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# Leadership and Organizational Culture

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In approaching this topic it is always tempting to start fresh with new insights and to forget history. Yet the question of what the leader of the future should be like is not new. It is, in fact, one of the oldest questions in the field of leadership. Because of this, we ought to reflect a bit on what will be genuinely different in the future before answering the question. The first task is to talk about the aspects of leadership that will *not* change.

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*Note:* This essay is based in part on material drawn from *Organizational Culture and Leadership* (2nd ed.), by Edgar H. Schein (San Francisco: Jossey-Bass, 1992).

## What Is Not New

Leaders have been studied throughout history, and social psychology has, from the outset, made leadership a main focus of research. One of the most consistent findings by historians, sociologists, and empirically oriented social psychologists is that what leadership should be depends on the particular situation, the task to be performed, and the characteristics of the leader's subordinates. One reason so many different theories of leadership exist is that different researchers focus on different elements. At one level all of these theories are correct, because they all identify one central component of the complex human situation that is leadership, analyze that component in detail, and ignore others. At another level, all of these theories lack a concern with organizational dynamics, particularly the fact that organizations have different needs and problems at different stages in their evolution. We tend to treat the topic of leadership in a vacuum instead of specifying what the leader's relationship to the organization is at any given time. As we look ahead, I suspect that the relationship between the leader and the organization will become more and more complex, so a beginning model for analysis should be useful.

Given the above issues, I would like to focus on the unique characteristics of the challenges that face people who create organizations (entrepreneurs) and those who run organizations (CEOs) at various stages in the organization's life cycle. In thinking about organizations as dynamic systems with a life cycle of their own, we can identify such unique challenges and consider their implications for leadership behavior. Although the nature of organizations will undoubtedly change in the future, the challenges of creating, building, maintaining, and changing (evolving) organizations to new forms will remain the same.

### Creating: The Leader as Animator

At the early stages of organizational creation, a unique leadership function is to supply the energy needed to get the organization off

the ground. Much is said about the *vision* of entrepreneurs, but not enough is said about the incredible *energy* they display as they try one approach after another, facing repeated failures, in their efforts to start an enterprise. I have watched this process in a number of young companies and am always struck by the fact that the leaders have so much energy and manage to transmit that energy to their subordinates. It is an energy born out of strong personal convictions, which motivates the entrepreneur and builds excitement in others. Such people often literally breathe life into the organization; hence we should use a term like *animator* to describe this kind of leader.

### **Building: The Leader as a Creator of Culture**

Once an organization has the potential to live and survive, the entrepreneur's beliefs, values, and basic assumptions are transferred to the mental models of the subordinates. This process of building culture occurs in three ways: (1) the entrepreneurs only hire and keep subordinates who think and feel the way they do, (2) they indoctrinate and socialize subordinates to their way of thinking and feeling, and (3) their own behavior is a role model that encourages subordinates to identify with them and thereby internalize their beliefs, values, and assumptions.

It is crucial to recognize at this stage that if the organization is successful and the success is attributed to the leader, the leader's entire personality becomes embedded in the culture of the organization. If the leader has conflicts, such as wanting a team-based consensus process for decision making and, at the same time, wanting to maintain complete control and reward subordinates for individual prowess in solving problems, we will see inconsistent policies regarding decision making, incentives, and rewards. Leaders, then, can actually create "neurotic" organizations, which live with various degrees of conflict and exhibit uneven patterns of strengths and weaknesses. The point in highlighting this stage is that once the conflicts become embedded in the culture of the organization, they

cannot easily be changed, because they have also become associated with the organization's prior history of success and are therefore taken for granted as the best way to do things.

### **Maintaining: The Leader as a Sustainer of Culture**

As history has shown over and over again, successful organizations attract imitators, who may become successful competitors. Products and markets mature and what made an organization successful in its youth is often insufficient to maintain it. The "neuroses" of youth that may have provided some of the energy needed to build the organization can become liabilities as the organization attempts to adapt to maturing markets, more severe competition, its own increasing size and complexity, and the aging of its leaders and work force.

The creators and builders of organizations often falter at this stage. What was good for the young organization—the high energy level and compulsive vision of its founders—becomes a liability as the organization finds that it needs to stabilize itself, become more efficient, deal with the fact that its products have become commodities, and most important, evolve new generations of leaders for a different kind of future. The problem in making this transition has two components: (1) the founder-builder does not want to let go of the leadership role or is emotionally incapable of doing so or (2) the founder-builder creates (often unconsciously) a variety of organizational processes that prevent the growth of the next generation of leadership.

