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LINKING ORGANIZATIONAL CONTEXT AND MANAGERIAL ACTION: THE DIMENSIONS OF QUALITY OF MANAGEMENT

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Organizational context is created and renewed through tangible and concrete management actions. The context, in turn, influences the actions of all those within the company. In this article, we elaborate this theme of an interactive development of context and action that, we argue, lies at the core of a company's management process and is a key influencer of its performance. Based on a longitudinal field-study in one company, we identify discipline, stretch, trust and support as the primary dimensions of organizational context and we describe how each of these dimensions can be developed and how these dimensions, in turn, influence the levels of individual initiative, mutual cooperation and collective learning within companies. Shaping the organizational context, we suggest, is the central task of general managers and we propose our model of context as a way to assess an organization's quality of management.

The performance of a firm is influenced by its relative position in the industry and by its stock of relevant, valuable and unique resources. The firm's ability to develop and deploy such resources and to build attractive market positions in its businesses is, in turn, influenced by its organizational capabilities (Rumelt, Schendel, and Teece, 1991). Underlying both the strategic positions and the organizational capabilities are what Porter (1991) describes as 'managerial choices', i.e., the decisions and actions that actors within the firm have taken over time. While neither comprehensive nor nuanced, this crude recapitulation of the last two decades of work in the strategy field points to the next question in the chain of causation: what factors influence these choices and actions of individuals within the firm?

Key words: Organizational context, quality of management, managerial action

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This is the question we address in this paper. Following Barnard, the question can be put another way: why do individuals, in some organizations but not in others, routinely do so much more 'for the good of the organization' (1938: 200) than their personal economic or political rewards would justify? Barnard described such behavior as 'the willingness of individuals to contribute force to the cooperative system' (1938: 83): why do people, in some organizations, contribute this force?

Our answer to this question, based on a rich and longitudinal field study in a company we will refer to as Semco, suggests the primacy of an organization's work ethic in influencing the behaviors and actions of its members. This work ethic is embedded in what has been described in the strategy process literature as the organizational context (Bower, 1970; Burgelman, 1983; Haspeslagh, 1986) and in the organizational theory literature as climate or culture (Tagiuri and Litwin, 1968; Pettigrew, 1979; Ouchi, 1981;

Deal and Kennedy, 1982; Schneider, 1985; Gordon, 1985; Schein, 1985; Denison, 1990). While we will refer to and build on this prior work in the course of presenting our analysis, the voices in the literature closest to the spirit of our arguments go much further back.

In his analysis of the rise of Western capitalism, Weber had asked the question why people pursued wealth and material gain for its own sake, not because of necessity. While recognizing the influence of a variety of other factors, he had located the main answer to this question in the puritan ethic that sought to achieve salvation through economic activity, thereby transforming the acquisitive motive from personal eccentricity to a moral order (see Furnham, 1990). We suggest in this article that an organization can similarly create and embed in its context a work ethic that would induce rational yet value-oriented actions on the part of its members in furthering the interests of the organization as an end in itself, not just a means to an end. Such a context emerged in Semco. It was created through tangible and concrete management actions. The context, over time, significantly altered the company's strategic processes and the behaviors and actions of its employees. We will describe here the key attributes of such an organizational context and present some propositions, based on our field-study, on the management actions necessary for developing these attributes and on how these attributes, in turn, influence individual and collective action of members. Overall, we will propose a model of the interactive development of context and action in organizations and suggest how these interactions influence organizational effectiveness.

Based on his life-long experience as a practitioner, Barnard had similarly identified the importance of an embedded work-ethic—what he called 'the moral factor' (1938: 261)—as a central requirement for effective organizations. He saw the main role of general managers as creating this moral factor by inspiring peoples' faith: 'faith in common understanding, faith in the probability of success, faith in the ultimate satisfaction of personal motives, faith in the integrity of objective authority, faith in the superiority of common purpose as a personal aim of those who partake in it' (1938: 259). The model of organizational context we present in this article describes the anatomy of such faith: the characteristics of context that inspire it, and the tools available to general managers for developing those characteristics.

Following the causal chain we sketched in the introductory paragraph, this faith is the 'origin of origins' (Porter, 1991)—the ultimate and invisible shaper of organizational performance. If, as suggested by Barnard, inspiring such faith through the creation of an appropriate corporate context is the key task of general managers, then the quality of the organizational context, in terms of its ability to influence individual behavior by the inducement of such faith, is a good measure of what Doz and Prahalad (1988) have referred to as an organization's 'quality of management'.

Two themes have historically been of central concern to strategic management as a field of research and teaching: a focus on the overall performance of the firm, and an interest in the role of general managers in influencing such performance (Rumelt *et al.*, 1991). These two themes had been highly interrelated in the work of those who pioneered the field (Selznick, 1957; Chandler, 1962; Andrews, 1971; Ansoff, 1965). In more recent work, as strategy has evolved to become what Galunic and Eisenhardt (1993) have described as another 'functional imperative', its link with management has eroded. Our analysis here of the first theme of organizational performance also provides a perspective on the second theme of the roles and tasks of management. To this extent, the article also represents an effort to rebuild the bridge that created and legitimized the field.

TALE OF A TURNAROUND: AND OF A MESSY RESEARCH PROCESS

After losing money and market share for 3 years, in 1989, Semco registered an unexpectedly high operating loss of $300 million on sales of $1.8 billion. But for the financial support of the $30 billion diversified group of which it was a part, the company, a manufacturer of electronics-based industrial products, would have been close to bankruptcy. A detailed group-level investigation revealed the situation to be 'hopeless'. In a scale-intensive global industry, Semco was ranked 10th, and its products were positioned in low growth and highly cost competitive market segments. Furthermore, the business was extremely investment intensive with average industry R&D spending of 15 percent of sales, and capital investment of 130 percent of depreciation. To meet such investment needs, the group report concluded that a company needed at least a 6 percent global market share; Semco's share was less than 1 percent.

Internally, the group-level manager responsible for Semco described the environment as 'catastrophic'. Management conflict was rife: the powerful head of the only profitable business unit strongly and openly disagreed with the chief executive's strategy of investing heavily in a new technology; two of the four business unit managers did not even speak to each other; and relations between the line management and the relatively autonomous R&D group was extremely strained. At the operating level, there was what one manager described as 'complete paralysis' made worse by a very political environment.

In March 1989, in response to the company's deteriorating financial and competitive situation but prior to the sudden downturn, Semco's chief executive had been replaced by the head of one of the company's four business units. Unlike his predecessor who had limited company and industry background, the new chief executive had spent his entire three-decade long career at Semco, rising through its technical and marketing ranks. His agreement with the group management had envisaged nursing the business back to break-even point by 1992, and during his first 15 months he had focused his attention on trimming R&D and controlling expenses.

All this changed in May, 1990, when the financial results of 1989 were announced. Stung by adverse reactions from the financial market to the unexpectedly large losses, the newly appointed chief executive of the group demanded more urgent action. Over the next 3 months, Semco managers prepared a plan to reduce personnel by 20 percent, to cut the R&D budget by more than 50 percent, and to close several facilities eliminating the related products from the line.

Our involvement began in October 1990, 3 months after implementation of the plan had begun, when one of the authors was invited to facilitate a meeting of Semco's 50 seniormost managers. The objective was to review the situation and to develop a detailed plan for implementation of the proposed changes. This 3-day meeting evolved into a system of quarterly meetings and triggered a cascade of activities at lower levels as the senior level participants organized preparatory or follow-up meetings with their own subordinates. Between 1990 and 1992 we participated in several such meetings, at different levels of Semco, interviewing managers and collecting relevant data to help structure the agenda and facilitate the discussion process. We also reviewed the ongoing changes with several key actors individually on a regular basis outside the meetings.

Over these 3 years, a plethora of actions was initiated. Despite the recession-plagued industry situation in which both demand and prices of Semco's products declined, financial performance improved steadily from a loss of about $150 million in 1990, to break-even in 1991, and a profit of $200 million on sales of $1.7 billion in 1992. Industry analysts believed that Semco's 1992 profits were structurally sustainable, at least in the medium term. In the middle of 1993, prorata profitability continued on the upward slope.

