is a process of inclusion, of becoming more central to the organization by learning what is needed to be an effective member (Ashforth & Saks, 1996; Feldman, 1976, 1981, 1989; Louis, 1980b; Louis, Posner, & Powell, 1983; Schein, 1968, 1971; Van Maanen, 1976; Van Maanen & Schein, 1979), de-socialization is a process of exclusion, not necessarily from the organization itself, but from the central elements of the organization. It results in groups with little or no identification with the organization, and with little or no connection to each other. Beyond the negative work environment that ensues, de-socialization can impact individual productivity and will particularly impact organizational citizenship behaviors. Those behaviors are never in a job description but are critical to the effective functioning of an organization, like helping solve and avoid others' problems, being a participant in the political life of the organization, etc (Feldman, 1981; Organ, 1997).

This chapter will describe in detail the concept of de-socialization and how it relates to socialization research and will provide a general outline for the rest of the thesis.

De-socialization

In order to understand de-socialization, it is necessary first to understand the process of socialization. De-socialization is not its direct opposite but the two concepts are deeply interconnected. Socialization is a learning process. De-socialization is not *unlearning* but the degradation of the results of socialization.

Socialization

Socialization is an important area of research within sociology. Organization theorists have borrowed from it and developed theory around organizational socialization.

Organizational socialization is in its essence a learning process (Chao, O Leary, Wolf, Klein, & Gardner, 1994; Saks & Ashforth, 1997). Schein defines it as:

The process of “learning the ropes,” the process of being indoctrinated and trained, the process of being taught what is important in an organization or some subunit of it. (Schein, 1968 p. 2)

Later, Van Maanen would provide further granularity to the focus of socialization:

Organizational socialization refers to the process by which a person learns the values, norms and required behaviors which permit him to participate as a member of the organization. (Van Maanen, 1976 p. 67)

Socialization provides the basis for a “new social identity” (Schein, 1971). New values, norms and rules of conduct are incorporated into an identity and will become part of the repertoire of social selves of the individual. The newly formed self will emerge from

interactions with others, private resolution of conflicts, and public confirmation of the new self (Reinharz, 2005).

There is a dual nature to what is learned during the socialization process. One part refers to skills and the other to cultural patterns. Chao et al (1994) listed the six dimensions of the content of socialization:

1. Performance proficiency: Learning tasks of the job.
2. People: Establishing relationships.
3. Politics: Gaining information on power structures.
4. Language: Learning acronyms, terms, and jargon.
5. Organizational goals and values: Learning goals and values.
6. History: Obtaining information of the history and organizational myths.

How this content is transmitted has been a primary concern of socialization researchers.

In probably the most cited paper in the field of organizational socialization¹, Van Maanen and Schein (1979) developed the tactical dimensions of organizational socialization. The typology reflects the ways in which the learning takes place. The tactical dimensions are:

1. Collective vs. Individual: Are the newcomers together during the socialization process?
2. Formal vs. Informal: Are the recruits segregated from other organizational members?

¹ In a cited reference search in Web of Science the paper was listed as being cited in 490 papers. This does not include citations in books or book chapters.

3. Sequential vs. Random steps: Is there an identifiable sequence leading to the target?
4. Fixed vs. Variable: Is there a timetable to the process?
5. Serial vs. Disjunctive: Is there a role model?
6. Investiture vs. Divestiture: Is the newcomer's identity confirmed or disconfirmed?

The early focus of the field was to understand what the organization did to get new recruits to become productive members. Later, the field expanded to consider not only individual differences, but what actions can the newcomers take that will help or hinder the process. A third focus has studied socialization from an interactionist perspective, analyzing how both sides influence one another.

Socialization has a lasting influence on the individuals. It affects overall satisfaction (Chao, O Leary, Wolf, Klein, & Gardner, 1994; Feldman, 1976), organizational identification (Ashforth & Saks, 1996), commitment (Schein, 1968), loyalty (Ashforth & Saks, 1996; Schein, 1968), and job involvement (Feldman, 1976), depending on how successful the process was. These results decay slightly over time (Ashforth & Saks, 1996). An overly conforming individual and an overly rebellious individual are both failures of the socialization process (Schein, 1968). The objective is a state of "creative individualism" where the most relevant rules are accepted but room for role innovation is maintained.

Schein (1971) created a structural model of the organization in which the organization is seen as a three dimensional space, like a cone. The vertical dimension represents ranks, an upwards vertical movement represents an increase in rank (a promotion). The circumference represents the different functions of the organization, movement across them is, for example, a lateral job change. The radial dimension represents the individual's centrality in the organization, the closer to the center, the more "central" the individual (i.e. the more "in the know", the more one is part of the "ones that count").

Socialization has been studied in most detail with new recruits. This is when the influence of the organization is apparently at its strongest and most needed (Chao, O Leary, Wolf, Klein, & Gardner, 1994). Socialization also takes place when the individual moves across any of Schein's dimensions. For example, a change in department will require an individual to learn the cultural specifics of that department, changes in rank will require learning new behaviors that correspond to the new rank, changes in centrality will require the learning of new power structures. In addition to the need to learn new behaviors, transitions are potentially anxiety producing (K. A. Epstein, 1983). Therefore, there needs to be a process of resocialization for the individuals moving across boundaries. There is an important distinction between the process of socialization of newcomers and the resocialization process of job changers. Job changers are under significantly more strain as they are expected to "hit the ground running" while newcomers are given time to adjust and to learn the new ropes (Feldman, 1989).

The changes described above constitute part of Louis's (1980a) classification of career transitions. These are part of the group of inter-role transitions. Additional to those, exiting a role is another inter-role transition. The other group of potential career transitions includes intra-role transitions: intra-role adjustments, extra-role adjustments, role/career-stage transitions, and life-stage transitions. For Louis, all of these require different degrees of socialization/resocialization. Authors point out that socialization is a continuous process with these transitions being periods of heightened intensity (Reinharz, 2005; Van Maanen, 1978). Most of the transitions listed above are studied at the individual level. These transitions are about the individual's experiences, reactions, and effects.

The study of group or organizational level transitions is part of the concerns of the organizational change field. Nevis, Lancourt and Vassallo's (1996) book is an example of authors who identify the need for resocialization as a key element for a successful organizational change. Using the organizational socialization lens to look at organizational change processes reveals these as either changes in "the ropes" (e.g. changes in culture, new information systems) or as simultaneous boundary crossings by organizational groups (e.g. new strategic focus that alters centrality in the organization, changing to a matrix organization). We know from socialization theory that boundary crossings are points that need to be accompanied by a resocialization process in order for them to be successful (Chao, O Leary, Wolf, Klein, & Gardner, 1994). Looking from this point of view highlights different potential issues that could get in the way of a successful change.

Senior managers in organizations are, presumably, most concerned about the values and attitudes of the groups in authority and centrality. If organizational changes result in groups moving away from their centrality and relevance, it is possible that no resocialization process is triggered for them. They are increasingly ignored, as they are the “losers” in a change process. Anxiety that was reduced during socialization processes increases as there would be no guidance on to how to act after the change. De-socialization is, thus, triggered.

De-socialization: Definition

De-socialization is a process of decay of the outcomes of socialization, e.g. organizational identification, satisfaction, commitment. This process is triggered by changes that render what was learned during the socialization process no longer valid, e.g. organizational values and attitudes, political relationships. Its consequences are that individuals no longer know what to expect from each other, do not identify with the organization and are isolated from one another. In the extreme, it can create a working environment comparable to Durkheim’s (1966; , 1984) anomie, an environment where there are no rules of behavior and no guidance as to how to establish new ones.

Van Maanen and Schein’s dimensions of socialization tactics have proved useful to understand the socialization process. I believe they can also shed light on the de-socialization process.

Collective vs. Individual: De-socialization is primarily a collective process with whole groups crossing a boundary at the same time. This, like in the case of socialization, makes the process stronger. There might be rare cases of individual de-socialization, for example an individual being demoted, but these will be weaker processes.

Formal vs. Informal: De-socialization is not planned nor is it a process that is explicitly organized by others. Therefore, it is an informal process.

Sequential vs. Random: There are no pre-set stages to the de-socialization process, therefore it falls in the variable end of this dimension. The de-socialization process will develop differently depending on the situation.

Fixed vs. Variable: In most cases there will be no set time frame. The process will be random. The speed of the process will likely depend on the process triggers, the success of the previous socialization efforts and the success of process interventions. The process could also be fixed, for example when the closing of a plant is announced in advance. A fixed process might lessen the effect of the de-socialization process by offering an end point.

Serial vs. Disjunctive: There is no obvious role model during the de-socialization process, therefore it is a disjunctive process. There is no information on how to behave. In situations where there is potential for role models, the communication lines with the

group experiencing de-socialization are likely to be broken and no help comes from those quarters.

Investiture vs. Divestiture: By definition the de-socialization process will be a divestiture process –stripping away the old valued identity. In this case, though, the identity being disconfirmed is not one that the individual brings from the outside but the one the socialization process helped create.

De-socialization will be most commonly a collective, informal, random, variable, disjunctive, and divesting process. In this case de-socialization stands in almost complete opposite from the theoretical propositions of Van Maanen and Schein (1979) of the profile of a socialization process that produces custodial responses. Ashforth and Saks (1996) have shown this profile to reduce anxiety, increase job satisfaction, organizational commitment, and organizational identification. The only dimension shared by the de-socialization process and the custodial process is divestiture. The difference as indicated before is what identity is being divested, in socialization it is the identity the individual brings to the organization, in de-socialization is the previously socialized identity. Further more, in de-socialization there is nothing to replace the stripped-away identity. De-socialization, then, stands almost in complete alignment with the proposed socialization process that induces role innovation. Van Maanen and Schein define it as “the most extreme form of innovation” (p. 254). The key for this process to succeed is for it to reinforce the individual. This is why it involves investiture processes. This key dimension is the one that de-socialization does not share. De-socialization could be seen as creating

room for innovation but since it divests the individuals of their identities as members of the organization it curbs the potential for innovation.

Socialization has agents, a target set of skills, attitudes and behaviors, and an objective -- individuals are teaching other individuals how to be a “good” organizational member.

De-socialization does not. There are no agents, no targets. Figure 1 illustrates the continuum along which socialization and de-socialization processes move. In one extreme there is engulfment, the total absorption of the role and rules of the organization. The other extreme is the absolute absence of rules, anomie. Socialization moves individuals toward the left, to engulfment, while de-socialization moves toward the right, to anomie. Not all socialization processes end in engulfment –most organizations actively avoid this state. Likewise, not all de-socialization processes will end up in a completely anomic state. How much individuals move left will depend on the type and effectiveness of the socialization process. How much individuals move right will depend on the type and “effectiveness” of the de-socialization process, remedial actions, and previous level of socialization.

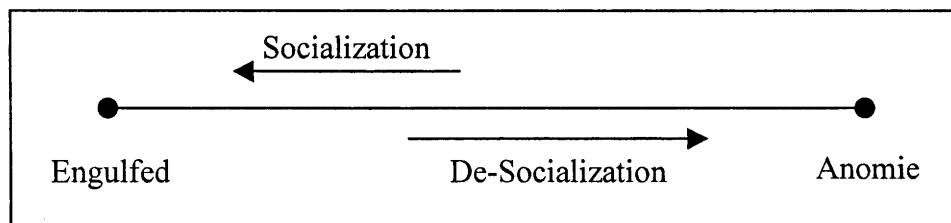


Figure 1 - The Engulfed – Anomie Continuum

De-socialization: Triggers

The triggers for the de-socialization process can be any and all changes that make the content learned during socialization no longer applicable. Some changes will more easily trigger the de-socialization process than others. Changes to the tasks involved in a role can be taught through training, potentially without major impact. But changes in politics, or organizational values have a higher potential for de-socialization. Changes in values, for example, create increased anxiety as the individual has to reconcile with the previous content, how this new value affects his or her position in the organization, and how this new value aligns with other values that might be part of other social selves. One or many of these reconciliations might not be acceptable and will produce conflicts within the organization and with the acceptance of the change.

De-socialization: The Process

The socialization process brings together the image of the “organizational-other” (i.e. an idealized version of the “good” organizational member) and the self. The degree of overlap between the two depends on the degree of success of the socialization process (Jones, 1983). Organizational changes produce shifts in the “organizational-other” moving it away from the version of self that the socialization process had helped create (see Figure 2 for a visual representation). The mental map that had been formed no longer can guide organizational members. The more radical the change, the more extreme the differences. The situation increases anxiety and stress, the first signs of the de-

socialization process. Reducing anxiety is one of the *raison d'être* of the socialization and resocialization processes and organizational changes can begin the degradation of that result.

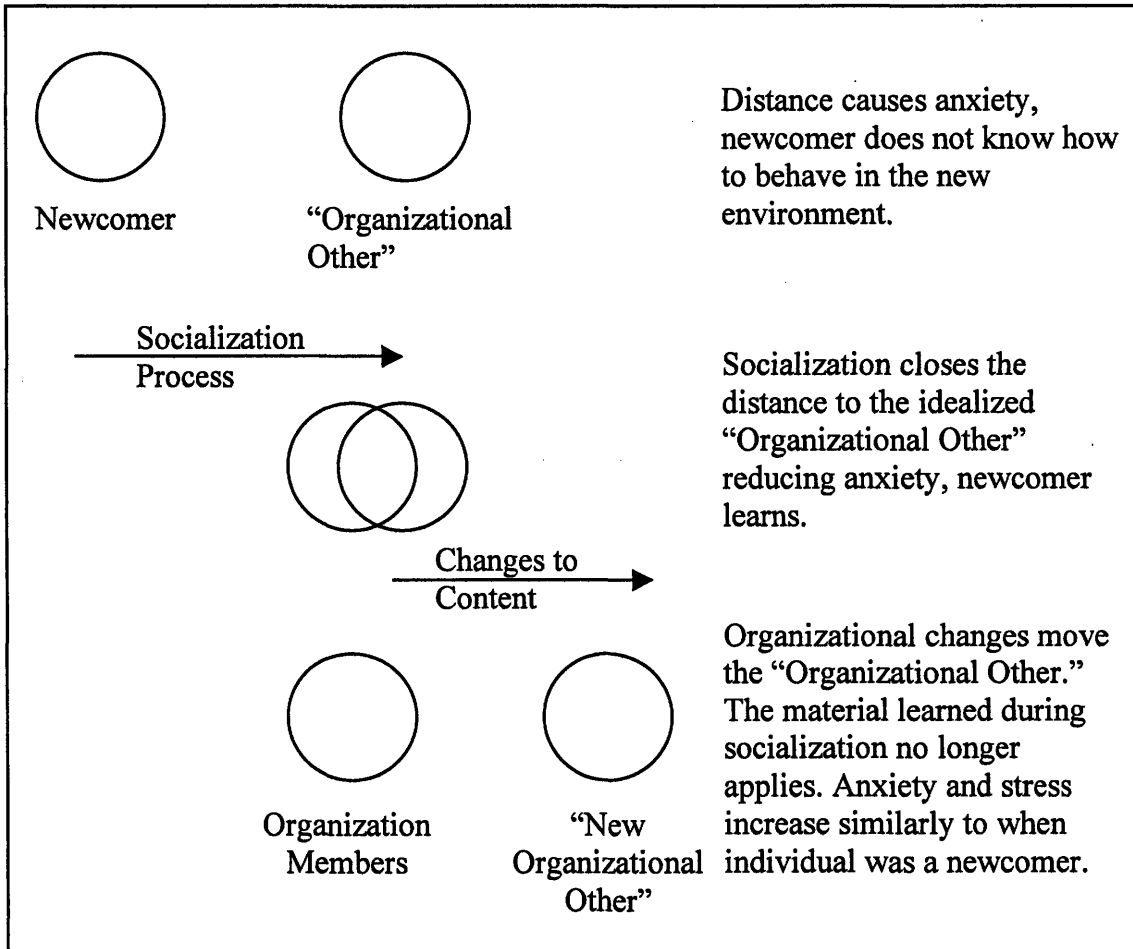


Figure 2: The Organizational Other

When the organization seemingly changes without providing tools for the individual to change with it, the psychological contract that resulted from the socialization process is breached. This contract mediates the ends of the individual and the purpose of the organization and is key to the individual's satisfaction and productivity (Van Maanen, 1976). Early organizational learning is a major determinant of the individual's

organizationally relevant attitudes and behaviors (Van Maanen, 1975) and can hinder adaptation if the new behaviors or values are not in line with what was initially learned. When the original learning no longer enables the individuals to be exemplary members of the organization, or as close to it as possible, uncertainty will settle in and with it the process of de-socialization.

De-socialization reduces the effects of socialization, particularly the affective outcomes. The result is a group without identification with the organization or one another and a group that cannot reliably carry out their assignments. The de-socialized group becomes isolated, less central to the organization, and therefore receives less attention and help from the rest of the organization, accelerating the de-socialization process. It is a process that has a strong negative feedback loop as the more isolated the members become, the less identified they are with the organization, the less likely they are to stay with the organization and thus, the more isolated they become.

The key role that peers play during socialization (Louis, Posner, & Powell, 1983) is hindered during de-socialization as either peers are also going through it and cannot provide guidance, and/or peers that could serve as guides do not. Peers might hasten the decay when they do not provide guidance, creating a worse situation. As Katz(1980) describes, the more the uncertainty or displacement in the new setting the more need there will be for social exchanges that can help build order and a new identity. Schein (1961) reports similarly when studying coercive persuasion methods where peers were most influential.

One of the key gains from socialization is an increase in overall satisfaction (Chao, O Leary, Wolf, Klein, & Gardner, 1994; Feldman, 1976). Although satisfaction is not always related to productivity, it is strongly related to organizational citizenship behaviors (OCB) (Organ, 1997). Organizational effectiveness depends on these behaviors. OCBs are those actions that go beyond a specific organizational role. For example, helping others with work problems, helping prevent problems, tolerating inconveniences, positive involvement in political processes. Once de-socialization begins, satisfaction begins to decline and individuals will be less likely to engage in OCBs, will be less likely to help, will be less likely to go the proverbial extra mile. This, in turn, will impact the experience of their peers as they receive no help, increasing anxiety and further reducing overall satisfaction. The de-socialization process is plagued with vicious cycles.

De-socialization: Results

Katz (1980) states that if socialization does not take place, new recruits end in a state of *anomie*, a state characterized by confusion and unconnectedness. A similar state can result from a de-socialization process. Durkheim defined anomie as a state where social norms are confused, unclear or not present (1966; , 1984). Individuals do not know how to behave and society no longer regulates behavior. The lack of norms leads to disillusion and despair since dissatisfaction and conflict cannot be resolved. Individuals cannot find their place in society.

In the case of organizational de-socialization, “society” is the organization and similarly individuals will not know how to improve their situation. As it progresses, individuals become less identified with their group and the organization. They do not know how to engage in the new appropriate behaviors and lose connections to their peers. Akin to the increase in suicides that Durkheim observed in an anomic state, turnover will increase.

De-socialization is not an inevitable occurrence. Engaging in resocialization processes that help individuals absorb the new prototypical “effective organizational member” identity, the new “organizational other”, will help avoid it. But, there is high risk for de-socialization to occur in groups that lose centrality in the aftermath of the organizational change. It is more difficult for them to relate to a less positive self-image than the one they had before.

De-socialization: Implications

Groups that have endured the de-socialization process might benefit from an influx of new recruits who are being socialized to the new identity without having to go through a dramatic unfreezing phase disconfirming a previous identity built around the organization. The presence of peers who have appropriate patterns of behavior can trigger the peer effects that are so powerful in socialization practices, helping the incumbents to transform their identities.

A new proposition in socialization theory is to create resocialization processes that help renewal, processes that are equipped to deal with changes in the organization (Danielson, 2004). The rationale behind this proposal is the need in modern organizations to be able to quickly adapt to changes and the traditional socialization processes are better equipped for encouraging stability than enabling change. The main tenet of this proposal is that the socialization process must create opportunities for information exchange from incumbents who know the appropriate behaviors and values with other members of the organization who need to adapt to them. This must be a continuous process. New bouts of socialization will be triggered by changes in the organizational context that create boundary shifts.

The Journey

Everyone who has been part of an organization knows the complexity and richness of organizational life. My field site was no exception. In telling the story, there is a twin risk of not providing enough detail and simply gliding over the events or getting lost in a thicket of details. The proverbial forest and trees difficulty. The following chapters constitute my attempt at doing justice to the richness of the data while also linking it to more abstract concepts in an attempt to shed light on an increasingly familiar phenomenon from a new perspective.

Chapter 2 will introduce the firm and group that participated in the study. Here I explain the methods I used to collect and analyze my field data. To complete the picture I include the story of my access to and exit from the organization.

Chapter 3 begins the journey with what I call “The Good Old Days.” These refer to the period before my observation period and before the first stirrings of change reached the group. It was a treasured time for the study participants. I begin the story here to draw an image of how group members recall the time before the de-socialization process began.

The next section of the thesis –chapters 4, 5, and 6- detail the elements that triggered the de-socialization process and how the group reacted to them. Chapter 4 is about the three major organizational changes that the group went through in recent times. These changes created what was perceived as a radically different work environment from the one described in Chapter 3. Chapter 5 describes the group’s reaction to the firm’s acquisition of a small innovative firm. This acquisition, had a strong negative effect in the group I studied. Chapter 6 analyzes the impact of a third factor, the global labor market of software engineers. Initially it seems that this third factor is at a different level from the other two, but its manifestation within the organization, a new office in Asia, is not. The reason why the chapter is framed around the labor market is because it not just the office in Asia that caused problems. It is the meaning behind it, the concerns that software engineers in the U.S. have of becoming replaceable and obsolete.

Chapter 7 brings that data section to a close. It describes “The Sad New Days”. This chapter describes what life in the group was like at the time of my exit. It also explains the impact of the changes on the productivity and effectiveness of the group.

Chapter 8 connects the events observed with the notion of de-socialization. Here I describe how each event contributed to the process and how it seemed to feed on itself, hinting at an inevitable end. I conclude by assessing the role of the process and propose potential actions to avoid it.

Chapter 2

Research Context and Methods

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Research Context

From January to December of 2005, I studied a group of software engineers and middle managers who worked at Blue-Tech², a large U.S. based software corporation. The firm's financial success however was challenged when the dot-com bust occurred (circa 2000-2002). The company found itself close to bankruptcy. This was a turning point for the organization and it began to focus on cost cutting. The firm itself as well as its CEO has received many awards for technical leadership in the industry. And while the company has been the market leader, one of the market segments in which they compete has become considerably more competitive in recent years.

The group with which I spent the majority of my research time worked on the development and maintenance of releases for Powerhouse, the largest revenue software product of Blue-Tech. The Powerhouse group occupies the majority of one of the buildings within the Blue-Tech complex at headquarters. There are also Powerhouse teams in other Blue-Tech locations inside and outside the US. Powerhouse was first released in 1996. Since then the product has become more complex. New features are added regularly. I refer to both the group and the product as Powerhouse.

² All names including the firm's are pseudonyms. This is a result of an agreement I signed with Blue-Tech at the outset of my study.

The business units that included Powerhouse grew during my observation period from about 600 to over 700 employees—500 worked directly on Powerhouse. The engineers in charge of development³ of Powerhouse totaled over 300. These engineers were located in Europe, Asia, and four US locations in addition to headquarters. The largest group was in headquarters (over 100); the group in Asia was just being established when the study began and consisted of over 50 engineers. One of the groups in a separate office changed divisions during the study. The composition of the overall Powerhouse group with respect to sex was 80% men and 20% women. This is close to the national distribution in 2005 for computer and mathematical occupations of 73% men, 27% women (Bureau of Labor Statistics, 2006)⁴.

The Powerhouse group was selected because they were under new leadership and a significant series of organizational changes was being implemented. This provided an opportunity to study the effects of these changes on the engineers. Initial conversations with human resource managers indicated that “the change was meeting some resistance from the group.” The largest concentration of the group’s engineers was in headquarters where I was going to conduct the majority of my observations. A new Vice President of Powerhouse—Mitt—was appointed in June 2004. He immediately split the group into two. One group was created to produce a “radically different version of the product.” The members were chosen from the longstanding Powerhouse group and from companies

³ Development is the traditional name given to the group that is in charge of writing the software application.

⁴ Given the small percentage of women all the pseudonyms used will be male and all feminine pronouns will be changed to masculine pronouns in quoted material.

recently acquired by Blue-Tech. This group was named “New Version Engineering” (NVE) and was headed by four different middle managers. They were intentionally disconnected from the day-to-day activities of customer maintenance to facilitate their work.

The rest of the development group of Powerhouse, about 100 engineers, came together in a group called “Current Version Engineering” (CVE). They were responsible for the maintenance of the current version and addressing potential and ongoing customer problems. A new engineering manager was hired from outside Blue-Tech to run this group. While all four development heads of NVE reported to the Vice President of the area, CVE had one head of development who reported to the new engineering manager, who in turn reported to the new vice president (there was an additional managerial level in the case of CVE). See Figure 1 for organizational chart circa 2005.

A second reorganization took place right before my observation period and a third one in the middle. These events played an important role in Powerhouse’s story of de-socialization.

Around June of 2004, Powerhouse began hiring a new engineering group in Asia. This group was part of Blue-Tech cost saving strategies. It was at the end of 2004 that the group had recruited most of its members and was being assigned work.

In December of 2004, Blue-Tech announced the acquisition of HEAT, a small start-up (around 200 employees) and this company became part of the same business unit as Powerhouse. HEAT maintained its location in a different city. HEAT and Powerhouse's development teams were expected to operate independently with only sporadic interactions. During the year CVE collaborated on one of HEAT's projects.

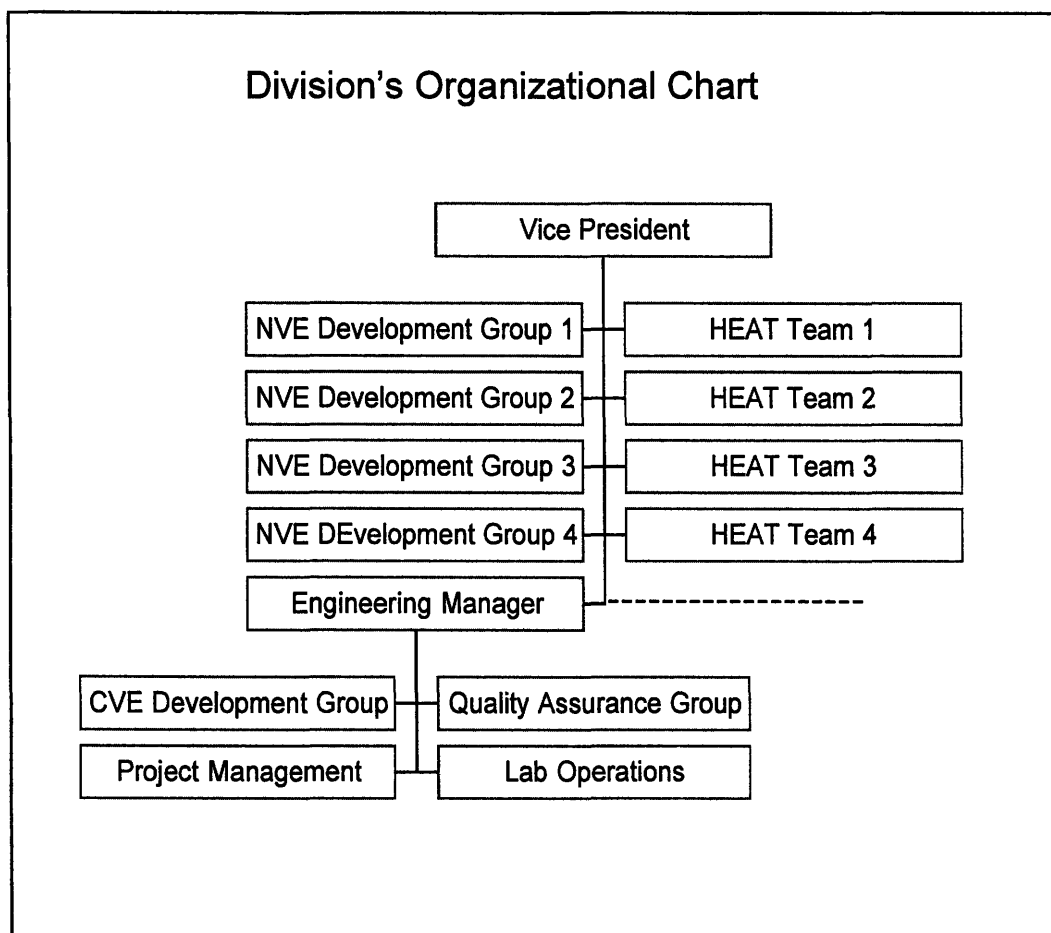


Figure 1 Partial Organizational chart circa 2005

Obtaining Access

Researchers' stories of gaining access to their research sites are usually fraught with difficulties and challenges. This one is no exception. I was interested in organizational change and had decided to study software engineers. I found the population interesting because their work evolves quickly and at this particular time the occupation is facing changes of the sort I believe herald the future of many professions. Having identified the population the next step was finding a "welcoming" organization.

