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Attitudes Toward Change Initiatives in Corporate Cultures Undergoing Transformation

Two Examples from Moscow

The Significance of Attitudes Toward Change Initiatives in Corporate Cultures Undergoing Transformation

Corporate processes of transformation toward increased innovativeness, competitiveness, and market orientation are furthered if firms have a definite culture of fostering change initiatives. The results of a questionnaire (FOGO), developed by two of the present authors and administered to a German sample (Gebert, Boerner, and Matiaske 1998) and to a Polish sample (Boerner, Gebert, and Rudolf in press) showed that companies whose culture is perceived to be "open," that is, characterized by values such as hope, pluralism, dialogue, freedom, and willingness to learn, are also perceived as being more innovative than companies that tend to be defined as having a "closed" organizational culture, that is, one dominated by values such as harmony, stability, security, order, and clarity. The results of the questionnaire also showed that companies operating in a highly competitive environment have more open organizational cultures than those of companies facing little or no competi-

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All interviews cited in this paper were conducted in the presence of all three authors and in Russian by a Russian graduate student at the Technical University of Berlin. We thank our interpreter, Olga Novikova, who was familiar with the theoretical issue being addressed in our analysis. The responses, the translations of which were often literal, were tape-recorded and then transcribed.

tion. Processes of opening up thus represent a strategy for coping with problems associated with competition and are enhanced by a rise in innovativeness. These findings revealed that promoting a culture that encourages people to take initiative in the process of opening up is especially important because it makes individuals feel they are originators of action and decisions, or, doers and subjects, rather than mere recipients of others' action and decisions, or, victims and objects (Gebert et al. 1998; Boerner et al. in press).

By contrast, a study conducted by Boerner and Gebert (1997) in the region of Moscow showed that the circumstances created by radical change there were being experienced as difficult, particularly with respect to their "intermediate" character, a state of affairs somewhere between the old system and the new one. Many of the old system's merits, for example, a social safety net and clear notions of the future, had been lost and were missed, whereas some of the advantages gained in the new system, for example, greater freedom to lead one's life as one wishes and broader access to foreign consumer goods, unavoidably entailed many new drawbacks like criminality, unemployment, corruption, and lack of orientation. This intermediate state is precisely what many employees perceive as threatening, and respondents in Moscow signaled their belief that they had little control over their new and unwelcome predicament (see also Dittrich 1992; Staniszkis 1991). Reluctance to take action was thus the most prevalent response to those conditions (Boerner and Gebert 1997; Shubkin 1992). However, such reluctance on the part of employees only exacerbates the problem by preventing the emergence of a corporate culture in which employees are motivated to take initiative.

In summary, we assert that a culture supporting people's pursuit of change initiatives is important in coping successfully with the process of transformation but that this stance cannot be taken for granted in Russian companies. The two Moscow organizations that we have studied most recently (hereafter referred to as company G and company A) revealed a considerable variety of attitudes toward change initiatives in corporate cultures. In other words, in Moscow it is still possible to build a vigorous culture that pursues change initiatives despite adversity.

In the following study of these two corporate cultures, we ask how differences in their attitudes toward change initiatives can be explained. We try to ascertain which procedures and measures within a company tend to thwart, and which ones tend to favor, the formation of a corporate culture that is receptive to change initiatives. Therefore, we do not focus on the relationship between such a culture and the success or failure of a company but rather on a precursory question: What conditions are conducive to the emergence of a culture in which change initiatives are encouraged? Our investigation proceeds in two steps. First, the responses to a written questionnaire are used as

Table 1

Dimensions of Proactive Corporate Culture

Values/norms	Emotion	Cognition
Critical thinking versus rule following	Sense of setting off in new directions versus a feeling of paralysis	Internal versus external attribution of success

the basis for describing differences between the two corporate cultures in their ways of dealing with employee initiative. Second, we draw upon interviews to reconstruct the reasons for these cultural differences.

The Culture of Fostering Initiative: Theory and Practice***Dimensions of the Construct***

When we speak of a corporate culture that encourages people to take initiative, we mean an attitude that many employees share toward change initiatives as alternatives for action. The sort of culture we examine in this study is related to our "basic assumption" (Schein 1987) that it is both possible and desirable to initiate action, as opposed to receiving it. That type of culture encompasses only a facet of the construct known as organizational culture.

