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Corporate Communication

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Chapter 9

Keeping a Strategic Dialogue Moving

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The name of the company in this article is fictional, but the data are real. They come from an audio-taped meeting in which ten executives explore fundamental strategic questions. The data from that meeting and additional interviews illustrate how pervasive impediments to strategic choice can be understood and altered. Only minor contextual facts have been changed to disguise the company. If you think you know which company it is, you aren't alone; most everybody else thinks so too – about a different company.

SCENE: It is early morning. A group of ten executives, nine men and one woman, come together to figure out how Elite Appliances – a company that once set the standard for excellence – could be losing more and more market share to its competitors.

The scene opens as Frank Tuafolt, the president of Elite's successful mail-order subsidiary, leans forward and turns toward Ian Dyrec, the senior vice president of Elite's foundering core business. Frank, an athletic forty-two, is impetuous and protective of his subsidiary's independence. From his perspective, Elite's future lies in going after the low to middle segments of the market, as his subsidiary does, providing well-designed yet affordable products through a cost-effective mail-order process. Ian, a fit forty-nine, is cautious and protective of what he considers to be the corporate good. From his perspective, the future doesn't lie in abandoning the core business but in turning it around, an effort that has captured his attention and energies for two years.

Frank and Ian's dispositions are a study in contrast. Whereas Frank blurts out his views, his frustration or his enthusiasm bubbling up and spilling over into his voice, Ian closely manages his reactions and measures everything he says, punctuating his carefully constructed statements with a nervous cough. Despite these differences, their tenacity is well-matched.

Frank breaks into the conversation just after Abel E. Knuff, Elite's CEO, emphasizes the importance of improving their financial performance and their longer term competitive position.

Frank: (Speaking emphatically and quickly, his face revealing impatience): Look, when we did that study that broke the market down into the high, mid, and low segments, one of the most interesting things we did was look at each segment's growth potential. And the estimated growth potential of the high end was 0 to 2 percent, the middle was around 10 percent, and the bottom was projected at around 15 percent plus. And so the growth is very much at the low end, and as somebody mentioned earlier, our subsidiary had a tremendous year.

I think this reflects a general dynamic in the market. The customers' desires are changing, and so the opportunities for us to serve them are changing, and all of it's moving down market. And the thing that fascinates me – and I've said this before – is the possibility of using technology combined with products that are less complicated than we're used to. These advances in technology point to some very interesting opportunities, especially in the growth segments, as opposed to the ones that are already saturated, where competition is established and you're in a slugfest. It's just very difficult to maintain any kind of competitive advantage there for very long.

Ian: With the same information, I would go in a different direction. Because you would ask: "Is that a segment I'm still going to pursue, if the segment itself isn't growing?" And I would say, "I know I can't sell the same way to that segment anymore; I've got to do something different. But I can grow, if what I'm offering is strong enough. I don't need the market itself to be growing in order for us to grow."

So sometimes when we get into these discussions, we end up debating, and we keep throwing the facts out there. And I wouldn't so much dispute the facts, but it never seems quite logical that therefore we abandon the high end. Not that yours is wrong – that's one avenue – but I'd say, "Boy, I think this is still viable, because maybe I don't really believe that that segment is fully satisfied now."

Frank: Let me just clarify a little bit, because I know it comes across as "put all your money in my segment." All right. You know it's clear that, relatively, the core business is by far in the no growth segment. The challenge is to find some way to find a competitive advantage in that segment that makes it still worthwhile to do it. But to do it within the context of the old paradigm, to keep throwing money against it, which is what I think we've been doing, that is not a good idea.

Ian: (Coughs) I'm not trying to do a point, counter-point, because that has trapped us a couple of times. In looking at market opportunities, you could make a case *that there are great opportunities at the low end, but then one has to ask the question: "What's your capability of accessing that market within a period of time?"*

So we can get trapped in a discussion about what the market opportunities are when the question is, "Are we really capable of serving the lowest tier of the market as a company?" "Do we really want to go down-market? Is that where we want to take the company? How far down do we want to go? Do we want to fight with the other people down there, or not?" Most of us have already decided in our own minds what the answers to those questions are.

Frank: (Leans forward again, elbows on his knees): Could I just try it again, though? (Hands gesticulating): To me, we're missing a competitive advantage in the core business. The one we had is all worn out, and we need a new one to justify continued investment. I think it deserves thought, work, and study. I don't know the answer, but it's worth finding out.

Ian: (Coughs) We made conscious decisions to broaden our product line in the core business so that we wouldn't continue losing share. That was not an accident; it was a set of decisions made very carefully. And we have been doing that. So now the question is, "Do we want to change that? Should we deal with something as fundamental as that decision?"

Frank: My assumption is that the strategy is on the table here. We're here to discuss what the strategy ought to be. And I'm not advocating that you go invest in my strategy. What I'm advocating is, "Don't invest in your segment until we have a very clear competitive advantage in terms of what we expect to get out of it." And I think that's missing.

Ian: And the point I was trying to make, perhaps overstated, is that I believe that we did make a decision in the company to say that the core business per se was getting a little bit tight and competitive, and we needed to have a broader base (coughs). So we may be in a period of time in which the investments in those decisions have not yet paid off, and so I'm just trying to be sensitive to the fact that some things may not be in a payoff mode.

Frank: (Sits back) It sounds to me like you're trying to take certain decisions off the table.

Ian: No, I'm saying that the competitive advantage of the core business – or at least part of it – was to have a broader line. And embedded in that is the assumption that a broader line is important to customers. At least that was the assumption we made at that point in time. Now, it may not be a correct assumption today –

Frank: I'm suggesting that making the decision to broaden our offering was a recognition of a failing on our part. One could go back to the same point in time and interject the question of competitive advantage, not competitive parity, and suggest that perhaps we made the wrong decision. And that plays to the question of whether we should continue the investment we're making – .

Ian: And I suspect that if asked, all of us might have a somewhat different view of why we actually made that decision to broaden the line – and some of the assumptions might be – .

Frank: I'm not trying to pass judgment.

Ian: No, no. I'm saying if we look at how we got to that decision to broaden the product line, I think that today people would give different reasons why they think we did it, and why we're still doing it.

