



**Center for
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**New CEO Intervention and Dynamics
of Deliberate Strategic Change**

**CEO Publication
G 88-15 (128)**

Larry E. Greiner
Arvind Bhambri
University of Southern California

May 1994

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NEW CEO INTERVENTION AND
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Summary

Growing evidence in the executive succession literature and the business press makes clear that many new CEOs attempt to introduce strategic change upon entering their jobs. Yet, strategy researches have generally neglected to document the internal dynamics of these interventions, and many scholars remain pessimistic about the likelihood of success. This paper presents an empirical case study where a new CEO succeeds at strategic change, using an intervention approach we call "Comprehensive/Collaborative." A set of testable propositions is inferred to explain the unfolding dynamics within this approach to intervention, followed by an overall theoretical framework based on a series of phases and underlying themes involving the interplay between the CEO's actions, rational synoptic planning, and emergent political behavior. Future research needs to expand upon this beginning framework to test our propositions and evaluate other intervention approaches.

Although the current business press is replete with stories of new CEOs who dramatically change the strategic directions of their companies (Potts and Behr, 1987), much of the recent academic literature on strategy implementation reads more skeptically about the fate of CEO-planned and led strategic changes (Quinn, 1980; Pettigrew, 1985). We argue in this paper, unlike the academic skeptics, that new CEOs can and do implement successful strategic changes over a short time period. However, we contend from the case data presented here that the extent of success depends upon the situational match between the CEO's approach to intervention, political behavior in the executive team, and the unfolding dynamics of the intervention.

Defining Strategic Change

What is strategic change? The study reported here needs to be considered in light of the many diverse definitions and theories offered to date on this important, but under-researched subject. Tichy (1983) sees strategic change primarily in terms of a major intervention by top management, using consultants and behavioral science techniques, to overcome organizational inertia and accomplish radical change. Pettigrew (1985a, 1985b), on the other hand, takes a longer term perspective, drawing on political and cultural theories, to describe a meandering process wherein managers gradually bargain and compromise their way to unpredictable outcomes. Mintzberg and Waters (1985) draw a useful contrast between deliberate and emergent approaches, proposing the concept of management intentionality to differentiate between deliberately "planned" change and completely emergent events "imposed" by environmental forces.

Tushman and Romanelli (1985) link these two points of view in an organizational life cycle theory of convergence and reorientation. In this integrative theory, convergence arises out of the need to implement a prior reorientation; however, its narrow focus causes organizations eventually to become "stuck" and insensitive to environmental shifts, thus giving rise to "frame-breaking" and "all-at-once" reorientations with simultaneous changes in strategy, structure, people and processes. Various scholars have similarly drawn attention to this "punctuated equilibrium" model (Greiner, 1972; Mintzberg, 1978; Miller and Friesen, 1980).

In addition to these process-oriented perspectives, there are outcome-oriented definitions that specify firm realignment with the environment as a principal criterion for strategic change (Ginsberg and Grant, 1985; Gray and Ariss, 1985). Snow and Hambrick (1980: 529) have particularly noted:

Strategic change occurs only when the organization
(1) modifies in a major way its alignment with the
environment and (2) substantially alters technology,
structure, and process to fit the new alignment.

Still other researchers have sought to identify the varying environmental and organizational conditions that restrict or expand opportunities for strategic change. Theories of organization ecology stress the severe limits placed on management by external forces (Aldrich, 1979; Hannan and Freeman, 1977). Opposing theories of strategic choice emphasize management's influential role in analyzing and selecting among available opportunities (Child, 1974). Hambrick and Finkelstein (1987) propose an integrative concept of strategic discretion, which allows for narrow and wide bands of executive latitude

based on such factors as degree of industry regulation, maturity of market, and CEO power.

The embryonic state of empirical research on strategic change makes it presumptuous to embrace exclusively any one of the aforementioned viewpoints. However, each perspective makes a useful contribution that becomes reasonably compatible in the following overarching definition given by us to strategic change:

Strategic change involves a shifting interplay between deliberate and emergent processes that receive their relative emphasis under certain environmental and organizational conditions, leading radically or gradually to major changes in strategy (e.g., mission, product/market mix), and/or organization (e.g., structure, systems, culture, people), and which result in a realignment between the firm and its environment.

Since we are concerned, in this paper, with deliberate strategic change, we assign a particular meaning to intentionality within the total context of the above definition:

Deliberate strategic change involves a planned intervention by senior executives, arising under certain environmental and organizational conditions, which attempts to guide emergent reactions toward making major changes in strategy and/or organization, resulting in a realignment between the firm and its environment.

Given this definitional focus, we shall address here the following basic questions about the intervention dynamics of deliberate strategic change:

1. What does one such major intervention look like in concrete documented form?
2. How can the dynamics of this intervention be conceived and stated in testable terms?
3. What are the broader implications of our findings for future research on intervention dynamics and deliberate strategic change?

New CEO as Initiator

The most logical initiator of deliberate strategic change is the CEO whose formal position at the apex of the corporate hierarchy makes him/her legitimately responsible for establishing a firm's strategic direction (Lenz and Lyles, 1984). Nevertheless, whether the CEO chooses to initiate strategic change remains problematic; the CEO may not be personally disposed by long tenure to lead a major change effort or the Board may not mandate or approve strategic change (Vancil, 1987).

Based on the CEO succession literature, the CEO most likely to initiate strategic change is the new "outsider"; examples abound such as Sculley of Apple, Iacocca of Chrysler, and DeBenedetti of Olivetti. Tushman, Newman and Romanelli (1986) found that externally recruited executives are more than three times as likely to initiate "frame-breaking" change than existing executive teams. Other researchers have also documented the association between outsider succession and fundamental organization change (Grinyer and Spender, 1979; Helmich and Brown, 1972).

How often do outsiders become CEOs and thereby have the opportunity to initiate strategic change? Vancil (1987) noted the growing tendency to select outsiders as the "single most striking trend" in his recent study of 227 Fortune 1000 companies where the rate of outsider CEOs has tripled from 9% in the late 1960s to 27% in the 1980s. Other researchers have found higher rates of outsider succession in younger companies (Helmich, 1975), and in fast growth industries (Helmich, 1972). Opportunities to become a new CEO and initiate strategic change are also influenced by the absolute rate of CEO turnover. Although the precise numbers vary between studies, the rate

of CEO turnover has remained consistently high over many years. James and Soref (1981) reported 110 top-level changes in the 300 largest U.S. industrial firms during a single year, 1965, or an annual rate of 36.6%. More recently, Reinganum (1985) listed 667 changes reported during 1978-79 in the Wall Street Journal for President and/or Chairman positions of 2,500 publicly traded companies, or a turnover rate of 26.7%. Vancil (1987) reported a replacement rate of about 50% for each five-year period between 1965-1984 among 227 large companies.

At the same time, numerous succession studies make clear that new CEOs do not necessarily experience a "honeymoon effect" where success is easily assured. Vancil (1987) found that 10-20% of new CEOs in his study were "failures," and one-half of these were terminated in the first two years. Fredrickson, Hambrick and Baumrin (1988) reported data from major food processing firms showing that 17 out of 35 departing CEOs left their jobs in the first three years. Furthermore, the performance results following CEO changes are not encouraging. Lieberman and O'Conner (1972) reported little impact on sales and net earnings in 167 companies over 20 years. Chung et al. (1987) found that low performing companies continued to underperform with new outsider and insider CEOs, while previously high performing companies continued to excel with new CEOs. In terms of stock market reaction to CEO changes, Beatty and Zajac (1987) revealed no difference in stock prices immediately following public announcement of succession, as well as no difference between insider and outsider CEOs. Reinganum (1985) found only a positive increase in short-term stock value for small firms with externally recruited CEOs. Friedman and Singh (1986) found that stock market prices were unaffected by CEO retirement due to age, whereas

unplanned, early exits had significant positive or negative effects depending on the reason for departure.