The task of making sense of the detailed data and rich descriptions gathered over almost 3 years of intensive interaction was made manageable only by a multistaged iterative process of data gathering, verification and analysis. In March 1993, at the invitation of group management who wanted to transfer the lessons of the turnaround to other group companies, we returned to Semco to expand on and verify our data. From knowledge gained in our early involvement, we prepared a detailed summary of the key incidents and actions (Figure 1 provides a highly simplified version). Using this as a point of departure, and with the help of a research associate, we interviewed 26 managers at various levels (including 12 we had never met before); we conducted group meetings with office and factory employees; and we collected additional internal documents, detailing the changes. Our objective was to improve the completeness and accuracy of the descriptions, and also to elicit a wide range of opinion and analysis of the events. The observations and findings from this stage of the research process were summarized in the form of a case study which described not only the internal actions and changes within Semco but also incorporated a fairly detailed analysis of the changes in the company's external environment.

The data gathering continued into the next phase when the case study was discussed, on two different occasions, with the 100 senior most managers of different group companies. Because the 10-person top management team of Semco was present on each occasion, the discussions of the company's successes and failures, and management's comments and responses, revealed new information which was incorporated in a revised version of the case. It was this detailed record of the changes that became the base document for the analysis reported in this paper.

During this process, we became increasingly aware that while all our interviewees acknowledged the financial impact of the specific actions we had highlighted in our summary (e.g., the 25% employment reduction, the working capital cuts, etc.), they were much more focused on a deeper change in the internal environment, caused in part by these actions but also in part by numerous others that were nowhere as dramatic or as visible. As described by a junior employee in one of Semco's overseas production plants:

> What matters most is that the smell of the place has changed. I now enjoy coming to work. It's not one thing, but overall it's become a very different company.

As we pursued this issue of 'the smell of the place', we obtained many descriptions and illustrations of *what* the 'smell' was and *how* it came about. In our subsequent analysis of the data, some patterns began to emerge. First, in response to the 'what' question, a detailed content analysis of the interview notes led us to categorize the various attributes of the new context along one of four dimensions which we finally labeled as (i) discipline, (ii) stretch, (iii) trust, and (iv) support. Then, to summarize 'how' these dimensions of context came about, we identified and sorted the interviewees' descriptions that linked key events and activities into one or more of the four dimensions of context. Some interviewees identified the same activity (e.g., the benchmarking exercise) as influencing more than one dimension of context (e.g., stretch and discipline). In other instances, while some interviewees identified one particular action (such as the introduction of a new cost accounting system) as contributing to the development of one dimension (e.g., discipline), others described the same action as contributing to another dimension (e.g., trust). Table 1 provides a list of the six key events or actions that were associated by a significant number of interviewees with the four different dimensions of context.

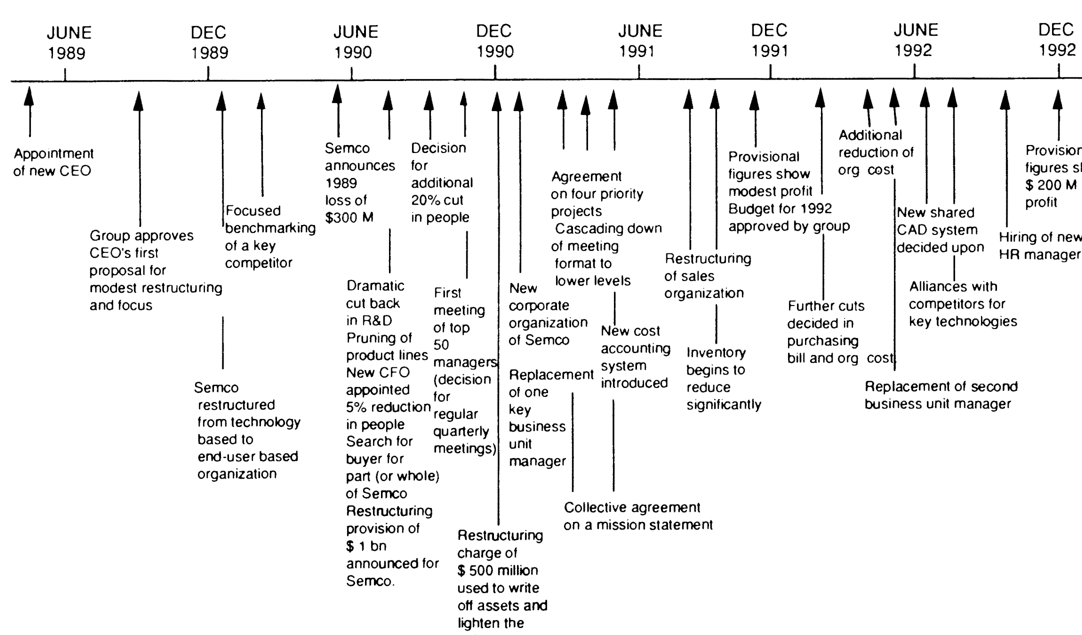

Figure 1. Key events and actions in the turnaround of Semco: 1989–1992

Table 1. Effects of actions on dimensions of context: Semco

Key events/actions	No. of interviewees (out of 26) linking the event/action to dimensions of context			
	Discipline	Stretch	Trust	Support
1. Announcement and implementation of drastic cuts, particularly in number of employees	14	3	2	4
2. Focused benchmarking of a key competitor	6	10	4	6
3. Introduction of a new accounting system	11	4	8	5
4. System of quarterly meetings of senior managers	12	9	9	8
5. New formal structure	—	3	4	6
6. Personal style of the CEO	8	6	14	6
Number of employees highlighting the dimension as a key element of the new context of Semco	18	12	16	11

Finally, following Pettigrew's (1992) suggestions, we prepared detailed charts reflecting the sequence of key activities and events, across multiple levels of analysis. The detail and complexity of the data required mapping on multiple charts, each linking a specific set of actions to the different key outcomes. Highly simplified versions of some of these charts will be presented in the next section. One of the findings that emerged out of this process was a clearer sense of the interactive evolution of organizational context and management action. This is the topic we will now pursue, drawing on the concepts framed by the data analysis.

EFFECTS OF ACTION ON CONTEXT: SHAPING THE WORK ENVIRONMENT

In contrast to the founding research by Bower (1970), Burgelman (1983) and others who defined organizational context largely in terms of process variables which were viewed as being shaped by changes in structure and systems, our analysis has focused us on the way in which Semco's work environment was changed by the collective impact and interaction of scores of individual events and actions. While major structural changes and the implementation of new systems were certainly influential, so too were a variety of much more routine and seemingly minor activities and decisions: the composition of a task force, the handling of a lay off procedure, or the gathering of competitive information, for example.

Our concept of context, therefore, is framed not in familiar process terms such as definition and impetus, nor does it focus primarily on the traditional management tools of formal structure and systems (cf., Bower, 1970). Instead, it highlights the way in which the four behavior-framing attributes of discipline, stretch, trust and support were created and reinforced by a variety of macro and microlevel actions taken by managers at all levels of the organization. In the following paragraphs, we will describe how each of these elements of context was shaped by a convergence of such actions.

Discipline

As shown in Table 1, 18 out of the 26 interviewees mentioned an increased level of discipline as a key element of the new context at Semco. Beyond the predictable reference to timely management reporting and efforts to achieve financial goals, many interviewees described a broader change to what they referred to as 'management by commitments'. As explained by one manager:

> We now send our samples to customers on time, or at least we try our best. We phone back if we have said we would, and we turn up in meetings on time. If something has been decided in an earlier meeting, we don't reopen the issue. In fact, meeting your commitments has become kind of an ego issue, not just the inventory, cost or revenue targets but, more generally, doing what you promised.

As we put together the interviewees' explanations of why and how discipline became a key element in the context of Semco, it appeared that the actions listed in Table 1, collectively and interactively, led to the development of (i) clear standards and expectations, (ii) a system of open and fast-cycle feedback, and (iii) consistency in the application of sanctions. These three attributes, in turn, contributed to the building of discipline within the company (see Figure 2).

Clear standards

The establishment of clear standards required not only the development of a set of standards but also an acceptance of and commitment to them. While earlier benchmarking exercises, using data provided by external consultants or from public sources, had allowed Semco managers to develop the first element, it was the quality and detail of the data collected in the 1990 benchmarking (furnished directly by a leading competitor, in the course of an acquisition negotiation) that made it much more credible. The highly disaggregated and fine-grained information prevented debates on authenticity and comparability, while management's realization that the business might be divested led to an emotional commitment to bridging this visible performance gap. The clarity and credibility of this performance gap was further reinforced by the data generated by the new cost accounting system which was fine-grained enough to establish specific responsibilities, expectations and standards at the level of individuals responsible for small, disaggregated units.