Frank frowns as if exasperated, the person next to him cracks a joke, someone sitting across from him changes the subject, and the curtain closes on the conversation.

* * *

How many times have you been an audience to such a scene? Or worse yet, how many times have you unwittingly played a starring role? Put aside the particulars and the personalities for a moment and ask yourself: "How many times have I experienced this kind of circuitous and repetitive dialogue about things that really count?"

If my observations of executive teams are any indication, I suspect it is more often than you would wish. In fact, when my colleagues and I use this case for training purposes, almost all of our participants think we got the transcript from their company. At first we were bewildered, but then we realized that the case captures something that occurs again and again across a wide range of companies. Yet clearly no one would ever choose to author such a scene, and so the question is: How does it happen and what can we do to change it?

ACT I: Taking a Long Day's Journey

Mary: You mustn't mind Edmund, James. Remember he isn't well. (Edmund can be heard coughing as he goes upstairs. She adds nervously): A summer cold makes anyone miserable.

Jamie: (Genuinely concerned): It's not just a cold he's got. The kid is damned sick. (His father gives him a sharp warning look but he doesn't see it.)

* * *

Jamie: (Moved, his love for his brother coming out): Poor kid! God damn it! (He turns to his father accusingly): It might not have happened if you'd sent him to a real doctor when he first got sick.

Tyrone: What's the matter with Hardy? He's always been our doctor up here.

* * *

Jamie: (With a scornful shrug of his shoulders): Oh, all right. I'm a fool to argue. You can't change the leopard's spots.

(A Long Day's Journey Into Night. O'Neill 1955)

Sound familiar? Like Frank and Ian, these characters in O'Neill's play are caught up in a conversation that revolves around the questions: "What's wrong?" "How bad is it?" "Who's responsible?" and "What's to be done?" Like Frank and Ian, they answer these questions with accounts that clash, and the only option they see for reconciling their differences is to argue, and they know that that option is no option at all. Before long, they find themselves talking in circles and going nowhere in a dialogue gone awry.

When life imitates art, some pattern is at work. If we revisit the scene between Ian and Frank, we can see how the different pieces of this pattern work and how they shape the way critical strategic choices are explored, understood, and made. Later on, we can build on this foundation by identifying the mechanisms that guide organizational dialogue and by looking at how these might be redesigned over time.

Weaving accounts that clash

The first thing to notice are the different ways in which Frank and Ian account for what is wrong and what should be done. To paraphrase their accounts:

Frank's (Paraphrased) Account	**Ian's (Paraphrased) Account**
The problem is that the high end is no longer growing, and so it has turned into a slugfest among established competitors. Worse yet, we have no clear competitive advantage for approaching these changes in the market. The old paradigm we now have is worn out, and so throwing money at it is not a good idea.	The problem is that the core business is getting a little bit tight and competitive, but the segment remains unsatisfied, providing opportunities. Our conscious, careful decisions to invest in broadening the line provide a competitive advantage that's not yet paid off, and so changing course is a mistake.
Hence, we should either come up with a new competitive advantage (which will be difficult to maintain for very long in a slugfest), or we should use technology and less complicated products to pursue growth segments.	Hence, we should not abandon the high end or our decisions. We can satisfy the segment and grow with a broad product line of strong offerings, allowing us to grow even if the segment doesn't.

Frank and Ian are engaged in a familiar conflict between the entrepreneurial small company president and the large company executive. Whether you are predisposed to agree with one or the other's perspective, first notice that each account has integrity of its own. Each one holds together; nothing striking is out of place. Even so, they clash. If we look more closely at what happened, we can spot some of the pieces to this puzzle:

First, even though Ian and Frank may see the "same information," as Ian put it, they bracket off different aspects of the situation. Some of these they bring to the foreground, others they push to the background, and still others they ignore altogether. Notice that Frank emphasizes a study that focuses on growth opportunities; he underscores how established competition is turning into a slugfest; he points to the difficulty of sustaining any form of competitive advantage in that context; and he returns again and again to the question of whether continued investment is wise. In contrast, Ian raises the possibility that the segment is not yet fully satisfied. He refers to past decisions made consciously and carefully; he raises the possibility that these investment decisions might not be in pay-off mode yet; and he comes back again and again to the question of whether change is wise.

Second, when Ian and Frank do focus on the same aspects of the situation, they give different names to what they see, using metaphors that make their perspective vivid and compelling. To illustrate:

Focus	What Frank calls it	What Ian calls it
The High End Segment	A slugfest; saturated; established competition.	Getting a little bit tight; not yet fully satisfied.
The Core's Strategy	No clear competitive advantage; all worn out, old paradigm.	Carefully, conciously made; broad line; strong offering.
The Low End Segment	The growth segment; interesting opportunities.	Fighting with the people down there.
The Other's Approach	Continuing to throw money at [the core business].	Abandoning [the core business].

What Frank calls a slugfest, Ian refers to as a business getting tight. Where Frank sees growth, Ian imagines people fighting. Each one focuses on the "same" aspects and each one sees different things.

Third, Frank and Ian organize what they see into an account that explains what's wrong in a way that makes obvious what should be done. Like Mary in *A Long Day's Journey into Night*, Ian believes that the firm's troubles, while miserable, will pass like a summer's cold. The business is struggling, he explains, *because* it is just a little bit tight, and *because* carefully made decisions have not yet paid off. Explained this way, it's obvious that it would be precipitous to change course. Yet Frank, like Jamie, thinks the core business has a lot more than a summer cold; it's in its death throes. The core business is struggling, he explains, *because* it is in a slugfest with a paradigm that's old and a strategy that's all worn out. Explained this way, it's obvious that it would be a bad idea to continue the investment; it would be like throwing money at it. So, not only do Frank and Ian see different things and give the same things different names, they assign different causes to the firm's trouble. And in each case, the causes they see underscore their view of how bad the trouble really is.