Most of these studies on the effects of CEO succession are based on large sample, cross-sectional methodologies; an inherent flaw of which is to overlook exceptional cases of success and turnaround, as well as to prevent in-depth documentation of a company's internal dynamics (Bowman, 1986; Hambrick, 1986). By internal dynamics we mean the pattern of interaction and influence among the CEO and senior executives who attempt to plan and implement a new strategic direction. As Pettigrew (1973) suggested, internal dynamics become a significant source of political uncertainty when major changes threaten the status quo. The likely importance of internal dynamics as a critical moderating variable between succession and performance is alluded to by Tushman, Viraney and Romanelli (1987), who found that corporate performance improved only when CEO succession was accompanied by replacements in the executive team, and this correlation was strengthened by additional changes in product/market mix and formal organization structure. Since their findings are limited to numerical analyses of public data, they are unable to determine the internal dynamics through which such changes were accomplished.

Intervention Approaches

Although many scholars conceive of strategy-making as a decision making process (Mintzberg, 1978; Fredrickson, 1983), we conceptualize deliberate strategic change as a major intervention that attempts to alter the existing decision process and its related strategic content. Figure 1 depicts four broad intervention approaches, depending

on the CEO's decision making style and the scope of strategic content being addressed by the CEO.

Insert Figure 1 About Here

This typology builds off the frequent call by numerous scholars for clarifying the relationship between content and process in strategy-making (Jemison, 1981; Fredrickson, 1983). The vertical content dimension refers to "comprehensiveness," which is defined by Fredrickson and Mitchell (1984: 402) as: "The extent to which an organization attempts to be exhaustive or inclusive in making and integrating strategic decisions." The "limited" end of the content continuum refers to a narrow band of ad hoc strategic decisions, such as executive replacement, made without the benefit of a broad, integrated strategic plan. On the horizontal process dimension, the style of the CEO is depicted at one extreme from acting alone and directly to involving others as a team in decision making. This stylistic comparison, while highly simplified, draws upon basic leadership types in the organizational behavior literature (Stogdill, 1974).

In a separate paper under preparation, we discuss the initial conditions that predict the likelihood and appropriateness of choosing one basic intervention approach over another. These conditions include: personal qualities of the CEO, such as his/her power style; the CEO's perceptual accuracy in reading the organization and its environment; and the "objective" reality facing him/her, such as one's relative power in the organization. A Comprehensive/ Unilateral approach, for example, is more likely to be undertaken if the CEO possesses an authoritative

personality, perceives widespread causes of failure in the organization's performance, and lacks confidence in the ability of key subordinates. Similar conditions existed in a case of successful strategic change reported by Hambrick (1987). Misreadings of organizational realities by the CEO can also cause failure in implementation, as occurred at Lehman Brothers when a new authoritarian managing partner overlooked the fact that he lacked sufficient power to implement a Limited/Unilateral approach (Auletta, 1986).

Our focus in this paper is on the unfolding dynamics within a given intervention approach, not on examining the initial conditions that predict a particular approach. We assume that, while the beginning environmental and organizational conditions may favor the use of one broad approach over another, the many specific actions taken within that approach are more likely to determine its ultimate effectiveness (Nutt, 1987; Smircich and Stubbart, 1985). In the case study that follows, we describe and interpret the dynamics within a Comprehensive/Collaborative (CC) intervention, which leads to a strategy and organization reorientation, as well as to dramatically improved corporate performance.

Mega Case and Propositions

The Mega case is a brief clinical study presented in several parts, along with a series of propositions that pertain to the intervention dynamics in each part. All propositions are worded for a specific intervention's impact on "momentum toward realization" of strategic change, since we assume that no single intervention accounts for the final outcome. A more complete account of the Mega case is reported elsewhere (Greiner and Schein, 1988). The two authors of this paper

were present during much of the effort, participating both as consultants and researchers.

Arrival Conditions

The Mega Corporation, a \$500 million revenue distributor of liquefied propane (LPG) throughout the U.S., was one of three subsidiaries in Alpha Industries, a \$1.5 billion diversified holding company. Mega was the fifth largest distributor of LPG in the U.S., employed about 2,500 people, and served over 300,000 customers at the wholesale and retail levels. The LPG industry had recently experienced price deregulation at the wholesale level.

The Chairman of Alpha, Bob May, chose to appoint an outsider, Tom Rice, as the new CEO of Mega. May had been dissatisfied with Mega's performance in terms of profitability and asset utilization for some time but had not found a suitable candidate for replacing the CEO from within the company or the industry. Tom Rice had been a management consultant to Bob May during the previous year, when Alpha went through an LBO to ward off potential takeovers. And during this period, May had developed considerable confidence in Rice. May replaced the previous CEO of Mega by transferring him to Alpha's headquarters. Tom Rice readily accepted the job, saying:

I took it because I wanted a shot at running a major company. Also, I respected Bob May, and I had some respect from him coming in the door. We agreed that I was there to make some major changes. I didn't see the Mega job as an end to itself.

Tom Rice's arrival at Mega proved a surprising and disconcerting event. The previous CEO had not informed the seven members of Mega's executive committee of Rice's appointment until just before introducing Rice at a hastily called meeting. Rice was greeted with silence and surprise by the incumbent executives. He was so angry at the way the ex-CEO treated the group that he decided not to make any changes in the group, despite the advice of the former CEO to fire at least one of them.

I decided I wasn't going to change the organization at all . . . I didn't trust the judgment of the ex-CEO. I decided to keep all the people, give them incentives, go through the planning process, and if it didn't work, then clean house.

Tom Rice entered a functional organizational structure (see Figure 2) where he found his senior group in a "low state of executive morale." During his first few days on the job, Rice observed that his senior executives remained in their offices, with no one speaking to him or to each other. "I felt like they all had their eyes on me, waiting for me, or even daring me to do something."

Insert Figure 2 About Here

Proposition 1:

Deliberate strategic change is more likely to be initiated and gain momentum toward realization if:

- a. More powerful decision makers (Board or Corporate CEO) than the incumbent CEO perceive a performance gap between the organization and its environment;**
- b. These more powerful decision makers intervene to replace the incumbent CEO with an outsider CEO who is predisposed by past experience to introduce strategic change, and he/she is mandated to implement change;**
- c. Incumbent senior executives react with uncertainty and anxiety, focusing their attention on the new CEO and his initial actions.**

These three factors, which acted in combination to set the initial conditions for strategic change at Mega, are supported in much of the CEO succession literature (Brady and Helmich, 1984; Vancil, 1987). A higher authority with greater power than the incumbent CEO becomes sufficiently concerned about the performance of the organization to select a "change agent" as new CEO. The political effect of removing the incumbent CEO and choosing an outsider over insider candidates is to throw the power structure into disorder, creating a power vacuum for the new CEO to enter.

At Mega, the Alpha Chairman, Bob May, chose an outsider CEO, Tom Rice, who was experienced at recommending changes as a management consultant. Bob May made clear to Rice that he expected him to improve Mega's profits and Rice accepted the job with enthusiasm. However, Rice found a group of dispirited executives who, instead of forming a coalition to oppose him, retreated individually into their separate functions, waiting cautiously for him to act.

