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Managing Culture: The Invisible Barrier to Strategic Change

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Culture affects not only the way managers believe within the organization, but also the decisions they make about the organization's relationships with its environment and its strategy. In fact, my central argument is that culture has a major impact on corporate strategy. To clarify what I mean, let me define two key concepts: *culture* and *strategy*.

- By culture I mean the shared beliefs top managers in a company have about how they should manage themselves and other employees, and how they should conduct their business(es). These beliefs are often invisible to the top managers but have a major impact on their thoughts and actions.
- By strategy I mean the stream of decisions taken over time by top managers, which, when understood as a whole, reveal the goals they are seeking and the means used to reach these goals. Such a definition of strategy is different from common business use of the term in that it does not refer to an explicit plan. In fact, by my definition strategy may be implicit as well as explicit.

I define these two terms at the outset because culture and strategy are concepts widely used by scholars and managers, often without being clear about their precise meaning. My purpose is not to take issue with others' definitions. I only want to be sure the reader understands mine.

Focusing on the connection between culture and strategy is critical because at no time in recent history have American top managers been

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confronted with such a wide array of challenges to the traditional strategies of their companies:

- Regulatory changes have revolutionized the competitive game in industries as diverse as airlines, trucking, banking, insurance, and telecommunications.
- Advancing electronic technology has spurred competition in the computer industry and also has made the computer a key competitive weapon for financial services, retailing, and telecommunication companies.
- The cost of technological and product development has caused even the giants of the aircraft industry to undertake joint ventures with foreign partners, formerly their competitors.
- Automotive companies facing changing consumer tastes and intense foreign competition are restructuring product lines, improving quality and productivity, and adopting foreign sources and joint ventures.
- Similarly, managers in a wide range of mature industries from steel to consumer durables are re-examining and changing traditional manufacturing and distribution policies to remain competitive in the world market.

There is considerable evidence that such pressures will accelerate in the years ahead, given the rapid rate of technological change, the increasing interdependence of global markets, and continuing regulatory change in the U.S. This means that many top managers will increasingly find that they are confronted with major questions of how to position their companies in a new business and how to change fundamentally their firm's strategy in their existing business.

In the face of such pressures for strategic change, a major concern for managers must be to avoid missteps and to shorten the time required to develop effective new strategic approaches. Unfortunately, strategic repositioning has historically been a complex and long-term process (even in highly successful companies) and one that is heavily influenced by the company's culture. The following examples illustrate the point:

- A consumer food company recognized in the late 1950s that changing consumer tastes were obsoleting its major products. It took over fifteen years and two generations of top management to successfully reposition the company into growing businesses which built on its strengths in consumer marketing.
- A manufacturer of industrial supplies became aware in the late 1960s that the market for their major product was shrinking due to the development of alternate processing technologies. Top management needed almost a decade to develop and implement a strategy which today makes the company again a successful source of supplies to its customers.
- In the early 1970s, the top management of a growing electronics firm turned down a proposal from engineering and middle-managers who wanted to manufacture and market a main-frame computer with innova-

tive new features. The reason—the project seemed too risky. It was almost ten years before this top management found a suitable way to squarely position itself in the computer industry.

And these are successful top managers, those who are able to pull off major strategic changes that allowed their companies to remain financially healthy and growing in changing times.

The Difficulties of Strategic Change

Some might argue that the long time required to achieve strategic change is a direct result of management's inadequacies in logical analysis or their failure to use the latest tools for strategic planning. But the facts of the matter are quite different.

Obviously, strategic changes necessarily involve many actions, which require months and years to accomplish. Old businesses may have to be divested or shut down. New products may have to be developed by scientists and engineers. Market tests may be required. Manufacturing facilities may have to be built or modified. An alternative approach to internally developing new businesses may involve acquisitions, which require time to locate, to negotiate, and to integrate successfully with the parent.

In a more subtle but equally important way, strategic change requires a basic rethinking of the beliefs by which the company defines and carries on its businesses. In a study of twelve successful companies, we found that there exists among top managers a system of beliefs (a culture) which underlies these strategic choices. These beliefs have been developed over many years of successful operation. As a top manager in one firm stated:

> It is a closed loop. You make the argument that in the beginning of the company, the founders wanted to make certain products, which in turn led to our way of managing, which reinforced our products. It all hangs together. It isn't the result of any intellectual process, but it evolves. The pattern of principles which emerge out of a lot of individual decisions is totally consistent, and it is a fabric which hangs together and leads to success.