If the norm of critical thinking is more important in a company than compliance with established rules that stabilize the organization, we can speak of a positive attitude toward change initiatives (see Table 1). A positive attitude toward taking initiative is manifested in a prevailing sense that people within the company are willingly setting out on something new, whereas a negative attitude toward taking initiative coincides with a feeling of paralysis. Cognitively, we speak of a positive attitude toward taking initiative if successes are attributed to internal factors as the result of personal initiative, rather than to external factors as the result of extraneous circumstances (Boerner 1998; Heckhausen 1989; Weiner 1986).

To operationalize the shared positive attitude toward taking initiative to achieve change (hereafter referred to as "proactive corporate culture" or simply "proactiveness"), we presented respondents in our empirical study with the following five statements distributed across three categories.

- *Values/norms*—critical thinking versus rule following:

"Critical thinking is considered more important in this company than compliance with bureaucratic rules."

- *Emotions*—the sense of setting off in new directions versus a feeling of paralysis:

“One rarely hears anything in this company about an active, creative sense of setting new directions.”

“In times of crisis the managers here tend to feel like victims, for example, of market or macroeconomic factors, rather than doers.”

“In difficult situations the employees in this company act as though they’re paralyzed. They just wait for decisions from above.”

The sum of the scores on these three statements yields the degree of paralysis, or, in reversed polarity, the degree of the sense of setting out on something new. The sum thereby characterizes the emotionality of a proactive corporate culture.

- *Cognition*—an internal versus external attribution of success:

“Members of this organization attribute its success primarily to the ability to move things and actively to bring about changes.”

We assume that all three levels or dimensions of a company’s attitudes toward internal change initiatives reinforce each other. The normative level ensures that the sense of setting off in new directions can come about in the first place, and that both this sense and the norm are stabilized attributions of success to internal factors. Table 2 shows that significant positive relations can be shown to exist among the dimensions of proactive corporate culture surveyed in the Moscow region.

Attitudes Toward Change Initiatives in Two Moscow Companies

Companies G and A: Point of Departure and Economic Situation

One way in which companies G and A differ is the conditions under which they were formed. Company G was founded in 1991, whereas company A was part of a state-owned conglomerate before being privatized in 1991 as a joint-stock corporation employing approximately 600 people. Company A was acquired by a West European enterprise in late 1996, a transaction that incurred radical cultural changes involving processes of rationalization and reorganization.

A second difference between companies G and A has to do with the economic situation in which each found itself. Company G can be described as the economically more successful of the two. It produces marble slabs for façades, windowsills, and tables. It also manufactures marble and granite newel posts, handrails, and similar products, selling them in both domestic and foreign markets. Growing steadily since its founding, company G has vastly broadened its production volume and commercial transactions. During this period, the number of employees at company G grew from 2 or 3 persons to

Table 2

Empirical Relations Between the Dimensions of Proactive Corporate Culture
(*N* = 50)

	Values/norms: critical thinking versus rule following	Emotion: sense of setting off in new directions versus a feeling of paralysis	Cognition: internal versus external attribution of success
Values/norms: Critical thinking versus rule following	—		
Emotion: Sense of setting off in new directions versus a feeling of paralysis	.57 ^a <i>p</i> = .000	—	
Cognition: Internal versus external attribution of success	.51 <i>p</i> = .000	.62 <i>p</i> = .000	—

^aPearson correlation coefficient.

200 persons. The constant expansion is linked with the organization's innovativeness in products and processes, an achievement for which the company recently received a medal from the Russian Ministry for Land Policy, Construction, and Housing.

Company A is engaged mainly in the strip-mining of limestone and its delivery to the cement industry. In contrast to company G, whose marble and granite products have been in ever-increasing demand, company A has seen demand for its product fall, a decline registered in recent years as a downward trend in the annual tonnage of limestone sold. Accordingly, company A downsized from 600 to about 400 employees in 1991, and after the organization was purchased by the West European company in 1996, the number fell from about 450 to about 290 at the time of our study.

The difference in performance of the two companies therefore also reflects differences in their markets. Whatever differences there are in the ways that the corporate cultures found in these two enterprises deal with change initiatives, they cannot necessarily be interpreted as conditions for success or failure. Conversely, it could be that the performance difference between the two organizations acts as positive or negative feedback intensifying or dampening inclinations toward proactive corporate culture.

