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***Organizational Restructuring and Identity Dynamics in a
Transition Economy: Constructing Organizational Disintegration***

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INTRODUCTION

This paper examines the process of organizational restructuring undertaken by senior managers in order to introduce new practices that they believed were more 'appropriate' to a business environment in transition and newly open to pressures from global markets. The aim of the paper is to advance process theorizing in the area of International Business (IB) and organizational change by exploring the relationships between different patterns of organizational restructuring and identity dynamics as they interrelate over time. Our empirical and theoretical arguments are set in post-socialist Central Europe and examine restructuring through top management team decisions to change organizational practices and adapt organizational identities.

The empirical materials derive from an 18-year longitudinal research project which has investigated the experiences of top, senior and middle managers in a number of former state-owned enterprises (SOEs) in the Czech Republic. This paper explores the particular experiences of one company, *Jesenické Strojírny*¹, which in 1990 was an integrated hierarchical enterprise employing over 7,000 people. In 1999, it entered bankruptcy proceedings and by 2009 the original economic assets had splintered in various ways to create more than 20 independent firms.

The central proposition is that these restructuring processes both affected and were affected by the organizational identities held by the enterprise's senior managers over the period from 1990-1999. From our observations, we construct a process-theoretical approach to explain the interrelated sequences of structural and identity change that are generated by social actors who seek to make sense of their organizational experiences during the transition period. This approach focuses on the dynamic role of organizational identities during the process of vertical disintegration, in particular, the patterns of identity conflict and identity ambivalence.

The paper therefore contributes to the organizational identity and change literature in two major ways. First, it investigates how *patterns* of restructuring are related to organizational identity dynamics, focusing on processes of disintegrative restructuring. Second, it distinguishes between the dynamic effects of identity ambivalence – that is, internal inconsistencies within the same identity – and identity conflict within a set of multiple organizational identities.

The paper takes the following form. The first section explores the key literatures and concepts that underpin the arguments. The second section, which outlines the longitudinal research design and methods that have guided the empirical work, precedes the presentation of the empirical findings themselves. This leads to a fourth section, in which we draw out and discuss the concepts and theoretical lessons that

¹ All proper names used in the paper have been changed to preserve the anonymity of respondents. Confidentiality was a condition of sustaining access during this longitudinal study.

emerge from the findings. The paper concludes with a summary and consideration of future directions.

THEORETICAL BACKGROUND

At the heart of the argument is the relationship between an organization's environment, the dynamics of organizational identities held by senior and middle managers in the organization, and the actual processes of restructuring that an organization undergoes. The paper therefore engages with three main literatures: post-socialist transformation, organizational identity construction, and organizational change and restructuring.

1. The post-socialist transformation

Social scientists have extensively discussed the problems of organizing and working within a command economy, in which all major strategic decisions were taken high in the centralized structures (Arnot, 1988; Lane, 1987; Kornai, 1980). The state-owned enterprise was an institutionalized pattern that was well adapted to operating within this central planning environment (Clark and Soulsby, 1995; Tsoukas, 1994).

The SOE was integrated around a simple functional hierarchy, which administered production processes to meet given targets and supply products and services to 'partner' enterprises. These bureaucratic structures, the ideological attachment of senior managers to the Communist Party via the *nomenklatura* system of political appointment and associated incentive structures strongly encouraged inertia and compliance (Soulsby, 2001; Clark and Soulsby, 1995; Kozminski, 1995). The ideological emphasis of the socialist state on employment as well as the problems created by a shortage economy led to senior managers indulging the work force and the systematic creation of overstaffing (Kornai, 1980). Moreover, senior managers had little direct experience of markets and minimal modern technical know-how of systems such as quality assurance. Strategic managers poorly understood the nature of operating in competitive business environments (Newman, 2000; Soulsby and Clark, 1996; Myant, 1993) and the personnel function was defined by its relationship to the Communist Party (Soulsby and Clark, 1998; Koubek and Brewster, 1995).

In the initial years, theoretical and policy economists considered it a matter of urgency that SOEs should undergo radical restructuring to break up large state monopolies and decentralise decision making, though actual changes would be left to the local and foreign owners of newly privatized joint-stock companies. From an institutional viewpoint, the post-socialist organization not only needed to acquire new ways of organizing, managing and working that were better adapted to a market economy, it also had to 'unlearn' practices that had been underpinned by historical institutional legitimacy of the former command economy. In short, since 'defensive restructuring', such as reducing labour and other costs, would at best be a short-to-medium term strategy for keeping enterprises afloat, Western advisers advocated 'strategic restructuring'. As a more proactive approach involving new product, market and process development, enterprises would stand a better chance of sustained performance within

the new market-economic framework (Meyer and Lieb-Dóczy, 2003; Uhlenbruck et al., 2003; Carlin and Landesmann, 1997).

Despite the pressing 'economic' logic of the decentralization, the ambiguities of the transition context created an institutional space for multiple and diverse interpretations of business issues and the expression of many equally feasible strategic choices in restructuring decisions. Within this space, restructuring decisions could draw on historically legitimate values, identities and practices to create localized or hybrid patterns of adaptation (Clark, 2008; Soulsby and Clark, 2007; Stark, 1996).

In this paper, we seek to develop a theory that can explain the diversity of ways in which enterprises undertook restructuring in the post-socialist environment. We argue that the interpretive role of organizational identity in the social construction of restructuring is critical. With Dutton and Dukerich (1991) and others, we argue that the perception and interpretation of 'issues' or critical events are shaped by the meanings that key actors attribute to the organization, that is, by their historically shaped and currently sustained organizational identity.

2. Organizational identity construction and dynamics

Organizational identity was initially conceptualized in terms of the central, distinctive and enduring characteristics that members attribute to their organization (Albert and Whetten, 1985). Theoretically, it constitutes the perceptual lens through which members comprehend their organizational world and in principle, there are as many organizational identities as there are different interpretive communities within the organization (Corley, 2004; Pratt and Foreman, 2000). Of these multiple identities, however, we concentrate on the organizational identities held by top and senior managers, because their 'symbols, visions, and perceptions... are more powerful than others' (Gioia et al., 1994: 365).