Direct contacts with many different firms led nowhere. I interviewed with over 20 MIT alums who worked as software engineers; most of them did not seem interested and the few who did talked to their managers who rejected the idea. I joined several groups that meet in the area to discuss topics of interest to software engineers. After the meetings, I approached some of them asking about possibilities of doing research at their organization finding the same reaction as with the alums. My lucky break came through contacting MIT's Industry Liaison Office. The office had many open contracts with different firms interested in having the opportunity to work with young researchers. Of course, given that it was MIT, the firms were likely thinking of some brilliant engineer coming to show them "the new step in the evolution of electronics" or someone who could introduce them to "new materials that allow faster communications." What they got was a former engineer turned social scientist with ethnographic inclinations.

Several offices at the Industrial Liaison Office (ILO) worked on my behalf and acted as *liaisons* between me and the firms they contacted. I had told them I wanted to study a group that was experiencing changes currently or in the recent past. I also told them my preference of studying software engineers, though at this point I was getting desperate and any group would have been welcomed. I was in luck as one of the firms was undergoing some, as they called them, “interesting changes” that they believed to be a good case for me to study. I believe that my entrance to this firm was facilitated by the fact that the people who managed this relationship were part of Human Resources and it was the first time that a project that was interesting to them came through. This is how I got my foot in the first door.

An ILO officer contacted me with a name and phone number of a senior manager in Human Resources. He had explained my project and the manager had been interested in talking with me. I called and explained my planned study. I told them it would be 8 months (fully intending to extend it once I was in) of observations, that they would not pay me anything and that confidentiality would be preserved. I also explained that I would like to observe change and its consequences and that software engineers were of particular interest. The HR manager said that they had a group that would be ideal for what I wanted. I got then the name and number of another HR manager, Julius, with whom I had my first face-to-face interview.

During this first meeting, I was asked what my intentions were, what was it that I wanted to study, what kind of people I wanted to study, how many; while at the same time telling

me what he thought I should be studying. It was an interesting courtship, as an aspiring ethnographer I had no clear preset idea of what I was going to study other than an interest in software engineers and change, while Julius wanted to know what the answer was going to be. We managed to meet somewhere between these two extremes. Julius told me about the history of Blue-Tech and of the group that was open to being part of the research project. It was ideal for me in that it was a group of software engineers who had just being reorganized. Having made sure that “I did not have three heads,” he offered to set up an interview with the head of the division I would be studying and the relevant HR person for the group. We also discussed confidentiality. I made clear that I would not be a “spy” for them since it seemed that they wanted to figure out why the Powerhouse group had “issues”. We agreed that they would not ask me to report during my observation and that I would present a report of my findings at the end.

The negotiation for the non-disclosure agreement was a section that none of my methodology textbooks covered. It was challenging. It took six revisions to reach an agreement that made both sides, if not happy, at least less nervous. The agreement assured that no confidential information would be divulged but that the firm could not censor any of my results. They would approve my text but their objections were limited to making sure the firm could not be identified.

The next step in the access saga was a meeting with the Vice President and the divisional HR person. This is the first time that I was able to see the area where the engineers worked and where I would spent the next year. My first impression was that it was

quieter than any office I had visited. It also seemed to have the most clocks. Later, I realized that the quiet was shared throughout Powerhouse but that the clocks appeared only around top management's offices. Expecting a repeat of my earlier visit to Blue-Tech in which I was drilled with questions about my proposed study, I was surprised because Mitt began our conversation by telling me of his work, his plans for the future of Powerhouse, and the changes he had implemented in Powerhouse.

He asked what would be "the ideal group" for me to study and assured me that I would have all the access I needed. Both the Vice President and the HR representative seemed eager to see me start and began joking about the names I would use as their pseudonyms; they suggested "Monkey One" and "Monkey Two" or "Gorilla". I was asked a few more questions and was given some details on the history of the Powerhouse group and of the changes that had been implemented in the previous 6 months. Mitt seemed to be happy to show me "all the good stuff I am doing."

At the end of this meeting, I was given an "OK" to begin my work. They suggested that I start by getting to know the CVE group. They said they "were the ones with the most issues as a result of the reorganizations." I was given the name of the manager of the development group in CVE.

I tried to contact the development group manager through email. No luck. I knew that the HR representative had sent him a note to let him know about my project and that I would be getting in touch with him. I made phone calls and left messages for him. A few days

later I finally received a response from him through email. We set up a time to meet. When we met, I felt he was somewhat reticent about my project. He did not seem comfortable with the idea of my studying his group. I took care in describing my objectives and that I had signed a non-disclosure agreement with the firm. I tried to explain that I was not being sent by top management to “spy” on his group and that, in the end, it was his choice to allow me access. I could always look for another group in the organization to study. This seemed to relax him and he then agreed to allow me to interact with his group. I told him that “I wanted to observe what the experience of change was like for the engineers.” To this he replied that his group was “ideal” since it was undergoing significant changes. In the end, he proved to be a great source and eased my entry into the Powerhouse group.

Before I began my observations, an email was sent from the group’s Human Resource representative to everyone in the Powerhouse group. I was described as “a researcher from the Massachusetts Institute of Technology interested in learning about the experience of change.” It also noted that the Vice President and the Human Resources Department head had approved my study. At the time I was unaware that this seemingly benign introduction was a source of some suspicion and worry. Engineers in the group later told me that it appeared I was being sent by top management to study the group and, if that were so, maybe my presence signaled trouble for them. It took a good deal of effort, meetings, and smiles on my part to diffuse some of the suspicions. Early on, the support of the CVE development manager was crucial to me. I also received unexpected support from one of the CVE line managers who in a previous job had been part of an

apparently similar study and had found it interesting. These two managers helped me enormously in the beginning of my work. They told me of the rhythm of the work and invited me to those meetings that were part of the weekly routines.

My previous work as a software engineer was also crucial to gaining legitimacy with the group. I believe the engineers and middle managers saw me more as an engineer than a social scientist. I was able to ask technical questions and seemingly follow their explanations. Of course, there were still those who never opened up to me. One engineer, in particular, was convinced that I was a spy and tried to discourage his co-workers from talking to me. I tried to befriend him but never succeeded. How much damage he did to my study is unknown. Over time, he appeared to stop trying to influence others but throughout the study he ignored me.

In the Field

I was assigned a cubicle in the Powerhouse area just like the ones the engineers occupied. I also got a computer and an account on their email system. Access to their network proved vital as some of the managers would not schedule meetings unless I sent them an invitation through the email/calendar application. I also received emails sent to the group and notices about corporate events.

I would typically arrive a little before nine in the morning. During the early months of my observation many engineers were in the office by nine. In later days, engineers had begun

to arrive well after nine. An interesting detail concerns the lights for the area. When I arrived in the early stages of my study the lights were always on. It was not until June that I learned that the lights for the area were turned on by the early arriving members. I discovered this on arrival one morning in June when all was dark. There were a few engineers around but no one had bothered to turn on the lights. It was 9:30 when someone arrived who took the time to flip the switch that controlled the lights.

Meetings created the schedule for the day. For CVE there was a meeting at 11 (later it changed to 9:30). Three times a week customer issues were discussed and the other two days the project progress was the topic of the meeting. I also participated in other meetings, like staff and engineering meetings. I attended meetings and spent the rest of the day shadowing engineers or managers, conducting interviews, and reviewing information that was available on the company's website.

Engineers and managers began leaving around 5 (later in the study it was earlier) and by six the area was almost empty. Emails continued to be exchanged almost throughout the night. For most people, emails would drop from around 6 to 8 while they had dinner and spent some time with the family and then would pick up again, for some well past midnight.

Leaving the Field

My exit from the field was somewhat anticlimactic. Research textbooks and colleagues had warned me that it is often difficult to leave the field and that those in the group I studied might feel a little betrayed. Not in my case.

My exit began when I asked my contact in the Human Resources office if it would be possible for me to visit from time to time now that my agreed upon year was over. I was told in no unclear terms “to assume you will not be able to come back in January”. While the group I studied seemed genuinely sorry I was leaving, HR was not.

I did have a farewell party organized by one of the NVE managers. According to partygoers, this was “an incredibly classy affair the likes of which they had not seen in a long time.” There was “meat in the party platters”. Apparently this was an honor reserved for “the special ones”. I received a card signed with good wishes from almost everyone in the group.

The day I actually departed, however, there were few people at the office. It was during Christmas vacation. The few in the office were either busy or distracted and no one said goodbye. I had conflicting emotions myself. Powerhouse had become such a negative and dreary place to work that a part of me was relieved to be pulling out. There was also the regret that came from knowing I would not see many people who had over the year

become my friends. I did hope however that I would be asked back for a research result presentation, the one I had promised the group to provide.

That hope died a painful death. About three months later, I prepared a presentation of my results. It incorporated quotes from those in the group and summarized much of what is in this thesis. I called to request a conference room for my presentation and encountered hesitation. A manager that who previously asked me to “come back soon and tell us what you found” was now reticent about letting me report to the group. He asked for a copy of my presentation. I sent it to him. His response:

It is a pretty important decision from my perspective (Show/No Show). I want to do the best thing for Blue-Tech. My concern is opening up old wounds (although they definitely have NOT healed). It is pretty concerning when you see the whole story on the big screen. We still need these people to stay and help with Powerhouse not have an epiphany that they should go to monster.com. This will reaffirm that they have been through a lot and there is still no hope for a bright future. I have talked with other managers and they agree that it would just damage morale if you present.

My presentation was cancelled. A few engineers—my closest friends in the company—did get in touch with me asking about my results. With them, I shared my presentation but to my knowledge, this was not shared widely within the firm.

Research Methods

This study is ethnographic. My focus was to understand how the participants interpreted the events of the time. I did not try to determine whether the strategic choices of the firm

were the “right ones” but rather how those top management decisions affected the engineers and middle managers of the Powerhouse group.

During my field study in Powerhouse, all the employees were involved in either one of two development projects and some in both. The roles varied from software development, to quality assurance, to resource coordination. The participants were located in five sites, three in the U.S., one in Europe and one in Asia. Most of my contact was with the group at headquarters. I visited an additional facility in the US and the one in Europe. I also conducted phone interviews with people in all remote locations. I was also able to speak to them in person when they visited headquarters.

Initially, my observations focused on the CVE releases. These were of relative short duration, about three months. This allowed me to see how the development process worked in the Powerhouse group. I quickly established a morning routine that included for example sitting in on project progress meetings, customer issues meetings, staff meetings, and engineering meetings, each week. Other meetings came up unexpectedly and I was usually invited to attend. Meetings were the central pivot around which my work revolved. These meetings were ostensibly to establish priorities for the group and to make sure that individual projects were progressing as necessary. Few meetings dealt with actual software issues. Most of the meetings in Powerhouse were about process, not content.

The remainder of my time was spent at either an engineer's cubicle or a manager's office as they went about their everyday work. Informal conversations were constant in between meetings, in break areas or stopping by someone's cubicle. I accompanied people on lunch breaks. But, most in the group ate lunch by themselves at their desks. I attended other events including company wide quarterly reviews, all hands meetings, training sessions for newcomers to the group and for the group in general, and after-work happy hours.

Throughout the day I would take notes documenting conversations, actions, and as many details as I could recall about what I was hearing and seeing. As soon as possible, usually every night, I would transcribe the notes to more extensive field notes. Note taking was also useful because people would on occasion make comments about what I should be writing down. Given my self-professed role as a researcher, it was apparently expected of me. Moreover, such advice provided insight into what those in the group felt was significant and how they were interpreting the events taking place. Over time, however, my research role became less a curiosity and comments on what I should be writing down faded.

Ethnographers usually assume a role in the groups they observe (Van Maanen & Kolb, 1985). This role develops through the interactions with the group and, how the group responds to them. Some end up in the role of apprentices or assistants. In my case I felt the role they assigned me was more in line with that of the "father confessor" or "therapist." Engineers and managers would seek me out to talk, and they would discuss

their grievances or what they thought of what others were doing. Many times it felt as if they needed to unburden themselves and felt that I would not break their confidence. After a meeting, for example, different participants would come to me and give me their versions of what happened. I would then have three or four different stories that would explain what I had just observed. It was a difficult role—not that the others are easy—but I worried about getting a skewed (or more skewed?) view of the situation as I usually would only hear negative information. I tried to include questions that aimed at discovering the positive.

I used three main data collection strategies: observation, open-ended interviews, and the collection of archival materials.

Observation

One of the primary sources of data for this analysis was observation. I was able to observe meetings of different sizes, frequency, and objectives. I also had the opportunity to watch people in their work areas, during breaks, and lunches. I took notice of the nature of work and how different actors interacted. In time, I also had access to some of their email exchanges and instant messaging conversations.

I was assigned a cubicle in the Powerhouse work area and I established a routine of coming to the office every day and spending the full workday at the office. With the

exception of a two week vacation and three weeks spent in other Blue-Tech locations, I followed this work-a-day routine throughout the study.

I attended an average of seven meetings per week. These meetings included staff meetings, engineering meetings, project progress meetings, and customer problems meetings. Work revolved around meetings, it was where most of the interaction took place (rarely did phones ring or a person walk to another's cubicle).

Open Ended Interviews

Throughout the year I conducted a significant number of interviews, averaging 24 per month. Some were scheduled, others occurred spontaneously. Occasionally, people would ask about my work and I could turn the inquiry into an interview. One manager decided to schedule regular meetings with me. This proved invaluable.

In these interviews, I followed some of the ideas in Spradley (1979). I began with "grand tour questions" and later focused on more detailed events and issues. The interviewees included junior and senior engineers, interns, line managers, three levels of middle managers, and HR managers. The interviews ranged from ad-hoc ones lasting about 15 minutes, after a meeting where I would ask about something that just happened, to planned and scheduled interviews lasting up to 2 hours. Interviewees were not comfortable being recorded, so I took notes during the interviews. Since I was seen taking notes all the time, this perhaps seemed more "natural" to my interviewees.

On many occasions, members of the group would ask me what I was finding in my research. I developed a strategy to answer these questions that appeared useful. I would first be vague, effectively saying nothing. The interviewee invariably would then tell me what is that I should be finding, and this was, of course, “data.”

Most of my interviews were done in closed-door meeting rooms or offices (even when I did phone interviews I would sit in a private room so I could not be overheard). The privacy of these interviews apparently allowed people to open up and express their worries, anger, and to reflect on the changes the organization was undergoing. As time went by, people would actually look for me to “have a chat.” For them, it seems I became someone with whom they could “unload”. I became someone who would not judge them and seemed interested. There were few close friendships in the Powerhouse office. There was little interaction among the engineers and my presence and apparent reputation as a “good listener” seemed valuable. Many commented on “not being able to talk about the changes, or their managers, or their project with anyone else.” Since I was there everyday and knew all the key players our conversations were wide –ranging and frequent.

Archival Data

I collected a limited amount of archival data. I built files of materials provided to new employees, information I gleaned from the internal website, presentations given by managers about the Powerhouse history and products, monthly newsletters, and material

distributed in company wide meetings. These materials provided a sense of what Schein (1992) describes as “the espoused values” of Blue-Tech and Powerhouse. It also shed light as to what top management and senior groups in the company considered important. More important to me were the Powerhouse presentations that described the origins of the product, and its evolution with major milestones. There were a number of these presentations archived. During my research they helped to put the product in context with respect to the organization at large.

Data Analysis

My field and interview notes were analyzed jointly. My objective was to move from a “description” to an “analysis” that speaks to the current literature. Initially I read through my notes to create a chronology and summary of events. Once this first level of analysis was done, I reviewed the results in order to identify events and dominant themes. I compared the reactions of the different constituencies, both NVE and CVE, as well as middle managers and engineers. As I read, re-read and categorized my notes, a story of a group disintegrating through a process of de-socialization began to take shape. Three critical themes appeared in my notes. First, the reorganizations of the Powerhouse group. These were highly salient to all. Second, the HEAT acquisition occurring just before my arrival affected the Powerhouse group and was a source of continuous concern to those in the group. Third, the new office in Asia shifted the routines in Powerhouse and left both engineers and managers struggling to understand what it might mean for their own work. These are the themes I pick up in chapters 4, 5 and 6.

Chapter 3

The Good Old Days

Chapter 3 The Good Old Days

Introduction

In order to understand the relationships within Powerhouse and how the events that took place during my observation period affected them, it is important to understand where the group was, as they might say, “where they were coming from.” Who did they believe they were before? The stories, legends really, of those “good old days” were a common topic of conversation for the group. It was apparently important to them to recount earlier times and to share these accounts with others. The “good old days” were the times when the company was great, engineers ruled, had many special benefits, and all was right with the world.

The “good old days” was a staple topic during lunch. In all the interviews I conducted with people who had been with the company for over four years, the topic came up. The prototypical conversation began with the interviewee posing a question: “Do you know who Derrick was?” Following it, I would be given a description of the founding engineering manager of Blue-Tech and told stories about him with relish. They would say that “in order to understand them, I needed to know about Derrick’s time.” What marked the end of the good old days was the arrival of the new Vice President –Mitt– in 2004.

The stories around the good old days might be puzzling to an outsider. Did they really think that those fringe benefits they said were common were sustainable in the long term?

How good can it be when a group relies on a lone cowboy hero who worked 96 hours straight to finish a job? But, to insiders, those days were seen in idyllic terms.

This chapter describes the images of those good old days that members of Powerhouse carried. Individuals might recall events in an overly positive way or enhance their stories to provide an even better contrast to the negative events the group was experiencing. Nevertheless, it is these stories, which describe the characteristics of the Powerhouse environment, they used as the standard to compare how they saw their current situation. Those, then, are the days that shape and define what veteran members of the group see as the ideal manager and ideal relationships that should exist between managers and engineers.

The Recalled History

One of the first software packages produced by Blue-Tech was Powerhouse. In contrast to other offerings, it was aimed at a wider base of users. The firm was only partially successful in penetrating this wider base of users. The first version of Powerhouse was released in 1996. Since then, the product has expanded by adding more and more complex features.

There were two major recounted periods of good old days. The first, to members, the “real glory days” occurred before the dot-com bust and resulting financial crisis at Blue-Tech. More importantly, the “real glory days” occurred before the ousting of the beloved

top engineering manager. The second period is specific to the Powerhouse group. It concerns the time when the most impressive advances in the product took place. Even though many of the benefits that had made working for Blue-Tech so great for the engineers were no longer in place in this second period, they are still recalled as part of the good old days. The improvements in the product and Powerhouse's leadership team seemed to have compensated for the decline in other areas and created what is remembered as a wonderful work environment.

The Real Glory Days (1995-2001)

People remember this period as a collegial time when the company was dominated by the top engineering team. They recall "being appreciated" and "being at the heart of the organization." Some of my interviewees wondered if they really were that great, those real glory days, but invariably they concluded that they most definitely were. While they said Powerhouse had a reputation within the organization as being "problematic," members of the Powerhouse group said it did not bother them. They were a "tight group" and apparently shared a delight about the progress of the software they were producing.

The "real glory days" are marked by what being a member of the engineering group meant: a shared sense of community; working at breakneck speed, and the increasing relevance of Powerhouse in Blue-Tech. An essential element of accounts of those days was the presence and actions of Derrick, the original engineering manager. The following

sections describe these elements using the information provided through the stories told of these days. Many of these stories were told with a twinge of sadness and longing.

Being an Engineer

Engineering was king at Blue-Tech. To be in engineering was to get all sorts of special treatments and benefits. It was a special time for the software industry in general, the time of the dot-com boom when retention of personnel was a constant concern and with it came unprecedented benefits. Blue-Tech was no exception.

It was also a time of intense work. Many of the benefits provided at the time, such as dinners and concierge services, were aimed at getting people to stay longer at work without interruptions. Nevertheless, they gave the engineers a sense of privilege and status. Engineers felt valued and part of something special.

When we were smaller there were more opportunities for recognition and appreciation. We used to have a Christmas party and a summer party. You can't imagine it. They would throw money in balloons, \$100 bills! It was impressive. In the summer Derrick would give people rides in his helicopter. (Engineer)

Engineering was the elite. You got all the perks, all the benefits. Engineers had a lot of fun. (Line Manager)

Before engineers were treated like royalty. We got dinner. We had appreciation days. People would work late because you had pizza at seven. You felt valued and worth more than just a paycheck. You felt the company cared about how you felt. You felt like you mattered. (Engineer)

When money was abundant you would get these meals, free tickets, you would feel better. They would have events that included your family. Tickets to Art museums. Some things were educational. It was a great way to say thank you. It counts, the way you are treated. (Engineer)

I was told repeatedly that it was a good time to be an engineer. The benefits extended to everyone in engineering and others in the organization looked for ways to become part of engineering so that they too could receive those benefits. It was the place to be. These extra benefits were one of the aspects of the real glory days that people said they missed the most. It was said that “even the coffee was better then.” The benefits were indicators of their high status both within and beyond the organization.

Sense of Community

Not only was engineering king of the organization, but the atmosphere inside engineering was remembered as wonderful. There was a “feeling of family, a sense of community.” This feeling was said to be encouraged by the accessibility of the founder, the CEO, and the top managers in engineering. It made them feel part of “something bigger than themselves and their product.” They were “part of a great thing and they were making it happen.”

In their stories, the organization’s top managers took care to preserve the familiar environment. When the Pwerhouse group moved to a new building, cultural artifacts were moved as well. Top managers chose the colors for the areas of the new building that

were the same as those in the old building. It made them feel that management cared about them.

Before we had this bell. It is still in the cafeteria, and they would broadcast its ringing over the P.A. so that people knew that dinner had arrived. You would go down and Derrick would be there having pizza next to you. (Engineer)

They used to ring the bell over the phone system. Everyone would get together, and you would go to the meeting room and Derrick would be there and other top people. It was a tight knit group. (Engineer)

Once I was taking a smoke break, before, when you could smoke in the cafeteria, and (Blue-Tech's founder) talked to me and asked me if I knew what the name Blue-Tech was about? There are many stories about him. How, when the company exceeded expectations, he would walk through the labs with a bucket of cigars and hand them out, or, how he used to bet with people whether expectations were going to be met or exceeded. (Engineer)

Before it was more of a family. If someone's father was sick, we all knew. (Engineer)

The Work

During *the real glory days*, the organization was young. Responsibilities were apparently blurred and little concern was focused on procedures or process. People remember working long hours but do not remember these hours as a burden. They said they were excited about what they were doing and about what the firm was accomplishing. Managers were said to be “free to fully focus on the real work of the product.”

It worked like a start up. There weren't many requirements or obstacles for our work. There wasn't much administrative stuff. That was nice. By 1998 and 1999, Blue-Tech started hiring like crazy. It was still

manageable. People were still very excited about what they were working on. (Engineer)

It was very fun. My record was 72 straight hours. Another guy beat me with 92 hours. You would only go home to take a shower, not lay down. You would come back and work. It was fun. It was a challenge. It was a very exciting time. We did not think what is in it for me? Am I compensated for it? We never thought of that. (Middle Manager)

It was a wild-west environment. If you saw an opportunity you took it. You were responsible for what you could manage. That way was effective while we were a small company in a good economy. (Middle Manager)

We used to think one of the strengths of Blue-Tech was execution. Dates were kept religiously. When you set a date, you knew it was a commitment. It's not that you felt threatened, but you knew that missing a date had consequences. You did what needed to be done. (Middle Manager)

Before we would stay until two in the morning. You felt that you gave but you also got. You did what needed to be done. (Line Manager)

There is an undercurrent of excitement in these references to work –of feeling a part of “something special”, of a “special time” in the industry. They remember those days as great days. It was a time that must have put stress on families and there were a few whispered stories told me of marriages strained and dissolved because of the intense pace of the work. Only once however did I hear someone hesitate about how great the company was in the *real glory days*.

My friends remember the time when they were here fondly and say “those were the good old times.” I am not sure. We used to work incredibly late, sometimes overnight. I wonder if they really think they were that good. (Middle Manager)

Powerhouse's Increasing Relevance

Another theme that defines and describes the *real glory days* is the perception that Powerhouse was becoming more relevant for the organization at large. For the Powerhouse engineers, this was obviously a favorable shift. Having been in the shadow of other products, Powerhouse began to become more and more important as margins declined for other products.

When I joined, Powerhouse was not one of Blue-Tech's priorities. They made their dollars out of other products, Powerhouse was a little thing. When I started in Powerhouse, it started picking up. Ten other engineers started with me and that is how it began to grow. (Engineer)

Role of the Top Engineering Manager

As noted the heroic figure of this period was the top engineering manager. Derrick, a founding member of the firm, is remembered as a mythical figure. He is seen as having been paternal and somewhat dictatorial, but is intensely intertwined with the story of *the good old days*. Engineers see him as being responsible for all the good things that occurred at the time. Derrick was the one who kept engineering on top, the one that said who corporate mandates did not apply to engineering.

Have you heard of Derrick? He was the inventor of (product) and he was in charge of engineering. When I started in 1998, his empire was very strong. He shielded engineering from external pressures. He tried to keep engineering like a small company within this growing company. He had his own HR and IT. When you wanted equipment, you called and you got it really quickly. We were spoiled. (Middle Manager)

We refer to the early times as the times with Uncle Derrick. Things have changed...It used to be him representing us as the most important part of Blue-Tech and being treated well. You felt committed to what you were doing. You felt appreciated for what you were doing. You wanted to work. (Engineer)

I worked under Derrick. He was a very interesting leader. He treated everything and everyone as his kids...It was attractive to me, the culture that he established, having the leaders down really empowered, you owned your part. But it was also strange that he held the money tightly so it was a bit like going to a parent and asking for money. Some found it insulting, but I thought it was fine. (Middle Manager)

When I started, the head of engineering was Derrick, he was very well thought of even here [European office]. He came a few times. At that time, money was no object. It did not matter if your project worked out or not. He was an engineers' engineer. At the time, we did a number of projects. One of them was very successful. (Engineer)

He was a father figure. People looked up to him. It was a relief then not to have to discuss with other groups. You had one guy and everyone was marching in the same direction. But, he was also very black and white. I have heard stories about how the people that did not agree with him were treated. But I also heard about how good he was to the people that agreed with him. (Engineer)

Derrick elicited conflicting emotions but, clearly, he left a strong imprint on those in his organization. Admiration and appreciation were apparent in my conversations. Indeed he was perceived to be responsible for all the privileges the engineers' enjoyed. Yet there were also comments about his perceived need to always "have the last word." He was remembered as trying "to control everything that was going on." Few people were allowed to be part of the decision making, to the point that in meetings, he was said to switch languages and have a discussion with a reduced set of people. Once a decision was reached, he would communicate it to the rest. He also was criticized for isolating engineering. Only Derrick was the bridge between engineering and the rest of the

organization. He controlled the purse strings of the group tightly. For some, this was fine because they did not have to worry about resources. For others, it was demeaning to not be allowed to control their expenses. He took control of all HR functions such as salaries, raises, and promotions. People used filial imagery to describe him (father, uncle) but also divine imagery (homage needed to be paid).