When you witness conversations like this one, it's easy to see something's wrong but difficult to spot what it is. Paradoxically, what's wrong lies, in part, with what's right. Ian and Frank are engaged in a process that goes on all the time, namely, defining a complicated situation in order to decide what to do. The difficulty arises when you undertake this process so automatically that you lose sight of the steps you take from facts to conclusions, making it harder to imagine how reasonable people could view the same situation differently. When this happens, parallel story lines emerge – each one emphasizing its own "facts," each one cast in its own language, and each one meaning nothing to the other (Schön 1983, Schön 1987, Rein and Schön 1994).

Making differences irreconcilable

When Frank and Ian define their troubles, they get trapped in a "point-counter-point" conversation neither liked nor intended. If you take a second look at the dialogue, you can see that it is based on three assumptions that make it impossible for them to reconcile their differences.

The first assumption is that the "information" they exchange consists of facts, and that these facts speak for themselves. When Frank first enters the conversation, he offers some data from a study on the growth potential of the high, middle, and low segments of the market: 0 to 2 percent for the high end, 10 percent for the middle, and 15 percent plus "projected" for the bottom. He then concludes: "And so the growth is *very much* at the low end, and as somebody mentioned earlier, our subsidiary had a *tremendous* year. I think this reflects a general dynamic in the market. The customers' desires are changing, and so the opportunities for us to serve them are changing, and all of it's moving down-market."

Of all the exchanges, this excerpt is the one most people think is full of incontrovertible facts. Yet if you look closer, you can see that no facts actually exist. Statements like "tremendous year" or "customers' desires are changing" might be connectable to facts, but they are not themselves facts. Similarly, but less obviously, the growth "data" cited on each segment are also inferences. They are predictions based on extrapolations from unspecified data on segment trends. Moreover, these predictions are a product of a particular way of segmenting the market and of a particular question. They come from a study that segmented the market according to the high, middle, and low ends and then asked about each segment's growth potential. Had the market been segmented differently, which it eventually was, it might portray a different picture – one that showed how some needs are actually heading up rather than down market. Although this doesn't make Frank's projections any less relevant, it does mean that his data do not speak for themselves, as Frank suggests when he says, "You know it's clear that, relatively, the core business is by far in the no growth segment."

The second assumption is that it is possible to take the role of an omniscient observer when giving an account of an actual situation. This assumption is evident in the way Ian and Frank tell their accounts. Consider what Frank and Ian actually say and contrast this with what they might say if they assumed their perspectives were partial.

Omniscient Perspective	**Partial Perspective**
Ian: We made conscious decisions to broaden our product line in the core business so that we wouldn't continue losing share. That was not an accident; it was a set of it decisions made very carefully. And we have been doing that. So now the question is, "Do we want to change that? Should we deal with something as fundamental as that decision?"	Ian: As I recall it, we decided to broaden the line in an attempt to improve our competitiveness and avoid losing share. But let me check, do others remember differently, or do others have doubts now about its wisdom?
Ian: ... the questions are: "Are we really capable of serving the lowest tier of the market as a company," and, "Do we really want to go down market? Is that where we want to take the company?" ... Most of us have already decided in our own minds what the answers to those questions are.	Ian: I really doubt we've got the capability to serve the low end for x reasons, and I *know* I'm unexcited about it. So it's important for me to learn: do others of you think we have the capability, and how does the possibility of serving it strike you?
Frank: And so the growth is very much at the low end, ... I think this reflects a general dynamic in the market. The customers' desires are changing and so the opportunities for us to serve them are changing, and all of it's moving down market. ... You know it's clear that, relatively, the core business is by far in the no growth segment.	Frank: Given how I read this study, it looks like growth is very much at the low end, and our opportunities are all moving downmarket, but I recognize others might have other data or see these data differently. So let me check: How do others of you see it?
Frank: It's just *very* difficult to maintain any kind of competitive advantage there for very long.	Frank: I don't know how to create a sustainable advantage in this segment. Do others have ideas?

Neither Frank nor Ian pursue the possibility that someone might have other data, or a perspective on their data, that would alter their view. They act as if they see all the relevant data available and all the useful ways of viewing them. Had they asked more of each other and of others at the table, they might have discovered more in others' views than these assumptions would ever allow them to imagine. (This is an intentional ambiguity. I mean asking more of others in the sense of holding them accountable for articulating their views, and asking more of others in the sense of learning what their thinking is.) Instead, at a point when it is especially important that they have a broad range of views and a deeper understanding of how people arrive at them, they get only two perspectives and only the most superficial understanding of each one.

The third assumption is that matters of self-interest are illegitimate or inappropriate inputs into a substantive problem. You can see this assumption at work in the way Ian and Frank repeatedly take pains to clarify their intentions. Recall Frank saying: "Let me clarify a little bit, because I know it comes across as 'put all your money in my segment'." And then later: "I'm not advocating that you invest in my strategy. What I'm advocating is ... " It is as if he is anticipating and then inoculating against people thinking that his perspective is motivated by his own self-interest and as a result discounting it.

This worry about how others might think is consistent with how Frank himself thinks. When Ian clarifies his own intentions by saying, "I'm just trying to be sensitive to the fact that some things may not be in a pay-off mode," Frank accuses him of "trying to take certain decisions off the table" – as if that is obviously a bad thing to do. Ian, who rises to the bait, quickly denies the possibility: "No, I'm saying that the competitive advantage of the core business ... was to have a broader line" – even though a moment earlier, he had just asked rhetorically: "Should we deal with something as fundamental as the decision to broaden the product line?"

Frank's accusation, followed by Ian's contradictory denial, suggests that both of them *a priori* assume that it would be problematic were it true. Yet imagine what might have happened had Ian said: "That's right. That is what I'm trying to do, because I don't want us to undo an investment decision that hasn't played out yet because of the time delays involved in implementing them. I could be fooling myself, so we ought to test, but I think pulling the plug now will do more harm than good." This response makes it easier to press the issue of whether the investment will ever pay off, because it stops all the backing and filling around intentions. All this accusing, denying, anticipating, and inoculating makes the conversation so convoluted that the substantive issues get lost. It also pushes the question of self-interest under the table where it is much more likely to be pursued privately and unilaterally without regard for other interests.