Dutton and Dukerich's (1991) pioneering work offers the theoretical standard for examining how senior managers draw on their organizational identity to adapt their organizations to changing circumstances. Through their perceptual lens, members filter 'information' gleaned from other internal and external stakeholders and thereby make sense of the organization and its environment (Scott and Lane, 2000; Starbuck and Milliken, 1988). Far from being static or enduring, organizational identity is now understood to be dynamic (Gioia et al., 2000; Reger et al., 1994) and the notion of identity discrepancy (Dutton and Dukerich, 1991) provides the conceptual key to understanding how and why identity changes (Corley, 2004; Foreman and Whetten, 2002; Hatch and Schultz, 2002). Senior managers – key strategic decision makers – may experience the strain of 'discrepancy' in one of two ways.

First, large organizations are likely to give rise to a plurality of different internal 'identities' and to a multiplicity of different 'images' that external stakeholders seek to impose on the organization (Dutton and Dukerich, 1991; Gioia et al., 2000). Managers

perceive the signals emanating from significant internal or external stakeholders as 'construed images' (Gioia and Thomas, 1996) and when these pose challenges to their own espoused identity, they are likely to experience discrepancy. Second, identity discrepancy might emerge from ambivalence or inconsistencies *within* a collectively-held organizational identity. Reger et al. (1994), for example, identify the problems associated with a temporal disjunction a member's current organizational identity and her/his historical or preferred future identity. While the first kind of discrepancy results from conflict *between* identities held by different groups, the second kind of discrepancy emerges when a community of similarly identified members (such as the top management group, or a departmental, divisional or occupational grouping) experience ambivalence.

Whatever their source, identity discrepancies contest senior management's sense of 'who we are as an organization' and strike at the very heart of organizational legitimacy. Identity discrepancy challenges organizational attachment and is therefore a spur not only to active sensemaking, but also to sensegiving as identity holders engage in social action to correct what is perceived to be 'wrong' (Corley and Gioia, 2004). Through sensemaking and sensegiving, different actors lay claim to or seek to redefine the legitimacy of their interpretations (Hatch and Schultz, 2002; Ravasi and Schultz, 2006), thereby prompting the socially construction over time of organizational change. Identity discrepancy and the resultant sensemaking and sensegiving activities to resolve tensions serve as a 'generative mechanisms' that propel the social process of organization (Van de Ven and Poole, 1995).

3. Organizational restructuring and change

The paper explores the detailed restructuring experiences of one organization, Jesenícké Strojírny, after 1990. Some scholars have examined the relationship between organizational identity and different degrees of organizational change (Gioia et al., 1994; Reger et al., 1994), but there has been little investigation of how different *patterns* of restructuring are related to organizational identity dynamics. In this paper, we focus on one distinctive pattern, that of disintegrative restructuring.

Integrative restructuring refers to a centripetal process that conceptualizes changes which lead to greater structural and cultural coherence of and control over organizational sub-units. It may involve 'additive' change (Corley and Gioia, 2004) whereby the organization integrates new units to its existing structure; or it may concern structural or cultural efforts to recentralize existing units within the hierarchy, for example by subsuming independent departments under other functions. Experiences of integrative restructuring are likely to challenge the existing identity and practices of structural units that had hitherto experienced some devolved responsibility, as reflected in, for example, the Mergers and Acquisitions literature (Birkinshaw et al., 2000; Nahavandi and Malekzadeh, 1988).

The identity dynamics associated with centrifugal restructuring processes have been less well explored (Corley and Gioia, 2004). Disintegrative restructuring refers to those changes wrought when an organization fragments into smaller units that are either deleted (Albert, 1984) or spun off (Corley, 2004). Such 'subtractive' restructuring that takes place through vertical disintegration may create multiple identities that lead to identity conflict or even identity loss.

We can get some theoretical clues about the process of vertical disintegration from Jacobides' (2005) work on industry evolution. He identifies two organizational precursors to the potential to disintegrate. He argues that 'intraorganizational partitioning', which creates internal structural differentiation through different patterns of decentralization, increases the potential for organizations to fragment into separate units. This likelihood is exacerbated because autonomous units are encouraged to make their own connections to agents in the external environment, further enabling independent functioning. In other words, strategic decisions to loosen or separate activities and sections may unwittingly serve to lay down the conditions for disintegration.

In a similar argument, Mael and Ashforth (1992) argue that disintegrative restructuring creates intraorganizational competition, undermines distinctiveness by cutting bits loose and severs mentoring relationships between the top and the bottom. In identity terms, Corley and Gioia (2004: 173) have argued that the separation of a component from its corporate parent is one of the most significant challenges to its identity, because it '... disrupt[s] the order of the understood world'.

4. Bringing it together: the ideas to be explored in the research

Before proceeding to the empirical research, we bring some of these theoretical threads together. At the start of the transition period, we would expect strategic managers in an SOE to inherit a strong organizational identity based upon their experiences of a command-economic environment. However, the transition environment not only provides senior managers with some discretion over how they might change the organization but also confronts them with a series of identity threats from new institutionalizing agents in the business environment (e.g., new owners and regulatory bodies). We might expect patterns of organizational change to depend on how they make sense of these discrepancies and whether the content of the organizational identity – e.g., market-relevant features – enables senior managers to identify appropriate structural solutions.

In turn, the restructuring processes implemented by senior managers are likely to have an impact on their own and other stakeholders' identities, thereby creating new sources of discrepancy and new restructuring pressures. The key to understanding different restructuring patterns lies in identifying both the organizational identity of central and powerful strategic decision makers; and the discrepancies they experience as they seek to reconcile their perceptions of the business environment ('construed images'), balance

the different organizational identities of internal constituents, and resolve ambivalence that exists between characteristics they attribute to their own organization.