Initial Actions

Rice found Mega to be 25% behind its annual profit plan with only five months remaining in the fiscal year. He initially chose to meet intensively with the executive committee in planning how they could meet the annual profit plan. These meetings were in contrast to the previous CEO's style, who preferred to deal with problems on a one-on-one basis. Rice described the meetings as:

. . . an excellent forum that enabled me to ask questions and that's why I enjoyed it. Very quickly, I learned a lot about the company. We came up with a laundry list of key issues, and airing them was a major improvement even though we couldn't solve all of them. What came out of all this was a commitment to achieve our profit goal for the year--and to hell with whether it was the right level, we would still try to achieve it.

As a result of these meetings, Tom Rice took two major actions. One step was to negotiate a new incentive bonus with Bob May for his key executives if they made the annual profit plan. A second decision was to raise prices immediately in order to increase revenues. Rice's executive committee resisted his decision, but he stuck to it, saying "trust me."

At the end of five months, Mega had exceeded its profit plan by 10%, with half its profits coming from the price increase and the remainder from increased unit sales. Rice then called his executive committee together, congratulated them, and told them that they would all receive a substantial bonus. He also gave a gold clock to each member to remind them of "what they could do under time pressure." Rice was impressed with the accomplishments and backgrounds of his executive team (see Figure 3):

From the start I liked what I saw. They were young, educated, and hadn't been in the company too long to tell war stories. And then they really pitched in to pull it out.

Insert Figure 3 About Here

Proposition 2:

Deliberate strategic change of a CC type is more likely to gain momentum toward realization if the new CEO first consolidates his power through demonstrating expertise in solving short-term performance problems.

New CEOs enter situations where their power is often uncertain and questioned by key subordinates (Hambrick, 1981). Although the CEO typically possesses legitimate power in the eyes of the Board, they are

more frequently judged by subordinates for their expertise power (Pearce and Robinson, 1987). The new CEO, without power attributed by his/her subordinates, is likely to face lack of commitment in introducing major changes. One approach to gaining power is to bring in a new executive team (Grusky, 1969); however, these recruits are likely to lack sufficient knowledge of the company and in turn experience resistance from their subordinates. Another approach, chosen by Mega's new CEO, is to demonstrate one's competence to the existing executive team by personally making decisions that immediately improve profitability and also benefit the self-interest of team members. A CEO who demonstrates ability to cope with uncertainty is likely to accrue power (Hambrick, 1981; Hickson et al., 1971). Tom Rice's initial intervention to raise prices, improve the bottom line, and reward his subordinates gained him instant credibility, serving to consolidate his power and allowing him to call in a consultant to begin a more explicit process of strategic change.

Entry of Consultant

Shortly after the fiscal year ended, Tom Rice invited one of his former MBA professors to visit the company as a consultant. Rice asked the consultant to interview his senior executives for issues they thought needed to be addressed in a long-term plan, as well as "to get a reading on how I am being perceived." The consultant prepared a brief written report listing several major issues, including whether Mega should diversify out of LPG, the adequacy of its present organization structure, and "turf protecting" behavior among certain senior managers. The consultant told Rice that the executives differed in proposed solutions, but that they were "uniformly much happier with Rice's leadership." He recommended that a retreat be held where the top group could discuss issues and propose solutions. Rice agreed because "we seem to be making progress as a team."

The agenda for the retreat was organized around three broad topics: strategy for the company, organization structure, and the team at the top. It was held at a "no frills" hotel at the request of Rice, lasted from a Friday noon to Sunday noon, and was attended by Rice and his seven senior executives, along with the consultant and the other author of this paper. Rice asked the consultant to serve as the moderator while he joined the group in its discussions:

The group is looking to me too much, and I don't have all the answers. They have to become more active and vocal with their points of view.

In opening the retreat, Rice told the group "I have no hidden agenda . . . I just want us to dive in and see where it takes us." The consultant began with a short lecture on Porter's (1980) strategy framework, and then the group participated in an analysis of Mega's competitive situation. Several flipcharts were filled when a heated interchange took place between Tom Rice and two members of the group:

Rice: "Why do you guys see so many threats and so few opportunities?"

March: (VP of Transportation) "Because the market for LPG is so mature and customers for LPG are limited."

Cook: (VP of Supply) "Besides, even if we could sell more propane, we don't have money for investment because all our cash goes to Alpha to pay off the LBO debt."

Rice: "I feel that we can take control of our own destiny, no matter what the external environment says. Don't let's blame others for why we can't take control."

The consultant intervened to suggest that they divide into two sub-groups for the purpose of "identifying two to four strategic directions for Mega, along with their pros and cons." Two hours later, they reported back, initiating a debate over two strategic alternatives: diversification versus an exclusive focus on propane. The company had already diversified into non-propane businesses before Rice was appointed CEO. Several members agreed with one member, who said: "There are still many opportunities in propane if we make acquisitions and are more selective in our markets." But another member, Andy, who was in charge of Marketing which still had 80% of Mega's employees, argued strongly for diversification. Tom Rice remained quiet during this discussion, although he had participated actively in one of the sub-groups.

The second day again involved the use of sub-groups to examine different organization structures that "could make Mega more effective." A short lecture was given on various structural forms and the conditions under which they might apply. In their subsequent reports, one sub-group proposed a decentralized product structure divided between industrial and retail divisions, while the other group advocated staying with the current functional structure. The discussion became argumentative and wandering, with one member finally observing, "We can't solve this problem until we decide on our strategy." Everyone seemed to agree, at which point Rice suggested that the group return to the strategy discussion. The second consultant then gave a lecture on designing a strategy/mission statement. He told the group that the statement should "sum up the company's desired identity, be brief and clear, put into writing, and made understandable to all employees." Two sub-groups were sent off to draft suggested statements.

At the end of the second day, each sub-group presented surprisingly similar strategy statements. Both groups agreed that Mega should concentrate exclusively on the propane industry, become more marketing oriented, make propane-related acquisitions, and set high financial goals. Their analysis had determined that despite being in a mature industry, there was still "room for Mega to clean up" because its major competition was "badly managed" and there were many small "mom and pop" operations that might sell out. The remaining discussion centered on how high their financial goals should be; a central concern was how they could generate short-term cash for Alpha and still make long-term investments in acquisitions and marketing programs. A way out of this dilemma was found when several members proposed selling off non-propane assets, closing down low profit propane outlets and cutting operating costs. When one member suggested that the company should try to "double profits in five years," Tom Rice said, "I could get very excited about that goal, and I know I can sell it to Alpha."

The retreat ended on Sunday with Tom Rice complimenting the group and leading them in a discussion on follow-up. It was agreed that each person should draft a strategy statement and give it to one member for final drafting of a single statement. Rice asked that the final draft be "subjected to some hard market and financial analysis," and then it be tried out in some group meetings with middle managers for their reactions." Rice then announced that the group should meet again in six weeks for a second retreat to "ratify a new statement and resume discussion on organization structure."

Proposition 3:

Deliberate strategic change of a CC type is more likely to gain momentum toward realization if the CEO intervenes to focus the executive team on achieving consensus and commitment to a new strategy.