These three assumptions reflect an implicit theory of knowledge that confounds the search for truth with the belief that they have found the Truth (Popper 1950). This not only sets the trap in which they eventually get caught, it narrows the lens through which the group can view a critical and complex problem. The problem at Elite is far too complex for any one person to hold all the relevant facts or to know all the useful perspectives on those facts. Moreover, when Frank and Ian assume that facts can speak for themselves and that they can take an omniscient perspective, they no longer see the need to trace the steps they take from their data to their conclusions. This makes it difficult – if not impossible – to learn anything new from their differences, and it traps them in the kind of "point-counter-point" discussion Ian wished to avoid. And finally, when they *a priori* assume that people's interests are illegitimate – especially as inputs into a substantive dialogue – they not only drive them underground where they can no longer be explored, they stifle the passion that drives excellence and commitment.

The moral of the story so far

The more tightly Ian and Frank weave their accounts, the more repetitious they become, the less they mean to each other, and the more difficult it is to reconcile them. When executives can't find a way to reconcile their conflicting story lines, their dialogue breaks down, their efforts at finding a solution falter, and they soon find themselves stuck. In an effort to cut their losses, they then take a separate but equal stance: "Not that yours is wrong – it's one avenue." But nothing gets settled this way, and outside in the halls, where people are likely to collude with one another, you hear a cacophony of conflicting stories; accompanied by a Greek chorus chanting over and over again: "No one knows what we're doing around here!" Before long, the person or group with the most political power feels compelled to impose a solution based on his or her own account of the situation. While this settles the matter for the moment, it risks overlooking elements of the situation that could reduce the odds of making a serious mistake or produce a more creative solution. Equally important, those with a different tale to tell are unlikely to understand or support the new course of action, not because they are disloyal, but because the imposed "solution" is based on an account that literally means little or nothing to them.

ACT II: Steering a Dialogue Off the Rails

> … Heilbroner once remarked that when forecasts based on economic theory fail, he and his colleagues take to telling stories – about Japanese managers, about the Zurich "snake," about the Bank of England's determination to keep sterling from falling. … businessmen and bankers (like men of affairs of all ages) guide their decisions by just such stories – even when a workable theory is available. These narratives, once acted out, "make" events and "make" history.
>
> *(Bruner 1986)*

Frank and Ian, like the economists Heilbroner knows, tell stories to account for what's wrong at Elite. Their stories – and those of their colleagues – form an uninterrupted stream of organizational dialogue through which they define problems and decide what to do. This is an unsettling thought, because the pattern of dialogue that trapped Frank and Ian – this "symphony of dysfunction" – goes on all the time and goes on everywhere, taking its toll in frustration, regretted choices, and lost competitiveness. So the question is: Why does it persist? If it incurs such costs, why haven't we changed it? Because, as Alice said to the Red Queen in *Alice in Wonderland*, naming something isn't the same as explaining it. It is one thing to see something's wrong; it is quite another to see and understand the mechanisms that make it so pervasive and persistent.

The mechanisms that steer organizational dialogue

Organizational dialogue doesn't take place in a vacuum. It takes place within the context of three structures that continuously shape and reshape one another (Schön 1971, Mintzberg 1979, Ranson et al. 1980). The first and most obvious are the formal structures, systems, and processes you consciously design to achieve your unit's or your firm's goals. The second and most difficult to alter are the cultural structures, which emerge out of – and eventually constrain – both formal and interpersonal structures. The third and least obvious are the interpersonal structures you spontaneously form as you come together with others to define and solve problems.

It is within the context of these structures that you notice, interpret, and decide with others what to do about changes in your firm's environment, about organizational actions taken and not taken, and about the results your organization produces. Put differently, these are the mechanisms through which you and everyone else in your organization learn. When this learning is strategic in nature, it is targeted at one of three direction-setting levels. At the most simple level, you might correct errors or improvise improvements at a local level, adjusting or modifying tactics or business unit focus. At a more complex and usually controversial level, you might reconsider and reset your strategic course, repositioning your firm relative to your competitors and/or your customers. And at the most fundamental and difficult level, you might re-examine and redefine your firm's goals or basic aspects of its identity. Of course, in real life, you can never really separate these three levels of strategic learning because they so influence each other. Just as your firm's identity constrains the strategic choices and tactics most readily available to you, so can changes at the tactical and business unit level cause your corporate strategy to drift in a new direction, eventually remolding your firm's identity if and when it drifts far enough (Mintzberg 1997). By looking at Elite from this perspective, it is possible to see how each steering mechanism works, and how together they conspire to steer a dialogue – and a firm's direction – off the rails.

Formal structures

Frank and Ian wouldn't even be having their conversation if it were not for dramatic structural changes that took place several months earlier when Elite's CEO, Abel, decided to tear down the firm's functional silos. This organizational change, directed at the firm's formal structures, was designed to bring people together who had been separated and to organize them around product lines and customer groups. At the same time, it was aimed at pushing the decision-making down the organization so that people would be free to take initiatives that improved performance. At the highest level of the organization, this included creating a highly inclusive, non-hierarchical management team.

These changes, while welcome on the one hand, were met with skepticism and dread on the other. "A lot of the barriers have been removed," one person told me six months into the change. "I really give a lot of credit to Abel for shaking this place loose." Yet another person wondered: "Now that the tall towers are gone, can sales and operations and finance sit down and talk with one another?" And yet another worried: "Abel's letting us fumble around and work it out among ourselves. But we've got fundamentally different views about the world on this team, and unless Abel comes in and says, 'This is the way it's going to be,' I'm not sure anything's ever going to get resolved."

No longer able to send their conflicts up the hierarchy, yet no more able to resolve them than they ever were, the group spent most of its time engaged in – or trying to avoid – the polite "point-counter-point" arguments in which Ian and Frank got caught. Aware that these conversations were unproductive yet unaware of what to do about them, many people took the only recourse they could see: they started lobbying Abel privately. Although committed to the redesign, Abel felt compelled to step in and impose decisions on issues he considered urgent. While understandable, these intermittent decisions, taken behind closed doors, made matters infinitely worse. People now secretly wondered whether Abel himself was committed to the new design or trustworthy in his dealings with them. "Many decisions get made in the old way," one person told me, "and that just reinforces the view that things haven't really changed." Within a year the new structures began to revert back to the old, because two other structures, more difficult to see and to change – were left untouched.