As this executive also points out, the beliefs in each successful company truly have a systemic quality. Each individual premise fits into a pattern or cultural whole which had guided managers' decisions to many years of corporate success.

Managers learn to be guided by these beliefs because they have worked successfully in the past. As one CEO said:

> If you have a way that's working, you want to stay with it. . . . This is not the only way to run a company, but it has sure worked for us.

Executives in successful companies become emotionally committed to these beliefs because, having usually spent their entire careers in their companies, they have learned them from valued mentors and have had

them reinforced by success at various stages of their career. This longevity was not only true of the CEOs in the twelve companies studied, but of most Fortune 500 companies. The president of another company provided a specific example:

> My predecessor became president about 1947. In our staff meetings he'd say, "We're caught between two giants—the retailers and our suppliers." We're the little unit in between. We need to grow so we can exercise power on both sides. I can't remember a staff meeting in the early 1950s when an officer didn't make some mention of this point. It led directly to our concern with growth.

These beliefs cover a range of topics: what the firm's financial goals should be; in what businesses it can succeed; how marketing should be done in these businesses; what types of risks are acceptable, which are not. But at the core of each system of beliefs is top management's particular vision of its company's distinctive competence. This vision is management's own assessment of the capabilities and limits of the company's employees, its market position, and its financial resources and technological base. In sum, it is management's core beliefs about what the company is capable of accomplishing. (Table 1 illustrates the system of beliefs in a typical company).

These beliefs can inhibit strategic change in two ways. First, they can produce a strategic myopia. Because managers hold a set of beliefs, they see events throught this prism. Frequently, they miss the significance of changing external conditions because they are blinded by strongly held beliefs. For example, the management of the industrial supply manufacturer mentioned earlier was rudely awakened to the decline of its major product by a dramatic market study. The current CEO of the company recalled:

> Back in the 1950s, a member of the finance department made a study of the industry which showed that it was in a mature phase. This was the first time that the company had done such a study and management was shocked by its implications that the industry and the company would stop growing. From that point on, everyone became concerned about the problem and what they were going to do about it.

In retrospect they recognized that they could have seen the decline several years earlier.

Second, even when managers can overcome such myopia, they respond to changing events in terms of their culture. Because the beliefs have been effective guides in the past, the natural response is to stick with them. For example, the food processing company mentioned earlier studiously avoided opportunities to grow internationally. Why? An early international failure convinced its top managers that such expansion was outside of the company's distinctive competence. Their vision was that: "We can succeed with products which are marketed to consumers in the United States. We understand them." While top managers are usually able to recognize the practical difficulties involved in accomplishing a major strategic change, they are much less likely to recognize that their deeply held

Table 1. Commodity Products Company—Top Management Culture

Beliefs About Capital Market Expectations

- Have a return on equity of "x" %, which places us among the upper ⅓ of all manufacturing companies.
- Have a steady improvement in market share.
- Dividends should *never* be cut and should be "x" % of earnings.
- Maintain "x" credit rating and keep debt less than "x" % of capital.

Strategic Vision

We can be the strongest and top ranked company in our industry, but will not diversify outside it.

Beliefs about Internal Organization

- We must have the strongest management structure in the industry.
- Foster harmony and preserve the family feeling within the company through all levels of employees including those in the union.
- We must keep employees who believe in the industry happy because the industry is what we are good at.
- Preserve the drama and emotion of the industry.
- We want to keep management open door and participating.
- Top management must always include at least one person who understands manufacturing process and operations.
- Good coordination between sales and manufacturing gives us the ability to serve customers better than competition.

Beliefs About Product Market Competition

- Our geographic location provides us with a cost advantage.
- We must offer better service than competitors to our customers.
- Major customers like big suppliers committed to the industry.
- We must improve profit position through lower costs, not higher prices.
- Market share is important, but not through low prices.
- We must compete on innovation in processes and basic products not in price.
- We must expand and modernize plants for the long haul.

In sum: Beliefs about capital market expectations reflect management's convictions about what is necessary to keep investors and lenders satisfied given their strategic vision of staying in a mature industry. Beliefs about product market competition reflect their conviction about why and how they can succeed in a highly competitive mature industry. Their beliefs about internal management reflect what management approaches will lead to competitive success and therefore will meet capital market expectations.

beliefs represent an invisible barrier to strategic change which must be penetrated.

