



Emotional Filtering in Strategic Change

BY **QUY NGUYEN HUY**

Based on the results of a three-year research project carried out within a large company that was undergoing strategic changes, INSEAD Professor Quy Huy has developed a theory by describing employees' emotional responses to the actions imposed on them by the company's executives. He has named the emotionally charged interpretations employees make of the changes proposed by their hierarchical superiors as "emotional filtering". The latter, by turn, directly influence their employees' cognitive and behavioral responses. In this article Professor Huy shows how emotional filtering can affect the results of strategic change projects at organizations.

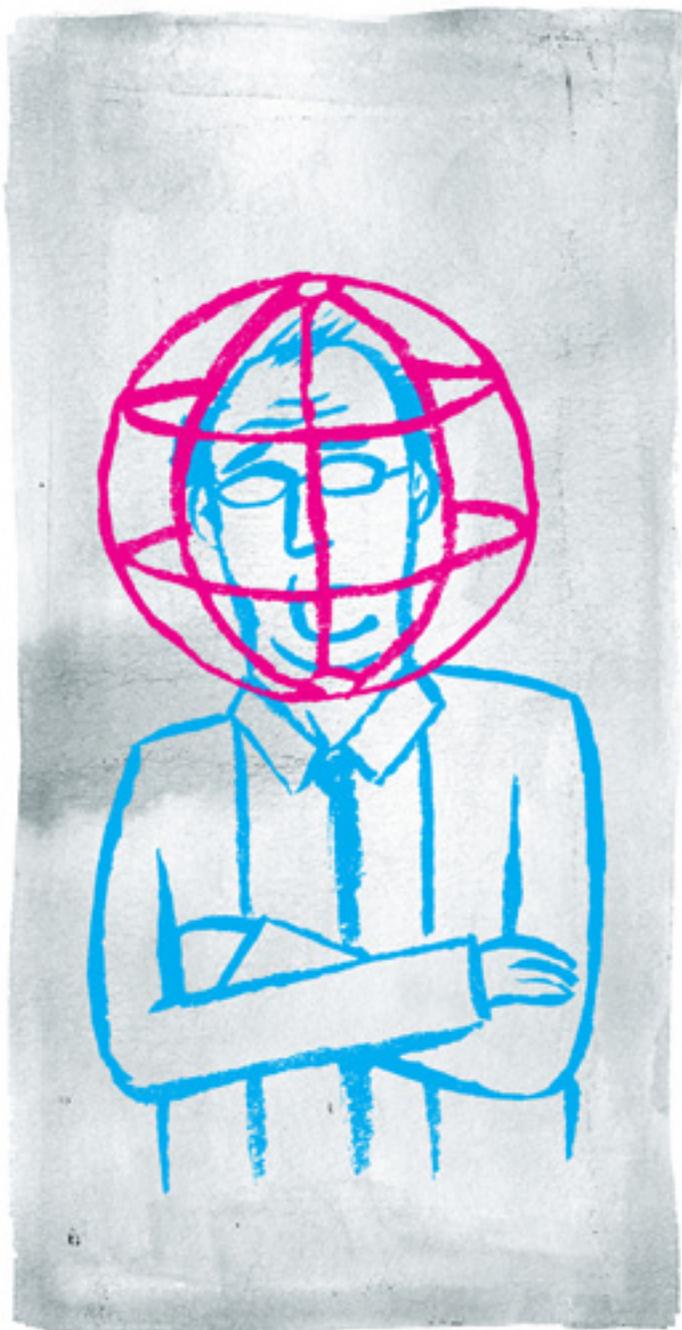
Competitive pressures caused by deregulation and discontinuous technological changes seem to force many industry incumbents to consider a strategic change in order to survive and grow. A strategic change refers to a qualitative alteration of an organization's ways of interacting with the world around them. Such changes may be infrequent in organizational life, but they are consequential to an organization's life chances: realizing strategic change is difficult, and underperformance and mortality risks are significant.

Fundamental change in strategy, personnel, organizational identity, or established work roles and interests often triggers intense emotions. Emotions in turn affect how different groups interpret a proposed change and how they behave. But there has been little systematic, empirical

research on the interaction of multiple groups during strategic change. In particular, despite the potency of emotion in hindering or facilitating organizational change, few empirical studies have systematically explored in real time the nature and role of emotional processing in strategic change. Although there is an abundant literature on emotions in social psychology, empirical research on emotion in work contexts has only begun to explore organizationally social-constructed emotional manifestations such as feeling rules and display norms, the effects of emotional expression on work outcomes, or affective convergence or diversity in specific groups. Many of these studies were conducted in relatively stable work contexts, often involving customer service roles, and/or were cross-sectional. Lacking is an understanding of

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EMOTIONAL FILTERING IS IMPORTANT BECAUSE IT PROVIDES A MORE DETAILED UNDERSTANDING OF THE SPECIFIC EMOTIONS THAT FACILITATE OR HINDER THE REALIZATION OF STRATEGIC CHANGE



how specific emotions can differentially affect the interpretations and behaviors of various groups involved in such change and how these emotions impinge on the dynamics of strategic change and its outcomes.

