

CORPORATE TRANSFORMATION

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Alessandro Sinatra



SDA BOCCONI

SCUOLA DI DIREZIONE AZIENDALE
DELL'UNIVERSITA' LUIGI BOCCONI

**FUNDAMENTAL CHANGE IN HIGHLY COMPLEX
ORGANIZATIONS:
THE CONNECTIVITY OF LEADERSHIP
INTERVENTIONS AS ILLUSTRATED BY THE
EXAMPLE OF DAIMLER-BENZ AG**

**G. Mueller-Stewens, G. Strasser, H. Scholl,
L. Heinz, A. Hillig, I. Malioukova, F. Seibert,
G. Stricker, C. Suessmuth-Dyckerhoff
Institute of Management, University of
St.Gallen**

Introduction

The results formulated in the following article originate from the participation of our research group in the international research project: *"New Winners?: Emerging characteristics of companies in search of the competitive edge"*. This article has been largely determined by two years of intense cooperation with Daimler-Benz AG (1993-1994). Daimler-Benz was our favorite partner because they gave us the chance to observe an ongoing change process of a highly complex system at a point where nobody could oversee the potential results of this entrepreneurial initiative. This initiative began in the early seventies during a phase of exceptional economic prosperity, but without an extraordinary pressure from outside businesses. There is no doubt that this corporation is still undergoing a phase of fundamental change, but less so in the sense of the original direction. On the contrary, the present change process is characterized by the reversal of previous decisions and visions (originally aiming to instigate change) in order to ensure the survival of the company.

When we entered Daimler-Benz, the phase of acquisitions had been completed, and the company intended to consolidate. The management focus then was to invigorate the newly composed surface structure. In the meantime, core statements of the company's strategic rationale have been reformulated. In 1995, the architect of Daimler Benz AG's strategy and vision, Edzard Reuter, has been succeeded by Jürgen Schrempp. Following the acknowledgement of unprecedented huge losses for the year 1995 and a number of single problems in various subsidiaries, the group is now being reduced and restructured.

What could be the „lessons learned from Daimler-Benz“? We should not jump to the conclusion that visionaries are obsolete and such ambitious strategies bound to fail. Quite the reverse: The failure of these strategic intentions requires a closer look at the inner structure of the social system „Daimler-Benz“, and the time and effort needed to accommodate introduced visions. Therefore, we propose the development of Daimler-Benz as an opportunity to learn about extremely complex change initiatives in order to generate and continuously revise decisions for the future.

Stabilization and destabilization in the phases of change

What are the specific interests of our research group in this project? In order to explain this, it is worthwhile to take a look at the history of the company. Until the realignment of the corporate group in the middle of the eighties - a realignment which was propelled forward by numerous acquisitions - Daimler-Benz AG had followed a path of development which was more or less constant.

This period of development, stretching over some decades, was characterized by stabilizing rather than destabilizing strategies.

It was intended, by the corporation, that relatively distinct tasks, within a clearly defined environment, were to be fulfilled during this developmental period. The metaphor of a shooting target provides a pertinent comparison: it was the task of management in this period to increase their ability to "hit the bull's eye". At Daimler-Benz, the management considered their task to be that of maintaining the company's leadership in innovation and in quality, without allowing costs to run completely wild.

Daimler-Benz was not the only company with this very specific perception of management challenges. Organizations can be found in many sectors and industries which were highly differentiated according to functions. These are the expressions and results of similar interpretations of this specific situation. These organizations have devoted themselves to utilizing structure to achieve professionalism and standardization, by way of differentiated valued-added chains with a Taylor-based division of tasks.

The task-setting pursued by the Daimler-Benz corporation during this period of time appears to be widely accepted in the "corporate subconscious". An "implicit codex" of the corporation evolved. This codex guided and explained the behavior of the participants. Both *person* - in the sense of mind maps, implicit rules, and models of behavior - and *object* - especially the strategy to be pursued in the future - were in a "state of harmonized oscillation". At that time, the codex was basically unquestioned by management decisions.

- Therefore contents of leadership are more object-oriented than behavior-oriented in this rather stability-inclined phase.

However, the situation during and immediately following a phase of fundamental change differs greatly from that described above. The metaphor of the shooting target is once again applicable in describing challenges which must be faced. The first challenge is that no-one possesses a clear idea of where the target might be located. This becomes comprehensible if one considers that the present Daimler-Benz has difficulties in making a prognosis as to what the defense business of the future may look like. This vagueness occurs at a time when even national governments are in the dark about their defense assignments. The expertise of management in the first challenge consisted of reaching an agreement as to where the target might possibly be found.