The Process of Strategic Change

An examination of strategic change (as we learned about it in our study of the twelve successful companies) illustrates how the invisible barrier of culture can be overcome. In those companies where major strategic change was a necessity because of changing product market conditions, managers for a time did suffer from strategic myopia. The severity of this ailment depended upon for how long and how well the old culture continued to achieve top management's cherished financial goals. Persistent problems in achieving the desired financial goals was, in each case, the trigger that made managers aware that something was wrong with their beliefs. The pattern of principles which had worked well no longer did so.

Incremental Change—The initial response to this discovery was a period of questioning various individual premises. Could the problem be fixed with minor modifications? In some instances, these attempts at incremental change succeeded. For example, in one of these companies, adverse financial results in 1974 and 1975 alarmed top management because they were simultaneously investing heavily in a major new product. They either had to undertake more long-term debt or abandon the new product. Either option meant departing from an important belief. Two executives recalled the dilemma:

> We were using our debt capacity too fast. The momentum of our capital expenditures program was carrying us out too fast, especially in one business where the outlook had been changing negatively. We had to decide what was useful to the future of the company.

> Well, in 1974-1975, survival was the name of the game. The first thing we had to do was perpetuate the company and not let it get away from us, but [the new product] represented the future and we couldn't let that go. It was a technological breakthrough. It was a big chip to bet on.

In the end, this company's top management altered their beliefs about what was an acceptable level of long-term debt so that they could continue the development of the major new product. In the past, such new products had fueled the company's profitable growth. To depart from the principle that major new products assured the future health of the comapny would have shattered their central cultural vision of the company's distinctive competence. It was far easier to bend one less-central principle than those at the core of top management's culture.

Such incremental changes in top management's beliefs occur periodically in most successful companies. One belief or another is altered, but the basic fabric of their culture remains the same. However, in the rapidly changing world of the 1980s, changing events are likely to require even

more fundamental changes. This had also been the case in the history of several of the companies we examined. While their top managers had tried initially to adjust to external market change through incremental actions, they found such small steps did not achieve the desired results. This led to much more serious departures from past strategic beliefs and practices, which changed the fundamental nature of their belief system.

Fundamental Change—Top managers went through several distinct but interrelated stages in their thoughts and actions as they led their companies in fundamentally new directions.

Awareness—The first stage grew directly out of earlier attempts at incremental changes. Top managers gradually developed a *shared* awareness that fundamental changes in their culture would be necessary to assure corporate survival. Because top managers were so emotionally committed to their beliefs, an awareness of the need for fundamental change did not come easily. During this early phase, top managers would engage in months of what psychiatrists label *denial.* They chose to ignore the possibility that key beliefs could and should be modified. But gradually, in each firm, an awareness did develop among the top group that external events had changed permanently. Incremental steps were not solving their problems. Drastic changes in the whole pattern of beliefs were needed.

Confusion—This recognition was followed by a period of confusion. While all the top managers could agree that the old beliefs were not working, there were often as many ideas as top managers about what to do next. No one idea attracted wide support. Strategic planners and their concepts offered little help, because the confusion went to the heart of top managers' own judgments about such matters as what the firm's distinctive competence had been and could be in the future.

As long as the firm's financial viability is not seriously in question, the period of confusion can continue for many months or even years. One executive described such a period in his company's past:

> We acquired business after business. There was no real support, so it failed. We flubbed around. People said we should be in a [particular business] because it had growth, but we never picked out what segment, and the president and chairman weren't comfortable with the program.

While aware of the need for major change in strategic direction, but confused about what to do, top management was ready for new leadership, and the boards of directors apparently shared that view. In these companies, the board turned to new leadership to find a path out of the period of confusion. In all but one instance, the new CEO was promoted from within. However, he always represented a new generation of management with fresh ideas. Because these CEOs were generally insiders, they also had an understanding and an appreciation of the old pattern of strategic

beliefs. This, too, was important because their major task was to bring a clear new direction out of the existing confusion, while building as much as possible on existing strengths.

Developing a Strategic Vision—The first steps out of the confusion took place inside the heads of the new CEOs and may have even predated their ascension to corporate leadership. They developed a personal set of ideas about what their company could become. Their next task was to elaborate and clarify this strategic vision and to rally other top managers and the larger management organization to it. For a while, their activities in this regard were largely mental and verbal—thinking and talking and listening to their subordinates.

A company executive described this phase:

> What we did in the mid-sixties was to assess the management group. We stepped back. There were several sessions with top management out of the office. It was a self assessment. It was top management assessing itself and saying we didn't see the good prospects for technology in [a basic consumer products business] we had hoped for. If we had anything to bring to new industries, it was our ability to think about customers, how to do market research, market planning, etc.