In this paper, I investigate what specific emotions hinder or facilitate the implementation of strategic change. Based on the findings of a three-year field study of a large firm undergoing strategic change, I build a theory by describing how recipient employees emotionally responded to executives' actions. Emotional filtering is defined as change recipients' emotionally charged interpretations of agents' actions that materially influence recipients' cognitive and behavioral responses to the proposed change. It is shown how emotional filtering differentially affects the outcomes of major change projects. Emotional filtering is important because it provides a more detailed understanding of the specific emotions that facilitate or hinder the realization of strategic change. I show how emotions played a critical role in determining the outcomes of such change and thus invite researchers to devote more attention to specific emotional states as important proximal, mediating outcomes that energize the often-protracted process of implementing ambitious change before attaining more distal macro outcomes. The effectiveness of change actions could be assessed in part and earlier through the specific emotional states that these actions are intended to arouse. Before presenting the findings, I will first discuss the conceptual foundations of the relationships between emotions and the dynamics of strategic change.

EMOTIONS AND THE DYNAMICS OF STRATEGIC CHANGE

A review of the literature on emotions gives us some understanding of how they can influence change recipients' behavior. Emotions are inherent to change in that they are aroused not by the presence of favorable or unfavorable conditions but by actual or expected changes in these conditions. Cognition and emotion are intertwined inasmuch as cognitive appraisals are often necessary to arouse emotion.

Lazarus' (1993) emotion theory suggests individuals go through a two-stage appraisal process. Through primary appraisal, they evaluate the significance of a new event in relation to their own goals and concerns. If they appraise the potential consequence as beneficial, pleasant feelings are

aroused. They experience unpleasant feelings if they appraise the consequence as potentially harmful. Emotions can at times lead to fear paralysis, but they often generate a readiness to act that prepares people to take action. Emotions first serve as relevance detectors focusing people's attention on change events, then as motivators of action. Potential action response is determined through secondary appraisal whereby people evaluate their own capabilities for dealing with a relevant event. If they believe they have adequate resources to deal with this event, they are more likely to respond actively (sometimes referred to as fight). Otherwise, they may adopt a passive/ avoidance approach (flight).

Furthermore, emotions can serve as information for decisions, as typified in the question "How do I feel about it?" Feelings have been shown to guide inferences and judgments about causal responsibility, desirability of risk-reward tradeoffs, problem solving strategies, and perceived risks. People often form overall evaluations based on their feelings about the target and appear to do so in an informed, deliberate manner. The initial emotional response generates subsequent cognitive processing. This initial response can cue emotion-congruent information in memory. Knowledge may be actively recruited to analyze the emotion-arousing event and transform the initial emotional response into a motivationally relevant response.

Early change theories such as Lewin's (1947) unfreeze-change-refreeze model postulate that change typically starts by arousing uncomfortable emotions in recipients by disconfirming their previous beliefs and creating cognitive dissonance. This arouses agitated feelings such as fear, anger, and discomfort (Scherer & Tran, 2000). Schein (1996) notes that "all forms of learning and change start with some form of dissatisfaction or frustration generated by data that disconfirm our expectations or hopes." Argyris (1990) added that cognitive disconfirmation is not sufficient to motivate people to change, as people can defensively dismiss it as irrelevant, blame the undesired outcome on others or fate, deny its validity, or deemphasize its importance. People may even have to experience survival anxiety (feeling that if they do not change they will fail to meet their basic needs) or survival guilt (feeling that they have failed to achieve certain ideals they set for themselves). These agitated

emotions act as a force that causes disequilibrium in human systems and induces receptivity to change. Yet, the same agitated emotions could induce among recipients learning deficiencies such as shallow cognitive processing, deficient inductive reasoning and attention, or reduced memory span. Too intense and too long a state of agitation could be dysfunctional to voluntary and deep mobilization and learning from interim change outcomes.

In strategic change contexts, these individual emotional states could converge into intense group emotions through several mechanisms. First, employees who share a common organizational culture tend to have similar beliefs leading to similar appraisals and emotions. Second, a group tends to translate tendencies into collective expressions more easily than individuals acting alone, because group membership boosts people's feelings of power while emboldening them through a perception of anonymity. Third, emotional contagion could be at work: individuals could unconsciously respond to others' emotional displays by imitating and exaggerating them. The perceived threats involved in strategic change increase affiliative needs, particularly among people who believe they are confronting the same situation. Group members who identify strongly with one another are more likely to catch each other's emotions, since synchrony conveys empathy. The group's emotional charge amplifies through mutual interaction that promotes group cohesion and continuity.