The second challenge, then, is that of mobilizing the organization in order to hit the moving target at the position where it is assumed to be. It is important to ultimately realize that the realignment which the strategy is aimed at requires totally different capabilities and characteristics. These are different from the

characteristics of the periods of continuity and of increasing efficiency. In order to be successful, it is necessary to possess a high degree of physical and mental mobility. Without a rearrangement of mental structures and of comprehensive competencies in the corporation, the concepts which aimed for realignment would amount to nothing - in spite of the possibility of the existence of considerable factual logic to back it up.

These considerations lead us to a thesis, one which simultaneously forms the basis of our approach to working with Daimler-Benz:

- a targeted realignment of the factual concepts of a corporation necessitates corresponding "investments" in behavioral aspects.

Such a realignment of an organization necessarily entails the conscious and calculated transformation of the corporation's inner structure - which we define as the values, attitudes, abilities, interests, regulations and inside events of the organization. It is advisable at this point to delve further into the consistency and pattern peculiar to this inner structure. In content, a close proximity can be found in the subject of corporate, or organizational, culture, in the sense of all of the internalized values, norms, and world views (passim Schein 1984; Smircich 1983). While research into the structure of organizational culture had to face increasing criticism during recent years (Smircich and Callas 1987), this topic has undergone a certain renaissance lately under the content-related label of: "Organizational and Individual Cognition" (i.e. Huff 1990). The relevance of the inner structure as such still remains undisputed. There is a general awareness that its consistency and pattern have a decisive final influence on behavior. This is seen in the increasing number of cases in which there are only incomplete official sets of guidelines regarding the choice of paths.

Finally, there is a second area which belongs to the inner structure of the corporation. This is despite the fact that it can only be listed in part under the topic of "culture". What is meant by this is the established interests of those participating in the process. In associated literature, this subject has found growing consideration of late, under the keywords of "power", "politics", and "political processes" (Pfeffer 1992; Hosking and Morley 1991; Perucci and Potter 1989; Sander 1990).

However, if everyday organizational life is examined with concern for the relative importance of a transformation of inner structure, these only rarely become the object of a conscious organizational design and structure. The disastrous consequence of this diagnosis becomes apparent when realizing that the interplay of the target - or more specifically, the already established realignment on the surface, and the connectivity, a term which for us means the measure of how well the organization communicates and shares information internally without intervention, of this realignment to the existing inner structure

- has far-reaching effects in these phases of fundamental change. At this point it can be said that:

- change initiatives which are factually logical can only be realized inadequately if there is insufficient connectivity to the inner structure of the organization (i.e. to other situations).

Based on these theses, our interest in the Daimler-Benz case could be focused on the question of an efficient interplay of leadership interventions and inner structure. However, another question is also raised: what are the prerequisites which interventions from above, aiming at control of a fundamental change, must fulfill in order to be most effective? Figure 1 illustrates our theoretical model.

Here, two critical circumstances must be mentioned: first, the question of contents in the sense of a factually correct precision of the intervention. Secondly, there is the question of its connectivity to the situation of the remainder of the organization - the part which must put this intervention into practice. The first circumstance is concerned with making factually correct deductions from the analysis of business dynamics. These, in turn, lead to individual interventions in the surface structure, which for our purposes is the organizational processes and structure, incentive systems, business portfolios, etc. In the second circumstance, it is necessary to raise the question of: whether the inner structure of the organization will offer a realistic chance, in the foreseeable future, of bringing the interventions to life. With this circumstance, it should be kept in mind that intent and ability aim at a practical realization.

In our research we have concentrated upon the second circumstance, that of the connectivity of interventions to the inner structure. There are two pragmatic reasons for turning away from the question of the correctness of factual-logical decisions. Firstly, a sufficient range of instruments for the evaluation of strategies already exists in the present state of theoretical discussion. Secondly, with regards to the situation of Daimler-Benz (and that of numerous other organizations which are similarly structured), it must be pointed out that the transformation of the corporation, on the surface, has to a very large extent already occurred.

