

NOTE

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CHAPTER 1

PASSION AND SOUL IN AN ORGANISATION

1.1 THE LOST TASK: AN AUSTRALIAN STORY OF, THE LAND, THE CUSTOMER AND THE BANK

Did I tell you the story about the sugar cane harvester the last time? It was a profound experience for me. We used to have a thing called the customer visitation programme ... until one round of cost cutting abolished it a few years ago. Now the view was that the head office wallies here would go out and meet real customers out in the real world. And I got the gig to go to Northern Queensland, mid North Queensland, into the sugar cane country.

It was a stinking hot day in Queensland and the guy, says 'Do you want to come for a ride on the harvester'. I said 'Oh yeah, I'd love to.' These enormous machines with - we have given him a million-dollar lease. This thing's as big as a house. You don't realise until you walk up to them. Anyway, we get in and its little cabin is air-conditioned.

He starts it up and we start going through the sugar cane field with the cutters going, you know. And the bloody noise and vibration and god knows what.

The sugar cane is cut into lengths this long and it's flying over our heads into the enormous hopper behind us. And suddenly, I'm driving. There are only two things you've got to do. You have got to keep going in a straight line, obvious, but you have got to watch this gauge which is right

in the middle of your vision and that's the pressure that's on the cutters. So if you're going too fast the pressure builds up and the whole thing - you can blow up a million-dollar piece of equipment. You have got to watch that very carefully.

Anyway, we are going along and this guy would be forty. And he'd say 'What do you think?' (Does all the actions, etc.) 'Yea, it's really goooooood'. You know screaming at each other to hear through the noise and he says, "Do you know why I bank with ABC?" And I said, "I have no idea".

And he says well it all goes back to my father who I inherited this farm from. And I said 'Oh, yes, how's that?' And he says 'In 1954 during the drought then the bank stood by me. Stood by us. And my father said to me, at the time I was seven years old or what ever it was, and he said the ABC stood by me and you will too son.' And then he said 'I'm with the ABC for life mate.'

And I just sat there. You know, we spend all this money on marketing. At the time I was in charge of Retail Marketing, including the small business. And there we were running ads on television and then I realised its all bullshit. And what it was about, on the ground the relationship between the client. It was an absolute eye-opening wake up moment for me.

Now I have to say, at the level that I'm, operating at, how can I connect with all of that? It is about creating the environment, the policies, all the rest of it, so that people who are out there dealing with customers have the room to stand by people like that, help them out.

James tells this story with obvious passion and colour. He vividly describes the experience, the noise, the heat, and the harvester. In doing so, he relives the experience. “Did I tell you the story about the sugar cane harvester the last time?” suggests that this is a story that James has told many times to many people. The story was unsolicited; I did not specifically ask a question that would have naturally evoked this response. The spontaneous need to tell this story is an indication that it holds profound meaning for James. It holds equally significant meaning for the fictionalised organisation ABC, which informs this study (Wilkins 1983).

The essence of James’s story pinpoints the relatedness that exists between the customer and the bank. This customer’s relationship with the bank has been formed through his relationship with his father and the relationship his father formed with the bank through difficult times on the land. These deep connections, it is argued in this thesis, are psychologically unconscious. The reaffirming of this loyalty to ABC on the part of the farmer takes place in the harvester. For James, it has become a defining moment. It reinforced “what it was about on the ground, the relationship between the client.” (James)

Whilst James’s story is framed in terms of the customer relationship, its dynamic can also be understood in organisational terms, the notion that the institution is held in the mind of the customer. For the farmer, the *institution-in-the-mind* is clearly expressed in James’s story (Hutton 2000; Shapiro & Carr 1991).

The Institution-in-the-mind is an unconscious construct, focused around the emotional experience of ideals, values, hopes, beliefs, dreams, symbols, birth, life, death.

Hutton 2000, p. 2

ABC has meaning, which is profoundly significant for James’ Australian sugarcane farmer. The experience that the bank was there in times of hardship was deeply reassuring in a country where the risk for the farmer is a way of life and is out of his control. The bank therefore, has traditionally provided the psychological capacity for

the farmer to continue in the face of great uncertainty. The strength of the father-son relationship and their relationship with the land has ensured that this relationship with the bank is carried down through the generations. Furthermore, this has not been a one-way process in which the farmer identifies with the institution. The process of transference has provided purpose for the bank and, in this case, a profound experience for James (Shapiro & Carr 1991). The institution-in-the-mind held by the customer through the process of transference creates a sense of a larger social task of the bank and a sense of connectedness for the organisation with the customer.

James' story about the sugar cane farmer and the bank evoke feelings of nostalgia. This story belonged in the past. This is the task that is now held in fantasy through the process of idealisation, and it forms a basis for considering the impact of changing the primary task of an organisation on its staff, its clientele and the role of the organisation in society itself.

1.2 THE SOUL OF THE ORGANISATION

My arrival at this thesis was born out of my experience at work as it emerged around the mid nineties. People frequently lamented the loss of the "soul" of the organisation. My observation at the time was that, whilst organisational performance in terms of share price was increasing at a considerable rate, organisations were recognising that something was missing. They went about trying to buy this missing 'something' from Management Consulting firms. It was the desire to *buy* something that would fill the emotional vacuum that led me to consider what the soul of the organisation might be.

Hillman (1996), in his work on soul and character, suggests that the acorn (a metaphor for the soul) represents our passion for what it needs to do. In this same vein, I have adopted the metaphor of the soul of the organisation (Lennie 1999; Morgan 1996; 1983b; 1980). I contend that where there is passion for the primary task of the organisation, there is deep engagement with what the organisation needs

to do. This is central to the organisation's success, sustainability and authenticity. Consequently, it defines what is 'a good place to work', an organisation with 'soul'.

1.2.1 Primary Task

The concept of *primary task* has two critical dimensions that are the essence of the soul of the organisation. The first is the primary task itself. Chapman (1999) reminds us that the primary task - what the organisation needs to do to survive as itself, and no other, has an altruistic dimension; it holds meaning for the organisation and, ultimately, the work that its members are required to perform. It is a task of this nature, an authentic task that needs to be present in the first instance if the organisation is to have a soul at all.

When the characteristics of altruism and authenticity are present, it is likely to follow that *the organisation itself values the task*. The task is seen as worthwhile. James's story tells us what this task once looked like in the (fictionalised) banking corporation named ABC. The story has elements of humanity, authenticity, passion and purpose. It also displays both altruism and engagement at a personal relationship level and at the organisational/institution levels. If the primary task provides access to the dimensions of authenticity and altruism for an employee in the first instance, it is likely that passion will be present. Once the task is capable of containing these dimensions, I am arguing, then the presence of that passion for the task creates a sense of soul in the organisation.

1.2.2 Passion

Passion is most easily understood at the individual level. Hirschhorn (1998a) contends that:

Passion plays a singular role in organizational life because it enables people to pursue a goal single-mindedly.

Hirschhorn 1998a, p. 7

Hirschhorn (1998a) draws on the work of Csikzenthmihalyi (1997a; 1997b) on ‘*flow*’ and Lacan’s (1973; 1968)) work on ‘*jouissance*’ to develop an argument that passion is central to our capacity to deal with the anxieties and challenges intrinsic in meaningful work. He also contends that,

... we reserve the word passion for fantasies that culminate in some expression, some action, that also marks out our identity.

Hirschhorn 1998a, p. 6

Csikzenthmihalyi’s (1997a; 1997b) work on ‘*flow*’ holds significance for passion in Hirschhorn’s argument. When in flow, people feel immersed in a timeless activity that is grounded in the context of the activity, and the activity is serious in that there is a pull towards completion. This state of flow is similarly present in Lacan’s (1973; 1968) symbolic systems. The symbolic realm is the playground of the *other*.

We feel directed by something outside ourselves, and our subjectivity seems to drop out of the picture.

Hirschhorn 1998a, p. 5

Hirschhorn draws on Lacan’s (1973; 1968) symbolic system to give a psychoanalytic account of how we experience our work when we are in flow. Lacan developed the concept of *jouissance* to describe a person’s passion (in French meaning, “rapture” or climax and also used to refer to orgasm). In Lacanian terms, a person’s passion is constituted between “language and *jouissance*”, or between “flow and passion” (Hirschhorn 1998a, p. 6).

In *jouissance*, according to Hirschhorn (1998a), we are in a state of mind where we are thinking about the glory that can be derived from what deeds must be accomplished. When we are in flow, we are focussed on the present and compelled toward completion. “The quiet enjoyment of our intense concentration affords us pleasure”. (Hirschhorn 1998a, p. 8)

This creates the space for passion to be associated with our work, as is evidenced in James's pleasure in relating his story so many years after the event to confirm his passion for the task he was engaged in.

To consider the notion of passion at the organisational level, the organisation's *passion for its primary task*, Hirschhorn offers an interpretation drawing on Bion's (1961) basic assumption group. At organisational level, the basic assumption group holds the collective passion fantasies. The group then has the capacity for passion to be experienced in relation to the task as belonging to the group.

As a basis for this study, it is contended that the collective passion in organisations is palpable. One can feel, sense and experience passion in organisations. My recent visit to The Brotherhood of Saint Lawrence provides a case in point. Whilst the organisation has a clearly altruistic purpose, a vision of ridding Australia of poverty, and therefore could be an obvious place to expect to find passion, it is equally true that the organisation recognises and is focussed on the commercial reality of achieving its goal. The organisation's passion for its primary task is unwavering. It is a task that the organisation itself is passionate about, not just the CEO and some individuals. In this context, it becomes necessary to argue the difference between an organisation and the sum of its individuals.

1.3 LEADERSHIP, PASSION AND THE PRIMARY TASK

In making connections between leadership and passion for the primary task, Hirschhorn (1998a; 1998b) contends that an organisation that is passionate about its task can not tolerate narcissistic leadership, because narcissistic leadership fundamentally does not include others. The leader, however, is "the only person with the right for adoration" (Hirschhorn 1998a, p. 11). Demonstrating the vicissitudes of leadership, Hirschhorn proposes that:

... the leader's passion about work plays a crucial role
in containing normal disruptions of group life,
particularly competitiveness and envy.

Hirschhorn 1998b, p. 43

Focusing on the web of projections that make up organisational life, and in this case the central role of the leader in creating passion for the primary task, Hirschhorn (1998a) notes that subordinates unconsciously recognise that their primary task is to protect the Chief Executive's fundamental fantasy. In the absence of passion for the work of the organisation (the primary task), as Hirschhorn (1998a) argues, anxiety emerges and the absence of passion ultimately undermines the work itself.

Implicitly, Hirschhorn reveals the uneasy balance that leaders must address in avoiding narcissism while accepting the protection of their 'fundamental fantasies' to share a passion for the primary task of the organisation. It is the consequence of a lack of acceptance, even a rejection, of this uneasy balance, which forms the basis and the motivation – one might even say the passion - for this present study.

1.4 THE TASK AND THE ORGANISATION

Observation of the changing workplaces, from which this study has emerged, suggests that organisations no longer necessarily provide the container for anxiety associated with work in the way they did in the past. Nor do they provide the sense of identity for the individual that they did in the past (Sennett 1999a). Lawrence (1999a) argues that this dynamic has, in fact, been reversed – it is likely that organisations will continue to be more permeable and that the work itself is the container and that the organisation is the contained. This appears to raise a number of questions for financial institutions, such as banks in particular, where shareholder value has become the primary task. These appear to centre on the task of SHV as container, and include:

- What sort of container does it make? How does it contain anxiety?
- What sort of organisation does it contain?
- Does this mean that passion for the PT is even more central to the well-being and sustainability of organisations?

1.5 PURSUIT OF SHAREHOLDER VALUE AS THE PRIMARY TASK

Reported research, commentary and theory development dealing with shareholder value traditionally comes from the schools of economics and accounting. As a result, it tends to be predominantly concerned with market forces as they impact on accounting models (see section 2.4). The literature that considers the impact of shareholder value within organisations, consequently, has more to do with aligning the organisation through measurement, remuneration and reward systems than the dynamic that it creates. Similarly, and perhaps contrary to expectation, organisational dynamics does not specifically explore the impact of the pursuit of shareholder values on the dynamic of organisations.

This thesis is not concerned with the debate between the stakeholder approach and shareholder value *per se*. It is important, though, to understand the position that the shareholder value approach holds in relation to the stakeholder position, as this ultimately informs the interpretation individual response within the organisation. It is therefore, the initial purpose of this study to establish a research question to facilitate an exploration of the connections between what are traditionally seen as separate disciplines, the worlds of finance and organisation dynamics.

1.6 THE RESEARCH AIM

As organisations have shifted their focus more and more towards the desire to return value for the shareholder, the internal and external focus of organisations has changed. It is the dynamic internally within the organisation that has been created by this continual focus on shareholder value as a measure of success that this study seeks to understand. This study considers what it means internally for the organisation in relation to its connectedness or passion for the primary task. As a result, the research question for the study has been identified as:

***How does increased focus on shareholder value impact on
the organisation's passion for its primary task?***

1.7 THEORETICAL FRAMEWORK

Because the pursuit of shareholder value is being considered specifically in relation to the impact on an organisation's passion for its primary task, the two central constructs that need to be understood are those of *primary task*, and of *shareholder value* as a model for business.

The theoretical choices of the researcher inform the interpretation of the findings and the conclusions that are, ultimately, drawn from the data. In this case, the research took the view that this organisational dynamic needed to be understood in terms of what might well be an unconscious perspective as well as from perspectives that were more likely to be accessible because they were perceived to be conscious.

Primary task is considered from a psycho-analytic perspective as being central to what an organisation does; the ultimate driver of the organisation. Acceptance of this view implies some element of altruism. More importantly, the notion that one primary task might be substituted with another task or *mutated* into a different task forms the central argument for interpreting how the organisation at the centre of this study has taken up shareholder value as its primary task.

The tensions that the adoption of shareholder value as primary task creates when the work of the organisation requires that the customer continues to be served is interpreted from the perspective of how social defenses operate to contain the inherent anxiety found in this tension. Central to an argument of social defense is the proposition that the customer task has been idealised creating a fantasy within the organisation that it remains, in fact, customer focussed.

The theoretical considerations about the specific characteristics of the social defense that strongly emerge in this study in response to the desire of the subject organisation, ABC, to create a different culture to the one that has emerged from the shareholder value driven organisation are identified as being religious fundamentalist in nature. The theoretical interpretations that relate to religious fundamentalism are

contained in the findings chapter and interpretations informed by this theory are embedded in the chapter itself (see Chapter 6).

Shareholder value as a model for managing the modern corporation is seen, in this study, as a radical shift from the initiating primary task of the organisation to provide customer service in the field of financial services. The tensions generated among staff, and in the sense of purpose of the organisation itself, are seen to impact the potential achievement of the organisation. The responses initiated by the organisation in an effort to resolve these tensions are identified and discussed in terms of the extent to which they mutate, or *corrupt*, the primary focus of the organisation and, perhaps in the longer term, affect that indefinable identity sometimes termed the 'soul' of the organisation.

1.8 THE RESEARCH METHOD

This study has been developed on the basis of a qualitative exploratory case study of a single financial services organisation, fictionally named ABC. The choice of research method was driven by an identified need to explore a dynamic in ABC, which was established to be simultaneously both conscious and unconscious. It was anticipated that the shift of primary task from providing customer service to pursuing shareholder value and the process that now sustains this focus were likely to be primarily unconscious. To achieve the levels of insight into the impact of change in primary task within the organisation, the study was seen to be dependent upon the ability to capture the experience, feelings and views of individuals operating at senior levels and of customer facing staff within ABC to develop a rich tapestry of highly informed and potentially reflective data. This consideration did not present an obvious set of variables that could be measured nor did it suggest a hypothesis that could be tested. Instead, the nature of the research question suggested that reality is socially constructed and that the nature of this construction was likely to be understood, on any level, by only a small number of potential informants to the study.

The case study involved semi-structured interviews with representative senior level informants from three of the large business units within ABC. There were substantiated with focus group discussions of the emerging findings from the study with groups of senior and middle-level managers from within these business groups. The data was subjected to modified thematic content analysis and discourse analysis to establish the themes describing the impact of the shift in primary task at ABC. The interpretation of this data was confirmed through the responses of the focus groups and of senior managers from groups whose responsibility is to initiate and support change within the organisational culture of the organisation.

1.9 THESIS STRUCTURE

Chapter 1 has introduced the reader to what motivated the research topic and ultimately to the choice of research question. It has briefly introduced the notion that passion for the primary task is considered to substantiate the soul of the organisation and forms the basis for this research. It has introduced the research question, provided a broad overview of the theoretical concepts underlying the study and identified the research method that has been applied.

Chapter 2 provides the basis for a theoretical interpretation of the findings. It begins with an exploration of the nature of primary task and its capacity for modification in the face of changing organisational priorities. The chapter then draws primarily on psycho-analytic theory as an interpretation of the organisational dynamics expected to inform the findings of the study. It offers a discussion of the evolution of shareholder value as a primary organisational focus and develops a critique from which the research question is established.

Chapter 3 presents a discussion of the research methods available in undertaking the study and provides the argument for selection of specific approaches to data collection and interpretation. It provides an argument for the selection of the qualitative research method and establishes the appropriateness of the explanatory case study approach undertaken. The chapter then describes the nature of the data

collection methods and analysis undertaken, identifies the organisation and the specific informants within it then examines the role of the researcher in undertaking and interpreting the findings of the study.

Chapters 4, 5 and 6, collectively, build upon each other to present the description and interpretation of the research findings.

Chapter 4 describes how ABC has taken up shareholder value as its primary task. It considers ABC's characteristics in the light of the literature on shareholder value discussed in Chapter 2.

Chapter 5 identifies and explores the tension between the task of maintaining shareholder value and the task of serving the customer. How ABC unconsciously manages this tension is established. The notions of idealisation, social defense and holding environment in relation to anxiety intrinsic in the customer shareholder tension are discussed and argued as providing a means of containment.

Chapter 6 explores how a 'Religious Organisation' has emerged in response to the desire within ABC to change the culture that had emerged as a result of a continual focus on driving down costs in order to increase shareholder value. The theoretical considerations that inform this chapter's interpretation are included in the chapter itself.

Chapter 7 summarises the findings of the study presented in chapters 4, 5 and 6. It presents the conclusions drawn from the interpretations in the earlier chapters and identifies the implications of these conclusions for future research and for further practice in managing fundamental change at an organisational level. Finally, the personal reflections of the researcher on the research journey are presented.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter provides a description of the reported research, commentary and contemporary theoretical understanding of the roles of shareholder value, systems theory, and organisational dynamics in understanding shifting definitions of, and emphases on, core business within financial organisations in particular.

The chapter develops an argument to suggest that the evolution of core business definitions and emphases may impact on the work dynamic and motivation of personnel at all levels within the organisation. Additionally, such shifts may alter public perceptions of the organisation with resulting impact on both shareholder value and the sense of identity and primary task of organisational personnel.

The literature draws on two primary bodies of literature, involving the origins of shareholder value as a model for business and psycho-analytic theory in relation to organisational dynamics.

The research question motivating this study is developed as a consequence of the literature review and potential considerations for the methodological design described in the following Chapter 3 are revealed.

2.2 PSYCHO-ANALYTIC THEORETICAL UNDERPINNINGS

In terms of the organisational dynamics and tensions inherent in the research question:

*How does increased focus on shareholder value
impact on the organisation's passion for its primary task?*

the literature does not deal specifically with these issues, though there are many disciplines in the field of organisation dynamics that offer insight. The focus for the theoretical analysis from an organisational dynamic perspective draws on the extensive body of literature and research that has emerged from the work of psychoanalysis by Freud (Brenner 1974; Hall 1954), later developed by Klein (1952a; 1952b; 1952c) and identified generally as Object Relations theory. The work of Klein, was later developed further and applied to groups (Bion 1961), and to organisations through the work of the Tavistock Institute in UK and the Australian Institute of Social Analysis in Australia (Bain 2002). The psycho-analytical concepts that have been selected to provide insight at the individual, group and organisational level in this study include:

- Idealisation (see section 2.2),
- The Primary Task (and its possible corruption) (see section 2.3),
- Social Defenses (see section 2.6.1),
- The Holding Environment (see section 2.6.2) and
- The Institution-in-the-Mind (see section 2.6.3).

In order to set up the discussion on each of these concepts, it is first necessary to introduce the basics of the fundamental theory of object relations on which the concepts have been developed.

On the face of it, organisations can be considered as ‘real’ tangible entities, with people, buildings, assets, products, customers, and real work that needs to be done. If taken simply from this perspective, organisations can be considered to be rational and, it appears then to follow, that management and organisation will be concerned with structure, process, procedures, and rules. However, organisations are not necessarily what they seem on the surface. They behave irrationally and, in fact, pursue unconscious tasks as well as conscious ones (Hutton, Bazalgette & Armstrong 1995; Vince 2002). Because this research study ultimately seeks practical outcomes, it is concerned with both the conscious and the unconscious of the individual and the organisation.

While the psycho-analytic approach acknowledges both conscious and unconscious processes (Lawrence 1999b; Neumann & Hirschhorn 1999), it is fundamentally concerned with the emotional state of the individual and the organisation created through the work experience.

Understanding both emotional dynamics and unconscious process is seen as essential to transforming self-limiting organizational behaviour as well as organizational structures and designs that are associated with it.

Vince 2002, p. 1191

This thesis has been developed on the presumption that there are a number of elements of the research question that lend themselves to socio-analytic study.

Firstly, the research question is concerned with the internal dynamic in the organisation – the feelings and emotions associated with the organisation’s passion for its primary task and the idea that passion for the task is important to organisational performance. The broader assumption (see section 1.2) that passion for the primary task is central to the ‘soul’ of the organisation is also explored.

Secondly, it is concerned with the tensions that are an inevitable consequence of increased focus on shareholder value as an external consideration of the organisation.

Since tension, by its sheer nature, is never absent of feelings and emotions, and since the psycho-analytic approach draws on emotions and feeling as central to interpretation, it appears to be one suitable framework for an exploration of the tension inherent in the research question. Furthermore, the concept of primary task is taken up by socio-analytical researchers as central to understanding the organisation dynamic (see section 2.3).

2.2.1 Object Relations Theory: Paranoid-Schizoid Position and Depressive Position

Melanie Klein (1952a) constructed and elaborated a theory of development in which object relationships were seen as being built upon the basis of internalising and externalising processes (Sandler 1989) as an extension to Freud's work on the mind of the infant (Hall 1954; Hiemann 1952; Klein 1959).

Klein's object relations theory later became central to the development of socio-analytic approaches to working with and understanding individuals, groups, organisations and institutions.

In considering from the psycho-analytic point of view the behaviour of people in their social surroundings, it is necessary to investigate how the individual develops from infancy into maturity.

Klein 1959, p. 291

Object Relations theory initially proposes a psycho-analytic view of the emotional development of the infant in relation to the mother. Central to Klein's theory is the idea that the infant develops defense mechanisms in order to deal with those feelings of anxiety that are aroused in the early stage of development (Klein 1952a; 1952b). At this stage, the object is either experienced as a source of complete and utter satisfaction, or if withheld, complete frustration and anger (De Board 1978; Klein 1952a). Klein's theory argues that in order to deal with feelings which are experienced as persecutory anxiety, we develop defense mechanisms that enable us to cope with and eventually separate from those we are initially dependent upon.

In parallel with these forces of *splitting*, which Klein called the earliest defense mechanisms against anxiety, are the related processes of *idealization* of those aspects we find confirming, and *denial* of those aspects generating pain and frustration.

Klein (1959; 1952c) describes these combinations of anxieties with their related defense mechanisms as representing a *paranoid-schizoid* position. *Paranoid* because of strong feelings of persecutory anxiety and fear, and *schizoid* because of the splitting of the ego and its fluctuations between integrated and fragmented states.

These processes of splitting, although they may change in form and content as development goes on, are present in some form throughout life (De Board 1978; Klein 1959a; Segal 1973).

In a second stage of development, the infant no longer sees the mother as a part object but as a complete entity. Consequently, the infant identifies the sources of pain and pleasure, of frustration and satisfaction, as emanating from the same object.

Klein (1959; 1952b) argues that the more integrated experience of the mother generates feelings of inadequacy - guilt, depression and despair - in relation to the infant's earlier destructive impulses, hence the term *depressive position*. As the infant works through this stage, a desire for reparation is created through the increasing integration of feelings of self-worth (ego) of the whole object. This process develops the capacity to manage both disappointment and satisfaction in more objective ways so that feelings of increased confidence lead to diminution of projection and splitting and the firm establishment of an identity consistent within the organisation (De Board 1978).

It is this *depressive* psychological position, according to Lawrence (2003; 1999a), that tolerates and works with the uncertainty, ambiguity and anxiety that is inherent in the modern workplace. From this perspective, the *paranoid-schizoid* position becomes central to organisational concepts of idealisation and social defense (see sections, 2.2 and 2.6)

Klein's seminal work (1952a; 1952b; 1952c) provides the basis for a psycho-analytic approach to the interpretation and consequent intervention of organisational dynamics in which social defense mechanisms, which Klein refers to as *splitting*, *projection*, *introjection* and *projective identification*, form the basis for the concepts

of organisational defenses. In this thesis the organisational defenses that provide insight into the anxiety inherent in the tension between the customer and the shareholder have been identified with Idealisation, Social Defense, The Holding Environment and the Institution-in-the-Mind (see sections 2.2; 2.6.1; 2.6.2 and 2.6.3).

2.3 THE PRIMARY TASK

In the introduction to this thesis (see section 1.2) it is proposed that *the soul of the organisation lies in the organisation's passion for its primary task*. From this proposition, it follows that the notion of 'primary task' is central to organisational identity. Primary task therefore needs to be given consideration in its own right. This discussion necessarily engages the psycho-analytic tradition (Bain 2002). The later discussion about the dynamic that occurs in relation to the research question also partly draws on the psycho-analytic tradition.

2.3.1 The Concept of Primary Task

In a tradition that is primarily concerned with psychological forces, Hirschhorn (1999) sets out the role of 'Primary Task' (Lawrence 1977) in relation to the dynamics of the organisation as a grounding central element. It helps to create an,

arena of non-psychological forces, deriving from the characteristics of the work itself which create a demand for action or responsiveness on the part of the enterprise.

Hirschhorn 1999, p. 7

Primary Task focuses our attention on what the *organisation is called upon to do*. In diagnosing organisational issues and needs for change, the *primary task* as a central construct, means that we are not drawn into considering all of the features of the

organisation, e.g. its structure, competitors etc. Moreover, in the psycho-analytic tradition, with its roots in the Kleinian perspective (see section 2.2), there is a risk of over-focusing on the fantasies that individuals hold and not attending to the real pressures that the organisation faces. Hirschhorn contends that the concept of primary task blends a psychological and structural view of work” (Hirschhorn 1999, p. 7) as the primary task focuses on the activities of the organisation, serving customers, generating revenue etc.

We respond to the task with our psychic resources but the task itself represents realities over which the enterprise has influence but only limited control. As such, the primary task is analogous to what Freud called the reality principle (Freud, 1911).

Hirschhorn 1999, p. 7

Essentially, the primary task has tangibility about it. It makes concrete the goals of the organisation; hence it uncovers people’s practices rather than people’s beliefs. However, Hirschhorn (1999) does draw our attention to the need to be able to distinguish between the *stated primary task* and the *actual primary task*, the primary task that is an ensemble of the organisation’s actual practices.

2.3.2 The Primary Task – A Definition

Depending upon the organisation’s definitions of its primary task, different organisational models can be developed generating different systems and activities of the system. So how an organisation defines its primary task has significance for how it determines its priorities.

According to both Lawrence (1999a; 1999b) and Hirschhorn (1999) *primary task* is the reason for existence – the work of the institution – what it is called upon, or designs itself, to do. The concept of *primary task*, therefore, has major significance for the *survival, health and well being* of the organisation (Chapman 1999) which

Miller and Rice (1967) in discussing systems of organisations, argue to be a heuristic concept.

Lawrence (1985) argues that people generally know what the stated primary task is – ‘to make motor cars’ and so on. He called this the *normative* primary task. However, he argues that alongside the normative primary task, other primary tasks are pursued, the *existential* and the *phenomenal* primary tasks.

The *existential* primary task is the one that people say and believe they are carrying out. ... It is the meaning they place on their own behaviour in their system roles. The *phenomenal* primary task is the unconscious primary task that is being pursued by the people within the system.

Lawrence 1985, p. 23

The phenomenal primary task is a basic assumption (Bion 1961; 1970; Gould 2003) in nature and can also act as a social defense against anxiety (social defense theory is discussed later– see section 2.6.1).

2.3.3 Strategy – A Choice Between Tasks

Hirschhorn (1999) contends that whilst the concept of primary task makes explicit what the organisation does on a day-to-day basis, it is limited to the extent that it does not contend with the challenge that organisations face when forced to choose between tasks. Hirschhorn suggests that this is the dilemma of strategy – it is a choice between tasks. When strategy is concerned with responding to the external demands of the market and the internal capabilities of the organisation, it is always about both opportunity and risk. Consequently, it mobilises anxiety. Hirschhorn (1999) goes further by suggesting that, at the moment of choice, the primary task does not exist.

What exists is the choice between tasks. The resulting anxiety is stimulated not by a task but by the ambiguity surrounding the choice.

Hirschhorn 1999, p. 9

Hirschhorn (1999) refers to this dilemma as the ‘primary risk’. He is not suggesting that, in this choice between tasks, one is dealing with the entire operating risk of the organisation, rather that “risk is an emergent property of the enterprise’s existing relationship to its environment” (Hirschhorn 1999, p. 10). He conceptualises risk, not just as the individual’s psychological response to the ambiguous situation but as the primary risk embedded in the situation surrounding the choice. Hirschhorn argues that *ambivalence* plays a critical role in shaping how people cope with the challenge of taking the primary risk to choose between primary tasks. The ambivalence may manifest itself in organisations in many ways – people seem stuck, there appears to be a gap between primary task and what people actually do, pragmatic decisions are difficult or people feel that they are drifting.

Hirschhorn (1999) draws on the Gestalt psychological concepts of figure and ground to explain this vacillation between tasks, suggesting that one must choose one task over the other, making one figure and one ground. The primary task chosen (figure) provides the focal point for all decision making and the task or tasks that are subordinated (ground) are understood in terms of their relationship to the primary task.

Classical Gestalt psychology suggests that when we cannot differentiate between figure and ground our perception is chronically unstable. ... When people cannot make one task the figure and the other ground, they are likely to fall into two kinds of errors. First, they may deny that they must make a choice, hoping to in fact strike a compromise between the two tasks therefore satisfying neither. ... Second, deny that the other task exists.

Hirschhorn 1999, pp. 10-11

2.3.4 The Primary Task – To Make Money

Lawrence (2003) discusses the anxiety of managers in the context of today's global economy and the complexity that it brings to our organisations and institutions. In this discussion, he offers a view about how this age of 'money' has changed the primary task in the mind of CEOs and organisations, contending that "the primary task is the reason for the existence, or the work of the institution" (Lawrence 2003, p. 9), and has been "supplanted" by the primary task of making or saving money which, in turn, has been driven by capitalism and, in the northern hemisphere at least, "a commercial drama of [their] own making". (Lawrence 2003, p. 9)

Lawrence further argues that,

The pressure to make and save money presses managers and other roleholders into the paranoid-schizoid position whereas a work orientated task holds them in the depressive one because the totality of activities are regarded as a complex whole, having meaning which transcends the simplicity of economics.

Lawrence 2003, p. 9

It is from the depressive position that managers see situations as whole objects; from which they have concern for their staff and others, take into account the complexity of their environment, both internal and external, and make sound commercial decisions.

Lawrence (2003) sees the drive toward economic survival as a simplification of the primary task reflecting a world-wide pervasiveness of capitalism. He goes on to submit that capitalism is an end in itself. "Consequently, ... role holders in institutions are preoccupied with economic security and survival" (Lawrence 2003, p. 13). Armstrong (2003) in his work on 'The Recovery of Meaning' in organisations evoking Bion (1978), makes a clear distinction between *existence* and *survival* to suggest that the work in organisations of vision, mission, values - in the context of constant change and without being rooted in meaning or the opportunity for meaning to emerge, which is necessary for transition to occur - runs the risk of

emotional degeneration. Armstrong hypothesises that what drives such emotional degeneration is the precedence we instinctively give to the claims of “survival over those of development” (Armstrong 2003, p. 8). In consequence, he argues, existence has to do with “the ambition or aspiration to have existence that is worth having” (Armstrong 2003, p. 8). Existence, he proposes, is to do with quality:

The contrast between quantity and quality, existence and the essence of existence is at the heart of the distinction between survival and development

Armstrong 2003, p. 8

Consequently, if the primary task is reduced to survival in the economic dimension alone, then the paranoid-schizoid state of oscillation – splitting between good and bad - becomes inevitable (Lawrence 2003). In this context, the task becomes emotionally degraded, loses meaning and ceases development (Armstrong 2003; Lawrence 2003; Symington 1986).

Adopting this view, if the primary task of companies is to make money, (whether making money is expressed as profit or, as in this study, creating shareholder value – see section 2.4) then all companies are reduced to having the same primary task. This interpretation of primary task does not create the necessary differentiation, or creative space for organisations to maintain their identity in the face of a fast changing and unforgiving global competitive environment (Lawrence 2003) and, as Chapman (1999) suggests, the significance of task uniqueness and authenticity become diffused.

2.3.5 Engaging the task

Long’s (2000) view of how change can be built through the process of engaging with the task, is that:

What becomes important in the understanding of organisation is the nature of the task and the values,

meaning and worth that emanates from task. One discovers values and ‘missions’ neither in some idealistic vacuum, nor even in a strategic mapping of the total environment. The discovery comes through a careful process of engaging the task and encountering the meanings it has held over the years. This provides the bedrock from which change can build. One can then do something differently. It’s quite a pragmatic view. First look at what you do, then how you do it, and then reflect on the implications within this.

Long 2000, p. 92

This view that the values, meaning and worth emanate from the task raises questions about what values, meaning and worth emerges when organisations, as Lawrence (2003) suggests, have supplanted the primary task for the economic one and framed it as the need for survival?

Long (2000) suggests that task integrity and authority, which is increasingly needed in today’s complex environment at work, have a significant relationship to each other. For Long (2000, p. 96), authority is “engaging in a task with integrity”. Her connection between engagement with the task and authority raises questions about the nature of any authority that is derived from the task when the primary task is understood to be survival in the economic sense alone.

2.3.6 Summary

This discussion places the notion of Primary Task as central to ‘who the organisation is’. It is increasingly evident, following this line of research that an organisation’s choice of primary task and the way in which it takes it up is central to the organisation’s survival and existence. Furthermore, it seems clear that the nature of task is central to meaning and engagement.