Differences in Attitudes Toward Change Initiatives in Companies G and A

We administered our survey to twenty-seven persons in company A and twenty-three persons in company G. These groups encompassed managers and employees of different ranks from all the functional areas of the companies: production, sales, and administration. Contacts with both companies were set up by the third co-author, a tenured instructor at the State Mining University in Russia, who has long cooperated with the two companies and who knows their leaders personally.

Conducting a *t*-test in each of the three dimensions of attitudes toward change initiatives in corporate culture, we found that companies A and G differed significantly on all items. As shown in Table 3, where high values mean underdeveloped proactiveness and low values mean advanced proactiveness, the culture in company G, the more successful of the two organizations we studied, was more receptive to change initiatives than was company A. Item analysis revealed a highly significant difference between the means (see the far-right column). The differences between companies A and G were especially clear for the dominant norms and for collective emotionality. These data suggest that company G tends to be characterized by a sense of setting out in new directions, and company A, by a feeling of paralysis. What are the explanations for the differences in the ways that the corporate cultures in the two organizations deal with change initiatives?

Explaining the Differences in Attitudes Toward Change Initiatives in the Corporate Cultures of Companies G and A

Reconstructing the Conditions that Shape Attitudes Toward Change Initiatives in Corporate Cultures: Methodology and Theoretical Focus

Through interviews we attempted to reconstruct the two companies' internal procedures and measures and to assess the related experience of members of the workforce with such procedures and measures since early 1990. In company G, there were a total of five interviews conducted with the president, other managers, and employees, each lasting approximately one and one-half hours. In company A, we were unable to interview the executive board of Russian managers brought in by the West European owners in 1997, but we did have several discussions with the director who had headed the company as it was being privatized and who was still with the company. Supplementing these interviews, we also conducted a total of five interviews, lasting about

Table 3

Differences in Attitudes toward Change Initiatives in Two Moscow Companies (*t*-test)

Dimension	Company	N respondents	M ^a	Significance of difference
Values/norms: critical thinking versus rule following	A	27	3.3	.006
“Critical thinking is considered more important in this company than compliance with bureaucratic rules.” (reverse polarity)	G	23	2.2	
Emotion: sense of setting off in new directions versus a feeling of paralysis	A	26	3.0	.002
“One rarely hears anything in this company about an active, creative sense of setting new directions.”	G	24	1.9	
“In times of crisis the managers here tend to feel like victims, for example, of market or macroeconomic factors, rather than doers.”	A	27	3.9	.001
	G	24	2.7	
“In difficult situations the employees in this company act as though they're paralyzed. They just wait for decisions from above.”	A	27	3.7	.002
	G	24	2.5	
Cognition, an internal versus external attribution of success	A	27	2.5	.010
“Members of this organization attribute its success primarily to the ability to move things and actively bring about changes.”	G	24	1.6	

^aMean on a scale of 1 (high) through 5 (low).

one and one-half hours each, with second- and third-tier managers and with employees. In both companies there seemed to be great willingness to provide information on the part of the top management level. Employees and the lower-ranking managers occasionally seemed less forthcoming.

The theoretical focus with which we tried to explain the quality of proactive corporate culture was not set from the beginning. It was sketchy and was formulated as results came in, a customary procedure in exploratory field research. Our theoretical concern was not to test a particular concept empirically. Drawing on models of behavioral conditions discussed in the scientific literature, we aimed instead to find an organizational schema that would permit a theory-guided classification of the many procedures and measures cited in the interviews and that would enable the resulting system to include the measures that seemed important to us. Finally, our intent in using this approach was to improve the possibilities of explaining the effects of the procedures and measures cited in the interviews. After a few interviews, iterative analysis of the transcripts made it possible for us to develop a tentative heuristic classification system. It consisted of the assumptions presented in the following paragraphs.

Taking the individual as the starting point of our reductionist analysis, we assume that a positive attitude toward taking initiative for change forms in a person if such behavior is positively reinforced. If many employees experience such reinforcement, a proactive corporate culture emerges throughout the company workforce. Our question is, therefore: Under which conditions does the likelihood of change-oriented action increase? The attendant set of assumptions that developed in the course of the interviews is shown in Figure 1.