When both a strategy and organization reorientation are at stake, the commitment of the executive team to such a massive change becomes a central issue (Quinn, 1977). The need for consensus among the dominant coalition about company objectives is made by many scholars (Miles and Snow, 1978; Neilsen and Rao, 1987), and several empirical studies have demonstrated a positive relationship between executive team consensus and organization performance (Dess, 1987; Bourgeois, 1980).

At Mega, the CEO encouraged his team to explore and debate various alternatives until they began to coalesce around one strategic direction. The assigned task of writing a tangible strategy statement

revealed many individual differences, which led to further iterations until consensus and commitment became apparent. Members of the group felt empowered because they were personally charting a policy of growth that promised added benefits to themselves. Unknown to the group, their commitment to a strategy of their own design would later become the driving logic used by Tom Rice to persuade the team to restructure themselves and the entire organization.

Proposition 4:

Deliberate strategic change of a CC type is more likely to gain momentum toward realization if the CEO's intervention emphasizes a positive future for an organization under pressure from a threatening environment.

Mega's new CEO began the change process in an organization with declining earnings in a mature industry, and the company was under heavy demands for increased cash flow. However, such pressure by itself is not likely to assure a turnaround. Tushman, Viraney and Romanelli (1987), in a study of the minicomputer industry, found that 66% of failing companies did not make changes in CEOs or initiate strategic reorientations. What also seems important is to appoint a CEO who stresses a "positive future" under negative conditions, as Tom Rice did at Mega. In an experimental game situation, Bateman and Zeithaml (1985) reported that managers raised their level of commitment to reinvestment under such conditions, while managers under a "negative future" scenario held back on investment. Tom Rice, disturbed by a fatalistic attitude in his executive team, exhorted them to take advantage of new opportunities in a changing environment.

Second Retreat

The second retreat began with a presentation of a final draft strategy statement. Everyone indicated approval, with one member thumping agreement on the table. For the rest of the morning, they met in two sub-groups to examine the statement against a number of criteria,

such as "Do we find it exciting and challenging? Is it enduring but also selective enough to aid in screening major decisions?" When the groups returned, they reported that it met most of the criteria, but they wanted it shortened and given a more explicit focus on propane marketing. A redrafted and abbreviated statement was drawn up by the consultants over lunch and read back to the group in its afternoon session. Spontaneous applause broke out after hearing the statement:

Mega is a leading marketer and distributor of LPG and related services. We set aggressive financial goals and achieve growth through market development and acquisitions. Our people establish a competitive advantage in selected market segments through a unified effort that demands:

- A strong marketing orientation
- High standards of safety
- Outstanding service "before our customers need us"

The remainder of the retreat proved far more difficult when the discussion returned to organization structure. The consultant presented two alternatives that had drawn attention in the prior retreat: a product structure divided between wholesale and retail markets, and the present functional structure. Again, two sub-groups met to review the structures for their pros and cons. This time, however, the groups were asked to match their recommendations against the new strategy to determine which structure, or refinement thereof, would best implement the strategy. Upon returning, both groups indicated a strong preference for the current functional structure, contending that the wholesale market did not show enough profit potential to warrant a separate product group. But here the agreement ended. One member argued for a new marketing department that would develop new products and sales programs. But this was opposed by Andy, the current head of Marketing, who contended, "I can take care of that in my operation." The directors of legal, human resources and data processing argued that they should continue to report directly to Rice and not to a SVP of administration. Time was running out when one member said, "Well, at least we know that we don't want a product structure, but can we ever agree on what we do want?"

The retreat ended with Tom Rice expressing his commitment to the new strategy while adding "We need to do some more thinking about structure, so let's keep talking until our next retreat in one month."

Third Retreat

Tom Rice decided to become more directly involved in planning the agenda for the third retreat:

We need to move these meetings off the discussion level and into action. I'm ready to move and the group seems ready, too. But they seem to be waiting for me to make a decision, so I will do it. All our financial and marketing checks on the strategy statement make sense and the middle managers like it but say it isn't us now, so now the question centers on organization structure and who fills what jobs.

During a four-hour planning meeting with the consultants, Rice decided to lead off the retreat with a presentation of a new functional organization structure, including a statement of key charters for each function. If that proved acceptable to the group, Rice then wanted to open the discussion to who should take what position. Rice also decided to invite only the four heads of the major functions to the retreat because "I need to sell the four who are most crucial to making this happen, and I want to focus on their anxieties."

The retreat began with Rice presenting his proposed structure on a series of flipcharts (see Figure 4). He added a new Marketing department for new programs and a Corporate Development group for acquisitions, combined the Supply and Transportation departments into a single functional group, and placed Human Resources, Data Processing and Legal under a new SVP of Corporate Services. In addition, he reduced the number of zone managers from four to two and regional managers from 24 to 10 in Operations (the old Marketing department), so as to "tighten up management and put our best field managers against the marketplace." When Rice finished, he invited the four to "criticize my proposal for how well it implements our new strategy . . . feel free to shoot holes in it," he said.

Insert Figure 4 About Here

The discussion started slowly with questions of clarification. The most silent member, Andy, the head of Marketing, suddenly spoke out with a dissenting opinion, "I'm worried about the new marketing group being separated from my operations group." Rice sharply responded, "I want us to talk about these functions without putting ourselves in certain jobs." Rice went on to explain that he felt marketing would not receive enough attention in operations and that he was trying to be consistent with the group's expressed desire to emphasize marketing in its strategy statement. Other members also agreed with Tom Rice. One member suggested that national sales should be placed under the new Marketing department, and Rice agreed. Another felt that ten division managers were too few, so four more were added. After two hours of discussion and slight modifications, no one seemed to be raising further serious objections to the overall plan, including Andy, who confined his concerns to the new Marketing department. Late in the day one of the group said, "It looks good to me, let's go ahead with it." The rest of the group vocally concurred, with Andy quietly nodding his head.

The next morning began with an active discussion of each key functional job and what its responsibilities would entail. When that was finished, Tom Rice said, "Now, I would like to talk about who should fill each job, and I'd like to get your opinions and preferences." In line with the plan for the retreat, the consultant asked the group to engage in an exercise where they "put down on paper which job was their first and second choice, and who besides themselves, from inside or outside the group, they thought would best fit each job." A lot of nervous laughter accompanied the written assignment. When the results were posted on a blackboard, the group seemed astonished to see exact

agreement between their personal preferences and the nominations by others, with one notable exception. The group preferred that Andy take the new marketing job, but he wanted to stay in operations. The marketing job was Andy's second choice.

Much of the subsequent discussion involved the group trying without success to persuade Andy to take the marketing job. Finally, Tom Rice stepped in to say:

Look, I feel very good about the way we have handled this. We seem to know where our basic talents match up. It's been a long day, so why don't we go off and relax a bit, and then we can return to our discussion after dinner.

Just as Rice was leaving, he quietly told the consultants "to order champagne and dinner for 7:00, we are going to celebrate." Then he ran out the door after Andy, and they headed off into the woods together. Three hours later the group returned for dinner where Andy announced that he wanted to take the new marketing job. The group applauded, and Tom Rice raised his glass to say:

I'm ready to go with all of you in new positions, so let's toast our goal of doubling over the next five years and all of us having a lot of fun doing it."

When the consultant later asked Tom Rice what had happened in the woods with Andy, Rice explained:

"I told him that I really needed him in the marketing job because he was the best marketing person in the company. He still resisted. So I asked him what it would take to get him in the job, and to my surprise he said that he wanted responsibility for recruiting a bunch of young high potential managers to the company. And I said that was fine with me, at which point he jumped up, smiled and shook my hand. I was amazed, because I was ready to let him go.