2.3.7 Corruption of the Primary Task – Substitution and Mutation

The following section draws heavily on Chapman's (1999) observation that the primary task in organisations is open to substitution or mutation. Chapman refers to this process of change to the primary task as 'Corruption' of the Primary Task. It is important to note that her use of the term *corruption* neither implies nor requires illegal or even immoral behaviour. Rather, this change that occurs to the primary task is dynamic and, often, primarily unconscious.

Referring to the avoidance of the task from the socio-analytic perspective, Chapman (1999) observes that:

Task avoidance occurs in varied forms and for varied reasons and is normally seen as resulting in some form of task substitution, i.e. where primary task is avoided, left or ignored, in favour of a phenomenological task which is engaged in its stead. ... [U]sually the avoidance of task and the substitution of phenomenal task occurs at the unconscious level of the system.

Chapman 1999, p. 128

Chapman's (1999) work on hatred and corruption develops a theoretical framework that extends the idea of primary task, identifies ways of engaging with the task, describes circumstances that can lead to corruption or hatred of the task, and establishes a system pathology in the face of the phenomenon of yearning before suggesting some possible ways of working with a hated task without falling into task corruption.

Unpacking the concept of primary task, Chapman (1999) submits that the one thing the organisation needs to do in order to survive is to identify *task aspects: Task Idea, Task Values, Task Tenets and Task Power*.

2.3.7.1 Task Idea

Task idea concerns,

the way in which a task is conceived and perceived by the doer (system or individual) and the manner or style in which it is taken up.

Chapman 1999, p. 129

2.3.7.2 Task Values

Chapman (1999) suggests that the working definition of primary task – the one thing the organisation needs to do in order to survive - is value free except for the implicit value of survival, which is a pragmatic rather than a normative value. Chapman goes on to argue that if one considers the idea of *task corruption* then the idea of ‘good’ and ‘bad’ tasks starts to emerge and subsequent questions necessarily involve *desirable* task values. Chapman then articulates a set of normative and pragmatic task values including the pragmatic value of survival that might guard against task corruption.

- a) *Survival* is the defining value;
- b) *Authenticity* extends the basic definition of the primary task so that:

the primary task is that one thing the system needs to do in order to survive as itself.

Chapman 1999, p. 130

This extended definition introduces a sense of altruism. Chapman (1999) contends that people need to believe that they are doing something worthwhile and are engaged in something more than survival. However, the introduction of altruism also creates the sense of *authenticity* present in the definition as it is essentially concerned with the system remaining true to itself. Chapman believes that authenticity,

Is a powerful motivator and as such provides us with a drive to ask engagement. Even in the most pragmatic world, this has to be seen as a plus.

Chapman 1999, p. 130

- c) *Uniqueness*: Chapman (1999) suggests a direct relationship between authenticity and uniqueness and further extends the definition of the primary task.

As Chapman (1999) discusses the cyclical relationship between task and system, she observes that systems define tasks while tasks, equally, define systems. She suggests that,

a system engaged in a task that is not unique has no reason to exist i.e., survive, apart from other systems engaged in the same task”.

Chapman 1999, p. 130

Raising the question of competition, “why should non-discrete systems exist for the same task?” (Chapman 1999, p. 130), she argues that directly competing systems are unique e.g. Pepsi and Coca Cola, and that motivation and engagement with the task is created when authenticity and uniqueness are taken together. Furthermore, Chapman argues that there is a correlation between the uniqueness held in the mind of the purchaser when they buy a product that is differentiated as a result of brand differentiation and task uniqueness:

Task uniqueness, in that it is a healthy operation is, to some extent at least, dependent of the uniqueness-in-the-mind located within the task ‘do-ers’.

Chapman 1999, p. 131

- d) *Accessibility*: Good tasks, according to Chapman (1999), are accessible ones. Challenging the notion of mission statements, she suggests that they are either

grandiose or omnipotent and ultimately tend to devalue the task. Furthermore, she contends that:

‘mission’, as it is often applied in the world of organizational development, is a very dangerous notion indeed: dangerous in that it provides a convenient container for system values which artificially separate them from system task.

Chapman 1999, p. 132

The proof of this, Chapman argues, is that the mission statements in most organisations are ignored.

- e) *Emergence*: Chapman (1999) addresses the issue of systems within their complex environments and recognises that in this context tasks need to change – they can not be set in concrete. Whilst she recognises the argument that emergence could be considered a subset of survival she contends that, frequently, systems engage in activities such as change programmes that seek to change values, practices and policies in the “service of task that [are] seen as immutable” (Chapman 1999, p. 132). Chapman argues that it is, in fact, the task that needs to change and evolve into a different task.
- f) *Generativity*: Rather than productivity, which she identifies as an outcome, Chapman (1999) uses the term generativity as a value. She suggests that it is,

the ‘softest’ of all of the values ... and is the least able to be perceived as a sub-set of survival.

Chapman 1999, p. 133

Generativity is to do with the system’s relationship with other systems that it comes into contact with. Chapman argues that “if this value is not observed, the system becomes self-feeding and self-serving.” (Chapman 1999, p. 133) in the manner of Victor Frankl’s (1959) view of self-interest where, when the eye looks in on itself, it becomes sick and dies.

2.3.7.3 Task Tenets

Chapman (1999) refers to *Task Tenets* as the beliefs about the task held by the individual or the system. Chapman differentiates between the phenomenon of belief in relation to thinking about the task. “ The task tenets are those aspects of task that derive from the ideology of the system”, (Chapman 1999, p. 133) as opposed the beliefs, values and ideas, where:

In some systems or individuals, such beliefs are relatively weak, in that they can be thought about, challenged, evolved or even discarded. In other systems of individuals, the beliefs ... are located at the unconscious level of thinking and are more difficult to question. Where task tenets become ... capable of corrupting task, is when the beliefs are so thoroughly entrenched that they take on the aspect of dogma, i.e., they may not be questioned without damage either to the system or to the questioner.

Chapman 1999, p. 133

2.3.7.4 Task Power

Consequently, Chapman (1999) proposes that *Task power* is:

[the] degree to which task engagement can influence the values and behaviour of system members, other systems and their members, and other tasks.

Chapman 1999, p. 134

Chapman draws upon the Roman Catholic Church for her example of task power:

This violation of task idea represents one explanation of what has happened in the case of the Catholic Church. The mutation of task, from standing for the people before God, to standing for God to the people, to standing in for God to the people has resulted in a very large organization with a very powerful task engaging in an attempted impossibility. Task values too are subverted here. To be God is not within the capacities of the organizational church, nor can a system with such a task remain authentic or generative. Further, by definition, impossible tasks cannot evolve. It does appear that the Church's mutated task has remained in place for some nine centuries. Because the task power of the corrupted task is so high, the damage effects of the mutation are concomitantly enormous.

Chapman 1999, p. 142

Chapman (1999) does go on to propose that not all power corrupts and that those organisations with powerful tasks have great potential to maintain healthy systems. The point she makes, in the example of the Church, is that powerful tasks create powerful systems. Consequently, they produce powerful cultures, and powerful cultures are more vulnerable to evolution, to *task corruption*. Chapman suggests that when task power becomes abusive, its impact on all other task aspects is so significant that task tenets “are lost or become evil”. (Chapman 1999, p. 134)

2.3.7.5 Task Corruption

Chapman (1999) suggests that corruption of the task occur when changes to the task are destructively motivated, whether consciously or unconsciously. She sets out four ways in which the task may be changed in a destructive way:

- a) *Substitution* corruption occurs “where the phenomenal task supersedes the primary task”. (Chapman 1999, p. 134)
- b) *Amputation* occurs where “parts of the task are ‘lopped off’ or neglected in favour of other parts of the task”. (Chapman 1999, p. 134)
- c) *Simulation* occurs where “engagement creates the appearance of task engagement, precisely in order to avoid task engagement”. (Chapman 1999, p. 134) Chapman elaborates that not only does avoidance occur through task simulation, but task values are also corrupted and task power becomes abusive. Systems that engage in task simulation are characterised by low morale, energy, politicking, questionable ethics and conflict.
- d) *Mutation* occurs “where the primary task of a system is twisted in such a way that the doer is damaged or destroyed, and one or all of the task aspects suffers” (Chapman 1999, p. 135).

2.3.8 Summary

When primary task is the organisations’ reason for being then elements changing this focus can be seen as corruption of the primary task. Where the corruption represents a disruption to, or a negation of the authenticity of the task, the levels of altruism often identified with what constitutes the ‘soul’ of the organization are diminished. This ‘corruption of the primary task’ tends to generate a return to survival as the driving force for the organization and established motivations become distorted. The imposition of shareholder value as a primary task diminishes the uniqueness of the organization and tends to create a weakening of task values. This research takes the approach of identifying how this weakening of task is experienced at an individual level within the organisation but becomes a driver for perceptions of the organisation and leads to the need for an examination of how this impact is translated into the organisation’s perceptions of itself.

These considerations have led to the development of the research question underpinning this study:

***How does increased focus on shareholder value
impact on the organisation’s passion for its primary task?***

2.4 SHAREHOLDER VALUE

This thesis is concerned with the impact that focus on shareholder value has internally for an organisation rather than the associated financial accounting processes. As a result, how the organisation actually seeks to create shareholder value as wealth, is beyond the limits of this present discussion – and the limits of this chapter.

In reviewing the concept of shareholder value, this section considers the origins and increasing emphasis on shareholder value as a framework for managing. It recognises the critics of shareholder value and assesses the implications of the emerging discussion for organisational change.

2.4.1 Origins of Shareholder Value

The term ‘shareholder value’ was first introduced in the 1980s by US consultants who were selling value-based management to companies already under stock-market pressure to increase returns. Early exponents of the shareholder value approach, such as Rappaport (1986) and Reimann (1989), created models for companies to adopt that focused management practices on shareholder value. This was based on the insights of the work developed in the 1970s and 1980s on CAPM (capital asset pricing model) and how it could be applied to corporations (Aglietta 2000; Black Wright & Davies 2001; Lazonick & O’Sullivan 2000; Williams 2000).

The reported research literature focuses predominantly on the USA and Britain but lived experience tells us that a similar trend followed in Australia. In particular, deregulation and the burst of the ‘bubble’ of the boom in the 1980s created an environment in Australia for a greater focus on the performance of companies and the accountability of management. The mid-1980’s in Australia saw the deregulation of the financial market and, in the Finance industry, an influx of foreign banks. In 1985, sixteen foreign banks were registered to operate in Australia. By the early nineties, the boom of the eighties was over but worse for Australia were the major corporate collapses and scandals. The finance industry was no exception. Although

all stakeholders got burnt over that period, a consciousness grew out of this experience that management was indeed there for the shareholders. This focus on the shareholder carried with it a belief that organisations should be held more accountable (Carew 1997).

2.4.2 Agency Theory

Over the period of the 1970s, a group of American financial economists developed an approach to corporate governance known as Agency theory (Fama & Jensen 1983; Jensen & Meckling 1976). Agency theory sits at the core of the shareholder value approach to managing (Jensen & Meckling 1976). These

economists were ideologically predisposed against corporate – that is, managerial – control over the allocation of resources and returns in the economy. Agency theorists posited that, in the governance of corporation, shareholders were the principals and managers were their agents.

Lazonick & O’Sullivan 2000, p. 16

The concept of ‘ownership’ is fundamental to Agency theory and has its roots in the rights associated with the ownership of land. Locke (1988) in Engelen (2002) explains:

Following liberal legal doctrine, stocks and shares are equivalent to ownership titles, which give the owner full and absolute disposition rights over the object or ownership. As in the ‘residual earnings’ argument, ownership claims are ultimately rooted in the moral principle of reward according to contribution, as they clearly are in Lockean theory: ownership is rightful if (and only if) the object of ownership is the result of a

mix of effort and natural resources or has been obtained by legitimate transactions (Locke 1988).

Engelen 2002, p. 395

From this basis in ownership, Agency theory suggests that the shareholder owns the organisation and, therefore, its assets and profits.

Agency theory asserts that the owner will act in the best interests of the firm. However, Agency problems occur when the person delegated to run the firm (the agent) displays personal goals that are not consistent with those of the owners. Articulating this concern, the opponents of Agency theory argued that:

... corporate managers were undisciplined by the market mechanism, they would opportunistically use their control over the allocation of corporate resources and returns to line their own pockets, or at least to pursue

objectives that were contrary to the interests of shareholders.

Lazonick & O'Sullivan 2000, p. 15&16

Agency theory also contends that decision making that is not in the best interests of the owners may arise because there is a difference in the level of risk that owners and agents are prepared to tolerate.

This leads to two guiding assumptions of agency theory: First, owners pursue organizational goals and are risk neutral, and second, agents pursue personal goals and are risk averse.

Welbourne & Cyr 1999, p. 439

For the pursuit of shareholder value to succeed as a business model, the issue of risk needed to be mitigated and there needed to be a way to align managers' interests with

the interest of the owners (the shareholders). Since the concept of ownership is central to Agency theory, it was argued that those responsible for running the company needed to become owners – or, at least, to have enough invested to make them behave as if they were owners (Daily, *et al.*, 2003; Welbourne & Cyr 1999).

Incentives in the form of stock were granted to CEOs and top Executives as a means of encouraging alignment and, it was presumed, as a form of monitoring. Managers who were shareholders could be considered as owners (Welbourne & Cyr 1999). Furthermore, this argument espouses; the market is always superior to organisations in the efficient allocation of resources.

Given the entrenchment of incumbent corporate managers and the relatively poor performance of their companies in the 1970s, agency theorists argued that there was a need for a takeover market that, functioning as a market for corporate control, could discipline managers whose companies performed poorly. The rate of return on corporate stock was their measure of superior performance, and the maximization of shareholder value became their creed.

Lazonick & O’Sullivan 2000, pp 15&16

Not only is the market seen as superior but Agency theory suggests that it is an efficient method of corporate control. It acts as a whip to ensure that managers optimise the assets entrusted to them because the failure of managers to do so will result in the market taking action to replace them (Engelen 2002).

In broad generality, therefore, Agency theory assumes:

- a *moral claim* of ownership based on property rights,
- a *functional claim* that the market is the most efficient mechanism for allocation of resources, and
- a *prudential claim* of corporate control over its agents (Engelen 2002, p. 391).

2.4.3 Images of Man

Twenty years after their publication of the Theory of the Firm and Agency theory, Jensen and Meckling (1994, revised 1997) provided some insight into their view of human nature in 'The Nature of Man'. Discussing five models and discounting the first three: sociological, psychological and political man, they identified a fourth, economic man, who was summarily included into their fifth, preferred, model

which goes by the rather convoluted label of Resourceful, Evaluative, Maximizing Model (REMM). REMM postulates that everyone is an evaluator constantly making trade-offs and substitutions among wants – specifically among the amounts of each [want]. These wants are unlimited. REMMs cannot be satiated. And there are no absolutes.

Mintzberg, Simons & Basu 2002, p. 68

Revealing some of the deeply held beliefs of the exponents of Agency theory, on which shareholder value was built, Jensen and Meckling (1997; 1994) conclude their argument about the nature of man by asserting that, in the end, we can do things for individuals only. Motivation towards the primary task of creating shareholder value, according to this view, is a passion for self-satisfaction, an attempt to realise a personal perception of want. As Mintzberg, *et al* (2002) observe, satisfaction of want(s) is the primary driver –for both the agent and the owner.

In extension, as Black, Wright and Davies (2001) suggest, shareholder value is not an absolute. It is also about perception. In proposing that profit is an opinion rather than a fact, they observe that the basis on which profit is calculated varies across organisations and, more significantly, it varies across different countries. They go on to suggest that:

Just as profit is not an absolute so is shareholder value not an absolute. It follows that shareholder value is only partly about the numbers; the other part is about perception.

Black, Wright & Davies 2001, p. 10&11

The idea that the organisation is continually behaving in a way that creates a desirable external perception of its self has significance for the increase in focus *internally* on shareholder value. If one is constantly working on perception then one can not take their eye off it. If that perception is an external one then it follows that the focus is external. To create and sustain perception takes a lot of effort. Not to do so could mean that the reality will be exposed (Black, Wright & Davies 2001). When the reality is measured as shareholder value, managing market perception becomes the core business of the company.

2.4.4 Driving Through Shareholder Value

Though there was nothing novel in notions of the value of stock, the idea of utilising shareholder value as an approach to managing a company, however, *was* new. The approach created a need to manage companies on a day-to-day basis with shareholder value as a singular focus. In a world where it sometimes seems that ‘what gets measured gets done’, the measurement of shareholder value became an important part of managing. Over the past several decades, as a result, organisations have focused their attention on account models that presume to measure and, therefore, demonstrate to the market the value they have created for the shareholder.

Black, Wright & Davis (2001) suggest that when we talk about shareholder value, we immediately resort to “value based” measurements of a company's performance. They are the,

... techniques by which companies and corporation can be analysed, re-orientated and then managed to conform with a value creation imperative.

Black, Wright & Davis 2001, p. 9

In this context, value becomes financial value and more specifically cash when it takes the forms of company return to the shareholder and cash flow – each of which is interpreted as a sign of the company's health in the eyes of the market. A more fundamental principle is that, "*a company only adds value for its shareholders when equity returns exceed equity costs.*" (Black, Wright & Davis 2001, p.9)

A host of new business phrases has sprung up to describe the steps and process that demonstrate value to the market: market-value added; total shareholder return; cashflow return on investments; cashflow return on capital employed; economic value added are only a few in a growing list (Black, Wright & Davis 2001; Chancellor 2002; Jackson 1996; McConville 1994; Pitman 2003). EVA (economic value added) measures the difference between the return on capital and its cost. It thus puts a figure on how much value has been created by a company in the course of the year. In other words, it shows investors the return on their money (Jackson 1996). Over the last decade, EVA has come to be the most commonly used and relied upon technique for measuring shareholder value, although other measurements or techniques are used in support or in conjunction with EVA (Ivey, Foote & Thomas 2002; Jackson 1996; McConville 1994; Pitman 2003; Wenner & LeBer 1990).

The single focus on shareholder value and a growing body of literature on the subject over the past few decades has created a ready climate into which Business Consultants sell their metrics, tools and implementation models with the promise that purposive management action will be rewarded (Froud *et al.* 2000a).

Despite Aglietta's (2000) claim that there is nothing new about measures such as EVA, ROI, or ROE as far as financial theory is concerned, rising acceptance of the measurement of shareholder value has generated a whole new market for metrics.

Once the measurement tools were in place, the need to align the rest of the organisation seemed to be self-evident:

shareholder value helps to legitimize the
predominance of shareholders over other stakeholders,

and the predominance of a capital market view of the firm over an industrial one.

Aglietta 2000, p. 148

To ensure that everyone in the organisation would work towards shareholder value, the agency theory approach of rewarding all staff with shares seemed a natural solution (Welbourne & Cyr 1999; Wenner & LeBer 1990).

2.4.5 Aligning Goals with Drivers

With the significant stakeholders now re-defined as shareholders, organisational goals and objectives were aligned to shareholder value drivers. To confirm this shift, the language in the organisation shifted from participation to accountability. As organisations increasingly aligned themselves with market expectations, the expectations on staff internally kept increasing (Welbourne & Cyr 1999; Wenner & LeBer 1990).

Out of the focus on increased performance grew the term “high performance culture”. The creation of a high performance culture was based on the belief that the best would rise to the top. By keeping raising the bar, it was asserted; the organisations’ performance would continually grow. This approach was supported with a view that if the bottom 10% were continually managed out then only the very best *could* survive. CEOs looked to Jack (Welsh) as the hero who had produced huge success on this model, and to Al Dunlap as the CEO who achieved efficiencies at the top by removing the bottom completely (Bartlett & Wozny 2000; Byrne 1999; Colvin 1998; Sloan 1998).

2.4.6 The Momentum for Shareholder Value

As discussed earlier (see section 2.2.1), control over the firm by its managers was contested in the late 1970s through agency theory, which was designed to rehabilitate shareholder interests. Over the 70s, 80s and 90s, a number of drivers have

contributed to the rise of shareholder value as an established way of managing companies.

The growing globalisation of markets since the 1970's developed an increase in the range of, and subsequent demand for, goods and services. The lowering of trade barriers in the 1980's brought widespread domestic financial deregulation and the cheap long-term lending available in 'capital rich' countries dried up (Aglietta 2000; Black, Wright & Davies 2001). Companies increasingly needed to find alternative ways of creating shareholder value. The so-called Anglo-Saxon economies of the United States and Britain focus on shareholder value was given prominence in the 1980s and the rise came to be seen as part and parcel of the Reaganite and Thatcherite revolutions (Aglietta 2000; Black, Wright & Davies 2001; Courier Mail, 9 March 2002).

Increases in the sophistication of technology since the 1970's have had a significant impact in focusing companies toward shareholder value. The capacity of investors to make decisions about their company's strategic thinking, product suitability and market knowledge is enhanced. The quality and quantity of information now available to investors is far superior to what it ever has been. Because money can now travel around the world in seconds, this new era of information technology has given capital markets the capability to wield power continuously in response to the capability of valuing companies publicly (Aglietta 2000; Black, Wright & Davies 2001).

2.4.7 Shifting Paradigms: From 'Retain and Reinvest' to 'Downsize and Distribute'

Observing the significant shift in focus from organisational growth to shareholder value, Lazonick and O'Sullivan (2000) present a framework, which they call 'retain and reinvest' to 'downsize and distribute', that describes the paradigm shift.

As has been the case throughout the twentieth century,
in the 1980s a relatively small number of giant

corporations, employing tens of even hundreds of thousands of people dominated the economy of the United States. On the basis of capabilities that had been accumulated over decades, these corporations generated huge revenues. They allocated these revenues according to a corporate governance principle that we call 'retain and reinvest'. These corporations tended to retain both the money that they earned and the people whom they employed, and they reinvested in physical capital and complementary human resources. Retentions in the forms of earnings and capital consumption allowances provided the financial foundations for corporate growth, while the building of managerial organizations to develop and utilize productive resources enabled investments in plant, equipment and personnel to succeed.

In the 1960 and 1970s, however, the principle of retain and reinvest began running into problems for two reasons, one having to do with the growth of the corporation and the other having to do with the rise of new competitors.

Lazonick & O'Sullivan 2002, p. 15

In this context, the development of Agency theory as an explanation for stalling growth and declining profits allowed corporate governors to shift responsibility from increased competition (over which they had little control) to unmotivated management (for which agency theory promised a solution).

The 1980s saw the rise of the Japanese manufacturing industry and the eclipsing of US manufacturing. This environment created a climate for mergers and acquisitions and, by the mid-1980s, the stage was set for large takeovers. This approach, as

Black, Wright and Davies (2001) observe, was not isolated to the US; Western economies were facing similar issues.

Takeovers ... were needed to 'disgorge the free cash flow' from companies (Jensen 1989). The exchange of corporate shares for high-yield debt forced liquidity on the acquired or merged companies. ... managers ... were predisposed towards shedding labour and selling off physical assets if that was what was needed to meet the corporation's new financial obligations and, indeed, to push up the market value of the company's stock. ... [T]he sole measure of corporate performance became the enhanced market capitalization of the company after the takeover.

Increasingly during the 1980s, and even more so in the 1990s, support for corporate governance ... witnessed a marked shift in the strategic orientation of top corporate managers in the allocations of corporate resources and returns away from 'retain and reinvest' and towards 'downsize and distribute'.

Lazonick & O'Sullivan 2000, p. 18

Williams (2000) takes this shift to 'downsize and distribute' further in contending that, shareholder value was subsequently used in the 1990s in Britain and the USA as a management justification for corporate restructuring and downsizing which promised to deliver increased rates of return.

Returning from a tour of Britain and the USA, the Australian Prime Minister, Paul Keating confirmed the Anglo-American rhetoric of the period by announcing that "This is the recession we have to have". (*The Australian* 16 Dec. 2000, p. 7; *Too little honesty, or too much?* 1992) Keating's economic pronouncement was well supported by Australia's multi-nationals which had already begun substantial

downsizing (Maslen 1998; Walsh 1997), some under American appointed CEO's, and *distributing* manufacture to cheaper production centres, mostly in Asia (Connolly 1998; Maslen 1998).

The literature in this field specifically focuses on Britain and the USA. Australia is not as well documented but it seems evident that the trends in Australia have closely followed that of Britain and the USA (Eastlake 2003; 'Remembering the bad old days', Daily Telegraph 2003). This has been fuelled by some local problems such as the issues discussed earlier and by 'the recession that we needed to have'. "MORE THAN TWO MILLION Australians have been made redundant over the past 10 years". (Courier Mail, 31 January, 2002; Maslen 1998, p. 47)

2.4.8 Alternative Approaches: Stakeholder Value

The alternative to the shareholder value approach, as identified by Black, Wright and Davies (2001), is the stakeholder approach. The stakeholder approach recognises stakeholders as including stockholders, employees, customer and the community and argues that the 'principle-agent' model of capitalism is too limited to generate continuous economic growth in a complex global economic setting. However,

... emphasis on the cohesive nature of the relationships between the various economic actors does not preclude shareholders' exercise of discipline over management. But it does imply a different definition of objectives and thus a different approach to monitoring.

Black, Wright & Davies 2001, p. 13

The stakeholder view may be seen to be less callous than the shareholder value approach. Similarly, it appears to make sense to take into consideration the competing interests of employees, shareholders, customers, suppliers and the wider community. While the shareholder approach subordinates all other stakeholders, managers are faced, on a day-to-day basis, with the challenges of juggling

stakeholders needs. Black, Wright and Davies (2001) offer a view about how the shareholder approach informs us about how to manage the tensions between the shareholder and one of the stakeholders: the customer.

Customer satisfaction is, of course, only ultimately of value when it produces over time an economic cash return on the investment – a return in excess of a company's cost of capital. Thus the strategic thinking aimed at customers needs to be reconciled with the financial thinking behind shareholder value.

Black, Wright & Davies 2001, p. 21

There is a close correlation in the public consciousness between companies performing poorly, redundancy programmes and share price decreases. Ultimately, Black, Wright and Davies (2001) argue that the stakeholder view is untenable. One must eventually choose between competing stakeholders and the management of business must have a prime focus: maximizing the value of its equity (Black, Wright & Davies 2001; Goldenberg 2000).

2.4.9 Community Responsibility

Philanthropic approaches exemplified in the actions of various benign beneficiaries of the industrial revolution such as Andrew Carnegie, or of displaced tycoons such as the Rothschild family, have led to an enduring perception that profitable organisations should return some of their profit to the community that supports them.

Tax concessions favouring philanthropic actions have variously shifted economic responsibility from governments to corporations in Britain and Australia particularly. The resulting perception that large organisations have a social responsibility for both their employees and their wider community of customers is, as a result, as entrenched in the public consciousness as the view that share price decreases reflect poor performance.

The belief that large corporations have a social charter and the responsibility of managers is to balance the interests of the stakeholders took a dramatic turn in the mid to late 1990s. Organisations removed their social charters and put new goals in their place that internally and publicly declared that “the paramount duty of management and of boards of directors is to the corporation’s stockholders”. (Mintzberg, Simons & Basu 2002, p. 69)

At the opening to the twenty-first century, publicly listed companies are moving further and further from considering their stakeholders in strategic management planning. At the same time, they are assuming less and less responsibility for the communities that represent their customer base.

2.4.10 Shareholder Value – The Critics

In recent times, we have witnessed the debacles of Enron and, in Australia, HIH Insurance Limited, which has put the spotlight onto shareholder value and has brought the shareholder value approach into question (Burke & Béchervaise 2003). However, the theory of shareholder value has its critics regardless of these examples of gross incompetence and deception. There is a growing body of literature questioning some of the fundamental premises of the theory of the firm, agency theory; questioning the economic results story; and on a more philosophical level, the type of leadership, people and society that the shareholder value model has created. This section establishes the emerging critique of the shareholder value model and suggests that the focus on shareholder value as an end in itself is counterproductive. The only gains appear to be short-term.

2.4.10.1 Stock Allocation and Shared Interests

The allocation of stock which, it was argued, would solve the principal-agent problem has come under savage review in the wake of the American Enron collapse, the HIH debacle in Australia, the creative accounting procedures revealed at Arthur Andersen and similar corporate failures. Chancellor (2002) contends that the success of the shareholder value model has been exaggerated. Instead, its most obvious result

has been the personal enrichment of management at the expense of the very shareholders it was supposed to benefit.

in practice, the generous compensation of top executives with stock options has created an overwhelming incentive to manipulate earnings in order to inflate share prices. In many instances, this has allowed senior executives to cash in their options, leaving shareholders to suffer heavy losses.

Chancellor 2002, p. 10

Far from accepting the market as a performance monitor, companies have turned to financial engineering, replacing equity with debt, to push up the share price (Bernstein 2002; Chancellor 2002; Eisold 2003). Increasing debt has caused the volatility of individual stocks to rise to record levels, dividend payments have been reduced and the money used to buy back managers' shares. The mitigation of risk inherent in Agency theory, according to Chancellor (2002), has, in practice, resulted in the holders of stock options having different interests from shareholders. Unlike shareholders, the recipients of employee stock options have no costs to meet and no losses to face. They therefore have an incentive to take larger risks (McGuire & Matta 2003). If they are unsuccessful, then they can always demand that new options be granted at a lower price.

Options holders, it is argued, have different time scales and therefore competing interests. The argument is not necessarily about greed or the one "bad apple", rather it is about the ideology of shareholder value itself, in relation the principal-agent problem. According to Byrne (2002), managers are more interested in the value of their stockholdings than the profit of their companies. In this light, the rationale for shareholder value as an efficient form of corporate governance becomes questionable. (Chancellor 2002; Mitchell 2002)

2.4.10.2 Ownership

On the principle of ‘ownership’, Mitchell (2002) argues that making the shareholder ‘king’ distorts the notion of vested interest. Suggesting that when shareholders ‘own’ the company, they own not only the physical assets but, on current interpretations, the people as well, Mitchell (2002) suggests that this degree of ownership extends beyond basic rights. It takes the balance of ownership too far in favour of one stakeholder – and back to its origins in the Feudal system. When corporations are something akin to a feudal household replacing the individual pursuit of wealth with a corporate ideal (Chancellor 2002; Macklem 2002), their potential for forward-looking vision becomes questionable.

The village baker, banker and blacksmith might swap pipe dreams down at the pub, but the narrow range of their experience and their meagre resources severely limited the number of things they could collectively invent.

Hamel 2002, p. 5 & 6

Ownership as a cornerstone for shareholder value is increasingly seen as impeding the potential for forward planning and innovation. The regressive metrics realised in quarterly balance sheets demand constant attention to short-term financial targets (Chancellor 2002; Sanders & Carpenter 2003). Shareholder ownership is informed by media commentators hungry for instant copy and, in response, reporting transparency becomes an early casualty wherever change is contemplated (Daily *et al* 2003; Dalton & Daily 2001). Instead of ownership supporting shareholder interests, it creates an information barrier that renders effective governance increasingly problematic and reduces the monitoring efficiency of the market contemplated (Daily *et. al.* 2003; Dalton & Daily 2001).

2.4.10.3 Market Efficiency

At a theoretical level,

Shareholder value ... assumes the stockmarket is efficient, in the sense that share prices reveal intrinsic value, and advises managers to let those prices guide their actions.

Chancellor 2002, p. 1

In *The Alchemy of Finance* (1987), George Soros argued that markets could never be efficient since, contrary to theory, perceptions in the stockmarket change the reality for businesses in the real world. There is a feedback loop between share prices and companies, which Soros called “reflexivity” and which he identified as one of the principal causes of booms and crashes (Bryant 2002).

Responsible managers, according to Soros (1987), should act to dampen the process of reflexivity. Goldenberg (2000) argues that companies adjust the results without violating financial rules, as the perception of the market is a variable that needs to be managed. They also take into account the nature of the information they report in order not to disclose information that could be useful to the competition. By giving primacy to market expectations in management decision-making, shareholder value nurtures instability. Warren Buffett, (arguably America’s best known investor) recalls his mentor Benjamin Graham, saying that “the market in the short run is a voting machine but in the long run it is a weighing machine”. This contention holds that, over the long-term, the market provides an approximation of the intrinsic value but, in the short-term, shares are invariably over or under-valued (Chancellor 2002, p. 2).

2.4.10.4 Performance as Success

Chancellor (2002) contends that reported improvement in a corporation's allocation of capital is not compelling, nor can the rise in the stockmarket be taken as *prima*

facie evidence of the greater efficiency of business; the rise in share price, he observes, has far outstripped any growth in business. Macklem (2002) calls this a kind of “false worth” and argues that the pressure to create this kind of result is relentless.

In support of the *false worth* label, there is ample evidence that shareholder value is driving short-term results and several drivers are said to create short-termism.

Shareholders, themselves, are investing for the short-term. They are interested in quick returns. The average length of time that stock is held has fallen from over seven years to less than eighteen months (Chancellor 2002; Macklem 2002). When investors can not be truly considered as owners, the fundamentals of agency theory as a basis for business modeling fall into question.

Managers, as previously observed, are often preoccupied with increasing stock value so that they can increase their own wealth. Because the employment time-frame for CEOs and managers has greatly decreased, they too are seen to be interested in the short-term (Chancellor 2002; Macklem 2002).

Consequently, it is argued, there is no depth in the results being created, as there is a lack of investment for the medium to long-term (Black & Fraser 2002; Boyd 2004 Chancellor 2002; Mintzberg, Simons & Basu 2002).

So, distortions in ownership because lack of information and short-term investment without commitment, and distortions in market because of manager manipulation and reflexivity make shareholder value a poor business planning tool sowing the seeds of its own destruction because shareholder self interest replaces company interest.

2.4.10.5 Stakeholders – A Humanist Wedge in the Shareholder Value Model

Mintzberg, Simons and Basu (2002); Lewin and Regine (2000); Mitchell (2002) and Chancellor (2002) suggest that, as a result of slavishly pursuing the shareholder value

fad, many companies have badly damaged both their reputations and their relationships with many of their longer-term key stakeholders – suppliers, customers and employees.

Mintzberg, Simons and Basu (2002, p. 70) argue strongly that the damage is so deep that it has created a wedge between the stakeholders, who create economic performance, and the shareholders, who benefit from it:

Those who create the benefits are disengaged from the ownership of their efforts and are treated as dispensable, while those who own the enterprise treat that ownership as dispensable and so disengage themselves from its activities ...The wedge of disengagement is also driven between a company and its customers, because the focus on ultimate financial performance tends to blind people to the means by which it is earned. Employees are encouraged to see dollar signs out in the marketplace and ... not people in need of reliable products and services ... The problem is that you do not serve customers by serving yourself. You serve yourself by really serving the customers.

Mintzberg, Simons & Basu 2002, p. 70

This growing recognition that all stakeholders need to be considered – customers, employees, shareholders and the community – provides the argument that improving relationships with all stakeholders leads to an increase in shareholder value (Froud *et al.*, 2000b; Hall 2002; Mayo 2002; Payne & Holt 2001).