Following an introduction to the research design and methods underpinning the longitudinal study of Jesenické Strojírny, we examine the case findings to interrogate these expectations of identity-restructuring dynamics associated with the disintegration of JS.

METHODS

The paper draws on data from a project conducted through a 'punctuated longitudinal case study' (PLCS) research design (Soulsby and Clark, 2010). The authors have tracked the processes of organizational change in a small number of Czech former SOEs over a period of 18 years following the collapse of communism. Through this project, the authors have visited and revisited four organizations approximately every two years to collect a combination of real-time and retrospective data (see Soulsby and Clark, 2010, for more details). This longitudinal research design and its constituent qualitative case methods place social actors and their perceptions of current and historical events at different points in time at the centre of study.

Design, method and analysis

The arguments in this paper are examined in the context of data from a longitudinal case study of Jesenické Strojírny, with which we have had a continuous seventeen-year relationship. Our first in-depth field visit to Jesenické Strojírny in autumn 1993 has been followed by four regular but shorter revisits (1994, 1995, 1996, 1998) up to 1998, when the mother company entered a financial crisis, ending with receivership in 1999 and subsequent bankruptcy proceedings. We continued to visit Jesenické Strojírny – at least its various surviving parts – from 2000 to 2009, during which period we visited another five times (2000, 2003, 2007, 2008, 2009).

We have used a variety of methods to collect a comprehensive set of qualitative and quantitative materials about the restructuring of the company. Foremost among these have been semi-structured interviews. We have interviewed 31 of Jesenické Strojírny's managers, as well as nearly fifty other informed respondents in other enterprises in the town of Jesenice. The sample includes top managers, that is, those who served on Boards of Directors (see Table I). Interviews were generally conducted in Czech with the help of interpreters, who acted as both cultural informants and research collaborators knowledgeable of project aims and methods (Soulsby, 2004). During each visit, we focused questioning on experiences of organizational and management change, each interview being iteratively linked to others to optimize the internal validity of our materials (Eisenhardt, 1989; Yin, 2003).

In turn, interviews consciously built on first-order and second-order accounts (Van Maanen, 1979) from earlier visits, and, through our longitudinal logic, anticipated future visits. Our narratives therefore do not just reflect retrospective accounts, which risk

being filtered through memories, self-justification and rationalization; they also embody respondents' contemporaneous explanations of ongoing processes (Pettigrew, 1990) against which, after 1993, later materials could be checked. This qualitative database for Jesenické Strojírny now comprises over 100,000 words that result from face-to-face interviews at different points during the period 1993-2009.

Level	Number of respondents	Number of interviews
Top Management	12 (TM1 to TM12)	20
Other Senior Management	12 (SM1 to SM12)	14
Middle Management	7 (MM1 to MM7)	7
Total respondents/interviews	31	41

Table 1: Interview sample

We have also consulted official corporate and non-corporate sources to find or corroborate information about organizational and environmental characteristics. Within the field, we collected company profiles and reports, recorded non-systematic observations, collected local archival materials and made reflexive notes. Away from the field, we read non-corporate sources – such as newspapers, business and trade journals – and contacted trade associations and government agencies like the Commercial Register and the Ministry of Trade and Industry.

In order to extract the relevant themes from this immense body of materials, we have used various data reduction techniques (Miles, 1979; Miles and Huberman, 1984). From both a deductive reading of the literature and an inductive understanding of the case enterprise in its transitional context, we identified three sets of themes: the business environment; organizational identities; and the organization's management, structure and ownership. We adopted a tabular technique that mapped data from these different methods in a year-to-year format against the three themes. Interrogation of the interview transcripts and other documents allowed us not only to identify the incidence of themes and their commonality, but also to gather typical and insightful quotations that gave our respondents direct voice in the reporting process. These actor-derived (first-order) narratives are naturalistic devices for capturing and explicating sequences of events over time, thereby supporting the generation of (second-order) processual accounts of organizational restructuring and identity change.

FINDINGS

In 1989, Jesenické Strojírny was a large, functionally integrated state-owned enterprise, which had successfully navigated the central planning system to become an important exporter to the Soviet world (see Clark and Soulsby, 1999). Its activities were complex. Its various factories, all located on one huge site in Jesenice, produced a wide range of machines for the construction industry, but also cooperated to put together large

investment projects for industrial clients. These complicated turnkey operations, which required engineering and technical design skills and a wide range of contacts in order to put together consortia, were the most profitable parts of the business.

During the early 1990s, Jesenické Strojírny pursued a radical path of decentralization, transforming itself first into an enterprise with many plants operating as cost-centres, then into a multidivisional form with profit-centres, and finally into a holding company with multiple subsidiaries. The holding company ended up in receivership in 1999 and, by 2005, its huge factory site in Jesenice had disintegrated into more than 20 fragments with diverse owners and activities. In this section, we examine this story in greater detail by exploring the relationship between the TMT's organizational identity and the structural solutions it adopted.

We present and analyze the data by breaking the process of change in Jesenické Strojírny into 4 stages. Table 2 presents some of the supporting evidence for our inferences about organizational identity.

1. Constructing a strategic direction (1990-1991)

In the years before 1990, the identity that senior managers attributed to Jesenické Strojírny was broadly compatible with the enterprise's functional structure; this identity-structure Gestalt was itself tightly coupled with the command-economic institutional structure (cf. Miller and Friesen, 1980). From 1990, these relationships began to look less coherent as the institutions of central planning unravelled and the business environment became more unstable and uncertain.

Organizational structure

During 1990, the new government forced Jesenické Strojírny to separate off its assembly activities as an independent enterprise. Other institutional changes, such as the demise of state-owned foreign trade and domestic sales agencies, placed strains on the company to develop these functions internally. In 1991, Jesenické Strojírny split its production department into 15 separate plants and created its own foreign relations department to deal with exports, taking its first important steps towards differentiation and decentralization. Despite losing 1,250 employees with the separation of assembly activities, the number of departments increased from 14 to 26 within the first 18 months.