Proposition 5:

Deliberate strategic change of a CC type is more likely to gain momentum toward realization if the CEO intervenes to design an organization structure that is consistent with the new strategy while also enhancing the power of the executive team members.

Numerous scholars have noted the need to alter the organization structure to make it consistent with a new strategy if complete realignment is to take place with the marketplace (Chandler, 1962;

Galbraith and Nathanson, 1978). The principal difficulty with this thesis is that structural change threatens the power of senior executives. If they perceive little self-benefit, they are likely to resist structural change (Pettigrew, 1975).

Mega's CEO intervened to propose a new structure because his executives preferred to retain their functional positions. In order to reduce political anxieties, Tom Rice reduced the size of the executive team in attendance at the retreat, making clear to them that they were to become the new "dominant coalition." His detailed presentation of job charters further indicated to them that their new jobs would carry greater responsibility and influence. Rice also enhanced their power and commitment when he allowed for self-nominations to particular jobs. And he dealt with Andy's resistance by giving him additional responsibilities, thereby helping him to "save face" and protect his power within the team.

Proposition 6:

Deliberate strategic change of a CC type is more likely to gain momentum toward realization if the CEO intervenes with a "collective" (as opposed to "competitive") power style, while also adjusting his/her style to intervene directly at critical points when the executive team is unable to agree on specific changes.

Tom Rice displayed a "collective" power style, which is defined and measured by Roberts (1986) as "cooperative action in which two or more actors pool their resources and join forces to work toward a common goal so that all are empowered." When a CEO acts with a "competitive" unilateral style (Roberts, 1986), as the new managing director, Lewis Glucksman, did at Lehman Brothers (Auletta, 1986), he/she runs the risk of provoking the formation of an opposing coalition. Ansoff (1985) has

advocated the inclusion of additional powerholders in the strategy-making process as a way of lowering resistance.

The new CEO at Mega involved his executive team in the planning process from the outset, eventually going so far as to ask for an open discussion of job preferences in the new structure. At the same time, he acted assertively to raise prices when the team lacked the will to act; he proposed a new organization structure when the team remained attached to the old structure; and he persuaded a resistant Andy to take the marketing job.

Proposition 7:

Deliberate strategic change of a CC type is more likely to gain momentum toward realization if the CEO utilizes additional intervention resources to facilitate debate and consensus on strategic issues.

Though perhaps biased by our own involvement at Mega, we think it likely that the new CEO's use of consultants and retreats helped to accelerate the process of strategic analysis and consensus building. Tom Rice might have been able to introduce strategic change without these additional resources, but he would have had to negotiate his way through a political mine field. Tichy, Dotlich and Lake (1986) reported the use of training-type retreats in several cases of "organizational transformation." The use of participative methods to solve complex, unstructured problems more effectively is widely documented, as is its enhancing impact on consensus and commitment (Zander, 1985). Also, there is substantial evidence in the "brainwashing" literature to show that one's removal from normal surroundings can promote greater susceptibility to influence (Schein, 1961). The Mega retreats provided a remote setting for reflection and innovation that was disconnected from everyday operations. Two parallel decision making processes

appeared to be taking place, long-term planning in the retreats and daily operating decisions in the company; only after the third retreat did the two processes begin to merge.

Results at Mega

The week following the third retreat was a busy one. Several planning meetings were held to arrange for the many personnel movements that would occur. The CEO met with each of the three executives not invited to the retreat. One of them, the head of legal affairs, had been nominated at the retreat and approved by Rice, to be head of the new corporate services function with data processing, human resources, accounting and legal affairs reporting to it. The legal executive was elated to hear about his promotion from Rice, while the other two were disappointed but still approved the overall structural changes. Rice asked the new head of corporate services to hold an immediate meeting with the other two managers to discuss "how they could work together effectively."

Mega's CEO also asked the new executive committee, now consisting of five SVPs instead of the earlier four SVPs and three VPs, to meet in an all day session, and to come prepared with a "new structure for each of their functions and a list of nominations for persons in them." This meeting saw them review, modify, and approve the functional changes, and when some committee members wanted to recruit the same manager for two jobs, Rice said: "Why don't you both talk to her and see which position she wants to take?"

Two weeks later a large "celebration" was held in the company warehouse with all field managers and corporate employees in attendance. A large banner, "Double in Five Years," was displayed prominently and a band played. Tom Rice gave an informal talk about the new strategy and the organization changes. Other senior executives stood up to express enthusiasm for the changes. Employees in the audience seemed excited, and one manager asked Tom Rice, "Will we have the opportunity to buy stock in our company?" Rice responded that it would be legally impossible, but that "we will try to share the benefits with you."

During the following year, numerous changes occurred in the company and its performance. The first month saw thirty-nine executives change jobs within the company, including all of the executive team except Tom Rice. Morale was cited by many employees as having dramatically improved; several people reported examples of senior and middle-level managers involving their subordinates more as teams in decision making; and many employees were cited and recognized for coming forth with new ideas and suggestions for changes. The new head of marketing, Andy Davis, recruited six new young managers, including the captain of the Cal-Berkeley football team. The head of Supply and Transportation cornered the futures market on propane, and became a supplier to other companies at a substantial profit. The asset base of the company also changed dramatically as various non-propane assets were sold off and six acquisitions were made.

Midway through the first year, Tom Rice called a fourth retreat for the executive team to "move the change effort down into the lowest levels of the company." The consultant moderated the meeting, but it was designed by Rice and his team. During the meeting, the two remaining zone manager jobs in Operations were eliminated, removing one entire level from the hierarchy. Several programs were created with different senior executives taking responsibility for each program. A profit sharing plan was created for all employees. A training program was created for sales managers, and a sales incentive program was implemented. Finally, all store managers were invited to bring their best salesperson with them to a two-day conference where Tom Rice discussed the strategic goals and led them in group discussions of how to improve performance at the store level.

A manager two levels removed from the senior group commented on the effects of these changes on him personally:

I was just about ready to leave when the lights came on. I got a new boss who listened to me, and he was giving me more work than I had ever done.

Still another manager at the store level said:

Before Tom Rice, those guys at the head office rarely ever visited my store, and then it was to find something wrong. Now I feel like they are actually trying to help me. My sales have gone up a lot, and my paycheck is a lot fatter too.

At the end of one year, the company had significantly exceeded its profit plan for the year, and its return on assets was up 40%. A sizeable reward distribution was made from the profit sharing plan. Special recognition was given to the head of corporate services who came in \$500,000 under budget. After two years, Tom Rice reported that the company would double its profits in less than three years.

Proposition 8:

Deliberate strategic change of a CC type is more likely to gain momentum toward realization if the CEO intervenes with an executive team whose members (a) possess low tenure in the organization, and (b) are allowed to assert their personalities over plans to change.

The tenure of the executive team at Mega averaged only nine years for the total group and seven years for the smaller dominant coalition. The average age of the total group was 40, ranging narrowly from 37 to 44. Previous research has shown that low tenure executives are less likely to feel congruence between their personalities and the existing strategy, and over time the firm's strategy becomes more congruent with

their personalities (Miller, Kets De Vries and Toulouse, 1982). Also, Child (1974) found an association between youth of senior executives and corporate growth. Long tenure, with its attendant socialization, is likely to promote strong personal identification with the organization's existing strategy and culture (Hambrick and Mason, 1984). We can surmise, therefore, that Mega's senior executives were susceptible to outsider influence, perceiving themselves as having more to gain from a new strategy and structure that reflected their personal preferences.

