**THE EVOLUTION OF ORGANIZATIONAL CULTURE AND LEADERSHIP**

**ARTICLE**

**ARI WEINZWEIG**

While this piece appears under my byline, the real credit for it should go to Edgar Schein, whom I believe is one of the most insightful writers on leadership. A long-time professor at MIT and a graduate of Harvard, Stanford and the University of Chicago, he is an expert on organizational behavior, change, leadership and, most especially, corporate culture. My essay, I suppose, is the compositional version of a musician doing a “cover.” What follows is a tribute to the original writer, but with my cover artist’s respectful interpretation. My hope is that, like the best cover songs, I can pay appropriate homage to Dr. Schein, while bringing my own insights and experiences into the mix, and adding my voice into the intellectual foundation that he so generously built throughout his career.

**A Pivotal Work**

Schein’s essay, called “Organizational Culture and Leadership,” came out in the mid-1990s. This work is just a small slice of his studies, but it’s the piece that has resonated most with me. I remember reading it for the first time 15 years ago and suddenly seeing my struggles in a new way. What had long seemed impenetrable or inexplicable became clear as clear can be.

“Organizational Culture and Leadership” has helped me through some hard times in my career, and continues to provide insight and assistance to me. Schein explains that, “One reason so many different theories of leadership exist is that different researchers focus on different elements. All of these theories lack a concern with organizational dynamics, particularly the fact that organizations have different needs and problems at different stages in their evolution. We tend to treat the topic of leadership in a vacuum instead of specifying what the leader’s relationship to the organization is at any given time.”

Schein showed me that what works in the beginning of an organization can become less effective as you grow. The clarity couldn’t have come at a better time for me as I was frustrated with the results of my leadership. Upon reading his essay I learned I just needed to understand that what was effective in those get-up-and-go early years of opening the Deli had become a big liability later. Schein’s stuff helped me understand almost immediately why I- and others I knew- were having so much trouble.

**Understanding the Stages**

Schein divides organizational development into four stages, highlighting certain strengths that are best applied during those stages. I’m going to recap those strengths but I’m also listing some of the signs that I think indicate it’s time to move to the next stage. To be clear, you never have to move forward and, most certainly, no one can ever make you. But if your vision is to grow, go forward, be fruitful and multiply (I’m talking sales, not sons and daughters), then these indicators are good signs that it’s time to go.

**Schein’s Stage 1: “Creating- The Leader as Animator”**

“At the early stages of organizational creation, a unique leadership function is to supply the energy needed to get the organization off the ground,” Schein writes. That’s such a polite and considerate way to put it, but he’s right on. I call it that crazy, high-energy, totally focused, necessarily stubborn, almost shockingly resilient, dare-devilish way of working that those of us who’ve done it lovingly call a start-up! If you’ve been through one, you probably already know that it isn’t for everyone. The chaos, the kookiness, the uncertainty, the pressure, is a lot to take. Here’s some of what I think leaders need at the beginning of launching a new organization:

Positive energy. The leader is the star of the show. If he doesn’t do well with stardom, more often than not, the business doesn’t do well either. Someone has to have the appeal, the positive energy, the star power to successfully draw people- customers, staff, suppliers, investors, the press- into the fold and get them to rally behind this new cause.

High stamina. This means both physical and emotional stamina. It’s important to have both and I think that the power of that combination is under appreciated by most everyone who’s never been through a start-up.

A willingness to shoulder an exceptionally high proportion of the work and the stress. Leading at this stage, even for the more organized among us, is still lived a lot by example. When you’re there all the time, everyone pretty much sees how you do things, and, generally, they either then get with the game or they get gone. In the process, the things you do well then tend to also become the things the organization does well too; what you’re not so good at, the organization more often than not will be weak at as well.

An ability to make good intuitive decisions. You need to have a good gut-read on what is going to work and what’s not. More often than not you’re able to sort through all the bull and decide what to stick with, even when everyone else is telling you it’s ridiculous. At the same time, you need to be able to stop something you loved initially when it’s not working. The emphasis is on being quick and agile.

At the start-up stage the owners are pretty much the personality of the organization. There’s a culture for sure, but it’s drawn from that of the founders. Regardless of size, most every start-up will start to take on the leader’s strengths and weaknesses, and reflect, for better or worse, her energy. Schein notes that if the leader has internal conflicts and neuroses that aren’t carefully handled, they’re likely to become embedded into the organization’s culture at this first stage. I’ll vouch for its veracity personally- I’ve lived it all too often. Fortunately, having good partners can help- diversity makes a positive difference.

**Shifting from Stage 1**

What are the signs that it’s time to move from the first of Schein’s stages to the second? Here are six that I’ve seen and experienced fairly frequently over the years.