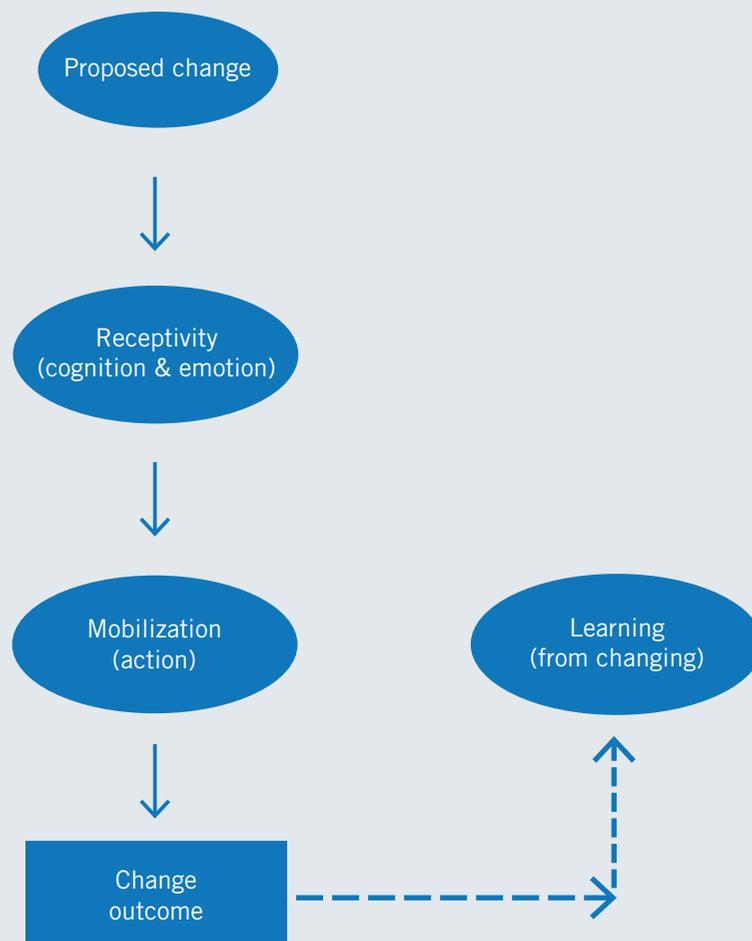
Conceptual research on emotion and change at the collective group level has hypothesized how emotional states could affect the various dynamics of organizational change. As shown in **Figure 1**, Huy (1999) suggests that strategic change could be construed as the interplay among at least three change dynamics: receptivity, collective mobilization, and learning. Receptivity as a process shapes and is shaped by the continuous sensemaking and sensegiving activities conducted among various members of the organization. People seek to understand the meaning and nature of the proposed change and to influence each other toward a preferred redefinition of the organizational reality. To the extent that strategic change involves a fundamental change in some employee groups' core values and personal welfare, it is likely to trigger strong emotional responses, which will affect how

the change is construed and the nature of ensuing actions. Receptivity to change can be characterized by varying gradations of willingness to accept the proposed change, and these can range from resigned, passive acceptance to enthusiastic endorsement. Resistance to change represents the other face of receptivity and can vary from sabotage to quiet cynicism and withdrawal behavior. Some degree of receptivity to change is necessary for cognitive exploration and collective mobilization to take place.

At the organizational level, collective mobilization refers to the organizing ability to rally and propel different groups to undertake joint action and realize common change goals. This ability hinges on the availability of adequate resources but, most importantly, the necessary commitment and skill sets to cooperate during the

change process. Mobilization involves the notion of collaborative know-how as an organization-wide capacity to implement change that cuts across departments, individuals, and time. It requires active collaboration among team members that goes beyond simple compliance. Adherence to the spirit of the change goals, rather than just to the letter, is necessary to overcome unforeseen complications along the way. This requires deep understanding of the change rationale and commitment that would minimize inconsistencies in operationalization. Mobilization requires commitment and effort devoted to change actions, and these requisites are contingent on adequate receptivity to the proposed change. Wide acceptance of the proposed goals accelerates the change process. Collective mobilization requires significant emotional energy

FIGURE 1 | CHANGE DYNAMICS IN RADICAL CHANGE (HUY, 1999)



because aggregate strong personal motivations and commitments are necessary to fuel persistent efforts to complete the actions despite the great difficulties inherent in strategic change.

Beyond receptivity and mobilization, people can learn from the outcomes of the change they enact. Learning provides the feedback loop from the interim outcomes of mobilization actions to receptivity. Emotion supplies the primary feedback mechanism that alert people that various goals are not being achieved, and this arouses feelings of discomfort that stimulate questioning and change. Indeed, change of core beliefs and values often starts with exposing and challenging deep-rooted assumptions. Single-loop learning occurs when the error is corrected by changing the behavior; double-loop learning requires changes in the underlying assumptions, and activates strong emotions. While mobilization may focus people on actions, it can also lead to collective complacency, herd behavior, escalating commitment, and eventual disaster. To counter this tendency toward sub-optimal simplicity, effective learning processes allow people to detect early mistakes and rectify them before they become insurmountable.

In sum, conceptual research on strategic change suggests a strong emotional content, and the implementation of strategic change could be facilitated or hindered by the arousal of specific emotions. In the field study described below, I empirically explore what specific emotions affect what change dynamics and how emotional filtering operates. I will also highlight three emotion-based findings: (1) the triggers of emotionally charged perceptions of change agents' actions could be multilevel: personal, organizational, and interpersonal; (2) the intensity of agitated emotions (anger, fear, discomfort) needs to be juxtaposed/ attenuated by more quiescent emotional states (sympathy, hope, and comfort, respectively); (3) specific emotions affect different dynamics of change: sympathy facilitates receptivity to change; comfort facilitates learning from changing; hope facilitates collective mobilization.