Proposition 9:

Deliberate strategic change of a CC type is more likely to gain momentum toward realization if the CEO intervenes to share and transfer leadership for change to the executive team, and they in turn do likewise with the next levels of management, so that additional talent and energy is released and multiplied at each step.

Instead of a single charismatic CEO acting alone to communicate a new vision directly to the organization (Bennis and Nanus, 1985), we see at Mega a more indirect and hierarchical process of leadership and power transfer to other management levels. The process began at the top when the Chairman took responsibility for replacing the CEO, and then the new CEO gradually shared responsibility with the executive team. Later, members of the team began to initiate change in their own units through emphasizing group problem solving. In doing so, they appeared to emulate the collaborative role model provided by Tom Rice; a social modeling process seemed to be operating, based initially on intensive and rewarding contact with a respected authority figure and later reinforced by collaborative requirements in the retreat design (Bandura and Walters, 1963).

Interestingly, no major changes occurred in the larger organization until after the third retreat. Even here the implementation process was conducted in a controlled but involved way when a few selected middle managers were first contacted and given a degree of choice over their new jobs. Then a celebration was held for a limited group of 200 corporate and field management personnel. What followed, however, was a sustained burst of activity and energy among middle management. They suddenly heard about a positive future with a tangible goal of growth, in sharp contrast to years of decline. A new organization structure was provided to channel decision making activities toward that goal. The hold of past practices and social norms was seemingly broken by shifting many managers to new jobs where they experienced new bosses issuing new challenges. Whether these initial changes were felt so directly at the lowest levels is unclear from our data. However, senior and middle management seemed to provide enough of a critical mass (i.e., a transformed power structure), to stimulate and make a large number of marketing and investment decisions that immediately affected corporate performance.

Proposition 10:

Deliberate strategic change of a CC type is more likely to gain momentum toward realization if the CEO and the executive team intervene to design programs and systems that motivate lower level employees to behave consistently with the new strategy.

At first glance, this proposition resembles the traditional literature on strategy implementation (Steiner, 1979). However, we should recall that, at Mega, strategy formulation and implementation were occurring simultaneously from the outset, even though many actions were contained within the senior executive team. Top management did not

extend the change effort to the lowest organizational levels at Mega until late in the process when Tom Rice called for a fourth retreat. Decisions from this retreat resulted in formal programs and incentive systems to train and reward lower level employees.

This intervention is consistent with Gabarro's stage theory in The Dynamics of Taking Charge (1987), where new executives engage in phases of "consolidation" and "refinement" late in a change effort. It also agrees with those organization change studies that highlight a later stage of "refreezing" employee behavior through enhanced rewards and positive reinforcement (Greiner, 1967). It is contrary, however, to deterministic theories of monolithic organization culture where social norms do not yield easily to formal restructuring (Reynolds, 1987). From the Mega data, it appeared that cultural resistance was minimal in the face of many facilitating and powerful forces gradually built up by sequentially tiering the change process from CEO to executive team to middle management to lower levels.

Change Process Framework

We are mindful that a single case study prepared by consultant/researchers is hardly sufficient for adequate conceptualization and generalization of a complex change process. But the risk in using the Mega case to state a beginning platform for future research seems defensible, given especially the continuing problem of researcher access to senior executive teams and the resulting void in research describing intervention dynamics. A further caveat to note is that the Mega change process evolved out of a particular intervention approach, which we have called "Comprehensive/Collaborative." Other approaches will likely proceed differently in their dynamics, and future research needs to

determine their precipitating conditions, internal dynamics and relative effectiveness. Finally, the Mega case represents strategic change at the SBU level, and this unit of analysis may further limit generalizability.

Phase Model

The Mega case reveals a "Comprehensive/Collaborative" intervention proceeding through a relatively linear sequence of important strategic and political decisions, beginning with the appointment of the new CEO and his initial actions on the job. This unfolding course of continuous intervention and decision making can be summarized in the following general proposition about the total change process:

Proposition 11:

Deliberate strategic change of a Comprehensive/Collaborative type at the SBU level is more likely to gain momentum and be realized if it evolves through a sequence of related intervention phases that delimit and focus on selected strategic content issues and related political concerns evoked by the strategic content, and resolves them favorably in each phase.

The likelihood of sequential phases in a deliberate attempt at strategic change is noted by Lorange and Nelson (1987); Tichy, Dotlich and Lake (1986); and Camillus (1981). We suspect the linearity and demarcation of phases comes about partly because of the cognitive complexity of issues, which if undertaken all at once might overwhelm the participants. Dutton and Duncan (1987) postulated how strategic issues need to be formally arrayed and simplified to facilitate cognitive processing and momentum toward strategic change. Linearity also appears to arise from the need to untangle and resolve highly charged political issues evoked by the strategic content. Mega's CEO, Tom Rice, intuitively sensed this need when he reduced the executive

team to four members for the third retreat, saying: "I wanted to focus on their anxieties." Similarly, many strategy researchers have noted the impact of political dynamics and resistance to change on strategic outcomes when CEOs attempt to influence powerful members of the executive team (Argyris, 1985; Hambrick, 1981; Miles and Snow, 1978; and Quinn, 1977). A likely ordering of this evolving interplay between explicit strategic content and implicit political behavior in the change process is established in the following summary proposition:

Proposition 12:

Deliberate strategic change of a CC type is more likely to gain momentum and be realized through an intervention process that:

- A. Follows a comprehensive/synoptic ordering of the strategic content issues:**
 - 1. Beginning with replacement of the incumbent CEO and installing a CEO who is experienced at introducing change and mandated to implement strategic change;**
 - 2. The CEO concentrates first on solving the firm's short-term performance problems so as to permit a longer term focus on corporate direction;**
 - 3. Proceeding next to formulate a strategy that establishes a competitive advantage in the future environment;**
 - 4. Followed by designing an organization structure that is consistent with the new strategy;**
 - 5. Assuring that the new strategy and structure are implemented through middle managers in the organization;**
 - 6. Finally, installing programs and systems that secure cooperation with the new strategy from the workforce.**
- B. Addresses simultaneously a sequence of related political concerns that are evoked by the comprehensive/synoptic ordering of the strategic content:**

1. Beginning with the creation of political uncertainty in the senior executive team and a focus on actions to be taken by the CEO;
2. Demonstrating CEO competence so as to establish credibility and secure the willingness of the executive team to follow the CEO's leadership;
3. Proceeding to seek consensus on a new strategy out of diverse viewpoints in the executive team so as to assure their commitment;
4. Followed by designing a structure that is perceived by team members to enhance both their individual and collective power;
5. Transferring leadership and power from the CEO and executive team to middle managers so as to release additional energy and talent in the organization;
6. Providing tangible skills and visible rewards to lower level employees so as to motivate higher performance and behavior consistent with the new strategy.

This lengthy proposition addresses an important concern raised by Fredrickson (1983) and Chaffee (1985), who called for research on the relationship between comprehensive/synoptic approaches to planning and incremental processes in strategic decision making. At the Mega retreats, we see how the strategic content was partitioned and sequenced in a "rational" normative order, partly by the retreat format but also through emergent reactions in the executive team. At the first retreat, for example, the substantive content was made even more "rational" and synoptic by participants when they argued that structural issues could not be resolved until agreement was reached on a strategy statement. This reaction was also likely political, representing a defensive withdrawal from discussing the more personally threatening topic of organization structure. The CEO appeared to sense this need to narrow

the substantive and political focus when he intervened to return the group to the strategy topic.