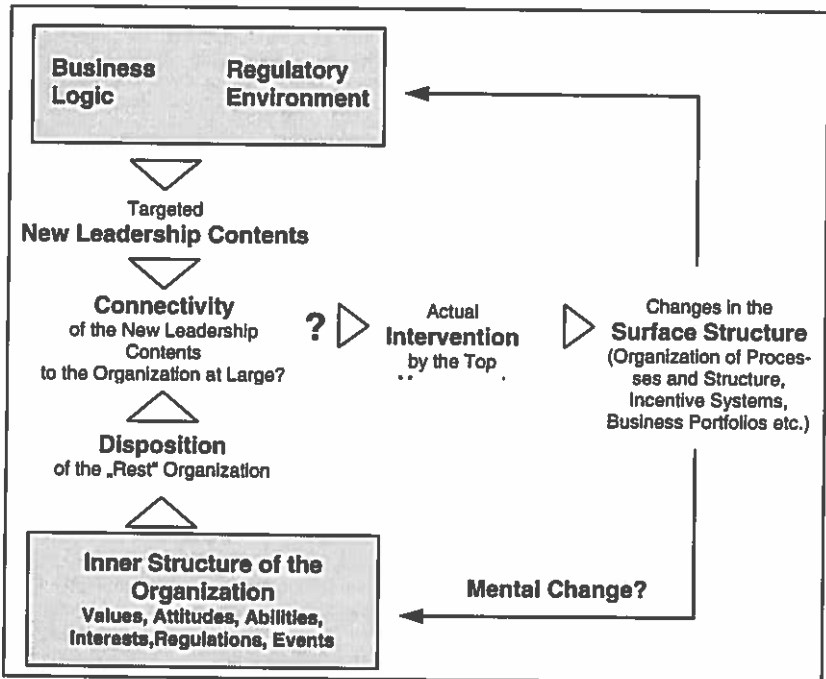


Figure 1: Flowchart of change

The theoretical argument on the present state of research, and the analysis of the actual situations of a number of large groups at the end of this decade of diversification are in fact justifications for the adequacy of decisions which intervene in the surface structure. In our opinion, this adequacy can be taken for granted. In addition, the influence of top management on the formulation of such decisions - an act which has increasingly become the subject of criticism - will be excluded (Weick 1979).

The importance of diagnostic competency in inner structure

We would like to take a passing look at the interplay of organizational sub-consciousness and the surface structure. This subject should be dealt with prior to examining the main question of which measures should be taken in order to fill-in the gap that has been found in Daimler-Benz, and for numerous other major corporations. This gap is the difference between interventions in the surface structure, which have already been executed, and an inner structure which has not yet experienced interventions.

The role which is assumed by these two factors, in the function that they perform as success factors within the processes of change, has been mentioned previously. It has also been pointed out that in the reality of everyday decision-making the situation of the organization is rarely included in considerations to an adequate level. It must be emphasized that knowledge of the characteristics of an inner structure has a varying, though always fundamental, importance in each individual phase of the transformation process.

In Figure 2, the different phases of such a transformation process (Gomez and Müller-Stewens 1994, p. 142f) are assigned diagnostic questions with respect to the inner structure, and also with respect to the evaluation of the relevancy of such knowledge.

Phase of transformation process	Diagnostic questioning of the inner structure	Relevancy of knowledge of inner structure
Formation	Questioning what are the strengths and weaknesses of our company?	Knowledge of inner structure as: • generator - in the sense of being a crystallization point for change • verification - in the sense of acting as a cleaning agent for unrealistic strategy projects
Implementation	Which target profile of the inner structure is adequate in view of the surface structure which results from the leadership interventions?	Knowledge of a targeted inner structure's pattern as a benchmark of the present situation
Mobilization and Integration	What are the actual interests of the relevant persons inside the organization? What is the standpoint of the research group regarding the challenge of filling the gap between surface structure and inner structure?	Knowledge of the dynamic component of the inner structure transformation. Analysis as an instrument of process monitoring and process benchmarking.

Figure 2: Diagnostic questions

We will deal later with the question of how the targeted results can be acquired in the different time periods of change. At this point we can say that the inner structure itself assumes a fundamental importance which acts with specific differences in the success of such projects of change. This is especially true of the knowledge of the characteristics in each individual phase of the transformation process. Through this knowledge, the ability to diagnose the inner structure becomes the decisive success factor of the management of a transformation.

The alignment of inner structure and surface structure

In this section, we return to the starting point, that of Daimler-Benz AG itself. What would potentially solid steps on the way to an alignment of a hesitant inner structure with the surface structure actually appear as? Although we are conscious of the restrictions of the use of such a method, we have decided to represent this information in a simple four step process, in Figure 3.

