

Dilemmas of Organizational Change: A Systems Psychodynamic Perspective

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Introduction

This paper focuses on efforts to bring about major changes in the way that organizations function. These efforts, which often involve altering many facets of organization including structures, policies, procedures, technologies, role design and cultural patterns are increasingly common as organizations adapt to accelerating rates of change in markets, technologies and competitive pressures. While such changes may be necessitated by turbulent operating environments, they are also profoundly disruptive both to the organizations and to the people functioning within them.

If ineffective, the impact of such change can be disabling, even disastrous, to the on-going viability of the enterprise and devastating to its members. Indeed, since Miller and Rice (1967) recognized the management of innovation as a crucial part of management, great attention has been directed to, and an entire field has arisen around, the management of change. My intention here is to explore issues of change management from a systems psychodynamic² perspective and, in doing so, to consider the reciprocal impact of psychic and systemic factors on the ability of organizations to implement new approaches.

To do this I consider the interplay between the modes of functioning that people adopt to cope with the experience of change and the way in which the change efforts are designed and conducted. Psychoanalytic research has illuminated the importance of anxiety and related defenses both to the functioning of individuals and to the functioning of institutions. Similarly, the research tradition emanating from the Tavistock Institute has enabled us to understand the impact of organizational arrangements on anxieties and fantasies of their members and, in turn, on the kinds of defensive maneuvers they employ to cope with them.

The main hypotheses I would like to put forward is that major organizational change efforts pose great psychic challenges to their members and require, in response, distinctive conditions in order to adequately contain the profound anxieties evoked by such upheaval. And, in the absence of these conditions change efforts are likely to fail, in part because members will tend to employ primitive and destructive defenses to protect themselves from the painful anxieties and fears that attend disruption and turmoil.

Periods of change in organizations put great strain on the ability of their members to contain their anxieties. The course of change both evokes and is shaped by heightened anxiety. A secondary concern in this paper is with the production and distribution of emotional toxicity as a by-product

¹ In Gould, L., Stapley., Stein, M. *The Systems Psychodynamics of Organizations: Integrating the Group Relations Approach, Psychoanalytic, and Open Systems Perspectives*. New York: Karnac Books, 2001.

²This term, originated by Eric Miller, describes the frame of reference used in this paper to understand organizational phenomena.

of organizational change. By toxicity I refer to primitive mental contents that, when projected and enacted in organizational settings, lead to destructive consequences. In this connection I wish to draw a parallel between psychic and organizational functioning. In elaborating Klein's (1940, 1946) understanding of infant development, Bion (1962) points out that by containing and modifying the infant's destructive, envious impulses, the mother "detoxifies" them. In a similar vein, my effort here is to describe how failed containment, in organizational terms, also leads to the production and distribution of the destructive impulses I refer to as toxicity.

The intensity and rigidity of this toxic cycle varies widely. This paper also addresses the relationship between the levels of toxicity produced and the conditions surrounding change efforts. Through an attempt to elaborate these factors, and the different qualities of change efforts, my hope is to add understanding to the management of change and to the factors that mitigate or exacerbate destructive emotional processes evoked in the course of major organizational change.

The Paradox of Change

Even under relatively stable conditions organizations must cope with inherent tendencies toward psychological regression in their members. This is primarily for two reasons that have been explored in detail by researchers of systems psychodynamics. One concerns the anxieties evoked through contact with the tasks themselves. Specific responsibilities carry symbolic meanings that resonate with deeply held experiences and meanings, stimulating unconscious fantasies and intense anxieties that must then be defended against without, hopefully, compromising the ability to function. The other concerns the psychic challenges posed by the need for collaboration with others — peers, superiors and subordinates — engagements that also symbolize early configurations and relationships and consequently evoke the distress and conflicts associated with early life experiences.

Following the work of Menzies-Lyth (1960) and Jaques (1955)³ organizations develop modes of operating that, in some measure, function to help people defend themselves against the anxieties and painful feelings that are stimulated in these ways. While these structures, policies, cultural patterns, and other modes of operation — coined "social defenses" by Menzies-Lyth — help members protect themselves against painful feelings and conflicts, they also effect the organizations' ability to function. As with psychic defenses, social defenses operate on a continuum between sophisticated, competence enhancing adaptations and debilitating forms that can impair or even cripple an organizations' capacity to function or innovate effectively.

Hopefully, an organizations' social defense system will support the capacity of its members to function effectively by helping them contain, and put into useful perspective, the more primitive fears and anxieties evoked through membership and confrontation with complex tasks. Otherwise, people will rely on primitive defenses to protect themselves from the anxieties that arise from splitting and the persecutory atmosphere established when the resulting bad objects

³Jaques has since recanted this viewpoint, arguing that the psychodynamic underpinnings of organizational life do not provide a useful perspective for understanding organizational functioning. *Human Relations*, 48, 1995, pp. 343-365.

created by splitting and projective identification populate the environment.

Reverting to splitting, denial and projective identification to cope with distressing anxiety leads to genuinely disturbing and psychically threatening organizational environments. Bad internal objects and impulses may be put into particular members or sub-groups as a means of getting relief. Where the qualities of thoughtfulness and collaborative competence give way to blame ridden, rigid, concrete thinking, an escalating downward spiral of fragmentation and persecutory functioning can come to dominate – and paralyze – an organization.