Based on Proposition 12, we infer six major phases that unfolded at Mega under a "Comprehensive/Collaborative" intervention. Figure 5 elaborates upon these phases by breaking them down into key "change inducing" elements identifiable in the case and preceding propositions:

- Phase I: Replacing the Existing CEO with A New CEO to Initiate Strategic Change
- Phase II: Solving Short-Term Performance Problems to Consolidate CEO Power
- Phase III: Developing Strategic Consensus to Secure Team Commitment
- Phase IV: Aligning Structure with Key People to Form A Dominant Coalition
- Phase V: Transferring Leadership to Middle Managers to Release Talent and Energy
- Phase VI: Installing Motivating Systems to Assure Consistent Workforce Behavior

Insert Figure 5 About Here

These six phases broadly resemble the five phases discussed by Gabarro (1987) in his study of how new senior executives introduce successful organization changes: Taking Hold, Immersion, Reshaping, Consolidation and Refinement. While Gabarro prescribes a general model for new managers introducing organization change, our model is limited to a new CEO at the SBU level using a Comprehensive/ Collaborative approach to strategic change. Neither Gabarro's nor our model is "naturalistic" in an evolutionary sense, because each phase is keyed by a shift in intervention focus, with success hinging on the extent that each intervention anticipates and copes effectively with emergent reactions.

We doubt, however, that a phase model is fully adequate for depicting and understanding deliberate strategic change at Mega. We also discern five underlying and interrelated themes that seem to cut across all six phases. These five themes occur simultaneously and continuously, although they manifest themselves differently in each phase:

- Defining a strategic logic to gain competitive advantage;
- Establishing an organization context to guide employee behavior;
- Coalescing political leadership around the strategic direction;
- Learning the value of collaboration for enacting the new strategy; and
- Empowering many employees to identify with the strategic direction.

In the Mega case, we observe at one level an intense preoccupation with developing an explicit strategic logic that defined the company's future orientation towards its marketplace. This logic evolved in clarity while being used by the executive team to debate a series of concrete decisions about structure, people, and systems. The gradual framing of this integrated organization context set in place the specific means for communicating and implementing the new strategy. At another level, Mega's senior management gradually became united as a dominant coalition to put its full power and influence behind the specific changes. This unity was facilitated in the executive team, and later with other employees, through learning and practicing collaboration as a primary mode of problem solving. Finally, each phase at Mega took on additional energy by reaching out to include more people whose commitment was essential for enacting the new strategy.

This theoretical model of phases and underlying themes may appear to the reader as overly logical and tidy, and we agree. Abstract models run the risk of overlooking and over-simplifying the rich complexity of human behavior and the situational context. Hopefully, the reader may see other factors in the case data that enrich our model. Interestingly, this model was drawn after the fact and was not in the original planning mentality of the CEO or the consultants. We might therefore ask ourselves whether advance consciousness of the model would have accelerated the process or, conversely, inhibited spontaneity and innovation. The practical effects of incomplete theoretical models on planning and action-taking remains an intriguing question for researchers and practitioners to consider.

Future Research

Whether our propositions about new CEO intervention and strategic change apply in other situations, and under what conditions, needs to be determined in future research. These propositions, because they are developed from a single exceptional case about successful change, run the risk of normative generalization. Yet much descriptive strategy research makes clear that universal solutions rarely transcend conditional factors. As mentioned previously, we have limited our focus to the dynamics of a Comprehensive/Collaborative intervention by a new CEO in a SBU. Future research questions include: What are the internal dynamics that accompany other intervention approaches? What surrounding conditions predict and modify these approaches? How effective are these approaches over the long term? How do various intervention approaches differ between new insider and outsider CEOs, or when the CEO is an incumbent? Are the unfolding dynamics of a particular approach more

difficult and complex at the corporate level versus the SBU level? How should our theoretical framework of interrelated and reinforcing phases be modified to take account of these different conditions and dynamics?

The relative effectiveness of the intervention process at Mega also needs to be compared against similarly situated companies where new CEOs attempt to renew their core businesses. Many companies today decide to "escape" from this problem through diversification or divestment. Yet, Mega accomplished its turnaround in a mature industry while under severe cash constraints and by relying largely on existing management. Such an accomplishment provides an intriguing challenge to deterministic theories of organization ecology and external control where industry and environment spells an organization's fate (Hannan and Freeman, 1984, 1977; McKelvey, 1982), and the CEO is relegated to a symbolic leader (Pfeffer, 1981).

Significant methodological challenges remain in the gathering of data about internal dynamics. To date, the limited data collected about deliberate strategic change are confined largely to contextual conditions measured by demographic and economic data provided in public reports (Reinganum, 1985). These numerical data are useful for establishing statistical relationships between personnel shifts in senior management, changes in formal structure, and firm performance. But correlational data tell us little about the internal dynamics of how and why such changes are achieved, and they may even be misleading. For example, Viraney and Tushman (1986) reported a positive impact on corporate performance only when CEO succession is accompanied by additional personnel changes in the executive team, leading to the inference that "outside recruitment" of new team members may be a valid

predictor and effective solution to strategic change. However, this same study used public data in counting all personnel changes at the VP level and above to determine the "executive team." Such a broad classification code overlooks the fact that many organizations have numerous vice-presidents who are not members of a smaller executive team planning strategic change, as was the case at Mega. Nor does the study note the timing of these personnel changes; at Mega, for example, all VP changes occurred late in the process.

Public data clearly need to be supplemented by richer sources on internal dynamics, such as from post hoc interviews and archival data (Pettigrew, 1985; and Dess, 1987). However, a major problem here is having to concentrate long enough in one company to secure enough interviews and other data to triangulate events in order to validate findings and correct for retrospective bias. Also, while such studies claim longitudinal merit, they lack real-time perception of events, and they are difficult to compare on a cross-sectional basis.

Another approach to supplementing public data is to utilize questionnaires that inquire directly into the intervention process at those companies which have recently undergone strategic change. Fredrickson and Mitchell (1984) developed an innovative methodology using a case scenario to elicit executive responses on Likert scales to decision making comprehensiveness in strategic planning. Our future research plans include a written case scenario based on propositions from this paper, and then asking executives to record the extent to which they followed various elements in the scenario while introducing strategic change. This approach can test for sequential phases and synoptic ordering in substantive topics, as well as resolutions reached

at each stage. The power style of the CEO can be inferred by asking about the forum (group vs. individual) in which strategic decisions were made. Data on the timing of personnel replacements in the executive team is essential to determine if such changes are an early stimulant or a subsequent reinforcement to strategic change. Open-ended questions are necessary to capture the content and resolution of unanticipated events.

Particular mechanisms within the change process also need careful evaluation. For example, the use of off-site retreats as a forum for deliberation and consensus building has not been systematically studied. It would be useful to know how various retreat formats enable comprehensive/synoptic analysis by reducing the strategic issues to a manageable array for cognitive processing (Dutton and Duncan, 1987). In addition, the role of management consultants in strategic change has received surprisingly little assessment, especially given the large growth in strategic consulting services (Economist, 1988). We could locate only one study evaluating strategic consultants, and it revealed a positive impact (Ginsberg, 1986).

We are hopeful that this paper stimulates needed debate and further research into the intervention dynamics of deliberate strategic change. Without richer research evidence, we are unable to provide grounded theories of large system change to mediate between the diverse and often conflicting assertions of organizational ecology, political incrementalism, synoptic planning, and visionary leadership.