- *Step 1:* Competencies, characteristics and capabilities which should be present within the organization to bring the intervention to life should be deduced before the background of existing (or future) interventions.
- *Step 2:* The "targeted inner structure" should be juxtaposed with an "actual inner structure", in order to better understand the organizational inner structure, and in order to identify the "difference between situational states".
- *Step 3:* The causes for this "difference between situational states" should be analyzed, and adequate and appropriate central programs for a transformation of the inner structure should be formulated.
- *Step 4:* Finally, the dilemmas which often hide behind a fundamental change, and which hinder the transformation, should be determined. These will later serve as a basis of discussion for the positive application of the change.

Figure 3: Alignment of inner structures with surface structures

In the following sections, the individual steps shall be highlighted briefly.

Step 1: Deducing desirable characteristics and capabilities

The analysis of official documents which concern corporate policy and strategic planning can be a means of identifying desirable characteristics and capabilities in the company. Thus, Daimler-Benz's vision already offers many interesting clues: "Daimler-Benz regard themselves as an integrated technology group. This means that we do business in areas of operation which are linked mutually through common technologies and system structures."

This idea of an "integrated technology group", relies upon the increased economic uses of existing resources, through recurring utilization or through relocation and grouping. That this can occur at all (and especially successfully) depends upon a culturally based willingness and capability to cooperate internally, across all functional areas and across divisional borders.

In addition to the vision, it is possible to find more information in corporate models of the group and in its segments. Additionally, there are the possibilities of the analysis of leadership statements (e.g. discussions at meetings), and explanations for investments in certain key programs. Using these methods, we were able to establish that certain key capabilities were repeatedly mentioned and emphasized at Daimler-Benz AG. These key capabilities are used as "battle cries." These battle cries are sent out into the organization, in a more or less explicit fashion, with the aim of helping to realign behavior. Key capabilities which we noted as especially prominent inside the group and its segments were those of: flexibility, the ability to concentrate on core competencies, internationalization, the ability to cooperate, mobility, system leadership, and entrepreneurship. All of the leading executives interviewed agreed that these were indeed the central desired key terms. Only in individual cases were other capabilities added to this list (i.e. the ability to communicate, an openness to innovations, or that of customer orientation). In summation, it can be said that inside the group there seems to exist a consciousness that these characteristics and capabilities are regarded as necessities. At the same time, these key characteristics are both the focus and the legitimization for a number of projects - which we would term interventions - in the surface structure. These projects aim at activity in directions already mentioned as desirable.

The second step of our procedure is that of observing the actual "outcome" of such projects, and the discussion of the question of progress. The organization is examined with regards to its situational state of surface *and* inner structure at points where change could supposedly occur. This change would occur in accordance with the leadership interventions which had been applied. If, in making use of this procedure, there are any differences between observations and the targeted surface and inner structures, one may either alter the targets themselves, or may undertake further measures to close the gap. At this point, we will briefly describe how we approached this question in our research-project.

Step 2: Diagnosis of the situational state of "points of corporate transformation" as a basis for understanding the organizational context of possible interventions

To facilitate a closer examination, we have decided, together with the corporation, on the following "points of corporate transformation":

1. *Bodan Software*, founded in 1991, was separated from DASA. Bodan was engaged in the sector of "knowledge-based systems," and had long been described as an example of "entrepreneurship" within the group (Bodan has since entered bankruptcy).

2. The *Center Concept* was introduced at Mercedes-Benz in 1992. The aim of this concept was that of realizing potentials in flexibility, acceleration, and cost reduction.
3. DASA's *Executive Development Program* (EDP) was a General Management Seminar introduced in 1990. It placed particular emphasis upon the development of "intra-corporational entrepreneurship", as well as upon the integration of subsidiary companies.
4. *Eurocopter* is a Joint Venture established in 1992, between the helicopter divisions of DASA and Aérospatiale. The major aim of Eurocopter was intended to be that of achieving a critical competitive size.
5. *Intertraffic's* task was to be that of formulating conceptions of integrated traffic management systems, as well as actually achieving them. Intertraffic was founded in 1990, with the mutual participation of all four group segments, and is currently directly attached to the holding.
6. *Temic* was founded in 1992 as a Joint Venture between AEG and DASA. The main aim of Temic was that of gathering together the strategically relevant capabilities of the group in the area of microelectronics.