2.4.10.6 The Customer as Stakeholder

Taking a single stakeholder as example, Mitchell (2002) contends that the real problem with shareholder value is that it does not focus on customers. He argues

that, in the face of shareholder value, it is difficult, if not impossible, to meaningfully engage with other stakeholders. In fact, he proposes, it positively takes the managers' eyes off the customer ball. Mitchell's (2002) view is aligned to Black, Wright and Davies (2001) about how the focus becomes managing the perception externally (see section 2.4.3).

Profit is a function of real business performance, which demands that you create real value for customers.

But ultimately, shareholder value is a function of the company's stock price - which we know is not always correlated to business performance.

Mitchell 2002, p. 31

In this environment of what Miller (1998) calls "*calculated sincerity*", "deep acting" is required on the part of the staff in order to serve customers, where emotions are denied and a culture of "collusion" is created (Hoggett 2002; Sennett 1999a; 1999b). Collusion that occurs is the fantasy that the staff is there for the customer first, rather than the shareholder (Hoggett 2002; Sennett 1999a; 1999b).

2.4.10.7 Lean and Mean and Lacking Humanity

Mintzberg, Simons and Basu (2002 p. 71) and Kinnie, Hutchinson and Purcell, (1998) argue that one of the fundamental necessities for shareholder value is the *lean and mean* organisation. Exploring the discourse they observe that, in contemporary western societies, *Lean* sounds good, better than *fat*. They are concerned with the fact that *mean* has been turned into a value, lamenting it as a sad sign of the times. They suggest that,

... lean and mean is supposed to offer it all: lower costs, higher productivity, flatter and more flexible structures, more empowered workers (with their bosses gone) and happier customers. It is often

packaged with glib phrases like “doing more with less” and “win-win.”

Mintzberg, Simons & Basu 2002, p. 72

They go on to say that while this can happen, it is only half of the truth.

The other half comprises burned-out managers, angry workers, quality losses in the guise of productivity gains

and disgruntled customers. Lose-lose.

Mintzberg, Simons & Basu 2002, p. 72

Assessing the consequences of this *lean and mean* philosophy, they conclude that:

Perhaps the worst consequence of all of this restructuring has been the breaking of a basic covenant between employer and employee: the implicit pledge of security in return for loyalty. People feel betrayed these days. ...These feelings of betrayal in the workforce cannot help productivity in the long run, but productivity does not seem to be measured in the long run these days. ... So the lean and mean organization drives a wedge of discontinuity between the present and the future.

Mintzberg, Simons & Basu 2002, p. 72

The emotional denigration and loss of connection, in the sense of loyalty, argued by Mintzberg, et al (2002) and Stein (1998) is what Sennett (1999a) refers to as the corrosion of character and the loss of qualities that bind people together and to the organisation.

2.4.10.8 Heroic Leadership

Mintzberg, *et al* (2002) contend that the obsession with shareholder value has generated an environment in which heroic leaders have been created. Shareholder value

has promoted the notion of heroic leaders, larger than life, riding in, not to save the day but to save the stock price.

Mintzberg, Simons & Basu 2002, p. 4 & 5

Underpinning this creation, they argue, is the assumption that the chief executive *is* the company. Chief executives, they argue, have been disproportionately rewarded for the performance of the entire company. Questioning whether Chief Executives can really achieve outstanding results all by themselves, they suggest that the "heroes" are caught up in the need to conform to heroic images created and expected by the media, the market and the shareholders (Eisold 2003; Maccoby 2000). With fleeting sympathy, they observe that,

the problem with heroic leadership is that it is detached. It drives a wedge between the leaders sitting at the top of their pedestals and everyone else.

Mintzberg, Simons & Basu 2002, p. 4 & 5

2.4.10.9 Shareholder Value – The Inevitability of Disappointment

Concluding his critique of shareholder value, Chancellor (2002, p. 10) contends that the singular pursuit of shareholder value will ultimately end in disappointment:

[A]ccording to the consultant Jim Collins, ... great managers are motivated by the pride they take in their work. They are prepared to take decisions that are

often initially unpopular with shareholders and have the courage to stick by them. Similarly John Kay, the business writer, applies JS Mill's principle of obliquity to corporate profits. Just as Mill argued that happiness could not be achieved when pursued directly, so Kay claims that profitability should never be the purpose of a business. Profit, according to management theorist Peter Drucker, is not the rationale of a business, just the test of its validity. When shareholder value becomes the prime purpose of management, disappointment is inevitable.

Chancellor 2002, p. 10

2.4.10.10 Falsehood and imbalance

Arguing that there is an imbalance in systemic perspective, Mitchell (2002) refers to Cromwell's observation that the divine right of kings – the prior claim of the king over all others – was a false necessity. Shareholder value, he argues, is in the same category of false prior claims, "We don't need it to prosper". Referring to shareholder value as a sectarian slogan designed to favour one group above others, Mitchell (2002) argues that it is self-defeating because it does not motivate. In fact, apart from a few senior people at the top, he suggests, it positively demotivates the very people who have to achieve the goal. Furthermore, Mitchell (2002) observes, the slogan is content free, it does nothing to distinguish between two different beliefs about shareholder value. It fails to differentiate those who argue that the only way to maximise shareholder value is by delighting the customer and employees; and, those who pump up the share price by devouring more targets - with financial engineering for example. He argues that the application of shareholder value,

... happily accommodates both saints and sinners under the same banner. Which explains its enormous success – and its power to damage Part of the damage

stems from its encouragement of unnatural, extreme behaviour. Nature rarely goes for maximisation. It goes for balance. Most attempts to maximise a single element within a balanced system – to have too much of a good thing – are toxic.

With shareholder value, this toxicity has its own internal runaway-train logic. You can never know if you have actually achieved maximum profits or share prices. No matter how wonderful the performance, you can always look back and say: “it might have been better”. The ensuing attempt to stretch things ever further eventually breaks them.

Mitchell 2002, p. 29

2.4.10.11 Shareholder Value and Core Business Focus

The loss of organisational focus on the customer as stakeholder in favour of the shareholder leading to tension between the uninformed and/or selfish demands of increasingly non-owner shareholder pirates seeking plunder and the presumably more socially responsible stakeholders seeking to grow the business for the greater social good has been seen as leading to a loss of humanity within the organisation (Stein 1998). The *lean and mean* approaches underscored with relatively accessible and easily presented performance metrics have led, increasingly, towards the identification and acceptance of CEO's as heroes and gods with the concomitant religious overtones or substrates that these imply (see sections 2.4.10.7 and 2.4.10.8).

2.5 SHAREHOLDER VALUE: A CRITIQUE APPLYING CHAPMAN'S (1999) DISCUSSION ON TASK VALUES, TASK TENETS AND TASK POWER

This section provides a discussion of the task of shareholder value as a primary task in the light of Chapman's (1999) thesis on *task values*, *task tenets* and *task power*. In doing so, it draws on the earlier discussions about the concept of primary task (see section 2.3) and the above discussion on the critics of shareholder value. Since the pursuit of shareholder value emerges in this research as the primary task of ABC (see Chapter 4) it useful, at this stage, to consider the task of shareholder value theoretically from this perceptive.

2.5.1 Task values – The Shareholder Value Task

2.5.1.1 Authenticity

As previously discussed (see section 2.3.7.2) authenticity, as a task value, is more than survival in the pragmatic sense. It acknowledges the need for the organisations' members to believe that they are engaged in "something worthwhile, or at least engaged in a task containing some elements of altruism" (Chapman 1999, p. 130).

The value of authenticity, as is argued by Chapman (1999) becomes absent from, or at least irrelevant to, the pursuit of shareholder value when the primary task of the organisation is merely to make money (see section 2.3 and 2.3.4) and where the critical dimension of altruism (see section 2.3.7.2), which is concerned with meaning outside the self (Chapman 1999; Frankl 1956), is subsumed to this same money-making task.

Lack of meaning intrinsic in the task of shareholder value

At the root of the shareholder value model is the notion of ownership based on a Feudal system which is, in turn, predicated on the idea that people cannot be trusted in act in the interest of the firm unless they are owners (see section 2.4.1).

In order to sustain this fundamental premise, the entire shareholder business model for managing organisation has been based on a financially driven premise of motivation. Ultimately the task of increasing shareholder value is a financially driven model. It is concerned with:

- producing wealth for the shareholders;
- shareholder value as a measure of organisational success; and
- using financial reward as a motivator for all staff.

Lawrence (2003) and Armstrong (2003) contend that when the primary task is about money, it becomes devoid of meaning (see section 2.3.4). In the context of organisations, offers a way to consider meaning or “something worthwhile”. Firstly, he identifies the significance of how much something means to us. Secondly he discusses “the way in which systems of representation, be it language or pictures, operate as vehicles of human experience” Armstrong (2003, p. 4). These two, he argues, are intimately linked in that the second enables us to recover meaning contained in the first.

The question therefore arises, how much does shareholder value mean to the staff of any given financial institution on a day to day basis as they do their work? How much does it mean that they make shareholders richer?

Chapman (1999, p. 131) postulates “that ‘good’ tasks need to be accessible ones”, they are “within the capacity of the doer”. Accessibility is useful when considering the question of how much something means when “how much” is dependent on accessibility. Since individual shareholders are a group of people who have little or no direct contact with the organisation, this means that staff in the organisation, are inevitably removed from the task. The only way they can have some connection to the task is to know that the share price has increased (or otherwise). This, in itself, however, does little to connect the vast majority of employees to their apparent daily activity of serving the customer or serving the shareholder. The few people at the top of the organisation who have significant share holdings and are focused on the market may be an exception to this.

The second part of Armstrong's (2003) model involves a representation of the task in the system in terms of recovery of meaning. The language of shareholder value is EVA (Economic Value Added). This is a language of measurement and its intrinsic process is the ability to continually track how the numbers are stacking up against expectations that have been created in the market. Rather than being a language of meaning, it is the language of past results, measurement and short-termism which, in the first instance, lacks meaning as a task, and in the second instance, being couched in language intrinsic to the task of shareholder value, symbolises that the task lacks meaning.

Finally, Armstrong (2003) contends that this process of recovery of meaning demands reflection, the ability to work with the 'shadow'. The focus on measurable results reduces any opportunity for reflection to an analytic process, ensuring that the shadow is undiscussible. In Armstrong's (2003) construct of meaning in the first instance, the question of, 'how much we value something', is not accessible because employees are removed from the shareholder. In the second instance, the language that *is* accessible sustains the nature of the task as a set of results. Meaning or a 'worthwhile' task remains inaccessible.

Lawrence (2003) and Armstrong (2003) both contend that the economic dimension alone is about survival which is devoid of meaning, and which ultimately drives emotional denigration. In the same vein, the critics of shareholder value argue that when shareholder value is the goal of the organisation, managers are not able to experience fulfillment and disappointment becomes inevitable (see section 2.4.10.9).

Individualism

The task of shareholder value creates an individually focused organisation (see section 2.4.10.7). Large rewards drive competitive behaviour for those who believe that they are achievable while the rest of the organisation is focused on survival (Sennett 1999a). History has taught them the vulnerability of keeping a job. Both of these dynamics focus people on themselves. Frankl (1956) contends that survival in the German concentration camps was dependent upon the capacity of the people to

hold onto the image and consideration that they had for those they loved rather than for their own everyday survival in a literal sense. Meaning, or something worthwhile, can only exist outside the self. In the absence of altruism generated from within the task and an organisation that is individually focused internally, the potential for people to engage in a task that is worthwhile becomes impossible.

Narcissism

In pursuit of the task of shareholder value, previous discussion has established that the value of stock is as much about perception as it is about the actual numbers (see section 2.4.3). In the context, the task becomes one of managing the perception of the external environment, the market and the shareholders, and the need to be able to influence the market. The task of maintaining shareholder value therefore requires that CEO's and their Executive team become externally focused and, necessarily *taking their eye off the ball* (see section 2.4.3). This environment, it has been argued, attracts narcissistic CEO's who are more concerned with their own ego requirements than with the longer-term well-being of the organisation. If the task of shareholder value in the first instance is devoid of meaning, this vacuum sustains the narcissistic style of leadership since fulfillment is not to be found in the task.

2.5.1.2 Uniqueness

Chapman (1999) argues that uniqueness is allied to authenticity, which is the one thing that the organisation needs to survive as itself *and no other*. Chapman identifies the symbiotic relationship between task and system to argue that a system that is not unique has no reason to exist. In this situation, the task of shareholder value could be said to be exactly the same across a given industry to the extent that there is nothing unique about it. Customer research confirms that, despite their desire to differentiate themselves from each other, customers believe that the big four trading banks in Australia, for example, "are all the same, that there is nothing to chose between them" (Cornell 2004; Roberts 2004)

What is significant about the financial institution selected as the basis for this study (see Chapters 4 and 6), however, is the internal belief that it is unique. This belief, apparently, has been formed by how the CEO has positioned the specialisation strategy with the investor market, how the system has been designed to drive up share price and drive down costs.

If you peel it back to the basics we have had a different strategy. We have got a different CEO. He is probably more than the others, trying to take on different things. I think he's looked at culture. Been first to say, "that is something I want to really strongly invest in".

George

The culture referred to here has been powerfully developed as an internal belief about the organisation's uniqueness. This is later discussed in detail (see Chapter 3).

2.5.1.3 Accessibility

The task value of accessibility has previously been addressed in relation to authenticity (see section 2.5.1.1).

2.5.1.4 Generativity

Chapman (1999, p. 133) contends that "the actuality and the sense of being generative is both a powerful motivator and a desirable value *per se*." Generativity acknowledges the social context within which a system finds itself; i.e. it seems necessary that the primary task be generative,

not only for its own system and system members but also collaterally, as it touches the tasks and members of other systems. If this value is not observed, the system becomes self-feeding and self-serving.

Chapman 1999, p. 133

From an external perspective, the task of shareholder value can be seen as a self-serving and self-perpetuating system. It is driven systemically by the desire for profit for the shareholders and internally by its members, since agency in the shareholder value model has made the members into shareholders (Maturana & Varela 1980). The criticism of the record profits that banks have made over recent years, and the high salaries of CEO's and top Executives is evidence of how the system is considered to be self-serving (see section 4.3.2) ('17,000 sacked workers would be sickened by record profit', 2002, *General News*). All other stakeholders, according to this model, are totally subordinated to the shareholder.

From an internal perspective, Sennett (1999b; 1997) considers that the environment of downsizing, cost and profit created by the shareholder value model driven organisations has weakened social inclusion, which has had direct relevance for engagement and a negative impact on the individual. Furthermore, Sennett (1999a, p. 31) argues that the "disjointed time", the product of the short-term behaviour of the market and organisations has "created a conflict between character and experience", robbing people "of the ability to form their characters into sustained narratives". He goes on to argue that this is one aspect of today's organisation that eventually erodes character. Competition, survival, the lack of social inclusion and the eventual erosion of character are a long way from creating a system internally that could be considered generative. Instead, in this social context, the task of increasing shareholder value is best described as degenerative rather than generative in terms of both the systems it comes into contact with and its impact on the individual.

In summary, the task of shareholder value is devoid of any sense of altruism or meaning. Uniqueness is absent in the mind of the customer and the task has become degenerative rather than generative so that the pragmatic task of survival has become purely economic (see sections 2.5.1.1; 2.5.1.2 and 2.5.1.4). To this end, it appears, task values in the context of shareholder value are weak at best and in some cases almost certainly absent.

2.5.2 Task Tenets

The specific ideology that has emerged as dogma in relation to the task of shareholder value is elaborated in Chapter 6.

2.5.3 Task Power

The shareholder value model has enabled banks to make record profits through a decade of extreme customer and community discontent (AAP General News, 6 Dec. 2002; *The Australian*, 7 Dec. 2002). They have been able to hold at bay the anger of both the customer and the community to continue with the task of making money for the shareholder. At the same time, the industry has retrenched two million people over the past decade (AAP General News, 6 Dec. 2002). To facilitate the shift to shareholder value as a model for managing and to enable EVA (economic value add) to be embedded as the measure of performance, banks removed their Social Charters. The Social Charter was the organisations' mission statement and carried a clear commitment to the communities in which they operated. Many long-term bankers saw this as a fundamental change to the task of the bank, and one that they could not commit to. Many of them resigned or took retrenchment. Their response is one of the motivating factors behind the development of this study.

One of the trademarks of shareholder value has been the identification of 'high net worth' customers. These are large institutions, business customers or wealthy personal customers. In making this identification, banks in pursuit of shareholder value have shown that they have the power to create an operational divide between the rich and the poor. Internally, this approach has segregated the top few from the rest of the workforce (see section 5.3.7).

Shareholder value is a model for business and part of the larger system of capitalism. It is both a consequence of capitalism and one of the main drivers of the "new capitalism" (Handy 1998) for which Handy (1995, p. 65) has posed the question:

Have we decided that creative destruction, the principle at the heart of market capitalism, is also appropriate to its people, and that for the best to grow, the rest must be neglected?

Handy 1995, p. 65

Handy's (1995) question aligns to the argument of Mintzberg *et al* (2002) (see sections 2.4.10.5 - 2.4.10.7) and tends to confirm Sennett's observation (1997) that not only have individuals been neglected, ultimately the value of work has been impoverished.

It is therefore argued that the task of shareholder value has had enormous power to subordinate all other stakeholders. In so doing, it has impacted on the nature of work and the character of the individual. Banks in themselves have always been powerful institutions. When this power is married with the power of the task of pursuing shareholder value, it becomes a high power task. How this high power task affects the organisation at an individual level has been established as a fundamental issue in determining the potential for sustainable organisational development. In consequence, the research question providing the motivation for this study has been established as:

*How does increased focus on shareholder value
impact on the organisation's passion for its primary task?*

2.6 PSYCHO-ANALYTIC CONCEPTS – ORGANISATION DYNAMICS

In summarising the theoretical underpinnings of psycho-analytic theory (see section 2.2), the psycho-analytic concepts that inform the interpretation of the organisational dynamics inherent in the research question have been identified as:

- Social defense
- Holding environment
- Institution-in-the-mind

Each of these is dealt with conceptually in the following sections and is elaborated on as they are applied to interpretation in Chapters 4, 5, and 6.

2.6.1 Social Defense – A Defense Against Anxiety

Jaques (1955) and Menzies (1960) developed a theory of social defense, which builds on the work of Klein (1952a; 1952b; 1952c) on splitting, projection and projective identification (see section 2.2.1). They suggested that an organisation's social defense system helps determine its structure, procedures, technologies and culture through the need for its members to protect themselves against anxiety evoked by their roles and the task of the organisation.

Social defenses function in a way that depersonalises anxiety-provoking situations allowing the individual the potential to operate from the depressive position rather than needing to adopt the paranoid-schizoid mode (Jacques 1955; Krantz 1998; Menzies 1988). The social defense that emerges, in such a situation can be seen as a result of unconscious collusion between the organisation members as they attempt to operate their own social defense mechanisms (De Board 1978).

Krantz (1998) clarifies the bases for social defense theory when he suggests that:

People “map” their unconscious images, derived from early experience and shaped by their unconscious phantasies onto the organization and then re-internalize these meaning-filled experiences, though experiences that have been altered in some way by external reality. How these two realms interact – the subjective internal fantasy world of the individual and the organizational arrangements that serve both as container for projection and as a source of introjected experience – forms the basis of this theory.

Krantz 1998, p. 83

Social defenses can either operate in a way that integrates or disintegrates elements of work. Where disintegration occurs, splitting is manifested in many ways. Elements of the work may be split off, organisational fractures may occur with cross-unit projection and blame being fostered, authority relations becoming infantile and the more primitive, paranoid-schizoid group members being supported (Krantz 1998, p. 83). On the other hand, when integration occurs, the organisation gains (or retains) the ability to deal with complexity, more difficult “emotion-laden” questions can be presented and addressed, and issues can be dealt with in an integrated rather than a fragmented and split way (Krantz 1998).

In order to explain more specifically what is meant by social defense, it is useful to consider the seminal work of Menzies (1988), Hirschhorn (1990) - who specially draws from organisational experience - and Krantz (1998) - who considers anxiety in the new order.

The seminal case work of Menzies (1988) in a hospital environment offers a concrete view of what both Jaques (1955) and Menzies (1960) meant specifically when they first referred to *social defenses*. The core anxiety of the nurse lies in the relationship with the patient. The nature of the work of a hospital arouses conflicting feelings (that may be difficult to control) of anxiety, pity, love, guilt and so on, and the close personal contact, arouses primitive libidinal and erotic feelings (Krantz 1998).

Menzies (1988) study shows how detachment and denial of feelings were institutionalised in the hospital process and system in order to defend against anxiety. Relationships between nursing staff and patients became depersonalised. Tasks were ritualised and followed religiously. Decision-making was replaced by ritualised routines of checking and counter checking. The heavy burden of responsibility that nurses felt and the continuing need to act responsibly was split off, creating a power punitive culture. This created a system where the senior nurses were considered responsible and unwanted feelings were projected onto the junior nursing staff who came to embody the irresponsibility. Consequently, the junior staff needed ever-closer supervision and discipline.

Menzies concluded that whilst the social defenses operated to reduce anxiety for the nursing staff, the social defense *system* was maladaptive for carrying out the primary task - of patient care. Moreover, the system caused secondary anxiety – for example, nursing staff were unable to adjust workloads, which led to increasing fear of an impending crisis.

For the purposes of this study, it seems particularly important to recognise that social defenses mainly operate unconsciously, are deeply ingrained in the system and are difficult to change (Bain 1998; De Board 1978; Hirschhorn 1990; Menzies 1988; Sievers 1999). The extent to which this may occur has been widely demonstrated by Miller and Gwynne (1972) in their study of residential institutions for the physically handicapped, by Hirschhorn (1990) in considering Management Training as a social defense, by Bain (1998) researching the role of social defenses against organisational learning and, apparently disparately, by Wastell (1996) in considering the fetish of technique - where methodology may be seen as a social defense.

Adding his own analysis to that of Bion (1961) and Menzies (1988), Hirschhorn (1990) suggests that there are:

three modes of social defense: *Basic assumption*, *covert coalition* and *organizational ritual*. All these defenses help groups to avoid their tasks, but they differ in their stability and continuity. The basic assumption defense is the most ephemeral, the ritualized activity is the most institutionalized, and the covert coalition lies in between.

Hirschhorn 1990, p. 57

Hirschhorn (1990, p. 67) suggests that *organizational ritual* is the more durable and externalized form of social defense against anxiety. Pre-dating Wastell's (1996) findings, Hirschhorn refers to Menzies research in the hospital as an example of this organizational ritual which acts to depersonalise work and observes that the ritual

takes on a “life of its own and is seemingly unconnected to any rational understanding of experience.” (Hirschhorn 1990, p. 67)

In any organisation under perceived stress, therefore, it might be expected that employees will either: adopt some basic assumption, or common understanding, which will, in practice, subvert workplace productivity; form covert coalitions in self-support against change; or, elect to ritualise workplace processes and practices in various attempts to reduce their collective anxiety (Hirschhorn 1990).

For the purposes of this research, it seems most pertinent to elaborate on the organisational ritual since it appears to have the greatest likelihood for explaining social defense against unsolicited change in primary task

Social defense against a ‘New Order’

Krantz (1998), in his discussion of anxiety and the ‘New Order’, argues that social defense theory is not only well suited to, but is more apt than ever to describing the conditions created in the post-industrial milieu. Firstly, Krantz argues that today’s environment “demands an awareness and performance that arises when people are operating from the depressive position” (Krantz 1998, p. 86). To do so, Pascale (1999) first argues, that they must be able to influence organisationally so that the appropriate social defenses facilitate useful and healthy ways of managing and being. Secondly, his ‘New Order’ must evoke more deep and disorganising anxieties because it is more complex, turbulent and uncertain. Job loss, disorientation and loss of relationships and familiar contexts become prevalent. Vulnerability and insecurity characterise today’s work environment arousing a deep sense of the fear of annihilation and dissolution. In the light of both individual psychoanalysis and organisational social defense theory, Krantz suggests that ‘downsizing’ survivors have been:

... left regressed and immobilized in the face of the primitive anxieties elicited by the experience without

the benefit of social defense systems that enable them to metabolize and modify the experience.

Krantz 1998, p. 86 & 87

Sennett's (1999a) findings from a study of retrenched IBM employees, reaches a similar conclusion while suggesting that, with support, the deliberate development of coalitions may, eventually, provide the support originally intended through covert channels.

The social defenses that emerge from this study of ABC are described and interpreted in Chapters 5 and 6. To consider each social defense more fully, I have drawn more broadly at that point on literature that offered insight to the specific nature of the social defense. For example, the culture programme that has been created in ABC as a response to downsizing and an increased focus on shareholder value has emerged as displaying the characteristics of a fundamentalist religion. Similarly, the specific theoretical discussions that deal with the characteristic of religious fundamentalism are therefore included in the relevant sections in Chapters 5 and 6 as they relate to the specific nature of the findings.

2.6.2 Holding and Containing

Essentially, the concept of a 'holding environment' and 'containment', in contemporary organisational terms, relates to how an organisation creates psychological space for engagement and enables the work to get done (Kahn 2001; Long & Newton 1997; Newton 1998; Shapiro & Carr 1991). The key organisational elements of the holding environment are boundaries, task and role (Krantz & Maltz 1997; Newton 1998; Shapiro & Carr 1991).

The 'holding environment', first described by Winnicott (1971) is a central concept in psycho-analytic theory. From a study of bonding between mother and child, Winnicott deduced that 'the-good-enough-mother' held the baby physically and psychologically providing the appropriate caring environment for the baby to feel safe and development to occur. Central to Winnicott's holding environment are "two

characteristics: empathic interpretation and the tolerance of and containment of aggression and sexuality”. (Kahn 2001; Shapiro & Carr 1991, p. 37) His theory focuses on relatedness, where the holding environment is the space that occurs between the mother and the infant and defines them apart from the external environment. As the child develops, the parents stand with the child against a variously articulated or represented external boundary, providing necessary interpretations for the child to feel safe, and for development to continue (Shapiro & Carr 1991).

This dynamic – of organization members needing holding environments – has been broadened (Kahn 2001, p. 174) to organisations in general. The concepts of ‘task relatedness’, ‘organisation-in-the-mind’ and ‘institution-in-the-mind’ are important in the analysis and interpretation of organisation dynamics from this perspective (Long & Newton 1997; Newton 1998; Shapiro & Carr 1991). Shapiro and Carr (1991) provide a sharp reminder of the importance of Winnicott’s ‘environment’ in that ‘environment’ brings us to think about the ‘holding environment’ and its concepts from an open systems perspective. We can not isolate individuals from their environment, nor can we consider the environment without attention to the individual (Bateson 1972; Krantz & Maltz 1997; Lawrence 1979; Vince 2002).

In his thesis on ‘Learning from the Experience in Management Education”, Newton (1998) argues that relatedness, in this sense, occurs at an emotional level and is the relatedness of one role to another that holds, rather than what is done within the relationship. Articulating the dynamic relationship between role relatedness and organisational functioning, Krantz (1998) in Newton (1998) proposes that:

Role relatedness occurs between individuals acting from within a role, in relation to others doing the same, when their roles are shaped by a commitment to a shared task or outcome.

Newton 1998, p. 178

It follows from this viewpoint that personal effectiveness and organisational functionality of roles are impacted by the relatedness and boundaries between roles and the way in which roles are taken up in organisations. In this sense, role relatedness engages people in a meaningful way with the task and contains the anxiety that arises from the task (Newton 1998).

The holding environment in relation to how the roles within ABC have been taken up in order to contain the anxiety intrinsic in the tensions between the task of delivering shareholder value and the need to serve the customer is discussed in Chapter 5 (see, section 5.4.2).

2.6.3 The-Institution-in-the-Mind

The Institution-in-the-mind is an unconscious construct, focused around the emotional experience of ideals, values, hopes, beliefs, dreams, symbols, birth, life, death.

Hutton 2000, p. 2

All organisational members hold a mental image of how the organisation works and what it stands for. Unconsciously these mental images are negotiated and agreed (Stokes 1994). The organisation therefore exists in the minds of its members and consequently is the collective sum of the projections and fantasies of its members. Since these images are products of dynamic interchanges of projection and transference, they are not static (Armstrong 1991; Shapiro & Carr 1991, p. 70).

Shapiro and Carr (1991) go on to remind us that, in commercial organisations:

Because there is an easily definable series of goals – earning a profit, producing a product, ensuring the happiness of workers and the enthusiasm of shareholders, and so on – there is a temptation to decide that one of these constitutes the defining

characteristic of the organization. When this happens, the larger social task of the institution can be obscured. Then, the dynamic interconnection between those outside the organization and those within it, which can help to provide a clearer definition of the organisation's task, may be overlooked.

Shapiro & Carr, 1991, p. 71

The consequence for this loss of connection between the individual with the organisation means that people within the organisation unconsciously project their feelings about their experience to their own roles or subgroups leaving them with no capacity to make sense of their experiences in the context of the institution (Newton 1998; Shapiro & Carr 1991). This thesis considers how the feelings of the branch staff are projected onto the customer, and how the branch staff have identified with the customer leaving them 'on the other side of the counter' pointing back at the bank (see section 5.4.3).

The notion of the institution-in-the-mind clearly articulated in James' story is central to a sense of connectedness to the organisation for both the staff and the customer. This sense of connectedness contains the anxiety of uncertainty frequently found in large organisations (Hutton 2000) and protects against fragmentation and fractures that might threaten to split the organisation.

2.7 THEORETICAL PROPOSITIONS

The theoretical discussion contained in this chapter and the discussion in relation to passion and its engagement for the primary task of the organisation that were introduced in Chapter 1, have provided the basis for the development of the set of propositions summarised below (see *table 2:1*). These propositions, in turn, have informed the sets of questions that were developed to examine the thesis defined in the research question informing this study and are identified and discussed in Chapter 3.

Table: 2: 1 Theoretical Propositions

Theme descriptive category	Proposition
Shareholder value	Organisational success in publicly owned companies is increasingly seen to be measured purely on share price. Organisations advocate the use of such measurement tools as, for example 'The Balanced Score Card' but when it actually comes down to what counts, all other measurements are subordinated to the share price as the true measurement. Consequently, people within organisations believe that the organisation's desire for them to improve their performance is to 'please' the shareholder.
Primary Task	The organisation's ability to be clear about its primary task is central to its people's experience of being connected to the organisation. This means that the work itself is central to this discussion. The capability of the organisation to articulate its primary task is therefore a critical organisation competency.
Passion	<ul style="list-style-type: none"> ▪ Passion is the human experience that creates connection to the work and consequently the desire to perform to one's optimum ability. ▪ Passion is palpable in an organisation with a clear understanding of its primary task.
Organisational Identity	The organisation's relationship with its primary task is central to organisational identity.
Change/turbulence/ complexity/ambiguity	<ul style="list-style-type: none"> ▪ Change may require the organisation to redefine its primary task. ▪ Volatility and change often create a sense of ambiguity and, consequently, a high level of anxiety. This environment makes it difficult for people to feel connected to the work and the organisation as a whole. ▪ The fear of survival creates tension for the organisation in defining the organisation's primary task.

in the middle of your vision and that's the pressure that's on the cutters. So if you're going too fast the pressure builds up and the whole thing - you can blow up a million-dollar piece of equipment. You have got to watch that very carefully.

Anyway, we are going along and this guy would be forty. And he'd say 'What do you think?' (Does all the actions, etc.) 'Yea, it's really goooooood'. You know screaming at each other to hear through the noise and he says, "Do you know why I bank with ABC?" And I said, "I have no idea".

And he says well it all goes back to my father who I inherited this farm from. And I said 'Oh, yes, how's that?' And he says 'In 1954 during the drought then the bank stood by me. Stood by us. And my father said to me, at the time I was seven years old or what ever it was, and he said the ABC stood by me and you will too son.' And then he said 'I'm with the ABC for life mate.'

And I just sat there. You know, we spend all this money on marketing. At the time I was in charge of Retail Marketing, including the small business. And there we were running ads on television and then I realised its all bullshit. And what it was about, on the ground the relationship between the client. It was an absolute eye-opening wake up moment for me.

Now I have to say, at the level that I'm, operating at, how can I connect with all of that? It is about creating the environment, the policies, all the rest of it, so that people who are out there dealing with customers have the room to stand by people like that, help them out.

James

James tells this story with obvious passion and colour. He vividly describes the experience, the noise, the heat, and the harvester. In doing so, he relives the experience. “Did I tell you the story about the sugar cane harvester the last time?” suggests that this is a story that James has told many times to many people. The story was unsolicited; I did not specifically ask a question that would have naturally evoked this response. The spontaneous need to tell this story is an indication that it holds profound meaning for James. It holds equally significant meaning for the fictionalised organisation ABC, which informs this study (Wilkins 1983).

The essence of James’s story pinpoints the relatedness that exists between the customer and the bank. This customer’s relationship with the bank has been formed through his relationship with his father and the relationship his father formed with the bank through difficult times on the land. These deep connections, it is argued in this thesis, are psychologically unconscious. The reaffirming of this loyalty to ABC on the part of the farmer takes place in the harvester. For James, it has become a defining moment. It reinforced “what it was about on the ground, the relationship between the client.” (James)

Whilst James’s story is framed in terms of the customer relationship, its dynamic can also be understood in organisational terms, the notion that the institution is held in the mind of the customer. For the farmer, the *institution-in-the-mind* is clearly expressed in James’s story (Hutton 2000; Shapiro & Carr 1991).

The Institution-in-the-mind is an unconscious construct, focused around the emotional experience of ideals, values, hopes, beliefs, dreams, symbols, birth, life, death.

Hutton 2000, p. 2

ABC has meaning, which is profoundly significant for James’ Australian sugarcane farmer. The experience that the bank was there in times of hardship was deeply reassuring in a country where the risk for the farmer is a way of life and is out of his control. The bank therefore, has traditionally provided the psychological capacity for

the farmer to continue in the face of great uncertainty. The strength of the father-son relationship and their relationship with the land has ensured that this relationship with the bank is carried down through the generations. Furthermore, this has not been a one-way process in which the farmer identifies with the institution. The process of transference has provided purpose for the bank and, in this case, a profound experience for James (Shapiro & Carr 1991). The institution-in-the-mind held by the customer through the process of transference creates a sense of a larger social task of the bank and a sense of connectedness for the organisation with the customer.

James' story about the sugar cane farmer and the bank evoke feelings of nostalgia. This story belonged in the past. This is the task that is now held in fantasy through the process of idealisation, and it forms a basis for considering the impact of changing the primary task of an organisation on its staff, its clientele and the role of the organisation in society itself.