Out of such discussions evolved a vision shared among the top managers about what the company's distinctive capabilities could be in the future. In the instance of this executive's company, it was to be a manufacturer and marketer of a wide range of non-durable branded products to United States consumers; and to do this in such a way that the company would be an "all weather company"—one that would do well in all phases of the business cycle.

In each company, the CEO and his associates developed a unique vision. What these strategic visions had in common, however, was that they took fundamentally new ideas and meshed them with some old beliefs about how to compete effectively, how to manage their employees, and about corporate finances. Such a fusion of old and new is realistic because it reflects the best assessment these executives could make about their own and their company's capabilities. Psychologically it made sense because it enabled them to retain as many beliefs from their cherished culture as possible, even as they fashioned new directions. Because the new CEO and his colleagues were almost all career-long managers in their companies, adherence to old beliefs was comfortable and minimized resistance to strategic change.

In fact, one of the two major accomplishments of this phase was to overcome the persistent doubts among the executives about departing too far from established beliefs. The other accomplishment was a refinement and clarification of the direction that was to carry the firm forward. While this clarification was achieved, initially by thought and discussion, at some point the ideas had to be converted into concrete decisions. Such decisions signalled the final stage of the process—experimentation.

Experimentation—Like scientists in a laboratory, executives in these successful companies experimented with their new ideas. Gradually and incrementally they committed money and people to the new direction.

An executive in a consumer products company described this phase:

> During the 1960s, we had four out of every five capital investment dollars going into acquisitions. There were many new venture teams going and we got into quite a number of businesses. We were searching for new business.

In this particular company, experimentation took the form of both acquisitions and internal development. For example, part of their vision was to open retail shops, so they could sell directly to the consumer. A number of different types of stores were opened. Results were evaluated, new ideas tried. But none of the ideas really caught fire. Frustrated but not discouraged by several years of trying, these executives discovered a small chain of outlets which they could acquire and which already embodied many of the ideas they had concluded were important as a result of their own internal development. These four stores were acquired and today have been expanded into a nationwide network of 300 outlets. Success with this acquistion led to additional acquisitions repeating the pattern with other products.

The top managers in the industrial supply company went through a similar process. They began a search for products which could build upon the strengths of their sales force and distribution network. A number of small acquisitions were made. Some were kept and others divested. Gradually, again over several years, they learned what products fit their vision and which did not. For example, it became clear to them that consumable supplies were desirable and that there was an upper limit on the technological content of the businesses they could enter.

In some of these companies, top managers also learned through experimentation that their new vision wouldn't work. A forest products company provides an example. Even though their company was a good performer in its industry, these top managers, frustrated by slow growth and low profitability in the base business, concluded that diversification into unrelated businesses would solve these problems. Several acquisitions were made and the company operated them for several years. The results were only mediocre and the top management concluded that their vision of the company as a diversified "conglomerate" was not viable. Instead they began experimenting with new products more closely related to their core busines.

These examples illustrated one reason why fundamental strategic change can consume years. It simply takes that long for top managers to convert abstract ideas into concrete realities. As they do so, they are learning new beliefs which combine with the old ones they retain to shape the pattern of their culture and their corporate strategy for the future. As their predecessors before them, they become committed to a system of beliefs

which work. Experimentation gradually subsides and top management finds itself with a stable pattern of beliefs which have created new corporate success, but which are fundamentally different from those with which they started the process of strategic change.

Breaking Through the Invisible Barrier

If this is the reality of fundamental strategic change—what can managers do to speed up the process in an era which demands more rapid adaptation to constantly changing realities. Is it possible to reduce the time required, which—as we have seen even in successful firms—could be as long as a decade? Of course, part of the answer rests in the speed with which top managers and their organizations can deal with the pragmatics of strategic change—acquisitions, diversification, new product development, test markets, building new facilities, and so on. And there are obviously real limits here, particularly if one agrees that experimentation (which is so characteristic of strategic change in successful companies) is important to minimize major missteps in defining new direction. But, as we have seen, there is another major reason for the long time required. This is the invisible barrier of the top manager's culture. Is it possible for managers to retain the benefits of strong beliefs, while still being capable of changing them more rapidly? I believe the answer is yes.