This represented a major change in the company's philosophy of accountability. Historically, in Semco, a manager's ability to get activities to be seen as of vital long-term strategic importance was a viable alternative to the unpleasant task of eliminating slack. However, in choosing items for the drastic cuts of 1990, the new CEO had firmly discredited this concept of 'strategic importance' by retrenching activities such as R&D spending that were earlier considered sacrosanct. The fear generated from this

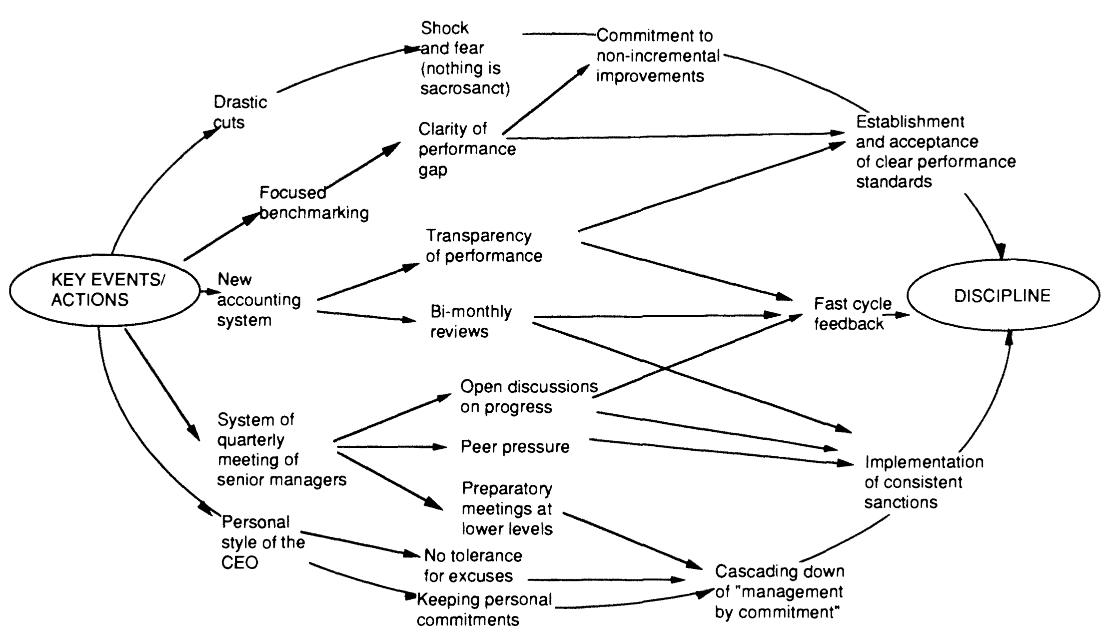

Figure 2. Emergence of discipline as a key element in the context of Semco

credible threat of retrenchment coupled with the embarrassment caused by unflattering benchmark comparisons played key roles in creating emotional commitment to achieving the new performance standards.

Fast-cycle feedback

Discipline in Semco's management was also developed through activities that increased the frequency and the quality of internal feedback. First, by eliminating certain kinds of information needs, the new accounting system allowed rough weekly figures to be compiled by the following Tuesday, and generated detailed results for any 2-week period within 4 days. The chief executive and the chief financial officer closely monitored these results and personally followed-up on unanticipated outcomes.

While the accounting system improved the frequency of feedback and the demand for explanations, the quarterly management meetings enhanced openness, honesty and candor in the review process. The chief executive's personal style (in his own words, 'calling shit, shit') resulted in these meetings becoming an open review of all aspects of performance. By creating such a process of indirect peer-review, norms were established discrediting overtly political or obfuscating behaviors. By creating similar meetings within their own organizations to prepare for and discuss the outcomes of the senior manager's meeting, most managers helped institutionalize the new norms of candid and honest feedback.

Consistent sanctions

The third commonly perceived contributor to management discipline was the consistent application of sanctions. The chief executive established a norm of dealing quickly and firmly with what was internally referred to as 'satisfactory underperformance'. Replacement of a number of key managers including the chief financial officer and the powerful heads of two of the largest business units built credibility for the slogan of 'no excuses.' This helped ease the difficult decisions that all managers faced as they met the challenge of reducing headcount. At the same time, careful review by the corporate human resource group prevented arbitrariness in the process, and well publicized reversals of two openly political dismissals helped establish the norm of fairness and consistency.

Past research in the organizational behavior field has identified discipline as an important element of climate (Amsa, 1986). A number of authors have also highlighted the importance of some of the specific mechanisms such as the establishment of standards (Litwin and Stringer, 1968), the holding of regular meetings to provide feedback (Pascale, 1985) and the enforcement of accountability through consistent sanctions (Gordon and DiTomaso, 1992) that helped build discipline as an element of Semco's organizational context. Research in the strategy field, in contrast, has focused on the roles of strategic and operational control as important levers of the corporate influence process (Haspeslagh, 1986; Chakravarthy and Lorange, 1991). But discipline represents the behavioral outcomes, influenced in part by such control mechanisms, rather than the exercise of control, *per se.* Discipline is also reflected in a far broader set of day to day activities than the specific performance outcomes that are the focus of the control processes. It represents a way of life, a norm applicable to all tasks, rather than compliance with a well-defined set of contracts embodied in a company's strategic and operational control tools. To summarize our discussions on discipline in the form of a proposition:

> *Proposition 1: Discipline is an attribute of an organization's context that induces its members to voluntarily strive for meeting all expectations generated by their explicit or implicit commitments. Establishment of clear standards of performance and behavior, a system of open, candid and fast-cycle feedback, and consistency in the application of sanctions contribute to the establishment of discipline.*

Stretch

> Another major change is how we think about targets. In the past, everything was 5 percent. If anyone proposed changes bigger than that, he was immature, he didn't know his business. Now, if you propose a 20 percent cut in inventory, you are a bit embarrassed because someone else is shooting for 25 percent. That too has become a part of life—how far can we go? And that is a fun game!

This comment by a Semco factory manager highlights another key change in the company's context. Following Hamel and Prahalad (1993), we call this 'stretch'—an environment in which individuals voluntarily stretch their own standards and expectations. Interviewees saw the 1990 to 1992 actions shaping three attributes that collectively built this environment of stretch: (i) the establishment of shared ambition, (ii) the emergence of a collective identity, and (iii) the development of personal significance in the turnaround task (see Figure 3).

Shared ambition

The same process that led to the establishment of clear standards also helped build a shared ambition among Semco managers. Beyond the emotional commitment to achieving highly stretched goals aimed at bridging the recognized performance gap, by 1992, managers had begun to believe in a future of profitable growth and reputation for excellence in specialized market niches. The visible celebration of some early successes played an important role in converting the desire for survival into a shared ambition for the future.

Another important contributing action was the collective decision in an early quarterly senior managers' meeting to focus the entire organization on four key performance objectives: to reduce the development time for new products (the 'time-to-market' project), to cut the cycle time from order entry to product delivery (the 'make-to-market' project), to shorten customer response time (the 'customer satisfaction' project), and to prune the unwieldy list of 15,000 product offerings (the 'portfolio choice' project). While each of the four broadly constituted project teams established performance standards and monitored improvements, a large number of unit-level teams implemented the specific tasks. By mid 1991, some fairly dramatic performance improvements led to a growing confidence that Semco could match, and in some areas, surpass 'best-in-class' performance levels. By late 1991, transfer of best practices and shared work in the project teams started spreading these successes across the organization, feeding a growing confidence that was validated by improving financial performance, and eventually resulting by late 1992 in a fairly widespread shared ambition for excellence.