The success of a change initiative depends on whether there are specific skills and knowledge that can be affected by selection and human resource development. The change-oriented action we are studying is itself a function of employee motivation. Drawing on expectancy theory (Vroom 1964), we hypothesize that the motivation to initiate action grows when the person concerned expects his or her action to have a particular result, improvement in the status quo. The magnitude of expectation defined in this way depends not only on skill but also on questions, such as the degree of control that the employees believe they have over the situation. Furthermore, we hypothesize that the motivation to initiate change is a function of the benefit experienced by the employee and thus of the benefit expected in the future. That benefit supports the action taken and is, in turn, enhanced by various strategies of personnel policy for ensuring bonuses, by the cultivation of identification with the company because increasing corporate benefit translates into personal benefit to the employee as well, and by measures designed to build trust and reduce "costs".

Figure 1. Measures for initiating Action to Achieve Change

In the remaining sections of this article, we draw on the reconstructed interviews to ascertain (a) which of the five classes of procedures and measures distinguished in Figure 1 were regarded by the respondents as either encouraging employees to engage in change initiatives or preventing them from doing so, and (b) how the respondents explain the effects of these measures.

*Procedures and Measures Designed to Trigger Change Initiatives:
Strategies for Selecting and Developing Personnel*

Change initiatives, as defined in response to the question, "What can be done better, cheaper, or faster, and in what way?" require relevant knowledge and levels of skill, among other things. In this context, it is very important how the classical managerial instruments of selection and human resource development are used as part of the transformation process (Schönherr 1997). Companies A and G differed in both the manner and the circumstances in which these instruments were used.

Personnel marketing and selection. Company G paid above-average salaries fully and on time, even during general crises. This practice can be interpreted as a strategy of personnel marketing because the company enjoyed a positive reputation on the labor market and had large numbers of job applicants. The volume of applications made it possible for the company to set high selection standards, which are necessary, according to some respondents, because many of the applicants may still have the habits and mentalities of the pre-perestroika period, when values such as loyalty and a willingness to fit in, but not initiative, were inculcated through primary and occupational processes of socialization (see Puffer 1994). In company G, therefore, the results of the company's process for screening applicants met the important need to select employees with initiative. The company's workforce had an average age of early- to mid-thirties. At company A, the possibilities for selecting personnel were more limited than at company G because only a small share of company A's workforce could be replaced and the salaries it paid were unexceptional for that market. Moreover, the adversity and disillusionment that set in after the company was taken over by a West European enterprise prompted about 10 percent of the workforce to leave the company of their own accord. The group of those who departed included a few very good employees. At the time of the study, company A's workforce had an average age of mid- to late-forties.

Selection criteria. The two companies differed in terms of the selection criteria that each used in the phase during which it was founded in 1990-91. As noted above, company A took over most of the previous workforce. The company's managers, in particular, had been selected by a government minis-

try primarily for their technical expertise, though loyalty, a willingness to fit in, and party affiliation were considerations as well. In company G, selection revolved around the criterion of initiative from the outset. This emphasis was documented, for instance, in a statement by the company's president, who characterized the employees the organization was seeking: "I need young wolves." All respondents from company G stressed that, during their two-month probationary period, newly hired employees were evaluated expressly for a willingness to go beyond the call of duty and an ability to operate on their own and take initiative. During that period, the employees were given special tasks so that their degree of independence and initiative could be observed.

Human resource development. In company G, the selection strategy was combined with specific measures of human resource development. During the probationary period, employees were given additional training in the specialized areas to which they were assigned. These in-house training courses, which were offered to regular employees as well, often involved inputs from senior managers in the company. At company G, even the president conducted courses for the employees. After concluding an internal or external in-service training course, regular employees as well as employees in their trial period were thoroughly tested specifically for the knowledge they had gained.

Judicious selection procedure. At the end of the probationary period, a five-member commission, which included the company president and sometimes professors as well, conducted a technical examination designed specifically for company G. The company could afford to set high standards at this stage, too. The director of personnel added that he drew on modern psychological selection instruments from Harvard University, pointing out, for example, that personality questionnaires and peer ratings had been used the previous year to ascertain needs for human resource development among employees who had meanwhile become regular employees of the company.