Organizational identity

We gain our first impressions of the complexity and ambiguity of the way in which senior managers perceived Jesenické Strojírny when we look at how respondents spoke about their organization in 1990 from the perspective of 1993. In many respects, there is a striking degree of consensus over the dominant features of the 1990 Jesenické Strojírny. At the centre of this identity, we find features like pride and loyalty, control,

obedience, stability, cooperation, engineering and production priorities, social welfare and employee care. In 1993, managerial respondents were also 'muddled'. At the same time, they expressed characteristics that were inconsistent with these dominant attributes. Our respondents wrestled with two sorts of identity ambivalence.

First, they included 'counter features' within their organizational identity. With a few years' hindsight, our respondents had already begun to subject the dominant features of the enterprise to a thorough critique. From the standpoint of 1993, those characteristics that had constituted a 'good' identity in 1989 were seen as less 'appropriate'. For example, respondents contrasted their former pride in the enterprise with a now expressed 'shame' in some of the enterprise's past activities, such as its political role in communism (SM1); the positives of being a large organization balanced with the downside of being large (TM1, SM4); the virtues of technical and production values had become a failure to show an interest in the customer (TM1, TM2, TM3, TM4, SM2, SM5, MM1, MM3); the enterprise's expressed interest in employee welfare and the community had become a cost burden to the enterprise in 1993 (TM1, SM1, SM3, MM4).

While the 'dominant' characteristics were still seen as important aspects of Jesenické Strojírny, their coexistence with counter features fed into a sense of identity ambivalence. From a theoretical viewpoint, such identity ambivalence might be a consequence of making sense of divergent signals given by institutional agents in the transition environment. Contrasting images projected on to the enterprise from influential economists and politicians led senior managers retrospectively to revise their organizational identity, introducing more mixed features.

We can identify a second source of identity ambivalence. Respondents identified 'alternative' characteristics that had 'always' had been part of Jesenické Strojírny's identity, though it is likely that they had been somehow suppressed in previous times. These 'latent features' of the organizational identity pre-dated the changing business context and had therefore been carried into post-socialism by our respondents. After 1989, these latent features could be more explicitly and legitimately expressed and took a more prominent place in how managers perceived their enterprise.

Three latent features came through strongly in the interviews and company documentation for this period. Respondents spoke about a certain 'tradition' in Jesenické Strojírny of 'being managerially progressive' (TM1, TM2, TM3, SM2, SM5, MM1, MM3), 'showing independence of mind' (TM1, TM3, SM4, MM1, MM3) and 'being modern' or 'accepting change' (SM1, SM4, MM3). These features are difficult to reconcile directly with the dominant features identified above. Respondents rooted these latent features in shared narratives about former times and about named organizational heroes and villains. In one such story, senior management had taken the initiative to set up a joint venture with a large German company in 1967, while another concerns a plan to create independent divisions within the enterprise. These 'market-

like' innovations were suppressed in the years following 1968 (TM2, TM4). As told, these stories had larger themes about life after the Prague Spring, but spoke loudly of managerial progressiveness and innovation.

These latent features were not part of a different organizational identity located somewhere in the past, but coexisted with the dominant and counter features and defined in part the managerial experience of the early 1990s.

Interpretation: identity ambivalence, management decisions and early restructuring

To understand identity-restructuring dynamics in this phase, we need to construct a plausible narrative to connect these concepts to the restructuring decisions taken during this period. In mid-1990, the former General Director and his top management team were relieved of their duties, their legitimacy having been undermined by their long association with the Communist Party. Mr M was promoted to General Director from his functional role as Commercial Manager, gaining the support of other aspiring middle managers. This new senior management team was not innocent of communist connections; indeed, in another ten years it is likely that they would have inherited the enterprise crowns anyway. Mr M's first act was to invite back into strategic roles the two former managers, who, in the 1960s, had been the leading figures in the failed attempt to divisionalize the SOE.

In the context of external institutional ambiguities and weak corporate governance, this top management cabal was able to use its power to start a process of decentralization that mimicked the previous project. In corporate documentation, the General Director cited the incipient market-economic conditions and the need to 'relate directly to the customers' as the rationale behind the direction of the restructuring. The General Director's supporters were promoted to head up the new plants. But management respondents placed the new structures within the traditions of Jesenické Strojírny by directly retelling the story of frustrated restructuring in the 1960s. In conceptual terms, the top and senior management had perceived and interpreted the transitional business environment through the lens offered by *latent identity* characteristics rather than the dominant ones; moreover, they had drawn on these same characteristics as political resources to explain and justify their sensegiving, of which the decentralization of production activities was the most visible act.

2. Privatization, divisions and the promise of subsidiaries (1992-1994)

Organizational structure

From 1992, restructuring efforts were directed towards appealing to investment funds in the voucher privatization process. The TMT's successful privatization project was an extension of its interpretation of what a 'modern' Jesenické Strojírny should look like, that is, to reflect the decentralizing agenda. The Annual Report for 1992 proposed a '... strategy of internal changes within Jesenické Strojírny in a manner of more pronounced autonomy for internal units', and this was realized by 'promoting' the 15 plants to the

status of divisionalized profit centres. All significant commercial activities were consolidated within a new Engineering division, into which the control and planning of the most profitable investment projects were concentrated.

In 1993, the top management cabal announced plans to transform Jesenické Strojírny into a Holding Company with 15 independent 100% owned joint stock subsidiaries. Both formal documents and respondents hailed the new Engineering daughter company as the star turn in this new holding company system and the General Director put a trusted colleague at its head. However, the heads of the production divisions criticized the new Engineering division and saw the Holding structure as reinforcing an organizational fault line that the former integrated structure had managed to contain. Speaking for many divisional directors, the director of the new Heavy Machines division (TM2) anticipated problems: 'Engineering and production must be friends, not enemies'. He was particularly worried that the holding company project would 'threaten the integration prospects of Jesenické Strojírny' and criticized it as a 'personal project' of the returning strategy managers.