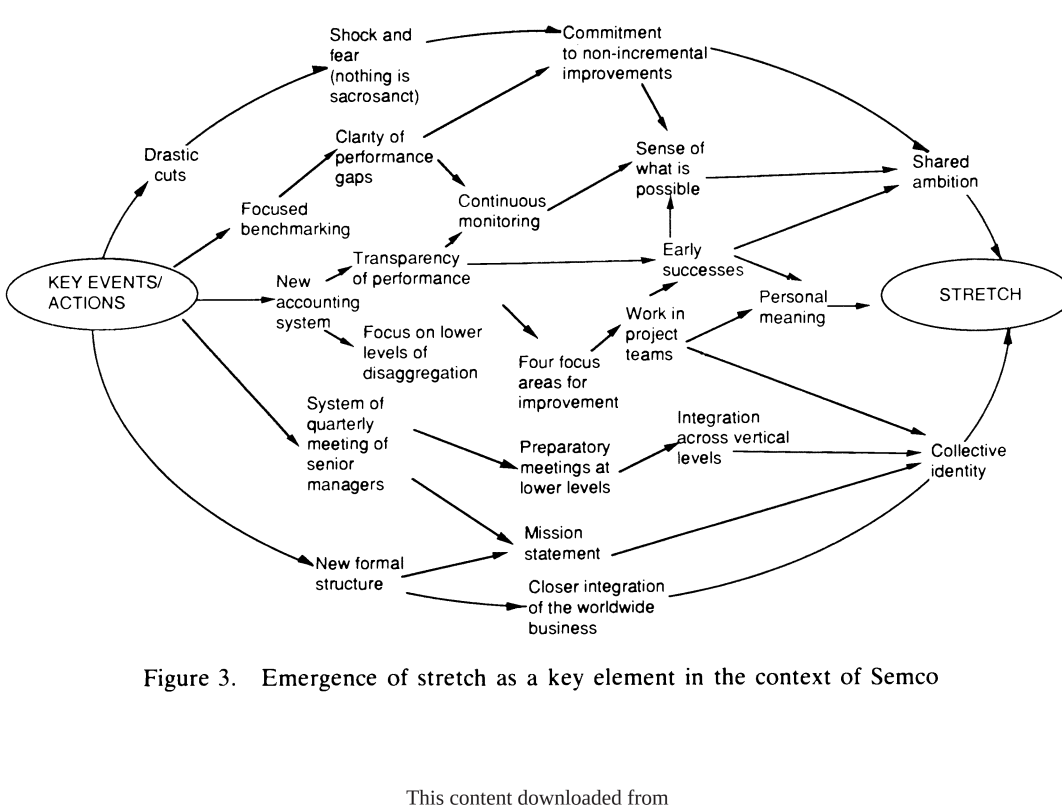

Figure 3. Emergence of stretch as a key element in the context of Semco

Collective identity

In January 1990, Semco broke away from the holding group's electronics components division, to which it had historically been attached, and became a free standing division by itself. The organizational separation helped Semco's managers develop a greater sense of collective identity. As described by the new chief executive, 'We needed to find our own way to do things together'.

The split from the other businesses also lead to a gradual integration within and across Semco's functional groups. In the past, the sales organizations selling Semco's products in different national markets reported to the overall group country managers and also sold the products of other companies within the old division. After the split, Semco formed its own specialized national sales organizations which were consolidated under a marketing manager in the headquarters of the company. Similar specialization was also achieved in the product development units. Freed from the interdependencies with the other activities, these dedicated units could build stronger links among themselves and the resulting horizontal integration also helped building collective identity.

Finally, although the new chief executive of Semco did not believe in mission statements, he agreed to develop one only at the insistence of his management team. Jointly created and adopted by the 50 senior managers in early 1991, the statement describing Semco's strategic priorities and organizational values had almost no effect in the organization until the company's performance improved about a year later. At that time, it became a focus of some pride, and debates on issues from resource allocation to new product development priority were increasingly resolved by reference to the mission statement. By the end of 1992, it had become a catalyst of common action and collective identity within Semco.

Personal meaning

As the four priority projects cascaded down from the senior managers' quarterly meetings, the broad targets established by the 50 top managers were allocated and translated into specific action. The business unit level meetings broke down the targets for each product group; and the product group level meetings translated them to the level of each factory, development team, and marketing group. As a result, a situation was created in which more and more individuals not only had focused targets but also had a clear picture of how his or her own tasks contributed to the overall performance of the company along one or more of the four priorities. Most of the interviewees believed that this explicit and visible association between ones' own work and the overall priorities of the company created a sense of personal involvement that gave meaning to each individuals' work. This association, in turn, created the motivation for stretch at the individual level.

Evolving from an early emphasis on achievement motivation (Argyris, 1958; McGregor, 1960; Tagiuri and Litwin, 1968), the literature on organizational climate has consistently highlighted the role of stretch, not only as a motivational tool in individual or group-level goal setting tasks (e.g., Latham and Locke, 1979), but also as a broader element of quality in an organization's internal environment that influences the perception of personal impact (Zimmerman and Rappaport, 1988). The three attributes we have identified as contributing to the creation of stretch are consistent with the prior empirical findings in this literature: Denison (1990) has shown the importance of a consistent vision; Gordon and DiTomaso (1992) have established the positive influence of an emphasis on aggressive goals; Allaire and Firsirotu (1984) have demonstrated the need for a collective identity; and Johnston (1976), Hackman and Oldham (1980), and Thomas and Velthouse (1990) have highlighted the impact of what we have described as personal meaning.

The strategy process literature, on the other hand, has underemphasized the role of stretch as an element of an organization's context. Burgelman, for example, has conceptualized context primarily as a selection device 'to fine tune the selective effects of administrative arrangements so as to keep the strategic proposal generating process in line with the current concept of strategy' (1983: 66). Quinn's (1980) concept of logical incrementalism is, indeed, antithetical to stretch. Our observations in Semco, in contrast, echo the arguments of Hamel and Prahalad (1989): while context acts as a selection mechanism, it can also be used to create variation. By developing stretch as a key element of the internal environment, managers can influence the aspiration levels of individuals engaged in all kinds of activities—from ongoing improvement of existing and relatively standardized tasks to the creation of new products and businesses. With stretch, organizational context can be a tool for promoting entrepreneurship, not restraining it. We offer the proposition:

> *Proposition 2: Stretch is an attribute of an organization's context that induces its members to voluntarily strive for more, rather than less, ambitious objectives. Establishment of a shared ambition, the development of a collective identity, and the ability to give personal meaning to the way in which individuals contribute to the overall purpose of the organization contribute to the establishment of stretch.*

Trust

Sixteen of the 26 managers believed that an important change in the environment of Semco was that people had begun to trust one another. This was a sharp departure from the situation in 1989 when managers in one business unit had been discovered advising a customer not to deal with another business unit that was soliciting an order for a very different set of products. In contrast, by 1992, the different business units were collaborating actively—for example, creating a shared CAD/CAM system and jointly developing new products—and growing trust was seen as a key contributor to this spirit of cooperation.

In describing how such trust was developed, the three most important contributing factors identified by the interviewees were: (i) the higher level of perceived fairness and equity in the company's decision processes, (ii) the broader level of involvement in core activities, and (iii) an increase in the overall level of personal competence at all levels of the organization (see Figure 4).

Equity

Interviewees perceived that the first and the most important contributor to the growing sense of fairness in Semco was the process by which the 20 percent reduction of personnel was implemented. Because of the unprecedented size of the cuts, most expected a politicized decision process based on the political clouts of the unit managers. Instead, decisions were made in collective meetings, based on objective data of benchmarked performance and business priorities, and no changes were made through 'corridor deals'.

The change in the internal structure of Semco also contributed to the development of a sense of fairness. In early 1990, when the new chief executive restructured the business units so they were organized around end user industries rather than around technologies, he increased the level of interdependencies among the units, particularly in the area of technologies and manufacturing. The need for greater coordination led to the creation of new forums which provided a sense of internal equity—both real and perceived—to the dispute resolution process.

Involvement

As described earlier, team work within and across units had increased considerably in Semco. The formation of numerous project-groups between 1990 and 1992 dramatically increased the number of people working on core management issues. Furthermore, the system of cascading quarterly meetings not only served to involve more people in decisions that affected their work, it also broke vertical and horizontal barriers that had previously constrained both participation and information access. For example, regular meetings of the 50 top managers spanned five management grades and all functions and business units—a significant departure from the past practice of specialist meetings involving only those at the same level. Even when decisions ran counter to the interests of individuals, they were exposed to the broader rationale and also had the opportunity of advocating their positions. By enhancing the transparency of outcomes, involvement increased the perception of fairness in the process, thereby improving mutual trust.