* You’re still in business a year or so later. Most start-ups, as you probably know, fail. The stats are especially severe in our industry- restaurant mortality rates are shockingly high.
* You have time to breathe. Anyone who’s been through this first stage knows what I mean. While you’re in the middle of the madness you don’t realize how little time you’ve got to catch your breath; if not physically so, then definitely emotionally.
* You realize just how drained you are. You can maintain a high pace for a remarkably long time. But as soon as you stop, you realize that you’re exhausted; it gets hard to find the energy to even get up in the morning, let alone make new bold decisions.
* Everyone’s getting paid, including you.
* You start thinking about what might come next. You get offered a second location, you think about a new office, another way to leverage your website.
* This is my favorite, and the one to which pretty much everyone can relate. You’re more and more frustrated with everyone around you for not seeing what’s so incredibly obvious to you.

**Schein’s Stage 2: “Building- The Leader as a Creator of Culture”**

Here, the leader works to bring a bit of stability and more mindfulness. Before that, it’s mostly about just doing it- certainly there’s some training, accounting, marketing and managing involved, but mostly you’re still in there making it happen every day.

At Stage 2, the leader’s role shifts to hiring smarter and then delegating more. The leader begins to hire with a better understanding of what potential team members can contribute, how they fit into her or his style of work, and what tasks need doing that were previously falling by the wayside. Some folks in the organization are starting to step up and take more responsibility. While you’re still a long way from having the entire workplace defined and confined, there is effort being made to gain clarity of expectations and roles. Leaders start to delegate with more effectiveness because it has become imperative- unless you are going to be on-site every second.

For some people, the second stage is as far as they want to go, and that’s fine. Growth for growth’s sake rarely gets one anyplace but into trouble. Going where you don’t want to go ends up creating an enormous energy drain; what you once loved will likely become a bad scene, one you hate so much you can barely stand to stick with it.

For other people, however, this second stage brings a range of actions. Some entrepreneurs get frustrated and then move on to another start-up. Others try to grow more than the organization can sustain, and burn out. Others don’t continue at all. But some successfully move into Stage 3.

**Shifting from Stage 2**

* What are the signs that it’s time to shift through to Stage 3?
* Important things are ever more frequently bottled up in the owner or leader’s hands.
* At the same time, you’ve got a manager, or a group of managers, that share responsibility with you, but it feels like things continue to fall more and more back on you.
* You’re falling into flavor-of-the-day management, but nothing seems to stick. The more projects you take on, the bigger the gap gets between what your Stage 2 managers can do and what needs to be done. The more they unwittingly resist the changes, the more frustration grows and energy flags.

**Schein’s Stage 3: “Maturing- The Leader as Sustainer of Culture”**

I think of Stage 3 as Positive Maturity or Operating in Prime. If Stage 1 is about “doing it,” and Stage 2 is more about developing culture, then Stage 3 is about developing an organization. Building systems and expertise that support the people you’ve brought in as you growóand bringing others in as needed to build those systems- becomes paramount. Businesses operating in prime during this stage can stay that way for a long time. It doesn’t mean that things are perfect, but it does mean they are running well and the business is no longer dependent on in-the-moment leadership heroics. It also means that the organization itself becomes the focus far more than the founder(s). Systems and structures are in place and they work.

Leading successfully at Stage 3 is no small achievement. Since most entrepreneurs enter business at Stage 1, and are comfortable with the chaos and the adrenaline rushes that go with it, leading well at Stage 3 can be a major internal challenge. Per Schein’s solid supposition, the things that made a leader successful at Stage 1 will be his almost inevitable undoing at Stage 3.

To get you thinking, here are some of the strengths and skills that Schein- and I with him- believe that a leader’s got to have to make things go well at this stage.

* It’s time to move away from mere delegating and into assigning entire areas of responsibility. It’s also time to lay down some more clearly delineated titles and job responsibilities. Stage 3 is a lot about hiring people with formal training in areas like finance, HR, IT and marketing.
* At this third level, little changes overnight- which is tough for a successful Stage 1 leader who loves in-the-moment achievement. Putting processes properly in place is likely at least a yearlong project, and it can take two or three years for that work to be well woven into the fabric of your culture. No small feat for folks who like immediate gratification.

Done well, Stage 3 is about starting to see system design and organizational development as creative arts in themselves. To see design systems that are as compelling as a new dish in the kitchen would be to a chef.Or to experience the long-term development of key people as one of the highest creative acts one can undertake.

**Shifting from Stage 3**

Unlike the moves from Stages 1 to 2, or 2 to 3, I don’t think anyone relishes shifting from 3 to 4. It requires realizing that what was once great is now headed to being out of date. The more you know the signs, of course, the easier it is to make your way through successfully. Here are some of the signs that it’s time for Stage 4.