One key is for top managers to accept as a major premise in any company's culture the importance of flexibility and innovation. Whatever else they hold sacred, they must recognize that in the world of the eighties and beyond, the need for strategic change will be a constant. However else top managers define their unique strategic vision, it must recognize this fact. But such a commitment will only be meaningless words unless it can be converted into activities and actions which cause managers to use this conviction to examine and challenge their other strategic premises. Several ways of assuring that this happens are suggested by the experience of these successful companies.

Making Beliefs Visible—In a few of these companies, top managers had put their major beliefs into writing. In one, for example, the central beliefs were available for employees, customers, and visitors to read in a printed brochure distributed widely throughout the company's offices, visitors' waiting rooms, etc. Similarly, at Johnson and Johnson (which, while certainly a highly successful company, was not included in our study) the company's "credo" hangs on the wall of most executives' offices. Such formalized statements, while they may not capture all aspects of a company's culture, do remind managers that their decisions are guided by such principles.

The important lesson to be drawn from these attempts to develop formal

statements of beliefs is that the invisible beliefs can be made more visible in this way. Of course, displaying these beliefs publicly may or may not be a sound idea depending upon whether managers feel they contain proprietary ideas. But that is not the critical point. What is more important is that top managers can and should make their implicit beliefs explicit, at least to each other. If managers are aware of the beliefs they share, they are less likely to be blinded by them and are apt to understand more rapidly when changing events obsolete aspects of their culture.

In companies which, like the vast majority of those we studied, do not have such explicit statements, top managers should undertake a *cultural audit* so that they are aware of their beliefs prior to having to deal with changing events. A culture audit involves the top management group developing a consensus about their shared beliefs. The process starts with each member of the top group answering questions such as those listed in Table 2. Then, individual answers to these questions are compared and provide a basis for discussion among top managers. Through this process, the beliefs which are shared can be identified and codified. In answering these questions, it is critical that the emphasis be on what top managers believe as evidenced by their practices, not on some idealized view of their company.

This is important to emphasize in the wake of the current management obsession with excellence and corporate culture, a by-product of which has been a spate of statements of corporate philosophy. While these may be admirable statements of top management's intentions, they may have little to do with the strategic beliefs top managers actually operate upon, which is what the culture audit is intended to identify.

An effective culture audit cannot be delegated. It must involve the company's major decision makers, including the CEO. They must be willing to commit the thought and time, probably several days, to answer such questions individually and then to collectively compare and discuss their individual responses until they reach a consensus.

As they go through this process, top managers should be able gradually to identify the consistent pattern to their culture and how beliefs are related one to the other. If the audit is successful, top managers will have made the once invisible barrier of the culture visible. Then they can deal with it more rapidly in the face of change, retaining beliefs which still are valid and discarding those which are not.

Assuring Flexibility

Making culture explicit is one way to facilitate more rapid strategic change. Also required, however, are other ways to stimulate top managers to maintain a commitment to flexibility, whatever else they believe. Successful companies use a variety of means to accomplish this.

Table 2. Culture Audit

	Questions	Examples
Beliefs about Goals	• About what financial objectives do we have strong beliefs based on traditions and history?	• Return on Assets • Rate of Growth • Debt/Equity Ratio • Bond Rating • Dividend Policies
	• How, if at all, are those beliefs about financial goals related to each other?	• Growth should be financed internally, which means no long-term debt and limited dividends.
	• What other goals do we believe to be important?	• To be in the top quartile of Fortune 500 companies. • To be the best in our country. • To be a responsible corporate citizen. • To be an "all-weather" company.
Beliefs about Distinctive Competences	• What do we believe to be the appropriate scope of our competitive activity?	• We can manage any business. • We can succeed in domestic consumer products. • We can succeed with products based upon our technological expertise. • We can only succeed in the paper industry. • We can manage our business worldwide.
	• To what earlier experience can we trace these beliefs?	
	• Do they reflect a realistic assessment of the competence of management and the company?	

Table 2. Culture Audit (cont.)

	Questions	Examples
Beliefs about Product Market Guidelines	• What broad guidelines do we believe should guide our managers in competing in product markets?	• Have one or two share in each market. • Provide the best quality product. • Compete on service not on price.
	• Can these principles be traced to earlier historical events?	
	• Are these guidelines valid today in our various businesses?	
Key Beliefs about Management Employees*	• What do we believe employees want and/or deserve in exchange for their effort?	• Safe Working Conditions • Stable Employment • High Wages • Share of Profits • Equity Ownership
	• What beliefs do we hold about the importance of employees to company success?	• Our scientists are key to innovation. • We want managers and employees to work as one big team. • Committed employees lead to satisfied customers.