Management development is typically a very weak function in young organizations and succession is often based on criteria that are not relevant; for example, the organization may promote the people who are most like the entrepreneur or who are technically the most competent in the area of the organization's work, rather than seeking out people who have managerial talent. Founder-builders often glorify the "technical" functions such as research and development, manufacturing, and sales and demean "managerial"

functions such as finance, planning, marketing, and human resources. At the personality level, leaders often prevent potential successors from having the kind of learning experiences that would enable them to take over or, worse, they undermine any successors who display the strength and competence to take over.

The successful leaders at this stage are the ones who either have enough personal insight to grow with the organization and change their own outlook or recognize their own limitations and permit other forms of leadership to emerge. If neither of these processes occurs, the organization often finds itself having to develop other power centers, such as boards of directors or political cabals, who force the founder out of the CEO role into other roles or out of the organization altogether. A new CEO then comes in with a mandate to help the organization grow and remain successful.

Such growth requires the CEO to understand the organization's culture, with all of its strengths and weaknesses, and to consolidate the elements that are needed to maintain the organization's ability to function and grow. This is a period that we often think of as "institutionalization"; it consists of identifying the successful elements and giving them permanence and stability. If the organization continues to be successful, it grows in size and age, forcing leaders to consider how to evolve processes that worked on a small scale and with young people into processes that work on a global scale with maturing employees—a totally different leadership task. The elusive qualities of judgment and wisdom are probably the most critical for leaders to possess at this stage of organizational evolution.

### **Changing: The Leader as Change Agent**

Unfortunately, as the rate of change in the technological, economic, political, and sociocultural environments increases, the very strengths that were institutionalized can become liabilities. Leaders now have to begin to think like change agents, because the problem is not only how to acquire new concepts and skills, but also how

to *unlearn* things that are no longer serving the organization well. Unlearning is an entirely different process, involving anxiety, defensiveness, and resistance to change.

Leaders who find themselves in a mature organization that has developed dysfunctional processes, and who therefore must think of themselves as agents of change, need two particular characteristics. First, they have to have the emotional strength to be supportive of the organization while it deals with the anxieties attendant upon unlearning processes that were previously successful, that is, the ability to create for the organization a sense of “psychological safety.” And second, they need a true understanding of cultural dynamics and the properties of their own organizational culture.

The critical thing to understand about cultural dynamics is that leaders cannot arbitrarily *change* culture in the sense of eliminating dysfunctional elements, but they can *evolve* culture by building on its strengths while letting its weaknesses atrophy over time. Culture cannot be manipulated by announcing changes or instituting “programs.” If the organization has been successful doing things in a certain way and has evolved mental models based on those methods, it will not give them up. However, mental models can be broadened and enlarged. (I am indebted to Geoff Ainscow for the insight that one does not necessarily give up cultural elements when one learns something new, but adds those elements to what is already there. When a native of England becomes American, he or she does not necessarily give up being English but adds what it means to be an American to his or her total personality.)

An organization built on individual incentives cannot become a set of teams simply because the CEO announces that teamwork is now necessary and launches a team-building program. However, if the CEO understands cultural dynamics, he or she will begin to reward individuals for helping others and for contributing to other projects, thereby acknowledging the deep individualism of the organization but broadening the concept of individual competence to increasingly include “working with others,” “building trust-

ing relationships,” “opening up communication across boundaries,” and so on.

The essential learning mechanism here, what I have called “cognitive redefinition,” involves (1) new semantics, that is, redefining in a formal sense what individualism means; (2) broadening perceptions to enlarge one’s mental model of individualism to include collaborative behaviors as well as competitive behaviors, while still seeing oneself as individualistic; and (3) developing new standards of judgment and evaluation so that competitive behavior may now be viewed as more negative while collaborative behavior is viewed as more positive. Culture is “changed”—in reality, enlarged—through changes in various key concepts in the mental models of people who are the main carriers of the culture.

Note, however, that such transformations do not occur through announcements or formal programs. They occur through a genuine change in the leader’s behavior and through embedding new definitions in organizational processes and routines. It is here that the leader must “walk the talk,” and that, of course, implies that the leader has also undergone a personal transformation as part of the total change process. If the leader’s behavior and organizational routines both change, the organization will remain culturally individualistic but the ability of its members to function as team members will increase. Whereas previously, individualism might have meant personal competition to get ahead by playing political games, the concept is now broadened and redefined to include whatever teamwork is necessary to get the job done, and individuals are rewarded on this basis.