Organizational identity

During this stage, the characteristics of progressiveness, modernity and independence were further promoted by the top management cabal. In accelerating the process of decentralization from divisions to autonomous subsidiaries, these latent features would continue in their ascendancy and come to dominate the way in which management perceived and responded to signals from its business environment. The previously dominant identity features were denigrated as characterizing an organization that was 'too big', 'too slow', 'too production-oriented', 'customer-unfriendly' and so on, thereby further justifying the ongoing redefinition of organizational identity and the decentralizing decisions that followed. At the same time, the General Director's messages in the Annual Reports for 1994 and 1995 associated the decentralization route with an organization that was 'modern', 'prosperous', 'energetic' and 'cooperative' and 'building on tradition' – thereby linking changes to *both* dominant and latent features.

Meanwhile, the directors of the production units were far less confident about what the new structures meant. They shared the general thrust implicit in the emergent organizational identity, speaking positively about independence and autonomy: 'I love to be free and decide myself' (TM1); 'we help ourselves by ourselves, this is the Czech way' (TM2); 'we have a more free hand to realize new ideas' (SM4). However, the signals they gleaned from their practical experiences of the new structure were contradictory: TM2 spoke of their 'dependence' on Engineering; 'we are subservient to Engineering' (TM6); there is a 'mess' over sales (TM4). In 1994, TM4 explicitly talked of identity conflicts between the production divisions and Engineering, which he linked to the imminent holding company model.

Interpretation: the politics of ambivalence and the emergence of identity conflict

During this stage, the top managers' decisions continued to reinforce the increasing centrality of the previously latent features. Sponsored by the powerful TMT cabal, these features served as a perceptual lens through which to interpret the organization's problems, strengthened the initial decentralizing tendencies, gave sense to and justified the TMT's restructuring choices.

The TMT used identity ambivalence as a political resource through which to attract the support of different stakeholders. The TMT was able to frame its 'progressive' but contested strategy of structural decentralization in a way that not only paid homage to traditional values, but also appealed to 'modernizers'. To all employees at this most uncertain of times, doing something was better than doing nothing: 'people need change, any change' (TM1). That the TMT sounded confident and decisive was greeted as a positive thing for traditionally passive managers. As TM4 said with heavy irony, 'we are going to the market, and everyone is waiting for instructions about how to get there'.

The intrinsic ambivalence of organizational identity is therefore important because it allowed the TMT not only to make sense of divergent internal and external stakeholder images, but also to project legitimate meaning towards these different stakeholders in the form of their restructuring decisions. But we can begin to see the impact of decentralizing tendencies on the organizational identities held within the organization. In particular, our narrative highlights the start of the reconstruction of distinctive identities *within the production divisions*. Although inter-functional frictions had always existed within Jesenické Strojírny, they had remained relatively dormant. However, the new decentralized models institutionalized these functional differences through intra-organizational partitioning and, in grappling with the implications of divisional and potential subsidiary autonomy, senior managers began to evolve new and separate identities, with a potential for conflict and discrepancy.

3. Subsidiary problems, dissent and strategic reversal (1995-1998)

Organizational structure

The Holding Company and its fifteen daughter companies were formally established in January 1995 with the direct ambition of devolving authority and encouraging independence of operations. Each daughter was expected to find its own clients and make its own profits, while the strategic infrastructure was maintained and developed by the Holding company. Each daughter had its own Board of Directors and Supervisory Board, whose memberships were staffed by top managers from across the company, as well as representatives of the banks and privatization funds.

As mentioned above, the holding structure provoked disagreements between different units that had been hitherto kept in check by the integrated structure. Subsidiary management argued that the holding structure had actually concentrated power in the hands of top management and the Holding Board of Directors, because of the heavy top slice that Holding took from each subsidiary (TM6). Moreover, production subsidiary

directors complained about their relations with the Engineering daughter, which not only had a comfortable relationship with Holding – making dissent a waste of time – but also creamed off the most profitable turnkey business for themselves. In this complicated situation, the major production daughters were forced to seek profitable contracts with external clients for their own machines, while being expected to respond immediately to demands from the Engineering daughter to participate in large investment projects (TM2, TM6).

As TM4 said in late 1995:

‘... structure... is very complicated, with problems between the daughters. There is now a contract for everything... The main success [of the daughters] is that they still survive’

Or TM6 in 1996:

‘Most daughters have financial difficulties, making it hard to survive independently’

According to TM4, short-term organizational peace was only possible because dissenting senior managers were offered board positions as pay-off for living with operational conflicts.

Organizational identity

The TMT’s advocacy of the decentralizing project had pushed previously latent features to the core of its organizational identity. But their continued control over the organization was being challenged from the outside as well as the inside. On the one hand, the post-1995 owners had begun to exercise power over top management decisions from their positions in the statutory boards. Managers were shocked that banks showed no interest in the nature of the business, the engineering or the employment traditions:

‘they [the owners] emphasise controlling costs and cutting branches, including cutting investment and research... We can’t continue to support social events and help the community... But we’re not able to live with that feeling of unemployment...’ (SM1)

This construed image, attributed to the major shareholders, challenged the prevailing organizational identity and spread discontent to all levels.

At the same time, there were operational difficulties, performance problems, inter-daughter conflicts and problematic subsidiary relations with the Holding company. During this period, these problems became reflected in the evolution of subsidiary identities. The new production daughters began to define themselves as independent entities in relation to the former Jesenické Strojírny, but in opposition to features that they associated with the Holding Company and the Engineering daughter.