RESEARCH SETTING “Zatac” is a large service-providing company in the information technology industry, which for many years enjoyed a dominant market position. The company developed an integrated distribution network using state-of-the-art technologies that enabled it to achieve competitive

WIDE ACCEPTANCE OF THE PROPOSED GOALS ACCELERATES THE CHANGE PROCESS. COLLECTIVE MOBILIZATION REQUIRES SIGNIFICANT EMOTIONAL ENERGY



I WILL DESCRIBE A DOMINANT EMOTION THAT INFLUENCES A GIVEN CHANGE DYNAMIC

advantage over large geographical areas. It had over 50,000 full-time employees, an established reputation, net assets of about \$10 billion, and a market value of more than \$15 billion. Its core competence lay in a strong engineering culture that designed high-quality and reliable technologies, with cost as a secondary consideration.

Deregulation, followed by the entry of international competitors, changed the rules of 1 market engagement virtually overnight. A fundamental and sudden change in strategy and organizing was required to address the shift from mild national competition to extreme global competition. A vicious price war ensued. Annual profits declined by almost half in a single year as the company faced rapid market erosion of about 10% annually. When this trend had continued unabated for two years, the board of directors appointed a newcomer to the organization, “John Maxwell,” as CEO. Within a year, Maxwell decided to initiate strategic change by launching a series of major large-scale initiatives that will be described below. The imposed changes were important in at least three ways. First, a sudden shift was brought about from an engineering-dominated, universal service culture in a quasi-monopolistic environment to one with a market customization focus. A new set of organizational competencies had to be developed quickly. Second, lifetime job security and seniority entitlement were abolished over night in this century-old company. Third, tight control of cash flow and financial accountability were imposed on an organization that had been accustomed to a munificent past with more relaxed resource allocation procedures.

Owing to previous interactions with the company, I began my research on good working terms with several groups inside Zatac. I was granted unfettered research access by several executives as a non-participant observer. I was thus able to follow the unfolding of the transformation effort for three years in real time right from its launch. As the effectiveness of various group behaviors, including

those related to emotion management, during strategic change is not well understood, I used an inductive approach. My initial research questions were open-ended: How do various groups think, feel, and act in a strategic change context?

DATA COLLECTION

I conducted over 1,000 informal conversations with about 500 employees at all levels of the organization to corroborate and triangulate what I had seen and heard and to watch for new experiences of change. This informal process allowed me to screen the individuals most likely to provide insightful but differentiated perspectives; I then solicited them for regular formal interviews. I often asked those interviewed to nominate at least two other individuals who they felt were influential in affecting the realization of one or several change projects in which they were involved, particularly individuals who they felt might not share the same perspective. I repeated the procedure until the different viewpoints gathered repeated themselves at least twice with different projects or groups. I eventually followed the evolution of 148 people at different levels of Zatac, including 10 executives and 104 middle managers in real time over three years. A person could act as a change agent in relation to one change project and be a recipient in relation to another. I interviewed many of them more than once, resulting in a total of 265 formal interviews. More than 80% of these were taped and transcribed. I had an office on site and had many opportunities to observe people in their work setting, interact with them, and observe many group meetings. The company also provided a report of focus groups it had conducted with frontline workers to capture their perceptions of change. Multiple data collection techniques, including observations and archival data, allowed me to triangulate findings from diverse sources to build stronger assertions about interpretations.

DATA ANALYSIS

To study how specific emotions influence change recipients' interpretations and behaviors--the focus of this article--I conducted the analysis of my data in three broad 3 steps. I elaborated each step in turn.

First, I identified the seven change projects launched by senior executives (**Table 1**). These executives included the CEO and his close reports, the executive and senior vice presidents.

For each of these seven projects, I identified the types of emotion that were aroused among the recipients in relation to specific executives' change actions involved. I identified the people who

expressed their views about one or several of these projects. Coding of these emotional patterns relied on evidence of emotional content in observed or self-reported statements and actions. I tried not to make too wide an inferential leap about internal emotional states and sought to corroborate these inferred states with observable outer emotion-laden expressions or behaviors. Wherever possible, I ensured that each pattern was supported by at least two data sources. For instance, I took care that expressed statements reflecting an emotion were corroborated by observable behaviors, informal observations, or archival information. **Table 2 and 3** illustrate how I defined and coded the three dominant emotion types,

TABLE 1 - CHANGE PROJECTS LAUNCHED BY SENIOR EXECUTIVES

Change projects initiated by senior executives	Outcome	Emotions aroused	
Structural change from bureaucracy to divisionalized form	Failure after one year	Anger Fear Discomfort	
Structural change from divisionalized form to hierarchical bureaucracy with four executive Vice Presidents (VP)	Failure after one year	Anger Fear Discomfort	
Structural change from previous hierarchical form with one of the 4 previous Exec VP promoted to Chief Operating Officer for line operations while all staff functions reported directly to CEO	Failure after one year. CEO and top team quit	Anger Fear Discomfort	
Change in interpersonal relations decreed by CEO: "warm intensity"	Failure	Anger Fear Discomfort	
Downsizing 25% of work force or 13000 jobs	Success	Sympathy Anger Fear	Discomfort Hope Comfort
Changing 3000 strong sales force from generalist salespeople to specific industry specialists	Success	Sympathy Anger Fear	Discomfort Hope Comfort
Changing accounting measures to cash flow measures	Success	Emotionally neutral change-change did not arouse much emotions in recipients	

Note | Even in the cases of successful change projects, recipients could still experience emotions such as anger, fear, and discomfort either about the radical change context in general or about other change projects that affected them. However, these agitated emotions should be distinguished from more quiescent emotions experienced in relation to the specific project described. In aggregate, these various types of emotions were juxtaposed.