Competence

The new chief executive, an engineer and industry expert, believed that a high technology company like Semco had to be managed by specialists, not generalists (like his predecessor). As a result,

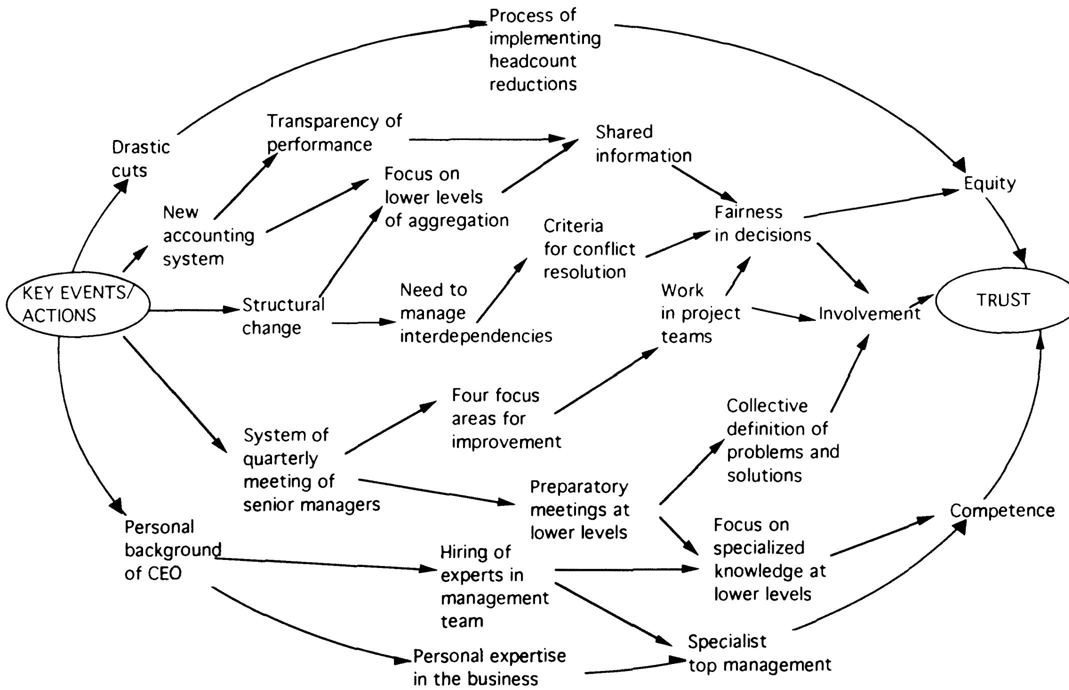

Figure 4. Emergence of trust as a key element in the context of Semco

the two new business unit managers he appointed had specialized expertise in the industry's technologies and production respectively. In turn, these managers brought in more people with experience in the specialized production process and increased the level of specialization in the company's dedicated sales organization. Overall, by increasing the level of competence, this upgrade in specialist skills also contributed to increasing trust. As described by one manager:

> Trusting someone in the bar is different from trusting someone in the business. Ours is a high-tech outfit. I need someone at the other end who knows what I am talking about. I can spare him a CAD/CAM guy, if he desperately needs one, but I must be sure that he can spare a logistics expert if I need one someday. . . It is easier to build cooperation among people who know the technical aspects of the business.

Given their focus on strategy, structure and systems, neither Bower nor Burgelman explicitly identified trust as a part of an organization's context and implicitly suggested the lack of trust as almost a given in large, complex companies (see, for example, Bower's description of the highly politicized impetus process). The importance of trust features prominently, however, in the literatures on organizational climate (Campbell, Dunnette, Lawler, and Weick, 1970; Kilmann, 1985) and culture (Deal and Kennedy, 1982; Ouchi, 1981). Existing research has also identified the importance of equity (e.g., Abbey and Dickson, 1983; Alston, 1986; Folger and Konovsky, 1989) and involvement (Johnston, 1976; Denison, 1990; Kim and Mauborgne, 1993) in the building of trust. What we add is the importance of competence as a prerequisite for trust which, though suggested in the early research on climate (McGregor, 1960), has not received adequate attention in more recent work. Instead, following Bandura's (1977) social learning theory, the focus is shifted to the study of competence or, more precisely, self-efficacy as a contributor to the perception of personal empowerment (see Gist and Mitchell, 1992 for a recent review). Particularly for organizations engaged in complex and specialized activities, individual-level competence, we suggest, is almost as important for creating an environment of mutual trust as the process attributes of fairness and participation. Accordingly we propose:

Proposition 3: Trust is an attribute of an organization's context that induces its members to rely on the commitments of each other. Fairness and equity in the organization's decision processes, involvement of individuals in decisions and activities affecting them, and staffing of positions with people who possess and are seen to possess the required capabilities contribute to the establishment of trust.

Support

In identifying support as an element of the context in Semco, the interviewees most often pointed to their increased access to company resources (such as a CAD library) located outside of one's own unit, and the less control-focused and more help-oriented senior management role that was increasing freedom of initiative at lower levels. Collectively, (i) this greater availability of resources together with (ii) increased autonomy and (iii) more help created an environment that supported rather than constrained lower-level initiatives and entrepreneurship (see Figure 5).

Access to resources

Because of conflicts within the top management team and a structure that emphasized the independence of each business unit, cross-unit cooperation had historically been limited in Semco. As a result, for example, each unit had adopted a different IT system, with different CAD/CAM software that prevented access to each others' design libraries.

However, Semco's new market oriented structure required more interdependency, and the changes in personnel increased the number of technically competent individuals with both the interest and the ability to access resources in different parts of the company. A shared CAD system, for example, led to a collective library that all could use. The consolidated sales organization allowed salesmen in one country to use the literature or an order control system developed by another. And the new integrating forums helped a product development team in the U.K. to use the services of an expert in Germany. Such access to resources was seen as a key enabler of decentralized initiative at operational levels.

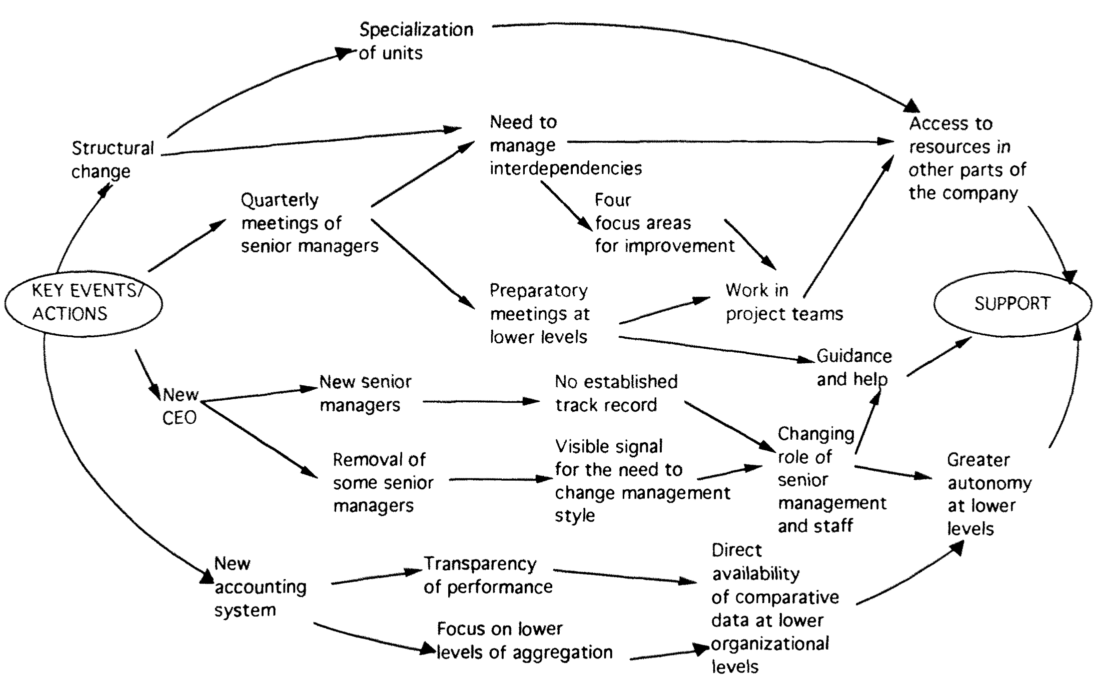

Figure 5. Emergence of support as a key element in the context of Semco

Autonomy

Most interviewees credited the chief executive's strong commitment to radical decentralization for the growth in front line freedom. Again, key appointments triggered changes throughout the organization. When he found that two of the old-time authoritarian business unit managers were blocking his drive for decentralization, the chief executive replaced them with two technical experts. With limited general management experience, but an inherent preference for decentralization, these two managers played a key role in creating more freedom throughout the units they headed.