The considerable weight that company G placed on ensuring proper initiative in its workforce by pursuing the requisite strategies of selection and human resource development was also expressed in the fact that the company president was founding a supraregional organization intended to work out standardized criteria for the selection and continued development of managers. As a medium-sized enterprise, company G made a comparatively conscious, consistent, and judicious use of strategies of personnel selection and human resource development. The value of selection and human resource development as instruments of personnel policy was much less pronounced in company A than in company G, a circumstance no doubt related to the fact that many work processes in company A have greater potential for routinization than those in company G.

Contingency Control

As noted earlier, a major motivational aspect of engagement in a change initiative is the expectation of its success. This expectation is a function of the skills that the company has ensured in its workforce through selection policy and human resource development. The more qualified an employee is, the more he or she can recognize ways and means of taking initiative. Successful experience with such initiative gives that employee self-confidence, or what Bandura (1991) called self-efficacy. That is, he or she gains increased self-confidence about pursuing further change initiatives that are considered feasible. The results of our interviews show that three additional procedures, or measures, are required for the motivationally salient expectation that a change initiative will be successful.

Ensuring the accessibility of top management and engaging in rational discourse. If top management is perceived as being accessible and if the employee senses that top management will yield to rational arguments, the probability that efforts to induce change will succeed increases in the employee's view. The feeling is likely to grow that one will not necessarily be fighting against the windmills of hierarchy and bureaucracy, and people will not be subjected to arbitrariness. There was unanimous agreement among respondents in company G that both the president and his wife, the general manager, were available at all times, even at night, when someone wished to approach them about important matters relating to change. In company G, change initiatives did not have to be moved upward from one management level to the next but could be addressed directly to top management. The rules also stipulated that employees were to receive an explanation from the president or his wife if the initiative were to be rejected.

Company A operated in the opposite way. Even the Russian management board was extraordinarily remote to subordinate employees. The company had been integrated into the vast bureaucratic structure of new owners, a change that complicated attempts to address change initiatives to company managers. Moreover, suggestions that had been submitted were turned down by fax without comment. Because no reasons were given, the logic behind the rejections of the initiatives was a mystery. With no cognitive control over the situation, the employees of company A sensed arbitrariness and slid into resignation.

Learning from a positive role model. In company G, employees could watch people successfully pursuing their activities. The president was combative both inside and outside the company and showed initiative that bore fruit. When a role model shows employees that initiative is rewarded, positive learning takes place and tends to foster initiative (Gebert 1987). The role model shows that changes are possible.

The opposite kind of learning took place in company A. The former director of the company, an extremely committed manager, had been reduced to a mere recipient of orders when he was divested of his previous function. He was confirmed in that role when the new directives of the foreign owners were imposed without prior notice or opportunity for comment. The members of company A's workforce witnessed this change happen to the leader with whom they identified. Every day they could see that his change initiatives were being rejected by the new managers and that he had, in effect, been demoted. The director spoke with the employees about the matter. In company A, then, a negative role model was communicated. The company workforce observed that change initiatives were not reinforced. They either came to nothing or resulted in punishment (Bandura 1991).

Nurturing hope by guaranteeing independence. Whereas in company G the hope was confirmed that one's initiative could move the company forward, in company A the originally proactive corporate culture had undergone a very difficult process of change. At first, according to the director we interviewed, euphoria about privatization spread as the organization shed its dependence on the conglomerate and made the transition to independence. At the height of company A's privatization, from 1992 through 1995, the employees developed trust, enjoyed what they were doing, and, above all, were able to act on their ideas. A positive outlook on the future took shape because the company was also legally independent, meaning that top management could make decisions on its own. The sense of being a "master of the house" built tremendous "incentive to patch things up in the company and get it going again." One interviewee reported that, during this period, he had often spent his off-duty time working at the company for precisely that reason, and not for material gain. The employees were proud of their company, especially because new technology was being used and new blasting processes for mining were being developed jointly with the director.

All these hopes were dashed after it became clear to everyone that the company and the people working there had become pawns in the actions and decisions of others. From the heights of hope kindled during the phase of privatization, the plunge into disillusionment caused by renewed dependence was especially steep. In the words of the director:

The best people, both the skilled workers and the management specialists, are submitting their resignations in response to this disappointment. Those who used to be creative, who used to show initiative, have now fallen silent. Everything comes from above now, and you have to toe the line without a word . . . without a word, no ifs, ands, or buts. And this psychological change is pretty hard for the specialists to take.