Effective change requires sophisticated effort – diagnosis, conceptualization, planning, implementation, etc. Yet it is the very features of organizational life that protect them from intrusion of primitive processes – its social defense system – that are at the same time being dismantled. Just as Menzies-Lyth has shown how an important source of resistance to change is the reluctance of members to give up features of organized life that help keep painful anxieties at bay, organizations undergoing major change can lose the capacity to contain primitive emotional states as social defense systems are dismantled. Consequently, efforts to innovate confront organizations with a paradox of change: change undermines features of organizational life that foster the very qualities of functioning required to make change succeed.

This dilemma takes on an even sharper meaning in light of the amplified psychic challenges posed by change. Adding to the pre-existing sources of regressive anxiety and the inherent pulls toward primitive defenses, the anticipation and/or reality of change can be experienced as catastrophic (Bion, 1970) because it disrupts established modes of behavior, traditional attitudes, and established relationships. Both loss of the familiar, with its containing functions, and prospects of a more uncertain future, with its new adaptive requirements, elicit profound anxiety.

Among the most distinctive challenges of managing change involves that of creating conditions that help people cope with distressing transitional states that change efforts create and, in particular, doing so in a way that protects the ability of the organization, and its members, to function effectively. Special measures and steps are required to provide appropriate containment during the transition from one approach to another. Since the more overt disarray and disorientation is accompanied by, as it were, an interim phase between the containing capacity of one social defense system and its successor system, organizations are well served to develop approaches to containment that are specific to the transitional period of change.

Eric Miller (1979) addresses this dilemma in relation to the consultant's role by suggesting that consultants make themselves available to contain heightened dependency needs of client systems in the intervening period between the loss of established social defenses and the consolidation of new ones that are reflective of and in alignment with the newly adopted approach to organizing work. A more primitive, and ultimately destructive, manifestation of this can be seen in either excessive dependency on consultants who at times seem to take control of their client organizations, in rote adoption of approaches and ideas articulated by "management gurus," or in rigid adherence to popular ideologies and fads.

What are the qualities of change efforts that can help people function in spite of heightened exposure to anxiety-producing factors? Thoughtfully developed approaches to change often

include features that fill the “social defense vacuum” and support members’ efforts to protect themselves. Efforts to provide containment fall along a parallel continuum to that of ordinary social defenses: some promote a more integrated, mature and sophisticated approach to coping with the emotional challenge while others evoke more primitive responses that rely on splitting defenses.

For example, among common elements of change efforts that can take on social defense functions are:

- Transition planning structures that are effectively authorized to manage the complex issues that arise in the course of change.
- Outplacement support helps moderate both the persecutory anxieties stimulated in relation to some people losing their jobs as well as moderating the guilt of those continuing with the organization
- Articulation of vision, purpose and goal. This can be done in a way that helps people take an integrated and realistic stance toward change and the future or in a way that is based on glib clichés and grandiose platitudes.
- Communication strategies aimed at providing information.

When primitive modes of functioning go uncontained and unchecked, the environment will be marked by the corresponding kinds of behavior that lead not only to ineffectiveness but also to production of both idealized and despised objects as the consequence of heightened splitting. Projective identification serves as a kind of psychic distribution function employed to establish patterns of inter-group relations that externalize and enact the psychological splitting process as organizational splits. Bad objects that are created, pooled, and then distributed according to covert political principles can be viewed as the toxicity created by the process of organizational change.

A Basic Framework

I would like to put forth the proposition that organizational change efforts can be categorized in terms that are roughly analogous to the states of mental functioning identified by Melanie Klein (1940, 1946) and since elaborated by clinicians and researchers working within the tradition defined by her approach to understanding human functioning. By analogous I mean that various approaches to change foster patterns of defense that parallel those described by her categories and that they exemplify stances toward thought and interaction that correspond to the modes of functioning she delineated and referred to as the depressive and paranoid-schizoid positions.

The depressive mode is a state of mind in which one maintains contact with the full texture of inner and outer reality, where one can mobilize resources to confront these realities effectively, to collaborate in a sophisticated fashion and learn from experience. When operating in this mode managers bring an integrated frame of mind to complex problems, assess reality from multiple perspectives, understand realistic opportunities, and take actions that are effectively related to

reality. It is a state of mind that also enables people to take responsibility for their actions rather than externalize unwanted “parts” or emotional states.

In the depressive position one can think. The impact of the depressive state of mind on managers was elaborated upon in Lapierre’s (1989) paper describing how managers exercise power. Those functioning in a depressive mode are more realistic, less grandiose, and able to achieve what he called “relative potency” growing out of a grounded appreciation of both the complex forces that constrain any change effort as well as the real authority that is vested in their roles. He was concerned with issues of psychological development and maturation of individuals in managerial roles.

Both individuals and social institutions must cope with anxieties that arise specifically in relation to the depressive position, chiefly having to do with acknowledging the impact of one’s actions on others. Since management practices in general, and change efforts in particular, entail significant aggression, the defenses employed against the remorse and guilt experienced in the depressive position is an important variable in understanding organizational dynamics.