As this list of "points of corporate transformation" demonstrates, each point can be linked to one or more of the "key capabilities" previously mentioned. According to our research procedure, if one discovers that the inner structures are in line with the fundamental targets of the intended change, it can be said that the transformation has taken place and is well in-progress. Where deviations from these targets are found, one should search for underlying reasons, as well as consider any consequences of the difference.

Therefore, the analysis of inner structure in parts of the organization is an attempt to provide a *diagnosis* of the present state of the organization. This diagnosis answers questions such as: "What is the characteristic required of any new intervention so that it can gain *connectivity* with the inner structure of the present organization? How far can this be taken, and what is the highest possible degree of *tension* that can we can integrate, and still avoid over-controlling the organization?"

The applied survey method, and particularly the interpretation method, assume key roles when used to diagnose the inner structure dimension of the corporate transformation. We decided upon utilizing a method of qualitative system analysis (Froschauer and Lueger 1992), based on the system theory (especially Luhmann 1984), in order to develop various aspects in the future. The guiding thought here is the intention to conceptualize an organization as a "social system" and - within the context of this conceptualization - to concentrate on how the system affects the production and the "application" of organizational values, rules, and patterns of discussion.

During current analysis and research, as well as in regard to future interpretations, this mature method offers a number of advantages, with its system-theoretical background, solidly based in highly explanatory theory. These advantages are:

- The link to self-reference and to autopoiesis - which is the ability of a system to renew itself - (self-reference and autopoiesis are the two central pillars of system-theoretical thought) plausibly explains how it is possible to deduce the general structural determinants of the system from information taken from a relatively small number of interviews. It also shows how this must be applied sensibly. Hence, the method is a very economical one.
- Considerable advantages also result from use of a clearly defined procedure in connection with the method. The most pragmatic argument that can be used here is the fact that the simple clarity of the central set of questions enables even "young" researchers to offer significant contributions to the project.
- Additionally, the system-theoretical background offers the chance to keep in mind the relations of part-to-whole, system-to-environment, and structure-to-dynamics. Therefore, and despite the wealth of material available, it is quite easy to approach the theory which is being utilized (Argyris and Schön 1978).

We would like to illustrate a few observations:

(1) **The time lag between surface interventions and the alignment of the inner structure.** We would like to return to the previous statement of Daimler-Benz now facing the challenge of aligning the *inner structure* after a phase of significant interventions in the *surface structure* (especially through acquisitions made since 1985). These interventions in the surface structure were clearly recognizable even to outsiders - the daily work of the staff on middle and lower levels, however, had hardly changed over the years. Even if the box in which one was found inside the organizational chart repeatedly changed, this had little actual impact on everyday operational life. And even if new leadership components actually made it through to the staff level, where it is possible that some people took notice of them, there was still a gap between those new leadership components and the behavior of the immediately superior hierarchical level(s). This resulted in very few reasons for truly adapting individual behavior to new ideas in the facets of operational decisions in everyday life.

(2) **Ambiguity and incomprehensibility.** The destabilization of corporate balance through surface structure changes questioned a large number of the orientation formulae which had been determined and discussed over the years. Networks of relations and discussion patterns lost more and more of their validity. The situation of the group was characterized by a variety of competing interpretations. These interpretations can be noticed in the abundance of communications searching for, or even offering, orientation. All this occurred at a time when,

due to the transformation that had been initiated, all of the company's stockholders were looking for increased security and an alignment amongst leadership statements. Due to the nature of the matter, these statements themselves remained relatively vague, abstract, and ambiguous. Additionally, the statements fought to penetrate the communicative inferno which was also a result of the change. The lack of plausible explanations, as well as open paradoxes, was found everywhere. One example of this is the expectations which the leadership was now confronted with: there were various situations in which staff expressed a desire for stronger objectives and guidelines from top management on one side, and on the other demanded an increased autonomy for themselves and for their unit.

A similar contradiction can be found in the "key capabilities". Agreement as to the importance of these capabilities does exist; but we also found that these same capabilities were actually interpreted in various ways. Management (top levels) remained unwilling to accept this. We were quite astonished to find, years after the initiation of this change in a rather stabilizing phase, that there was still such a high degree of ambiguity in the contents of the central strategic formulae. It is obvious that this cannot be explained as an "unexpressed deviation of interpretation". An answer will be found sooner through the activism observed ("no time for explanations") and through unit egoism (each unit for itself).