For example, the Director of Heavy Machines (TM2) saw his subsidiary as cooperative with other production daughters, but, in contrast to the prevailing narrative of autonomy, felt dependent on Holding and Engineering. The operational problems acted against a sense of security and independence, though this very hardship drove some subsidiaries to work harder to sustain their independence from Holding (TM8). Where divisional managers continued to speak of a 'Jesenické Strojírny identity', they were often referring to shared traditions, not to the current organizational identity espoused by the Holding TMT. According to TM4, for many subsidiary managers, 'things are still rooted in the past', since coping with the holding structure led subsidiary managers to look for cultural anchorage and 'certainties'.

Interpretation: organizational partitioning and the evolution of identity conflict

By 1997, underpinned by its promotion of the latent characteristics of progressiveness, modernity and independence, the Holding TMT had undertaken restructuring through enhanced levels of intra-organizational partitioning, culminating in higher degrees of subsidiary autonomy. Along with these structural changes, the Holding TMT had projected images on to the production subsidiaries that emphasized strategic autonomy in finding markets and customers, the profit-making role within the Holding structure and the notion of intra-corporate cooperation. However, for senior subsidiary managers, this construed image clashed with many of their actual experiences: dependence on Holding and profit-sapping top-slicing, dependence on Engineering, inter-daughter friction and conflict. Trying to make sense of these discrepancies, the subsidiaries began to develop their own identities, which built upon former Jesenické Strojírny features but created sufficient deviance as to feed the potential for identity conflict. Their sensegiving responses included levels of resistance to the production demands by Engineering (TM4) and dissent about the level of 'taxation' levied by Holding (TM6).

The Holding TMT's organizational identity, with many traditional features still playing an important role, came under pressure from the outside. The TMT had exercised much discretion over structural choices, but by 1997 owners had begun to flex their muscles and demand control over the expensive restructuring options that had been adopted and the levels of debt accumulated by Holding. Both top and senior managers throughout Jesenické Strojírny construed the shareholders as holding financial, cost-driven image of the company that clashed with internal identities based on traditional engineering and social values. The discrepancy between organizational identity and construed image could not be resolved and the shareholders exercised their legal power by replacing the Holding TMT with outside managers sharing their 'financial' image.

Representing the interests of the owners, the newly appointed top managers undertook to reverse the decentralizing process and bring some financial stability. As outsiders, they could implement a strategic reversal without the constraints of prior identification. Catastrophic regional floods in the autumn of 1997 underscored the financial frailties of

the Jesenické Strojírny and helped the new top managers overcome any internal resistance to the new recentralization direction that began in 1998. This programme recombined the production subsidiaries and placed them under the control of the former Engineering daughter.

Speaking in 1998, SM1 referred to the consequences of the earlier restructuring and the internal and external identity conflicts it provoked as 'revolutionary' with wide-ranging repercussions for the company and its top and senior management.

4. From decentralization to disintegration (1999-2009)

Unable to recover from the financial problems of 1997, in mid-1999, the Holding Company formally entered bankrupt proceedings and the remaining active parts of the former Jesenické Strojírny were placed under administration. Of the 17 daughter companies that existed in 1998, 6 were closed down with the loss of about 1000 jobs; 6 had their book value written down and were bought by local Czechs, saving some 1100 jobs (one was later sold to a foreign buyer); one was directly sold to a foreign owner. The remaining four – Engineering, 2 large production units and one service unit – were reorganized under the aegis of Engineering, and this unit was later sold to a foreign buyer. A few small firms were established by former managers from the ruins of Jesenické Strojírny and have continued to make traditional Jesenické Strojírny products. A number of other companies – Czech and foreign – rented or bought plant and/or factory space from the receiver to manufacture products unrelated to the activities of Jesenické Strojírny. An unknown number of small firms rent office space in the former administration blocks on the site.

The last ten years have not been a heart-warming story of regional creative destruction. Overall, in 2008, the site contained about 25 legal entities, about a third of which can be traced to Jesenické Strojírny. From the 5750 employees who worked on the Jesenické Strojírny site in 1990, it is estimated that some 2500 of their jobs remain.

In this section, we have constructed a detailed narrative of identity dynamics and organizational restructuring that led within a decade to the vertical disintegration of a large, former SOE, whose management chose decentralizing structural answers to the problems of post-socialism. The post-1999 story has too many threads to be examined within this paper.

DISCUSSION

The empirical findings from the Jesenické Strojírny case raise a number of interesting theoretical conclusions about organizational identity, identity dynamics and the relationship between organizational identity and change.

Organizational identity and identity discrepancy

Organizational identity refers to the characteristics that internal communities attribute to their organization. As it develops over time, it takes on a variety of features and acts as a perceptual lens through which organizational members make sense of events and

actions that affect their working lives. It is also focus of commitment, indicating the kinds of things that identify 'who we are'. From the viewpoint of restructuring and change, organizational identity can be understood as a repository of acceptable and quasi-acceptable ideas and when events or issues are consonant with these ideas, we are likely to carry on routinely reproducing 'our' organization.

It follows that when events convey images that are discrepant with organizational identity, they can challenge our sense of 'who we are'. Thus, the judgements and actions from outside agents (e.g., owners, mass media) may be perceived as conveying negative images that conflict with the organizational identity of top managers; or the restructuring decisions of top managers may be construed as denying the held characteristics of other internal stakeholders, such as divisional managers. Confronted with identity discrepancy and the subsequent challenge to their sense of identity and worth, people can be jolted into bouts of sensemaking and sensegiving activity that have the potential to introduce significant dynamics into organizational processes as they act to defend, assert or adjust how they see the organization.

Sources of identity dynamics

This focus on the dynamics of organizational identity has revealed insights into how processes of organizational change and restructuring are socially constructed. The case study suggests that central actors may experience identity discrepancies from two sources: perceived ambivalence within an identity and perceived conflict between multiple identities.