In 2001, Derrick “retired”. There are many versions of why he retired, even the trade press speculated on it. Some thought he left because he did not agree with the measures that Blue-Tech was taking to alleviate its financial crisis. Others thought he was pressured to leave because “the rest of the organization was resentful of the privileges of engineering.” Still others thought he was forced out by top management who saw him as an impediment to the expansion of the organization. Part of the myth surrounding his departure is what the engineers believe to be the purposeful obliteration by top management of all that would remind people in the organization of his time at Blue-Tech. The only thing left of him is a picture of him as part of a small framed article in the cafeteria of the building where the Powerhouse group is located. This was the only article in the cafeteria. I heard no explanation of why the article is still present. The article is not particularly important in Blue-Tech’s history but for those that knew him it remains a symbol of his relevance. Yet there is no mention of him in any official materials describing the history of the company. Looking at the official information, one would never know he was once a part of the organization. In terms of the unofficial history of the organization, however, everyone has a story of Derrick.

His loss is said to have produced uncertainty and sadness. Engineers said that at the time of his departure many things were changing and his leaving was another familiar thing going away. When he left, those remaining must have been unsure of what was happening. The difficult financial situation of the period could only have exacerbated their nervousness.

They took Derrick out. They realized that it was not healthy for engineering to be separate. Everything was better then for engineering and there was envy. He acted like our only contact to the outside world... He overrode corporate initiatives to keep his team doing what he wanted. Corporate did not like this and moved him out three years ago. They started then to merge things and the IT sucked. It felt like a takeover to us. Many people left at that time. (Middle Manager)

When Derrick left, there was a lot of anxiety about the rewards. There was a cultural change... some engineering teams were closer to him and for them it was heartbreaking. (Engineer)

Derrick put in place a flat organization in engineering. Managers did not do evaluations. They did not even know how much money their people made. It could not continue. (Middle Manager)

I saw that Derrick's style was not going to survive. There was a lot of jealousy with the perks engineering got. He was escorted out of the organization. (Middle Manager)

In his absence, middle managers said they had to learn to do the parts of their jobs that he had done. For the first time they were in charge of performance appraisals, raises, stock options. They said it was difficult since most did not have experience doing this kind of managerial work.

People linked his absence to a “change in culture” and the “advent of the MBA/bean counter culture.” Engineers were no longer *the chosen ones*. Formalization increased as a way to handle the increased size of the organization and its projects.

After Derrick, there was a shift from being special to just being a business unit governed by MBAs who don't understand engineers. They even resent engineers. There has been a shift in the culture. It is not the same to be an engineer during the last three years. You have seen the picture in the cafeteria? It was a great time to be an engineer. (Engineer)

We were independent, our own unit. Separate from marketing and from all the other stuff. It was better then. The head was Derrick. There is a picture of him in the cafeteria. That is the only thing left. No one talks about him anymore and he is the one that came out with the [firm's main product]. They owe him big time here. But, after he was ousted, it got to be more like a big corporation. It is not as friendly as before. I tell you if the market for work were better, a lot of people would leave. (Engineer)

Derrick's exit marks a significant difference in the experience of being part of engineering. It is confounded with the measures that were taken by top management to improve Blue-Tech's financial situation. He has now however become the symbol of the good old days and a largely benevolent image of him still survives. The “bad guys” who ended the good old days were top managers outside engineering.

The Late Good Old Days (2001-2004)

After Derrick's exit and Blue-Tech's struggle to correct its financial problems, engineers describe their world in less glowing terms but they also note that “exciting things were still taking place.” The sense of community across the engineering group is seen as having been diminished but the Powerhouse group itself stayed together so positive

memories of the time are in place. Much has to do with the development manager brought into Powerhouse at this time.

Within Blue-Tech, Powerhouse remained the flagship product. It was still the “hot place to be.” But, the product had quality problems. It was said to have a “bad reputation” in the rest of the organization. It had experienced rapid growth, both in terms of group size and customer base, but there were nonetheless engineering problems to solve.

Powerhouse became the mess it was because so many people were in it without a methodology. There was some expertise but not much. They hired managers that did not know what they were doing and they hired a lot of people. (Engineer)

At this time, a plan to improve Powerhouse’s quality materialized, apparently fueled by a series of personnel changes at high-levels in Blue-Tech. Powerhouse was assigned a new development manager –Thomas– who, all said, brought new life and purpose to the group. He became a much beloved figure. Many credited him as the one responsible for the success of the later releases of Powerhouse.

Thomas was moved to Powerhouse to fix it. It was pretty screwed up. Blue-Tech grew so fast in the 90s that it ended with a lot of people managing that had no clue how to do it. They were just the top technical people. (Middle Manager)

Thomas came as the head of Powerhouse. He was fantastic. Very driven. He used to work like crazy. People were willing to work any time he would ask. He would reward your effort and on top of that he was doing it also. (Engineer)

Under Thomas' guidance, Powerhouse engineers felt the product improved significantly. It was able to handle a wider array of events and to accomplish more sophisticated operations. This was later confirmed through customer surveys in recent years.

The Beginning of the End

An interesting dichotomy is apparent: while engineering is losing status within Blue-Tech, the Powerhouse organization is improving its product, becoming more interesting to customers and generating more revenue for the organization. While they no longer had the fancy coffee, they still liked the product they worked on and that helped them feel part of something important.

The days when we worked on the version that is out there right now were crazy but there was a purpose. I used to be here all the time, it seemed important so you put in the time. (Engineer)

The end of the good old days seemed to be heralded by the changes to the top management group. It seemed to the Powerhouse members that the new management was about business and not about engineering.

Now we are becoming a big company. We have now hired real executives, guys coming from big corporations. They bring their strengths but also their bullshit. (Middle Manager)

See the thing is that I would go to the gym and Peter (former CEO) would be exercising. Not anymore. Not these guys that are in their corner offices. (Engineer)

*Back then it used to be a family more than a company, I am talking about the engineering organization, it is now becoming more of a corporation, there are more procedures, more politics, more hoops to jump through.
(Engineer)*

Another signal of the end of the good old days was when, at the beginning of 2004, Blue-Tech opened a new office in Asia and began hiring new engineers for the Powerhouse group. The new office brought the changes engineers had seen taking place in other firms to their own doorstep.

But, to the engineers and managers of Powerhouse the clear indicator of the end of the good old days was the arrival of the new Vice President, Mitt. According to them, he embodied the characteristics of the new kind of management. He had joined Blue-Tech two years before and had spent those years leading another group. He was seen as a “manager,” part of the new “bean counter culture” of Blue-Tech. The following chapters recount the changes that came at this time and how they affected the Powerhouse work environment and how the *good old days* became the *sad new days*.

Chapter 4

Organizational Changes

Chapter 4 Organizational Changes

You know sometimes change is done for the sake of change itself or because someone got the wrong information or for the wrong reason. It is vicious. Six months ago you would have come to a very different organization, seven months from now who knows what will be here. (Line Manager)

Introduction

Social change is a topic that has been studied by a wide variety of social scientists including anthropologists, political scientists, sociologists, psychologists, and more, at different levels of analysis, with different methodologies, and with different concerns. It continues to be the focus of much scholarly discussion. Change is complex and pervasive in everyday life. Organizational changes have not eluded study. Organizational researchers have dedicated time and effort to understanding change processes. Many programs to successfully implement change have been proposed. The wide variety of books published on the subject and the public's demand for them indicate the relevance of the topic, or at least the complexity of change efforts.

The focus of this chapter is on changes to the organizational structure of the Powerhouse group and how it affected the work of and relationships within the Powerhouse group.

The group experienced a period of intense and repeated organizational changes that began in July of 2004 and continued throughout my observation period and into 2006.

Today's structure does not resemble the ones that were in place during 2004 or 2005. The chapter will analyze three distinct reorganizations, two that severed the relationships

among group members and a third that was favorably received, but, in the end, did not bring the improvements the members of the Powerhouse group expected.

The first two were thought of as a unit, the second being a refinement of the first, an attempt to help, management said, “with morale.” Engineers and middle managers within Powerhouse called both the process and content of the change into question. The change process particularly created uncertainty and anxiety and made it difficult for people to embrace the change. The change content created obstacles for the completion of everyday work of the engineering group and was rejected by most group members. These changes had strong effects particularly at the individual level, making people feel that they were not relevant and that the top managers did not understand what they did. The process highlighted the importance of communication from the change makers to the change receivers and the need for two-way communication channels throughout the change process that has been championed by many authors (e.g. Beckhard & Harris, 1987; Beckhard & Pritchard, 1992; Crouch, Sinclair, & Hintz, 1992; Kanter, Stein, & Jick, 1992; Worley, Hitchin, & Ross, 1996).

The changes contributed to what I have called a de-socialization process by breaking the connections between individuals and the connection of individuals to their work. Group members began to realize that the strategies and actions that made them successful in the past were changing. A contributing factor was the observed passivity of middle managers. They were in positions where they could have helped people relate to the new

changes and helped them to adapt to the new context. In the end, a strong nostalgia for the “good old days” took root.

The Reorganizations

As of 2004, Blue-Tech’s software offerings had been growing by acquisitions for several years. Still the largest revenue producer was Powerhouse. New leadership was brought from the outside and from the acquired firms. Top management was focusing on the acquisitions and the new products with an eye towards the future, signaling that Powerhouse was becoming less relevant. A new Vice President was assigned to the division that included Powerhouse and a new world began.

The First Reorganization – The Alien Invasion -- Mid 2004⁵

When the new VP arrived⁶, one of his first actions was to organize a series of meetings with the middle managers to talk about changes needed at Powerhouse. The managers were not clear on what these meetings involved or their objectives. The meetings, to which few were invited, were said to have an ominous air to them. They were held behind closed doors and no official word was released as to what was being discussed. Rumors circulated that the Powerhouse group was being reorganized. Engineers and line managers held their breaths waiting to find out what would happen. There was an added

⁵ The description of this reorganization is based on recollections as it took place before my observation period.

⁶ Mitt was transferred from another Blue-Tech software product group.

level of uncertainty since the Vice President was new and they did not know what to expect from him. This uncertainty is apparent in the remarks that follow:

There were too many rumors, you would hear different things everyday, no one really knew what was going on. It shook my beliefs about upper management, how were they making up their minds. (Engineer)

It would be better if there was more input from the employees about the plans, that it was not so secretive. They spent 4 weeks in meetings to decide our future. People that were not in the meetings were worried, and the people that were in it were stuck in a power struggle about who got to keep some people. Lots of things took place that did not help the organization. That could have been done better, in terms of what was done, but I guess businesses are not a democracy. (Engineer)

After these meetings, a new organizational chart was presented to the group with changes to the way the work was distributed and how the teams were composed.

The new organizational chart displayed significant changes to the Powerhouse development group. It altered the composition of the working groups. Previously, the engineers worked under one manager. In the new structure, the development work was divided into two main groups. One dealt with the current version of the software (CVE) and the other (NVE) focused on developing a new version of Powerhouse. The latter group was expected to bring forth a significant improvement over the current version. The original development group included over 200 engineers who were now roughly divided equally between CVE and NVE. The NVE group would be kept separate from customer issues. These would be attended to by CVE. The purported objective was to

allow NVE to fully focus on the development of new functions rather than on fixing errors.

The changes also brought an influx of over 100 additional engineers. Teams that had been part of Blue-Tech but external to the Powerhouse group were incorporated into NVE. Some of these were in remote locations that Powerhouse had never dealt with before and were part of previous acquisitions. The new members were assigned to work on the NVE project, doubling the number of engineers working on that project.

The organizational structure included teams distributed across different locations and reporting structures for NVE and CVE. Before, remote locations consisted of small work units that worked on a portion of the software. The sites' structure had included a site manager who managed all work on the site. The change created groups where teammates were located in different locations, resulting in remote locations now having many different teams working on more than one software function. And, a new role appeared, engineers who were the only ones in a location working as members of a project specific team, the "isolates." Work, as a result, became more complex and more coordination was necessary than in the past. Time zones became important.

Table 1 presents a before and after comparison. The number of different sites working on the Powerhouse project went from 3 to 6. The number of time zones involved from 2 to 4. The number of engineering development managers increased from 1 to 5. The group size went from 200 to over 300. The changes to the working groups also brought changes

in the reporting structures. For the first time, engineers in headquarters reported to a manager in remote locations.

	Before Reorganizations	After Reorganizations
Number of Sites	3	6
Time zones	2	4
Engineering managers	1	5
Number of people	Over 200	Over 300

Table 1 Changes in distribution after reorganizations

In NVE, half of the group members were new to the Powerhouse group and did not know each other or the rest of the group personally. They had never worked together before. A few engineers had not met their immediate manager even after a full year in their new assignment. For the NVE group members who came from earlier acquisitions, this was their first experience at working on a project with a core Blue-Tech product. They had to learn how things were done and had to manage, what they called, the “culture clash” that took place. Furthermore, some engineers were assigned to work on different tasks (i.e. “functions”) of the project without being consulted about their work preferences. Several were assigned to positions that seemed at odds with their expertise, positions that they would have never chosen for themselves.

The change is hard ... I saw people crying when the assignments came out. I have not seen anything like that in a workplace. (Engineer)

The anxiety surrounding the reorganization, the way the change was communicated, and the content of the change were interpreted as “top management lacking understanding of

the product and the people working on it” by those affected. Unhappiness with the change was stronger among the CVE group since they felt they lost status as a result.

In the retrospective accounts of the change process I gathered, the “lack of communication” from top managers as to the need for change and what the future would hold for Powerhouse was a common theme.

When the [new] organization was announced there was very little communication, organizational charts went out, you know I was waiting for the big meeting where we were going to talk about it but we only got an email. (Engineer)

The lack of communication was apparently puzzling to the group members. To them it seemed to imply that the change was not significant since it did not merit explanation. While some said the Vice President was able to describe the strategic reasons for the change and what the plans for the future were, few Powerhouse group members could recollect these reasons and plans⁷. A few forums were created to interact directly with the Vice President but engineers said that expressing doubts or questioning the change during such meetings was not acceptable.

We had these lunches with the Vice President when he joined. In mine, we started to go around the table saying what it is that each one did, someone asked a question and when he answered I asked something else, he did not like that, I was labeled a complainer. (Engineer)

⁷ Change management researchers advocate clear and frequent communication as a key element of a successful change process (e.g. Beckhard & Harris, 1987; Beckhard & Pritchard, 1992; Crouch, Sinclair, & Hintz, 1992; Kanter, Stein, & Jick, 1992; Worley, Hitchin, & Ross, 1996). The Powerhouse group had little of it.

I have no way of verifying these accounts but I can attest to the perception that “asking questions would get one in trouble” was widespread. Moreover, all said the forums did not last long, nor did all the members of the group have the opportunity to participate. The lack of communication and the secrecy involved in the planning of the new structure made the change process seem high-handed. When talking about the new structure, both group managers and engineers kept referring to “them” as the ones behind the change. “Them” refers to the division and other top level managers.

The resistance to the change not only originated from the process, but the content also created problems. There were divided opinions on whether the split into two groups was appropriate or not. Some thought that it was a good idea. Others thought that separating engineers from customers would not be beneficial. What all interviewees agreed on was that assigning a large number of engineers (around 200) to the new version so early in the project’s life was inappropriate. They said “it was a waste” since there was not enough work for the newly assigned engineers to be fully occupied. They said it “left product support weakened” since they had the same amount of work from customers with half the previous headcount. They all spoke of a better way to create the two groups and there was consensus on how this change “should have proceeded,” their view was that it should have started with small groups of engineers working on the fundamentals of the new project and only progressively moving people to the new project as the tasks increased. How effective this approach would have been cannot be estimated but the accounts demonstrate that the engineers (and some middle managers) were convinced they had a

better way of orchestrating the change. In their view, top management's approach was both "clumsy and wrong-headed."

A factor contributing to the discontent was the personnel changes that took place at high levels in the Powerhouse group. The Vice President of the group was new. He replaced a well-loved VP. Furthermore, the previous engineering manager was reassigned from Powerhouse engineering to Powerhouse product management (a customer facing group including marketing and customer service). All said, including the reassigned manager, it had been against his wishes. It was apparently hard for people to understand this move since they said the engineering manager brought a high level of quality to the Powerhouse product. The position vacated by the Powerhouse engineering manager was then divided among five different managers, one for the activities related to the current version of the product and four responsible for the new version. Few of these middle managers had strong connections to the groups they supervised. This apparently made it difficult for the engineers to identify with their respective groups.

The Second Reorganization – Mutation by "Negotiation" -- November 2004⁸.

After the first reorganization, more than 30 engineers left the Powerhouse organization, most of them with high levels of seniority and expertise. Some left voluntarily, others were said to have been fired by the Vice President for "not buying it and getting in the

⁸ The description of this reorganization is based on recollections as it took place before my observation period.

way of the change.” During my first conversation with the Vice President in late 2004 similar comments occurred at least three times:

The changes I am doing are very significant with Blue-Tech’s strategy. It is very different from what was done before. Some people have been fired because they were not buying into the new situation and were getting in the way of the change.

During an interview, an engineer in NVE told me about these firings:

Many people got fired at that time [when the new Vice President came]. They would not explain things or what the logic of the change was and asking questions about it was interpreted as a challenge and as a rejection of the plan. People said that he would bring an additional person to the lunch meetings. They were supposed to be lunch meetings but there was no lunch. This person would write down who asked question or seemed to disagree in the meeting and then they would fire those people.

I heard the story many times from others as well and regard it as something of a legend whose “truth” is hard to verify but is widely believed by Blue-Tech engineers.

Engineers and managers said that after the first reorganization “morale plummeted and they were not motivated.” The problems were particularly severe in CVE. According to them, top management recognized that something needed to be done and a second reorganization was announced about 6 months after the first. This time a different process was initiated. Engineers and middle managers saw this second reorganization as an effort by the VP to correct the mistakes made during the first reorganization. An engineer explains:

How did the first change happen? Well we were in a meeting and the manager said half of you will go and half will stay. Lots of people complained and talked to him about how bad they felt. That is why this time they gave us a chance to choose, to say what we wanted this time.

The “chance to choose” the engineer was referring to came on a form distributed via email. The engineers were asked to select and rank three areas where they would like to work, with the caveat attached that there had to be at least one choice in CVE and one in NVE. The opportunity to choose addressed one of the problems the engineers had with the first reorganization. Most engineers said they felt this process “was better than what happened before.”

Human Resources tabulated the results of the survey and apparently tried to match people’s preferences to their new assignments. Yet engineers also noted that there were “closed-door meetings” where managers, as the engineers described it, “moved the chess pieces” and determined the new distribution of work responsibilities.

It was not a smooth experience. An intense sense of uncertainty prevailed fed by the problems created by the first reorganization. People in CVE worried that this would be their last chance to find a position within NVE. They worried what it would mean if they did not get the positions they wanted. Were they no good? Did NVE not want to work with them? “Edward’s story” captures some of the anxieties and uncertainties felt at the time.

Edward's Story

From January to June, I was team lead for Grant's group. There were about seven of us. With the reorg, I was the obvious choice to lead the team responsible for the same function in NVE. It was a natural progression. I was nervous about how my peers were going to react now that I was being promoted to management but they made it very easy. In December, when the new reorganization happened, it was not clear what the management structure was going to be or whether there would be a team responsible for this function. It was not clear what the options were. I applied to positions such as a developer and independent contributor jobs... All the managers got together and huddled for weeks. Your friends would come and tell you that they were meeting and moving the chess pieces that are people. I was pretty confident I would get one of the developer jobs. Then, one day a guy I have never seen before came to my office. He pops his head in and tells me there is a new opportunity that they think is a good fit for me. Apparently, they gave my first choice to someone else and then went around the table and someone else got the second alternative. The same thing happened for all my choices. When the new opportunity in NVE came up everyone said, yes, lets get him. They gave me no time to think about it. But I had not gotten the other ones. What else was I supposed to do? I said yes right there.

When the new organizational charts and assignments were displayed, no one from NVE had moved to CVE. But additional people from CVE had been assigned to NVE. The CVE development manager was able give first or second choices to only 50% of his group. People slowly moved to their new positions at the end of November with the last moves done in January⁹.

In the end, the second reorganization produced additional discontent. Many felt betrayed once again.

⁹ My observation period began when the last personnel movements were taking place. Annex A presents a timeline.

They came up with a new idea in a lovely form that you could tell where you wanted to go and you could choose among all the options. It was applied everywhere. People hoped they were going to be moved. They had their hopes up and then two things happened: they did not get the place they wanted and got pissed off because they were left behind. They don't want us to say 'left behind' but that is how it feels-- and the ones that moved got these crappy positions. (Middle Manager)

Another equally unhappy engineer noted:

I chose to move to NVE. In June [the first reorganization], we did not have a choice we were moved, but in November [the second reorganization], I did select NVE as my first choice. But you know how we also had to pick CVE as one of our options. So you were always going to get one of your choices, it was like choosing between a hit on the head or a jab on your jaw.

In this remark, both groups are described in negative terms. This assessment was widespread in Powerhouse.

There were no other major changes to the Powerhouse development groups in the second reorganization. It focused only on the composition of the work teams. But the second reorganization widened the separation between CVE and NVE. The result was asymmetric. In order to motivate the newcomers to NVE, managers in the group, would tell them that "they had chosen the best." This in turn worsened the morale in CVE and created enmity and envy toward NVE. A CVE manager describes his concern:

I am worried that NVE is saying that they want the best, that they are getting the best, and the people that are left behind might think they are no good, when they might be very good and very reliable. Maybe they don't get the highest performance ratings but they are the ones you can count on showing up to work. I fear that NVE saying they got the best is going to poison the group. (Line Manager)

People leaving CVE who had been trained for a particular task just 5 months before, were now training others to take over for them. These others, mostly new hires, were often working in a remote location. CVE managers began to worry both about losing additional people and about the quality of the training those leaving could provide given that they were just learning the tasks they had to explain.

The NVE group was also feeling discouraged. They had not “progressed enough” on the new version. Some said they had had to reduce the scope of their project repeatedly in order to finish on time. They had had little to do during the design phase and now were expected to cram to meet deadlines. While the mood was more positive than in CVE, many of the people who had recently moved to NVE from CVE “felt lost.” The vignette *Gabriel’s Story* offers a glimpse of what it was like to move to NVE.

Gabriel’s Story

I joined the team late and they told me not to worry. I had not missed anything. But they didn’t notice that as a newcomer, I had it hard. They knew things I didn’t know. I just spent a week setting up the [software’s] environment through much trial and error. When I finally talked to someone in the group, they were like ‘have you done this?’ Well, I had not, but no one had told me about it. There was no documentation. I am trying to learn a new system. It is hard to be in a new work environment. Even though it was in the same company, it was very different.

I did not ask to move. Louis (his boss’s boss) unfortunately did not ask what I wanted to do. They (NVE managers) told me that they wanted me in this new group. My old manager in CVE asked me if I wanted to go. I told him I would think about it over the weekend. I spent the whole weekend thinking about it but I didn’t see any other choice and they wanted my reply right away. I said yes. There was not much choice or changes that I could bring to the offer... I am not really excited but we will see how it goes.

It's hard to work with the team in the other office. I don't know my boss, he's over there. Daniel represents him over here. At least I know Daniel. But they have not sent an email to others in the group that tells them about me joining the team. I don't even have an email list of the group so I could send an email introducing myself. I also don't know if the boss is waiting to send it. They had a team building meeting a month ago. So, they all know each other. But I don't know them. It isn't like CVE where we had people in city one and city two but we knew them. Also, they were in the same time zone. So it's awkward. I tried to set up a meeting with someone and he blew me off a couple of times. It's hard to work like this. Hopefully by the time we chat again in a couple of weeks, I will know more and feel better.

There were many stories similar to Gabriel's. Another engineer that had moved from CVE to NVE said that he had a hard time getting members of other NVE teams to collaborate. In the end, he needed to program a substitute to what the other teams should have provided him but never did. Otherwise, he would not have been able to do his own work. He was struck by how little help was provided by his manager. In his words:

It was hard when I started [in NVE] because no one would help. So I had to do a lot of work that was not mine to be able to do my part. My manager was scared of being dropped so he would not reply to emails. He would talk to you and then change it during a meeting leaving you in a lurch so I hid from him and did not talk to him and tried to get the stuff on email so he could not go back on it.

The second reorganization did not improve people's opinion of the new structure and few of the new assignments were entirely welcomed. The two groups were experiencing problems meeting their deadlines and morale continued to drop.

The Third Reorganization – Return of the Hero -- July 2005¹⁰

The third reorganization began with changes at the high levels in Powerhouse. A new position was created and entailed oversight for the whole Powerhouse operation. The person selected for the position was the former head of engineering who had been working as product manager since the first reorganization --Thomas. With no official explanation of the reason behind the new position, rumors circulated among the Powerhouse group. A few suggested that the Vice President –Mitt-- wanted to focus on the newly acquired firm¹¹. Others said the Vice President wanted to distance himself from the problems the NVE project was facing.

But, whatever the reason, the reaction to this announcement was positive. Thomas was well-loved. He was seen to have a different style of managing from Mitt's. Moreover, he was an “engineer” and was regarded as one who knew the product and the work that it entailed. He was more in line with an idealized vision of the “perfect manager.” Mitt, on the other hand, was seen as a “manager” and was blamed for everything that, according to them, was wrong. To them, Mitt was one of those “business school people who had taken the firm away from the engineers.” Thus, Thomas was a “return to the basics.” Hope spread among the Powerhouse engineers and even middle managers felt that “everything would be better now.” CVE group members felt Thomas would notice all the

¹⁰ This reorganization took place during the observation period and I attended the strategic meetings.

¹¹ The details of the acquisition are discussed in chapter 5.

work they had done and know how important they were. NVE group members believed Thomas could and would figure out how to make the project work.

When Thomas began, he immediately convened a series of day-long meetings. These meetings included all the managers of the development groups, who, in turn, were free to choose who from their teams would be present. Managers from other functions besides development were also present. These meetings were not however notably different from the ones convened for the first and second reorganizations. Both were closed-door meetings. Nor were the objectives of these meetings clear to the engineers. Yet, the meetings associated with this third reorganization were received with a different attitude. The generalized sense of hope and expectation that came with the announcement of Thomas as the new head of the group colored the perception of the meetings. These meetings, to group members, “were not going to *cause* problems like the others but would *solve* them”¹². The leader was the only person who could solve the problems of the group. The Powerhouse group rallied behind the returning hero and put their hopes for the future in his hands.

When the meetings concluded, the personnel assigned to the CVE development group did not change. To the CVE engineers and middle managers, they emerged the “winners.” Moreover, they received recognition from the new head of the group for the two small releases that they had recently produced. The group was publicly commended.

¹² The group’s reaction to the newly appointed manager closely mirrored Bion’s dependency basic assumption group (Morgan & Thomas, 1996).

On the other hand, the structure of the NVE group (as well as the project definition itself) had changed significantly. One of the largest remote groups in NVE was separated from the other NVE project teams. A few remote engineers were added to one of the now three remaining NVE teams. The NVE project was once again reduced in scope.

To some engineers, it seemed strange to reduce NVE headcount when the project was in difficulty. The managerial rationale was that the project would proceed more effectively without a remote group operating in a different location. NVE also receives a new series of milestones. The project was restructured with the objective of being able to identify potential problems earlier. The engineers' reaction to this change was initially positive for it gave them "breathing room" as priorities changed.

Following these meetings and the announcements that came in their wake, morale seemed to improve. There was a marked change in the environment. Hallways that had been eerily quiet, now housed animated discussions of how the changes were going to improve the projects. The project tracking meetings attracted enthusiastic participants. There was a vibrancy in the group that I had not seen before.