* Sales are still up, but profits are steadily going down. I’m not talking about a year or two where you configured your budget to invest in R&D or something purposeful like that. I’m talking about everyone working hard, sales successfully being increased, but despite everyone’s best efforts, less and less is left at the bottom line.
* Your once-unique product, service, signature or destination item is widely copied in the marketplace. That means it’s harder to get the margins that made your business sustainable in the first place.
* There’s no longer an inspiring, strategically sound vision that shows you becoming something truly special. (Don’t mistake that for lack of action- there may be plenty of motion.) As a result, it becomes harder for the organization to make bold decisions. There’s almost inevitably a rather big rumor mill. And because people don’t know where the company is headed, it’s hard for staff to grow and pursue their passions within the framework of the existing organization. Everything starts to feel risky. Everyone wants more data before they decide. Staying with the status quo feels compelling.

**Stage 4: “Changing- The Leader as Change Agent”**

This stage requires a leader who can bring to the fore a bit of all the skills needed in the first three stages. She’s got to be bold, act on intuition, have the emotional stamina to stick with things when almost no one else is ready to make the changes that need to be made. She needs to be able to see a future, develop an inspiring strategically sound long-term vision, put it in writing and communicate it effectively to the organization.

But unlike in a start-up stage, hardly anyone else is likely to be excited about the move they’re going to make. Hardly anyone is up for working for free, below “market” or anything other than what they’ve been getting. Given that the fun factor has probably been low before the change process begins, the reality is that most people will have descended into a mentality of “what’s in it for me” that comes well before “what’s right for the organization.” And the business is probably way too big at this point for the leader to just power through the transition with the help of just a few good people. While the leader needs the stamina and energy activity of a start-up leader, she also needs the ability to effectively assign entire areas of responsibility, and bring others in the organization on board with the change that she’s leading.

But it can be done. This is, in essence, what my business partner Paul Saginaw and I did in the early 1990s when we took what was already one of the best-known delis in the country and remade it into what is now known as the Zingerman’s Community of Businesses. Before you nosedive into depression about all this, take note that Stage 4 is not the final stage. A Stage 4 success story takes you back to the beginning, to a new kind of Stage 1, where you’re creating, or re-creating, the organization.

Stage 4 is basically the point at which you realize that the entire way you’ve been playing the game is becoming old, outdated and ineffective.

Eventually, without an intervention from the leaders of the organization, a business is bound to become moribund. That’s not an assessment that’s easy to accept. As Schein writes, “Unlearning is an entirely different process, involving anxiety, defensiveness and resistance to change.” And as I said, I’ve done it. I don’t love it, but the reality is that it’s way better than the alternative, which, ultimately, is going out of business.

Stage 4 is, to my sense, the hardest of all the stages- you need to go for broke the way you do in a start-up, but you have to do it with people who are used to things already going well, folks who were fine with the status quo, and a significant segment of your customer base (shrinking though it might be) who don’t like the new way you’re going to do things.

With that in mind, Schein’s supposition is that Stage 4 leaders need to “… have the emotional strength to be supportive of the organization while it deals with the anxieties attendant upon unlearning processes that were previously successful; that is, the ability to create for the organization a sense of psychological safety.” And second, they need “a true understanding of cultural dynamics and the properties of their own organizational culture.” It’s not what you thought you were signing up for when you started your business, but Schein has hit the nail on the head of organizational change.

**Final 4- Concluding Thoughts**

Most people are more comfortable with one stage or another. I, on the other hand, am not particularly comfortable in any of them. Start-ups scare me, but so do big organizations and the prospect of being confined in strict, structured systems. The truth is though, I’ve managed to get some success at all four levels. I’m not here to toot my own horn- just to say that if I can figure this stuff out, so can you. If I look at this from my own experience I see three keys for leaders who want to succeed at any level.

* Acceptance. Whether we like them or not Schein’s stages are what they are. When we’re working at a level that we enjoy, the existence of those other stages is just an interesting sidebar. But when the organization passes into a stage through which we’re not naturally great at leading, acceptance is of the essence. You can’t fix what you don’t believe is broken.
* Visioning. I’m talking about two visions- one for yourself as a leader at whatever stage you’re choosing to go after, and then an agreed-upon vision for the organization that’s inspiring, strategically sound, documented and communicated. And just in case I haven’t hammered the point home hard enough, the two visions should be in sync with whichever Stage of Schein you’re going through at a particular time. (There’s much more on this in Zingerman’s Guide to Good Leading, Part 1; A Lapsed Anarchist’s Approach to Building a Great Business, which can be found at [zingermans.com](http://zingermans.com/).)
* Willingness and determination. Or, the emotional and intellectual dexterity to get you from where you’ve been comfortable leading to being great at the other levels.

I am truly a believer that anyone who is up for all three will succeed.

I highly recommend that you read all of Schein’s work you can put your eyes on. As I write this, he is 83 years old and still going strong. This particular essay is, to me, like a marvelous, well-polished diamond in a messy mine of business literature. His insight has helped me get to where I am, and I’m eternally grateful. I hope this cover version of his work will help many others to do well too. All the best in all you do, and may all your stages of leadership be bright, shiny and successful.