Our second order narrative highlights the coexistence of different kinds of identity features and the concept of internal ambivalence as a source of identity dynamics. We distinguish between dominant, critical and latent features, each representing different temporal layers within the organizational identity. Dominant features refer to characteristics that people commonly attribute to the organization and in practice constitute the prevailing view of the organization. Critical features refer to the here-and-now evaluation of the dominant characteristics and reflect an intrinsic awareness that, under current circumstances, the prevailing organizational identity needs to change. In Jesenícké Strojírny, for example, many respondents identified the size of the enterprise as representing strength, power, security and status, while understanding that it was too big and led to insecurity. Latent features reflect residual layers of identity that have been sedimented over time but may lie dormant while dominant features sustain some contemporary relevance.

The inherent ambivalence between characteristics that managers attributed to the Jesenícké Strojírny is central to explaining the process of organizational change. Certain past experiences may continue to inform organizational identity, sustained by storytelling over years, but become marginalized (or buried) as later experiences become consolidated in other characteristics that over time become dominant. These latent features remain as ambivalent residues in the organizational identity held by

managers, rather than becoming a 'past identity' that is in some way separate from the current one.

These latent features are a potential source of legitimacy for alternative organizational actions and solutions when the dominant characteristics of organizational identity become discrepant with signals emerging from stakeholders within a changing business environment. In the case study, the transition environment signalled that Jesenické Strojírny could not carry on being the same and senior managers drew on these latent features to legitimize concrete structural decisions to decentralize and divide the enterprise. In doing so, they effectively increased their visibility, legitimacy and, over time, centrality within their organizational identity. The balance of features within the top managers' organizational identity changed and provided rationality to the direction of restructuring, while the experience of restructuring in turn reinforced the changing balance and content of the organization's identity.

For top managers in Jesenické Strojírny, identity ambivalence was an emergent source of the distinctiveness in the enterprise's response to the transition economy and an important political mechanism to which they could turn in order to justify current and future restructuring decisions in terms of the past. The state of ambivalence – in which dominant features coexisted with opposing critical and alternative latent characteristics – allowed strategic managers to appeal simultaneously to many different constituencies in the organization.

Identity dynamics were also created by conflicts between different internal stakeholder groups in their conceptions of the organization. One of the direct consequences of restructuring through decentralization was to provide organizational conditions conducive to the multiplication of distinctive organizational identities held within the various parts of the organization. We saw how such restructuring fed back into identity dynamics, because the Holding TMT's strategic decisions – sensegiving actions – were construed by subsidiary managers as contravening their own organizational identities, nurturing opposition and resistance. These observations support the arguments developed by Jacobides (2005) and others about the disintegrative effects of intra-organizational partitioning: splintering structures tend to lead to splintering identities.

General model of identity dynamics and disintegrative restructuring

Putting these arguments together we can see that the dynamics of identity ambivalence and identity conflict provide strong iterative mechanisms to explain the cumulative processes of disintegrative restructuring over time. The pressures of the transition environment are exerted through the images projected on to the organization by external stakeholders and interest groups and these signals are perceived and interpreted by top managers through their organizational identities. Discrepancies can be 'resolved' in many ways, but reaching for latent features is a way of recognizing the

inadequacy of the existing dominant conception of the organization while offering a solution that is embedded in and justified by the 'traditions' of the enterprise.

Once a decentralizing path is started, however, it has identity-dynamic implications that threaten the shared nature of management's organizational identity by creating and reinforcing multiple, conflicting identities in the newly created independent units. Thus, unless something fundamental, like a financial crisis, triggers alternative ways of looking at the organization, perhaps drawing on other latent features (such as the tradition of integrated structures), disintegrative restructuring is likely to sustain a momentum of its own.

CONCLUSIONS

We know little about identity dynamics as they interrelate with different patterns of organizational restructuring, especially so in a transitional context. The case study reported in this paper allows us to explore in some detail how organizational identity affected the management decisions that led to disintegrative restructuring and examine the effects of restructuring processes on identity change. The findings highlight how top management efforts to sustain, project and change organizational identities in the face of external challenges to legitimacy produced the identity dynamic that generated organizational restructuring. In a novel way, this approach underscores the malleability and mutability of organizational identity discussed in the literature (Gioia et al., 2000).

Based upon a longitudinal research project of structural change in one organization, the paper has a number of important themes and contributions. Theoretically and empirically, it demonstrates the power of human agency in shaping how organizations undertake particular courses of internal change. It shows that social actors draw on their organizational identity to make sense of their internal and external contexts and how their sensegiving actions – in the form of structural decisions – in turn influence the shape and process of organizational identities over time. More particularly, the pathway of change adopted by senior managers is associated with the identity dynamics provoked by discrepancies arising from ambivalence within the organizational identity and conflicts between multiple identities that were generated by the restructuring process itself. Our findings have raised for discussion a subtle and complex view of organizational identity, in which coexists ambivalence between characteristics, which provides cultural and political resources to justify structural choices and an internal dynamic that constructs a momentum towards increasing levels of disintegration, as suggested by Jacobides (2005).

In IB we need more longitudinal research in other organizations to see whether the same lines of theoretical argument offer plausible accounts of organizational change in other contexts, including those of countries that have not undergone radical societal transformation. The initial aim of this paper had been to explore disintegrative and integrative restructuring by comparing theoretically sampled case studies. This was not possible to complete because of time constraints, but it remains our next important

step in exploring the relevance of this approach to theorizing identity-restructuring dynamics.