Beneath the surface, however, some in CVE remained skeptical that the NVE project could be saved or was even worth saving. During CVE staff meetings, many participants would have dire predictions of NVE failing and proposed that the people currently in those teams should be reassigned to CVE where they were needed. There was also

widespread concern that with all the reductions in scope the NVE project had suffered, the end result was not going to be palatable to the customer. This was a common topic of conversation in CVE engineering meetings.

There are several differences between the first, second and third reorganizations that help explain why they were so differently received. One has to do with the leader in charge of the change. Another, with the sense of urgency and need for change felt by group members; and third, the degree to which the information surrounding the changes was shared.

The first two reorganizations were led by the Vice President (Mitt). He was new to the group. Thomas, who led the third reorganization was someone whom the group trusted and liked. Thomas was seen as someone who understood and knew the Powerhouse product well. He had been an individual contributor in the division and progressed to managerial levels. Mitt arrived from outside the group as a Vice President. He seemingly had not taken time to learn or understand the product. From the point of view of those in the development group, the distinction was simple: “Mitt is a manager” and “Thomas is an engineer.” Even though Mitt had worked in highly technical organizations throughout his career and Thomas had not worked as a bench engineer for years, the distinction held¹³.

¹³ For technical cultures Knorr-Cetina (1999) shows that it is important for the group to see their leader as someone who is technically capable. It is easier for them to follow a person they perceive knows what is truly involved in the day-to-day work. This was reflected in the Powerhouse group’s reaction to Thomas.

The role of “change leader” seems particularly important within Blue-Tech. As described in Chapter 3, there was a history of “strong leaders” in engineering within the firm. They were seen as semi-father figures. Powerhouse engineers and middle managers had become accustomed to being “taken care of” and not having to worry about the “managerial aspects of their work.” It was not until these figures disappeared that middle managers had to perform performance appraisals or salary calculations. With top leadership demanding more from middle managers, stress increased in the first two reorganizations. But with a familiar manager coming back to direct the group, a return to the “good old days” might be possible.

A final differentiating aspect of the reorganizations was a marked difference in the group’s perception of the need for change¹⁴. During the first and second reorganization, a felt need for change appeared to be absent among those in the development group. A year later, at the time of the third reorganization, problems were obvious to all. The NVE group had been facing acute difficulties in meeting deadlines. The rapidly approaching project deadline created a shared sense that change was necessary if the project was to have any hope of success. CVE was also finding it difficult to complete their work on time and with the expected quality. They had been feeling marginalized, living in the shadow of the NVE project and the change was welcomed.

¹⁴ Schein identifies this as a key factor that needs to be present in order for change to be successful (1988; , 2002).

Some processes did not vary across the reorganizations. The level of formal communication was not significantly different. Only few emails from senior management accompanied the structural changes. But there were qualitative differences in the communication that accompanied each reorganization and these appear to reflect how comfortable people felt in sharing what was happening during the meetings. During the first and second reorganizations, secrecy was said to be the norm. Little was shared. During the third reorganization, despite Thomas's expressed wish to keep some things quiet, participants in the meetings kept those outside well-informed. Furthermore, participants invited others to the meetings at their own discretion. Even during the meetings instant messages would be sent to people who might be affected by the changes being discussed, inviting them to join the meeting. Hence, people would come in and out of the meeting as necessary. There was a degree of freedom absent in the other reorganization meetings.

Powerhouse in the New World

The working environment of Powerhouse's development group was severely altered by these reorganizations, in particular the first and second ones. The new structures brought with them changes to the working dynamics of the groups and to the individual relationships group members had with top management and each other.

When asked about the effects of these changes and how they interpreted them, Powerhouse group members often lumped the first and second reorganizations together

and treated them as one. When asked about the *how* of these two reorganizations, they would separate them clearly. But when talking about the *consequences*, they would combine them. I follow their convention below.

The First and Second Reorganizations

Between July 2004 and April 2005, 60 of 300 people had left the group. Both CVE and NVE had what all called “morale problems.” More critical to management, however, was that the projects were incomplete. Powerhouse group members attributed most of these difficulties to the changes themselves.

There have been lots of changes, lots. This is the most I have seen and I have been through too many. But this one is impacting people more than any others. People are feeling it more than ever. Even when I think of when we moved half of the organization to another division it was not felt as much as this one. You know, even when we had Derrick [the founding engineering manager] and all engineering was under him. I don't remember people feeling this way. I don't know why that is, I just know that I can feel it from people. Never had I seen people as tense as I see them now. (Staff Member)

This quote comes from an interview in April, ten months after the first reorganization and five months after the second, but their effects were still strong.

CVE had to deal with their lowered status vis-à-vis NVE. But NVE members were not altogether pleased either. In fact, most of the engineers who left the organization at the time were from NVE. Most left to go to other positions within Blue-Tech saying they were unhappy with the way their Powerhouse project was being managed and executed.

The way the NVE CVE split was announced and managed could have been better. It was pretty messed up. They tried to do a first attempt about 6 months ago (July), they cherry picked who they wanted to go to NVE. That was very bad for morale. We were told that we were going to handle all of CVE but that was scary because then it is very easy to rub CVE out. That lowered morale. We heard lots of people walked out of headquarters. They should have been happy about the new positions but they did not like how it was done and they lost about 50 people. (Middle Manager)

Many elements contributed to the general sense of unrest in the Powerhouse groups: the disbanding of the traditional teams, the added burden of heavily dispersed teams, and the perception that top management did not value them. These will be discussed in the following sections

Disbanding of Teams

After the reorganizations, team members were dispersed among different sites and new members brought into old groups. Previous work groups had been stable for years. Strong relationships were therefore broken up. Cohesion vanished. A large portion of newcomers was added to Powerhouse (a third of the entire group and half of the NVE engineers). Working relationships were significantly altered.

*Since the July and the November changes, I work pretty much by myself. Before, when we were doing more full features, we collaborated, we were a team. Now, we are still a team but it is more like a group of people.
(Engineer)*

This engineer goes on to note “the loss of the team spirit” he remembered. This sentiment was widely shared in the organization. Members remembered their old groups as having

been cohesive. The teams had the same makeup for years. The work flow was easier. They knew each other's strengths and weaknesses. The new organization scrambled existing work groups so that individuals now had to navigate their way in a new and unknown work structure without support. Many noted that "placing people together on an organizational chart is not enough to create teams."

The team gel factor is critical. Having 10 people does not mean that people are going to work together. (Engineer)

There is no sense of team and that is a vacuum for me. I am very team oriented. (Line Manager)

While occasional reorganizations are helpful and reinvigorating, a reorganization every few months is destabilizing, damaging, and prevents the formation of strong bonds among team members. Furthermore, since computer programs are often complex and difficult to learn, the continuous shuffling of programmers guarantees that invaluable specialized knowledge is lost. (Comment on the 2005 Employee Satisfaction Survey)

Dispersed locations further contributed to the lack of cohesion for both NVE and CVE. One of the NVE teams became known as "the team that does not play well together." Their problems getting members in different locations to collaborate were extensive. In an attempt to improve the working relationships in the team, all the members were brought together by their manager at headquarters for a two-day meeting. For the group members this exercise was beneficial but they all felt "it was too little too late." Barriers had been created throughout the eight months they had been supposedly working together. Half of the group was part of an acquisition and was located in a separate office. They had different expectations and standards for what is "good software." The meeting

helped diminish these barriers yet they continued to feel they had not disappeared after they get together. Furthermore, they existed in full force for anyone who became part of the group after the event. Yet, this gathering was one of the few occasions where middle managers actively tried to foster team spirit.

A manager describes the increased complexity in his remote office after the first and second reorganizations. There were 51 employees in the office.

Neil [site manager] made a list the other day that the people in this office were reporting to 17 different bosses in headquarters. That is very sub optimal. It broke the cohesiveness of the group. Now they're crazy, running around looking for somebody and it ends up that it's your neighbor who knows the answer. They took all these people that worked together and now they don't talk to each other. Now it's a hallway of shut doors you only hear people on conference calls with people in headquarters. (Line Manager)

There were also fundamental work-style differences among group members. The groups now mixed old Blue-Tech employees with those from a number of recently acquired companies. The acquired companies tended to be small firms and their engineers were used to more flexible tools, faster response times, and, critically, more power to influence a project's direction. They said they now needed to "learn to work in a big company."

I have been outspoken about meetings not been a good use of time. They [Blue-Tech] seem not to know how to do software. Project management is running engineering. In a normal place they will help finish. But, in our meetings, we don't talk about software, just when one activity is going to be done. Before [being part of Blue-Tech], we would not have daily meetings until the very end. It shows a lack of understanding of software. Their emphasis of where they are at sacrifices to where they are going. (Line Manager from acquired company)

The pace of innovation has changed [since being part of Blue-Tech] it is much slower. The division of resources is different. People used to be more exposed to the product. Now they look at a little piece of the engine. Also, the overhead is a hindrance to progress. Decision times are longer and the ability to influence them has almost disappeared. There are morale issues. We used to be engaged in the success of the organization, now we don't see the impact of what we do. It is becoming a paycheck. (Engineer from acquired firm)

There is less receptiveness from managers to hear questions, to the point that this site has a reputation that they ask too much, complain too much. (Line Manager from acquired firm)

During a visit to the offices of an acquired firm, it was obvious that the people who worked there did not identify with their new Blue-Tech work group. They identified with the people who worked at the site with them. But even that identification was weak because there was little interaction at work among them since now they belonged to different work groups.

Skipping lunch does not bother me so much. Before [being part of Powerhouse], we had good socialization at lunch. We would have a good snowball effect and a good number of people would go together to the food court. Now, with the meetings, we can't do that. Many times I am invited to lunch with them but I cannot go. I guess I have more meetings than the engineers. I have read that for teams to gel, they need to have lunch together. Here we are going in the wrong direction with the organizational change. (Line Manager)

It wasn't so bad before we were in Powerhouse. The problem began when they broke the team. We've lost all our productivity we seem to have lost all of our spirit and we are supposed to obey headquarters. Here the philosophy is very different. We care about the quality of the product and that causes many problems with higher ups. (Engineer) (I-C-11/3)

In CVE, engineers found themselves having to deal with the negative attribution of their assignment. Being part of CVE was a stigma. It meant one was working on the “boring

stuff.” It was seen by others and by members of CVE as “a dead end job with a high risk of being outsourced”¹⁵. The majority of members in the early months of the reorganization did not want to be in CVE and this certainly affected how they worked together.

The lack of cohesiveness and the disappearance of the informal structures had a direct impact on productivity and effectiveness. Deadlines were continuously missed. The links between groups were fraught with problems and delayed work as each side blamed the other. Finding the appropriate person to answer a work question became a monumental effort. Engineers needed to find new ways to get their work accomplished but they could not rely on their teammates. The informal channels that had served them well in the past were severed.

The new dispersed structure proved difficult to manage. It added an unexpected layer of complexity to the work. Management apparently did not recognize these problems and much time was spent trying to get the new reporting and collaboration lines to work. The following quote from a former member of Powerhouse illustrates how the new structure affected work:

When Mitt reorganized, it was my impression that productivity went down. Not so much because of the reorganization itself but much of what was done before was done through informal channels. Engineering was not strong on formal processes. The reorganizations broke those down. Your peers are now in another office and you have never seen them. It took a

¹⁵ This aspect of CVE will be analyzed in Chapter 6.

*while for those relationships to be built and they are not as strong now.
(Engineer)*

The disbanding of previous teams, the difficulty in creating new teams, and the difficulty in creating new connections and relationships made work less efficient and created an unappealing work environment.

Views of top management

The reorganizations also changed the way group members saw top management and how they thought top management saw them. They believed management saw them as “fungible parts.” This perception was, of course, inconsistent with how they saw themselves and their work.

The lack of communication from management about the new organizational structure and the seemingly arbitrary positions some engineers were assigned to (as well as the manner in which such assignments were made) were interpreted as top management’s “not caring about them.”

This company does not think about how people feel about things. They have put processes in but they change them all the time, so it never works. This reorg is just adding to it. The people feel this is not the human way to do it. They are not taking into account the ability of people to adapt. The executives make the decisions but don't think whether their people can make it and don't think if it is good for the company. (Engineer)

When decisions were made, personal factors were not taken into consideration ... I believe that personal factors are more important than the technology, especially when what you do is very complex. You can't

just move people aside. But for someone to realize this, they would need to have an understanding of the complexity of the product and the people on top are not aware of it. I think of it like medicine. You can't just take a surgeon and expect that the new one will be as good as the one that had all the experience. (Line Manager)

The problem is that Mitt thinks it is all details. You know, that moving 25 people is a detail. All the peons look the same, I guess, to him. So what does it matter, if there are 25 here or there is the same. But, then, they are people. (Middle Manager)

Does anyone at the upper level of management ever sit down and critically and realistically assess the factual cost, direct and indirect, obvious and hidden, short-term and long-term, impacts of any reorganization and its impact on short-term and long-term productivity, effectiveness, and operational efficiency ???? Doing more with less is a catch-phrase that works IFF (if and only if) you have a stable workforce. When that work force is shuffled around, productivity suffers. Do not talk about productivity improvement unless the real commitment is there to make fact-based informed decisions. (From the 2005 employee satisfaction survey)

As these remarks show, the engineers and their supervisors felt management treated them as “interchangeable pieces.” They were just “chess pieces” to be moved around. It was difficult for the engineers to mesh the feeling of being interchangeable with how they saw their work and themselves. There is a widely shared notion among software engineers that there are significant competence differences between individuals.¹⁶ They see their work as a complex art. Experience matters. The new assignments seemed to not take this perspective into account¹⁷.

¹⁶ There is a common saying among software engineers that an excellent engineer is worth ten good ones, and that one good one is worth 10 mediocre ones.

¹⁷ Chapter 6 will describe another factor that contributed to the perception of interchangeability.

[Management] thought they can commoditize engineers and it is not true. Not everyone has the same skill set, the same abilities. People are not interchangeable, especially software engineers. (Engineer)

When the first rebalancing occurred, people were pretty unsettled with it. Management got together and huddled for an inordinate amount of time and then divided people like property. It was as if we are just things you can move around, as if they are interchangeable. (Engineer)

Moving people from here to there, breaking up groups, is not right. (Engineer)

I feel that we are not treated differently from computers. We're just assets, replaceable. (Line Manager)

Management's perceived lack of understanding spilled into other areas. Not only was management seen as unable to understand the work of engineers, but also they "did not know how to do their own jobs." From the individual contributor to the highest level of management I had contact with, all thought their managers and all the layers above did not know what they were doing.

Things have changed so many times that people think managers don't know what they are doing. If you know they have a plan, then it is OK. But when management backtracks and changes, morale is affected. I know some change is needed but this is so crazy. You have to stick with it for a while. (Engineer)

Management is disjointed. They sit there up in the clouds. They are separate from us working on the ground. (Engineer)

The attrition rate was very low even during the boom when people were leaving to work in start-ups. During this change, I noticed a lot of people were not here anymore and, given the economy, this is surprising. But with the way the change was communicated and how big it seems to be, it was my impression that people lost confidence in the abilities of executives to make decisions. Lots of people I relied on left. (Staff Member)

Managers were looked at with suspicion. The second reorganization further shattered people's image that management knew –or should know-- what they were doing. Indeed, simply the fact that there needed to be a second reorganization was enough to drive this point home. The group shared an idealized image of a manager, an image that originated in the original leadership of engineering at Blue-Tech. There were numerous stories told about “the good old days.” Engineers and the middle managers who had been there at the time, talked of a leader who knew all the products, defended his group from all others, and knew all the engineers personally. It was this image that the Powerhouse group contrasted to their current leadership.

The Third Reorganization

As I noted before, the third reorganization brought with it a resurgence of excitement and motivation to Powerhouse. The separation of the remote team validated NVE's complaints that geographic distribution was slowing their progress of the project. It made them feel more confident about their work. Soon after, however, it became apparent that the NVE project was not in better shape. Nor had CVE increased its centrality in the organization.

During the meetings on the third reorganization, NVE managers were asked to provide dates for the completion of the project. They submitted over-confident estimates and quickly found themselves not being able to complete the work as promised. This brought about a widespread realization that NVE was in trouble with or without the

reorganization. Tracking meetings in NVE went from three times a week to daily and turned into a discussion of date checklists rather than a discussion of software. The most successful NVE group was the least distributed one. Certain key members decided to leave. The project continued to lag significantly and reached a crisis at the end of the year¹⁸.

I say about people in NVE that I have never seen so many people working so hard and accomplishing so little. We used to be more efficient. (Line Manager)

In CVE, the third reorganization did not change their structure but it, nonetheless, had an effect on the members of the group. They began to feel that “finally someone had realized the mess on the other side of the fence (NVE) and was doing something about it.” Moreover, they felt that their own group had managed to produce results even under adverse circumstances. The spirits of those in the CVE group lifted. Yet, CVE continued to believe they were viewed as marginal in the eyes of management. And, members of CVE pointed out that the group was not included in the organizational charts published by the division, an oversight that continued for the rest of the year. More critically, perhaps, CVE’s third release required fundamental changes to the product and it turned out to be more of a challenge than expected. Most of the group’s members were by this time new hires in Asia.¹⁹ They had little experience in the field and the difficulties escalated. The project was repeatedly delayed.

¹⁸ The details of the state of the project at this point will be discussed in “The Sad New Days” Chapter.

¹⁹ The details of the effect of the new group in Asia are discussed in chapter 6.

The positive attitude toward the new Powerhouse manager, the savior, began to wane as they realized that he could not affect the Vice President's decisions. They discovered that deadlines and content were not completely under their "savior's" control.²⁰

Differences between CVE and NVE

As shown, the impact of the reorganizations was complex. It was both positive and negative for both CVE and NVE groups. The excitement of being part of the new project helped people in NVE to initially embrace the content of the change. Their challenges came mainly with the new reporting structure. But, over time, their morale and motivation plummeted as they faced serious difficulties with completing their work and were frustrated by how the project was managed.

CVE members had fewer geographical challenges, but they had to deal with their marginal standing within the organization. The second reorganization furthered their sense of "being left behind," since the NVE project appeared to be management's priority.²¹ The marginalization was also evident in many aspects of their everyday work. NVE, not CVE, had first call on the use of equipment and lab time. NVE received a

²⁰ The details of the state of the project at this point will be discussed in "The Sad New Days" Chapter.

²¹ Right after the first reorganization top management's attention on Powerhouse was completely focused on NVE. After the second reorganization, a new company was acquired and it absorbed top managements attention as described in the following chapter. Top management's attention to Powerhouse dropped significantly and fewer resources were directed to the NVE project and even less to CVE.

higher share of stock options on a per capita basis. Their salary increases were higher.

One CVE manager described the group's position in the organization as follows:

People see us as a leper colony, that is the term I heard. A pretty bad image. We are what no one wants, what is left, the ones that don't know how to do their jobs. That we are going to fail. I have heard all of these. (Middle manager)

With the formation of the CVE group within the division, I truly feel that my own career path (as well as that of my team) in this functional area, has become severely limited. I can see evidence of this as my Colleagues in the 'NVE' project enjoy greater scope for change, better challenges, more responsibility, and better promotion prospects. (From the 2005 employee satisfaction survey)

When announcing the first reorganization, top management described CVE as doing “maintenance work.” This is what software engineers consider the least interesting and challenging type of work. The NVE project was framed by top management as “The Answer” –it would address all the shortcomings and problems of the current version. The implication, of course, was that CVE was second-rate. As one CVE group member described it in the 2005 annual employees survey:

This area has suffered greatly since the Split between NVE & CVE in my opinion. Since our immediate future focuses on Service Packs & maintaining the 'current' Product, the spark & drive to want to constantly improve and enhance our product & customer experience is severely diminished.

Interactions between NVE and CVE were also discouraged by Blue-Tech management. NVE managers did not want their “future oriented” task groups distracted with “mundane” day-to-day concerns. A gulf emerged between the two teams. It seemed as if they worked on completely different products instead of two different releases of the

same product. On those occasions when CVE needed help from one of the NVE engineers, “permission” to talk had to be granted by management and there were several layers of hierarchy involved in the granting of such “permission.” One CVE engineer describes how his relationship with friends in NVE were affected:

It has been strange. Some people [in NVE] that were more than colleagues to me, I considered them friends. When they transitioned to NVE they would not talk to me anymore. They would walk by and not say anything, ... I did lose some friends. (Engineer)

At the individual level, engineers in CVE wondered about the reasons why they had not been chosen for NVE and what this meant for their future. Two CVE managers describe the concerns of “their people” about not being part of the NVE group:

My team lost half of the people in it. It is not easy to maintain the level of expertise when you lose that many, ... There's also a problem that people feel left out if they stay in CVE. They all think that the future is in NVE and they do not know what's going to happen with their jobs. (Line Manager)

The people that are in CVE feel left behind. The jobs are not going to go away but it is human nature that if you are not in the first group to move or the second one to move, you start to worry about it. (Middle Manager)

While it has been shown that marginal groups often develop strong collective identities to cope with their perceived marginality (Ashforth & Kreiner, 1999), this was not the case in CVE. Yet, the situation for the CVE members improved as NVE's deteriorated. When those in CVE realized that “the grass was definitely not greener in NVE,” the envy and desire to move diminished. However, the connections within the CVE group did not strengthen.

Chapter 5

HEAT Acquisition

Chapter 5 HEAT Acquisition

Introduction

Mergers and acquisitions (M&A) are common in today's workplace. M&As are expected to happen more often, more quickly, and to produce results sooner than ever before (Angwin & Vaara, 2005). There has been significant interest from researchers in understanding the M&A process, especially the high failure rates. Research in the field of strategy has focused on choosing the appropriate target in order to increase the likelihood of success. Organizational research has focused most intensely on the integration process post-M&A (e.g., Blake & Mouton, 1985; Schweiger & Goulet, 2005). Culture has emerged as the leading construct to explain the problems that arise and to provide ways to avoid or manage them. The research has almost exclusively focused on the acquired organization and it has tried to inform the actions of managers from the acquiring or dominant firm.

The way top management handled an acquisition was a key factor in the process of de-socialization of the Powerhouse group. The target of the acquisition was a small software firm with an innovative application that opened a new market for the acquiring corporation. At the time of the acquisition, top management wanted to avoid some of the problems the organization had experienced in previous acquisitions. They had experienced difficulties integrating the two cultures particularly since many of the acquired firms were much smaller than Blue-Tech. The result of the acquisitions had not met expectations. Their preemptive response was to use many of the solutions proposed

by the literature to anticipate and manage integration problems. The profile of this acquisition, a significantly larger firm acquiring a small start-up, seemed to put all the burden of change at the acquired firm's door, a perception shared in the literature (e.g., Allred, Boal, & Holstein, 2005; M. J. Epstein, 2004). So, in this case, top management acted in line with the recommendations of the literature; it dedicated most of its attention to the new group, and the members of the core group were plagued by feelings of uncertainty and powerlessness. The acquiring firm members responded to the acquisition and its effects by separating themselves from the new group and making integration and potential synergies harder to achieve. They lost confidence in top management. The group's productivity and effectiveness were impacted negatively, and they experienced increasing difficulty completing projects on time and with the desired quality.

This chapter describes the unexpected consequences of top management's focused attention on the new unit to the detriment of the old.

Blue-Tech's Acquisitions Background

Previous experience with acquisitions affects the likelihood of success of subsequent acquisitions (Zollo & Singh, 2004). This section provides a summary of the acquisitions activity at Blue-Tech, in particular those connected to the Powerhouse group.

The first acquisition that was integrated with the Powerhouse group took place in 1999 when they acquired a small software firm. The firm was acquired in order to take

advantage of its product and to integrate it with other components Blue-Tech was selling. It significantly improved Blue-Tech's software offerings. At the time of my observations, 6 years had passed and the two groups were well integrated. People knew each other's names and knew people's skills and specialties.

Blue-Tech became more aggressive early in the new century. The acquisitions at this time opened new markets for Blue-Tech and became central to their growth strategy. The president of one of these newly acquired firms became a top manager in Blue-Tech's. The firms created a new dynamic; employees located at the head office began to wonder if in order to have a future in Blue-Tech it was necessary to work in one of the acquisitions. Those currently in the company remember top managers' all-hands meetings where most of the time was spent talking about the new products and results of acquisitions. Little attention was paid to the core products (Powerhouse being one of them) which were (and are) the top revenue producers of the organization.

In 2003 Blue-Tech made several more acquisitions. One became part of the larger division that comprised Powerhouse and would later, in 2004, be absorbed into the Powerhouse NVE project. It, along with another acquisition, faced integration problems, especially when reporting lines included people in other locations who had never met.

The HEAT Acquisition

HEAT was a small company situated a good distance from Blue-Tech headquarters. The acquisition of HEAT was announced at the end of 2004 just as I began my fieldwork in the firm. At that time the price of the acquisition was agreed upon and the integration teams began to meet and develop plans. HEAT had then approximately 300 employees and one main product.

HEAT's product opened a new market for Blue-Tech. The initial goals were to increase market share and presence in this market. This did not require close work with the Powerhouse team. Later in the year, HEAT began to work on a new product based on their original product, with additional modules so that it could work with Powerhouse. The new product would tap into the Powerhouse market—where Blue-Tech dominated—providing more services to the customers. This project required close work with members of the Powerhouse team.

The Powerhouse division's Vice President served as head of the HEAT group with four direct reports. Some middle managers from that group were assigned to positions in HEAT and later some engineers requested transfers to it. Support functions like sales and finance were consolidated into Blue-Tech's machinery. Engineering, including development and quality assurance, was kept independent. Internally HEAT was reorganized in a similar fashion to the structure in Powerhouse, with a team working on the current version and another working on the future version. Four months after the

acquisition, in addition to the four direct reports from the HEAT group, an additional HEAT manager reported to the Vice President in a new support position for the whole division.

Evidence of Top Management's Shift of Attention

I found that top management was consciously focused on the acquired group. they seemingly wanted to avoid the problems experienced with other acquisitions (as noted target firm members had found it difficult to adjust to the Blue-Tech's culture and the results of the acquisitions failed to meet expectations). The time senior managers spent with Powerhouse employees declined, resource allocations consistently favored HEAT, and the revenues and results of the acquired businesses were prominent in Blue-Tech's reporting regardless of their significantly smaller returns when compared to the core business that included Powerhouse.

The focus on HEAT was so intense that when I began my fieldwork the division's Vice President --Mitt-- tried to convince me to observe the new group. "Everything was happening there," he said. In a later interview, he noted that the acquisition has "made me less available to the Powerhouse group," but he did not perceive this as a problem. He went to say that because the plan he had for Powerhouse had been put in place (i.e. the new organizational structure), his narrow focus on HEAT and the uncertainties surrounding the acquisition was the "appropriate action."

I am not as available to [the Powerhouse group] as I used to be. HEAT has sucked up my time. I had left the plan in place for Powerhouse and then worked on the acquisition.

The actions taken by top management echo the recommendations from the acquisitions literature. High-level positions of HEAT were filled by HEAT employees and they occupied a strong position in the organizational structure of the division. Top management was available to them. Mitt would attend at least one weekly three-hour meeting where the progress of HEAT's projects and integration issues were discussed. Human Resources organized cultural learning interventions to familiarize HEAT employees with the culture of Blue-Tech. These came in the form of off-site activities and training sessions. Only people from HEAT participated.

The Powerhouse group felt top management's change of focus. Several events are pertinent to this change of focus in the company.