1.2 THE SOUL OF THE ORGANISATION

My arrival at this thesis was born out of my experience at work as it emerged around the mid nineties. People frequently lamented the loss of the "soul" of the organisation. My observation at the time was that, whilst organisational performance in terms of share price was increasing at a considerable rate, organisations were recognising that something was missing. They went about trying to buy this missing 'something' from Management Consulting firms. It was the desire to *buy* something that would fill the emotional vacuum that led me to consider what the soul of the organisation might be.

Hillman (1996), in his work on soul and character, suggests that the acorn (a metaphor for the soul) represents our passion for what it needs to do. In this same vein, I have adopted the metaphor of the soul of the organisation (Lennie 1999; Morgan 1996; 1983b; 1980). I contend that where there is passion for the primary task of the organisation, there is deep engagement with what the organisation needs

to do. This is central to the organisation's success, sustainability and authenticity. Consequently, it defines what is 'a good place to work', an organisation with 'soul'.

1.2.1 Primary Task

The concept of *primary task* has two critical dimensions that are the essence of the soul of the organisation. The first is the primary task itself. Chapman (1999) reminds us that the primary task - what the organisation needs to do to survive as itself, and no other, has an altruistic dimension; it holds meaning for the organisation and, ultimately, the work that its members are required to perform. It is a task of this nature, an authentic task that needs to be present in the first instance if the organisation is to have a soul at all.

When the characteristics of altruism and authenticity are present, it is likely to follow that *the organisation itself values the task*. The task is seen as worthwhile. James's story tells us what this task once looked like in the (fictionalised) banking corporation named ABC. The story has elements of humanity, authenticity, passion and purpose. It also displays both altruism and engagement at a personal relationship level and at the organisational/institution levels. If the primary task provides access to the dimensions of authenticity and altruism for an employee in the first instance, it is likely that passion will be present. Once the task is capable of containing these dimensions, I am arguing, then the presence of that passion for the task creates a sense of soul in the organisation.

1.2.2 Passion

Passion is most easily understood at the individual level. Hirschhorn (1998a) contends that:

Passion plays a singular role in organizational life because it enables people to pursue a goal single-mindedly.

Hirschhorn 1998a, p. 7

Hirschhorn (1998a) draws on the work of Csikzenthmihalyi (1997a; 1997b) on ‘*flow*’ and Lacan’s (1973; 1968) work on ‘*jouissance*’ to develop an argument that passion is central to our capacity to deal with the anxieties and challenges intrinsic in meaningful work. He also contends that,

... we reserve the word passion for fantasies that culminate in some expression, some action, that also marks out our identity.

Hirschhorn 1998a, p. 6

Csikzenthmihalyi’s (1997a; 1997b) work on ‘*flow*’ holds significance for passion in Hirschhorn’s argument. When in flow, people feel immersed in a timeless activity that is grounded in the context of the activity, and the activity is serious in that there is a pull towards completion. This state of flow is similarly present in Lacan’s (1973; 1968) symbolic systems. The symbolic realm is the playground of the *other*.

We feel directed by something outside ourselves, and our subjectivity seems to drop out of the picture.

Hirschhorn 1998a, p. 5

Hirschhorn draws on Lacan’s (1973; 1968) symbolic system to give a psychoanalytic account of how we experience our work when we are in flow. Lacan developed the concept of *jouissance* to describe a person’s passion (in French meaning, “rapture” or climax and also used to refer to orgasm). In Lacanian terms, a person’s passion is constituted between “language and *jouissance*”, or between “flow and passion” (Hirschhorn 1998a, p. 6).

In *jouissance*, according to Hirschhorn (1998a), we are in a state of mind where we are thinking about the glory that can be derived from what deeds must be accomplished. When we are in flow, we are focussed on the present and compelled toward completion. “The quiet enjoyment of our intense concentration affords us pleasure”. (Hirschhorn 1998a, p. 8)

This creates the space for passion to be associated with our work, as is evidenced in James's pleasure in relating his story so many years after the event to confirm his passion for the task he was engaged in.

To consider the notion of passion at the organisational level, the organisation's *passion for its primary task*, Hirschhorn offers an interpretation drawing on Bion's (1961) basic assumption group. At organisational level, the basic assumption group holds the collective passion fantasies. The group then has the capacity for passion to be experienced in relation to the task as belonging to the group.

As a basis for this study, it is contended that the collective passion in organisations is palpable. One can feel, sense and experience passion in organisations. My recent visit to The Brotherhood of Saint Lawrence provides a case in point. Whilst the organisation has a clearly altruistic purpose, a vision of ridding Australia of poverty, and therefore could be an obvious place to expect to find passion, it is equally true that the organisation recognises and is focussed on the commercial reality of achieving its goal. The organisation's passion for its primary task is unwavering. It is a task that the organisation itself is passionate about, not just the CEO and some individuals. In this context, it becomes necessary to argue the difference between an organisation and the sum of its individuals.

1.3 LEADERSHIP, PASSION AND THE PRIMARY TASK

In making connections between leadership and passion for the primary task, Hirschhorn (1998a; 1998b) contends that an organisation that is passionate about its task can not tolerate narcissistic leadership, because narcissistic leadership fundamentally does not include others. The leader, however, is "the only person with the right for adoration" (Hirschhorn 1998a, p. 11). Demonstrating the vicissitudes of leadership, Hirschhorn proposes that:

... the leader's passion about work plays a crucial role
in containing normal disruptions of group life,
particularly competitiveness and envy.

Hirschhorn 1998b, p. 43

Focusing on the web of projections that make up organisational life, and in this case the central role of the leader in creating passion for the primary task, Hirschhorn (1998a) notes that subordinates unconsciously recognise that their primary task is to protect the Chief Executive's fundamental fantasy. In the absence of passion for the work of the organisation (the primary task), as Hirschhorn (1998a) argues, anxiety emerges and the absence of passion ultimately undermines the work itself.

Implicitly, Hirschhorn reveals the uneasy balance that leaders must address in avoiding narcissism while accepting the protection of their 'fundamental fantasies' to share a passion for the primary task of the organisation. It is the consequence of a lack of acceptance, even a rejection, of this uneasy balance, which forms the basis and the motivation – one might even say the passion - for this present study.

1.4 THE TASK AND THE ORGANISATION

Observation of the changing workplaces, from which this study has emerged, suggests that organisations no longer necessarily provide the container for anxiety associated with work in the way they did in the past. Nor do they provide the sense of identity for the individual that they did in the past (Sennett 1999a). Lawrence (1999a) argues that this dynamic has, in fact, been reversed – it is likely that organisations will continue to be more permeable and that the work itself is the container and that the organisation is the contained. This appears to raise a number of questions for financial institutions, such as banks in particular, where shareholder value has become the primary task. These appear to centre on the task of SHV as container, and include:

- What sort of container does it make? How does it contain anxiety?
- What sort of organisation does it contain?
- Does this mean that passion for the PT is even more central to the well-being and sustainability of organisations?

1.5 PURSUIT OF SHAREHOLDER VALUE AS THE PRIMARY TASK

Reported research, commentary and theory development dealing with shareholder value traditionally comes from the schools of economics and accounting. As a result, it tends to be predominantly concerned with market forces as they impact on accounting models (see section 2.4). The literature that considers the impact of shareholder value within organisations, consequently, has more to do with aligning the organisation through measurement, remuneration and reward systems than the dynamic that it creates. Similarly, and perhaps contrary to expectation, organisational dynamics does not specifically explore the impact of the pursuit of shareholder values on the dynamic of organisations.

This thesis is not concerned with the debate between the stakeholder approach and shareholder value *per se*. It is important, though, to understand the position that the shareholder value approach holds in relation to the stakeholder position, as this ultimately informs the interpretation individual response within the organisation. It is therefore, the initial purpose of this study to establish a research question to facilitate an exploration of the connections between what are traditionally seen as separate disciplines, the worlds of finance and organisation dynamics.

1.6 THE RESEARCH AIM

As organisations have shifted their focus more and more towards the desire to return value for the shareholder, the internal and external focus of organisations has changed. It is the dynamic internally within the organisation that has been created by this continual focus on shareholder value as a measure of success that this study seeks to understand. This study considers what it means internally for the organisation in relation to its connectedness or passion for the primary task. As a result, the research question for the study has been identified as:

***How does increased focus on shareholder value impact on
the organisation's passion for its primary task?***

1.7 THEORETICAL FRAMEWORK

Because the pursuit of shareholder value is being considered specifically in relation to the impact on an organisation's passion for its primary task, the two central constructs that need to be understood are those of *primary task*, and of *shareholder value* as a model for business.

The theoretical choices of the researcher inform the interpretation of the findings and the conclusions that are, ultimately, drawn from the data. In this case, the research took the view that this organisational dynamic needed to be understood in terms of what might well be an unconscious perspective as well as from perspectives that were more likely to be accessible because they were perceived to be conscious.

Primary task is considered from a psycho-analytic perspective as being central to what an organisation does; the ultimate driver of the organisation. Acceptance of this view implies some element of altruism. More importantly, the notion that one primary task might be substituted with another task or *mutated* into a different task forms the central argument for interpreting how the organisation at the centre of this study has taken up shareholder value as its primary task.

The tensions that the adoption of shareholder value as primary task creates when the work of the organisation requires that the customer continues to be served is interpreted from the perspective of how social defenses operate to contain the inherent anxiety found in this tension. Central to an argument of social defense is the proposition that the customer task has been idealised creating a fantasy within the organisation that it remains, in fact, customer focussed.

The theoretical considerations about the specific characteristics of the social defense that strongly emerge in this study in response to the desire of the subject organisation, ABC, to create a different culture to the one that has emerged from the shareholder value driven organisation are identified as being religious fundamentalist in nature. The theoretical interpretations that relate to religious fundamentalism are

contained in the findings chapter and interpretations informed by this theory are embedded in the chapter itself (see Chapter 6).

Shareholder value as a model for managing the modern corporation is seen, in this study, as a radical shift from the initiating primary task of the organisation to provide customer service in the field of financial services. The tensions generated among staff, and in the sense of purpose of the organisation itself, are seen to impact the potential achievement of the organisation. The responses initiated by the organisation in an effort to resolve these tensions are identified and discussed in terms of the extent to which they mutate, or *corrupt*, the primary focus of the organisation and, perhaps in the longer term, affect that indefinable identity sometimes termed the 'soul' of the organisation.

1.8 THE RESEARCH METHOD

This study has been developed on the basis of a qualitative exploratory case study of a single financial services organisation, fictionally named ABC. The choice of research method was driven by an identified need to explore a dynamic in ABC, which was established to be simultaneously both conscious and unconscious. It was anticipated that the shift of primary task from providing customer service to pursuing shareholder value and the process that now sustains this focus were likely to be primarily unconscious. To achieve the levels of insight into the impact of change in primary task within the organisation, the study was seen to be dependent upon the ability to capture the experience, feelings and views of individuals operating at senior levels and of customer facing staff within ABC to develop a rich tapestry of highly informed and potentially reflective data. This consideration did not present an obvious set of variables that could be measured nor did it suggest a hypothesis that could be tested. Instead, the nature of the research question suggested that reality is socially constructed and that the nature of this construction was likely to be understood, on any level, by only a small number of potential informants to the study.

The case study involved semi-structured interviews with representative senior level informants from three of the large business units within ABC. There were substantiated with focus group discussions of the emerging findings from the study with groups of senior and middle-level managers from within these business groups. The data was subjected to modified thematic content analysis and discourse analysis to establish the themes describing the impact of the shift in primary task at ABC. The interpretation of this data was confirmed through the responses of the focus groups and of senior managers from groups whose responsibility is to initiate and support change within the organisational culture of the organisation.

1.9 THESIS STRUCTURE

Chapter 1 has introduced the reader to what motivated the research topic and ultimately to the choice of research question. It has briefly introduced the notion that passion for the primary task is considered to substantiate the soul of the organisation and forms the basis for this research. It has introduced the research question, provided a broad overview of the theoretical concepts underlying the study and identified the research method that has been applied.

Chapter 2 provides the basis for a theoretical interpretation of the findings. It begins with an exploration of the nature of primary task and its capacity for modification in the face of changing organisational priorities. The chapter then draws primarily on psycho-analytic theory as an interpretation of the organisational dynamics expected to inform the findings of the study. It offers a discussion of the evolution of shareholder value as a primary organisational focus and develops a critique from which the research question is established.

Chapter 3 presents a discussion of the research methods available in undertaking the study and provides the argument for selection of specific approaches to data collection and interpretation. It provides an argument for the selection of the qualitative research method and establishes the appropriateness of the explanatory case study approach undertaken. The chapter then describes the nature of the data

collection methods and analysis undertaken, identifies the organisation and the specific informants within it then examines the role of the researcher in undertaking and interpreting the findings of the study.

Chapters 4, 5 and 6, collectively, build upon each other to present the description and interpretation of the research findings.

Chapter 4 describes how ABC has taken up shareholder value as its primary task. It considers ABC's characteristics in the light of the literature on shareholder value discussed in Chapter 2.

Chapter 5 identifies and explores the tension between the task of maintaining shareholder value and the task of serving the customer. How ABC unconsciously manages this tension is established. The notions of idealisation, social defense and holding environment in relation to anxiety intrinsic in the customer shareholder tension are discussed and argued as providing a means of containment.

Chapter 6 explores how a 'Religious Organisation' has emerged in response to the desire within ABC to change the culture that had emerged as a result of a continual focus on driving down costs in order to increase shareholder value. The theoretical considerations that inform this chapter's interpretation are included in the chapter itself.

Chapter 7 summarises the findings of the study presented in chapters 4, 5 and 6. It presents the conclusions drawn from the interpretations in the earlier chapters and identifies the implications of these conclusions for future research and for further practice in managing fundamental change at an organisational level. Finally, the personal reflections of the researcher on the research journey are presented.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter provides a description of the reported research, commentary and contemporary theoretical understanding of the roles of shareholder value, systems theory, and organisational dynamics in understanding shifting definitions of, and emphases on, core business within financial organisations in particular.

The chapter develops an argument to suggest that the evolution of core business definitions and emphases may impact on the work dynamic and motivation of personnel at all levels within the organisation. Additionally, such shifts may alter public perceptions of the organisation with resulting impact on both shareholder value and the sense of identity and primary task of organisational personnel.

The literature draws on two primary bodies of literature, involving the origins of shareholder value as a model for business and psycho-analytic theory in relation to organisational dynamics.

The research question motivating this study is developed as a consequence of the literature review and potential considerations for the methodological design described in the following Chapter 3 are revealed.

2.2 PSYCHO-ANALYTIC THEORETICAL UNDERPINNINGS

In terms of the organisational dynamics and tensions inherent in the research question:

*How does increased focus on shareholder value
impact on the organisation's passion for its primary task?*

the literature does not deal specifically with these issues, though there are many disciplines in the field of organisation dynamics that offer insight. The focus for the theoretical analysis from an organisational dynamic perspective draws on the extensive body of literature and research that has emerged from the work of psychoanalysis by Freud (Brenner 1974; Hall 1954), later developed by Klein (1952a; 1952b; 1952c) and identified generally as Object Relations theory. The work of Klein, was later developed further and applied to groups (Bion 1961), and to organisations through the work of the Tavistock Institute in UK and the Australian Institute of Social Analysis in Australia (Bain 2002). The psycho-analytical concepts that have been selected to provide insight at the individual, group and organisational level in this study include:

- Idealisation (see section 2.2),
- The Primary Task (and its possible corruption) (see section 2.3),
- Social Defenses (see section 2.6.1),
- The Holding Environment (see section 2.6.2) and
- The Institution-in-the-Mind (see section 2.6.3).

In order to set up the discussion on each of these concepts, it is first necessary to introduce the basics of the fundamental theory of object relations on which the concepts have been developed.

On the face of it, organisations can be considered as ‘real’ tangible entities, with people, buildings, assets, products, customers, and real work that needs to be done. If taken simply from this perspective, organisations can be considered to be rational and, it appears then to follow, that management and organisation will be concerned with structure, process, procedures, and rules. However, organisations are not necessarily what they seem on the surface. They behave irrationally and, in fact, pursue unconscious tasks as well as conscious ones (Hutton, Bazalgette & Armstrong 1995; Vince 2002). Because this research study ultimately seeks practical outcomes, it is concerned with both the conscious and the unconscious of the individual and the organisation.

While the psycho-analytic approach acknowledges both conscious and unconscious processes (Lawrence 1999b; Neumann & Hirschhorn 1999), it is fundamentally concerned with the emotional state of the individual and the organisation created through the work experience.

Understanding both emotional dynamics and unconscious process is seen as essential to transforming self-limiting organizational behaviour as well as organizational structures and designs that are associated with it.

Vince 2002, p. 1191

This thesis has been developed on the presumption that there are a number of elements of the research question that lend themselves to socio-analytic study.

Firstly, the research question is concerned with the internal dynamic in the organisation – the feelings and emotions associated with the organisation’s passion for its primary task and the idea that passion for the task is important to organisational performance. The broader assumption (see section 1.2) that passion for the primary task is central to the ‘soul’ of the organisation is also explored.

Secondly, it is concerned with the tensions that are an inevitable consequence of increased focus on shareholder value as an external consideration of the organisation.

Since tension, by its sheer nature, is never absent of feelings and emotions, and since the psycho-analytic approach draws on emotions and feeling as central to interpretation, it appears to be one suitable framework for an exploration of the tension inherent in the research question. Furthermore, the concept of primary task is taken up by socio-analytical researchers as central to understanding the organisation dynamic (see section 2.3).

2.2.1 Object Relations Theory: Paranoid-Schizoid Position and Depressive Position

Melanie Klein (1952a) constructed and elaborated a theory of development in which object relationships were seen as being built upon the basis of internalising and externalising processes (Sandler 1989) as an extension to Freud's work on the mind of the infant (Hall 1954; Hiemann 1952; Klein 1959).

Klein's object relations theory later became central to the development of socio-analytic approaches to working with and understanding individuals, groups, organisations and institutions.

In considering from the psycho-analytic point of view the behaviour of people in their social surroundings, it is necessary to investigate how the individual develops from infancy into maturity.

Klein 1959, p. 291

Object Relations theory initially proposes a psycho-analytic view of the emotional development of the infant in relation to the mother. Central to Klein's theory is the idea that the infant develops defense mechanisms in order to deal with those feelings of anxiety that are aroused in the early stage of development (Klein 1952a; 1952b). At this stage, the object is either experienced as a source of complete and utter satisfaction, or if withheld, complete frustration and anger (De Board 1978; Klein 1952a). Klein's theory argues that in order to deal with feelings which are experienced as persecutory anxiety, we develop defense mechanisms that enable us to cope with and eventually separate from those we are initially dependent upon.

In parallel with these forces of *splitting*, which Klein called the earliest defense mechanisms against anxiety, are the related processes of *idealization* of those aspects we find confirming, and *denial* of those aspects generating pain and frustration.

Klein (1959; 1952c) describes these combinations of anxieties with their related defense mechanisms as representing a *paranoid-schizoid* position. *Paranoid* because of strong feelings of persecutory anxiety and fear, and *schizoid* because of the splitting of the ego and its fluctuations between integrated and fragmented states.

These processes of splitting, although they may change in form and content as development goes on, are present in some form throughout life (De Board 1978; Klein 1959a; Segal 1973).

In a second stage of development, the infant no longer sees the mother as a part object but as a complete entity. Consequently, the infant identifies the sources of pain and pleasure, of frustration and satisfaction, as emanating from the same object.

Klein (1959; 1952b) argues that the more integrated experience of the mother generates feelings of inadequacy - guilt, depression and despair - in relation to the infant's earlier destructive impulses, hence the term *depressive position*. As the infant works through this stage, a desire for reparation is created through the increasing integration of feelings of self-worth (ego) of the whole object. This process develops the capacity to manage both disappointment and satisfaction in more objective ways so that feelings of increased confidence lead to diminution of projection and splitting and the firm establishment of an identity consistent within the organisation (De Board 1978).

It is this *depressive* psychological position, according to Lawrence (2003; 1999a), that tolerates and works with the uncertainty, ambiguity and anxiety that is inherent in the modern workplace. From this perspective, the *paranoid-schizoid* position becomes central to organisational concepts of idealisation and social defense (see sections, 2.2 and 2.6)

Klein's seminal work (1952a; 1952b; 1952c) provides the basis for a psycho-analytic approach to the interpretation and consequent intervention of organisational dynamics in which social defense mechanisms, which Klein refers to as *splitting*, *projection*, *introjection* and *projective identification*, form the basis for the concepts

of organisational defenses. In this thesis the organisational defenses that provide insight into the anxiety inherent in the tension between the customer and the shareholder have been identified with Idealisation, Social Defense, The Holding Environment and the Institution-in-the-Mind (see sections 2.2; 2.6.1; 2.6.2 and 2.6.3).

2.3 THE PRIMARY TASK

In the introduction to this thesis (see section 1.2) it is proposed that *the soul of the organisation lies in the organisation's passion for its primary task*. From this proposition, it follows that the notion of 'primary task' is central to organisational identity. Primary task therefore needs to be given consideration in its own right. This discussion necessarily engages the psycho-analytic tradition (Bain 2002). The later discussion about the dynamic that occurs in relation to the research question also partly draws on the psycho-analytic tradition.

2.3.1 The Concept of Primary Task

In a tradition that is primarily concerned with psychological forces, Hirschhorn (1999) sets out the role of 'Primary Task' (Lawrence 1977) in relation to the dynamics of the organisation as a grounding central element. It helps to create an,

arena of non-psychological forces, deriving from the characteristics of the work itself which create a demand for action or responsiveness on the part of the enterprise.

Hirschhorn 1999, p. 7

Primary Task focuses our attention on what the *organisation is called upon to do*. In diagnosing organisational issues and needs for change, the *primary task* as a central construct, means that we are not drawn into considering all of the features of the

organisation, e.g. its structure, competitors etc. Moreover, in the psycho-analytic tradition, with its roots in the Kleinian perspective (see section 2.2), there is a risk of over-focusing on the fantasies that individuals hold and not attending to the real pressures that the organisation faces. Hirschhorn contends that the concept of primary task blends a psychological and structural view of work” (Hirschhorn 1999, p. 7) as the primary task focuses on the activities of the organisation, serving customers, generating revenue etc.

We respond to the task with our psychic resources but the task itself represents realities over which the enterprise has influence but only limited control. As such, the primary task is analogous to what Freud called the reality principle (Freud, 1911).

Hirschhorn 1999, p. 7

Essentially, the primary task has tangibility about it. It makes concrete the goals of the organisation; hence it uncovers people’s practices rather than people’s beliefs. However, Hirschhorn (1999) does draw our attention to the need to be able to distinguish between the *stated primary task* and the *actual primary task*, the primary task that is an ensemble of the organisation’s actual practices.

2.3.2 The Primary Task – A Definition

Depending upon the organisation’s definitions of its primary task, different organisational models can be developed generating different systems and activities of the system. So how an organisation defines its primary task has significance for how it determines its priorities.

According to both Lawrence (1999a; 1999b) and Hirschhorn (1999) *primary task* is the reason for existence – the work of the institution – what it is called upon, or designs itself, to do. The concept of *primary task*, therefore, has major significance for the *survival, health and well being* of the organisation (Chapman 1999) which

Miller and Rice (1967) in discussing systems of organisations, argue to be a heuristic concept.

Lawrence (1985) argues that people generally know what the stated primary task is – ‘to make motor cars’ and so on. He called this the *normative* primary task. However, he argues that alongside the normative primary task, other primary tasks are pursued, the *existential* and the *phenomenal* primary tasks.

The *existential* primary task is the one that people say and believe they are carrying out. ... It is the meaning they place on their own behaviour in their system roles. The *phenomenal* primary task is the unconscious primary task that is being pursued by the people within the system.

Lawrence 1985, p. 23

The phenomenal primary task is a basic assumption (Bion 1961; 1970; Gould 2003) in nature and can also act as a social defense against anxiety (social defense theory is discussed later– see section 2.6.1).

2.3.3 Strategy – A Choice Between Tasks

Hirschhorn (1999) contends that whilst the concept of primary task makes explicit what the organisation does on a day-to-day basis, it is limited to the extent that it does not contend with the challenge that organisations face when forced to choose between tasks. Hirschhorn suggests that this is the dilemma of strategy – it is a choice between tasks. When strategy is concerned with responding to the external demands of the market and the internal capabilities of the organisation, it is always about both opportunity and risk. Consequently, it mobilises anxiety. Hirschhorn (1999) goes further by suggesting that, at the moment of choice, the primary task does not exist.

What exists is the choice between tasks. The resulting anxiety is stimulated not by a task but by the ambiguity surrounding the choice.

Hirschhorn 1999, p. 9

Hirschhorn (1999) refers to this dilemma as the ‘primary risk’. He is not suggesting that, in this choice between tasks, one is dealing with the entire operating risk of the organisation, rather that “risk is an emergent property of the enterprise’s existing relationship to its environment” (Hirschhorn 1999, p. 10). He conceptualises risk, not just as the individual’s psychological response to the ambiguous situation but as the primary risk embedded in the situation surrounding the choice. Hirschhorn argues that *ambivalence* plays a critical role in shaping how people cope with the challenge of taking the primary risk to choose between primary tasks. The ambivalence may manifest itself in organisations in many ways – people seem stuck, there appears to be a gap between primary task and what people actually do, pragmatic decisions are difficult or people feel that they are drifting.

Hirschhorn (1999) draws on the Gestalt psychological concepts of figure and ground to explain this vacillation between tasks, suggesting that one must choose one task over the other, making one figure and one ground. The primary task chosen (figure) provides the focal point for all decision making and the task or tasks that are subordinated (ground) are understood in terms of their relationship to the primary task.

Classical Gestalt psychology suggests that when we cannot differentiate between figure and ground our perception is chronically unstable. ... When people cannot make one task the figure and the other ground, they are likely to fall into two kinds of errors. First, they may deny that they must make a choice, hoping to in fact strike a compromise between the two tasks therefore satisfying neither. ... Second, deny that the other task exists.

Hirschhorn 1999, pp. 10-11

2.3.4 The Primary Task – To Make Money

Lawrence (2003) discusses the anxiety of managers in the context of today's global economy and the complexity that it brings to our organisations and institutions. In this discussion, he offers a view about how this age of 'money' has changed the primary task in the mind of CEOs and organisations, contending that "the primary task is the reason for the existence, or the work of the institution" (Lawrence 2003, p. 9), and has been "supplanted" by the primary task of making or saving money which, in turn, has been driven by capitalism and, in the northern hemisphere at least, "a commercial drama of [their] own making". (Lawrence 2003, p. 9)

Lawrence further argues that,

The pressure to make and save money presses managers and other roleholders into the paranoid-schizoid position whereas a work orientated task holds them in the depressive one because the totality of activities are regarded as a complex whole, having meaning which transcends the simplicity of economics.

Lawrence 2003, p. 9

It is from the depressive position that managers see situations as whole objects; from which they have concern for their staff and others, take into account the complexity of their environment, both internal and external, and make sound commercial decisions.

Lawrence (2003) sees the drive toward economic survival as a simplification of the primary task reflecting a world-wide pervasiveness of capitalism. He goes on to submit that capitalism is an end in itself. "Consequently, ... role holders in institutions are preoccupied with economic security and survival" (Lawrence 2003, p. 13). Armstrong (2003) in his work on 'The Recovery of Meaning' in organisations evoking Bion (1978), makes a clear distinction between *existence* and *survival* to suggest that the work in organisations of vision, mission, values - in the context of constant change and without being rooted in meaning or the opportunity for meaning to emerge, which is necessary for transition to occur - runs the risk of

emotional degeneration. Armstrong hypothesises that what drives such emotional degeneration is the precedence we instinctively give to the claims of “survival over those of development” (Armstrong 2003, p. 8). In consequence, he argues, existence has to do with “the ambition or aspiration to have existence that is worth having” (Armstrong 2003, p. 8). Existence, he proposes, is to do with quality:

The contrast between quantity and quality, existence and the essence of existence is at the heart of the distinction between survival and development

Armstrong 2003, p. 8

Consequently, if the primary task is reduced to survival in the economic dimension alone, then the paranoid-schizoid state of oscillation – splitting between good and bad - becomes inevitable (Lawrence 2003). In this context, the task becomes emotionally degraded, loses meaning and ceases development (Armstrong 2003; Lawrence 2003; Symington 1986).

Adopting this view, if the primary task of companies is to make money, (whether making money is expressed as profit or, as in this study, creating shareholder value – see section 2.4) then all companies are reduced to having the same primary task. This interpretation of primary task does not create the necessary differentiation, or creative space for organisations to maintain their identity in the face of a fast changing and unforgiving global competitive environment (Lawrence 2003) and, as Chapman (1999) suggests, the significance of task uniqueness and authenticity become diffused.

2.3.5 Engaging the task

Long’s (2000) view of how change can be built through the process of engaging with the task, is that:

What becomes important in the understanding of organisation is the nature of the task and the values,

meaning and worth that emanates from task. One discovers values and ‘missions’ neither in some idealistic vacuum, nor even in a strategic mapping of the total environment. The discovery comes through a careful process of engaging the task and encountering the meanings it has held over the years. This provides the bedrock from which change can build. One can then do something differently. It’s quite a pragmatic view. First look at what you do, then how you do it, and then reflect on the implications within this.

Long 2000, p. 92

This view that the values, meaning and worth emanate from the task raises questions about what values, meaning and worth emerges when organisations, as Lawrence (2003) suggests, have supplanted the primary task for the economic one and framed it as the need for survival?

Long (2000) suggests that task integrity and authority, which is increasingly needed in today’s complex environment at work, have a significant relationship to each other. For Long (2000, p. 96), authority is “engaging in a task with integrity”. Her connection between engagement with the task and authority raises questions about the nature of any authority that is derived from the task when the primary task is understood to be survival in the economic sense alone.

2.3.6 Summary

This discussion places the notion of Primary Task as central to ‘who the organisation is’. It is increasingly evident, following this line of research that an organisation’s choice of primary task and the way in which it takes it up is central to the organisation’s survival and existence. Furthermore, it seems clear that the nature of task is central to meaning and engagement.

2.3.7 Corruption of the Primary Task – Substitution and Mutation

The following section draws heavily on Chapman's (1999) observation that the primary task in organisations is open to substitution or mutation. Chapman refers to this process of change to the primary task as 'Corruption' of the Primary Task. It is important to note that her use of the term *corruption* neither implies nor requires illegal or even immoral behaviour. Rather, this change that occurs to the primary task is dynamic and, often, primarily unconscious.

Referring to the avoidance of the task from the socio-analytic perspective, Chapman (1999) observes that:

Task avoidance occurs in varied forms and for varied reasons and is normally seen as resulting in some form of task substitution, i.e. where primary task is avoided, left or ignored, in favour of a phenomenological task which is engaged in its stead. ... [U]sually the avoidance of task and the substitution of phenomenal task occurs at the unconscious level of the system.

Chapman 1999, p. 128

Chapman's (1999) work on hatred and corruption develops a theoretical framework that extends the idea of primary task, identifies ways of engaging with the task, describes circumstances that can lead to corruption or hatred of the task, and establishes a system pathology in the face of the phenomenon of yearning before suggesting some possible ways of working with a hated task without falling into task corruption.

Unpacking the concept of primary task, Chapman (1999) submits that the one thing the organisation needs to do in order to survive is to identify *task aspects*: *Task Idea*, *Task Values*, *Task Tenets* and *Task Power*.

2.3.7.1 Task Idea

Task idea concerns,

the way in which a task is conceived and perceived by the doer (system or individual) and the manner or style in which it is taken up.

Chapman 1999, p. 129

2.3.7.2 Task Values

Chapman (1999) suggests that the working definition of primary task – the one thing the organisation needs to do in order to survive - is value free except for the implicit value of survival, which is a pragmatic rather than a normative value. Chapman goes on to argue that if one considers the idea of *task corruption* then the idea of ‘good’ and ‘bad’ tasks starts to emerge and subsequent questions necessarily involve *desirable* task values. Chapman then articulates a set of normative and pragmatic task values including the pragmatic value of survival that might guard against task corruption.

- a) *Survival* is the defining value;
- b) *Authenticity* extends the basic definition of the primary task so that:

the primary task is that one thing the system needs to do in order to survive as itself.

Chapman 1999, p. 130

This extended definition introduces a sense of altruism. Chapman (1999) contends that people need to believe that they are doing something worthwhile and are engaged in something more than survival. However, the introduction of altruism also creates the sense of *authenticity* present in the definition as it is essentially concerned with the system remaining true to itself. Chapman believes that authenticity,

Is a powerful motivator and as such provides us with a drive to ask engagement. Even in the most pragmatic world, this has to be seen as a plus.

Chapman 1999, p. 130

- c) *Uniqueness*: Chapman (1999) suggests a direct relationship between authenticity and uniqueness and further extends the definition of the primary task.

As Chapman (1999) discusses the cyclical relationship between task and system, she observes that systems define tasks while tasks, equally, define systems. She suggests that,

a system engaged in a task that is not unique has no reason to exist i.e., survive, apart from other systems engaged in the same task”.

Chapman 1999, p. 130

Raising the question of competition, “why should non-discrete systems exist for the same task?” (Chapman 1999, p. 130), she argues that directly competing systems are unique e.g. Pepsi and Coca Cola, and that motivation and engagement with the task is created when authenticity and uniqueness are taken together. Furthermore, Chapman argues that there is a correlation between the uniqueness held in the mind of the purchaser when they buy a product that is differentiated as a result of brand differentiation and task uniqueness:

Task uniqueness, in that it is a healthy operation is, to some extent at least, dependent of the uniqueness-in-the-mind located within the task ‘do-ers’.

Chapman 1999, p. 131

- d) *Accessibility*: Good tasks, according to Chapman (1999), are accessible ones. Challenging the notion of mission statements, she suggests that they are either

grandiose or omnipotent and ultimately tend to devalue the task. Furthermore, she contends that:

‘mission’, as it is often applied in the world of organizational development, is a very dangerous notion indeed: dangerous in that it provides a convenient container for system values which artificially separate them from system task.

Chapman 1999, p. 132

The proof of this, Chapman argues, is that the mission statements in most organisations are ignored.

- e) *Emergence*: Chapman (1999) addresses the issue of systems within their complex environments and recognises that in this context tasks need to change – they can not be set in concrete. Whilst she recognises the argument that emergence could be considered a subset of survival she contends that, frequently, systems engage in activities such as change programmes that seek to change values, practices and policies in the “service of task that [are] seen as immutable” (Chapman 1999, p. 132). Chapman argues that it is, in fact, the task that needs to change and evolve into a different task.
- f) *Generativity*: Rather than productivity, which she identifies as an outcome, Chapman (1999) uses the term generativity as a value. She suggests that it is,

the ‘softest’ of all of the values ... and is the least able to be perceived as a sub-set of survival.