This experience at Elite happens everywhere anytime an organization increases the capacity of its formal-technical infrastructure while leaving its human infrastructure intact, i.e., its cultural and interpersonal structures. Most changes at the formal level today are designed to increase the flow of information and the number of perspectives on that information. Whether it be a new cost accounting system, a new information system, a new e-mail system, a new cross-functional team, or a new work redesign program – all are designed to maximize the flow of information and the speed of learning. In a turbulent world, this is considered an unalloyed good because organizations need to adapt quickly to rapidly changing circumstances. A problem arises when the capacity of the human infrastructure to process more information and more perspectives productively has not increased. When this happens, a gap emerges between what formal changes require and what people can do. Left unaddressed, this gap eventually pulls the changes back toward the capacities of the people implementing them.

Cultural structures

"Culture is an extremely powerful force," someone told me early on. "Most of the people who leave Elite, leave because the culture got'em." Yet Elite's culture is also what brings most people to it. Its concern for people and its commitment to design excellence are the cornerstones of a value system that distinguish it from the other firms in its industry.

This suggests that cultures – like the people who create and re-create them – have many faces and that these faces have many expressions (Parker 1995, Frost 1991, Maanen and Shein 1985, Shein 1985). When you enter a culture, you learn to distinguish these faces and to read their many expressions. Because no manuals or charts exist to guide your way, you must learn from experience – not direct experience, but experience mediated by seasoned natives who teach you in the ways of the culture by example, by sanctioning or affirming your behavior, by offering cautionary tales, and by regaling you with myths about the firm's history, its founders, and the values people hold most dear. Over time, you come to internalize the culture's available stock of knowledge, combining it with what you've learned from your local work culture and your own unique way of seeing, in order to make sense of organizational events and to figure out how to interact with others.

In this respect, culture is a powerful force. But it is not a monolithic one. Cultures are fraught with inconsistencies, contradictions, and conflicts, especially around those themes that define a firm's core identity. At Elite, for example, two themes are central to its identity: the power of design and the importance of caring for people. Around these themes, conflicts are ever present, flaring up in dialogues like the one between Ian and Frank. For example:

- *The Power of Design*. When Elite's performance deteriorated and Abel re-organized the firm, cultural enclaves with little clout found a seat at the table with members of the dominant culture. This surfaced previously peripheral conflicts around the dominant culture's belief that the strength of a well-designed product "will automatically create the market opportunity for you." All of a sudden, everything associated with this belief was up for grabs: Should we change the design criteria that drive product complexity and costs? Should we shift our focus from innovating our products to innovating our distribution system? Should we be more market-driven than product-driven? These questions preoccupied everyone, and the stands taken on them reflected the beliefs of different cultural enclaves.

  If you listen closely, you can hear echoes of these controversies in Ian and Frank's dialogue. When Ian says to Frank: "I can grow, if what I'm offering is strong enough," he reflects a highly shared belief in the power of design. And when Frank appeals to a market study, alludes to less complicated products, and calls for innovation in how products are distributed – he represents a fundamentally different view shared by members of an important cultural enclave. Now notice what happens when these two views collide. Ian asks: "Do we want to fight with the people down there, or not?" And then he adds before the question is answered: "Most of us have already decided *in our own minds* what the answers to those questions are" [my emphasis]. This answer sends an important signal to Frank: "We are of one mind here," it implicitly cautions; "you are on your own." What's important about this signal is that it not only says something about Ian, it says something about how a dominant culture closes its ranks and discourages dissenting views when under threat.

– *Caring for People*. This brings us to a second theme around which conflict is ever present. Unlike the one you just saw, this conflict resides between cultural levels instead of groups. On a surface level, facing outward toward the public, the firm's physical surroundings, its founding myths, and the look and feel of its written materials – all express the importance of caring for people by creating an environment of connection and openness in which people can value differences, learn from one another, and develop to their full potential. Yet at a deeper level facing inward – where it is less obvious to the outsider but all too obvious to the insider – unwritten norms sanction mistakes and stifle open conflict, while tales of attribution assume the worst of people who commit the one or engage in the other.

My own introduction to the culture provides some of the best data on these tensions. Just after I arrived in the role of a consultant-researcher, a second-generation veteran politely corrected me when I called something a mistake, advising me not to use the word "mistake" because it would mean I was placing a value on it. Seemingly unaware of the contradiction, he went on to complicate matters further by explaining that this would be wrong, because all forms of judgments are bad. In another conversation, someone told me a chilling tale of failure and ostracism followed by the dilemma-making moral: "Offering help is a strength, but asking for it is a weakness." And in yet another conversation, I was tutored in the ways of disagreeing: "It's not really polite to disagree. Now you can disagree after the fact in the hallways, but not in a public official formal meeting."

My most poignant lesson, however, came from an executive who ended up leaving the firm some months later. The lesson came in the form of a story about how conflicting views, pursued longer than "appropriate," fall prey to nasty interpretations: "Abel came up to me after one meeting recently and asked me if I thought Frank had an attitude problem because he disagreed so adamantly, and I said I didn't, that I thought he really wanted to do the right thing. And so he then said, 'Well, maybe it's about territory.' But I know these people. I've worked with them a lot. I've spent days and evenings with them. I might not always agree, but I don't buy that this guy is only looking out for his own good. I just don't buy it." Shaking his head, he then bemoaned the story's sad paradox: "All these assumptions about who's open and who's not – all it does is shut down the conversation."

If you look closely, you can find traces of these cultural contradictions in Frank and Ian's dialogue. Notice how they each take care to talk with care about

> their disagreement. Ian says: "Not that your [approach] is wrong – that's one way," while Frank declares toward the end, "I'm not trying to pass judgment." And although their disagreement is out in the open, it is also short-lived. After 10 minutes, Frank withdraws, even though nothing is resolved and no course of action for reaching a resolution is identified. Meanwhile, others at the table take on the role of unresponsive bystanders who, I later discover, are waiting for the authority to intervene (Milgram 1969, Latane and Darley 1970, Argyris 1980, Argyris, Putnam and Smith 1985). In the end, they bring the disagreement to a close by cracking a joke and then changing the subject – a sequence that repeated itself again and again.