Because the directives passed down to Russian management from the new owners were being carried out to the letter in company A, the employees often acted against their better judgment and became indifferent and apathetic. There was no longer any question of "critical thinking."

Personnel Reward Policy

The effort invested in change initiatives accrues if its effects benefit the person concerned. Companies G and A differ in this respect as well. In company G, we noted the impressive case of a young man who had shown initiative in the data-processing area by trying out new procedures. His career subsequently took off, and after further successful changes, he was promoted relatively early to the position of deputy director. As stated in the organization's official personnel policy, taking initiative was thus rewarded extrinsically in company G, affording enhanced career opportunities. In company A, extrinsic motivation of this kind had become more difficult to provide than it was, at least in the previous three years, because the chances of being promoted had declined with the number of jobs. As Vroom (1964) would say, initiative was considerably less instrumental for one's future career in company A than in company G.

Cultivation of Identification with the Company

According to the records of our interviews, another source of change initiative is the expectation of the person concerned that his or her efforts will help improve the company's situation in general. This expectation is related to, but distinguishable from, extrinsic motivation but does not become an incentive until the employee experiences the company's problems as being his or her own problems. This link raises the question of the employee's identification with the company. It is a salient issue because corporate benefit and personal benefit converge as the employee's identification with the company grows. Companies G and A clearly differ in terms of such identification. The results of our interviews indicate that this dissimilarity is attributable to three discernible sources of employee identification with his or her company.

Identification with the entrepreneur. One source of identification with the president of company G was his recognized expertise, which was beyond question among our interviewees because of his previous job as a university professor and his present work as a trainer within the company. Another source of identification with the president was what the interviewees called his charisma (see Gardner and Avolio 1998). He and his wife were described as "god-

sends.” The idea of charisma comes across in a statement by one respondent, who was referring primarily to the company president:

Charismatic leaders are born leaders, who have not learned this characteristic from anyone but rather simply have it by nature. They are people who immediately understand the others they work with, who can see into their souls. They are highly professional and yet accessible, are attuned to the problems of the people they work with. They also have intuition, a sense of what is about to happen. They aren’t shortsighted; they take a long view of things instead. They simply have vision and the ability to achieve it or strive for it. They give direction to the people they work with.

The president thus combined recognized expertise with emotional sensitivity and the ability to give orientation in the form of vision. This man, who was considered charismatic by his employees, and who, in the interview, exuded an air of calm and confidence and fostered identification with the entrepreneur, a bond that was manifested in the world of work as an identification with the company and its problems. The result was that one felt stimulated to seek new solutions.

In addition, charismatic leadership ultimately increases the employee’s personal benefit not only by encouraging identification with the company but also by communicating some sort of orientation and meaning, particularly amid the confusion wrought by the processes of upheaval associated with transformation. The interviews revealed these benefits to be significant (see the Polish version of Boerner et al. in press).

The director of company A, who headed the organization during its phase of privatization, was likewise a key person for identification. Among the employees, however, he did not have the “exalted” status enjoyed by the president of company G. In recent years, the management board appointed by the West European owners evidently maintained quite distant relations with the company’s workforce and made no moves to invite identification. This state of affairs is connected with changes in corporate policy that are explored below.

Visionary and patriotic contribution of the entrepreneur and the company. During the interviews, we had the impression that some of our respondents interpreted perestroika to mean not just a collapse of the old political system but something close to treason. They referred to the current government under President Yeltsin as a group of “crooks” and “criminals,” characterizations that made a demand for patriotic spirit seem particularly evident. It was precisely this kind of spirit that the president of company G represented. He expressly stressed the importance of ensuring that Russians, not others, have the say in Russia. He also spoke out energetically for economic development

and for separation of the economic and political systems, objected to the bribery of political cliques, and expressed pride that he did not have to go abroad to seek solutions to problems, and that, instead, foreign visitors came to his company to learn. His rather patriotic attitude is credible to the people we interviewed, for his company, unlike many others, does not transfer its capital out of the country. This visionary and patriotic approach to leadership gives followers an additional specific benefit: the strengthening of the self-esteem that had been sorely neglected in recent years.