Chapman 1999, p. 133

Generativity is to do with the system’s relationship with other systems that it comes into contact with. Chapman argues that “if this value is not observed, the system becomes self-feeding and self-serving.” (Chapman 1999, p. 133) in the manner of Victor Frankl’s (1959) view of self-interest where, when the eye looks in on itself, it becomes sick and dies.

2.3.7.3 Task Tenets

Chapman (1999) refers to *Task Tenets* as the beliefs about the task held by the individual or the system. Chapman differentiates between the phenomenon of belief in relation to thinking about the task. “ The task tenets are those aspects of task that derive from the ideology of the system”, (Chapman 1999, p. 133) as opposed the beliefs, values and ideas, where:

In some systems or individuals, such beliefs are relatively weak, in that they can be thought about, challenged, evolved or even discarded. In other systems of individuals, the beliefs ... are located at the unconscious level of thinking and are more difficult to question. Where task tenets become ... capable of corrupting task, is when the beliefs are so thoroughly entrenched that they take on the aspect of dogma, i.e., they may not be questioned without damage either to the system or to the questioner.

Chapman 1999, p. 133

2.3.7.4 Task Power

Consequently, Chapman (1999) proposes that *Task power* is:

[the] degree to which task engagement can influence the values and behaviour of system members, other systems and their members, and other tasks.

Chapman 1999, p. 134

Chapman draws upon the Roman Catholic Church for her example of task power:

This violation of task idea represents one explanation of what has happened in the case of the Catholic Church. The mutation of task, from standing for the people before God, to standing for God to the people, to standing in for God to the people has resulted in a very large organization with a very powerful task engaging in an attempted impossibility. Task values too are subverted here. To be God is not within the capacities of the organizational church, nor can a system with such a task remain authentic or generative. Further, by definition, impossible tasks cannot evolve. It does appear that the Church's mutated task has remained in place for some nine centuries. Because the task power of the corrupted task is so high, the damage effects of the mutation are concomitantly enormous.

Chapman 1999, p. 142

Chapman (1999) does go on to propose that not all power corrupts and that those organisations with powerful tasks have great potential to maintain healthy systems. The point she makes, in the example of the Church, is that powerful tasks create powerful systems. Consequently, they produce powerful cultures, and powerful cultures are more vulnerable to evolution, to *task corruption*. Chapman suggests that when task power becomes abusive, its impact on all other task aspects is so significant that task tenets "are lost or become evil". (Chapman 1999, p. 134)

2.3.7.5 Task Corruption

Chapman (1999) suggests that corruption of the task occur when changes to the task are destructively motivated, whether consciously or unconsciously. She sets out four ways in which the task may be changed in a destructive way:

- a) *Substitution* corruption occurs “where the phenomenal task supersedes the primary task”. (Chapman 1999, p. 134)
- b) *Amputation* occurs where “parts of the task are ‘lopped off’ or neglected in favour of other parts of the task”. (Chapman 1999, p. 134)
- c) *Simulation* occurs where “engagement creates the appearance of task engagement, precisely in order to avoid task engagement”. (Chapman 1999, p. 134) Chapman elaborates that not only does avoidance occur through task simulation, but task values are also corrupted and task power becomes abusive. Systems that engage in task simulation are characterised by low morale, energy, politicking, questionable ethics and conflict.
- d) *Mutation* occurs “where the primary task of a system is twisted in such a way that the doer is damaged or destroyed, and one or all of the task aspects suffers” (Chapman 1999, p. 135).

2.3.8 Summary

When primary task is the organisations’ reason for being then elements changing this focus can be seen as corruption of the primary task. Where the corruption represents a disruption to, or a negation of the authenticity of the task, the levels of altruism often identified with what constitutes the ‘soul’ of the organization are diminished. This ‘corruption of the primary task’ tends to generate a return to survival as the driving force for the organization and established motivations become distorted. The imposition of shareholder value as a primary task diminishes the uniqueness of the organization and tends to create a weakening of task values. This research takes the approach of identifying how this weakening of task is experienced at an individual level within the organisation but becomes a driver for perceptions of the organisation and leads to the need for an examination of how this impact is translated into the organisation’s perceptions of itself.

These considerations have led to the development of the research question underpinning this study:

***How does increased focus on shareholder value
impact on the organisation’s passion for its primary task?***

2.4 SHAREHOLDER VALUE

This thesis is concerned with the impact that focus on shareholder value has internally for an organisation rather than the associated financial accounting processes. As a result, how the organisation actually seeks to create shareholder value as wealth, is beyond the limits of this present discussion – and the limits of this chapter.

In reviewing the concept of shareholder value, this section considers the origins and increasing emphasis on shareholder value as a framework for managing. It recognises the critics of shareholder value and assesses the implications of the emerging discussion for organisational change.

2.4.1 Origins of Shareholder Value

The term ‘shareholder value’ was first introduced in the 1980s by US consultants who were selling value-based management to companies already under stock-market pressure to increase returns. Early exponents of the shareholder value approach, such as Rappaport (1986) and Reimann (1989), created models for companies to adopt that focused management practices on shareholder value. This was based on the insights of the work developed in the 1970s and 1980s on CAPM (capital asset pricing model) and how it could be applied to corporations (Aglietta 2000; Black Wright & Davies 2001; Lazonick & O’Sullivan 2000; Williams 2000).

The reported research literature focuses predominantly on the USA and Britain but lived experience tells us that a similar trend followed in Australia. In particular, deregulation and the burst of the ‘bubble’ of the boom in the 1980s created an environment in Australia for a greater focus on the performance of companies and the accountability of management. The mid-1980’s in Australia saw the deregulation of the financial market and, in the Finance industry, an influx of foreign banks. In 1985, sixteen foreign banks were registered to operate in Australia. By the early nineties, the boom of the eighties was over but worse for Australia were the major corporate collapses and scandals. The finance industry was no exception. Although

all stakeholders got burnt over that period, a consciousness grew out of this experience that management was indeed there for the shareholders. This focus on the shareholder carried with it a belief that organisations should be held more accountable (Carew 1997).

2.4.2 Agency Theory

Over the period of the 1970s, a group of American financial economists developed an approach to corporate governance known as Agency theory (Fama & Jensen 1983; Jensen & Meckling 1976). Agency theory sits at the core of the shareholder value approach to managing (Jensen & Meckling 1976). These

economists were ideologically predisposed against corporate – that is, managerial – control over the allocation of resources and returns in the economy. Agency theorists posited that, in the governance of corporation, shareholders were the principals and managers were their agents.

Lazonick & O’Sullivan 2000, p. 16

The concept of ‘ownership’ is fundamental to Agency theory and has its roots in the rights associated with the ownership of land. Locke (1988) in Engelen (2002) explains:

Following liberal legal doctrine, stocks and shares are equivalent to ownership titles, which give the owner full and absolute disposition rights over the object or ownership. As in the ‘residual earnings’ argument, ownership claims are ultimately rooted in the moral principle of reward according to contribution, as they clearly are in Lockean theory: ownership is rightful if (and only if) the object of ownership is the result of a

mix of effort and natural resources or has been obtained by legitimate transactions (Locke 1988).

Engelen 2002, p. 395

From this basis in ownership, Agency theory suggests that the shareholder owns the organisation and, therefore, its assets and profits.

Agency theory asserts that the owner will act in the best interests of the firm. However, Agency problems occur when the person delegated to run the firm (the agent) displays personal goals that are not consistent with those of the owners. Articulating this concern, the opponents of Agency theory argued that:

... corporate managers were undisciplined by the market mechanism, they would opportunistically use their control over the allocation of corporate resources and returns to line their own pockets, or at least to pursue

objectives that were contrary to the interests of shareholders.

Lazonick & O'Sullivan 2000, p. 15&16

Agency theory also contends that decision making that is not in the best interests of the owners may arise because there is a difference in the level of risk that owners and agents are prepared to tolerate.

This leads to two guiding assumptions of agency theory: First, owners pursue organizational goals and are risk neutral, and second, agents pursue personal goals and are risk averse.

Welbourne & Cyr 1999, p. 439

For the pursuit of shareholder value to succeed as a business model, the issue of risk needed to be mitigated and there needed to be a way to align managers' interests with

the interest of the owners (the shareholders). Since the concept of ownership is central to Agency theory, it was argued that those responsible for running the company needed to become owners – or, at least, to have enough invested to make them behave as if they were owners (Daily, *et al.*, 2003; Welbourne & Cyr 1999).

Incentives in the form of stock were granted to CEOs and top Executives as a means of encouraging alignment and, it was presumed, as a form of monitoring. Managers who were shareholders could be considered as owners (Welbourne & Cyr 1999). Furthermore, this argument espouses; the market is always superior to organisations in the efficient allocation of resources.

Given the entrenchment of incumbent corporate managers and the relatively poor performance of their companies in the 1970s, agency theorists argued that there was a need for a takeover market that, functioning as a market for corporate control, could discipline managers whose companies performed poorly. The rate of return on corporate stock was their measure of superior performance, and the maximization of shareholder value became their creed.

Lazonick & O’Sullivan 2000, pp 15&16

Not only is the market seen as superior but Agency theory suggests that it is an efficient method of corporate control. It acts as a whip to ensure that managers optimise the assets entrusted to them because the failure of managers to do so will result in the market taking action to replace them (Engelen 2002).

In broad generality, therefore, Agency theory assumes:

- a *moral claim* of ownership based on property rights,
- a *functional claim* that the market is the most efficient mechanism for allocation of resources, and
- a *prudential claim* of corporate control over its agents (Engelen 2002, p. 391).

2.4.3 Images of Man

Twenty years after their publication of the Theory of the Firm and Agency theory, Jensen and Meckling (1994, revised 1997) provided some insight into their view of human nature in 'The Nature of Man'. Discussing five models and discounting the first three: sociological, psychological and political man, they identified a fourth, economic man, who was summarily included into their fifth, preferred, model

which goes by the rather convoluted label of Resourceful, Evaluative, Maximizing Model (REMM). REMM postulates that everyone is an evaluator constantly making trade-offs and substitutions among wants – specifically among the amounts of each [want]. These wants are unlimited. REMMs cannot be satiated. And there are no absolutes.

Mintzberg, Simons & Basu 2002, p. 68

Revealing some of the deeply held beliefs of the exponents of Agency theory, on which shareholder value was built, Jensen and Meckling (1997; 1994) conclude their argument about the nature of man by asserting that, in the end, we can do things for individuals only. Motivation towards the primary task of creating shareholder value, according to this view, is a passion for self-satisfaction, an attempt to realise a personal perception of want. As Mintzberg, *et al* (2002) observe, satisfaction of want(s) is the primary driver –for both the agent and the owner.

In extension, as Black, Wright and Davies (2001) suggest, shareholder value is not an absolute. It is also about perception. In proposing that profit is an opinion rather than a fact, they observe that the basis on which profit is calculated varies across organisations and, more significantly, it varies across different countries. They go on to suggest that:

Just as profit is not an absolute so is shareholder value not an absolute. It follows that shareholder value is only partly about the numbers; the other part is about perception.

Black, Wright & Davies 2001, p. 10&11

The idea that the organisation is continually behaving in a way that creates a desirable external perception of its self has significance for the increase in focus *internally* on shareholder value. If one is constantly working on perception then one can not take their eye off it. If that perception is an external one then it follows that the focus is external. To create and sustain perception takes a lot of effort. Not to do so could mean that the reality will be exposed (Black, Wright & Davies 2001). When the reality is measured as shareholder value, managing market perception becomes the core business of the company.

2.4.4 Driving Through Shareholder Value

Though there was nothing novel in notions of the value of stock, the idea of utilising shareholder value as an approach to managing a company, however, *was* new. The approach created a need to manage companies on a day-to-day basis with shareholder value as a singular focus. In a world where it sometimes seems that ‘what gets measured gets done’, the measurement of shareholder value became an important part of managing. Over the past several decades, as a result, organisations have focused their attention on account models that presume to measure and, therefore, demonstrate to the market the value they have created for the shareholder.

Black, Wright & Davis (2001) suggest that when we talk about shareholder value, we immediately resort to “value based” measurements of a company's performance. They are the,

... techniques by which companies and corporation can be analysed, re-orientated and then managed to conform with a value creation imperative.

Black, Wright & Davis 2001, p. 9

In this context, value becomes financial value and more specifically cash when it takes the forms of company return to the shareholder and cash flow – each of which is interpreted as a sign of the company's health in the eyes of the market. A more fundamental principle is that, "*a company only adds value for its shareholders when equity returns exceed equity costs.*" (Black, Wright & Davis 2001, p.9)

A host of new business phrases has sprung up to describe the steps and process that demonstrate value to the market: market-value added; total shareholder return; cashflow return on investments; cashflow return on capital employed; economic value added are only a few in a growing list (Black, Wright & Davis 2001; Chancellor 2002; Jackson 1996; McConville 1994; Pitman 2003). EVA (economic value added) measures the difference between the return on capital and its cost. It thus puts a figure on how much value has been created by a company in the course of the year. In other words, it shows investors the return on their money (Jackson 1996). Over the last decade, EVA has come to be the most commonly used and relied upon technique for measuring shareholder value, although other measurements or techniques are used in support or in conjunction with EVA (Ivey, Foote & Thomas 2002; Jackson 1996; McConville 1994; Pitman 2003; Wenner & LeBer 1990).

The single focus on shareholder value and a growing body of literature on the subject over the past few decades has created a ready climate into which Business Consultants sell their metrics, tools and implementation models with the promise that purposive management action will be rewarded (Froud *et al.* 2000a).

Despite Aglietta's (2000) claim that there is nothing new about measures such as EVA, ROI, or ROE as far as financial theory is concerned, rising acceptance of the measurement of shareholder value has generated a whole new market for metrics.

Once the measurement tools were in place, the need to align the rest of the organisation seemed to be self-evident:

shareholder value helps to legitimize the
predominance of shareholders over other stakeholders,

and the predominance of a capital market view of the firm over an industrial one.

Aglietta 2000, p. 148

To ensure that everyone in the organisation would work towards shareholder value, the agency theory approach of rewarding all staff with shares seemed a natural solution (Welbourne & Cyr 1999; Wenner & LeBer 1990).

2.4.5 Aligning Goals with Drivers

With the significant stakeholders now re-defined as shareholders, organisational goals and objectives were aligned to shareholder value drivers. To confirm this shift, the language in the organisation shifted from participation to accountability. As organisations increasingly aligned themselves with market expectations, the expectations on staff internally kept increasing (Welbourne & Cyr 1999; Wenner & LeBer 1990).

Out of the focus on increased performance grew the term “high performance culture”. The creation of a high performance culture was based on the belief that the best would rise to the top. By keeping raising the bar, it was asserted; the organisations’ performance would continually grow. This approach was supported with a view that if the bottom 10% were continually managed out then only the very best *could* survive. CEOs looked to Jack (Welsh) as the hero who had produced huge success on this model, and to Al Dunlap as the CEO who achieved efficiencies at the top by removing the bottom completely (Bartlett & Wozny 2000; Byrne 1999; Colvin 1998; Sloan 1998).

2.4.6 The Momentum for Shareholder Value

As discussed earlier (see section 2.2.1), control over the firm by its managers was contested in the late 1970s through agency theory, which was designed to rehabilitate shareholder interests. Over the 70s, 80s and 90s, a number of drivers have

contributed to the rise of shareholder value as an established way of managing companies.

The growing globalisation of markets since the 1970's developed an increase in the range of, and subsequent demand for, goods and services. The lowering of trade barriers in the 1980's brought widespread domestic financial deregulation and the cheap long-term lending available in 'capital rich' countries dried up (Aglietta 2000; Black, Wright & Davies 2001). Companies increasingly needed to find alternative ways of creating shareholder value. The so-called Anglo-Saxon economies of the United States and Britain focus on shareholder value was given prominence in the 1980s and the rise came to be seen as part and parcel of the Reaganite and Thatcherite revolutions (Aglietta 2000; Black, Wright & Davies 2001; Courier Mail, 9 March 2002).

Increases in the sophistication of technology since the 1970's have had a significant impact in focusing companies toward shareholder value. The capacity of investors to make decisions about their company's strategic thinking, product suitability and market knowledge is enhanced. The quality and quantity of information now available to investors is far superior to what it ever has been. Because money can now travel around the world in seconds, this new era of information technology has given capital markets the capability to wield power continuously in response to the capability of valuing companies publicly (Aglietta 2000; Black, Wright & Davies 2001).

2.4.7 Shifting Paradigms: From 'Retain and Reinvest' to 'Downsize and Distribute'

Observing the significant shift in focus from organisational growth to shareholder value, Lazonick and O'Sullivan (2000) present a framework, which they call 'retain and reinvest' to 'downsize and distribute', that describes the paradigm shift.

As has been the case throughout the twentieth century,
in the 1980s a relatively small number of giant

corporations, employing tens of even hundreds of thousands of people dominated the economy of the United States. On the basis of capabilities that had been accumulated over decades, these corporations generated huge revenues. They allocated these revenues according to a corporate governance principle that we call 'retain and reinvest'. These corporations tended to retain both the money that they earned and the people whom they employed, and they reinvested in physical capital and complementary human resources. Retentions in the forms of earnings and capital consumption allowances provided the financial foundations for corporate growth, while the building of managerial organizations to develop and utilize productive resources enabled investments in plant, equipment and personnel to succeed.

In the 1960 and 1970s, however, the principle of retain and reinvest began running into problems for two reasons, one having to do with the growth of the corporation and the other having to do with the rise of new competitors.

Lazonick & O'Sullivan 2002, p. 15

In this context, the development of Agency theory as an explanation for stalling growth and declining profits allowed corporate governors to shift responsibility from increased competition (over which they had little control) to unmotivated management (for which agency theory promised a solution).

The 1980s saw the rise of the Japanese manufacturing industry and the eclipsing of US manufacturing. This environment created a climate for mergers and acquisitions and, by the mid-1980s, the stage was set for large takeovers. This approach, as

Black, Wright and Davies (2001) observe, was not isolated to the US; Western economies were facing similar issues.

Takeovers ... were needed to 'disgorge the free cash flow' from companies (Jensen 1989). The exchange of corporate shares for high-yield debt forced liquidity on the acquired or merged companies. ... managers ... were predisposed towards shedding labour and selling off physical assets if that was what was needed to meet the corporation's new financial obligations and, indeed, to push up the market value of the company's stock. ... [T]he sole measure of corporate performance became the enhanced market capitalization of the company after the takeover.

Increasingly during the 1980s, and even more so in the 1990s, support for corporate governance ... witnessed a marked shift in the strategic orientation of top corporate managers in the allocations of corporate resources and returns away from 'retain and reinvest' and towards 'downsize and distribute'.

Lazonick & O'Sullivan 2000, p. 18

Williams (2000) takes this shift to 'downsize and distribute' further in contending that, shareholder value was subsequently used in the 1990s in Britain and the USA as a management justification for corporate restructuring and downsizing which promised to deliver increased rates of return.

Returning from a tour of Britain and the USA, the Australian Prime Minister, Paul Keating confirmed the Anglo-American rhetoric of the period by announcing that "This is the recession we have to have". (*The Australian* 16 Dec. 2000, p. 7; *Too little honesty, or too much?* 1992) Keating's economic pronouncement was well supported by Australia's multi-nationals which had already begun substantial

downsizing (Maslen 1998; Walsh 1997), some under American appointed CEO's, and *distributing* manufacture to cheaper production centres, mostly in Asia (Connolly 1998; Maslen 1998).

The literature in this field specifically focuses on Britain and the USA. Australia is not as well documented but it seems evident that the trends in Australia have closely followed that of Britain and the USA (Eastlake 2003; 'Remembering the bad old days', Daily Telegraph 2003). This has been fuelled by some local problems such as the issues discussed earlier and by 'the recession that we needed to have'. "MORE THAN TWO MILLION Australians have been made redundant over the past 10 years". (Courier Mail, 31 January, 2002; Maslen 1998, p. 47)

2.4.8 Alternative Approaches: Stakeholder Value

The alternative to the shareholder value approach, as identified by Black, Wright and Davies (2001), is the stakeholder approach. The stakeholder approach recognises stakeholders as including stockholders, employees, customer and the community and argues that the 'principle-agent' model of capitalism is too limited to generate continuous economic growth in a complex global economic setting. However,

... emphasis on the cohesive nature of the relationships between the various economic actors does not preclude shareholders' exercise of discipline over management. But it does imply a different definition of objectives and thus a different approach to monitoring.

Black, Wright & Davies 2001, p. 13

The stakeholder view may be seen to be less callous than the shareholder value approach. Similarly, it appears to make sense to take into consideration the competing interests of employees, shareholders, customers, suppliers and the wider community. While the shareholder approach subordinates all other stakeholders, managers are faced, on a day-to-day basis, with the challenges of juggling

stakeholders needs. Black, Wright and Davies (2001) offer a view about how the shareholder approach informs us about how to manage the tensions between the shareholder and one of the stakeholders: the customer.

Customer satisfaction is, of course, only ultimately of value when it produces over time an economic cash return on the investment – a return in excess of a company's cost of capital. Thus the strategic thinking aimed at customers needs to be reconciled with the financial thinking behind shareholder value.

Black, Wright & Davies 2001, p. 21

There is a close correlation in the public consciousness between companies performing poorly, redundancy programmes and share price decreases. Ultimately, Black, Wright and Davies (2001) argue that the stakeholder view is untenable. One must eventually choose between competing stakeholders and the management of business must have a prime focus: maximizing the value of its equity (Black, Wright & Davies 2001; Goldenberg 2000).

2.4.9 Community Responsibility

Philanthropic approaches exemplified in the actions of various benign beneficiaries of the industrial revolution such as Andrew Carnegie, or of displaced tycoons such as the Rothschild family, have led to an enduring perception that profitable organisations should return some of their profit to the community that supports them.

Tax concessions favouring philanthropic actions have variously shifted economic responsibility from governments to corporations in Britain and Australia particularly. The resulting perception that large organisations have a social responsibility for both their employees and their wider community of customers is, as a result, as entrenched in the public consciousness as the view that share price decreases reflect poor performance.

The belief that large corporations have a social charter and the responsibility of managers is to balance the interests of the stakeholders took a dramatic turn in the mid to late 1990s. Organisations removed their social charters and put new goals in their place that internally and publicly declared that “the paramount duty of management and of boards of directors is to the corporation’s stockholders”. (Mintzberg, Simons & Basu 2002, p. 69)

At the opening to the twenty-first century, publicly listed companies are moving further and further from considering their stakeholders in strategic management planning. At the same time, they are assuming less and less responsibility for the communities that represent their customer base.

2.4.10 Shareholder Value – The Critics

In recent times, we have witnessed the debacles of Enron and, in Australia, HIH Insurance Limited, which has put the spotlight onto shareholder value and has brought the shareholder value approach into question (Burke & Béchervaise 2003). However, the theory of shareholder value has its critics regardless of these examples of gross incompetence and deception. There is a growing body of literature questioning some of the fundamental premises of the theory of the firm, agency theory; questioning the economic results story; and on a more philosophical level, the type of leadership, people and society that the shareholder value model has created. This section establishes the emerging critique of the shareholder value model and suggests that the focus on shareholder value as an end in itself is counterproductive. The only gains appear to be short-term.

2.4.10.1 Stock Allocation and Shared Interests

The allocation of stock which, it was argued, would solve the principal-agent problem has come under savage review in the wake of the American Enron collapse, the HIH debacle in Australia, the creative accounting procedures revealed at Arthur Andersen and similar corporate failures. Chancellor (2002) contends that the success of the shareholder value model has been exaggerated. Instead, its most obvious result

has been the personal enrichment of management at the expense of the very shareholders it was supposed to benefit.

in practice, the generous compensation of top executives with stock options has created an overwhelming incentive to manipulate earnings in order to inflate share prices. In many instances, this has allowed senior executives to cash in their options, leaving shareholders to suffer heavy losses.

Chancellor 2002, p. 10

Far from accepting the market as a performance monitor, companies have turned to financial engineering, replacing equity with debt, to push up the share price (Bernstein 2002; Chancellor 2002; Eisold 2003). Increasing debt has caused the volatility of individual stocks to rise to record levels, dividend payments have been reduced and the money used to buy back managers' shares. The mitigation of risk inherent in Agency theory, according to Chancellor (2002), has, in practice, resulted in the holders of stock options having different interests from shareholders. Unlike shareholders, the recipients of employee stock options have no costs to meet and no losses to face. They therefore have an incentive to take larger risks (McGuire & Matta 2003). If they are unsuccessful, then they can always demand that new options be granted at a lower price.

Options holders, it is argued, have different time scales and therefore competing interests. The argument is not necessarily about greed or the one "bad apple", rather it is about the ideology of shareholder value itself, in relation the principal-agent problem. According to Byrne (2002), managers are more interested in the value of their stockholdings than the profit of their companies. In this light, the rationale for shareholder value as an efficient form of corporate governance becomes questionable. (Chancellor 2002; Mitchell 2002)

2.4.10.2 Ownership

On the principle of 'ownership', Mitchell (2002) argues that making the shareholder 'king' distorts the notion of vested interest. Suggesting that when shareholders 'own' the company, they own not only the physical assets but, on current interpretations, the people as well, Mitchell (2002) suggests that this degree of ownership extends beyond basic rights. It takes the balance of ownership too far in favour of one stakeholder – and back to its origins in the Feudal system. When corporations are something akin to a feudal household replacing the individual pursuit of wealth with a corporate ideal (Chancellor 2002; Macklem 2002), their potential for forward-looking vision becomes questionable.

The village baker, banker and blacksmith might swap pipe dreams down at the pub, but the narrow range of their experience and their meagre resources severely limited the number of things they could collectively invent.

Hamel 2002, p. 5 & 6

Ownership as a cornerstone for shareholder value is increasingly seen as impeding the potential for forward planning and innovation. The regressive metrics realised in quarterly balance sheets demand constant attention to short-term financial targets (Chancellor 2002; Sanders & Carpenter 2003). Shareholder ownership is informed by media commentators hungry for instant copy and, in response, reporting transparency becomes an early casualty wherever change is contemplated (Daily *et al* 2003; Dalton & Daily 2001). Instead of ownership supporting shareholder interests, it creates an information barrier that renders effective governance increasingly problematic and reduces the monitoring efficiency of the market contemplated (Daily *et. al.* 2003; Dalton & Daily 2001).

2.4.10.3 Market Efficiency

At a theoretical level,

Shareholder value ... assumes the stockmarket is efficient, in the sense that share prices reveal intrinsic value, and advises managers to let those prices guide their actions.

Chancellor 2002, p. 1

In *The Alchemy of Finance* (1987), George Soros argued that markets could never be efficient since, contrary to theory, perceptions in the stockmarket change the reality for businesses in the real world. There is a feedback loop between share prices and companies, which Soros called “reflexivity” and which he identified as one of the principal causes of booms and crashes (Bryant 2002).

Responsible managers, according to Soros (1987), should act to dampen the process of reflexivity. Goldenberg (2000) argues that companies adjust the results without violating financial rules, as the perception of the market is a variable that needs to be managed. They also take into account the nature of the information they report in order not to disclose information that could be useful to the competition. By giving primacy to market expectations in management decision-making, shareholder value nurtures instability. Warren Buffett, (arguably America’s best known investor) recalls his mentor Benjamin Graham, saying that “the market in the short run is a voting machine but in the long run it is a weighing machine”. This contention holds that, over the long-term, the market provides an approximation of the intrinsic value but, in the short-term, shares are invariably over or under-valued (Chancellor 2002, p. 2).

2.4.10.4 Performance as Success

Chancellor (2002) contends that reported improvement in a corporation's allocation of capital is not compelling, nor can the rise in the stockmarket be taken as *prima*

facie evidence of the greater efficiency of business; the rise in share price, he observes, has far outstripped any growth in business. Macklem (2002) calls this a kind of “false worth” and argues that the pressure to create this kind of result is relentless.

In support of the *false worth* label, there is ample evidence that shareholder value is driving short-term results and several drivers are said to create short-termism.

Shareholders, themselves, are investing for the short-term. They are interested in quick returns. The average length of time that stock is held has fallen from over seven years to less than eighteen months (Chancellor 2002; Macklem 2002). When investors can not be truly considered as owners, the fundamentals of agency theory as a basis for business modeling fall into question.

Managers, as previously observed, are often preoccupied with increasing stock value so that they can increase their own wealth. Because the employment time-frame for CEOs and managers has greatly decreased, they too are seen to be interested in the short-term (Chancellor 2002; Macklem 2002).

Consequently, it is argued, there is no depth in the results being created, as there is a lack of investment for the medium to long-term (Black & Fraser 2002; Boyd 2004 Chancellor 2002; Mintzberg, Simons & Basu 2002).

So, distortions in ownership because lack of information and short-term investment without commitment, and distortions in market because of manager manipulation and reflexivity make shareholder value a poor business planning tool sowing the seeds of its own destruction because shareholder self interest replaces company interest.

2.4.10.5 Stakeholders – A Humanist Wedge in the Shareholder Value Model

Mintzberg, Simons and Basu (2002); Lewin and Regine (2000); Mitchell (2002) and Chancellor (2002) suggest that, as a result of slavishly pursuing the shareholder value

fad, many companies have badly damaged both their reputations and their relationships with many of their longer-term key stakeholders – suppliers, customers and employees.

Mintzberg, Simons and Basu (2002, p. 70) argue strongly that the damage is so deep that it has created a wedge between the stakeholders, who create economic performance, and the shareholders, who benefit from it:

Those who create the benefits are disengaged from the ownership of their efforts and are treated as dispensable, while those who own the enterprise treat that ownership as dispensable and so disengage themselves from its activities ...The wedge of disengagement is also driven between a company and its customers, because the focus on ultimate financial performance tends to blind people to the means by which it is earned. Employees are encouraged to see dollar signs out in the marketplace and ... not people in need of reliable products and services ... The problem is that you do not serve customers by serving yourself. You serve yourself by really serving the customers.

Mintzberg, Simons & Basu 2002, p. 70

This growing recognition that all stakeholders need to be considered – customers, employees, shareholders and the community – provides the argument that improving relationships with all stakeholders leads to an increase in shareholder value (Froud *et al.*, 2000b; Hall 2002; Mayo 2002; Payne & Holt 2001).

2.4.10.6 The Customer as Stakeholder

Taking a single stakeholder as example, Mitchell (2002) contends that the real problem with shareholder value is that it does not focus on customers. He argues

that, in the face of shareholder value, it is difficult, if not impossible, to meaningfully engage with other stakeholders. In fact, he proposes, it positively takes the managers' eyes off the customer ball. Mitchell's (2002) view is aligned to Black, Wright and Davies (2001) about how the focus becomes managing the perception externally (see section 2.4.3).

Profit is a function of real business performance, which demands that you create real value for customers.

But ultimately, shareholder value is a function of the company's stock price - which we know is not always correlated to business performance.

Mitchell 2002, p. 31

In this environment of what Miller (1998) calls "*calculated sincerity*", "deep acting" is required on the part of the staff in order to serve customers, where emotions are denied and a culture of "collusion" is created (Hoggett 2002; Sennett 1999a; 1999b). Collusion that occurs is the fantasy that the staff is there for the customer first, rather than the shareholder (Hoggett 2002; Sennett 1999a; 1999b).

2.4.10.7 Lean and Mean and Lacking Humanity

Mintzberg, Simons and Basu (2002 p. 71) and Kinnie, Hutchinson and Purcell, (1998) argue that one of the fundamental necessities for shareholder value is the *lean and mean* organisation. Exploring the discourse they observe that, in contemporary western societies, *Lean* sounds good, better than *fat*. They are concerned with the fact that *mean* has been turned into a value, lamenting it as a sad sign of the times. They suggest that,

... lean and mean is supposed to offer it all: lower costs, higher productivity, flatter and more flexible structures, more empowered workers (with their bosses gone) and happier customers. It is often

packaged with glib phrases like “doing more with less” and “win-win.”

Mintzberg, Simons & Basu 2002, p. 72

They go on to say that while this can happen, it is only half of the truth.

The other half comprises burned-out managers, angry workers, quality losses in the guise of productivity gains

and disgruntled customers. Lose-lose.

Mintzberg, Simons & Basu 2002, p. 72

Assessing the consequences of this *lean and mean* philosophy, they conclude that:

Perhaps the worst consequence of all of this restructuring has been the breaking of a basic covenant between employer and employee: the implicit pledge of security in return for loyalty. People feel betrayed these days. ...These feelings of betrayal in the workforce cannot help productivity in the long run, but productivity does not seem to be measured in the long run these days. ... So the lean and mean organization drives a wedge of discontinuity between the present and the future.

Mintzberg, Simons & Basu 2002, p. 72

The emotional denigration and loss of connection, in the sense of loyalty, argued by Mintzberg, et al (2002) and Stein (1998) is what Sennett (1999a) refers to as the corrosion of character and the loss of qualities that bind people together and to the organisation.

2.4.10.8 Heroic Leadership

Mintzberg, *et al* (2002) contend that the obsession with shareholder value has generated an environment in which heroic leaders have been created. Shareholder value

has promoted the notion of heroic leaders, larger than life, riding in, not to save the day but to save the stock price.

Mintzberg, Simons & Basu 2002, p. 4 & 5

Underpinning this creation, they argue, is the assumption that the chief executive *is* the company. Chief executives, they argue, have been disproportionately rewarded for the performance of the entire company. Questioning whether Chief Executives can really achieve outstanding results all by themselves, they suggest that the "heroes" are caught up in the need to conform to heroic images created and expected by the media, the market and the shareholders (Eisold 2003; Maccoby 2000). With fleeting sympathy, they observe that,

the problem with heroic leadership is that it is detached. It drives a wedge between the leaders sitting at the top of their pedestals and everyone else.

Mintzberg, Simons & Basu 2002, p. 4 & 5

2.4.10.9 Shareholder Value – The Inevitability of Disappointment

Concluding his critique of shareholder value, Chancellor (2002, p. 10) contends that the singular pursuit of shareholder value will ultimately end in disappointment:

[A]ccording to the consultant Jim Collins, ... great managers are motivated by the pride they take in their work. They are prepared to take decisions that are

often initially unpopular with shareholders and have the courage to stick by them. Similarly John Kay, the business writer, applies JS Mill's principle of obliquity to corporate profits. Just as Mill argued that happiness could not be achieved when pursued directly, so Kay claims that profitability should never be the purpose of a business. Profit, according to management theorist Peter Drucker, is not the rationale of a business, just the test of its validity. When shareholder value becomes the prime purpose of management, disappointment is inevitable.