The paranoid-schizoid mode is characterized by efforts to alleviate disturbing anxieties and feelings by relying upon primitive defenses, principally denial, splitting, and projective identification. Bad persecutory objects and unwanted impulses are split off and externalized. Operating from this state of mind leads to highly compromised functioning because it engenders rigid, concrete thinking, blame, idealization, massive projection, persecutory frames of mind, and diminished capacity for reality testing. The managers Lapierre studied that operated from a predominately paranoid-schizoid frame of reference were grandiose in their aims, unrealistic in their expectations, and ultimately ineffectual in their efforts.

Where this analysis diverges from Lapierre’s is in considering the impact of, and interaction with, organizational arrangements and systemic variables on the states of mind, or modes of functioning, that predominate in organizational life. Rather than taking the organizational setting as a stage, so to speak, where individuals express their character, my effort is to consider how different approaches to change foster and elicit different modes of psychological functioning. From this perspective I am attempting to identify approaches to organizational change and innovation that correspond with, and mutually reinforce, these states of mind.

In drawing the parallel between types of change efforts and the two modes of psychological functioning, I find it most useful to think of change efforts, as existing along a continuum that describes the extent to which they are thoughtful, sophisticated and effective. At one end of the continuum are efforts that resemble the paranoid-schizoid mode, both in terms of how they are conducted and in terms of the type of behavior elicited. For purposes of discussion I will label this type of change effort “primitive.” At the other end of the continuum are change efforts — called “sophisticated” here — that resemble the depressive position, where higher level functioning is supported and the anxieties attending deep change are sufficiently contained to prevent the emergence of destructive disarray or scapegoating.

A good example of the difference between “sophisticated” change efforts and “primitive” endeavors can be seen in the orientation toward the future held by members. In the

“sophisticated” (corresponding to the depressive position) stance people are able to adopt a hopeful attitude toward the future, tempered by a sober appreciation of the challenges involved in achieving new approaches. The disturbing disarray, confusion, and uncertainty associated with change is manageable in relation to a positive image of the future that makes sense, both in terms of providing continuity with the past and in offering a plausible image of desirable possibilities.

In contrast, an indicator of primitive change efforts is a dual, split image of the future. On one hand there is an idealized, perhaps even utopian, conception of a grand, new approach to organizing work, often described in language that borrows from the current management fad and can even have little to do with the actual work of the enterprise. On the other hand, there is rampant cynicism and despair about the organization’s prospects for implementing meaningful change.

The internal anxieties and impulses associated with the bad, devalued future are often split off, pooled and then projected into certain groups who then become increasingly “resistant” or doubtful about the change endeavor. In these circumstances there is often strong pressure to publicly voice unquestioning support for the idealized image; openly expressed doubt or criticism is considered disloyal. Non-ideal aspects of the emerging reality are unnameable, they are frequently denied by leaders, and attempts to address evidence of the non-ideal leads to attacks on thinking such that learning and refinement cannot occur. In the most corrosive situations, signs of decay are hidden behind ritualized meetings and empty planning activity.

I believe that it is also possible to further divide primitive change efforts into two sub-types, what might be called “persecutory” efforts and “grandiose” efforts. In persecutory-type efforts managers and leaders of the change feel that the changes are being imposed upon them and that while they are not in accord with the changes they must implement them. The second type of primitive effort, labeled grandiose, are characterized by wildly expansive aims and heroic idealization and self-idealization of the change leadership. The following cases, drawn from consulting projects, are offered to illustrate these two types of primitive change efforts.

Though useful for identifying patterns and shaping consulting approaches, the obvious dangers of over simplification must be noted. In reality change efforts fall somewhere on the continuum between the two poles I have identified; they are rarely static, often shifting where they exist along this hypothetical continuum.

For example, while the anxieties that accompany efforts to bring about major change in organizations seem invariably to evoke primitive processes, peoples’ ability to recover their wits and avoid getting rigidly stuck in primitive defensive postures is a sign of sophisticated change efforts, and also a predictor of success. A hallmark of sophisticated change efforts is, in my view, the capacity of people to recognize and respond to those moments in which they have reverted to more primitive – and potentially destructive – modes of operating, and to think about them rather than simply enact the fragmented view of the world that primitive states of mind engender.

The following case vignettes are offered to illustrate severely disturbed efforts to bring major

change about in organizations. They have been selected to illustrate both sub-types of primitive change efforts — persecutory and grandiose efforts — and offered in part to exemplify how ill conceived and poorly conducted change efforts can readily elicit highly disturbing and disturbed phenomena.

Case A: Persecutory Change at Micro

The company — called Micro here — developed educational software for large publishing companies. It had a strong reputation for its products and ability to deliver large customized programs in a timely and flexible manner using a sophisticated proprietary software engine that it had developed. Financially, the company had done extremely well. Revenues had grown dramatically and the company managed to increase its profits to a point where they were among the best in the industry while maintaining its software platform, which required constant engineering development to keep current the technologically dynamic environment.

As is common with successful start-up ventures, the founders imbued the company with excitement. Micro had developed a pleasurable and attractive culture of work with an informal, intelligent and lively atmosphere characteristic of so many silicon valley companies. The offices were relaxed and comfortable. The young workforce was animated, bright and talented. And there was a great pride of craftsmanship grounded in a strong dedication to the underlying educational mission of the organization. Micro, founded by educators, placed strong emphasis on the sophistication of its educational content.

The change that I want to focus on began when a much larger software development company, called Emblem, purchased Micro. Micro's management was faced with transforming the organization into a division of the new company. Emblem, though it too developed educational software for children, sold its products into the retail market rather than developing customized programs for large-scale educational publishing companies. As a result its software development practices were fundamentally different from Micro's.