The All-Hands Meeting – April 2005

In April, Mitt organized an all-hands meeting for the Powerhouse CVE team. This was requested by the CVE engineering manager "to help motivate employees." The presentation lasted 75 minutes of which 25 minutes were spent talking about HEAT. The Vice President seemed excited about the acquisition and its potential. He emphasized what Powerhouse could learn from HEAT. There was no mention of a need to share what

Powerhouse does with the HEAT team. The following quotes are from the Vice President during this meeting:

We just closed a transaction called HEAT. It will help us move from where we are to include [new market]. It is not because we do not like where we are but because we want to grow more. On Wednesday, most of you will meet David, one of the founders of HEAT, and now he is the CTO of my division. One of the things we are asking of this group is to take a look at HEAT and figure out how quickly to leverage and use it as a competitive advantage. We need to figure out how to integrate it quickly into the Powerhouse product line.

You will hear us talk more and more about HEAT. David is here to start the socialization process so we learn what HEAT does.

These remarks show that what is salient for the Vice President is the acquisition and the possibilities it creates. The way it is communicated implies that it is Powerhouse not HEAT who has something to learn about how to do things.

It became clear to Powerhouse engineers that HEAT was perceived by top management as innovative and that CVE and Powerhouse had become less important than HEAT.

During the meeting the possibility of people moving from CVE to HEAT was mentioned, but without details or a plan of action.

After the meeting, when I asked participants what they thought, their response can be summarized by the response: "All that I heard was HEAT, HEAT, HEAT." There was evident resentment. Middle managers were disappointed. They expected more

information on the future of their group and engineers expected more recognition of their own work.

Other All-Hands Meetings

During the quarterly all-hands meeting for Blue-Tech's, reporting was divided between acquisitions and core business. The grouping "acquisitions" included all acquisitions even those made over three years before. The accomplishments of the different acquisitions were described in detail, emphasizing the growth possibilities and the message was clear: They were the future of Blue-Tech. Most of the Powerhouse team members did not listen²² to these presentations. They felt they did not concern them and were irrelevant to what they did. The ones who did listen felt that the presentation was "unfair" because, they said, their work was dismissed "because top management did not understand it and therefore did not value it." These meetings strengthened their perception that top management was not paying attention to Powerhouse. The following conversation between several Powerhouse development managers took place a day after the second quarterly meeting of the year.

John: Did you listen to the all-hands? It was a rah rah rah session. He did not really mention us. He only said we were flat against the previous quarter. I am disappointed.

Jack: Yes, it was all about Tulip.

John: I think their numbers are fishy.

Jack: Yeah, I agree something did not look right.

Geoffrey: So it was all about them?

²² The presentations were done via webcast. You could connect to it with your computer, see the slides and hear the voices of the presenters. Attending was not a possibility.

Jack: It was everything but us. SecurityPlus, Tulip, HEAT. We disappointed. I would have thought we were not there.

John (forcefully): The cash comes from here.

Thomas: Again it depends on your goal, but they are risking a rift with the traditional. I was expecting a change of behavior, I thought it was going to change. Was it really all acquisitions?

Jack: I wonder if we are going to feel like the remote site now? That to have a future in Blue-Tech, you need to be there.

Jack: It felt like that.

Resource Allocation

Beyond the way top management presented HEAT and Powerhouse, changes in the pattern of resource allocations provided further evidence to Powerhouse of top management's focus on the acquisition. HEAT became competition and Powerhouse found itself on the losing side²³. At the time of pay raises, options assignment and awards allocation, HEAT received a significant portion while the overall budget did not increase accordingly. The percentage increase in budget that usually went to Powerhouse, went to HEAT.

Powerhouse team members, particularly middle managers, paid close attention to such changes. Discussions of how resource allocation decisions continually favored HEAT were common and it was perceived to be a zero-sum game.

²³ As predicted by Ocasio (1997). Ocasio proposes that management's focus of attention will determine who receives resources, what decisions are made, and what alternatives are considered.

It is impossible to get time with Mitt [Vice President], he is always at HEAT. (Middle Manager)

Justin: Did not we get 10 gift certificates?

Andrew: We used to but now Mitt is giving like two thirds to HEAT in the 'non favorites' management style (sarcastic tone).

In Mitt's staff meeting they were talking about replacing people that have gone. But out of 50 vacancies only two openings were approved. I guess they are trying to figure out what HEAT needs. It used to be transparent, not any more. (Middle Manager)

Now HEAT is asking for an additional month. That was rejected. And Mitt now says that they are going to move all the resources they need. He will delay our project to make theirs happen. (Middle Manager at staff meeting)

HEAT and Powerhouse are having a fight. They're not yelling at each other but it is a turf fight over resources. HEAT wants 5 people and is saying that the deadlines will make their project late. There has been conflict. Thomas [Powerhouse product manager] told the HEAT manager to escalate it, and he will and you know how it will go. HEAT will go to Mitt, he will say yes, and he'll tell Thomas to give them the people. He doesn't realize what it means for us. (Middle Manager)

Where CVE is going has changed. Everything after [current CVE project] has had its scope reduced significantly. It is not what we had anticipated. In Mitt's organization, Powerhouse is very important, but everyone's focus is the next version, not the current base. The other thing is HEAT. As I sit in these meetings, I see there is lots of focus on HEAT. (Line Manager)

An organizational change (see Figure 1²⁴) resulted in HEAT having more direct reports to the Vice President than Powerhouse. HEAT received more additional head-count after the acquisition. All this evidence reinforced the impression that top management's attention was focused on HEAT. The problems the lack of attention created within

²⁴ Compare with the earlier Organizational Chart in Chapter 2

Powerhouse went unattended precisely because of top management's focus on HEAT. In the end HEAT was negatively affected by it, along with Powerhouse.

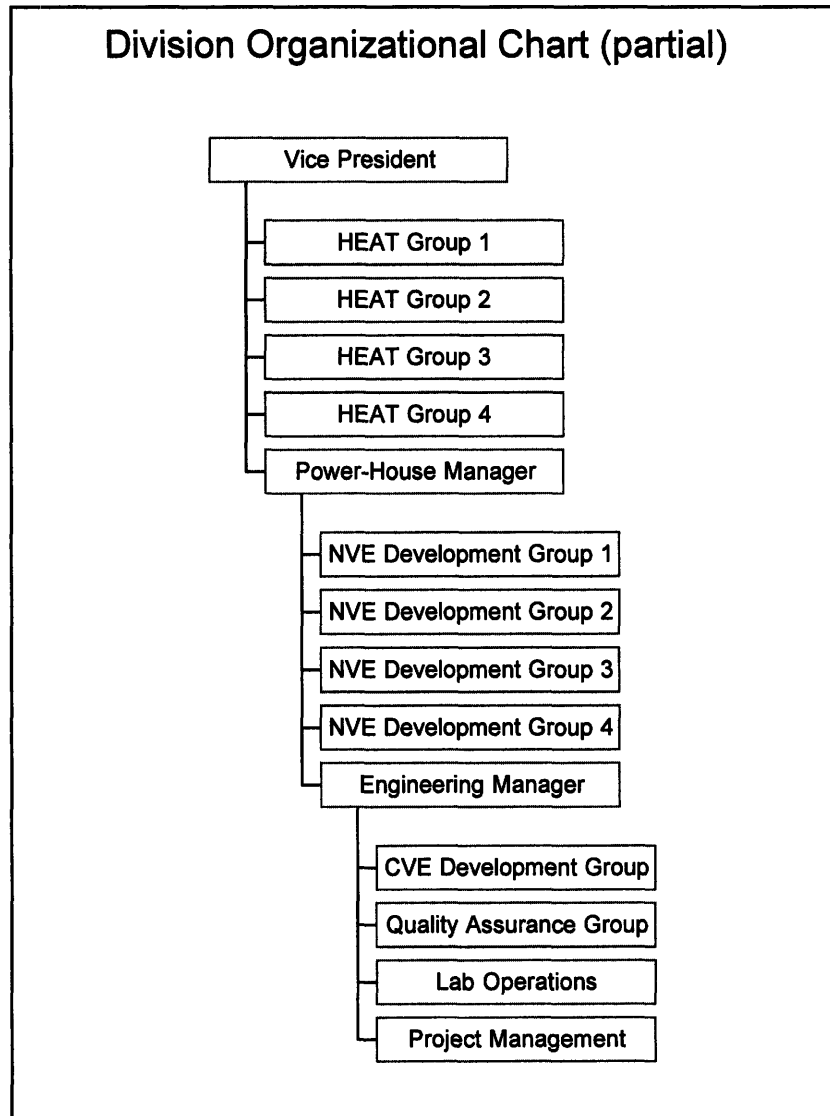


Figure 1 Organizational Chart June 2005

Consequences for Powerhouse

The effects of top management's lack of attention on the Powerhouse group were two-fold. First, it created feelings of uncertainty: engineers and managers did not know what

to expect and what their role would be in the future. Second, it created feelings of powerlessness: engineers and managers, in particular, felt that the situation was unfair and that they did not have a way to respond.

Feelings of Uncertainty

One impact of the way management handled the acquisition was that feelings of uncertainty about the future surfaced among the members of Powerhouse. There were two sources of uncertainty: (1) what the future was for Powerhouse as a group, and (2) what the future was for the Powerhouse group's members. The lack of communication from top management about it both created and amplified these feelings. Little "official information" was shared with the group about what their future would be like, how the acquiring and target teams would interact, and what impact the target team would have on the future.

Powerhouse's previous experience with acquisitions had been with companies whose products were closely related to theirs and the integration of these into Blue-Tech was supposedly clear and straightforward. HEAT was different. The lack of prior information on the HEAT product was also a source of uncertainty. After a meeting when HEAT managers explained the product in detail, engineers in Powerhouse realized that the product was rather different from what they expected. Engineers did not know how to proceed with their middle managers' exhortations "to figure out ways to integrate the two

products.” One middle manager shared his thoughts with me about the meeting and

HEAT:

There was a meeting between David and us, it is not clear what to do with [HEAT]. It is more that we thought it was. Not only does it do [function], but also has an [architectural feature] that could work for the long term, something post NVE. I am not sure who would do that work? Who knows what they want to do? David defends his architecture but he does not have our customer base. We need to check how it works and how it would work with our product. He listed a lot of opportunities for the future. It is hard to say how it is going to work. We sure have a full plate but I'm not sure with what. (Middle Manager in Powerhouse)

HEAT's acquisition seemed to have changed the future plans for Powerhouse. yet those in Powerhouse were not quite sure what they were or what their role would be in that future.

Middle managers in Powerhouse did not receive information from top management.

When middle managers shared whatever little information they had with their groups, they also shared the impression that things remained vague and it was not clear what was expected.

The idea is that our groups will take care of hot issues and work on a new product in the HEAT family. It is not clear what this new product will be or how we will go about it. (Middle Manager)

We are not going to stay in this focus forever. With HEAT a new world opens. There are lots of great opportunities to do new things (Middle Manager).

The first quote is from February, the second from early March. But, the new project with HEAT did not begin until late July²⁵. In the months between, Powerhouse engineers speculated about what would happen. They were not sure if they would continue with Powerhouse, go to HEAT, or some combination of the two.

That HEAT was four hours away did not help matters. The limited interaction with members of HEAT contributed to the feelings of uncertainty. There was only one planned interaction between HEAT and Powerhouse and only two managers from HEAT attended. Those in Powerhouse wondered if the work they were doing was irrelevant. Motivation was said to suffer, one middle manager was explicit:

It is hard to keep morale up when people don't know where things are going.

Powerhouse engineers began to be concerned about being fired or being transferred to new positions.

Feelings of Powerlessness

The shift in attention also created feelings of powerlessness within Powerhouse. This was particularly strong in the middle managers. They felt unable to affect top management's decisions or to turn attention back to them. They were concerned about becoming irrelevant. The feeling of powerlessness was apparently so strong they even urged me to

²⁵ See Appendix A for a timeline.

help make their case with top management. During an interview in December, a middle manager asked:

Can you write a letter to the CEO? We are drowning. There is going to be no Andrew, no Thomas [engineering managers], there will be a massive move to HEAT. We will be the lowest relevant group here. I don't see a future for anyone here at all. (Middle Manager)

The sense of powerlessness made it difficult for the middle managers to focus on their current work and keep their subordinates interested. The engineers seemed to not be as strongly concerned about their unit's importance for top management; they had noted the shift in resource allocations and this concerned them. And the allocation of raises and stock options given throughout the year to those in HEAT was deemed unfair, and the allocation process was suspected, as there was little transparency. The group came to feel that they were less relevant than before the acquisition and had less ability to influence their future. A middle manager expressed the difficulty he felt when trying to influence upper management:

How much can an engineering manager sway Mitt [Vice President]? It also seems that he does not want to be swayed. It will then depend on the CEO and how much he knows about what is up. There is a problem when no one pays attention... Mitt cares more about HEAT. His boss is not paying attention to us either. (Middle Manager)

These feelings were exacerbated because Powerhouse members were well aware that they were the ones generating most of the revenue in the organization. One middle manager saw the shift in power as a sign that Powerhouse was going to be eliminated:

*There has been a power shift to the acquisitions. So it's hard for the people that are in Powerhouse. They wonder, am I in a dying product?
(Engineer)*

Seeing their immediate bosses not able to affect the way resources were allocated or deadlines were determined, engineers felt powerless.

You wonder, when your boss is not able to affect what is going on, how are you going to affect things?

During an interview an engineer expressed a similar sentiment:

The things now are such that the middle managers have no power.

Middle managers found it difficult to motivate the engineers and themselves²⁶. Also, their lack of power to influence the limited pay increases and stock options allotted to the Powerhouse group created concern about the long-term feasibility of the group.

Responses of Powerhouse

As shown, the shift of top management's attention to HEAT created feelings of uncertainty and powerlessness. Powerhouse group members reacted in an effort to manage the negative feelings evoked, make sense of their new situation and to create some semblance of control. The group's response was two-fold. One response affected the interactions with HEAT: The Powerhouse group kept itself separate and this had a negative effect on the common project and the integration process. The other response

²⁶ Feelings of powerlessness have been shown to produce psychological distress (Horwitz, 1982), discontent, and can result in lost productivity and even sabotage (Mainiero, 1986). These results were confirmed with the Powerhouse group.

was a strengthening a negative perception of top management's abilities that when combined with the existing feelings of uncertainty and powerlessness, negatively affected Powerhouse's own projects.

Keeping HEAT Separate

One of the responses of the Powerhouse group was to keep itself separate from HEAT. This reaction comes out as the negative feelings that the way the acquisition had absorbed all of top management's attention gave rise to negative feelings towards HEAT. They cannot separate from their managers, they could not bring attention back to them, but they could erect a wall between Powerhouse and HEAT. It provided Powerhouse engineers with a measure of control (and maybe a some revenge). Members of the Powerhouse group limited their interactions with HEAT to the bare minimum and made no proactive moves toward integration. The response complicated the integration process and made the project that involved Powerhouse and HEAT more difficult to complete.

This response was evident even before the joint project was underway. Top management had included as one of Powerhouse's goals, on which part of their quarterly bonus was dependent, "interaction and exchange of ideas with HEAT." The Powerhouse middle managers did not welcome this goal and dealt with it by adhering to the letter but not the spirit of the goal. They did just enough to make sure they would get their bonus. During a staff session, a manager describes the plans with HEAT:

About HEAT, we are planning a smaller meeting this time at their offices for technology transfer. Then another small brainstorm. And that fulfills our obligation.

Interactions with HEAT were seen as “an obligation.” Middle managers’ goal was to meet that obligation with a minimum of effort. There was no attempt to get to know the other team or come up with new ideas for products, only to do what was needed for the bonus. The meetings took place. But, the ideas generated during these middle management meetings were never shared with Powerhouse engineers or explored further. It was assumed in Powerhouse that if anyone needed to work with these ideas, it was HEAT. There was no interest in learning more about HEAT since they were seen as internal competition.

Further evidence of this separation became evident as HEAT’s project with Powerhouse got underway. Middle managers in Powerhouse assigned the least experienced engineers to work with HEAT. The reasoning behind this was that they would not “be wasting the more experienced engineers when they had work to do for the Powerhouse release.” This was the “real work of the group.” When issues arose, HEAT was expected to deal with them and find solutions. If interactions were necessary, they would meet, but as little as possible. There were few, if any, organizational citizenship behaviors directed towards HEAT. There was no effort to help or to try to make the project successful. Sometimes it even seemed that they wanted to see it fail. In meetings, middle managers would share the difficulties they had heard HEAT was experiencing and laughed about them. There

was a marked “in-group/out-group” dynamic. The HEAT team was not seen as part of their organization and the Powerhouse group kept its distance.

The barrier the Powerhouse team erected between themselves and HEAT affected the success of the acquisition. HEAT’s project with Powerhouse was factored into the “expected returns of the acquisition.” This joint project was significantly delayed (four additional months in a six-month project). One of the contributing factors to the delay was the difficulty Powerhouse had working with HEAT. HEAT was new to the field and could have benefited from a positive interaction with Powerhouse.

Furthermore, the separation slowed the integration process. The process could have been facilitated if the Powerhouse group members had been open and helped HEAT members not only with the project, but also with learning Blue-Tech’s ways. My interaction with HEAT was limited but it was evident that they were going through a tough experience. Many HEAT engineers had left as well as most of the people in charge of support functions. The increase in size they had expected did not materialize. They found it difficult to work as part of a large company. This was similar to existing acquisitions (particularly those that had become part of NVE). The feeling I took from HEAT was one of isolation. They seemed to be alone in this “scary new world of Blue-Tech.”

Negative Perception of Top Management

The situation also resulted in a growing negative perception on the part of Powerhouse engineers and managers of top management's character and ability. The Powerhouse team seemed to feel, borrowing from the family metaphor commonly used in M&A studies²⁷, that the "parents" were only paying attention to the "new child" and that they were not "good parents." This perception of top management was perhaps an attempt to resolve the cognitive dissonance that arose from the lack of attention they were receiving and the effort the group was devoting to the product that was central to the company. They could not understand how top management focused on HEAT when Powerhouse was working on "interesting new features" and their product was the largest revenue producer. The solution they found to make sense of this conundrum was that top managers did not know what they was doing, because, if they did, Powerhouse would be their focus of attention.

Comments spoken during meetings clearly expressed the doubts about top management's ability. Middle managers in Powerhouse commented on the "senselessness" of focusing on the smaller group instead of the larger one who was the major source of revenue:

I talked to the HEAT guy. He is not going to make the quarter, but Powerhouse will. How can they concentrate on a thing that makes no money and divert resources from the one that does? And we mean so much more money than they do. (Middle Manager)

²⁷ See (Allred, Boal, & Holstein, 2005; Gaertner, Bachman, Dovidio, & Banker, 2001; Levinson, 1970)

Mitt is going to come and make us all into HEAT instead of growing the base with Powerhouse. It does not make sense. Am I crazy? (Middle Manager)

The lack of trust in top management's ability cast doubts on the rationale for the acquisition and the potential new products. Members of Powerhouse wondered if the talk of "new products" was real or was simply a way for top management to justify the acquisition. One manager speculated on the early rumors of a product integrating HEAT and Powerhouse:

I think he is trying to justify or find a way to integrate the HEAT acquisition with this idea of new products. (Middle Manager)

The skepticism and doubts about top management made integration difficult. Powerhouse team members questioned the appropriateness of the acquisition. The negative perceptions of top management's ability were common to engineers and managers and extended beyond items related to HEAT. The perception influenced all aspects of their interactions with top management. This made work more difficult as the team members would suspect any suggestion or mandate from top management.

I feel like the people up there have no clue. They are getting paid all the money, they should be good at something. (Engineer)

When I see what he [Vice President] does, I think, you don't know what we do, what we are about. The content makes no sense. Now, when the bosses dictate you realize that the bosses do not know what they want to do. You then stop moving. (Middle Manager)

The effects of the HEAT acquisition add to the way in which the first two reorganizations were transforming the working environment of the Powerhouse group. They also

contribute to set the stage for the third reorganization. There is also interplay of effects. The fragmentation of the teams described in Chapter 4 would contribute to the feelings of anxiety. Individuals did not find support in their groups to manage the anxiety that the presence of HEAT created. The loss of prestige that CVE suffered with the reorganizations further contributed to the feelings of powerlessness that the lack of attention of top management created. Conversely, the feelings of powerlessness were one of the factors that made their dependence on the new Powerhouse group manager so strong during the third reorganization.

Chapter 6

The Global Labor Market and the New Office in Asia

Chapter 6 The Global Labor Market and the New Office in Asia

Introduction

The labor market is undergoing a dramatic transformation. The level of education has increased worldwide. In a World Bank (2002) survey of 118 countries, all except two had increased the average years of schooling in the population 25 and older compared with 10, 15, or 20 years before. Furthermore, there has been a significant increase in the number of tertiary students worldwide, doubling between 1991 and 2004 from 68 million students to 132 million (Unesco Institute for Statistics, 2007a). The most dramatic increase is in the East Asia region and the South and West Asia region. For example, in India, the percentage of the population that is participating in tertiary education rose from 6% in 1991 to 12% in 2004 (Unesco Institute for Statistics, 2007c). In China, the increase was from 3% to 19% in the same period (Unesco Institute for Statistics, 2007b). While these percentages trail significantly the 82% of the U.S., they represent a significant increase in the supply of qualified high skilled labor when the country size is taken into account (Unesco Institute for Statistics, 2007d). In India alone, there were over 2 million students enrolled in tertiary education in the fields of science and engineering, closely matching the number for the United States (National Center for Education Statistics, 2005; Unesco Institute for Statistics, 2007e).

The increasing supply of high skilled labor in low labor cost countries has spurred an intensification of outsourcing and offshoring activities. While before these activities had been largely limited to low skilled activities in manufacturing, nowadays the migration of

high skill jobs is common. The IT and software industries have been the sectors significantly affected by this trend. These industries have been particularly susceptible because there is no need of extensive localized knowledge of the work and the work itself has been long associated with flexible schedules (computer professionals have enjoyed the highest rate of flexible schedule availability in the U.S. (Bureau of Labor Statistics, 2001)). This makes projects accomplished by employees who are located in different places and work at different times a common practice.

The reasons for the migration of these jobs from the U.S. and elsewhere have been largely economic. India is the country that has captured the largest share of outsourced and offshored IT positions. The country offers savings of about 90% in labor costs in the Software and IT sectors (U. S. Department of Commerce, 2004). The U.S. software industry lost around 16% of its jobs in the period between 2001 and 2004 with an additional 7,000 positions lost in the first quarter of 2005 (Konrad, 2005). The U.S. Department of Commerce (2004) has tried to downplay the loss of jobs in the sector by pointing out that only 3% of the sectors' spending is allocated for offshoring. Still the Department recognizes that the percentage is expected to rise. By using the spending numbers, the department hides the number of jobs that it represents.

The number of jobs in the software sector in India for 2004 lies somewhere between 490,000 (U. S. Department of Commerce, 2004) and 770,000 (Srinivasan, 2005). Offshoring spending in India has tripled between 2000 and 2004 to \$12.8B (Nasscom-McKinsey, 2005). While the global labor market is still inefficient (Farrell, Laboissière,

& Rosenfeld, 2005), all projections point to growth. Beyond the Indian market, other countries are also becoming destinations for IT and software jobs, including China, Russia, and Ireland.

The research on outsourcing and offshoring has tried to understand whether it results in a net loss or gain in terms of jobs for the parent country. The results are unclear and contradictory evidence abounds. For example, Hanson, Mataloni and Slaughter (2003) find that the jobs that migrate are not “substitutes” and, in the end, there is a gain in employment in the parent country. They reached these conclusions using data from 1989 to 1999. However, Harrison and McMillan (2006) point out that there is a reluctance to recognize the potential for displacement of workers and the negative effects of the displacement that occurs. Most of the analyses have been done using data from the manufacturing sector and may fail to identify different effects in the service sector. It is in the service sector where the most recent waves of offshoring and outsourcing have occurred. Another focus of research has been the effect the large waves of offshoring and outsourcing are producing on the economies where the jobs are relocating.

Little has been said about the consequences in the parent country beyond the loss of jobs. Problems such as “the lack of luster” for positions in IT have been brought up in the popular press (Konrad, 2005). Academic research has been rather silent in this domain. Yet, professional associations in IT like ACM, IEEE-USA, and AEA have shown their concern by producing reports on the state of outsourcing and offshoring in the industry (Aspray, Mayadas, & Vardi, 2006). They have produced position papers that describe

their concerns about the implications of offshoring for the industry (IEEE-USA, 2004). Moreover, they advise their members to become “more strategic” and choose occupations within the industry that are “less susceptible to have outsourced.”

The Powerhouse group at Blue-Tech was quite aware of the changes in the software industry. Blue-Tech, like many firms in the industry, decided to take advantage of the pool of engineers available and opened a new office in Asia. This chapter describes and analyzes the effects that the opening of this new office had on the members of the Powerhouse group. Even though the group had worked with engineers in overseas offices before, there were issues particular to this office posing threats to the identity of the engineers in the Powerhouse group. The “going to Asia” trend changed the rules of the game and left the engineers in a difficult position. It affected the engineers at a personal and professional level and contributed to the de-socialization process.

History of the Asia Group

Blue-Tech opened its office in Asia two years before my research began. At the time the office opened, I was told there was no interaction with the Powerhouse group. It was not until a few months before the first reorganization²⁸ that the Powerhouse group began to have group members located in the Asia office.

²⁸ See Chapter 4 for a detailed description of the reorganizations.

Managers said the reason for the Asia office was to reduce was labor costs. Potential savings were significant and the company had decided to invest there. The Asia team was assembled from scratch. A member of the Powerhouse group of Asian origin located at headquarters directed the recruiting and was named manager of the Asia office. He had contacts in area and apparently understood the context. However, he told me that “finding the right people proved challenging.” In the end, the group adopted the same strategy used by GE and Microsoft in Asia. They hired 70% of the people directly out of college. The demand for qualified labor is high in Asia and this tactic is a common way for U.S. firms to preempt and attract the most promising candidates. Also, there is high turnover of senior employees as the field is constantly expanding and new and attractive opportunities appear for experienced engineers. By hiring junior people, the expectation, many Blue-Tech managers had was that these young engineers would stay longer. There were many challenges. The group in Asia did not have much experience with international operations and there were no processes in place to familiarize them with operations. Furthermore, the new recruits had no experience with the products of Blue-Tech or with the industry at large.

The former Vice President of the Powerhouse group and other middle managers in the group said that at the time they were concerned about what this new office would mean for the people in the group, themselves, and the expertise of Powerhouse teams. They thought the at home engineers were “threatened” by the new office. The Asia office manager spent time with some of the local engineers trying to convince them that their jobs were safe. Two middle managers also tried. They advised *their* people “to be

strategic and become indispensable.” Engineers took this as a fairly vague, if ominous, prescription.

The group in Asia began with about 60 people and, over my observation period grew to 90. They were structured differently in Asia than in headquarters. All of the Asia engineers were assigned to the current version group. Their work assignments were not fixed. The Asia engineers were supposed to work as “stem cells” (as the headquarters managers labeled their tasks) and not specialize in any particular area but “fill in” wherever they were needed to complete necessary work. This particular form of organizing did not prove to be effective and, in little over a year, specialists were created in Asia, mirroring the way work was organized at headquarters. Top management described the “objective of the Asia team” as taking over the maintenance activities linked to the current version of the Powerhouse product.

Working with the Asia Group

Working with the Asia office was fraught with obstacles: the time difference, the inexperience of the team, the different hierarchical structures, the growing resentment of engineers at headquarters toward the Asia operations, and the lack of cultural sensibility of the middle managers located in the U.S.

The time difference (10.5 hours) was particularly difficult. It resulted in repeated delays. When engineers in Asia had a question, the people who could answer were in the U.S.

but out of the office. Those in Asia would have to wait a day for the answer. Likewise, people in the U.S. would be expecting results and would arrive at work to realize that the work was not completed. The way Blue-Tech and Powerhouse worked had much to do with this problem. The organization had no knowledge repository, no training programs, and “scheduled knowledge transfers” were not enough to provide full support and independence to the Asia office.