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		<i>Decision Making Style of CEO</i>	
		Unilateral	Collaborative
<i>CEO's Scope of Strategic Content</i>	Comprehensive	Comprehensive/ Unilateral (CU)	Comprehensive/ Collaborative (CC)
	Limited	Limited/ Unilateral (LU)	Limited/ Collaborative (LC)

Typology of CEO Intervention Approaches

Figure 1

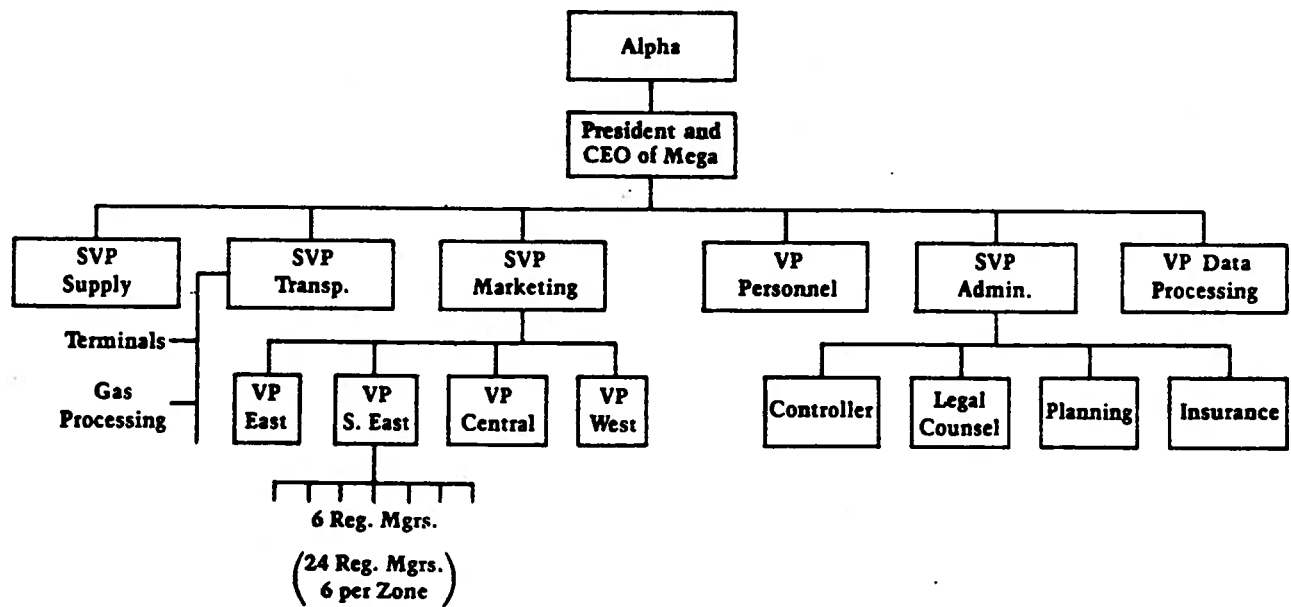


Figure 2
Mega's Organization Structure

Name	Title	Age	Education	Seniority
Tom Rice	Pres. & CEO	38	M.B.A.	New
Pat Cook	SVP of Supply	37	B.S.	5 yrs.
John March	SVP of Transp.	43	M.B.A.	7 yrs.
Andy Davis	SVP of Mktg.	40	M.B.A.	5 yrs.
Bill Hope	SVP of Admin.	39	M.B.A.	10 yrs.
Sam Smith	VP of Personnel	44	B.A.	20 yrs.
Ron Mix	VP of Data Pro.	41	B.S.	3 yrs.
Jerry James	Legal Counsel	38	L.L.B.	10 yrs.

Figure 3
Background of Mega's Senior Executives

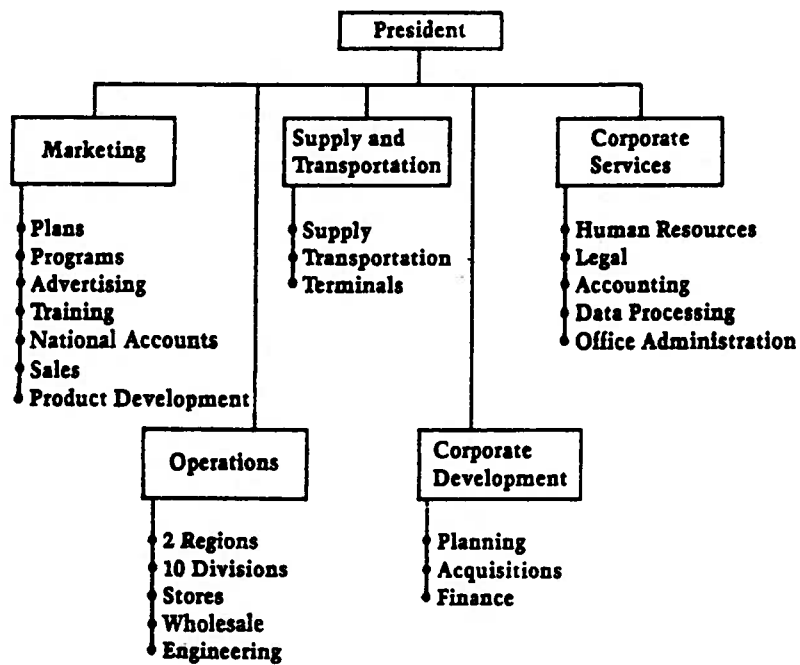


Figure 4
Proposed Organization Structure

	Phase I	Phase II	Phase III	Phase IV	Phase V	Phase VI
<i>Strategic Content Issue</i>	Perceived performance gap and need for strategic change	Focusing on short term performance	Developing strategy for competitive advantage	Designing structure and positions consistent with strategy	Communicating strategy and assuring implementation of structure	Developing behavior consistent with strategy at lowest levels
<i>Political issue at stake</i>	Relative power of incumbent CEO to Chairman	Credibility of new CEO	Competing visions in exec. team	Loss & gain of personal power among team members	Attachment to old practices and relationships	Unclear benefit of remote strategy to self-interest of work force
<i>Key relationship being redefined</i>	Chairman/board to CEO	CEO to Exec. team	Exec. team members to each other and to co. strategy	Exec. team members to new structure/positions	Exec team to middle mgt.	Exec. team and middle mgt. to work force
<i>Role of CEO</i>	Negotiator of expectations	Results-oriented manager	Visionary stimulating Exec. team	Orchestrator of abilities/ambitions	Communicator of strategic commitment	Monitor of consistency
<i>Method of Intervention</i>	Replacing incumbent CEO	Decisions by CEO to correct S. T. performance	Debate alternatives toward a common written strategy statement	Critique structure and open discussion of position preferences	Moving many middle managers to new positions	Installing training and reward systems consistent with strategy
<i>Resolution of Intervention</i>	Mandating new CEO to implement strategic change	Positive results from CEO's decisions	Consensus around common strategy	Enhancing power of individual members	Transferring leadership to middle management	Tangible benefits perceived by work force
<i>Effect on organization</i>	Power vacuum and political uncertainty in exec. team	Consolidation of CEO power	Exec. team commitment to new strategy	Integrated dominant coalition	Release of talent and energy in middle management	Greater motivation and uniform behavior from work force

Change Inducing Elements within Each Phase

Figure 5