* While these are not strategic beliefs, strictly speaking, they are important to understand because they are so closely related to strategic premises.

Top Managers Without Portfolio—One device is the presence of a very senior and experienced top manager whose role is to raise questions, challenge beliefs, and suggest new ideas. Such managers, we found, generally had few other responsibilities. They often have the title of "Vice Chairman." At first glance, it might seem that they have been shunted out of the line management. But a more careful examination indicates that these managers-without-portfolio are valued members of the top management group. Always highly intelligent with long experience, often skeptical and inquiring, they interact constantly with other top managers, challenging their beliefs and suggesting new ideas. While they understand and are committed to the existing culture, they keep it fluid and dynamic through their presence in the management group.

The qualifications for such positions may seem unique, and there may be no way to assure that such a person is available to every top management

group. Yet the presence of such managers in several of these successful companies suggests that the CEOs understood the value of intelligent dissent and creativity in their top management.

The Role of Outside Directors—Outside directors can also play an important part in assuring strategic flexibility. While they usually are affiliated with companies for long periods of time and may therefore fall prey to sharing many of top management's beliefs, they are also far enough removed to provide objectivity and raise important questions about the appropriateness of these beliefs in changing times. While many top managers hold to the view that strategic decisions are the sole purview of management, outside directors can, even with limited time and information, play an important role in keeping top managers alert to their culture and to changing external events. Such activities may be conducted in informal contacts or may, as in some companies, be formally assigned to a Strategy Committee of the board.

Bringing in New Blood—Another way to assure cultural flexibility, is to bring in an outside manager at a very senior level. Such an individual brings a new perspective and objectivity. But to be successful, he or she must deal effectively with two problems. First, any newcomer comes with a set of beliefs from his or her prior experience. What worked with the previous employer can become a dearly held set of principles for each individual. To be effective in a new setting, the newcomer needs to develop an awareness of these personal beliefs. Second, the new executive needs to develop an awareness of the culture of the new company. If these beliefs have been explicitly stated, the transition is easier; but if not, the newcomer will have to be an effective detective. Not understanding the existing beliefs can cause the newcomer to unwittingly step on too many sensitive toes and to be rejected before the objectivity and new ideas for which the newcomer was hired can be tried out.

Flexibility Down the Line—Another way to assure flexibility at the top is to encourage flexibility of thinking at subordinate levels of management. This can assure that succeeding generations of top management will be less blindly rigid in their adherence to cultural traditions. It can also provide a source of new perspective to the present top managers as new ideas bubble up from subordinate levels.

Two different routes can be used to encourage flexibility among middle managers. One is to stimulate new ideas within the organization. An in-company education program for middle managers, with outside experts as instructors, is one frequently employed means. Another is to encourage systematic rotation of managers among functions and businesses. In this way, their perspectives can be broadened. Such inside activities always have the inherent limitation that new ideas are learned with company colleagues in the context of the company's culture.

There is a way to avoid this pitfall. High potential subordinate managers are provided an opportunity to broaden their perspectives outside the company. University executive education programs are one vehicle for achieving this. Whatever else they achieve, they do broaden the perspective of participants through contact with peers from other companies. Business and government exchange programs, like the White House Exchange Fellowships, can accomplish the same objective. Another possibility used successfully is to encourage travel to other companies in other countries to learn new methods and gain broadened perspective. Such programs have been used recently by several companies to challenge the beliefs and broaden the perspective of manufacturing executives. The result has been improved manufacturing practices which depart from strong traditions.

In whatever way top managers decide to broaden their subordinates' perspective, they must be ready to encourage new initiatives and innovations, after the broadening experience. Flexibility will flourish only if top managers, through their own words and actions, reward innovative initiators and allow experimentation.

Change and Stability

Our focus has been on how top managers can overcome the invisible barrier of culture to speed up the process of strategic change. As necessary as this will be in the future, we must not lose sight of the positive value of a strong culture. In the successful companies studied, these belief systems were critical components in corporate success, providing guidance to managers as they made complex decisions. As long as external conditions do not change dramatically, culture is an invaluable aid to speedy and coherent strategic choices. Even when conditions change dramatically, many old beliefs describe the essence of the company's character and competence. They cannot be abandoned without a high cost.

Thus, the real challenge for top managers is to encourage flexibility while still respecting and valuing their culture. Awareness of these beliefs is a prerequisite to achieving this balance, which will be critical to corporate survival in the dynamic decades ahead.