Another source of difficulty in the work was the rigid hierarchical structure in Asia that would not allow Asian engineers to contact U.S. engineers directly without having to go through a manager. The managers in Asia were seen by headquarters engineers as “territorial and controlling.” This discouraged interactions between peers that might have facilitated the integration of the Asia office.

According to the few Asian engineers who visited headquarters during my observation period, working in the Asia office also presented challenges. They said they were aware that the reason for having the office in Asia was cost related but they also felt they were supposedly an extension of the U.S. office. The priorities of the work changed every day they said and they never knew what they would be working on until they arrived at the office. They saw their work as originating with the site manager located in the U.S. They also talked about the difficulty of interacting with the engineers in the U.S. The only means available was email and that proved inefficient from their standpoint. One of the Asian engineers had worked previously for another American company and talked about

how it provided different tools that allowed for easier accessibility of the people in the U.S.

Things there [Asia] depend a lot on the U.S. Sometimes it is frustrating. Initially their turnaround time was worse; it is getting better but the dependency is still strong and it will continue until we have full ownership of things. Right now the dependencies take time, it is frustrating. (Asian Engineer)

Furthermore, the meetings relevant to the project usually took time at night in Asia and it proved difficult for them to access remotely since they rarely had the infrastructure to link up from their homes. Their choices were to either stay in the office until late (with meetings beginning at 9:30 p.m.) or missing the meeting entirely. In practice, these meetings involved only the Asia site manager, located at headquarters, who would represent the office. He said he began his workday in the early hours of the morning (2:30 p.m. in Asia) and would be in continuous interaction with Asia in order to have the latest information to bring to the meetings. During these meetings he would present the results from the previous day and would report back to the group in Asia the priorities for the following day that were established during the meetings.

For the group in headquarters, resentment and dislike for the Asia office grew over time. There was a concern among engineers and middle managers that the work they did was going to be sent to Asia and they would be out of a job. In part, this came directly from what top management had said regarding the “objective of the Asia office” and, in part, from their inference of what Asia signified. This concern came up repeatedly in Powerhouse staff meetings where middle managers always tried to soothe the concerns of

the engineers by suggesting that Asia's role in the company was limited and that the Asia engineers were weaker than their American counterparts. But these same managers were also asking their people to help train the people in Asia. The engineers wondered if they were training their replacements. Middle managers in the U.S. huddled together and tried to present a unified front to their engineers but it was one marked with secrecy. In a staff meeting, one manager noted:

The work related to CVE will be moving to Asia as they get ready for it. Please do not share this outside this room because it will worry people and it will be a while until Asia is truly ready.

Comments similar to the one above were abundant. Line managers tried to placate the worries of engineers:

Stephen asks avidly (showing more interest in this than in any of other items discussed in the meeting): What is coming after we finish this project? [second CVE release]

Paul: This came up at Louis' meeting. We need to figure out if there is going to be another release and what is going to be in it. There will be work to do here. Not everything will go to Asia. We do hope to send some work there, fixes and some of the new features, but we have to decide what goes and what stays. There will always be work here.

The concerns of the engineers were about the future of their jobs. Managers' concerns were about getting work done and transferring knowledge between the U.S. and Asia. Worries were manifest and few bridges were built. The engineers in the U.S. did not bother to even learn the names of the engineers in Asia at the outset of the collaboration. When work was being assigned to the group it was not assigned to "Chuck" (or the designated individual), like it was when it went to Europe or other remote U.S. sites, but

to “Asia.” It was over a year after the CVE group began working with Asia that some of the middle managers learned the names of the managers in Asia. Likewise, it was not until a year after the reorganization and the inclusion of the Asia office that the meetings were moved to a more appropriate time for those in Asia (8 p.m. instead of 9:30) and this change was limited solely to “project tracking meetings.” Other meetings, like those dealing with engineering issues, were never changed to accommodate Asia’s needs.

Blue-Tech recognized that it was facing difficulties with the new office and that the expected levels of productivity were not being achieved. A consultant was hired to do an “in-depth study” of how the Asia office worked. After a few months visiting Asia, the consultant came back and organized a series of workshops for Blue-Tech employees on the cross-cultural problems he had identified. He said he presented the results of his time in Asia to create awareness of how both sides perceived the interaction. The CVE group members including middle managers were expected to attend one of two possible dates. Most attended but the reactions to the workshop were not what management expected and wanted. The engineers were resistant to what the facilitator asked of them. They were asked to come up with solutions to the communication issues he had identified. The reaction of the engineers participating was that “it was a managerial problem” and that they had no role in such communication problems. The workshop was generally seen as “a waste of time.” The following is a discussion between two engineers attending the workshop:

Nicholas: This is not about cultural difference. It does not matter. These are management issues and asking us independent contributors for solutions is wrong.

Claude: But we could come up with solutions. How about going there and establishing contact?

Nicholas: You went there and trained some engineers and the others still ask us, not the ones that are there that got the training.

Claude: Maybe it had to do with how we communicated it.

Nicholas: That is a management problem. They should commit to training the new people there.

The engineers did not see what they could do to improve relations. Some of this is due to the feelings of powerlessness they experienced (as discussed in chapter 4 and 5) but, in this case, it went further. They did not seem to want to do anything to improve communication because they did not see it as part of their responsibilities. Nor did they see it as something that would be beneficial to themselves or the project. While the facilitator told them that the people in Asia do not feel a part of their team, the U.S.-based engineers pointed out that they did not either (as discussed in chapter 4). The day after the training, an engineer stopped to talk with me:

Managers are the ones that should be going to that training, what is the point of having us go to it to make up solutions that we cannot implement. But you know what I really found interesting was how the company is organizing the training to make us work better with Asia when here we are not one team, we need to have group work here.

The changes taking place in Asia were occurring at the same time as the reorganizations and the HEAT acquisition. Thus the work atmosphere in Powerhouse was rather anxious and defensive generally. In the end, the stance taken toward Asia was to make it more similar to the U.S. team. Changes, if any, were suggested for Asia members of the team.

Overall, working with the team in Asia was seen as troublesome and inconvenient. Moreover, it was threatening since there was the constant worry on the U.S. engineers part of top management's potential decision to substitute the new labor force for the old.

CVE's Image of the Asia Group

The discussion in this section is limited to engineers in CVE. The Asian engineers were all assigned to work within CVE. For NVE, Asia was a concern, but it was secondary and far from their main ones as they did not have to face it everyday.

Middle managers and engineers in CVE at headquarters created an image of the Asia group. What kind of people they were, what they were about, how they did their work, and so on. This image, in turn, affected how the middle managers and engineers interacted with the members of the Asia office. They would describe Asia as "not ready to do the necessary work," as "little children," basically "not as good as we are with respect to their ability to do the work." Derisive comments about the area's lack of development, the low salaries in Asia, were common. Some of these reactions were no doubt born out of fear, others made limited sense since the work was complex and the Asian engineers were younger and had little experience, but many came from a profound cultural insensitivity.

Issues Related to Work

The lack of appreciation of the Asia office was clear. Helping them achieve a degree of expertise was seen as an unpleasant request and not as the “useful training” of the team. The work assigned to the Asia office was the least attractive and relevant for the U.S. engineers. During tracking meetings, the time estimates given by the Asia group were always doubted and questioned. These doubts often proved inaccurate but they persisted. The work of the Asian engineers was presumed to be wrong and was inevitably checked by people in the U.S. in the hope of uncovering errors. Some engineers proposed ways in which they might alleviate the need to revise Asia’s work but it was dismissed by their managers.

The image of the Asian group at headquarters can be illustrated by a few exchanges. These were pervasive in the company.

Virgil: We [Asia] are estimating two weeks.

Grant: Are you sure? First, we get seven weeks. And now they are saying two... They are not that good. (Managers)

Douglas: This is the first all-hands meeting I see without the word Asia.

Andrew: There is enough unsavory stuff in here to add Asia. I will look to Asia to fill holes left by the people that are going to NVE. It is not easy to fill cycles with them. (Managers)

I have 80 people in Asia but they are like little children. We are just training them. (Middle Manager)

Virgil: My team [Asia] can give it a look

Louis: I am not sure we would get a thorough review.

Grant: Virgil this is the list of what we need to check. If you could take a look it would be great.

Joe: But the key review is from QE, not theirs. (Managers)

There is a person who is checking to be sure that what Asia found is right. If so then we will take the next steps. (Engineer)

Lets see if we can include Asia. I don't want them to be a burden to you but keep them in the loop. If there are tasks they can do use them, maybe for code reviews, unit testing, or something. (Middle Manager)

The work of the Asia group was called into question at every opportunity. Asia was seen as negative. Their work was seen as weak and had always to be revised. Asia created more work for the people at headquarters. Managers saw them as able to do only the least important project activities. At the time for performance appraisals and salary increases, the division's criteria discriminated against Asia. During a staff meeting the following exchange took place:

Virgil: Asia is not being taken into account for the promotions.

Louis: I only have one name from Asia. They have not delivered any products. There is no evidence they are ready for higher positions.

Virgil: But I have people who have been working there for over two years.

Louis: They have not delivered anything. They are only fixing bugs and if I put those names out, they [his managers] are going to laugh at me.

*Virgil: What is the base for promotions? Is it expectations?
Contributions?*

Louis shrugs and does not give an answer

There is an interesting paradox in this conversation. The Asia group was formed to "fix bugs." That was their purpose. Hence, doing what they were assigned to do prevents them from being considered for promotions. Virgil escalated the issue to higher levels of management, but in the end, no one from Asia was promoted.

How deeply entrenched the U.S. view of Asia was in Powerhouse can be seen by the way engineers and managers made fun of the fact that engineers in Asia earned significantly less money than the ones in the U.S. For example, a conversation among managers:

Jacob: The market reference thing in the calculation of salaries is a bit more complex now. They are going to include where you live and that is the reference. Salaries will be compared to the salaries of that area instead of the group you are in.

Tony: Are we the highest?

Louis: Actually, California is higher. But I tell you I certainly do not want to be compared with Asia for my salary. (Laughter and nods of assent followed the comment.)

Other comments were directed at the quality of life in Asia. When two managers were planning a visit, they openly commented that they would be filling their suitcases with “bottled water and Pringles” so that they would not have to eat anything there and get sick. This comment took place in a meeting where a quarter of the people present were of Asian descent. They were silent. Managers would comment on the need for immunizations before traveling, the implication being that Asia was a “backward area.”

One episode was particularly startling to me. During a staff meeting, the following exchange between U.S. managers took place:

Grant: We will have people from Asia coming to work side by side. I had to sign the invitation letter.

Tony (smirking): What to their relatives?

Grant: I think it is a legal thing. Maybe if I go to the cross-cultural training, I will know.

The letters of invitation Grant is referring to are a requirement from the U.S. government to grant visas. Instead of using the staff meeting to create a plan or to encourage people in

the office to interact with the visitors, the manager used the forum to point out something that had no bearing on the visit or with the people who were coming to visit.

Consider, too, another episode that took place after two middle managers traveled to Asia. They were asked to visit the Asia office to, according to them, “say Hi.” The actual time they spent in the city was a little over 24 hours. Before leaving, they had openly commented in tracking meetings that they did not see the point in visiting the office. That there was no value in sending people there.

Upon their return, one of them put together a video of the trip and invited the members of the CVE group to watch it together. The first time the video was shown, half of the participants were people from Asia who had emigrated, among them, the manager of the Asia group. The video is a mix of still pictures, combined with some video shots, all with a Hindi song in the background.

The song made the people who understood the lyrics laugh. The song was about passionate love hardly in line with the images. The video lasts about 15 minutes. It displays images of a hotel room, then images and short videos of the city streets. At this point, comments about how much of a mess the roads are and the seemingly bizarre behaviors they observed are jokingly made. The American managers add to these images their own demeaning stories of life in Asia. There is one photograph of the whole group at the dinner they attended that night. People asked the manager who had attended questions about who was there. He was not able to answer.

The next segment of the video includes several images of the hotel's doorman, the parliament building, and, again, of the streets. There are more comments about the "messed up" roads and that "no laws ruled traffic." Then came pictures of the office's four managers standing on the balcony of the office building and a few views from the office. There was much laughter during the screening of the video, but in the end, few lingered to ask questions. Most left quickly after the showing.

The manager who had produced the video scheduled another date to show it again since not everyone could attend the first day. He sent the invitation out again to all the CVE employees. He received a note back from the manager of the Asia office. Virgil wanted him to know he was upset about the video. He asked what was its objective? The manager was startled by this and did not understand "how the video could be misconstrued as anything else but an effort to get people to meet the group in Asia and make it more real." He did not see how the video could have possibly been offensive.

The video was shown again. More people came this time than for the first showing but no one with Asian origins was present. The manager had re-edited the video. It now opened with the picture of the whole team and included some more pictures from dinner. But, by and large, continued along the same lines as the first version. There were some equipment problems with the second showing and the group left without watching the end and there was no attempt to show the video again.

Initially the idea of showing a video of Asia struck me as an opportunity to help build a bridge between the U.S. and Asia. And, the purported intention of the manager who made the video was exactly that. In practice, the video displayed a view of Asia as a backward area, not at all on a par with the U.S.

What is so Different About Asia?

Managers outside CVE said they thought that the group had a “definite advantage working with Asia.” They felt since CVE had been working for many years with a European office, they would work efficiently and effectively with the new office in Asia. In their theory, there was not much difference between the other remote offices and the office in Asia.

In practice, there were some major differences. The increased time difference made it almost impossible for Powerhouse to rely on their usual control method of checking progress during meetings in both situations. Additionally, the European engineers were perceived to be more similar to the American engineers than the Asian engineers. The relationship with superiors, communication styles and work style were perceived to be more similar between the U.S and Europe than with Asia.

Most important perhaps is that when the European office was opened in 1997 it was not perceived as a threat to the U.S. engineers’ employment and sense of self as when the Asia office opened. There was no massive relocation of the industry to Europe at the

time. There did not seem to be a large supply of engineers available. It took place at a different stage in Blue-Tech's evolution. The firm was then expanding and I was told it seemed there was "more work than could possibly be done." Asia was more than just another office and another set of colleagues. It represented the changes the software industry was facing and these were changes that did not bode well for engineers in the U.S.

Consequences for Powerhouse

If the reorganizations described in Chapter 4 caused a feeling of being replaceable among the CVE engineers, the opening of the Asia office added to this worry. It implied that their expertise was quite possibly irrelevant to the future of Blue-Tech. They were being replaced with recent graduates with neither experience with the product, nor with the software industry. The engineers sometimes referred to themselves as "chess pieces." I use this analogy to describe the distinction of the effect of the reorganization and the new Asia office, the reorganizations in the engineers' eyes seemed to be "like being a knight placed in the tower's position," or like "being a white piece suddenly on the black side." The Asia office seemed to be about a "pawn taking the place of, say, a bishop."

The belief that top management saw them as interchangeable (or replaceable) was reinforced during many interactions, for example, during an all-hands meeting, Mitt dedicated time to describing the changes that had occurred to the cost per employee in the previous year:

Other good news and better news is the cost per employees is down. Why is that good you wonder? We added the guys in Asia. We grew in number of people and the revenues per employees grew. In a perfect world you would like the cost per employee to go down, not give raises, and get more money out of your sweat and tears. The good news is we not only drove the cost per employee down but also increased revenue. ... How did we do this? Because we hired more junior people... We replaced with less expensive people and saved money. We got more of them for less money.

A few days after this meeting one of the senior engineers in CVE remarked:

In the all-hands with Mitt, he says how 56 people left and 90 came in. That is the wrong way to measure it. They should look as can these 90 do the work the 56 used to do. It's not bad to have junior people. They try new things and look for different solutions. But we should not throw away knowledge.

The 56 employees he refers to are the ones who left in the aftermath of the first and second reorganizations; some were fired, others left voluntarily. He also said that “the message” he had heard during that all-hands meeting was that “expertise did not matter and that top management seemed to see all engineers as the same.” In the annual survey of employee satisfaction, comments reflected the same sentiment.

Skills don't matter, what you know doesn't matter.

Clearly, it was disheartening to the U.S. engineers to be replaced by recent graduates in Asia with no experience. It certainly did not match their own perception of their work and its value. They also saw that this shift was not restricted to their own group but also to other groups in Blue-Tech. Indeed, they understood it to be affecting the whole industry.

I see how things are now very different. People are treated as resources. It's like we are manufacturing. There is no respect for expertise and the industry is not mature enough to support the model of it being manufacturing. The constantly changing tools make it more difficult to treat people like resources. Software factories could work on a very well understood problem, like say webpages, but our own field itself did not exist 10 years ago. (Engineer)

Other comments were directed more specifically to Blue-Tech and pointed out that the firm “does not seem to appreciate engineering skills and it is only concerned about costs.”

People are dealing now with figuring out when to jump ship. Is this the last bus to NVE? Should I get my resume out? Some just want to know there is a chance to do something but now that software is becoming commoditized they are feeling like they are at the bottom of the totem pole. (Line Manager)

DEC idolized engineers. Blue-Tech goes the other way. Here they are sending the jobs to Asia and, when the price difference is not as good they will send them to China. People are worried about their job security. (Engineer)

They [engineers] are also worried that staying with the current product is a dead end job and whether by the time the new product is released, they will be laid off and their jobs moved to Asia. (Middle Manager)

These new attitudes that the engineers claim they see in management and the industry in general, do not align with the way they see themselves and their work –as artists.

I work in software engineering not only to make a living... It is not something that you do for money. It's kind of an art. That is how I feel. I see people divided into two categories. One contains the people that work for money and the other holds the people that enjoy the art. (Engineer)

Confronting this image of software engineers as artists with the image of the commoditized engineer, produces dissonance. The new world is a threat to their identity.

I think top management sees us as cheap labor. I have not heard that but their actions show me that that's what they think and that if we don't like them they will just get people in Asia. (Line Manager)

Software engineering is a black art. Sure you can outsource it but then you get even more people problems. (Middle Manager)

In order to manage this dissonance and the perceived threat to their identity, the engineers further separated themselves from the organization²⁹. The firm, the work group, the product, slowly began to be less relevant to them. They were not as concerned about the progress of the project or the health of the firm.

I feel that the company is treating me like a commodity so you treat the company as a commodity. (Engineer)

Offshoring lowers our morale. It may save some money now but may cost more later. (From the 2005 employee satisfaction survey)

Similarly to what was described in the acquisition chapter, top management was denigrated by the engineers in response to the Asia initiative. Their abilities and motives were suspect. The engineers believed that their expertise was not appreciated, and top management believed they could be replaced by new graduates. This further lowered their judgments about how well top management understood the business and the role of engineering in the business.

²⁹ A similar reaction to the one that was described in Chapter 4

Chapter 7

The Sad New Days

Chapter 7 The Sad New Days

Introduction

My story of Powerhouse began with the remembrance of the good old days. The chapters following illustrated the different events that affected the Powerhouse group and the effects it had on them during my observation period. The changes brought by these events produced a different working culture in Powerhouse, certainly one far different from the good old days no matter how romanticized that earlier period.

This chapter describes what I call The Sad New Days and summarizes the state of the field site at the end of the observation period and beyond. The image created is of a group that has fallen apart and has and continues to undergo a process of de-socialization.

The New Working Environment

The work environment in Powerhouse began to change when Derrick left the organization. The role of engineering became less relevant to the firm. As noted, in Powerhouse, the time immediately after Derrick's departure was not completely negative for them. New life was brought to the project and the team coalesced in trying to improve the quality of their product.

The success they had however was apparently seen as not coming fast enough to please top management. A new Vice President was called into place. The group members saw his arrival as the transition point to the sad new days. This produced a significant change in the group. They tried to determine what the new manager wanted? What were his priorities? How were they regarded? In many interviews, both engineers and middle managers complained about “the new culture” that was developing. All said, it was significantly different from those days they remembered so fondly.

No Sense of Team

One of the predominant features of the new work environment in Powerhouse was the lack of feeling of belonging to a team. Chapter 4 described how the reorganizations contributed to the disbandment of teams and how they impeded the formation of new ones. The lack of cohesion and perception of being part of a team was manifested in many ways during meetings. This phenomenon was common to both NVE and CVE.

People and teams are getting more and more siloed. More and more are only worrying about their thing. The sense of teamwork does not exist and there is no one trying to build a sense of team. (Middle Manager)

Since the acquisition [HEAT] it has been fairly stressful and frustrating. A part of this frustration is trying to get cross functional groups to truly act as a team interested in working together to achieve a common goal. (From the 2005 employee satisfaction survey)

This year the reorganization led to less cooperation across workgroups and more "siloing" - each group seemed more isolated from other groups and more concerned with its own issues and goals rather than the goals of the functional organization. (From the 2005 employee satisfaction survey)

It was not only that the different groups were siloed and had difficulty crossing their borders, but also that within each silo there was little communication and collaboration.

The following quotes illustrate the lack of team within each unit.

Tony: We need to perform the cleaning routine

Samuel: We can schedule it for a couple of days before the deadline.

Tony: But that is not fair. We do that and then the others have more days to work.

Grant (annoyed): This is not about being fair but about minimizing the risk of the project.

Joe: QA is behind in their work

Matt: you are referring to QA in Europe, not to belittle them but to clarify that it is not all of QA that is behind.

It was common in meetings that no one would offer to help others. Not a suggestion, not an offer of expertise was extended to other members of the team. When one faced a difficulty no one would step in to help. This was particularly true when the ones facing the problem were located in remote sites. This was particularly acute for the group in Asia as described in Chapter 6.

Teams work on their piece. There is no interaction. We can't respond. We can't help others. It shows. (Line Manager)

It is not an environment that works as a team. You don't get that extra boost, that extra smart thing in your work that you get from discussing things with people, but questioning shows rebellion against the top. (Line Manager)

In Blue-Tech's engineering culture, there appears to be very little room for one group to help another group meet its goals for a particular release if doing so requires any change of plans on the part of the first group. Inter-organizational cooperation is an area in which improvement is obviously needed. (From the 2005 employee satisfaction survey)

I feel that some groups do not collaborate as much as they could to get a task accomplished. I feel that some group members do not work as a team to accomplish a bigger task. (From the 2005 employee satisfaction survey)

If something was not working, or needed to be checked out, it was usually someone else's responsibility. Members would blame others in their own working groups by saying "I have done my part now it's someone else's turn." Middle managers said it was impossible to motivate people to "do their utmost for the project."

There was little concept of a whole team. Those in remote locations were referred to as "them" or by the city in which they were located. Few people learned the names of those who were not co-located. In the CVE group, there was regression with respect to the European group. While they knew the names of the European members, they stopped referring to them by name and only used the name of the city.

In general, there is good communication and common goals between work groups. However, there is still very much a divisive climate between those who work in headquarters and those who work at remote sites. Those who work in headquarters speak and act in a way that often sends the message that work done at remote sites is not of equal quality as that done in headquarters. (From the 2005 employee satisfaction survey)

The lack of a collective sensibility marred interactions during meetings. Dysfunctional behaviors emerged. Once it was common that a handheld microphone was used by participants who were away from the main microphone or the table seats so that their voices carried to the other side of the teleconference. In the Sad New Days, the handheld microphone disappeared. Sotto voice was used by those on one side of a teleconference

so that their exchanges could not be deciphered. At times, they would use the mute button so that there was absolutely no risk of their conversation being overheard. These low voiced or muted conversations usually had to deal with lack of trust in the ability of another group to complete work on time or with the quality of their work.

*Communication is awful, for lack of a better word. There is a serious lack of communication between the various teams and groups, perhaps because in terms of the current project, no one really knows what is happening.
(From the 2005 employee satisfaction survey)*

This aspect of the new workplace contrasted radically with their stories about the good old days when everyone collaborated. The reorganizations particularly contributed to the lack of regard for their own teams. They separated the groups of people who had known each other well and put them in new teams where most teammates had never met and were in a different location.

Separation from the Firm, Project and Group

Another characteristic of the way work in Powerhouse was carried out in the Sad New Days was the lack of connection between group members and the firm, the project, and, in the end, even their own work group. Akin to the lack of a “team feeling”, this separation grew through time.

Many engineers clearly expressed the view that their work had gone from something they were passionate about to something that was now just a job. One engineer noted how this

reaction, to him, seemed to be simply a “self-preservation mechanism.” That in order not to be overwhelmed by all the problems and negative events taking place, one had to step away and distance one’s self from the organization and not be hurt.

I don't care. I have no emotional connections to this place anymore. You cannot care. It is only going to hurt you emotionally and psychologically. I don't mean that you don't do your job. Sure you do it. But what they could get out of people if they cared? No way! People here do their jobs but they lose so much of the potential they have because of the system. They don't bring that extra that could make a difference. People realize that it does not matter. I have embraced this. I gave up believing I can make a difference. If you try, you are the one that gets sick. One matures and then no longer identifies oneself solely by the job one does. I don't think I will ever look at a job the same way again. It's not that important in the end. I cannot see being that passionate about it anymore. (Engineer)

There is no fire, no caring. It is not like before where we were all committed and proud. Now it is just a job. I am not going to log in after 5 o'clock, I don't care. (Engineer)

They used to care about the company. You have people that used to care for the product and others who were more like soldiers, caring for the people that went through it with them. But now, not so much. The company has made clear, or at least that is how people perceive it, that they don't care for people...This place is broken. The sense of community is broken down and nothing is being done to build a new one. The sense of community broke down and there is nothing to replace it. Top management acts like they have built a community but it's not true. (Engineer)

Let me tell about the all-hands group meetings. The first one the EVP did was packed. The next one had less than 50% of the people and it was in the same room. I came late and left early. Now, I would not go. They have learned not to do them in person. It was too sad. That is why they do these web casts now. Not many people dial in to those. (Middle Manager)

So being at Blue-Tech for 6 + years and seeing how it changed makes me realize that, in the past, people worked harder than today with more feeling of care to the company. (From the 2005 employee satisfaction survey)

I stopped enjoying coming to work several months ago. I used to really enjoy coming to work and working as a team to creatively solve customer problems with technology. Now, I spend no time doing that and lots of time addressing grievances of one group about decisions made by another group that I had no say in. I take a lot of pride in my work and doing a good job is, if anything, too important to me. (Engineer)

The disconnection from their particular overall project left people with limited links to the rest of their work group. Commitment became task specific --the part of the work they did on the project. Evidence of this was everywhere. For example, in meetings engineers would stay only as long as it took to discuss their particular task. They displayed no regard for the problems of other engineers, even problems that might affect their own work. If it was not within their limited definition of their job they did not seem to care. This lack of project identification is of course contagious and related to a vanished team ethos but, in this, case the sense of working on an overall project and product also vanished.

It is not my problem. I don't manage them. That is Grant's and Virgil's problem. I just work with them. (Line Manager)

Yes, we left the meeting. Our part was covered. If we were needed for anything we know that our manager can cover for us. We have a lot of work to do. (Engineer)

I had some down time so I spent time thinking about how to improve the project. I have a whole bunch of suggestions but no one cares. There is no passion, no caring for this project. Some teams don't even see that they have problems. I sent the suggestions and they got rejected. They don't care. I am not happy about how things stand now. It is not a good way to work. (Engineer)

I am not really worried about the state of the project. It is truly not relevant for me. I had very few issues pending in my three areas. The discussion was sensitive for Clyde and Colin who had lots of things pending that they had not gotten to. It is their problem. (Line Manager)

I am frustrated. Many things are not working the right way. I am worried that people are not doing all that is needed to make the project work. People are pointing at the other saying that is their job to fix it. (Middle Manager)

In meetings they say things like 'if it is not within my group I don't care'. How can they say that? (Engineer)

Sometimes suggestions are made at the weekly meetings but nothing seems to happen, I don't know if they are fed up the chain and die or if they are reported at all. The net result is zero motivation to make such suggestions. I do not feel actively involved in the group. (From the 2005 employee satisfaction survey)

There were other telling details of this lack of connection to the firm and project. These could be seen in the way they dressed. It was not until late in the observation period that I began to see managers wear jeans to work. Their dress style became less formal, less similar to what they used to wear. When I asked about it, the reply was that "I did not feel like wearing anything else." This is perhaps a subtle way to say symbolically that they did not respect the workplace as before without having to use words for it. Consider too, that early in my fieldwork I had to arrive well before 9 in order to find a parking space close to the building door. By the end of my stay, there were plenty of choice spots as late as 9:30 or 10. While the parking lot used to be full well into the late hours at the beginning of my study, the parking lot began to empty out at 4:30. People said they preferred to work at home. They said they could still get their work accomplished and did not want or need to come to the office to do it.