This source of identification was not available in company A. The trend there, at least in the years since the company was taken over by a West European owner, had gone in the opposite direction. The new "masters" were not Russians but foreign investors, a fact that injured the pride of some of the organization's employees. Moreover, the new masters lacked credibility. At first, the new owners promised major investment in the company, but little of it materialized. Instead, they were said to have invested substantially greater sums in a similar company in a different country, triggering deep distrust in company A. The new owners were perceived as people who wanted only to exploit the company and the country. The people at company A felt they had been duped, that they had sold themselves, and that they were serving a foreign master. Given this subjective assessment, it was natural that their willingness to identify with their company was evaporating.

Positive overall development of the company. Company G's steady growth inspired confidence in further development and hence in the future. However, while this process did entail problems, for expansion can jeopardize the family-like character of an organization such as company G, the company was still dominated by growth's euphoric effect: the perceived likelihood that personal effort on behalf of the company would continue to be reflected in one's salary and daily bread.

Well-founded hopes of this sort did not exist in company A, where at least some of the employees we interviewed gave the impression that the company was a "sinking ship." The future offered no basis for identification with the company. Having already witnessed the closure of a local hospital and of the company's preschool facilities in the first phase of consolidation in 1991, at the time of the interviews, the employees were witnessing a decline in the tonnage of limestone the company was selling and seeing their own ranks dwindle in the absence of new investment by the new owners. The company continued to depend on old technology. The emotional link to the future at company A was embodied chiefly by the person who was director at that time, a man who today controls the production process as a member of the second tier of management. He had promised the workforce that he would remain with the company at least until completion of an innovative technol-

ogy development project begun jointly with Moscow's Mining University.

In summary, charismatic leadership, a basically patriotic attitude, and positive overall development of a company enhance identification with the company and hence raise the likelihood that corporate and personal benefit will be perceived to coincide. Specific additional positive benefits are the meaning and direction that are gained and the chance to feel pride and to experience hope.

Trust-building Measures

Trust-building measures raise the question of whether the employees think change initiatives can be pursued without anxiety. The fact is that change initiatives do imply risks for employees. To the person responsible for the status quo, objective criticism of it often comes across as personal criticism. Moreover, the status quo is not infrequently an entrenched compromise between different opinions and interests, so changes may tend to induce conflict. Against this background, achieving an anxiety-free work climate implies forging mutual trust. Freedom from anxiety means that specific risks, or psychological "costs," vanish. Overall, the expected benefit of change initiatives is increased by trust-building measures because psychological costs that accompany the process of change are eliminated.

Our analysis of the interview records reveals three dimensions in which trust or distrust in both companies were expressed and augmented: tolerance of learning and mistakes, mutual esteem versus disdain, and a sense of family outlook and shared goals.

Tolerance of learning and mistakes. Trust, defined as the reciprocal willingness of persons to assume that rules of fair play will be respected, even when opportunism is objectively possible, is cultivated within an asymmetrical power relation if the more powerful party, the superior, takes the lead in demonstrating trust by taking action of a nature that makes him or her vulnerable (Deutsch 1976). For example, a superior voluntarily places himself or herself in a vulnerable position by largely delegating freedom of action and discretionary authority when it is not clear from the outset which mistakes will be made by the employee, and when it is uncertain whether the employee will abuse the discretionary authority that has been delegated. By investing the subordinate with authority to act, the superior shows trust, a gesture that gives the employee courage to assume responsibility for action. Showing tolerance of both learning and mistakes, if the employee later proves to have erred, contributes to the employee's trust in the superior, a response that, in turn, can prompt change initiatives.

The people in company G responded in precisely this fashion. The

president's guiding idea was that "people learn by making mistakes." Punishment was not meted out to anyone who made or permitted a mistake but only to those who concealed one. In keeping with this desire to assist learning, employees at company G were given wide latitude for action. In company A, by contrast, precise instructions were given by fax and, in response, executed to the letter. This control-oriented management precludes learning, does not invite anyone to take the lead in demonstrating trust, and thereby only evokes distrust.

Mutual appreciation versus disdain. Mutual appreciation, too, helps develop trust. The way in which appreciation is expressed in company G is illustrated by one employee who stated:

People are in constant contact with the general manager and the president, several times a day, and you immediately sense you're welcome. You can sit down and just tell them what you're thinking. They listen to you. They certainly don't have time to listen to you, but they do anyway and always remain nice and polite. You get the impression it's simply not in them to get frazzled or impatient.