Micro's managers were active participants in the acquisition of their company by Emblem, in some cases signing lucrative employment contracts. The entire team remained in place and accepted responsibility for transforming Micro into a successful division of Emblem. Though concerned about the implications of joining a larger, and differently focused, enterprise the management team was attracted both by the potential financial rewards and the opportunities afforded by being part of a large company.

The Emblem executives and managers were eager to align Micro's operating methods with Emblem's. In particular, they felt Micro's "elite" orientation was excessive. In contrast to large educational publishing companies, Emblem's retail customers were less interested in the didactic and theoretical integrity of the educational programming, but rather the excitement and interest that the programs generated. Similarly, Emblem regarded Micro's cherished software engine as just another delivery system and had no interest in either owning or maintaining an expensive proprietary platform since they did not see it as a differentiating factor in Emblem's marketplace.

As the work of integration began Micro's executives received messages that conveyed the

business perspectives of Emblem, an orientation that posed a challenge to their sense of identity and sources of self-esteem. Not only did Emblem place little value on Micro's educational and engineering sophistication, but what emerged as Emblem executives learned more about Micro's functioning was a belief that these qualities were counterproductive. To the Emblem executives, investment in educational sophistication, and the proprietary platform looked like "fat" in the system — unnecessary expense that added little or nothing to the value of the end product.

Threats to the identities of Micro staff involved in this transformation were apparent on both personal and organizational levels. For example, upper management faced the prospect of changing from being senior executives of an elite entrepreneurial software development firm to being middle managers of a mass market software company. Or, in another instance, the focus of development efforts was shifted away from educational sophistication, didactic integrity and consistent application of cutting-edge learning theory to market appeal, speed of development cycles and efficiency.

Adopting this new approach required changing many facets of the organization. Most dramatic was the expectation by Emblem executives that the Micro programmers and developers would account for their time much more systematically. Formerly developers kept track of their own time and managed it flexibly, now the Emblem executives wanted them to make sure they billed at least 40 hours/week against active contracts Micro had with its clients.

How this element of the change was introduced is revealing. The new system was imposed by Micro's managers who, at the same time, disavowed responsibility for it. In effect they told the staff: "Emblem is making us do this awful thing to you." Unable to bear the guilt and remorse for doing this, the management team engaged in defensive splitting which cast the new Emblem leadership as mean spirited and uncaring while they themselves were compassionate and loyal, though also hapless victims.

By splitting off their own responsibility, the managers were able to deflect the anger and rage of their staff toward the new Emblem owners, and in doing so maintained an overt sense of solidarity and harmony with them. The rage and sense of devaluation felt by the Micro executives, who denied their responsibility for this transition, was defended against in ways that led to dysfunctional conflict on the client boundary and paralyzing demoralization amongst the programming staff.

I entered the system at the invitation of a member of the Micro Executive Team to help them think about how they might address what they had come to see as problems with "morale" at Micro. When I met with them, the V.P. for Programming responded to my inquiry about the situation they had in mind when they asked me to come by telling of a recent meeting with their most important client that had gone very badly.

The negative feedback from the client had, according to him, been another blow to the project team's morale. Not only was the client dissatisfied with aspects of the work but they were angry and confrontational during the meeting as well. The meeting ended poorly without any sense of resolution or without the kind of dialogue that set the stage for more affirmative problem solving. The V.P. for Technology then spoke about the way in which he felt he and his chief engineer had

been unable to represent the technology issues during this meeting in an effective or consistent manner. What emerged was that they had brought an unresolved disagreement to the surface during the meeting and each had, in effect, tried to win by getting the client to ally with their position.

Surprisingly, they spoke of this as a simple glitch that had deleterious consequences on the already mounting morale problem rather than seeing the meeting as an expression of meaningful organizational dysfunction. In other words, the unhappiness of their (major) client was viewed by them as another blow to morale rather than as an indication of dysfunction.

To my mind this was an important clue to problematic issues. On further examination, the V.P. of technology expressed some surprise and curiosity at the way that he and his associate had brought this unresolved conflict to the client boundary in such a raw and ultimately destructive fashion. It didn't make sense to him because it seemed so out of character. He saw himself — and others concurred — as having strong management skills in this area that would have previously led to identification of and creative resolution of this conflict at an appropriate time as a matter of course.

As others on the team began to find bits of their own experience in this vignette, a pattern of deadness in the chain of command started to emerge. The capability of Micro to function was being impaired, in part, by deadness in the chain of command that was emanating from the emotional withdrawal of the Micro Executives. Furthermore, a pattern of performance problems and dysfunction was framed as “morale problems” in the staff, *as if* the disquiet and withdrawal resided in *them*. Interestingly, the data commonly voiced to support the “low morale” hypotheses was, on examination, rather weak since there had been only a small increase in turnover. Perhaps the exaggerated sense of turnover represented their projected guilt, expressed in persecutory fear of being punished by their staff abandoning them.

This is not to suggest that “morale problems” were non-existent, many of the staff were unhappy with the direction Micro was taking. Nevertheless, whatever sense of loss and devaluation was felt amongst the staff, it became clear that in addition to projecting the aggression and cruelty onto the Emblem executives, the Micro executives split off and projected into their staff their own split off sense of powerlessness and despair, amplifying whatever “morale” problems existed.