(3) Reluctance towards the group's offers of integration. It has been mentioned previously that one of the group's central defining concepts is that of integration. In the past, the synergistic potential which was expected to result from combining individual corporations had long served as the legitimizing basis for the acquisitions of such corporations. Exactly who intends to realize synergetic potentials through interventions in the surface structure, and exactly who expects voluntary cooperation, is dependent upon the organization's ability to *cooperate* internally (this is also being *willing* to cooperate).

This statement can be further clarified if we recall the fundamentals of a corporate strategy which is based on the exploitation of technical synergies. Units, which normally do not have any direct connection with their alignment along the value-chain (e.g. car-unit and airplane-unit) should discover and implement means of synergetic cooperation amongst themselves. This measure cannot be prescribed by top management or by any planning staff in any detail. Therefore, the ability and the willingness of the units themselves is decisive in the success of such a strategy.

Due to the calls for cooperation and integration which had resulted (the so-called "battle-cries"), the group's top management faced various problems:

- Firstly, almost all of the group's corporations (or business units) must deal with market-related difficulties. Market performance had also become decisive for the Daimler-Benz group by this time. Even group planning strategies had to be subject to monetary performance criteria. Accomplishments of sub-units which were not directly financially

exploitable were to be basically unrewarded, unless it made sense operatively or in the short-term.

- Secondly, the larger group segments regarded integrative efforts as an unacceptable limitation to their autonomy, which in some cases had only recently been increased.
- Thirdly, mutual intra-group assessments were characterized by a considerable amount of suspicion. The years of experience with internal cooperation had resulted in not only euphoric mutual assessments. Many new entrepreneurs secretly hoped to do business with partners outside of the group in the future, while today they remain bound to the system of intra-group relations.

Figure 4 shows a summary of the three most prominent inner structure characteristics which are described above. The figure also offers a view of the remaining components of this article. We will now primarily illustrate the necessity of generating common, shared understandings as pivotal points. Following this illustration, we will examine concrete starting points for programs of transformation in points-of-main-efforts.

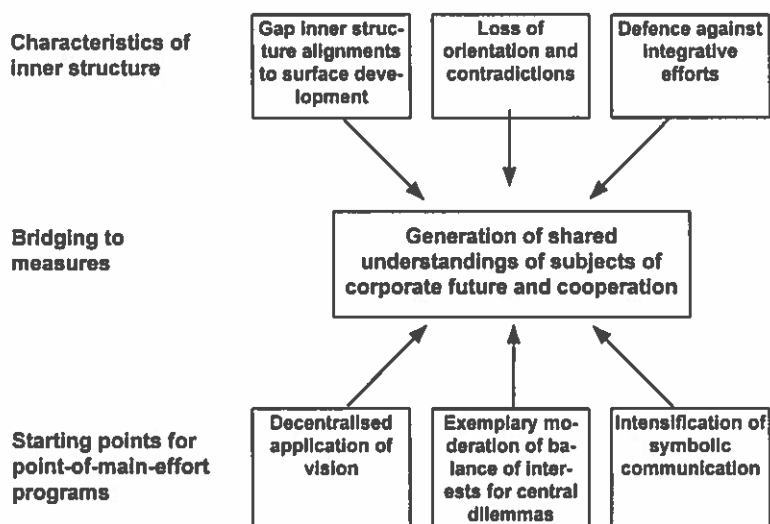


Figure 4: Shared understandings for point-of-main-effort programs

The encouragement and support of shared understanding. We have already mentioned that central orientation formulae allow for extensive margins of interpretation in everyday corporate life. Initially, this need not be considered as a problem. As in phases of alignment-pressure, "non-directed" variations represent an important element which aids the adaptability of the system. What is often regarded as "blind activism" is - at least in the initial phases of a reconstruction of stabilization - a necessary prerequisite for achieving a possibly successful situation. However, attempts must be made everywhere to narrow these margins of interpretation in a progressive manner. A shared understanding can only result from an exchange of observations and considerations on how to deal with these new orientation formulae.

Because of this, care must be taken that the experiences which the company undergoes are made public, and can thus be equally shared. This can be accomplished through seminars, workshops, learning circles, planning games, quality circles, and other forms of mutual discourse. Any intended "shared understanding" can hardly develop through cramming default definitions into those persons which are both involved and affected. On the contrary, participatory forms of communication and cooperation across more than one hierarchical level are necessary. At this point it seems to be of utmost importance to initiate processes which, firstly, aim at a verbalization of topics which are thought to be important. Secondly, processes which encourage and support the shared digestion of experiences with regards to the future development of the group must also be initiated.