You don't see anyone working late or on a weekend. They don't care about it anymore. But you also never see Mitt walking around to see how things are going. Well, you never see anyone walking around. There are

*lots of people who would rather get an email than talk to someone.
(Engineer)*

This lack of concern contrasts strongly with the image of the Good Old Days when engineers and their managers would compete to see who was the most committed to the organization, who could spend the most hours at work. At the end of my study, many members said they were actively looking for other positions either within Blue-Tech or outside. An engineers normalized the situation by saying: *“Yes, it’s true that people don’t care about what they are doing, but what is the problem with that.”*

Another engineer had a reason for his pulling away from the work. He said:

I had to become detached at work. My identity was very linked to it and with all the stuff that goes on here it is intolerable. It makes you wonder about the place and yourself. So, the sane thing to do is step back from it and just watch it.

Suppressing Conflict

Conflict also became taboo in Powerhouse. During meetings, if an item became controversial or was disputed, it was rapidly quenched. There was a shared feeling that criticism in meetings was “not the way we do things here.” Moreover, since many did not care about the project, they were unbothered by a critique. At a project progress meeting the following exchange occurred:

Matt: Given our new project's higher priority and the fact that we cannot move the date, it might get the current project cancelled. From earlier, it seemed like everything was all done. But, if something else comes up, it needs to be brought to my attention or to Louis or Peter. We will not have any more effort put on the current project that could be in detriment of the next project. That is not acceptable.

Tony: But there are good things in our current project. We shouldn't just waste them.

Matt: We are not getting into this debate. That is what upper management decided. And that is what we will do.

This was one of the two key tactics used in suppressing conflict: invoking top management. No one in Powerhouse would respond. If top management said it, there was no other alternative. The other tactic was to say "let's take that off-line." "Off-line" meant wait until after the meeting. The espoused reason being that they did not want to "use up" the meeting time settling a dispute. "Off-line" discussions usually took place via emails and the email exchange often broadened out to people not involved in the meeting. The parties would bring in more layers of management in an attempt to win their argument. During an interview a middle manager explained how he dealt with a problem:

How do you handle disagreement and conflict?

Here you try to get support from your peers. For example, with the technical support people missing from last meeting, I sent the email to them with the minutes from the meeting. In the body of the email, I put a comment about it. The distribution list is wider than the people that go to the meeting so that way I get attention. I am hoping the manager of technical support will see it and take it to heart.

The two tactics led to the suppression of conflict that by the end of my study had become the norm. Conflict was smothered to the point that engineers and middle managers did not feel comfortable bringing up problems even over email. The ones who did raise

questions were seen as “not being on board” or “not going with the plan.” Particularly, in NVE, expressing doubts about the group’s ability to finish on time was seen as “treason,” someone “wanting to bring the team down”³⁰.

Here you don’t raise issues. Everyone just gives the thumbs up and keeps on going as if the issues will disappear. I saw it now. Colin and I know Europe was having problems but the manager did not do anything because he did not want to pressure or upset anyone. (Engineer)

In meetings I have asked if people agree with the working plan and what I get is silence. No one says anything. Not even the managers. (Engineer)

At an engineering meeting:

Nicholas: Would it be OK to bring up issues on Thursday?

Colin: Yes, it is OK

Grant: Of course you can. What do you think this is?

Nicholas: It is getting to the point that I feel I need to ask.

Meetings are not necessarily the best place to see leadership because not everyone is open to explore ideas. People are not comfortable putting ideas out. I don’t see people examining different scenarios. (Engineer)

There was a fear that raising questions would have negative consequences for one’s career. This was partly rooted in the stories surrounding the first reorganization when, as the legend goes, people were fired for disagreeing.

Team meetings are increasingly becoming just a gathering of physical bodies, not meeting of the minds. Productivity and effectiveness suffer. People no longer dare to speak up. They only passively agree for fear of persecution. (From the 2005 employee satisfaction survey)

People seem to be fearful of persecution so there exists pseudo-agreement. People are discontent, but fearful to speak up. (From the 2005 employee satisfaction survey)

³⁰ I believe the suppression of conflict is one of the reasons why they did not want me to present my report back after my fieldwork ended.

CYA (covering your ass)

Another practice that significantly intensified over my period of observation at Blue-Tech was the attempt to avoid blame, or as they called it, cover your ass (CYA). This practice took two forms. One was to not sign one's name on an office document unless someone else would too:

I will sign the requirements document if everyone else will too. I am not going to be the only one that puts the bonus on the line for this. (From a staff meeting, Middle Manager)

Alfred: I do not feel comfortable changing the documentation that goes to the customers. So we need some one to be god and approve it. Who will be god here?

Matt: Who does this usually?

Louis: Usually the developers do. But the developers are in Asia.

Virgil: They did their work.

Peter: Well, Virgil, will you put your name to it?

Virgil: I would have to check.

Peter (to Ruben): Would you put your name to it?

Ruben (laughs): No.

Grant: What are you worried about?

Matt: We got bit with this in the previous release.

Grant: We are not asking you to sign this in blood. Just give us your best answer to the best of your knowledge.

Virgil: I sent an email but have not received a reply yet.

(From a project tracking meeting)

In parts of the division (Powerhouse), there seems to be a cover your ass culture. Because of this, a huge amount of tracking and reporting is done. (From the 2005 employee satisfaction survey)

In the project tracking meeting, it is interesting to note how Virgil backtracks from supporting what his team had done when it was his name that would be attached to the

approval. He would not do it unless he got an email from his people confirming it. The email was a form of insurance that he now had someone else who was responsible too. This was “preemptive CYA.”

The other form of CYA was “reactive CYA” and emerged when potential or existing problems were announced. Individuals attempted to “spin” the problem so that someone else would be blamed. Usually the fingers were pointed to other group members. Middle managers and engineers actively engaged in this practice.

What can I tell you about my new assignment? Well in this group the backstabbing is different. There is a lot of finger pointing. (Middle Manager)

This is a very different place from where I worked before. Here I would call it combative. Maybe that's a bit strong. It's more like finger pointing. It is not comfortable. People are covering their asses all the time. (Line Manager)

Andrew: This organization is paralyzed. Basic decisions are being made at really high levels.

*Matt: But with the stuff going on, this is kind of good. This way it is not your fault.
(At a staff meeting)*

My organization is in shambles, with constant churn that prevents progress. Morale is low and there is lots of finger-pointing because goals are being missed. (From the 2005 employee satisfaction survey)

There seems to be a higher priority in some work groups in this division in laying blame for problems than on resolving them or working together to resolve them. (From the 2005 employee satisfaction survey)

With CYA being the foremost concern when problems occurred, solving the problems became secondary. When one of the CVE projects was delayed because some of their

own work was not ready, the group received news that work from another Blue-Tech department would be delayed. The middle managers jumped on this and used it to explain why their own project was delayed. Nothing was said (or done) about their own work being behind schedule.

Shame

Given the problems that emerged with the various changes at Blue-Tech, getting work done became increasingly difficult. It was difficult to get people to work when they did not have any interest or connection to their project or their work group. Project tracking meetings became forums where attempts to manage the situation occurred. When something fell behind, project managers made sure to publicly point out who was not doing the work. When there was an item that required attention, it was usually prominently displayed, during the meeting and later in the minutes, with the names of the people who needed to do the work. The engineers or managers with the most work pending would be highlighted in yellow to bring even more attention to them. The minutes were distributed across many managerial levels within and outside Powerhouse. And when the meeting leader truly wanted to bring attention to someone he would use the person's first and last name during the meeting. Culprits were looked for any time something went wrong. Hardly a good way to foster team spirit or goodwill toward a project.

The CVE and NVE Projects

The negative work environment in Powerhouse had detrimental effects for both teams in their ability to produce results on time and with the desired quality. But the effects were slightly different in each group.

CVE

CVE released two small updates to Powerhouse during my observation period. The first was released during the first quarter of 2005. It did not have major delays or problems. The second release was ready by the second quarter of 2005. It had been a difficult process and some parties within CVE were still not satisfied that it was ready for customer use. When it was released, customer problems accumulated and caused concern among the firm's executive group. There were major quality problems in the release. The third release was originally scheduled early in the third quarter of 2005. The project's scope was changed repeatedly and the activities proved to be more difficult than the engineers had estimated. The project was delayed repeatedly. It was only ready by the end of the first quarter of 2006. The group stumbled through this project. And animosity between sites grew to a point that collaboration on the release was almost impossible.

NVE

At the time of my entry interviews, the expected completion date for the NVE project was mid-year, 2005. The project progressed much more slowly than anticipated. The scope was significantly reduced to the point that it was going to be a step back from the current release instead of the “giant step forward” that the project was supposed to represent. Even with this reduction the team could not complete the project.

At the time of the third reorganization, NVE was reorganized. The scope was again reduced and the date extended. For a moment, the NVE group felt excited and there was a widespread belief among those in the group that it could be done. The months following proved them wrong. Tracking meetings went from three times a week to daily in an effort to get the project moving faster.

It got to the point that it was like the emperor's clothes. People wouldn't say anything because they worried they would be laughed at. And then it got to be so bad that we did not have the ability to see the problems anymore. (Middle Manager)

The project reached a crisis point in November. None of the milestones had been met.

The project was then cancelled.

Thomas was in charge of sharing the news. The framing he provided for the cancellation decision follows. To paraphrase, Thomas said to his group: “CVE had done such an extraordinary job improving the product that customers are now satisfied with it. Given

that, the new version would have been a step back. Top management has now decided to rethink the project.”

Note that the word cancelled was never used. The reasoning was sweetened, calling it a “rethinking.” This was of course a shock for the NVE engineers. The idea that their work was going to be scrapped was hard to take.

The meetings surrounding the cancellation and eventual restructuring of NVE were kept quiet and went on behind closed doors. It was the first time I was not allowed to attend meetings. Top management purposely kept me and others in NVE out of them. One middle manager told me about them:

You have not been to the reorg meetings? Is it because now things are getting ugly that they are not going to be open to you? Well, there was a meeting yesterday. And, in the end, there were no questions. I mean NO questions. Maybe the presentation was just brilliant or maybe there is no trust. This is not the right time to put your head out of the foxhole. Sure they [top management] ask for questions but they really don't want to answer them.

Other comments about these meetings showed that the suppression of conflict had become part of everyday life at Powerhouse.

Peter: Mitt asked what I thought of the CVE and NVE split. And about quality.

Todd: Did you tell him the truth or what he wanted to hear?

Peter: I don't know.

Grant: When it is my turn, I will say that it was a stroke of genius and we were the ones to let him down.

(Laughs)

Andrew: Grant, you do that and I will take you to two lunches!

*Jacob: And you would get the employee discount from whatever restaurant Grant will find himself working at.
(At a staff meeting)*

The cancellation of NVE and the way the meetings about it were taking place further hurt top management's image.

*When the first reorg happened, you had teams that were very cohesive. People would cover each other's backs. Those were broken and, with this reorg, people are just saying 'see they screwed up.' Now, no one believes they are going to bring it back to what we had before or that it could be done. That is why people don't care. They don't think it is going to work.
(Engineer)*

Epilogue

The "cancellation" of the NVE project was announced in November. But, the structure and project that would take its place was not announced until February 2006. Those three months were difficult for the engineers both in CVE and NVE. The uncertainty surrounding their future was almost unbearable. I was out of the field by then but learned of the period from emails, IM conversations, and two brief visits to the company in January of 2006.

The NVE group was devastated and had no work to do. They were restless. The CVE engineers wondered what it meant for them. As they struggled with their third release, they hoped that it meant they could get help from the NVE engineers. This did not take place. NVE managers continued to insist that their people were busy, and very little help came to CVE.

By the end of the year, most of the managers who had been part of Powerhouse while I was there had gone to other positions within Blue-Tech. One remote site has been closed. Another remote site for Powerhouse was assigned to work exclusively with HEAT. I have contacted a few people but most of them do not want to talk about what is taking place in Powerhouse and these are the ones that still keep in touch.

The Powerhouse product continues to be sold but no new releases have been produced.

Chapter 8

Conclusions and Implications

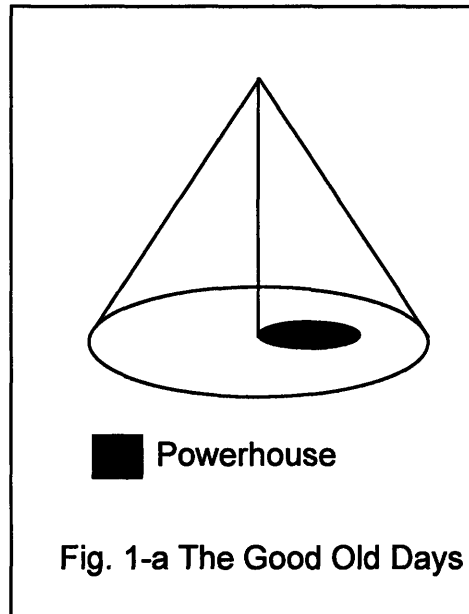
Chapter 8 Analysis and Implications

Introduction

The previous chapters have described the transformation of the Powerhouse group from what they remember as a functional well socialized group to a fragmented entity through a process I have called de-socialization. This chapter will review how each one of the events described in the previous chapters played a role in the process.

The Events and Their Effects

The Powerhouse group used to be central to the organization (see Figure 1-a). They worked with the largest revenue producing software product and it was one of the oldest software products of Blue-Tech. Most of the employees had at least three years of experience. They had been well socialized. They knew what it meant to be a good member of the organization. This was manifest in their stories about staying late at work, about celebrating their successes, and the closeness they felt with the larger-than-life head of engineering.



The events described in Chapters 4, 5 and 6 changed part of “the ropes” they had learned. These events changed aspects of what had been learned during the socialization process. They shifted the “*organizational other*” (the idealized “good” member of the organization) socialization had taught group members. These changes produced new dynamics within the Powerhouse group that degenerated into the de-socialized state described in Chapter 7. Each event increased anxiety and uncertainty, the reverse of what socialization usually accomplishes. Taken together, the events created a negative group identity for Powerhouse. The group lost power, centrality, and they perceived that the senior managers of the organization now disregarded their contributions. As individuals tend to distance themselves from negative identities (Harter & Monsour, 1992), they distanced themselves from what it now meant to be a member of the Powerhouse group.

The Reorganizations

I have defined de-socialization as the process of decay of the results from the socialization process. It is triggered by changes that make what was learned during socialization no longer applicable. Chao et al. (1994) classified the content (what is learned) of the socialization process into six categories: performance proficiency, people, politics, language, organization goals and values, and history.

The analysis of the reorganizations in Chapter 4 pointed out that the sense of belonging to a team had disappeared from the Powerhouse group, CVE had a negative image within the division, and it was felt by members of the unit that top management did not

appreciate the engineers' qualifications and did not know what they were doing. The reorganizations were perceived as changes in organizational values and goals, politics, and people (there was also some change in language but modest).

The large turnover right after the first reorganization --when about a sixth of the engineers left the group-- is one of the first indicators of the progression of the de-socialization process. The outcomes of strong loyalties and low turnover that are attributed to socialization began to decay. Furthermore, many of the new work assignments were not well received. They created dissatisfaction, reduced work involvement and productivity. Satisfaction and productivity were also affected by the change of group membership as the informal channels that eased work and helped productivity in the past disappeared.

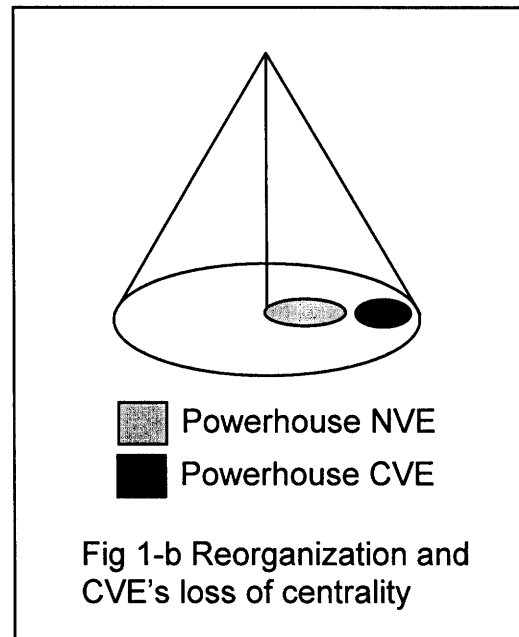
The perceived change of top management's assessment of the value of Powerhouse engineers and their experience implied a change in organizational values. The principle of engineers being central to the organization, so clear in *The Good Old Days*, was thought to have dramatically changed. This affected the relationship of the individuals and the organization, particularly reducing identification. Could they really feel connected to an organization whose top managers did not seem to value them?

The marginalization of CVE after the first and second reorganizations changed the power structure. Everyone in the unit perceived that CVE had lost relevance. There had been outward movement in the inclusion dimension for them (see, Figure 1-b). Members of the

group came to feel that they were outsiders and that their “maintenance” tasks were considered by management to be largely irrelevant. This also affected identification for the CVE group and damaged the relationships between members of CVE and NVE, further degrading the results of socialization.

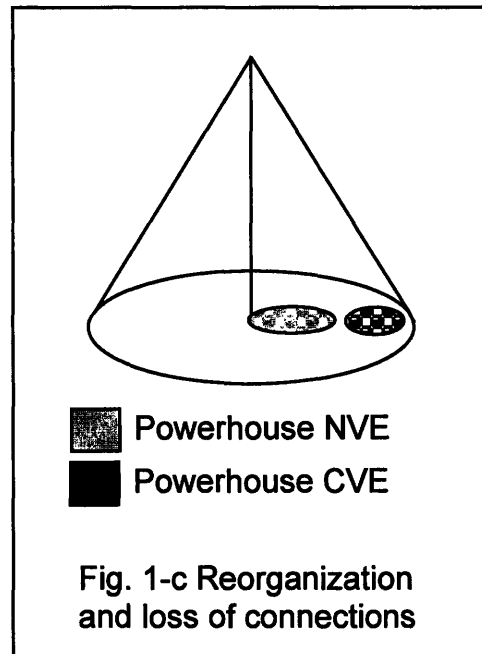
The reorganizations also broke the social connections between organizational members (Chao’s “people dimension”).

These connections had previously helped people navigate the landscape of Powerhouse and Blue-Tech. Building relationships is an important part of the socialization process where part of “the ropes” to be learned is learning whom to ask, who does what, and who has power. Moreover, the feeling of being part of a team was lost and was not recreated within the newly formed groups, not even after a year of working together. Therefore, the important contributions that peers make during socialization and the contributions they could have made to the creation of new mental maps did not take place. This loss of connection was perceived as an individual phenomenon. When group members talked about the feeling of not knowing the terrain or feeling part of the group, they described it as an intensely personal experience. It was not realized that everyone felt equally lost. The way some talked about the changes seemed to assume that “there was a team” and it



was only they who were not part of it, not that there was no team. The reorganizations left the group members isolated (see Figure 1-c).

Figures 1-b and 1-c represent the changes in the structural representation of the firm. In this case, the firm seemed to not have changed focus, therefore the center of the organization has not changed. CVE though has been deemed less relevant and therefore moved to the edges. In the group, there are no dense connections within members.



The nature of the reorganizations in this case also hindered the creation of ties between and within the groups. The new organizational structure created working groups that were not co-located; while it is not impossible to build connections in dispersed teams, it requires more attention. The members would have needed to be more purposeful about creating these connections since having lunch together, seeing one another in the hallways, or having a beer after work were no longer feasible.

The sense of team perhaps could have been fostered by managers. For example, in Gabriel's story from Chapter 4, an email from the group manager introducing Gabriel to the other group members and what he brought to the team might have made a significant difference. There were few efforts in this area. One group brought all its members

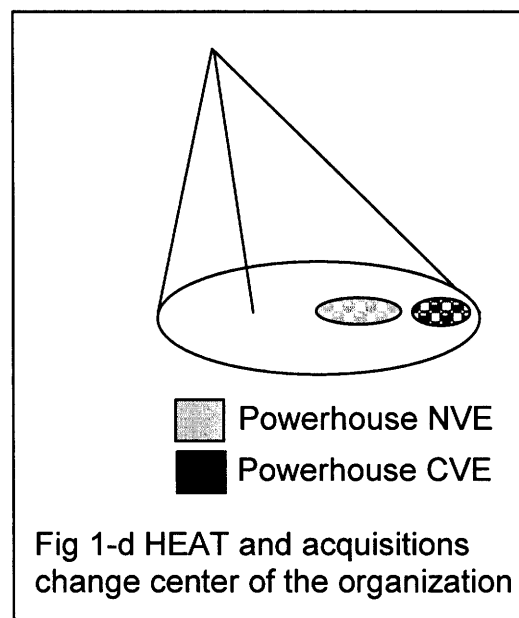
together at the headquarters offices for a two-day meeting that included social outings to try to connect the group. The group members recognized the benefit but it had been done after months of strife. All felt that it should have occurred earlier.

The Acquisition

The HEAT acquisition contributed to the de-socialization process in a number of ways. It affected the overall satisfaction of the Powerhouse group members, their identification with the organization, and their motivation. Top management's intense focus on HEAT made the Powerhouse group members feel that they were no longer important thus reducing their satisfaction with the organization and their work. Also, the lack of clarity of the future plans of the company that accompanied HEAT's presence in the division hurt individual and collective motivation since individuals did not know if the plans for Powerhouse would change or not. They did not know if it was worthwhile to continue to work on this product if it was going to be scrapped later in favor of something HEAT produced.

HEAT's presence was perceived as an indication of changes in organizational values and goals, and politics. It seemed to

be an indicator that the organization's values had changed and that it was now centered



on acquisitions and not core products. This can be represented by a tilt in the structural representation of the organization. Blue-Tech moved its focus towards the newcomers, the acquisitions (see Figure 1-d). In turn, this shift placed Powerhouse further from the center of the organization.

The loss of centrality also represents the loss of power that was described in Chapter 5. The politics of the organization had changed. The locus of power was now in the acquisitions, and, in Powerhouse's division, that meant HEAT. This changed the individuals' view of their work and their future in the organization. They wondered if they could be successful if they were part of a now peripheral group. This contributed to the decay of the overall satisfaction and identification of the individuals.

The feeling of powerlessness that accompanied HEAT's acquisition also contributed to the de-socialization process. The lack of ability to change and improve the conditions within Powerhouse became part of the characteristics of the "prototypical" member of the group, making the identity of being a group member less attractive.

Their mental maps needed to change to reflect their new situation. But, because Powerhouse closed itself from interactions with HEAT, they had no peers to learn new behavior patterns from or ways to establish connections with the individuals who now held power. This effectively blocked potential resocialization avenues. Establishing connections is a key element of the socialization process and peers are the key source of

learning. Without connections, it was almost impossible to lessen the impact of the de-socialization process.

HEAT's presence could have created a strong in-group out-group reaction, creating group cohesion in the face of a common enemy. This was not the case. The Powerhouse group was highly fragmented after the reorganizations and the sense of being a team was lost. Furthermore, no efforts were made to help build a sense of team. Middle managers and influential engineers could have rallied group members around the idea of the common enemy, HEAT, but this would have required a level of involvement –of caring– that was absent.

The New Labor Market and the New Office

Chapter 6 described how the new office in Asia and the changes that the software engineering profession at large was undergoing affected the Powerhouse group (particularly the CVE group). It furthered the impression that top management did not value the expertise of the local engineers. In addition, the time-zone difference and rejection that was felt toward the members of the Asia office severely limited the creation of a sense of team.

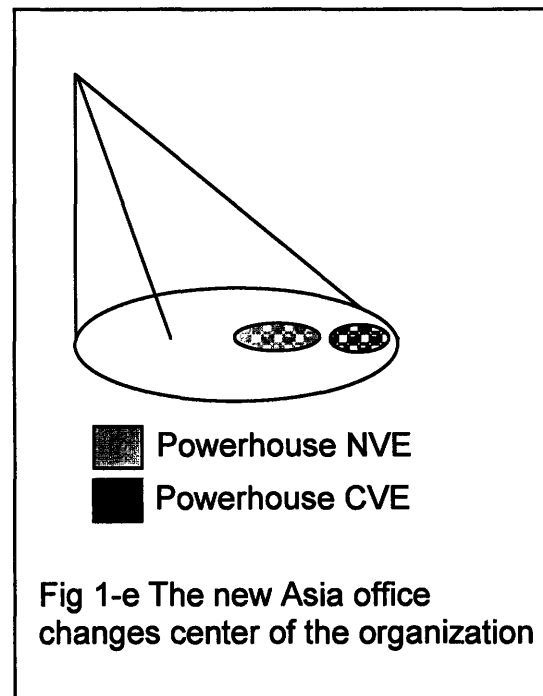
The new office and the organization's reaction to the changes in labor market were interpreted as changes in the organizational values and people dimensions. It affected satisfaction as engineers worried about what it would mean to their future. The new

office also changed the behaviors that were needed for the performance of the roles of engineer and middle manager. These roles now required taking into account significant time zone and level of expertise differences when making requests and scheduling work.

The effects can be interpreted as another tilt of the organization in the structural representation (see Figure 1-e). This change is not in the same direction as the one created by the acquisition, the two-dimensional representation limits the possibility of showing the difference. The HEAT

acquisition shifted centrality towards the acquisition. The Asia office and the perceived change in how top management valued the engineers shifted centrality away from the software engineers in headquarters.

They did not seem as powerful or relevant as before as they were being easily substituted. Furthermore, within



Powerhouse, CVE was the only group that interacted with the Asia office. This contributed further to the marginalization of CVE, since they were seen by others (and themselves) as working with an even more marginal group.

The new labor market has begun to change the identity of the software engineer. The profession is losing some of the luster that had made it attractive in earlier years. This

affected the engineers who now also reduced their identification with their profession. It further isolated them in the context of the organization as the connection to other engineers in the firm weakened.

As in the case of the acquisition, there was an opportunity for a strong in-group/out-group reaction, with the members of the Asia office being the out-group. In this case, however, there was a rejection of the *other* but not a coming together of the group at headquarters. The group in Asia was described in negative terms and was seen as less worthy than the group in headquarters but individuals did not come together to react to the *out-group*.

Vicious Cycles

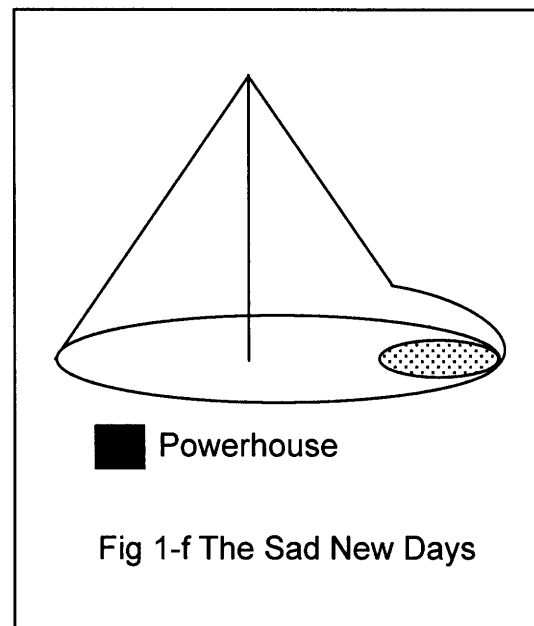
The three events described above all contributed to the creation of a new and rather negative identity for a member of the Powerhouse group. Group identities are not only defined by members of the group but also by individuals outside the group that interact with it. By their interactions they signal how they see members of the group. The new identity seemed to be less powerful and less valued by top management for its expertise or experience. It follows that individuals would distance from seeing themselves as members of Powerhouse relying instead in alternative group identities that had a more positive valence for them. Many engineers, especially by the end of my observation period, would talk about their home improvement projects, their hobbies, and other sources of more positive individual identity.