Since severe splitting and projection leaves one depleted of potentially useful emotional resources, it is not surprising that the Micro executives experienced a kind of emotional deadness amongst themselves and with their staffs. The emotional consequences of incorporating Micro into Emblem had been devastating for the team and they resorted to primitive defenses in order to cope with the rage, sense of devaluation and guilt evoked by their role in the merger.

Several months later only two of the original management team remained. The others joined Micro's former major client, taking a number of their staff with them, and attempted to create a development environment that reflected the same values and orientation that had been predominate at Micro before it was acquired. The remaining managers and staff, which remained otherwise largely intact, successfully sought out a meaningful role within Emblem.

Case B: Grandiose Change at Eaton.

This type of primitive change can be seen in the efforts of the Information Technology division of a major financial services firm, called Eaton here. Information management is essential to the success of global trading operations and the Eaton's IT division — considered one of the most successful and enviable among premier Wall Street firms — had an annual budget of nearly \$1 billion, employing nearly two thousand people worldwide.

In spite of its success the IT division was under increasing pressure to undertake large scale innovation. Three factors were behind this: Rising tensions and resentments in the firm's business units about the cost, responsiveness, and capabilities of IT was the most immediate source of pressure. Second was realization that shifts in information technology would completely overwhelm the existing application development arrangements in a relatively short time. Maintaining the same level of service to business units with the newly emerging approach to software architecture and engineering would require vastly increased rates of expenditure unless IT adopted radically new approaches to application development that were more consonant with emerging technologies. Finally, the longer term prospects raised deeper questions about the value of advanced information technology to support trading since the cost of information is in virtual free-fall. In fact, the long-range industry view predicts that trading — the current mainstay — will produce diminishing returns. Even now, many of the major consolidations, mergers and acquisitions are driven by this logic.

The firm had been frustrated with IT's inability to respond effectively to these concerns. The division leadership had failed to develop compelling ideas or plans to respond to these increasingly severe pressures. The unit was viewed as lethargic, unresponsive, bloated, and driven more by inertia and established procedure than business logic or strategic purpose. The firm's chairman, himself under increasing pressure from the business units to take action, put one of the most successful traders in Eaton's history in charge of IT. Hopefully, by putting IT under someone from the business units, the division would become more aligned with the business units and managed in closer attunement to the needs and wishes of the firm's core businesses.

While the new head of IT had no experience of managing, he had been a brilliant trader of great renown and had been a pioneer in utilizing new technology to attain advantage over the competition. At 34, Ted had accumulated a vast fortune, achieved acclaimed status within this premier world-class firm, and was charged with turning IT into a more efficient and responsive unit, and one poised to confront the emerging challenges facing information technology in the securities industry.

At some level however the choice seemed absurd, conveying a simplistic and unrealistic picture of IT and its management challenges. Even keeping a \$1 billion global information technology organization going, let alone leading it through major innovation, requires sophisticated management skills and an intimate knowledge of its work. Installing an inexperienced manager with no knowledge of application development or of the requirements of providing large-scale information services, the choice seemed to express a demeaning devaluation of IT with sadistic overtones. Given the complexity of the situation, and the sophistication required to meet this

challenge, sending a young hero with no particular skill or knowledge of the area to “tame the beast,” seemed quite omnipotent and grandiose in its conception.

He set out to transform the organization. With a new senior team that he brought together he began to develop ideas about the required directions for change, beginning with new ideas and approaches gleaned from pioneering experiments at leading edge companies — best practices in today’s jargon. What emerged was a “vision” constructed of labels, descriptive terms, and catch phrases offered as prescriptive remedies to the problems in IT. In part because the evolving image was not imbued with a deep understanding of their actual work, this image of the future was neither compelling nor plausible to the staff. In fact, the image he articulated turned out to be largely unintelligible or confusing for the vast majority of IT professionals. While Ted’s image of the future had no credibility with the Eaton IT professionals, he and his closest associates regarded the staff’s lack of comprehension and disengagement as backward thinking, resistance and sabotage.

As the new team got more excited about its grand future and about the glory that would accrue for transforming IT into an example of a cutting-edge development organization, they found it very difficult to get the others to join their ideas and got intensely frustrated and angry about the seeming impossibility of making meaningful progress. Intensifying the sense of impotence and disaffection was the absence of the traditional mechanisms of direction setting and integration of activity that are typically relied upon to bring about change. The IT organization was composed of highly autonomous, loosely coupled development groups. The usual pathways of hierarchical delegation and accountability were nearly non-existent since the organization was structured on the partnership model, like the business units. Unlike the business units, however, the work of the IT division required complex collaboration and sophisticated integration of disparate functions.

Nevertheless, the primary organizational status was linked not to functional role but to status and level within the partnership. The incentive system was centered entirely on the partnership status system rather than the task system. What mattered was promotion up the various rungs of the organization to partnership and, eventually, managing director status. The influence exercised by managers had little to do with their functional roles or task authorization but with their partnership status. Complicating matters was the fact that while yearly bonuses were largely set by one’s direct report, advancement was determined by each level deciding who, two levels down, deserved promotion.