The dialogue between Frank and Ian takes place along cultural fault lines fraught with tensions that lie just below the surface. This is why the dialogue is so critical. It brings to the surface two tensions. One is between cultural factions: the high end focus on design vs. the low end focus on quantity. The other is between cultural levels: the surface culture of openness vs. the deeper culture which punishes mistakes and open conflict. While the former begs for resolution, the second makes it impossible.

Interpersonal structures

Even more important than the dialogue between Ian and Frank is the relationship in which it occurs. For better or for worse, this relationship is the immediate context in which tensions around the firm's identity surface and play out, making it an important arena for resolving the issues that keep Elite stuck. If you look closely, you can see that this relationship has a structure to it that is as powerful as the formal structures that bring Frank and Ian together and the cultural structures that contain their disagreements. This structure is what makes it possible for Ian to say: "One of the problems is that we've been through these conversations before, so we already know what the other guy's going to say." Although the structure of their relationship reveals patterns that go beyond Frank and Ian, it also has a character of its own. This character is a product of the contexts in which they work and their own unique models of the world. Through these dual lenses they spontaneously understand and figure out how to interact with one another in the heat of the moment. A structure emerges when these spontaneous ways of understanding and acting reinforce each other, creating a predictable cycle that can be either vicious or virtuous. To illustrate:

- *Contexts*: Ian's and Frank's contexts could not be more different. Not only are they members of different sub-cultures, they face fundamentally different organizational tasks. Ian is charged with turning around a business that has built an unwieldy and cumbersome machine around a belief in products that no longer command either the respect or the profits they once deserved. In other words, Ian is at the helm of the proverbial tanker. In contrast, Frank is at the wheel of a

Ferrari. Although his subsidiary is both leveraged and constrained by the parent company, it is a world apart in its smaller but growing size, in its focused approach, in its results-oriented culture, and in its "tremendous" financial performance. The cord that binds these two worlds is wound with tensions that revolve around who gets credit for the subsidiary's success, how the subsidiary and the "parent" ought to relate, and how the two ought to interface with the market. Around these issues, members of the core business and the subsidiary feel misunderstood, unappreciated, and unfairly treated.

– *Models*: When Ian's and Frank's worlds overlap, as they do when they are brought together by Abel, they view this world through models with different sensibilities, values, wants, and appreciations. What fascinates Frank leaves Ian untouched, and what sparks Ian's interest leaves Frank exasperated. Frank is "fascinated" by the possibility of exploiting advances in technology to deliver simpler products to segments that are growing. That's what he wants to do. He has no interest in segments that are already saturated. Nor does he want to get dragged down into the morass, as he once referred to the core business. He wants a world that is as logical, as simple, and as fast-paced as possible. Segment attractiveness, however, is in the eye of the beholder. Ian doesn't want to fight with the people down market. What excites him is the possibility of going after the middle and the high end of the market with a strong offering. He prizes complexity of product and perspective, even when he sees its downsides. He'd rather figure out how to harness complexity or carefully whittle it down than arbitrarily lop it off by moving quickly or presuming more simplicity than exists (Andrews 1987).

Whereas the differences between Frank's and Ian's models lead them to view Elite differently, their similarities lead them to take a similarly tenacious approach to it. They share the same theory of knowledge – a kind of epistemology of practice that leads them to confuse fact and inference, to assume that "facts" speak for themselves, to take the role of an omniscient observer, and to view self-interests as separate considerations.

– *Framing and acting in a particular situation*. Whenever you combine these similarities with different sensibilities, you have a recipe for disaster when it comes to understanding the same situation. First, each of them acts as if he views himself as a reasonable advocate of the right answer and the other as a self-interested obstacle to be overcome. This then leads both of them to frame their purpose in the situation accordingly: Get my reasoned view to prevail over the other's narrow self-interest.

Second, with this framing in mind, they then act in ways that trigger the worst fears and behaviors of the other. Frank starts in a characteristically logical, sim-

> ple, and frank way. He enthusiastically cites market studies, projected growth data, and strategy concepts, and he then advocates that these make logical and clear the need to change course. This rankles Ian who thinks it's more complex than that; facts alone can't decide, and decisions must be made carefully. So he not only rejects Frank's argument, he rejects the very basis upon which it is made, and he does so in a characteristically complex, value-laden, and indirect way. He asks rhetorical questions about wants and preferences that imply answers that are obviously more complex than either facts can capture or Frank can appreciate. This only irritates Frank, who responds by upping the ante within his frame of reference: He calls for more "thought, work, and study" – which, to Ian, is simply more of the same. So Ian rebuffs the idea by upping the ante from his frame of reference: He poses another value-laden question (do we *want* to go down there?); he insinuates the answer is already known; he points to the complexity of interpreting a past so many would view differently – and so on and so on, until they're stuck in a vicious cycle.

Interpersonal structures, like the one you see here, form whenever people with different models and contexts come together. This is to say they form all the time. But some relationships will become the arena in which wider organizational issues get surfaced and addressed. When this happens, as it does with Frank and Ian, it becomes necessary to focus on that relationship and to transform the structure underlying it. This is not only because the relationship itself will stall progress, but also because it will help set the stage for how the controversy is understood in the organization. Whenever relationships surface core tensions, those nearby watch them closely. They listen to how the people involved talk with each other. They search for cues about what values are at stake. They cast their own views in relation to theirs. They make observations about what's appropriate to pursue and what's not. Eventually they tell stories about what they see and hear, shaping the way others come to understand and approach the issues. In this way, interpersonal structures become the stuff that cultures are made of.

The plot thickens

One reason dialogues like this persist is that their causes are many and people don't realize this (Nisbett and Ross 1980 (a), Morgan 1986, Bolman and Deal 1991). Each piece of dialogue can be explained by processes of the mind that confuse fact and inference, by formal structures that constrain and liberate, by cultural structures that both give and take away meaning, and by interpersonal structures that offer solace and cause frustration. All of these are at play. Understanding these mechanisms and how they affect each other becomes critical when it comes to asking and answering the question: What's to be done?