Step 3: Point-of-main-effort program for the inner structure of Daimler-Benz

The following point-of-main-effort programs aim at a transformation of the organizational inner structure. The programs meet the two demands of verbalizing important topics, and of initiating the sharing of future development experiences. In the point-of-main-effort program directed at the adaptation of the vision to the company's operations, the aspect of developing common, or at least mutually recognized, "shared understandings" is taken into account. Our first recommendation is that this will occur, in basic, through a discourse on the corporate future. Our second recommendation aims at new forms of "symbolic communication" and of "mass communication" (as an extension of symbolic communication).

(1) The adaptation of the vision to the operations of the company. For more than a decade, the transformation of the group followed the formula of the "integrated technology group". This vision did play an important role during this period. Now however, the transformation, on the level of the surface structure, seems to be nearly completed. Hence, the development of a second version of

the vision seems advisable, in which the control of businesses in the classical sense would assume a central position. This is part of the content of the vision.

With regards to the process of any further work on the vision, we suggest the use of a more participatory system. During the first destabilizing phase of the group's transformation, a broadly based development of vision seemed unrealistic, in part due to its entrepreneurial character. It is even possible that it would have been counterproductive, due to possible centrifugal forces. Today it is important to enforce entrepreneurial dynamics by the means of relocation processes, and by means of decisions which are made as closely as possible to the lower levels of the company. All of those who will be affected should be included, and where reasonable, to be made "masters" of the processes. This will not only ensure the desired social connectivity, but at the same time will considerably increase the decisive commitment (Ghemawat 1991) of all participants (towards a consensus decision). Due to the decentralized form of development, it must be ensured that new versions have more of a chance to be experienced as significant. Versions must be meaningful to the work of any person, and to any function within the organization. At the same time, the organization will not be overcontrolled through this procedure (which is what unfortunately had previously occurred), as every person will always be conscious of respect for existing traditions. This is because it will also be possible to ensure a more complete idea of all concerned interests.

(2) **Extension of symbolic communication in order to improve the force of leadership interventions.** Although the "first steps" towards change within Daimler-Benz (mainly the acquisitions of the mid-eighties) have been undertaken without the participation of a number of employees, we must not underestimate the role of *communication* from top management to as many employees as possible. Basically, this concept was certainly already in mind when the CEO and his colleagues formulated the vision and began sending their "battle-cries" into the whole organization. However, from our research, we have found that the search for the *appropriate means of communication* is a difficult problem.

What struck us as interesting inside the corporation was that the middle levels complained about inadequate communication regarding the new components of leadership, and about the meaning that these were intended to initiate. However, on the other side, the leading executives were already spending a considerable amount of their time on communication tasks. A few particular elements should be pointed out: first, the amount of force necessary to anchor new messages with the receiver is often underestimated. This force is determined, above all, by the absolute size and the content-related connectivity of the communication. The efficiency of the communication depends upon the choice of the medium. The least efficient method is that of paper, while the most efficient method is any sort of direct communication. The high degree of efficiency of direct

communication is, of course, hardly surprising. But if - as is the case with Daimler-Benz - the group of addressees that must be reached is numbered in the hundreds of thousands, one faces, by extension, the problem of *mass communication*.

To achieve any sort of progression from this, we must move away from the concept that any large collection of colorful house communiqués from the group's center can manage to establish the necessary network of meaning. Two measures are necessary. The first is that symbols must take over the revision of meaning. The fundamental orientation must be enacted plausibly through ritual interaction between leadership and the remainder of the organization. This symbolic method of communication, then, represents the counterpart of discussion-type communications, in the form of direct dialogues. As we know, phases of fundamental change are characterized by high degrees of insecurity and of ambiguity. Especially in situations such as this, people look for symbols which aid in the discovery of the meaning of what has been asked of them recently. People also look for symbols which may aid in finding the meaning of what cannot be explained rationally, and with some degree of satisfaction. The second measure is that of using symbolic communication in regards to the inner structure. This second measure is undertaken because symbolic communication is better suited than other forms of communication to penetrating the communicative fireworks that are so typical of phases of change. Thus, a special chance for a direct influence on the inner structure is offered via symbolic communication.