TABLE 2 | TRIANGULATION OF MULTIPLE SOURCES OF DATA FOR CHANGE IN INTERPERSONAL RELATIONS INITIATED BY CEO: "WARM INTENSITY" (FAILED)

All employees to display warm commitment to work with each other but focused and intense in actions and achieving business results

Emotion and change dynamic	Formal interviews	Informal discussions	Observations	Company surveys	Company documents
Anger and Receptivity	<p>People from outside have more generous compensation, are better regarded and treated</p> <p>Warm intensity was just another piece of empty rhetoric</p>	<p>Veteran recipients complained that top executives were not walking the talk.</p> <p>People were angry that Zatac's reputation of good customer service was destroyed by newcomer execs</p>		46% felt valued as employees	<p>Senior exec' s letter to middle managers: "Cynicism will not be tolerated"</p> <p>Focus groups conducted with 40 representatives of front-line workers report that many feel that the company is led by outsiders who are mainly interested in the needs of the financial sector</p>
Fear and Collective Mobilization	Veteran middle manager: There is a lot of fear. A lot of people know that we are not going to achieve all these major change projects. Many of us shared that feeling	Veterans report many incidents of newcomers disparaging them as unfit for new context - Many dared not confide to others in the company for fear disclosed info could be used against them	Org chart shows that by third year of CT, 1 woman, 5 Hispanics, and 9 veterans occupied the top 24 posts. Employee base has 40% women and 40% Hispanics.	- 38% feel that the organization has a sincere interest in their well-being	
Discomfort and Learning from changing	Veterans midmgr: They expect veterans to object to change. So our opinions are ignored CEO: I got a lot of filtered data - In this culture, we penalize reporting bad news	Veterans called some newcomer execs "change mercenaries" with short term cost cutting mandate.	Many information about weaknesses of Information technology systems or interim results of change projects were not shared with newcomers	Close to 80% felt that senior execs were not visible; - 57% have confidence in leadership - 40% felt that senior execs were open & honest	40 representatives of front-line workers report that some feel that top managers are not comfortable with the Hispanic culture

**TABLE 3 | TRIANGULATION OF MULTIPLE SOURCES OF DATA FOR PROJECT (SUCCESS):
CHANGING 3000 STRONG SALES FORCE FROM GENERALIST SALES TO INDUSTRY SPECIALISTS**

Emotion and change dynamic	Formal interviews	Informal discussions	Observations
Sympathy and Receptivity	Consultant: Industry specialization was framed as an expansion of Zatac's core value of customer service	Recipients reported that this change would improve their sales skills and allow them to achieve better results. Veterans did not refer to newcomer executives as change mercenaries as in other projects	Each change team had two co-leaders. Most are veterans representing different sales divisions to be merged
Hope and Collective Mobilization	Veteran senior midmgr: Everyone was looking for a means to accomplish this change in a very short time. We have people specialized in various industry segments helping to increase team focus on particular customer needs. I think this is a very good initiative	Salespeople believed this was a change in the right direction. This increased their hope that they would be able to counter more effectively Zatac's competitors who picked their niche markets. Around 200 middle managers worked on this project for 6 months.	The new sales structure was put in place smoothly. External observers such as financial analysts noted that Zatac had mobilized considerable resources in marketing programs, which slowed market share losses and won back customers (hope of turnaround)
Comfort and Learning from changing	Recipient midmgr: We often heard that this exec wants this or that. This kind of leverage does not really impress us. If the idea makes sense, fine. If it doesn't, we're going to challenge, talk, communicate. Name dropping simply doesn't work	Veterans reported there were open exchange with newcomers and consultants, which allow the latter to learn about Zatac cultural and political sensitivities	<p>Recipients appear relaxed and upbeat when discussing about this change project</p> <p>About two years into implementation, sales managers found out that too much consolidation had damaged sales results.</p> <p>Certain Hispanic-based customers felt slighted as they saw reduced bilateral executive contacts and less attention paid to their particular needs. As a result, Zatac created the positions of President English-Division and President Hispanic-Division for customer relations.</p> <p>A matrix structure was put in place where a layer of symbolic geographical representation was overlaid onto the vertical industry structures. These mid-course adjustments projected a perception of flexibility. The new structure was adopted as a new routine</p>

COLLECTIVE MOBILIZATION WAS FURTHER REDUCED THROUGH WITHDRAWAL BEHAVIOR



how they affected the various change dynamics, and how I triangulated various sources of data to enhance the validity of constructs.