This created a fiercely political environment which was grossly misaligned with requirements of task and function. In fact, as the sense of estrangement and conflict intensified between Ted’s senior group and the majority of the organization, junior staff people who were aligned with Ted and his team started getting punished *via* the promotional process. The situation became progressively disruptive and dangerous for mid-level professionals. As Ted and Derek lost their credibility, the juniors who had joined them in their efforts to change IT were decisively punished by other partner-level professionals who embodied the *status quo* and who had never emotionally joined with the vision set forth by Ted and Derek.

More importantly, no structure existed for effecting innovation — without established patterns of

delegation and accountability it was virtually impossible to bring about meaningful change. Curiously, there seemed to be very little authority. The organization depended on a system of personal affiliation, informal networks, promotional competition, and tradition to steer itself. Introducing an accountability system would have entailed a profound, and acrimonious, change in its own right. And since Ted's (and his team of Managing Directors) esteem was so closely tied to the partnership framework, at every choice point he turned to exhortation and inspiration as the mechanism of change.

The chief vehicle for this was to be the Quality Group, a small unit that had previously been a collection of functions that addressed issues of quality management, such as software testing and teaching project management skills to the developer groups. It was a small, low status group that, under the new leadership of Derek, a managing director brought in by Ted for this purpose, would lead all of IT into a new territory. Derek, like Ted was a successful trader with no experience in management or IT *per se*, but someone of great energy, curiosity and ambition.

The "theory" of organizational change that Ted and Derek adopted was one largely of change by inspiration: the Quality Group would first transform itself into the embodiment of a cutting-edge organization and that the clarity, power, and creativity emanating from the group would be compelling for the larger organization. Derek, an inquisitive individual with eclectic interests by nature, actively continued to search out all of the "best practices" and cutting edge approaches to organization, elaborating and amplifying the "vision" of the future with more labels, prescriptive concepts, and highly idiosyncratic terminology.

Soon the newest approaches and frameworks became the currency of discussion, planning, and expectation: learning systems, knowledge management, the capability maturity model of software development, causal loop diagrams, lean production, etc., etc. Derek's tendency was to come on Monday, excited about the management book he'd read over the weekend and how it illuminated aspects of this "model" they were developing became a standing joke. Cliches, gimmicks, and canned techniques dominated conversation and thinking, faddish concepts were commonly relied upon as it increasingly began to seem as if these efforts were somehow "out of touch" with the reality of the Quality Group's work as well as that of IT.

Concurrently, the Quality Group was falling apart. First it fragmented into two groups — those aligned with Ted and Derek, and those who felt they were out of touch, with the latter group growing over time to the point that Derek became largely isolated and ineffectual within the Quality Group.

Derek hired us to help the Quality Group perform more effectively, and to help him realize his dreams for the Quality Group and, ultimately, for all of IT. As we began to work with the group we encountered deeply troubling signs. Throughout, we were struck by the dramatic discrepancy between two unfolding stories that were continually presented: One was an elaborate and grand conception of the Quality Group and its transformative potential. The other is a story of on-going disarray, conflict, resentment, and ineffectual performance within the Quality Group, and continuation of the standing practices and processes in the rest of IT.

A number of interesting features of our consultation also illuminate aspects of primitive change efforts. We too were "caught" in split projections. Initially Derek and his supporters in the

Quality Group were great advocates of our work while his detractors were intensely hostile toward our work. But more telling was the experience of having our work both idealized and devalued simultaneously by Derek and his closest associates.

I often found myself speaking and writing with an unusually articulate clarity and incisiveness. My experience of great perceptiveness and lucidity was so vivid and pronounced that it was clearly, to some degree, the result of unconscious group dynamic processes. In a similar vein we developed an extensive and detailed description of the workflow and decision-making processes of the component elements of the Quality Group at Derek's. Though we expected great reluctance on the part of key people to participate, the opposite was true and we were able to produce an enormously rich and useful bit of learning about the Quality Group and about important aspects of IT. Yet somehow it never seemed to have an impact beyond evoking appreciative and admiring comments.

However, in contrast to the apparent clarity and magnificence of our reports and notes, there was equally strong evidence pointing to deep devaluation of our work. Not only was the thinking we offered "lovingly ignored," but it never seemed to go anywhere. Additional problems arose with billing and payment.

My partner Marc Maltz, and I developed intense counter-transferential reactions to the client system. Often we found ourselves coping with pronounced feelings of irritation, despair, and paralysis. Our emotional responses to the situation alternated between polar extremes. At times we planned to resign from the consultation out of a sense of devaluation; other times we were made to feel that it was our work that would produce the critical breakthrough in the situation and that because of our intervention the grand transformations dreamed of would be possible.

Inspiration and exhortation degenerated into bullying and intimidation as the situation deteriorated. Ted became increasingly enraged, exhorting people to change and resorting to threats and tantrums. For example, one element of their attempt to create a cohesive understanding and planning framework for application development was the institution of a simple reporting form to track the development process. Many professionals simply ignored them and at one point Ted became so enraged by his lack of authority to bring about even this small behavioral change that he lashed out at a mid level staff member who hadn't conformed to the new procedure by reducing his bonus compensation by several thousand dollars. On one level this painfully illustrated the extent to which Ted had to go to bring about even minute change, given the organizational arrangements.