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TABLE 2: MANAGERS' ORGANIZATIONAL IDENTITY, 1990-1993
INFERENCES FROM EMPIRICAL MATERIALS

<i>Dominant features</i>		
CHARACTERISTIC	TYPICAL QUOTES	INTERPRETATION
we are proud of our company	<ul style="list-style-type: none"> o 'Jesenické Strojírny was a good employer; it was one of the biggest employees in region, a big influence on everyone in the region, and one of the few that exported products... [The] image of Jesenické Strojírny for most employees was always one of prosperity. Most people were proud to work for such an important enterprise - it was a thing of honour' (SM4) o 'It was one of the best enterprises in the past - if people were not proud, they were also not ashamed. The wages were the highest in the region, and people could spend their leisure time with the help of the enterprise' (SM1) o '[What was]... valuable from the past? A certain pride, loyalty and sense of [social] responsibility (SM1) 	Managers attribute lots of important and positive features to Jesenické Strojírny, often reflecting their experiences of stability and security. The enterprise had a strong reputation in its field in socialist times and this led to a high level of identification.
we are stable and orderly	<ul style="list-style-type: none"> o 'There was the very strong pressure of hierarchical control' (MM1) o '[The former GD] was like Napoleon... He was the only one who was always right.' (TM2) o 'the system just had to be managed...' (SM2) 	The enterprise is strictly hierarchical and managers and employees saw it in vertical terms with expectation of obedience, predictability and passivity.
we are technically excellent, production- and quality-oriented	<ul style="list-style-type: none"> o Jesenické Strojírny is 'focused on designing, manufacturing and assembly' (1990 company brochure) o 'The quality of workers is high, especially in design and production...' (SM3) o 'many people of keen on their work and this built into a tradition, giving us the ability to survive' (TM3) 	The company's reputation lies in its engineering and technical prowess and the high skills of the workforce. These are essential qualities of the enterprise as we move forward.
we are socially caring	<ul style="list-style-type: none"> o '...the company lays emphasis on social security [of employees]... and humanization' (1991 Annual Report) o '...our approach is to give employment security' (MM1) o 'The enterprise found illegal ways of using production and enterprise finance to support non-work and leisure activities' (SM1). o 'Jesenické Strojírny did a lot for workers in terms of sports and recreation...' (SM3) 	The enterprise has a social conscience and does lots of things to look after employees and the community
we are cooperative	<ul style="list-style-type: none"> o 'It was tight network between Jesenické Strojírny, [the strategic enterprise], its planning departments and [the Foreign Trade Organization]' (TM3). o 'There are very good connections between the different plants...' (TM1) o 'The most important source of prosperity in our company is the general sharing of our culture... We share common interests' (Annual report, 1994) 	The organization is cooperative with different stakeholders both inside and outside the organization. We are well-networked in the industry and operate as an integrated whole in a system of co-working

Counter features		
CHARACTERISTIC	TYPICAL QUOTES	INTERPRETATION
We have shame	<ul style="list-style-type: none"> ○ 'Current changes are from "shame to pride", a cultural change which is only just beginning' (SM1) ○ 'The use of social and recreation facilities was only for certain favoured people. The trade union decided who would have access, according to two criteria, their function in the trade union and their political ideas' (MM1) 	Alongside the pride we feel, we have also done things wrong; the ideology of the enterprise was sometimes different from reality.
We are big and slow, inefficient and ineffective	<ul style="list-style-type: none"> ○ 'PSP is too big, and the decisions take too long' (TM1) ○ 'We could not create the real picture of organisational effectiveness... There are no real principles or rules to guide the effectiveness of the factory - e.g. to be efficient with resources' (SM2) ○ 'Now we are trying to create conditions for an environment in which workers to be more effective, one where results determine promotion or motivation' (MM3) 	The very features that used to be strengths and signs of organizational value and efficiency are also associated with negative meanings, which mean we are maladapted to the new context.
We are poorly disciplined, passive and uncaring about quality	<ul style="list-style-type: none"> ○ 'The motivation of workers was at a low level - people were not expected to be effective' (SM2) ○ 'There was the bad approach of workers; no new ideas; and a bad approach to quality'. (MM1) ○ 'we're going to the market, and everyone is waiting for instructions about how to get there' (TM4) 	How we do things is still related to what was accepted and expected in the past, but this identity is not consistent with post-socialist times.
We are internally divided	<ul style="list-style-type: none"> ○ '... there was very strong fighting and wars between departments, especially between technical, production and commercial (TM2) ○ '...fear is doing the thinking, so we don't have to think...' (MM1) ○ 'the factories work independently, only for their own good' (TM4) 	We claimed to be cooperative with shared values, but there were important, if dormant, conflicts between different parts of the enterprise.

<i>Latent features</i>		
CHARACTERISTIC	TYPICAL QUOTES	INTERPRETATION
We are independently minded	<ul style="list-style-type: none"> ○ 'we help ourselves by ourselves - this is the Czech approach... independence is good... I love to be free, to decide by myself' (TM1) ○ 'we love a challenge, to have a free hand to realize new ideas...' (SM4) ○ Unlike GDs [in other enterprises who remained dependent on state agencies, we] would go to Prague to meet foreign clients e.g. the Brazilians. This established independent contacts... (TM3) 	Despite all the pressures of the command economy, we were mavericks and sought to optimize independence from the hierarchy.
We are progressive	<ul style="list-style-type: none"> ○ 'In 1968, [two managers] put forward a redesign of the organisation that's very much like the divisionalized design. This progressive design was not realisable then because it offered too much autonomy... (TM2) ○ 'Under [the former GD], the economy of the factory began to orient towards Western market economies - and became more progressive in the way it was managed' (SM2) ○ '... in many ways, the GD was progressive.' (TM3) 	Jesenické Strojírny has an organizationally progressive and innovative streak that is part of the tradition of enterprise. This is despite the dominant customs of the enterprise
We are modern	<ul style="list-style-type: none"> ○ '[The former GD]... was respected and liked, and would be successful today... It was a pity for him to be born too soon. He used modern methods and tried to implement changes he had learned from... Western contacts' (SM1) ○ 'It was an advantage for commercial and technical people to meet with foreign [companies], because it gave them experience of [how to be] competitive and modern' (SM3) ○ 'changes in the structure represent the modernization of the company as a step towards greater prosperity' (Annual Report, 1994) 	We have always kept in touch with modern ways and practices, so we knew what we had to do with the arrival of the market economy