In the third step, I also examined how each type of emotion affected a particular change dynamic, such as receptivity and mobilization in different recipients. I analyzed over 3,000 pages of transcript and 500 pages of company documents. The dominant patterns relating a particular emotion type to a given change dynamic emerged at this stage. While many patterns exist, for reasons of space and theoretical parsimony I will describe a dominant emotion that influences a given change dynamic.

FINDINGS: EMOTION TYPES AND CHANGE DYNAMICS

Strategic change challenges organization members' self-identity and meaning and creates high uncertainty about their future roles and privileges; this could trigger fear for their personal welfare, anger about violation of cherished personal and organizational values, or discomfort with radical change agents perceived as iconoclasts (Argyris, 1990). These agitated emotions could hinder the various dynamics of strategic change, such as receptivity, collective mobilization, and learning (Huy, 1999; Schein, 1996). To inject positive energy into a change effort, change agents may consider concrete actions to arouse other emotions that do not necessarily eliminate recipients' agitation, but juxtapose their agitated feelings with more soothing types of emotion such as sympathy, comfort, and hope. Soothing emotions allow restoration of some peace of mind, which comes from the belief that one has control over threats should they arise (Mischel et al., 1996). Medical research suggests that patients who have illusory beliefs that they can exercise partial control over their treatment enjoy important psychological and physiological benefits (Bandura, 1997).

The remainder of this article explores how and why specific emotions affect the change dynamics at the organizational level. Its purpose is not to identify how individual differences affect the display of specific emotion patterns. For space reasons, I will discuss only two cases, both of which changed the organization's formal structures, yet experienced opposite outcomes because of different emotional responses.

CASE 1: CHANGE IN FORMAL STRUCTURE: FROM BUREAUCRACY TO DIVISIONALIZED FORM ANGER AND RECEPTIVITY TO CHANGE

The first major change enacted by CEO Maxwell was to replace Zatac bureaucracy with a divisionalized structure to be run by a majority of newcomers in the senior management team. Four out of five top managers, as well as 12 out of 20 next-level executives were newcomers by the end of his second year as CEO. It is commonly assumed that newcomers are more likely to initiate strategic change as they are less wedded to the past (Tushman & Romanelli, 1985). Each of the four top team members was in charge of a strategic business unit (SBU) with full profit responsibility. The intent was to reduce managerial complexity and to devolve more accountability to each SBU so that they could become more nimble in fighting competition.

Several newcomer executives began their change process by belittling veterans in public as unfit for the new competitive world. One executive started a kick-off meeting by wondering out loud how so many middle managers present in the room could have worked for the same company for such a long time—more than fifteen years! One organizational value was long tenure that gave deep knowledge of the company enabling networking, which facilitated performance. This perceived violation of one organizational value aroused anger. Veterans were angry because they felt that newcomers disparaged them indiscriminately, too frequently, and for too long.

These continuous “unfreezing” actions aroused anger among many managers and reduced their receptivity to executives’ proposals. Zatac also had to provide generous incentives to entice newcomers to join a troubled company. Veterans somehow discovered that newcomers’ salaries were often much higher than theirs for equivalent positions, and this inequity exacerbated their anger. These incidents had a high symbolic value: stories about the behavior of newcomer executives spread like wild fire in the more private places of Zatac—whispered in bathrooms and at water fountains among small groups of individuals—and gradually became rationalized myths that reduced recipients’ receptivity to this kind of strategic change.

FEAR AND COLLECTIVE MOBILIZATION In addition to anger, recipients expressed fear for their personal

welfare. Over decades of tenure, these individuals had grown emotionally attached to Zatac and its values and they had also expected to derive important benefits from the company, including long-term career growth.

Many felt threatened by newcomers who did not seem to discriminate between veterans on the basis of individual merit, but rather on duration of tenure with Zatac. They feared that they would soon be replaced by newcomers, as had been happening to their superiors.

Newcomers’ lack of respect for veterans prevented them from seeking veterans’ advice and from leveraging on their tacit knowledge of the organization. This led to their inadvertent violation of another organization value – diversity – because newcomers were not initially aware of its historical significance to important minority groups. Diversity refers here to representation of employees belonging to large minority groups in influential management positions. Over the past 30 years, there had been a deliberate effort to promote women and Hispanics in front-line positions to middle management positions and then to senior posts, and this effort had been appreciated by these minority groups. Diversity bore a high symbolic importance among the Zatac rank-and-file (40% of the 50,000 strong work force was composed of women or Hispanics), and veteran senior executives recognized this sensitive political reality.

Hidden fears hindered collective mobilization for change. On the surface, these minority groups acted calmly. But in private interviews, many of the individuals expressed palpable fear of oppression and purge.

This climate of fear dampened collective mobilization for change, as seen through weak lateral cooperation between business units under the direct supervision of executives. Fearful people tend to concentrate on their own narrow interests and become more defensive (Argyris, 1990). Collective mobilization was further reduced through withdrawal behavior.