A clear indication of the paranoid-schizoid phenomena were coming to dominate was Ted's posture of harsh, dictatorial control. The more he was confronted evidence of his inability to control the IT organization, the more he bullied and behaved abusively. At one point, Ted punished one of the delinquent mid-level professional by reducing his bonus compensation by many thousands of dollars. On one level this painfully illustrated the extent to which Ted had to go to bring about minute change, given the existing organizational arrangements. But in terms of the focus of this paper, it also highlights how the efforts to create a new world of empowerment, creativity and collaborative innovation in fact produced a highly punitive environment of suspicion, persecutory anxiety, and contemptuous sabotage.

Another cardinal feature of grandiose change efforts that I feel is well illustrated in this case is the devaluation and demeaning of the past and current work of the organization. An entirely new departure is called for, one that is free of the imperfections and shortcomings of the past as they are manifested in the current arrangements. As with all idealization and self-idealization, the split off denigrated parts get located and enacted elsewhere.

Features of Sophisticated and Primitive Change Efforts.

Moving from a more intensive focus of case study to a standpoint that surveys the broader range of change efforts, the following lists identify qualities that characterize the two basic types of changes efforts I am trying to explore. This is not intended to be a comprehensive description of the qualities of these two types but rather a summary of the patterns that have emerged from my own experience.

Sophisticated Change & Depressivity: Effecting significant change in organizations is, to be sure, a daunting challenge and one that requires skill and subtlety on a number of dimensions simultaneously. Organizational change efforts falling into the sophisticated category are characterized by features that are consistent with realistic, grounded, thoughtful functioning and include:

- Genuine investment in structures designed to “contain” and address issues pertaining to the change effort.
- Realistic assessment of the time required to effect significant change.
- Appreciation of how much time people must devote to bringing change about and the impact of this re-direction of energy on productivity.
- Respectful recognition of the anxiety evoked by major change efforts and, in particular, recognition that certain segments of people may be significantly disadvantaged and hurt.
- Opportunities for people to acknowledge their complex feelings about such change efforts, including both the depressive and angry dimensions of losing the familiar.
- Toleration of learning from inevitable mistakes and a corresponding ability to make mid-course adjustments as a result.
- Articulation of a plausible and compelling picture of the future that is commonly shared and understood.
- Clarity about how the change effort represents continuity as well as discontinuity — how it is linked to the past.

- Carefully planned and thoughtfully executed, with an appreciation of the human as well as economic and technical factors that intermingle to produce successful outcomes

Primitive Change and Paranoid-Schizoid Functioning. Klein's paranoid-schizoid mode, characterized by grandiosity, persecution and inflexible thinking, is a state of mind tending toward obsessional ritual, omnipotent fantasies of control and paranoid blaming. Managerial actions that are persecutory and/or disconnected from realistic possibility are the hallmark of this state of mind, a state that strives for emotional equilibrium by utilizing primitive defensive maneuvers – chiefly splitting and various forms of projection by which painful, threatening or frightening aspects of experience are expelled.

Organizational life that is shaped by this mode of functioning is ineffective, dysfunctional and dangerous. Evacuation of threatening or dangerous elements of mental life produces a toxicity that gets distributed in various ways and can easily lead to severely impaired thinking, inability to learn, paralysis or destructive scapegoating. Since organizational change efforts are one source of great uncertainty and anxiety they are prone to evoke this kind of functioning or, more precisely, to create pressures for organizations to move toward the paranoid-schizoid end of the spectrum.

The characteristics of primitive type change efforts, in my experience, include:

- Extreme expectations of change in unrealistically short time frames
- Inconsistent leadership, often marked by changing, and often implausible, images of a sought after future.
- Clever epithets and superficial ideologies are used to avoid struggle or sidestep the painful difficulties involved in change.
- Grandiose, self-idealizing leadership that is susceptible to the magic elixirs and simple solutions that emerge from efforts to popularize and promote various change technologies. The great complexity of organizational reality and of change efforts get reduced to superficial nostrums or panaceas which, when recited like mantras, stop thought..
- Denial of the human consequences and impact of the change.
- Either the absence of structure to “contain” the change process or artificial structures that are not vested with genuine authority or meaning and are given “lip service” by people who conduct the change process in alternative, often largely covert, fashion.

Toxicity and the Distribution of Affect in Organizations

Finally, I would like to consider how toxicity produced in the course of primitive change efforts gets distributed. Just as Bion (1961) admonished us against forgetting that “man is a political animal” at our own peril, we must be equally mindful that the psycho-social process of group life entails unconscious negotiation over whose needs — emotional and otherwise — will be met.

The distribution of affect in group life has been a central topic of concern by students of system-level psychodynamics, a study made possible by the discovery of projective identification. Projective identification is a defensive maneuver by which internalized bad objects and impulses are externalized and then, effectively, absorbed by others. Menzies-Lyth and Jaques pioneered our understanding of the underlying strata of emotional relatedness that stems from the defensive expulsion and pooling of primitive emotional contents in social organizations. Organizations then develop structures and patterns of interaction that support these means of defending against disturbing emotional experiences.