ACT III: Changing Course

> "We're at a critical juncture. External factors are forcing us to change. Although the industry's got fewer players, no real capacity has been eliminated. So there's intense pressure on what we can get for our product in the marketplace. And that is not going to change."
>
> "The number one issue for us is to understand what it is we want to do, what we want to be, and what our direction ought to be. Everyone has their own interpretation of what that ought to be, and as a result, the organization is going in a lot of different directions."
>
> – *Two executives at Elite*

The executives at Elite aren't asleep at the wheel. They understand that their world is changing; they see their competitors passing on the high and low ends. But because they are begging fundamental questions of direction, they now find themselves stuck in the middle, trying to be everything to everyone. As one executive says: "It's like: 'Well, here's a product we can shove through our distribution. Boy, I hope somebody wants to buy this stuff.' We lack a focus that's clear about who we're going to go after and how they behave. It's more like everybody is our customer." Elite's deteriorating performance is the painful penalty the whole firm pays for not asking and answering the tough questions of strategy. What's more, they all know it – each and every one of them. The problem is they don't know what to do about it, and they're not alone in their bewilderment. It is one thing to see something's wrong or to even see why it persists. It is quite another to change what you see.

Changing the course of a strategic dialogue

Changing the course of a strategic dialogue presents a daunting challenge. First, you need to be able to spot patterns of dialogue that harm the way choices are explored, understood, and made. Second, you need be able to understand the mechanisms that guide those patterns and lead them to recur. Third – and herein lies the rub – you need to spot, understand, and change those patterns and the mechanisms underlying them while *simultaneously* making headway on highly controversial questions that are urgently pressing for resolution.

Small wonder people find it difficult. It simply isn't possible to pay attention to everything at once. But it is possible to sequence your attention by combining and sequencing three intervention options so that you can make progress while altering the conditions that make progress difficult. The first option is to focus exclusively on the strategic questions by interrupting and bypassing patterns of dialogue that would jeopardize the quality of the inquiry. The second option is to spot and name those patterns while keeping the group's focus on the strategic issues. And the third option is to engage the patterns, surfacing and focusing on the mechanisms underlying them so everyone can see, understand, and change them. Which option you choose at any point depends on the issue, the purpose, and the context at hand. You can best see what each option looks like and how it works by looking at each one in the context of the dialogue that took place at Elite:

– *Bypassing*: You can significantly improve the quality of a dialogue by adding in a form of inquiry that is almost always missing. This particular kind of inquiry requires an ear for the logic behind views and an eye for spotting the limits to them. With this in mind, you can form an inquiry that gently nudges the dialogue beyond those limits, either broadening or deepening people's understanding of the issues and how others view them.

To Broaden the Understanding	**To Deepen the Understanding**
Let me check with others:	*Let me check with Frank:*
How would others characterize the current strategy and the thinking behind it?	What other ways might we segment the market?
To what extent do others think we've articulated a competitive advantage in the core business?	Those growth projections strike me as important. On what assumptions and data were they based?
How would others characterize our competitive advantage in relation to today's market? How sustainable do people think it is?	What specifically about the strategy leads you to think it won't pay off?
What ideas do others have on how we might sustain an advantage in the high end segment?	When you hear Ian say the strategy hasn't paid off yet, what – if anything – would make that possibility compelling to you? What would you need to see or hear to have confidence in the strategy?
How do others see the possibility of pursuing the low or middle segments in new ways?	*Let me check with Ian:*
What ideas do others have on how we might go after other segments?	What kinds of things make you confident the investment will pay off?
What concerns or hopes do others have about shifting course or staying on it?	What kinds of things might lead you to reconsider or to doubt whether it will pay off? What would you need to see or hear?
	When you say these decisions are informed by things other than facts, I think that's right. Can you or others reflect on the concerns or preferences that might figure into your thinking about where to focus?

By building in the inquiries on the left in the table above, you not only broaden the range of concerns, views, and data layed out, you also open up more productive lines of inquiry, interrupt the vicious cycle between Frank and Ian, and alter the unresponsive bystander pattern that helps keep it in place. By building in the inquiries on the right, you get a deeper understanding of different views and what leads them to diverge. This way you can either resolve the divergence with greater confidence or identify the data and concerns that need to be addressed to develop that confidence. I call this option "bypassing," because it reduces the impact of patterns while leaving them intact.

- *Naming*: Sometimes issues are so explosive and patterns so intractable that bypassing proves insufficient for making headway. At this point, you need to draw attention to the dialogue by naming its limits and signaling a way out. This means you can't just say: "You people are jerks for treating one another like jerks." The challenge is to name the limits in a way that pulls the dialogue beyond them (see next table).

  Whether naming is aimed at broadening or deepening the understanding of your group, it begins by identifying the pattern and by signaling a general way out. It then ends by forming a question that focuses the inquiry so that the pattern is less likely to repeat when the question is answered. I call this option "naming" because it labels a pattern that might otherwise go unnoticed or undiscussed. At the same time, it leaves intact the mechanisms that make it recur, and so it probably will recur.

To Broaden the Understanding	**To Deepen the Understanding**
I've noticed Frank and Ian going back and forth now for a few minutes while others of us are quiet.	I've noticed the two of you go back and forth for a while.
I thought it would help us understand the issues better if we also learned more about how others see them.	I now think I see where you each end up but I don't yet see – and I doubt others see – how you each got there.
So, if it's not a problem to switch, I'd like to ask: What are others' views on the strategy and the implications of reconsidering it?	So if it's not a problem from your point of view, can each of you say a bit more about the thinking, or the concerns, or the data that lead to your views?
(You can then follow up with other broadening or deepening inquiries like those under bypassing.)	(You can then follow up with other deepening or broadening inquiries like those under bypassing.)

- *Engaging*: Just as bypassing can prove insufficient when faced with especially explosive issues and intractable patterns, so can naming. Sometimes it's necessary to inquire into the patterns themselves so that you can surface and explore the mechanisms that make them so intractable.