Implementation of the details that would smooth the macro structural change to a divisionalized form was slowed down as veteran middle managers foot-dragged. Other veteran managers left Zatac to prove to themselves that they were still “marketable.” For

THE METAPHOR OF VETERANS BEING REGARDED AS “DINOSAURS” CAME UP OFTEN IN INTERVIEWS

instance, a veteran middle manager of Hispanic ancestry admitted privately to me that his newcomer superior’s insinuation of risk aversion and lack of mobility as implied by his twenty-years’ tenure with Zatac compelled him to get an executive job outside to restore his self-confidence.

Thus, recipients’ perceived violations of the organizational values of customer service and employee loyalty aroused anger that reduced their receptivity to change. Perceived violation of veterans’ personal welfare through disparaging and demoting them from influential positions produced fear and withdrawal behavior that dampened collective mobilization for this macro structural change.

The findings further suggest that recipients could experience another emotion— discomfort—that restricted open interpersonal relations with the change agents. Emotional discomfort translated into behavioral distrust of agents.

DISCOMFORT AND LEARNING FROM CHANGING

Recipient veterans felt uneasy and suspicious about agents’ motives underlying their change actions. Some recipients even labeled newcomer agents as “mercenaries of change” who indulged mostly in short-term, superficial financial activities. Many were concerned that Zatac’s distinctive competence was being “destroyed” by mobile newcomers, as had happened in several “restructured” companies around them.

Mutual discomfort between agents and recipients led many newcomer executives to interact infrequently with the lower levels of the company, and this reduced organizational learning (Galunic & Rodan, 1998; Crossan, & Berdrow, 2003). To make learning worse, discomfort with agents led many veterans to withhold critical pieces of information (such as declining customer service and rising inter-unit conflicts) that might have allowed newcomer executives to adjust their change actions in midcourse – that is, learning from changing. The

metaphor of veterans being regarded as “dinosaurs” came up often in interviews.

This withholding of tacit operational knowledge slowed down the learning rate of newcomers. Discomfort leading to reticence about sharing knowledge had a negative spillover effect on the change initiatives that spanned multiple business units. As well, the SBU differentiation of the new divisionalized structure seemed to exacerbate inter-unit conflicts. Unresolved conflicts at the lower levels were eventually escalated to the executives, and this further divided them. Internal rivalry grew and distracted executive attention from current change initiatives. Further decline in customer service and market share led CEO Maxwell to “conclude” one year after its introduction that the change to a divisionalized form was a mistake. He decreed a second structural change to move back to an alternate form of centralized functional bureaucracy. Newcomer executives also “concluded” that veterans could not be trusted to implement such radical changes and recruited even more outsiders to put in influential positions, thus exacerbating the vicious emotional loops of anger, fear, and discomfort among veteran recipients. The same unresolved (and amplified) emotional filtering that hindered the success of Maxwell’s first structural change would also undermine his next two macro structural changes in the following two years, leading to his eventual resignation.

I will now describe a second change project to illustrate how a change with negative overtones was realized smoothly thanks to the appropriate emotional climate created by agents. Here, anger was juxtaposed with sympathy, fear with hope, discomfort with comfort: a distinct emotional filtering that favors receptivity, mobilization, and learning.

CASE 2: DOWNSIZING OF 25% OF THE WORK FORCE IN THREE YEARS

One of the most dramatic change projects launched by executives was 13,000 job cuts (or 25% of the work force). This was the first layoff in the long history of this institution, and it was feared that the consequences would be devastating both to the employees who had what amounted to lifetime job security and to the continuity of Zatac operations, since there were threats of massive strikes by powerful unions. Yet

this change was carried out relatively smoothly. The case also shows that recipients were quite able to discriminate and calibrate their emotional and behavioral responses to target specific change projects and agents.

SYMPATHY AND RECEPTIVITY TO CHANGE

Sympathy reflects the ability to feel for the general suffering of others, with no direct sharing of that person's experience (Goleman, 1995). Sympathy is partly demonstrated by conciliatory behaviors. In Zatac, organizational sympathy related to the massive downsizing was partly expressed through a relatively generous compensation package. A newcomer executive developed a "voluntary separation" package with veteran human resource managers and consultants. This package provided incentives for voluntary retirement. Employees could opt for early retirement with full benefits if they were within a few years of the retirement age of 55 or were eligible for 8 to 16 months' salary if they had lower tenure. Individuals could also benefit from a variety of free psychological guidance, placement, and counseling services while still receiving full salary for up to three months.

I was initially surprised to hear directly from both victims and survivors that they felt the downsizing process to be "fair" and "kind," even though the implicit organizational value of lifetime job security had been violated.