The new accounting system also contributed to the decentralization by providing faster, more reliable operating information by product group, in contrast to the earlier system which only provided profitability estimates at the level of the business units. The new system allowed front-line managers to identify problems more quickly, and with a clearer picture of what was going on, senior managers felt less need to interfere with day to day operations. As one manager said, 'The rigor of the new system allowed better control. That, in turn, reduced the need for back seat driving'.

Guidance and help

The greater horizontal cooperation required by the proliferation of meetings and project teams opened up access to resources and advice from other units and established a norm of mutual help in Semco. This cultural change was also reflected in the evolving role of senior management. The replacement of older generalists with younger specialists in the management team contributed to a clear trend from a control focus to one based more on helping. As described by one of the new business unit managers:

> I see my role as that of a coach—helper, supporter, teacher. I have to influence the overall strategy, and we have made some progress in specializing units to better use our resources. I have to play a role in coordinating across those units. But beyond that, my job is to help and guide, to provide advice, and to protect my people.

This trend was reinforced by the substantial change in the role of the company's historically powerful central staff groups. With their control over information flows almost destroyed by the large open meeting format, and their power substantially curtailed by budget cuts that shrank their size by over 40 percent, these staff groups could no longer control line managers as they once had. Newly appointed heads of the finance, logistics and human resource functions also brought in a philosophy that the staff must work for the line rather than the other way round. Collectively, these developments led to a new relationship in which the legitimacy and influence of a staff group depended on the extent of support it was recognized as providing to line managers.

Much of the work on organizational context in the strategy field has been carried out in relatively large, divisionalized corporations and from the perspective of the top management. The companies studied by Bower, Burgelman, and Haspeslagh have all represented variations of the fairly hierarchical and bureaucratic M-form structure (Williamson, 1975; Chandler, 1962). In such organizations, at the time these studies were conducted, roles of senior managers tended to focus more on control than on support (Peters, 1992) and, accordingly, there is little reference to support as an element of context in the work of these authors. Organization theorists such as Walton (1985), on the other hand, have consistently emphasized the importance of support—both in the vertical relationships between superiors and subordinates and in the horizontal interactions across functions—as a means for developing a feeling of empowerment and commitment among organizational members. They have also highlighted the importance of access to resources (Kanter, 1988), autonomy (Calori and Sarnin, 1991; Deci, Connell, and Ryan, 1989; Denison, 1990), mentoring (Marcoulides and Heck, 1993) and tolerance (Calori and Sarnin, 1991) as elements that enhance this feature. Accordingly, we summarize our proposition on support:

> *Proposition 4: Support is an attribute of an organization's context that induces its members to lend assistance and countenance to others. Mechanisms that allow actors to access the resources available to other actors, freedom of initiative at lower levels and personal orientation*

of senior functionaries that gives priority to providing guidance and help over exercising authority contribute to the establishment of support.

EFFECTS OF CONTEXT ON ACTION: INFLUENCING INDIVIDUAL BEHAVIOR

We have argued that management action is embodied in context, both as its shaper and as its outcome. In describing the effects of action on context in the previous section, the careful charting of observed events and actions and the detailed content analysis of interviewees' descriptions provided us with data on which concepts could be developed. But even in that analysis we found that such tools could never provide definitive results or unambiguous answers.

Yet, as we explored the reciprocal effects of context on action, the distinction between facts and interpretation (both the interviewees' and ours) became even more blurred. For this analysis, our starting point was the four core elements of context identified through the previous process, and our objective was to understand the way in which they interacted as a gestalt to influence individual behavior. As we engaged in an intuitive and interpretative process that led to our conclusions, we found both support for and some confidence from Weick's (1989) portrayal of theory building as 'disciplined imagination'. The context model, the charts, and the interview notes served as sources of both discipline and imagination, providing the opportunity for conjecture, while acting collectively as a screening device against interpretations that did not fit within a holistic explanation. Through this interaction of our conceptual model and interpretations, we identified three behavioral characteristics that seemed to be central to management activity in the 'new' Semco that had not been typical of behavior early in our observations. The three behavioral elements were distributed and self-generated initiative, mutual cooperation, and collective learning (see Figure 6).

Distributed initiative

One of the best ways to observe the self-generated initiative that became a widespread

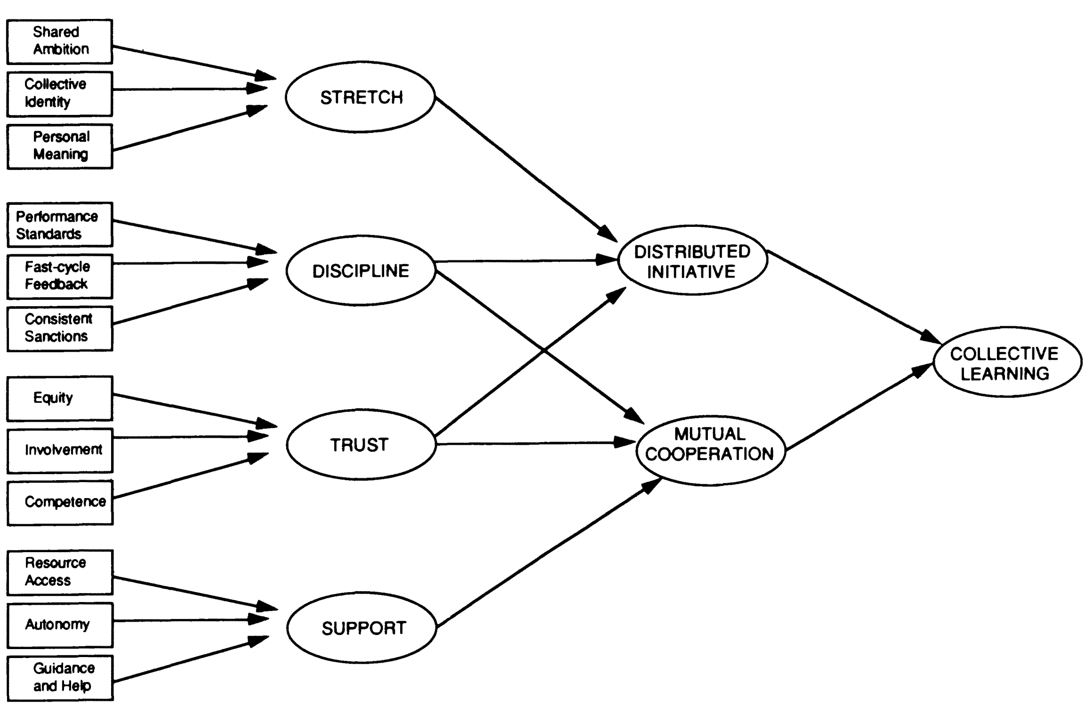

Figure 6. Quality of management: A framework

behavioral norm in Semco by 1992, was to visit the plants that had become a major source of Semco's performance improvement. Beyond implementing the top down initiatives of reductions in headcount and inventory, most of Semco's more than 20 plants had also achieved significant improvements in throughput time, rework, cost, scrap rate and many other operating parameters. Such improvements usually originated from the suggestions and actions of the plants' self-managing production teams. For example, in a small Scottish plant that we studied, throughput time had fallen from 62 days to 24 days through the cumulative effect of worker initiated changes to improve equipment layout, the handling of intermediate products, and the structuring and allocation of tasks. The changes were made despite the fact that many of them led to staffing cuts and over time reduction.

From our own observation and from employee comments, it would appear that such widespread initiative was triggered by the joint effect of stretch, trust and discipline. Initially, the key motivation lay in the desire for survival. The 20 percent headcount reduction had made each employee cognizant of the fact that individual units could be closed and that collectively, the whole business faced potential divestment. The resulting apprehension helped overcome collective indifference and individual shirking. However, as we have described, by early 1992, a desire for achieving excellence had begun to replace the fear of retrenchment as the key motivation for such initiatives. As the following comment of a factory worker indicates, the development of shared ambition was fed by the dissemination of both the competitive benchmark data and the mission statement:

> We see the charts (comparative performance data of key competitors displayed throughout the factory) and we say that's not fair! We can't run behind the Japanese! If we want to get bigger, we must do better than them. We must be the best, as we say (in the mission statement). So, we talk about that in the team, and we try.