Chancellor 2002, p. 10

2.4.10.10 Falsehood and imbalance

Arguing that there is an imbalance in systemic perspective, Mitchell (2002) refers to Cromwell's observation that the divine right of kings – the prior claim of the king over all others – was a false necessity. Shareholder value, he argues, is in the same category of false prior claims, "We don't need it to prosper". Referring to shareholder value as a sectarian slogan designed to favour one group above others, Mitchell (2002) argues that it is self-defeating because it does not motivate. In fact, apart from a few senior people at the top, he suggests, it positively demotivates the very people who have to achieve the goal. Furthermore, Mitchell (2002) observes, the slogan is content free, it does nothing to distinguish between two different beliefs about shareholder value. It fails to differentiate those who argue that the only way to maximise shareholder value is by delighting the customer and employees; and, those who pump up the share price by devouring more targets - with financial engineering for example. He argues that the application of shareholder value,

... happily accommodates both saints and sinners under the same banner. Which explains its enormous success – and its power to damage Part of the damage

stems from its encouragement of unnatural, extreme behaviour. Nature rarely goes for maximisation. It goes for balance. Most attempts to maximise a single element within a balanced system – to have too much of a good thing – are toxic.

With shareholder value, this toxicity has its own internal runaway-train logic. You can never know if you have actually achieved maximum profits or share prices. No matter how wonderful the performance, you can always look back and say: “it might have been better”. The ensuing attempt to stretch things ever further eventually breaks them.

Mitchell 2002, p. 29

2.4.10.11 Shareholder Value and Core Business Focus

The loss of organisational focus on the customer as stakeholder in favour of the shareholder leading to tension between the uninformed and/or selfish demands of increasingly non-owner shareholder pirates seeking plunder and the presumably more socially responsible stakeholders seeking to grow the business for the greater social good has been seen as leading to a loss of humanity within the organisation (Stein 1998). The *lean and mean* approaches underscored with relatively accessible and easily presented performance metrics have led, increasingly, towards the identification and acceptance of CEO's as heroes and gods with the concomitant religious overtones or substrates that these imply (see sections 2.4.10.7 and 2.4.10.8).

2.5 SHAREHOLDER VALUE: A CRITIQUE APPLYING CHAPMAN'S (1999) DISCUSSION ON TASK VALUES, TASK TENETS AND TASK POWER

This section provides a discussion of the task of shareholder value as a primary task in the light of Chapman's (1999) thesis on *task values*, *task tenets* and *task power*. In doing so, it draws on the earlier discussions about the concept of primary task (see section 2.3) and the above discussion on the critics of shareholder value. Since the pursuit of shareholder value emerges in this research as the primary task of ABC (see Chapter 4) it useful, at this stage, to consider the task of shareholder value theoretically from this perceptive.

2.5.1 Task values – The Shareholder Value Task

2.5.1.1 Authenticity

As previously discussed (see section 2.3.7.2) authenticity, as a task value, is more than survival in the pragmatic sense. It acknowledges the need for the organisations' members to believe that they are engaged in "something worthwhile, or at least engaged in a task containing some elements of altruism" (Chapman 1999, p. 130).

The value of authenticity, as is argued by Chapman (1999) becomes absent from, or at least irrelevant to, the pursuit of shareholder value when the primary task of the organisation is merely to make money (see section 2.3 and 2.3.4) and where the critical dimension of altruism (see section 2.3.7.2), which is concerned with meaning outside the self (Chapman 1999; Frankl 1956), is subsumed to this same money-making task.

Lack of meaning intrinsic in the task of shareholder value

At the root of the shareholder value model is the notion of ownership based on a Feudal system which is, in turn, predicated on the idea that people cannot be trusted in act in the interest of the firm unless they are owners (see section 2.4.1).

In order to sustain this fundamental premise, the entire shareholder business model for managing organisation has been based on a financially driven premise of motivation. Ultimately the task of increasing shareholder value is a financially driven model. It is concerned with:

- producing wealth for the shareholders;
- shareholder value as a measure of organisational success; and
- using financial reward as a motivator for all staff.

Lawrence (2003) and Armstrong (2003) contend that when the primary task is about money, it becomes devoid of meaning (see section 2.3.4). In the context of organisations, offers a way to consider meaning or “something worthwhile”. Firstly, he identifies the significance of how much something means to us. Secondly he discusses “the way in which systems of representation, be it language or pictures, operate as vehicles of human experience” Armstrong (2003, p. 4). These two, he argues, are intimately linked in that the second enables us to recover meaning contained in the first.

The question therefore arises, how much does shareholder value mean to the staff of any given financial institution on a day to day basis as they do their work? How much does it mean that they make shareholders richer?

Chapman (1999, p. 131) postulates “that ‘good’ tasks need to be accessible ones”, they are “within the capacity of the doer”. Accessibility is useful when considering the question of how much something means when “how much” is dependent on accessibility. Since individual shareholders are a group of people who have little or no direct contact with the organisation, this means that staff in the organisation, are inevitably removed from the task. The only way they can have some connection to the task is to know that the share price has increased (or otherwise). This, in itself, however, does little to connect the vast majority of employees to their apparent daily activity of serving the customer or serving the shareholder. The few people at the top of the organisation who have significant share holdings and are focused on the market may be an exception to this.

The second part of Armstrong's (2003) model involves a representation of the task in the system in terms of recovery of meaning. The language of shareholder value is EVA (Economic Value Added). This is a language of measurement and its intrinsic process is the ability to continually track how the numbers are stacking up against expectations that have been created in the market. Rather than being a language of meaning, it is the language of past results, measurement and short-termism which, in the first instance, lacks meaning as a task, and in the second instance, being couched in language intrinsic to the task of shareholder value, symbolises that the task lacks meaning.

Finally, Armstrong (2003) contends that this process of recovery of meaning demands reflection, the ability to work with the 'shadow'. The focus on measurable results reduces any opportunity for reflection to an analytic process, ensuring that the shadow is undiscussible. In Armstrong's (2003) construct of meaning in the first instance, the question of, 'how much we value something', is not accessible because employees are removed from the shareholder. In the second instance, the language that *is* accessible sustains the nature of the task as a set of results. Meaning or a 'worthwhile' task remains inaccessible.

Lawrence (2003) and Armstrong (2003) both contend that the economic dimension alone is about survival which is devoid of meaning, and which ultimately drives emotional denigration. In the same vein, the critics of shareholder value argue that when shareholder value is the goal of the organisation, managers are not able to experience fulfillment and disappointment becomes inevitable (see section 2.4.10.9).

Individualism

The task of shareholder value creates an individually focused organisation (see section 2.4.10.7). Large rewards drive competitive behaviour for those who believe that they are achievable while the rest of the organisation is focused on survival (Sennett 1999a). History has taught them the vulnerability of keeping a job. Both of these dynamics focus people on themselves. Frankl (1956) contends that survival in the German concentration camps was dependent upon the capacity of the people to

hold onto the image and consideration that they had for those they loved rather than for their own everyday survival in a literal sense. Meaning, or something worthwhile, can only exist outside the self. In the absence of altruism generated from within the task and an organisation that is individually focused internally, the potential for people to engage in a task that is worthwhile becomes impossible.

Narcissism

In pursuit of the task of shareholder value, previous discussion has established that the value of stock is as much about perception as it is about the actual numbers (see section 2.4.3). In the context, the task becomes one of managing the perception of the external environment, the market and the shareholders, and the need to be able to influence the market. The task of maintaining shareholder value therefore requires that CEO's and their Executive team become externally focused and, necessarily *taking their eye off the ball* (see section 2.4.3). This environment, it has been argued, attracts narcissistic CEO's who are more concerned with their own ego requirements than with the longer-term well-being of the organisation. If the task of shareholder value in the first instance is devoid of meaning, this vacuum sustains the narcissistic style of leadership since fulfillment is not to be found in the task.

2.5.1.2 Uniqueness

Chapman (1999) argues that uniqueness is allied to authenticity, which is the one thing that the organisation needs to survive as itself *and no other*. Chapman identifies the symbiotic relationship between task and system to argue that a system that is not unique has no reason to exist. In this situation, the task of shareholder value could be said to be exactly the same across a given industry to the extent that there is nothing unique about it. Customer research confirms that, despite their desire to differentiate themselves from each other, customers believe that the big four trading banks in Australia, for example, "are all the same, that there is nothing to chose between them" (Cornell 2004; Roberts 2004)

What is significant about the financial institution selected as the basis for this study (see Chapters 4 and 6), however, is the internal belief that it is unique. This belief, apparently, has been formed by how the CEO has positioned the specialisation strategy with the investor market, how the system has been designed to drive up share price and drive down costs.

If you peel it back to the basics we have had a different strategy. We have got a different CEO. He is probably more than the others, trying to take on different things. I think he's looked at culture. Been first to say, "that is something I want to really strongly invest in".

George

The culture referred to here has been powerfully developed as an internal belief about the organisation's uniqueness. This is later discussed in detail (see Chapter 3).

2.5.1.3 Accessibility

The task value of accessibility has previously been addressed in relation to authenticity (see section 2.5.1.1).

2.5.1.4 Generativity

Chapman (1999, p. 133) contends that "the actuality and the sense of being generative is both a powerful motivator and a desirable value *per se*." Generativity acknowledges the social context within which a system finds itself; i.e. it seems necessary that the primary task be generative,

not only for its own system and system members but also collaterally, as it touches the tasks and members of other systems. If this value is not observed, the system becomes self-feeding and self-serving.

Chapman 1999, p. 133

From an external perspective, the task of shareholder value can be seen as a self-serving and self-perpetuating system. It is driven systemically by the desire for profit for the shareholders and internally by its members, since agency in the shareholder value model has made the members into shareholders (Maturana & Varela 1980). The criticism of the record profits that banks have made over recent years, and the high salaries of CEO's and top Executives is evidence of how the system is considered to be self-serving (see section 4.3.2) ('17,000 sacked workers would be sickened by record profit', 2002, *General News*). All other stakeholders, according to this model, are totally subordinated to the shareholder.

From an internal perspective, Sennett (1999b; 1997) considers that the environment of downsizing, cost and profit created by the shareholder value model driven organisations has weakened social inclusion, which has had direct relevance for engagement and a negative impact on the individual. Furthermore, Sennett (1999a, p. 31) argues that the "disjointed time", the product of the short-term behaviour of the market and organisations has "created a conflict between character and experience", robbing people "of the ability to form their characters into sustained narratives". He goes on to argue that this is one aspect of today's organisation that eventually erodes character. Competition, survival, the lack of social inclusion and the eventual erosion of character are a long way from creating a system internally that could be considered generative. Instead, in this social context, the task of increasing shareholder value is best described as degenerative rather than generative in terms of both the systems it comes into contact with and its impact on the individual.

In summary, the task of shareholder value is devoid of any sense of altruism or meaning. Uniqueness is absent in the mind of the customer and the task has become degenerative rather than generative so that the pragmatic task of survival has become purely economic (see sections 2.5.1.1; 2.5.1.2 and 2.5.1.4). To this end, it appears, task values in the context of shareholder value are weak at best and in some cases almost certainly absent.

2.5.2 Task Tenets

The specific ideology that has emerged as dogma in relation to the task of shareholder value is elaborated in Chapter 6.

2.5.3 Task Power

The shareholder value model has enabled banks to make record profits through a decade of extreme customer and community discontent (AAP General News, 6 Dec. 2002; *The Australian*, 7 Dec. 2002). They have been able to hold at bay the anger of both the customer and the community to continue with the task of making money for the shareholder. At the same time, the industry has retrenched two million people over the past decade (AAP General News, 6 Dec. 2002). To facilitate the shift to shareholder value as a model for managing and to enable EVA (economic value add) to be embedded as the measure of performance, banks removed their Social Charters. The Social Charter was the organisations' mission statement and carried a clear commitment to the communities in which they operated. Many long-term bankers saw this as a fundamental change to the task of the bank, and one that they could not commit to. Many of them resigned or took retrenchment. Their response is one of the motivating factors behind the development of this study.

One of the trademarks of shareholder value has been the identification of 'high net worth' customers. These are large institutions, business customers or wealthy personal customers. In making this identification, banks in pursuit of shareholder value have shown that they have the power to create an operational divide between the rich and the poor. Internally, this approach has segregated the top few from the rest of the workforce (see section 5.3.7).

Shareholder value is a model for business and part of the larger system of capitalism. It is both a consequence of capitalism and one of the main drivers of the "new capitalism" (Handy 1998) for which Handy (1995, p. 65) has posed the question:

Have we decided that creative destruction, the principle at the heart of market capitalism, is also appropriate to its people, and that for the best to grow, the rest must be neglected?

Handy 1995, p. 65

Handy's (1995) question aligns to the argument of Mintzberg *et al* (2002) (see sections 2.4.10.5 - 2.4.10.7) and tends to confirm Sennett's observation (1997) that not only have individuals been neglected, ultimately the value of work has been impoverished.

It is therefore argued that the task of shareholder value has had enormous power to subordinate all other stakeholders. In so doing, it has impacted on the nature of work and the character of the individual. Banks in themselves have always been powerful institutions. When this power is married with the power of the task of pursuing shareholder value, it becomes a high power task. How this high power task affects the organisation at an individual level has been established as a fundamental issue in determining the potential for sustainable organisational development. In consequence, the research question providing the motivation for this study has been established as:

*How does increased focus on shareholder value
impact on the organisation's passion for its primary task?*

2.6 PSYCHO-ANALYTIC CONCEPTS – ORGANISATION DYNAMICS

In summarising the theoretical underpinnings of psycho-analytic theory (see section 2.2), the psycho-analytic concepts that inform the interpretation of the organisational dynamics inherent in the research question have been identified as:

- Social defense
- Holding environment
- Institution-in-the-mind

Each of these is dealt with conceptually in the following sections and is elaborated on as they are applied to interpretation in Chapters 4, 5, and 6.

2.6.1 Social Defense – A Defense Against Anxiety

Jaques (1955) and Menzies (1960) developed a theory of social defense, which builds on the work of Klein (1952a; 1952b; 1952c) on splitting, projection and projective identification (see section 2.2.1). They suggested that an organisation's social defense system helps determine its structure, procedures, technologies and culture through the need for its members to protect themselves against anxiety evoked by their roles and the task of the organisation.

Social defenses function in a way that depersonalises anxiety-provoking situations allowing the individual the potential to operate from the depressive position rather than needing to adopt the paranoid-schizoid mode (Jacques 1955; Krantz 1998; Menzies 1988). The social defense that emerges, in such a situation can be seen as a result of unconscious collusion between the organisation members as they attempt to operate their own social defense mechanisms (De Board 1978).

Krantz (1998) clarifies the bases for social defense theory when he suggests that:

People “map” their unconscious images, derived from early experience and shaped by their unconscious phantasies onto the organization and then re-internalize these meaning-filled experiences, though experiences that have been altered in some way by external reality. How these two realms interact – the subjective internal fantasy world of the individual and the organizational arrangements that serve both as container for projection and as a source of introjected experience – forms the basis of this theory.

Krantz 1998, p. 83

Social defenses can either operate in a way that integrates or disintegrates elements of work. Where disintegration occurs, splitting is manifested in many ways. Elements of the work may be split off, organisational fractures may occur with cross-unit projection and blame being fostered, authority relations becoming infantile and the more primitive, paranoid-schizoid group members being supported (Krantz 1998, p. 83). On the other hand, when integration occurs, the organisation gains (or retains) the ability to deal with complexity, more difficult “emotion-laden” questions can be presented and addressed, and issues can be dealt with in an integrated rather than a fragmented and split way (Krantz 1998).

In order to explain more specifically what is meant by social defense, it is useful to consider the seminal work of Menzies (1988), Hirschhorn (1990) - who specially draws from organisational experience - and Krantz (1998) - who considers anxiety in the new order.

The seminal case work of Menzies (1988) in a hospital environment offers a concrete view of what both Jaques (1955) and Menzies (1960) meant specifically when they first referred to *social defenses*. The core anxiety of the nurse lies in the relationship with the patient. The nature of the work of a hospital arouses conflicting feelings (that may be difficult to control) of anxiety, pity, love, guilt and so on, and the close personal contact, arouses primitive libidinal and erotic feelings (Krantz 1998).

Menzies (1988) study shows how detachment and denial of feelings were institutionalised in the hospital process and system in order to defend against anxiety. Relationships between nursing staff and patients became depersonalised. Tasks were ritualised and followed religiously. Decision-making was replaced by ritualised routines of checking and counter checking. The heavy burden of responsibility that nurses felt and the continuing need to act responsibly was split off, creating a power punitive culture. This created a system where the senior nurses were considered responsible and unwanted feelings were projected onto the junior nursing staff who came to embody the irresponsibility. Consequently, the junior staff needed ever-closer supervision and discipline.

Menzies concluded that whilst the social defenses operated to reduce anxiety for the nursing staff, the social defense *system* was maladaptive for carrying out the primary task - of patient care. Moreover, the system caused secondary anxiety – for example, nursing staff were unable to adjust workloads, which led to increasing fear of an impending crisis.

For the purposes of this study, it seems particularly important to recognise that social defenses mainly operate unconsciously, are deeply ingrained in the system and are difficult to change (Bain 1998; De Board 1978; Hirschhorn 1990; Menzies 1988; Sievers 1999). The extent to which this may occur has been widely demonstrated by Miller and Gwynne (1972) in their study of residential institutions for the physically handicapped, by Hirschhorn (1990) in considering Management Training as a social defense, by Bain (1998) researching the role of social defenses against organisational learning and, apparently disparately, by Wastell (1996) in considering the fetish of technique - where methodology may be seen as a social defense.

Adding his own analysis to that of Bion (1961) and Menzies (1988), Hirschhorn (1990) suggests that there are:

three modes of social defense: *Basic assumption*, *covert coalition* and *organizational ritual*. All these defenses help groups to avoid their tasks, but they differ in their stability and continuity. The basic assumption defense is the most ephemeral, the ritualized activity is the most institutionalized, and the covert coalition lies in between.

Hirschhorn 1990, p. 57

Hirschhorn (1990, p. 67) suggests that *organizational ritual* is the more durable and externalized form of social defense against anxiety. Pre-dating Wastell's (1996) findings, Hirschhorn refers to Menzies research in the hospital as an example of this organizational ritual which acts to depersonalise work and observes that the ritual

takes on a “life of its own and is seemingly unconnected to any rational understanding of experience.” (Hirschhorn 1990, p. 67)

In any organisation under perceived stress, therefore, it might be expected that employees will either: adopt some basic assumption, or common understanding, which will, in practice, subvert workplace productivity; form covert coalitions in self-support against change; or, elect to ritualise workplace processes and practices in various attempts to reduce their collective anxiety (Hirschhorn 1990).

For the purposes of this research, it seems most pertinent to elaborate on the organisational ritual since it appears to have the greatest likelihood for explaining social defense against unsolicited change in primary task

Social defense against a ‘New Order’

Krantz (1998), in his discussion of anxiety and the ‘New Order’, argues that social defense theory is not only well suited to, but is more apt than ever to describing the conditions created in the post-industrial milieu. Firstly, Krantz argues that today’s environment “demands an awareness and performance that arises when people are operating from the depressive position” (Krantz 1998, p. 86). To do so, Pascale (1999) first argues, that they must be able to influence organisationally so that the appropriate social defenses facilitate useful and healthy ways of managing and being. Secondly, his ‘New Order’ must evoke more deep and disorganising anxieties because it is more complex, turbulent and uncertain. Job loss, disorientation and loss of relationships and familiar contexts become prevalent. Vulnerability and insecurity characterise today’s work environment arousing a deep sense of the fear of annihilation and dissolution. In the light of both individual psychoanalysis and organisational social defense theory, Krantz suggests that ‘downsizing’ survivors have been:

... left regressed and immobilized in the face of the primitive anxieties elicited by the experience without

the benefit of social defense systems that enable them to metabolize and modify the experience.

Krantz 1998, p. 86 & 87

Sennett's (1999a) findings from a study of retrenched IBM employees, reaches a similar conclusion while suggesting that, with support, the deliberate development of coalitions may, eventually, provide the support originally intended through covert channels.

The social defenses that emerge from this study of ABC are described and interpreted in Chapters 5 and 6. To consider each social defense more fully, I have drawn more broadly at that point on literature that offered insight to the specific nature of the social defense. For example, the culture programme that has been created in ABC as a response to downsizing and an increased focus on shareholder value has emerged as displaying the characteristics of a fundamentalist religion. Similarly, the specific theoretical discussions that deal with the characteristic of religious fundamentalism are therefore included in the relevant sections in Chapters 5 and 6 as they relate to the specific nature of the findings.

2.6.2 Holding and Containing

Essentially, the concept of a 'holding environment' and 'containment', in contemporary organisational terms, relates to how an organisation creates psychological space for engagement and enables the work to get done (Kahn 2001; Long & Newton 1997; Newton 1998; Shapiro & Carr 1991). The key organisational elements of the holding environment are boundaries, task and role (Krantz & Maltz 1997; Newton 1998; Shapiro & Carr 1991).

The 'holding environment', first described by Winnicott (1971) is a central concept in psycho-analytic theory. From a study of bonding between mother and child, Winnicott deduced that 'the-good-enough-mother' held the baby physically and psychologically providing the appropriate caring environment for the baby to feel safe and development to occur. Central to Winnicott's holding environment are "two

characteristics: empathic interpretation and the tolerance of and containment of aggression and sexuality”. (Kahn 2001; Shapiro & Carr 1991, p. 37) His theory focuses on relatedness, where the holding environment is the space that occurs between the mother and the infant and defines them apart from the external environment. As the child develops, the parents stand with the child against a variously articulated or represented external boundary, providing necessary interpretations for the child to feel safe, and for development to continue (Shapiro & Carr 1991).

This dynamic – of organization members needing holding environments – has been broadened (Kahn 2001, p. 174) to organisations in general. The concepts of ‘task relatedness’, ‘organisation-in-the-mind’ and ‘institution-in-the-mind’ are important in the analysis and interpretation of organisation dynamics from this perspective (Long & Newton 1997; Newton 1998; Shapiro & Carr 1991). Shapiro and Carr (1991) provide a sharp reminder of the importance of Winnicott’s ‘environment’ in that ‘environment’ brings us to think about the ‘holding environment’ and its concepts from an open systems perspective. We can not isolate individuals from their environment, nor can we consider the environment without attention to the individual (Bateson 1972; Krantz & Maltz 1997; Lawrence 1979; Vince 2002).

In his thesis on ‘Learning from the Experience in Management Education”, Newton (1998) argues that relatedness, in this sense, occurs at an emotional level and is the relatedness of one role to another that holds, rather than what is done within the relationship. Articulating the dynamic relationship between role relatedness and organisational functioning, Krantz (1998) in Newton (1998) proposes that:

Role relatedness occurs between individuals acting from within a role, in relation to others doing the same, when their roles are shaped by a commitment to a shared task or outcome.

Newton 1998, p. 178

It follows from this viewpoint that personal effectiveness and organisational functionality of roles are impacted by the relatedness and boundaries between roles and the way in which roles are taken up in organisations. In this sense, role relatedness engages people in a meaningful way with the task and contains the anxiety that arises from the task (Newton 1998).

The holding environment in relation to how the roles within ABC have been taken up in order to contain the anxiety intrinsic in the tensions between the task of delivering shareholder value and the need to serve the customer is discussed in Chapter 5 (see, section 5.4.2).

2.6.3 The-Institution-in-the-Mind

The Institution-in-the-mind is an unconscious construct, focused around the emotional experience of ideals, values, hopes, beliefs, dreams, symbols, birth, life, death.

Hutton 2000, p. 2

All organisational members hold a mental image of how the organisation works and what it stands for. Unconsciously these mental images are negotiated and agreed (Stokes 1994). The organisation therefore exists in the minds of its members and consequently is the collective sum of the projections and fantasies of its members. Since these images are products of dynamic interchanges of projection and transference, they are not static (Armstrong 1991; Shapiro & Carr 1991, p. 70).

Shapiro and Carr (1991) go on to remind us that, in commercial organisations:

Because there is an easily definable series of goals – earning a profit, producing a product, ensuring the happiness of workers and the enthusiasm of shareholders, and so on – there is a temptation to decide that one of these constitutes the defining

characteristic of the organization. When this happens, the larger social task of the institution can be obscured. Then, the dynamic interconnection between those outside the organization and those within it, which can help to provide a clearer definition of the organisation's task, may be overlooked.

Shapiro & Carr, 1991, p. 71

The consequence for this loss of connection between the individual with the organisation means that people within the organisation unconsciously project their feelings about their experience to their own roles or subgroups leaving them with no capacity to make sense of their experiences in the context of the institution (Newton 1998; Shapiro & Carr 1991). This thesis considers how the feelings of the branch staff are projected onto the customer, and how the branch staff have identified with the customer leaving them 'on the other side of the counter' pointing back at the bank (see section 5.4.3).

The notion of the institution-in-the-mind clearly articulated in James' story is central to a sense of connectedness to the organisation for both the staff and the customer. This sense of connectedness contains the anxiety of uncertainty frequently found in large organisations (Hutton 2000) and protects against fragmentation and fractures that might threaten to split the organisation.

2.7 THEORETICAL PROPOSITIONS

The theoretical discussion contained in this chapter and the discussion in relation to passion and its engagement for the primary task of the organisation that were introduced in Chapter 1, have provided the basis for the development of the set of propositions summarised below (see *table 2:1*). These propositions, in turn, have informed the sets of questions that were developed to examine the thesis defined in the research question informing this study and are identified and discussed in Chapter 3.

Table: 2: 1 Theoretical Propositions

Theme descriptive category	Proposition
Shareholder value	Organisational success in publicly owned companies is increasingly seen to be measured purely on share price. Organisations advocate the use of such measurement tools as, for example 'The Balanced Score Card' but when it actually comes down to what counts, all other measurements are subordinated to the share price as the true measurement. Consequently, people within organisations believe that the organisation's desire for them to improve their performance is to 'please' the shareholder.
Primary Task	The organisation's ability to be clear about its primary task is central to its people's experience of being connected to the organisation. This means that the work itself is central to this discussion. The capability of the organisation to articulate its primary task is therefore a critical organisation competency.
Passion	<ul style="list-style-type: none"> ▪ Passion is the human experience that creates connection to the work and consequently the desire to perform to one's optimum ability. ▪ Passion is palpable in an organisation with a clear understanding of its primary task.
Organisational Identity	The organisation's relationship with its primary task is central to organisational identity.
Change/turbulence/ complexity/ambiguity	<ul style="list-style-type: none"> ▪ Change may require the organisation to redefine its primary task. ▪ Volatility and change often create a sense of ambiguity and, consequently, a high level of anxiety. This environment makes it difficult for people to feel connected to the work and the organisation as a whole. ▪ The fear of survival creates tension for the organisation in defining the organisation's primary task.

CHAPTER 3

THE RESEARCH METHOD

To know a rose by its Latin name and yet to miss its fragrance ...is to miss much of the rose's meaning ...
The gift of the personal presence is being able to tell the stories of our others.

Glesne & Peshkin 1992, p. 7

3.1 INTRODUCTION

This chapter discusses:

- the choice of the exploratory case study as the qualitative research method considered most appropriate to research the question:

How does focus on increasing shareholder value impact on the organisation's passion for its primary task?

- Why case study was applied as an approach to collecting data and the reasons for the specific choice of case study were chosen;
- How the sample was selected;
- How the data was collected; and
- How the data was analysed.

3.2 RESEARCH METHOD: QUALITATIVE

Once one relaxes the ontological assumption that the world is a concrete structure, and admits that human beings ... may actively contribute to its creation, the dominant methods [of research] become increasingly

unsatisfactory, and indeed, inappropriate. For if one recognizes that the social world constitutes some form of open-ended process, any method [of research] that closes the subject of study within the confines of a laboratory, or merely contents itself with the production of narrow empirical snapshots of isolated phenomena at fixed points in time, does not do complete justice to the nature of the subject.

Morgan & Smircich 1980, p. 498

The position that reality is socially constructed generally leads to considering organisational life as an emerging, living, organic entity, and, consequently, to ascribing qualitative methods to its study (Chia 2000; Morgan 1983a; Morgan & Smircich 1980; Smircich 1983).

To study the complex phenomenon of changing passion for the primary task, I will discuss why the qualitative method was considered to be the most suitable and why the case study approach was chosen.

Initial consideration was given to the requirements and conditions of using what, in simple terms, are known as the quantitative method and the qualitative method of research. In classification, these research methods can be considered as deriving from two fundamentally different paradigms illustrating the divide between positivism and phenomenology (Cresswell 2003; Crotty 1998; Hussey & Hussey 1997; Strauss & Corbin 1990).

The positivist approach is generally concerned with inquiry based on measurable variables and provable propositions, and tends to derive from quantitative data. The quantitative method tends therefore, to be heavily reliant on large samples of replicable data, and generally lends itself to the collection of data with questionnaires containing highly structured questions (Hussey & Hussey 1997; Maykut & Morehouse 1994; Miller & Dingwall 1997).

The phenomenological approach, on the other hand, tends to produce qualitative data (Hussey & Hussey 1997) and is concerned with understanding the meaning that events have for the informants involved in the study. As such, it tends to be based on an approach rather than a set of techniques (Maykut & Morehouse 1994; Morgan 1983a; Morgan & Smircich 1980). This concern with the meaning that events have for the informants is predicated in the view that the events can only be understood in context. The phenomenological approach determines a range of propositions that come from the notion of complexity: the knower and the known are interdependent; values mediate and shape understanding; events are interdependent and shape each other; explanations for events belong only to that particular time (Lincoln & Guba 1985; Maykut & Morehouse 1994, p.12).

From this perspective, it is argued by researchers and theorists such as Bateson (1972); Burrell and Morgan (1979); Garfinkel (1967); Morgan and Smircich (1980); Polanyi (1967) and Wilden (1972), that reality is socially constructed; people forge their experience of the world through actions that become meaningful in a wider social context.

Generally, qualitative research is interested in deepening the understanding of a social question. Researchers therefore seek to understand a situation as it is constructed by the informants. They attempt to capture what people say and do, that is, the products of how people interpret their world. The outcome of these studies does not seek generalisation of results, but a deeper understanding of experience from the perspectives of the informants. Therefore, the task of the qualitative researcher is to capture the process of interpretation and understand it in relation to its context (Denzin & Lincoln 2000; Maykut & Morehouse 1994; Shaffir & Stebbins 1991).

To do justice to complexity, qualitative researchers immerse themselves in the setting or lives of others, and they use multiple means to gather data. ‘They thereby give credence to the contextual nature within

which both researchers and their research phenomena abide, and also to the fact that both are ... shaped by and embody passions and values that are expressed variably in time and place'.... . Thereby, they come to understand and are able to show the complexity, the contradiction, and the sensibility of social interactions.

Glesne & Peshkin 1992, p. 7

The types of situations appropriate to the qualitative method are those where the research problem and the research setting are often not well understood. The nature of these situations presents difficulties in being clear about the specific questions that should be asked or what should be measured. This tends to render them susceptible to a more exploratory inquiry (McLure & Lopata 1996).

This philosophical position in relation to reality and the complex nature of the problem hold significance for both the approach to data collection and, later, to its analysis in context. Qualitative data collection therefore needs to be targeted to specific informants who hold the depth of information necessary to understand the phenomenon being studied. In this context, in-depth interviews rather than questionnaires are generally considered to be more suitable to explore depth and complexity. Consequently, qualitative research usually has an exploratory and descriptive focus (Maykut & Morehouse 1994; Yin 1994).

The situation identified as the subject for this research study is ideally suited to the qualitative research method in two ways:

The research question seeks to explore and better understand the impact on passion for the perceived primary task of employees in an organisation generated by shifting focus towards a single stakeholder group, the shareholder. This, it appears, is something that is more palpable than measurable (see sections 2.2; 2.3; 2.4.10 and 2.6). Intrinsic in the research question is the view that shareholder value is *not*, initially, the primary task. In fact, it is suggested, the primary task in the first instance is not obvious. So, in terms of a research approach, there is the need for

exploration, the question is not one that is easy to define in terms of sets of variable that might be measured nor is there a clearly identifiable hypothesis that might be tested.

Intrinsic in the research question and the approach proposed, is the view that reality is socially constructed.

3.3 CASE STUDY AS A RESEARCH APPROACH

According to Yin (1994), a case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. The case study method is highly appropriate where the study deliberately seeks to better understand the impact of contextual conditions - believing that they might be highly pertinent to the phenomenon under study.

Morgan described case study, as being useful when there is a need,

to render the rich texture of a situation in a way which will allow the reader to gain some experience of the situation and understand the patterns and processes involved so that he may use them as key insights or key learning that may have relevance in understanding similar situation in other contexts.

Morgan 1983a, p. 305

Yin (1994), also argues that case study is a valuable way to frame research when it is important to explain the causal links in real-life interventions that are too complex for the survey or experimental strategies. In this current study, the phenomenon being studied is the impact of an organisation's strong focus on financial return for shareholders, on passion, that is, the organisation's emotional connectedness to its

primary task. This is a complex dynamic that is not apparently simply quantified because it depends on individual's perceptions of their own relatedness to their personally defined primary task in working for the organisation – which seems unlikely to be measurable with generally understood or accepted scientific instruments. It is the study of relatedness and organisational responses that are conscious and unconscious.

Furthermore, because phenomenon and context are not always distinguishable in real-life situations, a whole set of other technical characteristics, including the nature of data, data collection and data analysis strategies, become integral to the selection of an appropriate research design. The case study inquiry copes with the technically distinctive situation in which there are likely to be many more variables of interest than data points. It relies on multiple sources of evidence, with data needing to converge in the manner that, as a result, it may benefit from the prior development of theoretical propositions to guide data collection and analysis (Yin 1994).

Yin (1994) argues that the case study can be considered as a research strategy with the logic of design incorporating specific approaches to data collection and to data analysis. In this sense, “the case study is not either a data collection tactic or merely a design feature alone ... but a comprehensive research strategy” (Yin 1994, pp.12&13). Case study, it appears, is a highly suitable approach to exploring this topic.

This position on case study as a research approach taken by Yin (1994), Morgan (1983a) and Denzin and Lincoln (2000) confirms that case study produces rich qualitative data and, as a consequence, provides for exploration from the phenomenological position because case study provides the researcher with the opportunity to shine a light on a part of the story or phenomena being studied. They are rich in data as they draw on the nature of the case, the case's historical background, the physical setting, other contexts including external environment, other cases through which this case is recognised, and informants through whom the case can be known (Denzin & Lincoln 2000). They provide an opportunity for thick

description, which has considerations for how the data is presented (see Chapters 4,5 and 6)

3.3.1 Case study frameworks

Yin (1994) argues that ‘the case study approach’, as he defines it, provides the framework for three types of case study:

- descriptive,
- exploratory, and
- explanatory.

Determining the specific type of case study, then, depends on:

- the nature of the research questions,
- the extent of control the researcher has over the behavioural events, and
- the degree of focus on present events rather than on historical data.