It is possible to consider introducing an internal Daimler-Benz TV station, on which the top management would present interesting cases of practical integration with the participants concerned - perhaps on a weekly basis. Of course, not only the sunny side of matters would be presented. It might be at least as efficient in creating attention, and in causing reflection on the meaningfulness of corporate ideas, to ask - via TV - the entire staff of Daimler-Benz for opinions on given problems which are actually troubling a specific part of the group. Suggestions for solutions which can be expected from various other parts of the group will hopefully prove the considerable value of the integrated technology group.

Another promising step would be to define fundamental areas of tension which the organization must face during the transformation process. This definition could take into account the potential resulting from moderating decentralized processes, as well as the demand for symbolic communication. What is important for top management is the definition of these areas of tension, then making them public, and, finally, symbolically moderating selected discussions on them.

Step 4: Definition and moderation of conflicts of interests - the search for a balance in central dilemmas

It seems to be typical of processes of radical change that leading executives find themselves permanently in fundamental dilemmas. No matter how these executives behave, there will always be at least one group of stockholders which think that they are negatively affected. One basic dilemma exists between the mission of integrating the group as a whole, and that of the objective of achieving success as a profit center within a competitive environment. Both expectations are formulated from the perspective of the holding, and remain paradoxical, even intrinsically contradictory - even when each one is reasonable when considered on an individual basis.

Within the organizational reality, much time and energy is spent taking sides on one or the other aspect of a dilemma. In order to gain clarity, with good intentions, one will vote for one side and oppose the other. This is unacceptable as there may be good reasons behind both sides of the dilemma. It seems to be more productive, from various perspectives, to simply accept the dilemma as it is, and to follow up on contradictory policies, instead of attempting to make a decision (whether pro or con) on the side of one of the two poles. It is the expertise of management to behave adequately in a dilemma, by progressing along a path inside this continuum, between the poles.

In the search for a balance in central dilemmas, it can be stated conclusively that situations of change are characterized by dilemmas that were successfully negotiated in the past, but which now are no longer in balance. These dilemmas present themselves in altered forms from the originals. It is then the central task of the manager to initiate and to moderate negotiation and discussion processes, in order to make possible a positive reinterpretation of the dilemma. This aim is one of adding utility through the utilization of synergies.

Summary

Without a doubt, Daimler-Benz has fallen into the gap in its own development. On the one hand, the complexity of the corporation has increased remarkably. This was caused voluntarily by diversification away from the vehicle division. The objective was to build up more inner complexity, in order to be able to cope with more complexity on the markets. On the other hand, however, more inner complexity not only renders an organization more flexible, it also makes it vulnerable to more turbulence and to more discontinuities in the environments which it operates in. This was not an issue during the time when the relevant environment was simply: "cars" and not: "cars and aircraft and defense-systems and satellites and ...". It is not only our opinion that the process of change has not yet been completed. Helmut Werner, CEO of Mercedes-Benz AG, said in

1994, on behalf of his company, that: "we haven't yet made it, by far", which still holds true today.

It is widely known that the more complicated the environment becomes, the more the individual inside the organization must be taken care of. This is because the sum of all individual mindmaps and behavior patterns constitutes the main resource for altering and for adapting the organization's inner structure. The message of change must be anchored inside the heads and hearts of the members of the organization, or it will not be possible to realize top performances and to achieve true "virtuosity".

Finally, some factors which determine whether new components and aspects are taken up by the participants within an organization, and whether these components and aspects are then given life, should be mentioned. These factors decide the quality of a leadership intervention, and thus, the competency of a leading executive. Leadership interventions must be shaped with regards to content and to pattern so that:

- they can be connected to the existing patterns of thinking, of discussing, and of behaving (i.e. an almost retrospective connectivity must be ensured)
- those potentials can be developed within the individual actors (at least in a medium-term perspective), who are necessary in bringing the targeted realignment to reality (one could call this a prospective connectivity)
- the necessary attention and an adequate commitment of the members of an organization can be achieved

While the first two requirements make the importance of a differentiated diagnostic competency apparent, the ultimate point, once again, stresses the relevance of adequate forms of negotiations and communication. These are signposts along the road towards a "shared understanding" in the corporate future.

Ultimately, management of the fundamental change of the temporal, local, and content-related unity of both factual and behavioral dimensions is necessary. For corporations like Daimler-Benz, such transformational (or crisis) situations constitute a great chance, as well as a considerable threat. However, in the event that such a corporation manages to learn from its experiences in dealing with this episode of change on the inner structure level - fundamentally improving the collective adaptability and learning niveau - then that corporation has created a type of "fixed asset". And this type of asset will result in more enduring competitive advantages than those provided by most available technologies.

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