A growing level of trust played an equally important role in facilitating such initiatives. The replacement of several poor-performing managers with more capable and experienced individuals restored a feeling of both equity ('managers also lose their jobs') and confidence. Open two-way information sharing through meetings modeled on General Electric company's 'work-out' process (Tichy and Charan, 1989) strengthened both the reality and the perception of employee involvement. And the replacement of two supervisory layers with a system of self-managed work-teams gave the practical means to exercise their newfound confidence and involvement in work processes.

Finally, discipline was another key requirement in triggering distributed initiative. In particular, continuous measurement and feedback required by the newly adopted total quality process provided the data required by the employees to initiate and maintain such initiatives. As described by the same factory employee we quoted earlier,

> In the past we didn't know how many wafers we put in, how many we got at the end and what time we took. We didn't know how we spent our time. Now we can see, for each team, for each shift—how much we got. That's how we found that we were spending too much time running between the benches. So, instead of one of us looking after two testers, we said let's each look after four and we can have two runners to move the batches. That increased our output 20 percent. We keep making such changes and checking in the charts (showing daily performance data) if things are getting better.

Based on these observations in Semco and on the strength of similar findings in a variety of other organizations (Eisenstadt and Roniger, 1984; Kouzes and Posner, 1987; Bennis and Nanus, 1985; Hamel and Prahalad, 1989; Westley and Mintzberg, 1989), we offer the following proposition:

> *Proposition 5: Organizations that are able to establish stretch, trust and discipline as attributes of their context can motivate and enable distributed and self-generated initiatives that are aligned with the organization's objectives and interests.*

Mutual cooperation

Although conflict and often active opposition to others' initiatives had been widely prevalent in Semco prior to 1989, according to almost everyone we interviewed, the following 3-year period was marked by a highly visible increase in the extent of voluntary cooperation. The collaboration of managers in the German and U.K. units to exploit a new booming market for car phone components is representative of the way in which this cooperative behavior was facilitated by the emerging contextual attributes of trust, discipline and support.

Historically the German unit had focused on producing specialized telephone components, while the U.K. operation had focused on electronic equipment for the automobile industry. As both managers acknowledged, in earlier times both units probably would have mounted parallel and competitive efforts to develop products for a newly emerging market such as car telephone components over which both could claim jurisdiction. As the stiuation developed in 1990–91, however, the two unit managers directly negotiated an agreement whereby the U.K. unit would develop the new product, drawing on its understanding of the automobile market, while the German unit would contribute by allocating two of its engineers with telephone expertise to work full time on the project for 6 months.

According to both unit managers, this cooperative outcome had its roots in the appreciation they had developed for each other's competence in their respective areas, particularly after each had visited the others' plants in the process of working together on a task force. As described by the German manager,

> They had people who knew more about cars than design engineers I know in car companies. While we certainly knew more about telephones, it was obvious that the real trick would like in getting some edge for in-car use, and they were light years ahead of us in being able to do that.

Furthermore, participation in the quarterly meetings had made both managers fully aware of the urgent need for resource conservation. Seeing themselves as among those building the 'new Semco', the cooperative solution was clearly the more consistent with the new rhetoric they had helped fashon. Finally the emerging 'esprit de corps' in Semco convinced the German manager that his contribution would be remembered, reciprocated and rewarded when the opportunity arose.

> Now, there is memory in the system: such actions are openly discussed—so everyone knows. And everyone believes it is important to act together; so it is rewarded, at least indirectly. I know John (the U.K. manager) wants to get even, to do something for me in turn, and that's money in the bank.

Together, this mutual recognition of competence, involvement, and sense of equity created a trust that was vital to the cooperation. But trust alone was not enough. One reason most Semco units avoided such cooperative efforts in the past was the time and effort that had to be expended for managing the complex interdependencies joint projects tended to create. With the new norms of discipline, however, the process of developing the new product became considerably more efficient. Clear objectives and schedules were established and conflicts were minimized as units strove to deliver on their commitments. Further, the supportive role of senior managers and the corporate R&D group reduced the time the unit managers had to spend on coordinating the joint efforts.

Cooperation and trust exist in a symbiotic relationship. As we have argued in the preceding section, cooperation produces trust, and as we have illustrated now, trust produces cooperation. This symbiosis is reflected in much of the literature on the causal ordering between these two variables: Dasgupta (1988), Granovetter (1985) and Lewis and Weigert (1985) are among those who have argued for the first relationship, while Boyle and Bonacich (1970) and Williams (1988) have argued for the second. The importance of discipline in building cooperation has been suggested by Zucker (1986) while the need for support has been illustrated by Hargreaves and Dawes (1990). Accordingly, we propose:

> *Proposition 6: Organizations that are able to establish trust, discipline and support as attributes of their context can motivate and enable voluntary cooperation among actors that are aligned with the organizations' objectives and interests.*

Collective learning

> They have broken what used to be considered as an iron-rule: when revenues are below budget, profits must also be below budget. In 1992, because of the recession, their sales were way below plan. But they still made their profit and cash flow numbers.

This comment about Semco's performance by the holding group's CEO emphasized a fundamental change in the company's strategic approach. Historically, management had focused on exploiting economies of scale and accumulating leverageable skills by pursuing high-volume production of standardized products. The pursuit of this strategy based on an industry recipe (Spender, 1989) had led Semco to a high fixed cost infrastructure and, hence, the 'iron rule'. By 1992, however, the company had significantly reduced its break-even point by refocusing on relatively low-volume application-specific products. By converting fixed costs to variable costs, it increased its ability to maintain profits during industry downturns.

Although this change is a good example of double-loop learning (Argyris and Schon, 1978), it emerged not from a formal strategic analysis but as the cumulative effect from a diverse set of actions in different parts of the organization, much in the way described by Mintzberg and McHugh (1985). For example, in spite of strong contrary advice, one particular business unit eliminated a high volume but loss-making activity from its portfolio, then increased profits by reducing its costs to more than offset the loss of revenues. Under pressure for profits, other units began to imitate the same logic. Quite independently, another unit 'sold' its software group to a consulting company to whom they then subcontracted their software development tasks. As the advantages of reduced breakeven levels and improved productivity became clear, others initiated similar actions. Over a 2-year period, the initiation and diffusion of several similar practices cumulated into a new operating logic that gradually gained recognition as 'management by anticipation'. The approach of anticipating contingencies by taking proactive measures to achieve budgeted profits was finally formalized in a revised strategy statement and a new business model.

The process was far from one of random variation, however. Each of the dispersed initiatives was influenced by the same influences of stretch, trust and discipline that triggered the initiatives in the Scottish plant and elsewhere. And the successful diffusion of learning across the units required the same degree of trust, discipline and support we observed in the car phone collaboration. In other words, collective learning emerged from distributed initiative and mutual cooperation which, in turn, were the products of the four elements of context we have described.

In a recent review of the burgeoning literature on organizational learning, Huber (1991: 92) has lamented that 'in spite of the importance of organizational experiments as learning mechanisms, the literature contains very few studies of experimentation by organizations'. However, his speculations about the antecedent conditions that lead to organizational experiments focus on the attributes of trust, high needs of performance (stretch, in our words) and tolerance for mistakes (which, we believe, requires a combination of trust, discipline and support). Similarly, Duncan and Weiss (1979) have identified the recognition of a performance gap (a source of stretch), trust, and information about the outcomes of actions (fast-cycle feedback) as the key requirements for learning. Accordingly, we offer the proposition:

Proposition 7: Organizational learning results from a combination of distributed initiative and mutual cooperation which, in turn, require stretch, trust, discipline and support as the antecedent conditions of organizational context.

SUMMARY AND IMPLICATIONS: THE DIMENSIONS OF QUALITY OF MANAGEMENT

How can the management of a company be assessed? For students of management, this is a fundamental question. As described by Lawler (1992), such assessment is routine in practice: stock market evaluations of companies change with the arrival and departure of key executives. Popular magazines rate companies on how well they are managed. Implicit in such evaluation is the assumption that performance is the ultimate management responsibility. Yet, performance is a noisy measure, both unstable and confused for most causal analysis. Any other more direct measure would require a theory of management, for which there is no consensus.