In the context of a rapidly evolving organisation, where the researcher has no control over the implementation of change, she has little option but to observe, record and reflect on that change as it is implemented. In this situation, historical data merely contextualises the changes occurring in the present, so the type of the case study must largely be determined by the nature of the research question. In this case, according to Yin’s (1994) definition of case study, the study needs to be explanatory, as the research question requires that the specific questions attempt to increase understanding of ‘how’ rather than ‘why’ a change in primary task focus has affected organisational members.

3.3.2 Single and Multiple Case Studies

Case studies can be single or multiple in their design. Multiple case studies consider research from multiple locations whereas single case studies contain the study to one location (Yin 1994). The case study in this research is singular in that it deals with one organisation. However, depth of exploration is achieved by including three significantly large business units to make up a single case. This approach of including three large business units ensures that the identification and selection of the

sample meet the criteria for a single case, in that the findings derived from the data analysis are unlikely to be distorted by a specific yet unrevealed element implicit in the structure of the sample; and that the findings are likely to be confirmed across the organisation where informants have exposure to *similar* intra-organisational experience.

3.3.3 Analysing, Linking and Interpreting Research Findings

For case studies, Yin (1994, p. 20) identified the following as being important:

1. A study's questions
2. Its propositions, if any
3. Its unit(s) of analysis
4. Logic linking the data to the propositions
5. The criteria for interpreting the findings

From the research question (see section 3.1), a set of propositions was derived (see section 2.7).

In qualitative research, descriptive categories are placed within a broad structure of both explicit and assumed propositions deriving from a broad conceptual framework (Denzin 1988; Eisner 1981). In such studies, the entire process, with all of its elements, is a reflection of the conceptual framework (Eisner 1981). Deriving from the research question (see section 3.1) and the theoretical frameworks (see Chapter 2), a set of propositions has been developed and described for this present study (see section 2.7).

3.3.3.1 The Unit of Analysis

In case study, the unit of analysis is critical to the interpretation of the research findings. A relationship should exist between the case, how the research questions are framed and the unit of analysis. The unit of analysis will be linked together by the same case, common questions and the same boundaries (Burke 2004). Hussey and Hussey, (1997) argue that a single case study represents an individual unit of

analysis. A case study therefore provides the researcher with the means for gathering information in relation to an individual unit of analysis (Burke 2004).

The unit of analysis for this single case research study has been identified as:

the impact of change on passion for the primary task.

Data gathered from informed informants within three large business units in a single Financial Services organisation has been used to inform the study (see section 3.6).

3.4 DATA COLLECTION - THE INTERVIEW

3.4.1 Interviews, Storytelling and Curiosity

The task of the researcher when undertaking a qualitative approach to inquiry is to,

... capture what people say and do as indicators of their world. This means that she does not follow a detailed script. She follows the contours of the data as it emerges. The perspective of the qualitative researcher is therefore open-ended. The pictorial arrangement (that is, the key pieces of information in the study) change their meaning as new information comes into play and new perspectives are discovered.

Maykut & Morehouse 1994, p. 34

The skill of the researcher is to have a deep and genuine curiosity about understanding another's experience and to be able to follow their story to capture the richness of the meaning whilst helping the informant stay focussed on the phenomena being studied (Becker 1998; Maykut & Morehouse 1994).

People like to tell us their stories. They do so because it is integral to who they are (Glesne & Peshkin 1992). People partly form their identity from their relationship

with their work, so when asked to tell their story about their work, they frequently do so generously (Glesne & Peshkin 1992), so that they can be heard. It is the task of the qualitative researcher to interpret these stories in context (Denzin & Lincoln 2000; Glesne & Peshkin 1992).

The data in qualitative inquiry therefore, is concerned with people's words and actions consequently, the most common collection methods are in-depth interviews, group interviews and the analysis of written documents. In this study, each of these is used.

Maykut & Morehouse 1994, p. 34

The data in qualitative inquiry therefore, is concerned with people's words and actions. Consequently, the most common collection methods are in-depth interviews, group interviews and the analysis of written documents. In this study, the strengths and weaknesses of each of these are discussed and the decision to use each is supported.

3.4.1.1 Interview Structure

Structured interviews, whilst they enable the researcher to compare responses between multiple groups, are limited in that they do not provide for the flexibility to add new questions in order to deepen understanding or seek clarity to the informants response to initial questions (Marshall & Rossman 1995).

Unstructured interviews however, have limitations in that they may be too inconsistent across informants, which potentially impact on the objectivity and validity of the data (Marshall & Rossman 1995).

Semi-structured interviews “involve asking questions whose content and sequence aren't fully specified in advanced” (Jankowicz 1995, p. 195). This gives participants an opportunity to talk freely about the issues at any time during the discussion.

Interviews undertaken for this study were semi-structured and were designed to encourage open discussions between the participant and the interviewer. This approach facilitated the opportunity for the researcher to probe deeper into responses from informants (see Appendix A for indicative interview questions).

3.4.1.2 Open and Closed Questions

Interviews questions can be open ended or closed, based on the information that is expected. In a qualitative research study, open-ended questions are heavily used, as respondents are encouraged to answer in their own words and the data analysis is likely to be directed towards explanatory findings. The semi-structured and open ended interview structure adopted for this study was expected to provide a large volume of rich, fertile, data to address the research question (see sections 3.2 and 3.4.1).

The advantage of asking open questions in a semi-structured interview is that the questions (see Appendix A) consistently asked across specific groups leave the opportunity open for the researcher to ask probing follow-up questions to deepen understanding and provide clarification. Questions therefore were primarily open-ended. This approach provided the researcher with the opportunity to ‘go with’ the story of the informant which produced rich data. For example, James’s story in the introduction (see Chapter 1) provides a strong illustration of the complexity of the customer relationship and paints a vivid picture displaying both texture and depth.

In a conceptual framework, ‘descriptive categories are placed within a broad structure of both explicit and assumed propositions’ (Denzin 1988, p.49). These frameworks inform both the methodological and the substantive aspects of many qualitative studies. In such studies, the entire process, with all of its elements, is a reflection of the conceptual framework.

Eisner 1981, p. 9

Knowledge of the literature therefore is a basis for the design of questions (Glesne & Peshkin 1992). In this study, the theoretical frameworks developed in Chapter 2 formed the basis for propositions (see section 2.7) from which the overarching thematic questions were developed (see Appendix A).

Specific questions were also developed to reflect the characteristics of the specific informant groups within the case study (see Appendix B) since the choice of both the case example and the informants was considered to hold specific significance for understanding the research question (see sections 3.6; 3.6.1 and 3.6.2). These questions reflected both the organisational elements of the case, for example, the depth to which accountability is driven in ABC, and the aspects of the individual's role that may hold significance to their responses. The questions were then refined as a result of pilot testing the questions (Glesne & Peshkin 1992) in consultation with small groups of informants who volunteered to assist in the initial stages of study development.

3.5 WRITTEN DOCUMENTS

Data was also collected from written documentation passed about as internal communication between staff within ABC. The primary sources were strategy documents from the three selected businesses, the ABC Intranet, CEO speeches, media releases and an e-mail from the CEO.

3.6 SAMPLE SELECTION

Fundamentally, the researcher needs to be confident that the choice of case study will provide the opportunity to research the core question, either explicitly or implicitly (Yin 1994). In this research, the choice of case study was primarily informed by knowledge that the organisation had undergone significant change over the past ten years and its current structure and characteristics indicated an organisation that was highly focussed on delivering shareholder value.

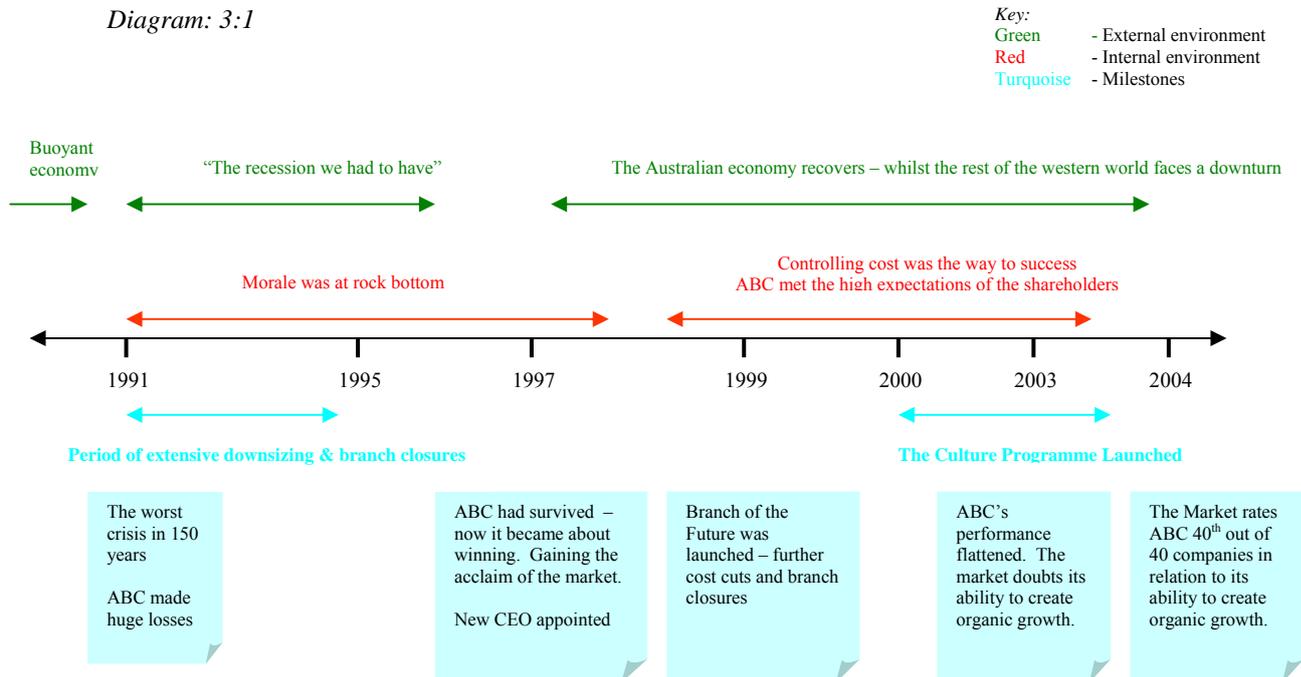
For anonymity and confidentiality to be adhered to, certain elements have been fictionalised. The organisation has been called The Australian Banking Corporation Plc., and is referred to as ABC. Descriptions of the structure of the organisation have been modified without taking away the critical factors that make it relevant for this study. The job titles have been modified and the names of the informants have also been changed.

3.6.1 The Organisation

ABC had undergone significant change over the ten years prior to the commencement of this research. This was evident from the financial results spanning a period from ABC being at the brink financially, to the more recent position where it has out-performed the market in relation to shareholder value. Over this period, ABC downsized and it appeared from anecdotal evidence that it had become a different place to work. Competitor organisations were considered as potential case study sites. However, the defensiveness of senior management in the first of these organisations approached was a deterrent and was not pursued. In a second, the significant change factors were too recent and made it difficult to gain entry during a time of high uncertainty. ABC therefore appeared to offer an accessible opportunity to consider how change impacted on passion for its primary task. The significant milestones in change implementation at ABC are set out in the timeline in *diagram 3:1* below.

Time Line

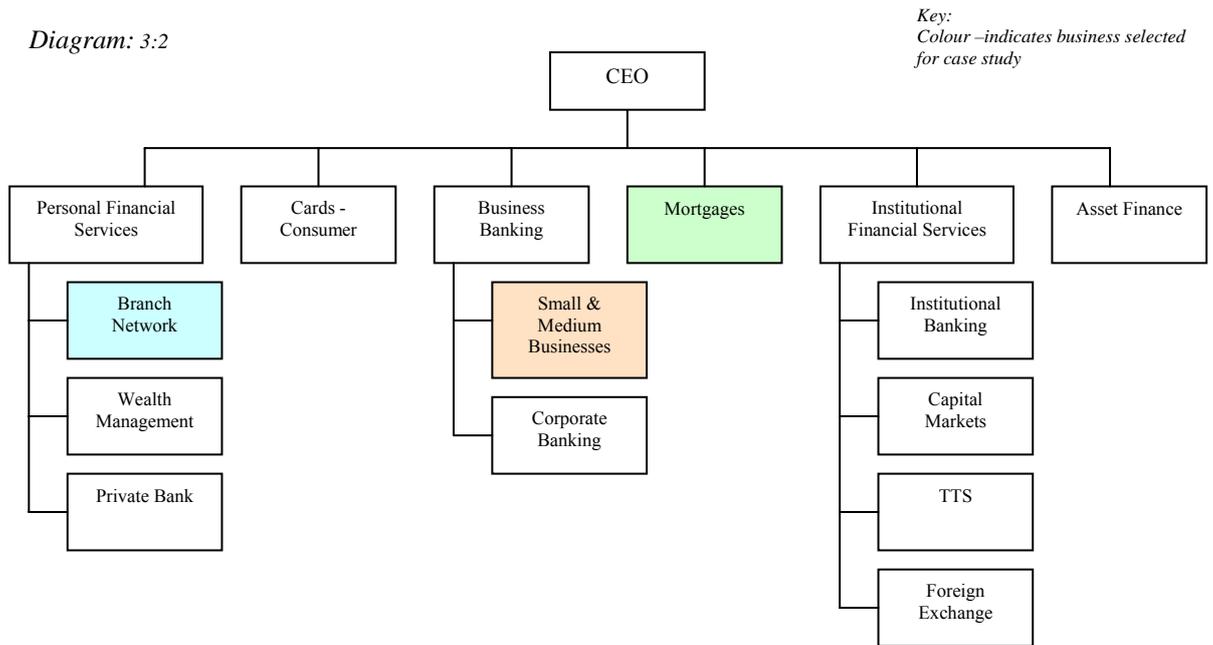
Diagram: 3:1



The management characteristics of ABC supported the opportunity to study the impact of change when an organization is increasingly focussed on shareholder (as previously discussed in Chapter 2). These particularly included the fact that ABC had organised itself into twelve specialists businesses, which are separately reported on to the market. Furthermore this specialisation model has atomised into multiple small businesses to drive the notion of managers as business owners, and therefore to be held accountable for results. ABC's share price was also predicated on world-class benchmarks of cost to income ratio. These characteristics of driving for high accountability and an emphasis on cost control each indicated an organisation that had a high focus on shareholder value (see section 2.4). Consequently ABC appeared to provide a rich source of data for exploration of the research question.

Organisational Structure

Diagram: 3:2



3.6.2 The Informants

The selection of informants required that consideration was given firstly to the businesses that would be chosen from within the ABC organisation and secondly, who could be selected to participate from those businesses (i.e. who were both available and willing).

3.6.2.1 Selecting the Businesses

The rationale for this selection was based on:

- a *Prominence* of the business in the organisation: - this highlights the impact of the change for each business. It also means that the selection is more likely to produce reliable results in that it is likely to be representative of the larger organisation.
- b *Diversity* of the businesses: - in that they offer a broad spectrum of the organisation's activities and relationships with the customer. This provided a broad representation of ABC (see *diagram 3:2*).

- c *Interdependency*: - These three chosen business units also are inter-dependent in that they need to collaborate to service the customer – which means that they have an on-going commitment towards the customer stakeholder group. However, since they are reported on as separate businesses to the market, it was anticipated that this would provide a level of organisational complexity.

Since the research question focuses on shareholder stakeholder group, it makes these businesses particularly *suitable cases for treatment*. It was expected that this inter-dependent relationship would provide a more complete and complex picture of the organisation. It was also anticipated that the organisations' ability to serve the customer would be central to the notion of passion. Business that could operate autonomously was not seen as likely to have provided such substantial insights into the need for collaboration around the customer stakeholder group.

The customer serving emphasis across the three selected businesses was particularly seen as useful in undertaking the case study within a single organisation particularly, as diversity was available within the single organisation.

Because the impact of change can be seen to be most substantial in customer serving businesses, those which tended to focus on large corporate clients, foreign investment and financial management were initially excluded from the sample. Similarly, businesses with an administrative or support focus were eliminated. The remaining businesses were then accepted as most appropriate to this study.

The three specialist businesses (see *diagram 3:2*) selected to inform the case are:

- The Branch Network – Personal Financial Services;
- Mortgages; and
- Small and Medium Businesses (SMB) – Business Banking.

3.6.2.2 Informant Selection

Informants' depth of knowledge of the topic resided in how ABC's focus on delivering shareholder value impacted on their personal experiences of their role.

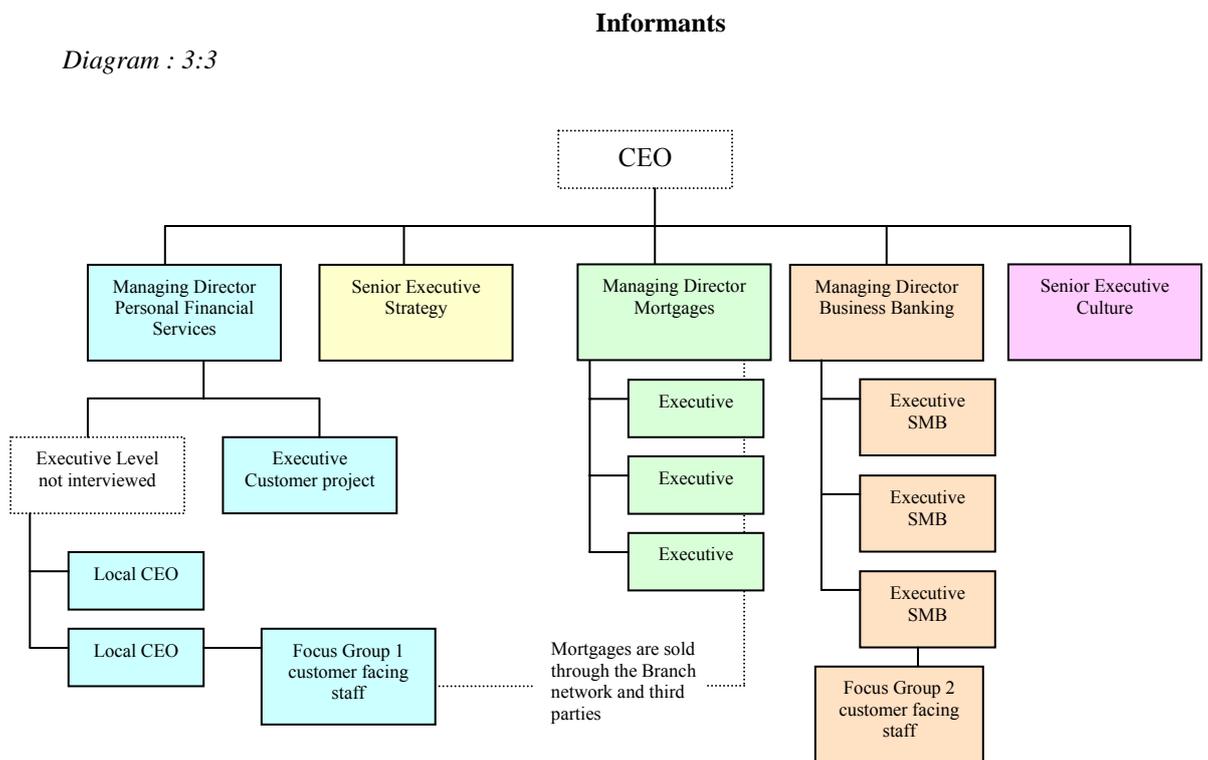
Informants did not need to have an academic knowledge of the research topic; rather the responsibility resided with the researcher to capture the informant's stories. The experience of all but one of the individual informants spanned the period of the past ten years (see *diagram 3:1* - timeline) that was critical to understanding the impact of the shift in primary task and its relationship with shareholder value. Consequently the data was not only rich because of the multiple stories, but it also quite amply reached the saturation requirement suggested by Glaser & Strauss (1967) (later discussed in section 3.8.1).

The requirement of diversity and exposure of informants across ABC in relation to the validity of the findings (Glaser & Strauss 1967), was met by drawing from three large businesses and taking a sample from three different levels of hierarchy; Managing Director, Executive, Middle Management and Customer Facing staff. The sample also included people from two of ABC's major initiatives and the Corporate Centre. So diversity of experience was represented in role hierarchy, the nature of the task and organisational exposure.

The specific informants included the following personnel:

- The Managing Directors of the three businesses.
- Two Senior Executives from the Corporate Centre.
- Three Executive level managers from Mortgages and Business Banking (Small and Medium Businesses [SMB]).
- Branch Network:
 - two Local CEO's (who have the responsibility for approximately fifteen branches), and
 - one Executive Manager from a Head Office customer driven initiative (Restoring Customer Faith).
- Two focus groups made up of customer facing staff, one from the Branch Network (focus group 1) and one from Business Banking (focus group 2). There were six people in each focus group. The Mortgage business does not have its own front line customer facing capability at ABC because mortgages are sold through the Branch Network.

How each of these informants is placed in the organisational structure is presented in *diagram 3:3* below. The list of fictionalised names ascribed to each of these job titles is contained in Appendix D.



3.6.2.3 Access to the Organisation

Formal permission to conduct the research within ABC was established by agreement from the Head of Human Resources (see Appendix E). Three of the Managing Directors further agreed that they would participate and that I could approach their staff seeking specific informants. Initially the contact with the Managing Directors was by e-mail (see Appendix F). This was followed up with a meeting to discuss the specifics of the research and the size of the target group. This meeting was conducted to establish a relationship and to discuss any concerns that they might have (Schein 1987). All three Managing Directors expressed their

willingness to participate and were not concerned about the time out required for their staff to participate in the study.

3.6.2.4 Contact with Informants

Contact with informants was initially made by telephone and its primary purpose was to make the first contact personal. This was followed up with an e-mail, which formally outlined the purpose of the research. Prior to conducting the interview, each person received a letter, again detailing the purpose of the research and the researcher's commitment to the ethical requirements of research about confidentiality (see Appendix G). All participation was voluntary and people had the option of withdrawing at any stage. No one who was approached declined the opportunity to participate and no one withdrew at a later stage. In fact, most of the informants offered to be interviewed again if the need to do so became apparent.

3.6.2.5 Interview Schedule

Interviews took place over a period of four months with one focus group interview and an individual interview being held back as this strategy offered the opportunity to validate some of the initial findings after the data had been analysed. The interview was designed to take no more than one hour. Most interviews lasted longer than this, however, averaging one and a half hours with several taking two hours. In all cases the informants had the opportunity to end the interview at the scheduled time. However, they chose to continue. The researcher's interpretation of this was that the informants were highly engaged in the topic and found it difficult to limit the time.

3.6.2.6 Interview Recording and Transcription

The use of tape recording as a means of capturing data suffers mixed reviews as a research tool. Some research methodologists suggest that recording interferes with the interview process, consequently people are less open (Lincoln & Guba 1985). On the other hand, it is also considered not to interfere and, whether recording or not

recording, interviewees receive the same responses to their questions (Roberts & Renzaglia 1965). In this study, all interviews were audio-tape recorded and transcriptions of all interviews were initially produced verbatim. Recording interviews did not appear to interfere with the informants' willingness to respond openly to the questions and several commented when the tape recorder was turned off at the end of the interview that they had forgotten that they were being recorded. The willingness of informants to be interviewed for a second time provides a further indication that the informants to this study, at least, were not distracted or concerned by the interview being recorded.

3.7 DATA ANALYSIS

In analysing qualitative data, Maykut and Morehouse (1994) suggest that we come to understand and create our world with words. Therefore, the task of the researcher is to find the patterns in the words and actions (where these are observable) of the informants. Researchers such as Stemler (2001) have termed this a thematic content analysis.

Taking both Chatman *et al* (1986) and Maykut and Morehouse (1994) positions into consideration, the methods selected to analyse the raw data involved a modified content analysis to establish the themes most directly related to response to change and an adapted form of discourse analysis (de Araugo 2002) which provides insights into the way informants are responding to the change as it directly affects their passion for their perceived primary task as organisational employees.

3.7.1 Modified Content Analysis

A range of researchers, have modified the highly linguistically oriented origins of content analysis to suit the demands of interpreting qualitative data sources, particularly as they are applied in the analysis of data provided by small groups of key informants. Content analysis identifies themes, meanings and concepts across the total data collected, which could be in the form of oral, gestures or written

(Gummersson 2000; Stemler 2001). In this context, it offered a relatively simple but effective way to organise and categorise qualitative data.

For an example of one of the themes developed by the use of modified content analysis in this study, see Appendix H.

Content analysis is limited to the extent that it does not necessarily offer the qualitative researcher a way to discover and interpret the web of meaning that is the essence of what the qualitative researcher set out to find (see section 3.7.2 for further discussion). Content analysis does, however, provide a useful way of organising the large volumes of data that tend to be generated in the semi-structured interview process in pursuit of rich data banks associated with pre-determined thematic approaches (Stemler 2001).

Whilst content analysis is a simple method of organising data, thematic categorisation shows the extent to which each theme was present in each interview. In this case, it also provided for some basic links across themes as, often, a complete quotation could be placed under more than one theme, allowing the data to be reworked to offer even richer insights (Denzin & Lincoln 2000; 1998b). In this case, the organisation of the data into themes provided a basic framework to apply a modified discourse analysis.

3.7.2 Modified Discourse Analysis

Discourse analysis provides the researcher with a method of re-examining the data that has been categorised to explore ‘how’ it is saying what it means (Phillips & Hardy 2002). It is largely concerned with the social interpretations that have been constructed through the informants word selection and grammatical construction to achieve meaning. It requires the researcher to take into account the words, nuances and even total responses in the context in which they were presented (Alvesson & Kärrenman 2000; Linstead 1999; O’Connor 2000; Phillips & Hardy 2002).

de Araugo (2002) provides a modified discourse analysis as a method of revisiting data organised through content analysis to give the researcher an organised way to examine that data meaningfully in relation to the changing perceptions and appreciation of the informant for what they see as happening in their lives. An example of how this modified method of discourse analysis was applied in this study is provided (see Appendix J) and demonstrates how, when specific words are considered, the structure of the text itself offers insight. In this example, the content initially appears to be highly disjointed, sentences are unfinished and the informant appears to move on to a new thought or idea that does not seem to relate to the previous one. The text is full of tensions and the examples that are chosen by the informant relate to other high profile organisations. The analysis of the data using this modified discourse analytical approach provides a worldview or social context for this informant.

To demonstrate more specifically the analysis of the text, the analysis for this study has drawn on work by Forray and Stork (2002) who develop a fictional “subtext of the discourse of spirituality and organisations” to “provide a unique insight [from which they] capture emotional, sensual, and subjective features of organisational life” (p. 498). A modified discourse analysis of the impact of change towards shareholder value generation in this present case study provides similarly rich insights into the spirituality whose expression is submerged in the dominant discourse of *shareholder value* and *bottom line performance* at ABC. The extent to which the suppression confuses those who are seeking to maintain the organisational shift in primary task while retaining their personal passion for the client centered orientation of traditional banking is clearly demonstrated in the efforts of James to articulate the current mission of ABC.

Extract from Appendix J:

And the **mission statement** of ■ ... the first is to **create substantial and lasting improvement** in our clients’ performance. Right. And the second is to **attract and retain exceptional people**. Which is about the

sustainability of the company identity and ability to do the first. So they have really been able to connect, the firm as they call it, to make money ■ ... it is a by-product. Right. ■

James' fragmented sentences; his shifts in direction from the original task of providing the mission statement of the organisation are twice already punctuated by his need for support of what he is saying, "Right". Exactly what is the purpose and what "the by-product" remains unclear and there is a strong sense that the informant is confused between what he might like, what he sees happening and what he believes is required of him as a high-level organisational representative.

The tools described above in themselves are not entirely sufficient when faced with the task of understanding the complexity that is likely to be present in the phenomena that inform the research question and subsequent propositions. To be able to understand this complex web of meaning that provides the richness of this case, it is necessary for the researcher to have a way to interpret the data. Glesne and Peshkin (1992) suggest that,

Interpretivists such as Geertz (1973) and Denzin (1988) offer [an] understanding of theory, which is neither explanatory nor prediction. It is interpretation, or the act of making sense out of a social interaction. ... Interpretivists see the goal of theorizing as providing an understanding of direct "lived experience" instead of abstract generalization.

Glesne & Peshkin 1992, p. 21

The research question ultimately requires understanding of an *organisational* dynamic so that, ultimately, the task of the qualitative researcher in this case is to understand the experience of the individual informant in the context of the larger organisation. Chatman's *et al* (1986) perspective on research is useful as it helps to frame the experience of the individual in an organisational context:

When we look at individual behavior in organisations, we are actually seeing two entities: the individual as himself and the individual as the representative of his collectivity ... thus, the individual not only acts on behalf of the organisation in the usual agency sense, but he also acts, more subtly, “as the organisation” when he embodies the values, beliefs, and goals of the collectivity. As a result, individual behavior is more “macro” than we usually recognize.

Chatman in Weick 1995, p. 23

In the case of ABC, findings from the discourse analysis are explored in the light of the theoretical framework developed in Chapter 2 to deepen the understanding of their meaning within the context of ABC *as it is being lived by the informants* to the study, themselves key performers in establishing that context. Ultimately, the goal is to offer new insights into the organisation, the application and possible expansion of the theory and recommendations that will enhance organisational practice.

As previously noted, the theoretical frameworks discussed in Chapter 2 provide the basis for interpretation of the data in relation to how each individual’s lived experience can be understood in the context of the organisation. Some of the theorists offer a social and economical organisational context (see section 2.4 and Chapter 6) whereas the psychoanalytic framework suggests a way of interpreting both the conscious and unconscious experiences of the informants as an organisational dynamic (see sections 2.2; 2.3; 2.5 and 2.6).

Whilst the theoretical frameworks selected in Chapter 2 informed a significantly large part of the research interpretation, they did not provide for interpretation of all of the data. One the characteristics of qualitative research, as already discussed (see sections 3.2; 3.3 and 3.4) is the richness and depth of the narrative. Consequently, all of the data is often not accounted for after the thematic categorisation stage (Becker 1998). In this case, the modified discourse analysis revealed a powerful culture that contributed in its enactment to the understanding of the organisational dynamic that

was not anticipated from the initial literature review. This aspect of the findings is dealt with in its entirety by embedding the theoretical content in the interpretation of the findings (see Chapter 6).

3.8 TRIANGULATION

Triangulation has been generally considered a process of using multiple perceptions to clarify meaning, verifying the repeatability of an observation or interpretation. But, acknowledging that no observations or interpretations are perfectly repeatable, triangulation serves also to clarify meaning by identifying different ways the phenomenon is being seen (Flick 1992).

Denzin & Lincoln 1998a, p. 97

Two types of triangulation are used in this research,

- data triangulation: the use of a variety of data sources; and
- theory triangulation: the use of multiple perspectives to interpret data. (Denzin & Lincoln 1998a).

The primary source of data, as previously identified (see section 3.4) was comprised of the individual interviews and a review of organisational documents. The requirement of diversity and exposure of informants (Yin 1994) across ABC was met by drawing from three large businesses (as already stated – see section 3.6.1) and by selecting a sample from three different levels of hierarchy, Managing Director, Executive and Customer Facing staff. Representatives from two of ABC's major initiatives and the Corporate Centre were added to this sample of interview informants to ensure that the diversity of experience represented in role hierarchy was confirmed at a cross-organisational level focusing on the nature of the task and a breadth of organisational exposure.

The primary data, as previously indicated (see section 3.7.1), was organised by the use of a thematic content analysis. The first stage of triangulation – construct validity (Yin 1994) was met by confirming the importance of the identified themes with a focus group involving six members of customer facing staff from the Branch Network. The focus group interview confirmed that there was a high level of support for the themes (see Appendix B for Focus Group 1 questions).

Further analysis of the data, applying a modified discourse analysis, produced interpretations informed by multiple theoretical perspectives. From these webs of meaning, metaphors were identified and tentative theoretical interpretations were developed. Fulfilling the requirements of the second phase of triangulation, these were tested with a second focus group consisting of six members from Business Banking customer facing roles (see Appendix C for Focus Group 2 questions).

The final triangulation phase in this case involved tested the findings that are central to this thesis about how the primary task of ABC had mutated into a different task. The Senior Executive responsible for developing culture change in ABC was approached to consider the reality of this perceived shift in primary task and the process that led to the shift. The results of this approach are reported in Chapter 5 (see section 5.5.1.6).

3.8.1 Data Saturation

The challenge in research is to choose a sample size that produces data saturation (Jankowicz 1995). That is, the interviews cease to provide any new valuable data and the data starts to become repetitive (Glaser & Strauss 1967). This saturation process is dependent upon the informants' depth of knowledge of the research topic and their diversity of exposure and experience across the organisation (Jankowicz 1995).

Informant's depth of knowledge of the topic resided in how ABC's focus on delivering shareholder value impacted on their personal experiences of their role. Informants did not need to have an academic knowledge of the research topic; rather

the responsibility resided with the research to capture the informant's stories. Since the experience of all except one of the informants spanned at least the past ten years (see *diagram 3:1* -timeline) which had emerged as critical to the shift in primary task and its relationship with shareholder value, the data was not only rich because of the multiple stories, but it was able to be discontinued when it reached the previously discussed requirement for data saturation (Glaser & Strauss 1967).

3.8.2 Ambiguity

Data saturation, construct validation of thematic content, agreed interpretations and wide focus group acceptance of the fundamental premise of shift of primary task on which the reported findings are based confirms a substantial level of internal validity (Yin 1994). It is important, however, to consider the notion of validity in qualitative research in relation to ambiguity. Ambiguity is not only tolerated in qualitative research but it is, indeed, expected. Validity in the context of qualitative research, therefore, is not about eliminating ambiguity but working with emergent data in iterative ways that clarify and deepen the meaning. This technique does not validate findings in that they are right, wrong or generalisable, but is relevant to the issue of validity insofar as the iterative process throws light on early data and considers the data from different perspectives (Denzin & Lincoln 1998a; Glesne & Peshkin 1992; Miller & Dingwall 1997). In this case both the themes and findings were confirmed as being 'truthful' or 'resonating' with people involved in the organisation and were confirmed, further explained or interpreted through their experience (see, for example, sections 5.5.1.6 and 6.3.4.2). This iterative process deepened the findings and provided connections between understanding and interpretation across the three diverse businesses selected to inform this case.

3.8.3 Multiple Disciplines and Multiple Perspectives

Chapter 2 has drawn upon multiple disciplines and schools of thought, to provide different ways of interpreting the data. These are presented in the following chapters (see Chapters, 4, 5, 6 and 7) where theory triangulation, the use of multiple perspectives has been invaluable in confirming the validity of these interpretations.

3.9 THE ROLE OF THE RESEARCHER

3.9.1 The Human in the Research

Qualitative research not only accepts the notion that the researcher is an integral part of the research but goes further to argue that the human is, in fact, a research instrument. It is the fact that they are human that makes them able to explore the atypical or idiosyncratic responses in ways that are not possible for instruments that are constructed to meet the requirements of a more scientific or 'objective' research method (Glesne & Peshkin 1992).