The nature of the changes that the de-socialization process brought fed on themselves creating vicious cycles. For example, I have shown how overall satisfaction was hurt because of the loss of prestige and the lack of connection among members. As noted in Chapter 1, it has been shown that satisfaction affects organizational citizenship behaviors (OCB) (Organ, 1997). Less satisfied individuals are less likely to engage in OCBs. When peers stop helping each other it becomes more difficult to learn how to function in the organization and be productive. When peers stop putting that extra effort it will likely affect the work of others. These in turn will add to the dissatisfaction of the group members which will then further diminish OCBs and the cycle will continue without the need of the initial trigger for dissatisfaction. It is problematic to illustrate the cycle as it is the absence of action that provides evidence for it. A commonplace event for the Powerhouse group during meetings: a member would ask for help (especially in the early days, as time went by there were less and less requests for help) and no one would offer it. The member asking for help would feel snubbed, not part of the group and after repeated instances would become less likely to ask for help, and in response would be less likely to offer help. In the end, the individual's OCB diminish as a response to the lack of OCB from others.

The reduction of OCB will also affect how much the individuals contribute to the politics of the organization. The group ends up without representation in the organizational political arena that can result in further losses of power. In turn, this will further discourage participation in organizational matters.

In the particular case of Powerhouse, members had grown used to having a strong leader, the beloved head of Blue-Tech engineering, who, in their eyes, was responsible for them. They had learned to depend on this strong manager to make the decisions and to stand for them against the rest of the organization. Early learning has been shown to have lasting effects and to determine much of later behaviors (Katz, 1997; Van Maanen, 1975). It partly explains passivity of many of the middle managers. They had been indoctrinated that others would fight for their power and rights. When new leadership was in place that was not playing by the same rules, the middle managers still had the expectation that others would deal with any problems.

Furthermore, they did not have the skills to attend to it themselves. These skills had not been part of the behaviors required for the successful execution of their roles before. And, of course, this lack of action did nothing to mitigate the effects of the changes in the Powerhouse group or to limit or forestall some of the negative consequences for the group. If anything their passivity accelerated the group's fall from grace. (See Figure 1-f)



The Perfect Storm or an Over-determined System?

The previous sections describe a complex and interrelated phenomenon, raising the question whether in order to trigger a process of de-socialization such a barrage of events is necessary. The de-socialization process was triggered and fed by all these events, with the effects of one frequently reinforcing the effects of another. Also, the relatively small time span between events seems to further create the impression that the de-socialization came about from all three major events combined.

While all three events contributed to the de-socialization process, there is evidence that indicates that the de-socialization process was present before all the events had taken place. For example, the large exodus of engineers after the first two reorganizations is an indicator of the earliest signs of decay of the socialization process. This increase in turnover is part of the de-socialization process and it takes place before the HEAT acquisition came to play a role in the world of Powerhouse. Furthermore, the increased disconnection with the organization that was evident a few months after the third reorganization only exacerbated the previously observed result. The disconnection was present before this reorganization.

The interconnections of the effects of the three events indicate an overdetermined system more than a case of all the pieces being in place (a perfect storm type situation).

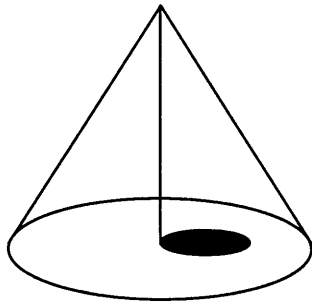
Organizational events rarely occur in isolation, and while studying the complete set of events at hand presents the researcher with additional complexities, it also provides

richness and a closer reflection of the reality of organizational life. Typical analyses of organizational events tend to focus on one particular event ignoring the potential interactions with other events in the organization and the particular context in which it exists.

The matter of context also brings up another potential factor that could make the story of Powerhouse an extreme case. The profession of software engineering has experienced a significant transformation, not only the one analyzed here with respect to the global competition, but also the changes brought up by the dot-com boom and bust. During the boom, salaries and benefits for software engineers skyrocketed. The bust brought a dramatic change when firms turned to concerns of cost control and not on how to keep their workforce intact. Most of the Powerhouse group members had experienced the boom, it was part of their “good old days,” and this industry wide characteristic further contributed to the strong de-socialization process observed. It provided an even more stark contrast with the “sad new days.”

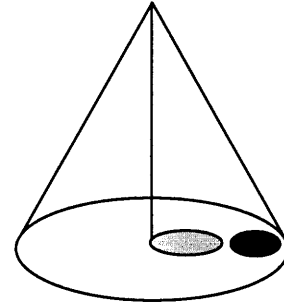
The deluge of events experienced by the Powerhouse group and the particular context of the software engineering profession, do not make this case unique. It makes it more extreme perhaps. An ideal situation to identify a new process as it is more evident. One can imagine that without the HEAT acquisition the state of the “sad new days” might not have been so close to an anomic state, but I do not believe it would have stopped the de-socialization process. Each one of the events had the potential to trigger the de-

socialization process by itself, combined just create further decay of the results of socialization.



■ Powerhouse

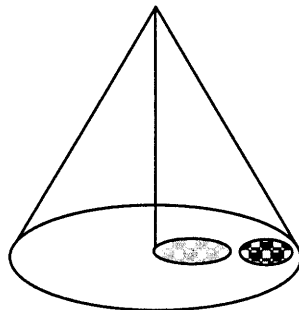
(a) The Good Old Days



■ Powerhouse NVE

■ Powerhouse CVE

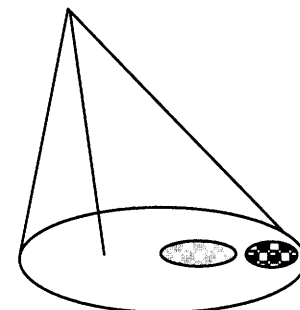
(b) Reorganization and
CVE's loss of centrality



■ Powerhouse NVE

■ Powerhouse CVE

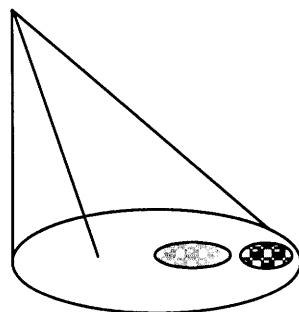
(c) Reorganization and loss
of connections



■ Powerhouse NVE

■ Powerhouse CVE

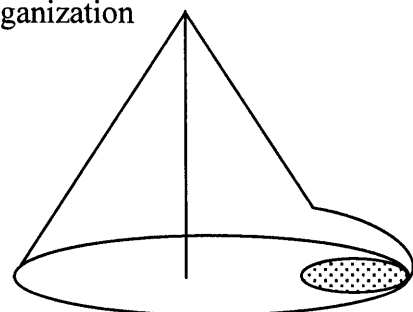
(d) HEAT and acquisitions
change center of the
organization



■ Powerhouse NVE

■ Powerhouse CVE

(e) The new Asia office changes
center of the organization



■ Powerhouse

(f) The Sad New Days

Figure 1 Movements of the Powerhouse Group

Discussion

The study of socialization has focused on relatively stable social systems and individuals' entry into them. Changes to the social systems have been studied separately. Bringing a socialization perspective to a study of change illuminates different dynamics and provides a different approach to the problems of making change successful. This is part of what the study of de-socialization processes can contribute. In the way I have defined de-socialization, changes to any or all of the content dimensions of socialization trigger the process. It is not a process limited to structural changes, or to cultural changes at the organizational level, but, as has been shown in the case of Powerhouse, strategic changes and changes to power structures can also play a role in triggering the process. Changes external to the organization (e.g. the external labor market) can also trigger the process.

The de-socialization process experienced by the Powerhouse group was a collective process. It was experienced by the entire group, with more or less intensity but all individuals were affected by it. It was also an informal process, there was no plan nor was it organized by others. With no preset stages it was a random process. It developed differently for CVE and NVE, and even within each group there were different progressions. There was no fixed time frame. The variable dimension of the process also indicates that there is no precise end to the de-socialization process. The decay continues until an anomic state is reached and there is no more to decay or when interventions stop and/or regress the process. The divestiture nature of the process stripped the Powerhouse

members of their valued identity as members of the group without providing another valued identity to embrace.

The main contribution the study of the process of de-socialization has for the literature on organizational change is that it brings attention to the real or potential *losers* in the change. Most studies of organizational change assume that if the members accept the change then all will be better (e.g. Beckhard & Pritchard, 1992; Beer, Eisenstat, & Spector, 1990; Dupuy, 2000; Kanter, Stein, & Jick, 1992), as if there were no losers in the process. The case of CVE is a study of losers in a change process. In the reorganizations, regardless of whether it was the correct strategic move or not, regardless that their work was critical for customer support, CVE members felt the loss of social standing, power, and relevance. There was acceptance of the change but it was resignation to, not embrace of, the change. The distancing from the organization and project that ensued affected motivation and created a negative work environment. It had a significant impact on performance, a loss particularly important for the firm since Powerhouse generated the largest revenues in the division.

This view of the change process brings up many questions that provide important research opportunities. Two are prominent:

Q1: Do change processes always produce winners and losers?

Q2: Is it only the losers who experience de-socialization?

Not all changes lead to an environment like the one that evolved in Powerhouse. This would seem to imply that there are initial conditions that might lessen the potential de-socialization and that there might be interventions that would reduce the strength of the process. The process will be the more extreme –and more debilitating-- the more successful previous socialization efforts have been. When groups are more successfully socialized they are more strongly connected to their organizational identities and will be more affected by the changes. These cases will produce further movement to the right in the continuum of engulfed/anomie that was presented in Chapter 1. Less socialized groups have less to lose toward the right (toward anomie) and for them de-socialization will be lessened.

Resocialization will, likely, reduce the intensity, or even eliminate, de-socialization. Resocialization efforts provide the opportunity for the individual to become socialized with the new ways, to become socialized to the new “organizational other” that results from the changes experienced by the group. These efforts would need to target the entire group that has, as a result of the changes, crossed one or many of the organizational boundaries.

The relationship between resistance to change and de-socialization can prove to be significant. Resistance is defined as a particular kind of action or inaction to dissent over a change process (Brower & Abolafia, 1995; Giangreco & Peccei, 2005). These actions or inactions can be at the individual or group level. Resistance has been studied as a

negative reaction that managers need to deal with or as a weapon of class struggle within the organization (Brower & Abolafia, 1995; Giangreco & Peccei, 2005; Piderit, 2000). More recently, though, the potential positive side of resistance has emerged; it can provide useful feedback and signal potential problems with the intended change (Giangreco & Peccei, 2005). Resistance is often enacted not with the intention to derail the organization but to support it (Brower & Abolafia, 1995). It is possible that group level resistance delays or lessens the de-socialization process by providing a common objective around which the affected group can come together. But, if the resistance fails to produce any changes to the contested issues it might accelerate the de-socialization process by providing evidence of loss of power and/or the inevitability of the new order. It is also possible for de-socialization to affect the resistance to change. If resistance is often enacted out of concern for the organization can de-socialization forestall strong resistance, as there is less identification with the organization?

These concerns bring other research questions into focus:

Q3: Can resocialization processes reduce the potential for de-socialization in the face of change?

Q4: What role does resistance to change play in the de-socialization process and vice-versa?

I believe that when changes disproportionately benefit one group over another the de-socialization process is inevitable. Losers will likely be the most susceptible to de-socialization. Their new identities will be less attractive and their anxiety less easily assuaged. The winners will likely experience a less extreme case, if at all. Changes produce anxiety all around but for the winners the new identity is a positive one. In the case of Powerhouse there seemed to be no escape from the disintegration of the group and the resulting alienation of its members. It appears to be a difficult process to reverse. In this respect, answering two additional questions would contribute to the understanding of the de-socialization process:

Q5: What are the characteristics of the changes that increase or lessen the de-socialization process?

Q6: What are the characteristics of the culture that increase or lessen the de-socialization process?

The answers to these questions can lie in many directions. For example, it could be that “open cultures” where management discusses and shares the rationale behind decisions and allows participation makes it easier for individuals to understand the changes and therefore reduces the chances of de-socialization. Or, it could be that in open cultures as individuals are fully aware of the extent of the changes and how they impact their group they fall into de-socialization faster. Further, it could be that the rationales offered are

perceived to be unfair and/or unaligned with the shared values of the organization and de-socialization will follow. Could it be that ignorance is bliss or knowledge power?

As to the dimensions of the changes, as I said before, how much the change efforts favor one group over the other will play a role. I believe that changes to power structures and the goals and values of the organization are more likely to trigger a de-socialization process than changes to the skills needed to perform a role. Changes that affect the image that the individual has of the organization and her place in it, run higher risks of not being accepted and of triggering de-socialization. For example, during acquisitions, significant numbers of members of the acquired firm often leave the organization, because, in part, the reasons that led them to join the organization in the first place no longer hold and the new firm was not attractive to them (Blake & Mouton, 1985; Hambrick & Cannella, 1993). As one of the HEAT employees once told me “I joined HEAT because I did not like big firms, now I am Blue-Tech and I do not know if I want to be.”

The details and interactions of the process are illustrated in Figure 2. The diagram includes the relationships I observed in Powerhouse and the questions I have posed in previous paragraphs. The process is triggered by change. The changes produce anxiety, create a new identity for the group, and bring in new practices. These will in turn begin to affect the outcomes of socialization and begin their decay. In the end, de-socialization will also impact productivity, OCBs, and turnover. As described in the section on vicious cycles, there are interactions present that contribute to further the decay. These come

from the individual's own responses and as reaction to others' responses. These relationships are represented in the feedback arrows that create cycles in the diagram.

An interesting question is whether organizations should try to avoid de-socialization under all circumstances. If I take myself back to the days I spent with the Powerhouse group, my immediate response would be yes, it should always be avoided. The environment was so poisonous, so negative, so alienating that it should never have happened. But, it might make sense at the organizational level. For example, if the objective of the senior managers is to eliminate a group or if the product no longer has relevance in the long-term plans of the organization, then, maybe, de-socialization has no negative repercussions except for the people in the de-socialized group. In the case of Powerhouse, it seemed that Blue-Tech corporate management saw no future for the group. Yet, the group still had the largest revenue producing product of the division and allowing de-socialization to advance risked short-term Blue-Tech revenues. At the individual level, fundamental fairness comes into play and suggests that de-socialization should be avoided. It seems that allowing (or not stopping) the de-socialization process to take place breaches the psychological contract between organization and individual.

The study of the process of de-socialization also brings up questions regarding assumptions of career paths and transitions. The expectation is that with time and experience comes organizational centrality (Louis, 1980a). In the case of Powerhouse, I saw how the perceived new values of the organization with respect to engineers and the focus on acquisitions resulted in the opposite. Experience did not guarantee centrality.

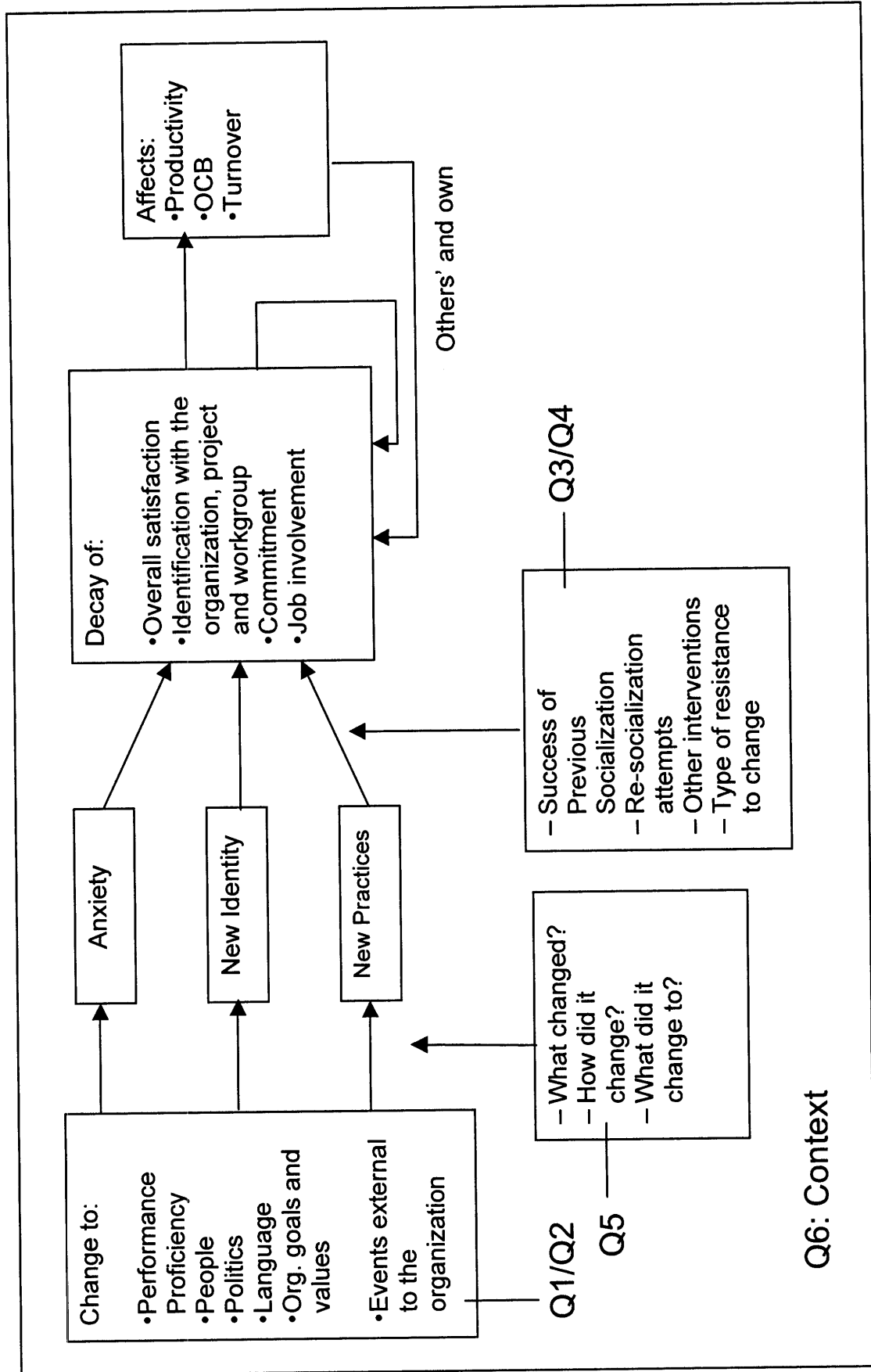


Figure 2 Diagram of the Basic De-Socialization Process

The individuals who used to be most central were the ones who had been most successfully socialized during The Good Old Days. And these were the employees most jarred by the changes. They seemed to have lost the most. Hence, it might prove useful to add a new category to the list of career transitions to capture those initiated by significant changes in the organization itself –those that are in no way self-initiated or controlled.

There is a role for de-socialization in the study of socialization. Understanding the process and linking it to the nature of the earlier socialization process can reveal useful information about the differentiating effects of different socialization practices. It might be that practices that result in more individualistic individuals might help them cope better with changes to their environment; and those that result in individuals who follow the company line might find it more difficult to adapt to changes in the environment. It can also shed light on the needs for unfreezing and the discovery of processes that make resocialization more effective.

I believe the effects of de-socialization can be so significant to the organization that it makes it an important area of study in the field of organizations. Organizations find themselves severely limited in what they can accomplish if there is high turnover, low job involvement, minimal work satisfaction. Understanding the inner workings of the process can further our understanding of organizational dynamics and can have useful repercussions for practice.

The case of Powerhouse also suggests interesting questions regarding culture changes. It is interesting to compare the de-evolution of the Powerhouse group with what we know about other marginalized groups in organizations. Usually these groups develop a strong group identity that helps them deal with their lower status (Ashforth & Kreiner, 1999). I believe that this culture did not develop in Powerhouse partly because the group had enjoyed the *good old days*. Marginalized groups, like bill collectors or garbage collectors, have been marginalized from the beginning, Powerhouse, on the other hand, had been central and then experienced a dreadful loss of status. Loss seems to be one of the keys to the de-socialization process. It might be that when most of the members who had experienced The Good Old Days leave the group, the now marginal position of the group would not be so difficult to endure since the remaining members have not lost a valued identity.

Implications for Practice

The degradation of the results of socialization that de-socialization brings can have a significant impact on the organization. Hence, it is a matter that has important implications for practice. At Blue-Tech, I observed many opportunities when managers could have made a difference and mitigated the de-socialization process. For example, during a summer outing for the whole of Powerhouse (the only time in my year in the field that CVE and NVE were together), no manager took the time to address the group. This could have been an opportunity to build connections, to create a sense of team, but it was wasted. Other opportunities like celebrating small wins and creating symbols that

would rally the groups, were not taken advantage of. The managers themselves were affected by de-socialization and were also detached from the organization and displayed little motivation. This was contagious.

The first step needs to be a decision whether de-socialization is to be avoided or not. In the case that a decision is made to try to avoid de-socialization, then it is necessary to recognize the potential for loss that the proposed or executed changes have. By understanding how the change is affecting the different areas involved and identifying groups that are at higher risks of falling into de-socialization, corrective actions can be taken.

An important step will be to create resocialization programs. These will be relevant to all involved in the change as it will represent movement across boundaries of the organization (centrality might change, hierarchical levels might change, etc.). Both *winners* and *losers* of the change need to learn the new ways of the organization. They need to be re-socialized. An interesting personal example came during the time I worked at P&G. The firm had undergone a dramatic reorganization, boundaries had been redrawn and people found themselves in different places in different configurations. Employees were given new name badges with a card listing the “new rules”. Others would have on their desks print outs of the old and new rules. These small artifacts helped with the transition to the new order and helped people learn new behavior and how to deal with the new structure that accompanied the change. These kinds of efforts I believe would help reduce the chances of an intense de-socialization process.

It is when the de-socialization process is in progress that I believe the manipulation of symbols is the most important weapon to counter it. There is an opportunity to create a strong in-group culture that could serve as a counterbalance to the changes. This culture could evolve in time to the type of cultures that Ashforth and Kreiner (1999) documented, cultures that help their members cope with a marginal position or a precarious situation. The challenge for Powerhouse was that their middle managers had little management training –or maybe managerial savvy– and had difficulty creating tactics that would help them reverse or at least lessen if not stop the de-socialization. It was also a legacy of their previous strong leaders that limited their own development as managers.

CODA

Powerhouse's experience tells a story of the modern workplace and the challenges it brings to the individuals and groups involved. Work is one of the most significant sources of identity in modern times and it seems that employers are caring less and less about their workers. A void is created and a cry for identification goes out. The challenges of working in distributed environments with constantly changing organizational boundaries can result in a disconcerting and alienating workplace. Powerhouse was almost in an anomic state by the time my observation ended. The members did not know the rules of behavior and were paralyzed. They did not know what was important to senior managers or how to go about finding such matters out.

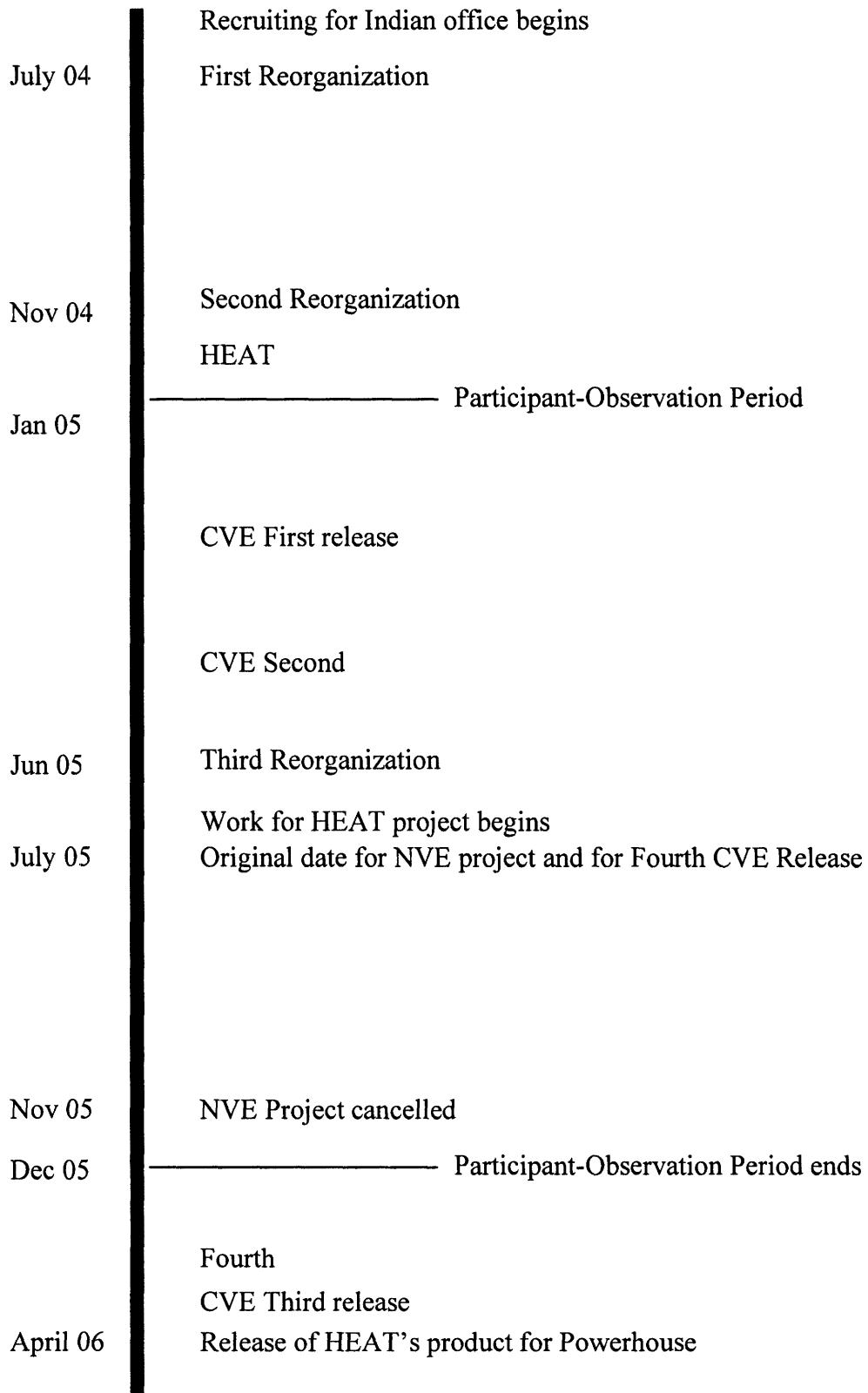
It is important that researchers –as well as managers themselves– recognize the loss that accompanies change. Change is not all good for everyone. Even those who seem most favored by the change may experience a sense of loss that needs to be understood in order to be addressed.

The de-socialization process discussed in this thesis brings attention to the downward spiral that can take root in a group. Connections among members and with the organization are lost. The benefits of socialization decay and create a barrier to embracing change. Durkheim (1966) talked about anomie, relating it to the changes of the industrial revolution and the void it was creating in society. Can it be that the information/communication revolution, the acceleration of business, and increasing globalization, are producing this anomie anew? At least in Powerhouse that seemed to be the case. I do not think Powerhouse is unique and I believe that a similar pattern of de-socialization is happening in many workplaces. This is a huge loss for both the organization and the individual

Annex A

Timeline

Timeline



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