At one end among the contending theories lies what Burgelman (1983) has described as 'the heroic view of top management' and Mintzberg (1990) has caricatured as 'the design school'. Academic scholars have largely rejected this fairly extreme vision of the rational strategy model that implicitly assigned to top management the superhuman role of being the designers of strategy, the architects of structure and the builders of systems. As observed by Eisenhardt and Zbaracki (1992), this model is no longer interesting to strategy researchers even as the 'straw man.' Yet, in the popular press and in the world of practitioners, the model thrives, reinforced by popular autobiographies of charismatic chief executives like Chrysler's Lee Iacocca, ICI's Sir John Harvey Jones and Sony's Akio Morita, and by the larger-than-life portrayal of top management in academic analysis of visibly successful companies like General Electric (Tichy and Sherman, 1993).

At the other extreme lies an equally heroic celebration of the lack of management. Guided by observations of a few cases of poorly managed organizations, organization and management theorists have created, over the last two decades, a growing body of literature that views choices and actions in organizations as severely constrained by ambiguity and uncertainty, on the one hand, and by the opportunism, cognitive limits and political agenda of their members, on the other hand. Given these constraints, decisions emerge either from a process of complex internal bargaining and coalition building (Pettigrew, 1973; Pfeffer, 1992) or pure chance (Cohen, March, and Olsen, 1972) and purposive managerial action, if any, must be hidden behind incremental maneuvering along corridors of indifference in organizational politics (Quinn, 1980). Even after proposing such a 'grass roots model' (Mintzberg and McHugh, 1985), Mintzberg has acknowledged that it 'makes no more sense, since it overstates equally' (1990: 190).

The framework we have put forward in this article is influenced by and expands on the argument that the main influence of general managers lies in their role as shapers of an organization's context. We have suggested that it is the interactions between action and context that lie at the core of a company's management process, and have described the way in which context can be created and renewed by a variety of management actions that develop the characteristics of stretch, trust, discipline and support in the organization's embedded work ethic. We have also shown how these elements of context influence initiative, cooperation and learning in the day to day behaviors of all those within the organization. While avoiding the false and sterile debate between the advocates of unimpeded voluntarism and unsurmountable determinism, our views reflect what Hamel and Prahalad (1993: 84) have described as an essential paradox of business performance: that 'leadership cannot be planned for, but neither can it happen without a grand and well-considered aspiration.'

As we have shown in this article, we share this middle ground with a number of other authors who have worked on the issues of organizational context, climate and culture. In terms of the specific content of the model, however, we find the most resonance with Barnard's views who had not only emphasized the role of general managers as the builders of organizational context but had also highlighted the importance of stretch and trust—the ingredients for creating a shared purpose in his scheme—as key elements of the work ethic that needs to be embedded in the context for promoting initiative and cooperation. And while he did not explicitly refer to the attributes of discipline and support, the implications of what he called the 'moral factor' are not very different from what the Semco manager described as 'management by commitment.'

Our analysis of the role of general managers can also be related to the increasingly influential resource-based view of strategy. The essential theoretical concept for explaining sustainability of rents in the resource-based view is 'isolating mechanisms' (Rumelt, 1984). As suggested by Barney (1986), Camerer and Vepsalainen (1988), Fiol (1991) and others (see Mahoney and Pandian, 1992 for a detailed review), corporate culture or climate can be perhaps the most inimitable resource and, therefore, the most effective isolating mechanism. Some direct evidence of this hypothesis is provided by Hansen and Wernerfelt (1989) who showed that the attributes of organizational climate explained about twice as much variance in profit rates of firms compared to the combined effect of all the economic factors they considered. Put another way, from the resource-based perspective, shaping the organizational context has a direct and important implication on firm performance and is, therefore, a key task of management.

As we suggested in the introductory section, we believe that the model we have presented provides a starting point for assessing an organization's quality of management. A number of limitations in our research require us to qualify this assertion. Despite excellent precedence (from Barnard to Bower to Burgelman) and well-argued justification (for example, from Mintzberg, 1979), theorizing from a single and, by definition, unique case is inevitably suspect. Our interpretative methodology enhances this suspicion. Yet, the model we have presented is both detailed and testable. Reliable instruments are available for operationalizing most of the variables we have suggested (see, in particular, the work of Denison and Gordon we have referred to). In fact, in his comments on this paper at a Strategic Management Society conference in Michigan, Professor Robert E. Quinn had brought to our attention the recently completed dissertation of Spreitzer (1992) that has operationalized and measured most of the variables in our model. Spreitzer's findings, based on rigorous empirical analysis of large sample data, are also remarkably consistent with our inferences from contextual observations in a single company. Further refinement, modification and elaboration of this model through both conceptual and empirical work, we believe, provides a promising avenue for ultimately developing both a theory and some measures of a firm's quality of management.

At stake in such extension and possible validation of the model is not just the possibility of developing richer normative proposals on how general managers can influence the performance of their companies but also broader issues that are more fundamental to organization theory. Almost since the beginning of formal research on organizations, it has been recognized that the organizing task involves a balancing of two somewhat contradictory objectives (see Reed, 1985). On the one hand, organizational effectiveness depends on the willingness and ability of individuals to take personal initiatives, and on the structure, processes and norms organizations need to facilitate such initiatives. On the other hand, individuals are also subject to certain failures and limitations, so the same structure, processes and norms must also protect the organization from those pathologies of individual behaviors and actions.

Much of the earlier work on organizational theory focused on the first objective, often at the cost of underemphasizing the second. Over the last three decades, however, a set of economic and behavioral theories have come to the fore which focus almost exclusively on the second objective. These theories tend to deny the existence of shared purpose or collective ambition: as stated by Cyert and March, for example, 'individuals have goals, collectivities of people do not' (1963: 26). In this view, goals are presumed to be evoked by problems and by experiences of the past rather than by ambition or from aspirations for the future. Similarly, opportunism rather than trust or self-discipline has become the preferred behavioral assumption (Williamson, 1975). As a result, conflict among disparate subunit goals is seen as pervasive, and incentives and fiat are viewed as the key mechanisms for achieving cooperation. And, while the new analysis has consistently claimed to be inspired by the old (see, for example, Williamson's (1975, 1990) references to Barnard), in reality, the differences in the assumptions about human behavior have led to fundamentally different analyses and conclusions. Although such differences are numerous, nowhere are they more clearly drawn than in the role accorded to incentives in agency theory, transaction cost economics and even in the recent elaboration of the behavioral theory of the firm. These views stand in sharp contrast to those of Barnard who believed that 'it is utterly contrary to the nature of men to be sufficiently induced by material or monetary considerations to contribute enough effort to a cooperative system to enable it to be productively efficient to the degree necessary for persistence over an extended period' (1938: 93).

The underlying assumptions of these dominant theories are just that—assumptions that are either untested or tested only very indirectly. Actual contextual observations within large firms often contradict these assumptions (e.g., Bennis and Nanus, 1985; Ulrich and Wiersema, 1989; Hamel and Prahalad, 1993) but typically these studies are seen as 'practitioner-oriented' and have little impact on the mainstream of theory, much of which was developed in the 1960s and 1970s. As has been widely documented, for most large companies, the environments have changed significantly over the last two decades because of the emergence and strengthening of a set of external forces such as global competition, technological convergence, changing stakeholder demands and shorter product life cycles, and also because of the availability of a set of more sophisticated management tools and concepts in the form of information systems, quality deployment processes, team organizations and multi-skilled work forces. Collectively, these changes have had some profound impact on the organizational structures and processes of companies and, more specifically, on the roles of individuals and in their relationships with their organizations. As we have shown in an earlier article (Bartlett and Ghoshal, 1993), existing theory is stretched too thin in accommodating these emerging changes not just in organizational forms but in the fundamental assumptions about structure, processes and people that underlie how managers think about the task of organizing. This, we believe, is the principal cause for the widening gap between positive and normative analysis in the fields of strategic management and organizational behavior. Concepts like stretch, trust, discipline or support have little relevance in existing theory. Yet, we believe they are of central importance for the analysis of organizational effectiveness. More and better research to develop a theory of quality of management can perhaps help resolve this contradiction. Our effort here, constrained as it is by limitations of knowledge, skills and data, is a small step in that direction.

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