If the organization is in deeper trouble, and its culture is genuinely inhibiting the kind of growth and change that are needed, the leader, as a change agent, sometimes has to bite the bullet and destroy some more central elements in the organization itself that are the culture carriers. For example, some managers may be so indoctrinated with the idea that individualism means competing with others in the organization to get ahead that they are unable or

unwilling to open themselves up to any other alternatives. To become more collaborative would be tantamount to “not being themselves.” Sometimes such individuals leave when leaders bring in new concepts, but if not, the organization faces what we colloquially call “turn-arounds.”

It is no accident that when the “turn-around manager” comes in, the top layers of management are usually replaced and massive reorganizations occur. The function of these drastic measures is to destroy elements of the old culture and to initiate a new culture-building process by removing the people who carry and represent the old culture. It is incorrect to think of this stage as “creating a new culture,” because that is not possible. The leader can create a new organization with new procedures, but the formation of culture requires collective learning and repeated experiences of success or failure.

It is more correct to think of this point in the organization’s history as a time when the organization-building cycle starts afresh. Turn-around managers can then be thought of as needing many of the same qualities as entrepreneurs, particularly the ability to animate a new organization. In addition, however, the turn-around manager must deal with the anxiety and depression of the employees who remain and who feel guilty that they survived while many of their colleagues and friends did not. Rebuilding their motivation and commitment often requires higher levels of animation than building an organization in the first place.

What cannot be ignored by leaders is that the destruction of culture is extremely costly on a human level. Large numbers of people have to face the fact that the way they have been thinking and feeling is no longer functional. Personal change at this level is typically difficult, so people who represent the old way tend to be forced out of the organization. The new people who come in have to start a building process all over again, and it is not even clear whether this is always possible. A mature dysfunctional organization may disappear altogether and be replaced by young organizations that start

from scratch, with new generations of entrepreneurs whose initial mental models were different and better adapted to current realities.

The organizations that have survived and made important transitions over many decades seem to have always had a cultural core that was fundamentally functional—a commitment to learning and change; a commitment to people and to all of the stakeholders in the organization, including customers, employees, suppliers, and stockholders; and a commitment to building a healthy, flexible organization in the first place. If such a cultural core does not exist from the beginning, the organization may not survive in the long run, especially as environmental turbulence increases.

### A Look Toward the Future

What, if anything, do or should these leadership roles have in common? As we look back in history, it should be evident that the builders are fundamentally different from the maintainers and changers. It takes strong vision, conviction, and energy to create and animate an organization; it takes great judgment, wisdom, and skill in pulling large groups of people together to institutionalize processes on a global scale with a population that varies widely geographically and in age. And it takes learning ability and personal flexibility to evolve and change organizations. It is around this last point that we connect with the future and what it will bring.

The one thing that is becoming clearer and clearer is that the institutions of the past may be obsolete and that new forms of governance and leadership will have to be learned. Furthermore, as the rate of change itself increases, learning ability will not consist of the one-time learning of a new system; *perpetual* learning and change will be the only constant. Leaders of the future will therefore have to have more of the following characteristics:

- Extraordinary levels of perception and insight into the realities of the world and into themselves

- Extraordinary levels of motivation to enable them to go through the inevitable pain of learning and change, especially in a world with looser boundaries, in which loyalties become more difficult to define
- The emotional strength to manage their own and others' anxiety as learning and change become more and more a way of life
- New skills in analyzing cultural assumptions, identifying functional and dysfunctional assumptions, and evolving processes that enlarge the culture by building on its strengths and functional elements
- The willingness and ability to involve others and elicit their participation, because tasks will be too complex and information too widely distributed for leaders to solve problems on their own
- The willingness and ability to share power and control according to people's knowledge and skills, that is, to permit and encourage leadership to flourish throughout the organization

Perhaps the most salient aspect of future leadership will be that these characteristics will not be present in a few people all the time but will be present in many people some of the time, as circumstances change and as different people develop the insight to move into leadership roles. Leadership will then increasingly be an emergent function rather than a property of people appointed to formal roles. Whereas today the process of appointing leaders is a critical function of boards of directors, electorates, government agencies, and so on, we can imagine that, in the future, appointed leaders will not play the key leadership roles but will be perpetual diagnosticians who will be able to empower different people at different times and to let emergent leadership flourish. They will *not* assume that all

groups need leadership, they will *not* assume that leadership means hierarchy and control of others, and they will *not* assume that accountability must always be individual. Instead, the leader of the future will be a person with the characteristics mentioned above who can lead and follow, be central and marginal, be hierarchically above and below, be individualistic and a team player, and, above all, be a perpetual learner. If the world is to learn to manage itself better, many more people in organizations will have to be leaders and the leadership functions described above will have to be much more widely shared.