This employee clearly felt esteemed. She had the sense that people believed her to be capable, and she wanted to show that she deserved this esteem. Hence, the trust of employees can be developed through esteem and an expression of confidence in them. This trust was illustrated, for example, in the fact that one could think out loud about ideas with the company president and his wife. An atmosphere in which such spontaneity is welcomed and employees take the risk of thinking out loud first prevailed in company A during the privatization phase, but the new management board changed this atmosphere fundamentally. The variants of patronization and disempowerment described above express disdain, not esteem, and thus provided no foundation on which trust can thrive.

A sense of family and shared goals. Trust is nurtured if goals are assumed to be shared. This condition tends to be characteristic of company G. Because gains for corporate management mean gains for the workforce and vice versa, all members of the organization feel they are players in a positive-sum game. This appraisal is a key reason why the people working at company G identify with it. They tend to regard themselves as a family, particularly in the sense that they can show their feelings, and, according to their superiors, have the courage to reduce social distance. Describing the family character of company G, one interviewee stated:

Trust is fostered in the private sphere as well, because there are company celebrations, and things like Christmas parties and birthday parties. Each birthday is celebrated like a family event. People find the

Christmas parties unforgettable. They dance together, and when they then go eat in the cafeteria together, they talk about things that have nothing to do with the company, private matters. . . . At the New Year's Eve parties people dance like wild, including the management team. The president and his wife join in and prepare different surprises, or they dress up as Father Frost and Snow White. It is really nice that they are so uncomplicated. And the person celebrating a birthday gets hugged and kissed. We feel like we're one family, like we're loved.

Such emotional interaction is unthinkable at company A, with its new management board. The workforce thinks of the situation as a zero-sum game in which anything won by one side, the owners, comes at the expense of the other, the workforce. With this conflict of goals as the prevailing perception, distrust is the only conceivable result. Instead of trusting, many employees withdraw and feel more or less alienated from the company. Under such circumstances, a trusting, anxiety-free pursuit of change initiatives is unlikely.

Summary

A culture conducive to change initiatives, one in which critical thinking is the norm, the collective sense of setting off in new directions, and the inclination to attribute success to internal factors, that is, personal initiative, have been shown to be salient for the success of a transformation process within a company. However, it appears to be the exception rather than the rule in the Moscow region. It is thus all the more important to ascertain the conditions under which such a corporate culture develops. For this purpose, two companies that differ greatly in terms of their prevailing attitudes toward change initiatives were studied for the degree of dissimilarity between their procedures and measures within the framework of transformation. The results of that analysis are summarized in the following five points.

- *Selection and human resource development.* It is crucial to combine personnel marketing and strict selection standards in order to narrow the gap between selection needs and the results of the company's screening process. In addition, diversifying and variously combining selection strategies and measures of human resource development are important in the effort to acquire the knowledge and skills required for pursuing change initiatives.

- *Contingency control.* The expectation that change initiatives can be successfully set in motion requires access to top management and rational discourse. It is also important to guarantee an appropriate degree of independence so that all employees have a sufficient say about their situation within the company. Processes of learning from positive role models contribute to this expectation.

- *Benefits of change initiatives through reward policy.* A policy of selective reward is important so that change initiatives pay off extrinsically in the broadest sense, for example, through a suitable promotion policy.

- *Identification.* Identification with the company must be forged by ensuring that corporate benefit and personal benefit coincide. This identification can be facilitated through charismatic leadership, patriotic attitudes, and recognizable investment in the future, all of which simultaneously enhance the benefits to everyone in the company—pride, hope, and the meaning of work.

- *Benefits through cost reduction.* It is important to reduce the costs of processes, particularly by means of trust-building measures for the purpose of creating a climate free of anxiety. According to the interviews we conducted, effective trust-building elements include personal esteem, a tolerance of mistakes, and the cultivation of a sense of family. On these foundations, the climate within the company can be experienced as a positive-sum game rather than a zero-sum game.

A proactive corporate culture can thrive not only in a newly founded organization, like company G, but also in a newly privatized one with a preperestroika core workforce, although the case of company A illustrates that such a culture was subsequently destroyed by foreign intervention. Our analysis shows that there are identifiable basic conditions under which positive attitudes toward change initiatives can be developed within a company and thus have an important bearing on corporate success.

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