To Broaden the Understanding	To Deepen the Understanding
(If the group is pressed for time, start with something like): I have a question for the group that we may or may not want to pursue now. I'd like to say what it is so that we can decide whether to pursue it now or later.	(If the group is pressed for time, start with something like): Can I interrupt for a moment? I have a question that we may or may not want to pursue now. I'd like to say what it is so that we can decide whether to pursue it now or later.
(The question): As I listen to our conversation, it strikes me that the questions Frank and Ian raised a while ago are absolutely critical because they are so central to what we will decide to do.	(The question): As I listen to the two of you, it's becoming increasingly clear to me that we are going to need the best answers possible to the questions you are raising because they're so central to what we will decide to do.
Assuming others agree, I'm trying to figure out: what's leading me and others to sit back and watch the two of them get stuck, and when they get stuck, to switch the subject and let the issues drop?	Assuming you'd agree, I'm trying to figure out: what's preventing each of you from testing your views or inquiring of others to see if you might each be missing something important?

These inquiries up the ante, because they bring to everyone's attention the structures that keep the dialogue stuck. So, unlike bypassing or naming, these inquiries are likely to surface interpersonal tensions that make everyone uncomfortable, or to uncover contradictions between what people do and the values they hold most dear, or to reveal embarrassing gaps in people's thinking, or to call into question cultural assumptions that most everyone takes for granted. And once this happens, the dialogue will move in a direction that's both rare and difficult to navigate.

This difficulty has three sources. The first is that these inquiries ask people to look at themselves. Not only is this counter-cultural and emotionally daunting, it is also difficult from a cognitive perspective. It's much easier to see what someone else is doing and to note his or her impact on you than it is to see what you are doing and to know what impact you are having on them. It's like riding a bike. Once skilled at it, you no longer have to watch your legs push the pedals or look at your hands steer the wheel. All that becomes automatic, and so you are free to concentrate on the road ahead and on the motorists around you, consciously trying to steer clear of pot holes and bad drivers. Similarly, when acting in the social arena, you are much more aware of the situation around you, what others are saying or doing, what their impact is on you, and what you are consciously trying to do in response to it all. This is one reason you hear yourself and others say things like: "I was just trying to do x, y, or z" … "Look what I was up against" … "The reason I did that is because you did this … " These responses are not purely defensive; they also reflect a pervasive, although alterable, blind spot of the mind (Nisbett and Ross 1980b).

The second difficulty revolves around scrutinizing tensions that lie below the surface. When you look at already delicate relationships or at the cultural assumptions upon which a firm's identity is based, people understandably worry that these structures might not withstand the weight of close scrutiny. They fear that the tensions embedded in these structures might erupt, shaking and perhaps shifting the very ground upon which they live their organizational lives. To expect people to prance merrily down this path is unrealistic at best. Even the most open-minded need some reasonable degree of confidence that it will be better to go down this unfamiliar path than to stay where they are.

The third difficulty is a product of the first two. Because people in organizations rarely go down this path, everyone is unpracticed at it. So when questions like these are broached, people get tripped up by their own blind spots and end up handling the situation in ways that either fail to have a lasting effect or actually make matters worse. This only confirms their worst fears, leading them to view these kinds of conversations as a waste of time or downright destructive. As a result, they quickly retreat to familiar ground – once again keeping these questions at bay and making it impossible to ever develop the confidence or competence necessary to pursue them well.

When people feel unable to manage these difficulties, they lure themselves into thinking that they can be circumvented. Soon they convince themselves that all problems can be settled by firing or transferring people, by redesigning the organization, by instituting new systems, and so on and so on. It's much easier to make these changes than to muck around with cultural tensions or delicate interpersonal relationships. The problem is that while these are harder to transform, they inevitably pull the organization back toward *their* norm, either compromising or completely unraveling other changes. So, not only do these single-minded efforts fail, they waste precious time and prevent us from learning how to make significant change easier. As long as we avoid questions that engage matters of relationship and culture, we will continue to be unpracticed at answering them.

And to some extent, we can get away with it. After all, the symphony of dysfunction recorded in this chapter can be heard every day. Companies scarcely notice the costs it incurs: it's simply the cost of doing business. But some day not long from now, a company in an industry here and another company in an industry there is going to invest in making a different kind of sound. And when they do, they will leave all other firms behind and take the lead in the 21st century.

Annotated References

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Mintzberg, H. (1997), "Crafting Science,"*Harvard Business Review,* 65, pp. 66–75. A more detailed argument for how strategies emerge over time. His idea is that purely deliberate strategies, conceived at the top, will always take a new shape once in the hands and minds of those at local levels. This article focuses on deliberate attempts by executives at setting direction.

Morgan, G. (1986), *Images of Organizations.* Newbury Park, CA: Sage. He argues that we all hold different images or frames of organizations and that these lead us to understand organizations in a particular way. I suspect that these implicit images or frames lead managers and executives to focus on one or two causes to the disregard of other equally important causes.

Nisbett, R. and L. Ross (1980a), *Strategies and Shortcomings of Social Judgment.* Englewood Cliffs, New Jersey: Prentice-Hall. p. 128. In 1843, John Stewart Mill first pointed to this bias when he wrote about "the prejudice that a phenomenon cannot have more than one cause" (p. 127). Since then, cognitive research has confirmed that this is a pervasive inferential error made by people in everyday life. As Nisbett and Ross summarize the error: "Although people sometimes acknowledge the existence of multiple causes, it is clear that they frequently *act* in ways far more consistent with beliefs in unitary causation. In a sense, they behave as if causation were 'hydraulic' or as if causal candidates competed with one another in a zero-sum game." The one cause people see is the one most salient to them – salience being determined by other cognitive heuristics that can also lead us to make erroneous inferences. This book is an exceptionally comprehensive review of everyday cognitive errors.

Nisbett, R. and L. Ross. (1980b), Research in social cognition suggests that when we are acting, we focus on situational causes, yet when observing other people's actions, we focus on dispositional causes. This is called the actor-observer bias. Once you understand this blind spot, you can reduce its effect by helping others see what they might have said or done to contribute to any difficulties and by inquiring into what you yourself might have said or done. While the first addresses the other's blind spot, the second addresses your's. This suggests that the problem isn't the blind spot but our unawarness of the blind spot. That is, once aware of it, you can act to reduce its impact.

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