As has been demonstrated by so many researchers, the emotional dynamics of groups and organizations involve tacitly agreed upon pathways and patterns for the management of complex and challenging unconscious experiences. To name a few that have been explored: how unions can carry the “fight dynamics” on behalf of their larger systems (Rice, 1951); student nurses containing the confusion and incompetence that was structured into ward decision-making processes (Menzies-Lyth, 1961); or how the projection of incompetence across interdependent units in the U.K. construction industry brings relief to the underlying emotional threats and anxieties although at the cost of disabling the collaboration between the units required to bring about, at least consciously, desired change (Holti & Standing, 1997). Another fascinating illustration of this process was developed by Berry (1979) who demonstrated mathematically how adopting specific target-based bonus systems (the most typical kind) effectively shifts risk hierarchically downward.

The case of Micro above illustrates how the executives’ intense reactions to the change of ownership structure led to a disabling process of splitting and projection whereby the subordinate staff “contained” the intense rage and discontent. Similarly, with the story of Eaton, the unacknowledged devaluation and denigration that is produced alongside self-idealization and grandiosity found its way into the IT division and contributed to the ultimate failure of many who joined in the effort to bring about change.

Since power entails, to a degree, the ability to define reality, the direction of unwanted emotional elements seems to be usually downward in terms of hierarchy and status. But not solely, especially if we consider the extent to which dependent longings in groups and organizations often lead to situations in which leaders are often reviled, despised and held responsible for events and outcomes that cannot really be laid at their feet.

One of the defining differences between change projects that tend toward the depressive end of the spectrum and those that tend toward the paranoid-schizoid end is the intensity and rigidity with which one group or another comes to carry the emotional burden of representing the unwanted, dispossessed bits that are evoked in the course of major change efforts. That is, when depressive states of mind and flexibility dominate, untoward projections that come to reside in

one group or another do not calcify and become fixed, and thus, changes efforts are more likely to be robust.

And in contrast, where a certain group gets laden over time with undesirable projections — scapegoating in other terms — the effort, in my experience, is compromised on several dimensions including the corrosive effects of unspoken guilt and damage to formerly valued relationships; loss of important aspects of the experience of change and adaptation by those who have mentally extruded these experiences, so that the reality and importance of them cannot be accounted for by on-going efforts to learn and refine the change efforts; and increased cynicism toward authority as a defense against bearing responsibility for the damage caused by projective processes.

One interesting example of this concerns the role middle management seems to be playing in many attempts at re-structuring that are built around team-based strategies of organizational architecture. In many instances I have noted that the course of events leaves the top tier and the lower-tiers in far more intact, stable and well-defined teams than is the experience of the middle. Often times middle management, by contrast, seems to exist in a much more amorphous, chaotic state of disorientation, loss of identity, or loss of clear purpose that resembles the large group experience in group relations conferences. (Turquet, 1975).

Is there an unconscious group dynamic whereby middle managers in the midst of these large scale change efforts become the receptacles for the most unbearable disarray, chaos, uncertainty, and doubt? An hypothesis I developed elsewhere suggests that the emphasis on technology as a more effective way of handling information flows, combined with reliance on distributed and flexible decision making and what is often a contemptuous attitude toward “bureaucracy” can lead to situations where middle management comes to symbolize the features of the “past” that represent the enemy of change (Krantz, 1998). When this situation persists it can lead to significant damage both to the organization’s capacity to re-form itself effectively as well as to the individuals who must carry these projections.

Conclusion

An analysis of this sort inevitably leads to frustrating dilemmas: How can organizations interrupt destructive or debilitating cycles of primitive organizational change? What can be done to help organizations adopt effective approaches to change? And, perhaps more urgently, what can be done to intervene in failing or highly toxic change efforts? As the case illustrations foreshadow, I have no satisfying answer to this question beyond a reliance on the modest power of reflection, what Eric Miller refers to as “holding up a mirror to the client system.” (private communication, 1998).

There is no doubt that productive membership in contemporary organizations is calling upon ever higher levels of functioning and greater interpersonal sophistication. At times, the visions of high performance, team-based settings, communities of practice, or learning organizations are built around utopian and unrealistic images of humanity. Take, for example, the comments of Charles Handy (1996), a leading voice in defining emerging organizational arrangements, about the qualities of a “learning organization:”

“The learning organization is built upon an assumption of competence that is supported by four other qualities or characteristics: curiosity, forgiveness, trust and togetherness.”

The new, utopian conceptions of organizational life that are in vogue now are often bereft of ideas about containment of the primitive, destructive features of human functioning, features that are inherent in organizational life, and possibly exacerbated by the increasing rates of change and fluctuation. Yet in wishing away the destructive impulses and debilitating conflicts that are elicited by membership in work organizations, important generative forces also get overlooked, since the unconscious is the source of creativity as well as of destructiveness. Finding ways to tolerate the discomforting and destructive elements of our experience and ways of linking the raw unconscious forces to our conscious aims seem, increasingly, to be a formidable challenge in creating generative organizational environments.

This then leads to my final point, namely that the analysis forming the basis of this paper might be subjected to a similar criticism. Asserting the importance of building organizational change efforts that support higher, sophisticated functioning perpetuates the tendency to split off, and devalue the primitive strata of experience and, more importantly, to turn attention away from Klein’s developmental dynamic. Her framework crystallizes development as an on-going oscillation between the two phases of mental functioning, with each modifying the other and providing on-going opportunities to integrate both conscious and unconscious, rational and irrational elements at ever higher levels of sophistication and maturity.⁴ The exploration of organizational change that holds this developmental tension at the center of inquiry, as a creative force in itself, remains to be done.

⁴I am indebted to David Armstrong for this insight.

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