HOPE AND COLLECTIVE MOBILIZATION

Hope refers to the expectation and wish that our future work situation will be better or at least as good as the present one (Brockner, 1992). Hope buffers recipients of strategic change from extreme apathy and depression, and it strengthens their capacity to withstand and persist in adversity. The implementation of downsizing was carried out largely by many Zatac veteran middle managers who mobilized out of both formal duty and sympathy for their workers. These individuals had been supervising their workers for years and so knew the local norms. Veteran managers and unions cooperated to smooth implementation. Both cooperated in this stressful exercise by establishing coordination teams at all levels. Thus,

IN THE FEAR-PRONE SITUATION OF DOWSIZING, HOPE WAS AROUSED AMONG SURVIVOR RECIPIENTS BY CARING FOR THE VICTIMS



ANGER JUXTAPOSED WITH SYMPATHY, FEAR WITH HOPE, DISCOMFORT WITH COMFORT

in the fear-prone situation of downsizing, hope was aroused among survivor recipients by caring for the victims. If victims received good care and generous benefits, survivors attenuated their own fear by rationalizing the downsizing as less threatening because they hoped for the same kind of treatment should they lose their own jobs (Bies, Martin, & Brockner, 1993; Brockner et al., 1994). Hope was thus juxtaposed with fear to enable some collective mobilization in carrying out the dismal task of downsizing.

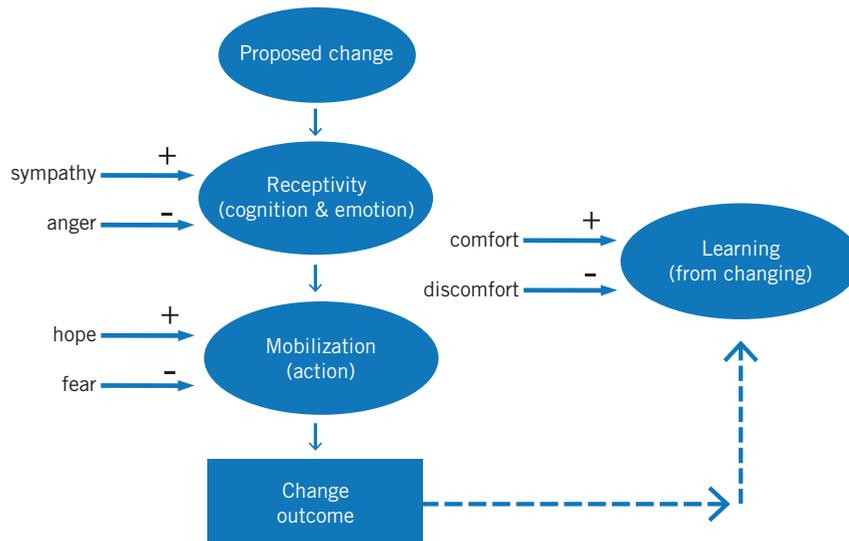
Hope was also aroused when employees heard of people who had left earlier finding another job with other firms and so getting the double benefits of a new salary and Zatac's separation package. Some came back to report to their ex-colleagues that they were happier now in their new work and were better paid than before. These personal stories circulated as success myths and boosted the self-confidence of many survivors.

COMFORT AND LEARNING FROM CHANGING

Some feelings of comfort were established through continuous exchange of information between victims of downsizing and agents who had to implement it. Middle managers had to learn for their first time in Zatac about communicating honest but at times brutal performance reviews to targeted individuals whom they appraised as less fit for the new environment, with the intent of coaxing them to take the voluntary retirement package. For instance, the rules of voluntary retirement were communicated clearly to everyone and certain managers learned to attend to employees' agitated feelings. Middle managers reported to me that they treated each case with respect and kindness, allowing people time to evaluate their options over several months and to discuss them with family members and financial advisors. Many employees learned for their first time in their work career to take a more thorough and deeper examination of their own life career aspirations, to assess their current stock of knowledge and skills and those that they wished to develop. The majority of employees perceived these rules to be "open" and "fair".

The presence of sympathy, hope, and comfort

FIG 2 | MODEL OF EMOTIONAL FILTERING IN RADICAL CHANGE



seems to have smoothed the downsizing of 13,000 positions over three years and allowed Zatac's financial performance to improve by about 500 million dollars a year. Around 16,000 individuals volunteered to leave, three thousand more than the company required at the time. The implementation of this project was perceived by many as a success, largely devoid of anger and the initially feared sabotage. The quality of customer service declined, but not to the extent that had been feared.

DISCUSSION

The failure of an apparently easy change to a divisionalized structure (**Case 1**) and the relative success of a difficult massive downsizing (**Case 2**) – corroborated by the other five change cases summarized in **Table 1** – as viewed through the lens of emotions suggest the importance of emotional filtering in influencing the outcome of strategic change. Emotional responses influence recipients' interpretations and behaviors in reacting to the proposed change. Through this process of emotional filtering, the three important dynamics of strategic change – receptivity, collective mobilization, and learning from changing – are either enhanced or

dampened. At least three types of emotion seem to constitute this emotion filter: anger juxtaposed with sympathy, fear with hope, discomfort with comfort.

In sum, as summarized in **Table 1** and **Figure 2**, emotions seem to have exerted an important influence on the outcomes of major change projects that in aggregate constituted the operationalization of an attempt at strategic change in Zatac. Major change projects seem to be subject to the process of emotional filtering. The emotional responses generated through this filtering process in turn affect three important dynamics of strategic change – receptivity, collective mobilization, and learning from changing – which together influence the outcomes of a given change project. These specific emotional states could also be used (and measured) as advanced warning signals that are likely to predict the outcome of specific major change projects. Put differently, emotional states could act as mediating variables.

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