To make their interpretations, the researchers must gain access to multiple perspectives of the participants. Their study designs, therefore, generally focus on in-depth, long-term interaction with relevant people in one or several sites. The researcher becomes the main research instrument as he or she observes, asks question, and interacts with research participants. The concern with researcher objectivity is replaced by a focus on the impact of subjectivity on the research process

Glesne & Peshkin 1992, p. 6

The literature review does help to frame the study, but it also influences the researcher in terms of the interpretations and conclusions drawn from the data. The researcher tends to seek out answers that are hinted at and only unveiled or revealed through the research process, but these discoveries are affected by the degree to which the researcher is attracted to new concepts, ideas or new and different thinking. If the researcher has a particular bias, then that bias can affect the research (Berg 1998).

That which is determined relevant by the researcher, through her personal frame of reference, will increase a preference for data, which is considered meaningful. Some

important data or insight might be overlooked, even discarded, by the researcher in this process. It is therefore important to have an understanding of the researcher's background and any influencing frames of reference that may impact on the study.

The researcher's position of intersubjectivity places a requirement on the researcher not only to describe their interpretations but also to reflect on their own contextual milieu and consider how the research is shaping their inner landscape. The researcher too has her story (Glesne & Peshkin 1992; Schein 1987). In this case the organisations response to culture change is interpreted and presented as having its roots in religious fundamentalism (see Chapter 6). In acknowledgement of the researchers' position of intersubjectivity, Chapter 6 opens with a prologue from the researchers personal experience of religious fundamentalism. Whilst the data itself speaks to the religious interpretation a researcher with a different personal experience may well have considered the findings in a different light.

3.9.2 The Researcher as Insider

In reflecting on the findings of this study, the reader should know that the researcher works in the organisation, having joined ABC several months prior to commencing this research (Berg & Smith 1985). Her role in the organisation has a significant research component and has given her access to the group executive of the organisation. 'Backyard' research, however, can also create ethical dilemmas. As an established insider, succumbing to the temptation to be a covert participant-observer can be problematic in that this position can generate feelings of anxiety. Also, interviews can uncover what has been variously termed 'dangerous knowledge'-information that is politically risky to hold, particularly for an insider (Burgess 1984; Glesne & Peshkin 1992; Maykut & Morehouse 1994).

In acknowledging the risk associated with this position, issues considered to have commercial in confidence or privacy implications have been addressed with appropriate senior staff within ABC. Similarly, issues demanding personal reflection have been worked through with my research supervisor and several colleagues outside the organisation, with whom I have a professional working relationship

(Schein 1987). This working relationship, in particular with my supervisor, has been critical to being able, at times, to stand back from the complexity of the research task and my organisational role, and consider how I might work with the data. Reflection on these issues have been included at the end of the thesis (see section 7.9)

3.10 Summary

The research method for this explanatory study is qualitative since it is concerned with the web of meaning that is experienced by people in their roles. It also seeks to reveal the unconscious aspects of organisational life that enable it to deal with tension and anxiety. The approach to data collection is a single case study involving three business units of a large financial institution. The informants are the Executives from the three businesses and from other strategic Executive roles. Focus groups of Customer facing staff inform the findings to substantiate the consideration that have been drawn. Modified content analysis has been used to organise the data into themes, and modified discourse analysis was used to make sense of and surface the meta messages. The theoretical frameworks discussed in Chapter 2 inform the interpretation. The researcher acknowledges the phenomenological approach in that the assumptions of the researcher affect the choice of research question in the first instance and the theoretical frameworks chosen by the research impact on the interpretation of the data.

The following three chapters (see 4, 5 and 6) present the findings from the study as they have been analysed to substantiate the major thematic considerations deriving from the data analysis previously described.

CHAPTER 4

SHAREHOLDER – THE PRIMARY STAKEHOLDER

4.1 INTRODUCTION

This chapter provides a vivid description of how shareholder value as a model for managing has been uniquely taken up in ABC (see sections 3.2 and 3.4). The characteristic of shareholder value and the underlying structures of ownership and agency as discussed in Chapter 2 are described in this chapter as they are evidenced and experienced in ABC. The impacts of these characteristics are also presented in this section but are not interpreted here. The interpretation of the unique impacts and dynamics created in ABC by how the organisation has taken up shareholder value as its fundamental business driver are discussed in the subsequent Chapters 5, 6 and 7. Primarily this chapter argues that shareholder value is the primary task of ABC.

4.2 LEAN AND MEAN - A CULTURE OF COST CUTTING

One of the major characteristics of an organisation driven by shareholder value is the *lean, mean* culture of cost cutting that is a product of ‘downsize and distribute’ (Lazonick & O’Sullivan 2000; Mintzberg *et. al.* 2002). Cost cutting and ‘meeting the numbers’ are both highly characteristic of ABC.

Until the early nineties, ABC had operated under the ‘Retain and Reinvest’ model (Black, Wright & Davies 2001; Lazonick & O’Sullivan 2000). Profit was put back into the organisation by investing in staff resourcing, training and education and technology. Whilst salary was not at the levels it is for some executives today, people were well paid.

The eighties in Australia in the finance industry were the good times. Banks lent generously to consumers, homeowners and business, on the crest of a wave of buoyant economy. However, the de-regulation of the Australian stock market created new competition as the economy slipped backwards towards the recession that the current Prime Minister of the period assured the nation that ‘we had to have’.

In this changed context, ABC found itself over exposed and the performance of the bank came under fierce questioning (Andrew). Whilst all of the Finance Industry had followed the same trends in the eighties (Carew 1997) and were impacted by the changes in the external environment, ABC took a significant blow (although not the worst in Australia (Carew 1997)). One participant puts into perspective how this event is remembered in ABC’s history to this day:

You have to go back to - you know it was 1991 when we made that incredible loss. The first loss in 150 years. That was a cataclysmic event really.

Frank

ABC spiraled down into survival mode. The current Head of Strategy, who was present at the time of this event, clearly articulates the event in these terms:

I think it actually begins with a very basic survival point. Which is where ABC was ten/twelve years ago. We were literally on the brink. We were on the brink of not being here any more. It was a crisis.

Andrew

This discussion of the past and the need to survive, deeply rooted in ABC’s mythology, emerged from all the interviews conducted for this study without prompting.

4.2.1 Cost and Survival

Reducing cost did bring ABC back from the brink. The share price did recover. ABC's survival response to the market and its shareholders was to cut costs. A Local CEO, in recalling his memories of the early nineties, explains emotionally:

We had an agenda. It's not a palatable thing that you want to talk about either, but we had to survive. We had to get our costs in order and we had to get our costs to income ratio down to a credible level for the market place.

David

All interviews revealed that today's cost sensitive environment in ABC evoked memories of the early nineties and cost cutting is still identified with this particular point in ABC's history so that, as one Managing Director explains, the bank's behaviour at that time was naturally human:

Well I think that, like all humans, what the bank has tried to do is take the line of least resistance. So it has closed small branches in small places to get cost savings.

George

Viewing the cost cutting decision as a natural human response, perhaps, has made it easier to deal with the pain of the past.

4.2.2 Digging Deep – 'Cost' as a Recipe for Winning

Reducing cost did bring ABC back from the brink. The share price did recover. However, the practices of the seventies and eighties, of investing inside the organisation, did not recur. This point of recovery became pivotal in how ABC was to continue with its cost and downsize agenda. Cost reduction became the smart way

of managing and ‘survival’ took on a new meaning as the notion was replaced with the ideal of winning:

I think the survival piece was ninety or ninety-two. I think as a general statement the industry got past that in 95/96. And then from that point onwards until quite recently, it has been about outperforming the other guys in a financial sense. So it has sort of gone from survival to winning, if you like, in a financial sense. The compromises, there were different compromises but the compromises continued from survival. Compromising the primary task or the customer experience continued, but maybe it took different shape during this sort of game of winning financially.

Andrew

Over the next four years, ABC downsized yet again, closing branches:

We had a strategy from 1995 that was focussed on costs, no surprises, so really about getting quite serious about cost reduction not cost management. Reduction number one, more branch closures, restructures, exiting unprofitable areas, reducing staff numbers, going much more to part time, so it was a real slash and burn.

Frank

This phase of cost reduction and downsizing in the Branch Network was given the project name, “Branch of the Future”. When “Branch of the Future” was first mentioned in a focus group discussion with the Branch Network, it inspired thoughts of some innovative idea for serving customers, or of some entrepreneurial spirit taking customers towards a different future. What it actually referred to was quite

differently directed. One of the senior branch staff who worked through that period in the branch network painted the picture:

‘Branch of the Future’ was great for the shareholders. They actually think it was great because the cost of staffing went down 25 per cent. The shareholder value went from \$7 to \$14 dollars like that. Just like that. Because of the reduction in staff costs - and the person in the ivory tower, sorry no offence, the person in the ivory tower who thought up this infamous "Branch of the Future" probably got bonuses galore out of it.

Focus Group 1

The focus group participants displayed a lot of emotion and anger in this discussion, as though the strategy was happening in the present. What was being clearly expressed, still, was the direct relationship between reducing costs, reducing staff numbers and increase in share price. Furthermore, there was an on-going belief that someone who was not involved the customer-facing section of the organisation had been highly rewarded.

‘The Branch of the Future’ represents a significant time for ABC in terms of a strategic choice, which focused on “winning in the financial sense.” In the minds of the focus group participants, it was about being seen as highly competitive in the market and entering an arena where success was measured in terms of share price. One experienced senior executive positions that winning in a financial sense in its current context:

I think it is more of an ego driven thing. The competition I’m talking about is who can make the most money and who will can win the acclaim of the share market.

James

4.2.3 Cost as the Primary Performance Driver – Evidence of its Presence in ABC Today.

The strategic choice, which redefined survival as winning, appears to have been the turning point that established cost reduction as a key to successful performance for the present. Cost reduction and shareholder value became synonymous on the path to “winning in the financial sense” (Andrew).

Many of the respondents to this study talked both individually and in focus groups, about “pressure to meet the numbers”. Their experiences were framed either in terms of the extent that this impacted on other parts of their job or themselves personally or in terms of trade-offs.

Joseph and Sharon share their struggle about sacrificing the customer in order to meet the cost targets.

I can't hide behind this customer ideal because getting five percent productivity improvement per annum is still what we have to do. It does not excuse you from doing that. It is all about the customer therefore we can't do the other. We are still carrying an increasing burden. Someone has to pay for it.

Joseph

Sharon is equally passionate when she observes:

You know, there are really fabulous things that make you want to really work here. But the other bits are about making short term decisions to make sure you make your numbers - or the feeling about what to fear and how to make it right if you miss your numbers. Would you deliberately dump customer service to make your numbers to get your bonus?

Sharon

One of the focus groups talks about how meeting the numbers “at the end of the day” has become accepted as the new model for creating business ownership. The most recent initiative is called "Restoring Customer Faith" and has been launched with the premise of ownership of the business. In order to create an increased sense of ownership, the organisation has been divided into apparently autonomous and independent operating units, Local CEO's have been appointed in the branch network and have been given “ownership and accountability” for a market catchment area (ABC intranet, 31st October, 2002).

The rhetoric of the model asserts that the Local CEO will make decisions that a business owner would make about costs and investment. The local nature of the business, it is published, means that they can respond to their customers' needs.

This model for decision making set up high expectations that the environment would change. Cost would cease to be the primary driver. However, only a few months into this *new way* of managing the branch network, early promise and expectation appear not to have been fulfilled. The Branch Network Group explains:

I mean, Restoring Customer Faith and restoring staff faith! We were asked at a meeting if we thought we needed extra staff. Then we had to put it in writing and put it forward. But we haven't got any extra staff. So they are not serious about it. They're not standing behind what they are telling us. And I think that is very bad. And if I were head of the bank, I would do something about it.

Focus Group 1

Many, instead, agreed with the view that:

The bottom line is costs. Can't do it. You can't have more staff because it adds to the bottom line. If that cost goes up then your bottom line comes down. Now, if you are the local CEO and you've got to work

within a budget and you don't meet that budget, or you blow that budget, then you don't get any bonus.

Focus Group 1

This has created strong feelings of anger and disappointment at the Branch Network level. What appears to be evident is that even with investment and a desire to create a model that could be different, the underlying mechanisms of cost cutting and control overrides all other decisions that might be connected to a new vision for the future.

Sharon observes that cost cutting wins out even when there is evidence that it impacts negatively on customer service.

There are some amazing things happening and there is something incongruous about the short-term effect. Something very incongruous about putting extra people on to take the extra volume and having your people say 'thank you'. You know, we are really stressed. We haven't had lunch since last week and we are still cutting staff. We have to do that sometimes. I see it as short term because we have seen a direct correlation between customer service and revenue. There is an absolute correlation. It is so, so strong, but I will doubly make sure that you deliver.

Sharon

The competition that has emerged between ABC's area network businesses for budget is further evidence that cost has become critical in performance assessment.

[Our MD] is quite magnificent, he puts himself on the line all the time. He fights for budget for [our business] on the basis that we are one of the most valuable streams. He constantly gets pushed back. We

are really sympathetic to the whole issue but we need to come under budget.

Sharon

One of the characteristics of ABC's commitment to the cost agenda is its relentlessness. Sharon and Frank explain:

By the way, now we have the targets signed up, we want another extra one per cent across all businesses cost and staff. This is what happens every six months.

Frank

The volume just pours in and we are flat line on cost. So we have improved effectiveness by 30 per cent per cent but the cost target stays the same.

Sharon

Cost, as the primary driver for success is now truly embedded in ABC's work practices and ethic. As David put it,

we had to get our costs in order and we had to get our cost to income ratio down to a credible level for the market place.

David

ABC has the lowest cost to income ratio in the industry within Australia but it also has the lowest in the world (Fry 2002). It has a:

Very good reputation for cost to income ratio compared to the other banks. Which is good for share dividends.

Nigel

Cost, at least consciously, is now associated with winning rather than survival in the financial sense.

4.3 IMPACT OF COST CUTTING AS THE PRIMARY DRIVER FOR SUCCESS

Whilst the market view of ABC is positive in terms of its controlling costs, the past decade has left its scars and the cost conscious culture that now exists has generated a new tension.

4.3.1 Impact on the Branch Network

When the strategy for winning is founded on reduction, it appears inevitable to the informants in this study that the Branch Network will be highly impacted because it has the largest number of people, high asset costs and low profit margins when measured as a separate business.

Compounding the impact at local level, high net worth customers have been identified for the benefits of 'Relationship Management', which has been resourced accordingly. This appears to have meant, in practice, that the branch network now competes as a business with other more financially viable and better resourced parts of the organisation. Those particularly and commonly identified include the business, corporate and institutional banking sections. Although the downsizing and cost reducing strategy has impacted on ABC as a whole, the Branch Network feel keenly that they have borne the brunt of it.

For Branch Network personnel, the impact of lack of investment is translated into lack of investment in people, the survivors of the downsizing. The result, they argue, has become:

A large skill and will gap, both skill and will. And that is not a criticism but it is the avenue invested in. Over ten years, we have beaten it out of the organisation.

Joseph

Identifying the extent of the skill gap that surfaced when recently setting up the new customer programme, Frank offers insight into how deep the problem may be for the Branch Network:

The hypothesis was that a company should stand for something. We came up with the view that we stood for two things primarily, one was convenience and the other one was service. Then we said, "OK, if a company stands for service would it ever put untrained people on the counter?" ... But this is a bit of a disconnect because we don't train our people. Why don't we? Because it costs money... the results of an assessment we ran showed that anywhere between 50 per cent and 70 per cent per cent of our staff cannot do the basic things that we need them to do, the basics, like changing an address - it was horrifying.

Frank

The lack of investment in staff appears to have penetrated deeply into this customer-facing part of the organisation. Joseph's comment about the 'skill and will' having been beaten out of them provides a context for how Nigel, a Local CEO who is new to the organisation, graphically describes the customer and staff relationship.

We are like a sea anemone trying to grab the plankton as it goes by. Of course, the plankton are the clients...So we have very little activity dealing with clients who don't come into the bank. So the sea anemone waits for them to come in.

Nigel

This powerful metaphor of the plankton and the sea anemone presents a sense of low energy, a passive view of the job, waiting for small morsels to come by. The plankton and the sea anemone are at the end of the food chain. Indeed, the staff in

the branch network also see themselves in this light – “We consider ourselves the bottom of the totem pole” (Focus Group 1).

The staff’s passive view of their role and lack of investment has translated into the absence of an organisational approach to managing the customer relationship and the business at ABC.

I could readily bring you into an engagement with one of our Planners but there is no system that says we have had this conversation or allows me to diary the contact, to give you a call in two or three months time. And therefore there is no Corporatised view of [a customer called] Sally. So if we wanted to call up all of the Sally’s - in your situation - and do some sort of promotion or analyse the financial position, there is just no capacity to do that in a structured way.

Nigel

While ABC’s competitors over the past five years have reinvested in the physical assets of the network, the branch buildings themselves, ABC’s commitment to controlling cost has meant that investment in the physical appearance of the branches apparently continues to decline. Customers and staff translate this lack of investment personally, as an indication that they are not valued:

We have not been important because what signals have we had? Your average retailer refurbishes every 5 to 7 years. We have branches that - our average is 15.5 years. We have branches in Victoria that have not been refurbished for 35 years. Appalling. So someone said to me, "can you imagine, someone walks into our branch every second day and says

‘when are you closing? You must. Look at the joint’”. We put in new carpet and one coat of paint and the customer walks in and says ‘Oh, are you going to stay’. For the staff, this was the first tangible investment.

Frank

David sums up the impact of the staff, “getting used to running on the smell of an oily rag”, as he put it, on the challenge to develop this part of the organisation going forward:

We are now trying to say, “ Well think about the big picture”. There are people in our front line that we need to change in the way they deal with customers because they sit there and look at it and think, “no I can’t do that.”, even though you are telling them they can do that. The rules and policies and procedures that I have lived with for the past ten years don’t allow me to do that. So you actually have to give them the opportunity to do it - say “yes do it”. Follow-up and support them when they actually do it. Underpin it with support. It does not happen over night.

David

Joseph reports that the Managing Director’s final words on the cost cutting in Branch Banking involved:

Very aggressive cost cutting without thinking of our revenues. It works for a while. And now I have the task of rebuilding.

Joseph

The interviews were full of emotion as people shared their stories but David's comments remain very powerful. He has been with ABC throughout this entire process. In a quiet and reflective voice, he has talked about it as, "not a palatable thing that you want to talk about". There seems a sense of shame as he moves on to empathise with the staff because, "for them, it is not adding up to being a nice place to work" (David).

4.3.2 Moral Dilemmas

After a long silence, Sharon expresses the personal dilemmas that many staff appear to be facing in response to a tension that has been created by the pressure to meet the numbers. The challenge of meeting the needs of other stakeholders, the customers and the staff, is continually in conflict with the demand for meeting the 'numbers'.

I feel now that for some managers it is a no win. If I look after my customers and my staff, I will personally suffer. The cost pressure is quite enormous.

Sharon

The personal dilemma of being dependent upon the organisation financially is challenged and the punishment for poor performance reinforces the fear that Sharon refers to:

Someone said to me, not long ago actually, I wish I could stand up and refuse to compromise but I am human; I have a family and a mortgage. I am not prepared to put myself on performance review to do it.

Sharon

Moreover, Sharon observes that:

This underlying fear of 'not performing' is palpable at ABC. If you are "not making the numbers", you are considered a poor performer. Out of this has grown

what is referred to as a ‘high performance’ culture (see section 2.4.5).

Sharon

4.3.3 Hope and Expectations

The dark days of the mid-nineties now appear to have passed. ABC is seen to be a darling of the market and its share price has been reaching unexpected highs. This has not been achieved through controlling cost alone but cost reduction has obviously played a major part (Other contributors to market perception are discussed later in this chapter (see sections 4.4 and 4.8). The CEO’s ‘tongue in cheek’ e-mail of June 2002, however, communicates a sense of self-satisfaction that is felt, though not universally shared, across the senior levels of the organisation, at least, about the success that has emerged after such a difficult road:

I heard on the grapevine that our stock had hit \$20 today even after going ex-dividend.

Let me remind everyone that our target is \$18 by 2003 and this kind of insubordination can’t possibly be tolerated in a responsible bureaucracy, so we need to get everyone back in line. Can you imagine what might happen if we allowed this kind of freedom to perpetuate? The consequences would be unthinkable. We could even get to \$30 and that would require a great deal of explaining, in which case I would not like to be in your shoes.

In the meantime I will stay out of the country so that I am not associated with this unexplainable departure from plan.

E-mail from the CEO to the executive team, 6 June 2002

Around the time that the CEO sent the e-mail about the share price, anticipation grew that cost reduction would no longer remain the primary driver of performance, that the focus would shift to investment in order to drive revenue growth.

What I now find encouraging is that we are not talking about flat lining, but a gap between our cost growth and our revenue growth. And that gap over a year needs to be 4per cent per cent plus. So that gives me a level of hope. Even though we still have our hand on the hand brake, we are starting to let it go a little bit. I think that is really positive, and that is a huge shift for us, given that we have been, reduce, reduce, reduce, cut, cut, cut.

Frank

The CEO reinforced this belief in an important speech, which clearly appeared to communicate that the organisation was entering a different phase.

Yes, we have done it. We are back in the game and in the last year we led the sector's performance. But imagine if we could do it again and take ABC to the next level.

.... Since 1999, profit has grown at 16 per cent per annum, ROE has increased by 4 percentage points and the cost-to-income ratio has been reduced by 9 percentage points. This has resulted in excellent returns to shareholders and a clear repositioning of ABC in the minds of analysts and investors.

The next phase requires us to move to a new era of profit growth.

To be recognised globally as an outstanding performer would require:

Delivering strong EPS growth while maintaining high ROE.

Doubling our revenue growth from current levels, while optimising expenses and risk. Revenue growth should outstrip costs by at least 4 percentage points at low risk with no surprises.

Extract - CEO Speech at Annual Conference, August 2002

This message about being able to invest, conditional on profit outstripping cost by 4 percent, sent a new wave of energy through the organisation. It was this line in the CEO's speech that everyone remembered. The continual focus on reduction seemed to be over.

From interviews conducted only two and three months later, however, a more nervous picture was already being painted. The results in October were not good. A sense of uncertainty could be felt as people whispered about how October frequently was not a good month. Mixed messages started to emerge. Disappointment and frustration were already being expressed about this *performance hiccup*:

It is flat line cost. Even though we were told at the GM conference that you only needed the revenue to exceed cost by 4 per cent per cent, we still get flat lined for this year. It does not make any sense.

Sharon

Still overly sensitive to its recent history and responsive to its new cost-cutting culture, ABC automatically responded to the market pressure in the way it had been doing for the past decade. The annual results were in line with market expectations, albeit a smaller result than the previous years. It only took one half yearly performance in single digit figures and one poor month, however, to send the organisation into relying on what it had come to 'know' in terms of how to keep the

market happy. Cost cutting had become so deeply imbedded in ABC as a way of managing that the flat line cost response was apparently automatic.

The discussion presented in this section strongly suggests that the ‘downsize and distribute’ model characteristic of an organisation that is shareholder driven (Lazonick & O’Sullivan 2000) is now generally accepted among senior management at ABC. As a result, cost reduction has become the primary driver of the organisation’s performance. Cost reduction and downsizing served ABC well when it needed to survive. The organisation at a pivotal point in its recovery, however, seems to have chosen to deepen this approach to drive up share price as far as possible. The fact that ABC has done this so successfully is one of the indicators of the extent to which the shareholder has come to dominate all other stakeholders.

4.4 THE SPECIALISATION MODEL

The *external focus* (Black, Wright and Davies 2001), *ownership* (Locke 1988; Engelen 2000) and *accountability* (Welbourne & Cyr 1999; Wenner & LeBer 1990) elements that are characteristic of a shareholder value driven organisation (see sections 2.4.1; 4.4.2; 2.4.3; 2.4.4 and 2.4.5) are each evident in ABC’s business model. Their various impact on staff performance and consequent organisational structure are explored in this section. These characteristics are found in how ABC has structured itself around specialist business units.

How a company structures and organises itself holds significance beyond the mechanistic practical and efficiency facets of the chosen model. Its structure, according to Hirschhorn, (2000) and Morgan (1997), is a mirror that reflects what an organisation really values as important and how it carries out its primary task. In the finance industry there is much debate about the best business model and structure for best servicing the customer, taking into consideration the multiple ‘relationships’ the customer is likely to have with different parts of large organisations. The debate is usually defined as being between an aggregation model and a specialisation model. These two ways of organising are supported by very different assumptions:

aggregation considers the complexity that the customer needs to navigate in order to interact with the organisation, while the organisation recognises the multiple opportunities it has for organic growth each time it touches the customer. Aggregation-driven structures tend to be matrix in nature. Specialisation, as an alternative structure, assumes that the best way to create business growth is to be the best in each market segment and have a clearly defined structure that facilitates clear lines of accountability for performance. Simply put, aggregation is concerned with complexity, specialisation is concerned with apparent transparency and accountability.

Under the leadership of the current CEO, ABC has adopted a specialisation model, 'atomising' the corporation into twelve separate businesses. The CEO expresses his view about specialisation quite clearly:

I believe that it is the right thing, because the world is really a case where specialists are winning today.

Sky Business Report 2003

Whilst it is not unusual for organisations to structure around specific customer segments or products to create individual business units within large organisations, what appears to be distinctive in this case is the depth to which the specialisation model penetrates in ABC. Each business unit is considered to be a completely separate business.

ABC now contends that the specialisation model is what differentiates it from its competitors:

ABC continues to exhibit strategic differentiation from its major bank peers.

Salomon Smith Barney in Market reaction to the Annual Results, ABC Intranet, Oct 2002

Our specialisation strategy and the consistency of our performance are creating a very different bank.

CEO in Media Release ABC Corporate Affairs, Oct 2002

The specialisation model has two elements that ABC declares to be central to creating a high performance organisation where remuneration drives behaviour (Sennett 2001; 1999a; Frank & Cook 1995). Each of these is aligned to a shareholder driven model:

- a) Transparency of reporting to the market (Black, Wright & Davis 2001); and
- b) Business ownership and accountability (Fama & Jensen 1983; Jensen & Meckling 1976).

4.4.1 Transparency

ABC's position is that transparent reporting in itself will generate growth in share price because transparency of reporting is claimed to create confidence within the investor community and within the Australian community at large. This specialisation strategy provides a business framework for more granular reporting which ABC believes creates a greater sense of transparency. The twelve Business Units are individually reported to the market half yearly. In the current environment of corporate scandals and collapses, this approach to structuring ABC for transparent reporting appears to have been particularly significant in creating confidence in the market which responded positively when the annual results were first reported in October 2002:

Overall, we believe ABC's quality of disclosure is second to none of any company in Australia.

UBS Warburg in Market reaction to our Annual Results, ABC Intranet, Oct 2002

ABC offers a high degree of transparency and reliability in an uncertain market.

ABN Amro in Market reaction to our Annual Results, ABC Intranet, Oct 2002

4.4.2 Business Ownership and Accountability

The CEO explained the second element of the specialisation model, the creation of a high level of business ownership and accountability, in a business television interview:

[This] means that they [are] autonomous. They [are] excited about their own futures, and they [are] developing their own businesses

Sky Business Report, 2003.

The strategy paper for Personal Banking with ABC sets out the core objectives in relation to “Taking Specialisation to the Frontline” when it proposes that it will,

- Convert network to Local Markets – small businesses that are responsible for all customers
- Find great people to run them – Local CEOs, Personal Banking
- Create autonomy to set local strategies – Freedom with Responsibility
- Instil an ownership culture among staff so that they think like a customer and act like an owner.

In this model, ownership and accountability are engendered by creating small businesses within the larger organisational structure. It is not unusual for a large organisation to identify parts of the business as distinct, to create revenue centres and cost centres, for example. What is significant about ABC’s approach, however, is the depth to which it has taken the ownership model. The fact that the Branch Network has been carved into separate businesses is reflected in the manager’s title as Local CEO. The term CEO suggests a high level of control and autonomy with ultimate accountability and is intended as an indication of the depth of specialisation. Furthermore, it reinforces a sense of the degree to which ABC is prepared to drive

accountability through the organisation and send the message to its frontline managers.

As Welbourne and Cyr (1999) and Wenner and LeBer (1990) have pointed out (see section 2.4.5), that the language of organisations shifts from participation to accountability as the shift from stakeholder to shareholder occurs. “The word I would use would be *accountability*. Accountable for results, accountable for outcomes” (Andrew). In ABC, accountability has become part of the fabric of the managing rhetoric. Its intention is to ensure that shareholder value is driven out of the twelve individual businesses.

Accountability at ABC means ‘accountable for bottom line results’. This model of accountability is currently reinforced with a practice of 'managing out' the bottom 10 per cent of personnel and highly rewarding the top 10 per cent. Each year the CEO removes the lowest performing Managing Director. The consequence, as one of the Managing Directors commented when congratulated on achieving a larger business, is an increased sense of fatalism; “At least I did not get the bullet in the head this time” (George). Any motivation that might have been gained from his success appears to have already been overshadowed with the fear that success cannot continue, "... you can never be sure when it will be your turn" (George).

Explaining how ownership and accountability are embedded in ABC through rewards, one manager responded:

We are at the point where you are getting paid more based on your bottom line result – So, remuneration is getting that to really drive behaviour from the bottom line perspective.

Gary

Sharon amplifies how tightly the accountability for results is tied to remuneration:

The risk part of the reward has got higher and higher because the chances of you participating are lower if you miss numbers. I wouldn't be surprised if some people said, "I would be prepared to go back to slightly lower rewards and slightly lower risk". So they can be consistent, not as stressful for the organisation.

Sharon

The specialisation strategy that characterises ABC as an organisation is highly driven by the market. The organisation has structured its business not just to report to the market but to convince the market about its performance. Consequently, it pays great attention to what the market thinks. In fact, to media congratulation, it has recently chosen to provide a level of disclosure beyond both regulatory requirements and market expectations. Previous discussion (see section 4.3.3) about reverting back to controlling costs as a performance measure, however, is significant evidence of how sensitive ABC is to market pressure. Accountability for results has been shifted from the organisation as a whole to apparently autonomous units as individual businesses through a model of 'ownership'. Since ownership is at the heart of the shareholder value model (Engelen 2002), ABC has clearly created an organisation that has shareholder value at its core.

You know, [CEO] has taken some calls to do some neat things. But fundamentally he is still driving so, so hard on shareholder value, shareholder value, shareholder value. He puts such energy into it. Just an observation.

Sharon

4.5 IMPACT OF THE SPECIALISATION MODEL

It is evident that the specialisation model at ABC has been set up to create distinct competitive businesses with the expectation that each business will be successful in its own right. Since 'ownership' is intrinsic to this model, reward is directly related to the success of the business and managing out the bottom 10 per cent of the organisation each year is seen to be justified. In consequence, it is hardly surprising that tension now exists between businesses within the organisation itself. One of the Local CEO's provides an insightful view of how the tension generated in the specialisation model:

- creates internal competition between the businesses; and
- makes it difficult for the organisation to sustain the identity of a single organisation in the minds of its members.

Probably the biggest risk is internal competition. If you become too ... orientated to your own profit and loss, you lose the identity of the one bank. The risk is that you start competing against internal businesses for you're own profitability and now it is going to be even more pronounced.

David

4.5.1 Internal Competition

One of the elements of the recently introduced Executive Leadership Programme is to provide detailed feedback about each Executive's behaviour. Joseph is candid about one of the outcomes of the process "I got a big black mark on collaboration, like most of my colleagues". Joseph's candidness is not surprising, as there is open recognition that competition between the twelve businesses is endemic. He goes on to share a discussion he recently had with the CEO:

Our business model has a lot of tensions, For example, putting me into the Customer Business, what he [referring to the CEO] said early this week sort of creates a deliberate tension between Product specialisation and the Customer Business.

Joseph

Whilst there is rhetoric expressing the need to collaborate across business units, Joseph's observation supports the CEO's view that competition is the driver – that it is 'a good thing'. Furthermore, it confirms the CEO's view of specialisation as a way of managing the business. Competition is intrinsic to this model, it is clearly valued, and evidenced in the practice of managing out the bottom 10 per cent.

4.5.1.1 Competition and Tension

As a senior executive in ABC, Joseph clearly recognises the risk that is associated with the CEO's approach:

Deliberate tension works to a degree. The challenge with it is that, in a day's work, you don't have a lot of time to resolve that tension. You see, if the tension lingers it creates a problem in our ability to compete effectively. If other organisations don't have that tension, or take less time to resolve it, or have a clearer focus on their purpose and primary task then they'll beat us to the line. Speed is the important driver of success.

Joseph

Joseph suggests that the tension impacts on the work itself and distracts in a way that makes it difficult to focus on what he sees as the Primary Task of the organisation, to provide customer service. Understanding how this tension is contained and played out becomes central to understanding the impact of shareholder value on each individual's passion for the primary task.

We are still learning about that collaboration piece. And I have to say if you looked at the highest group of Managing Directors, the question would be, how well do they collaborate, really? And yes they say they do, but do they? You know it is more than just agreeing to share, or agreeing STP's [Strategic Transfer Pricing]. They agree at a top level, and it's all very civilised over drinks, but as soon as you go out into a frontline in a Business Centre, everyone is fighting about this, that and the other. And the message hasn't got through because we've all got these targets. The benchmarks are going up and people start to behave in inappropriate.

Sharon

Competition is reinforced with targets and continual raising of the benchmark in the specialisation model. This impacts directly on both the business and the customer as stakeholder:

We all share a customer in one shape or form and so our customers go the branch, our customers use cards, our customers might use Asset Finance. So at any point in time our Relationship Manager can get all sorts of issues around other business units. Of course, they probably say the same thing about us. Generally though, I think we have the biggest problem. Say for example, a product business decides to do something that is impacting on our business. It can actually cannibalise our business to some extent. Or it can create waves that can affect our Business Customers; therefore they get unhappy with us. So I think that the specialised strategy is great because it actually gets

traction and focus around a business segment. But I don't know if we are quite sophisticated enough yet.

Sandra

The term “cannibalise” suggests a fear of being destroyed, literally being eaten up. The act of cannibalisation also suggests ‘primitive’ behaviour. To rationalise her tension, however, Sandra excuses the specialisation strategy by reflecting on how it is that ABC is not “sophisticated enough yet” to manage the divisions and tensions created by the specialisation model.

Sandra's response highlights how the Specialisation Model creates tension for ABC in servicing the customer. One of the ongoing debates in the organisation centres on ‘who owns the customer’. This debate, however, is not driven by the customer-facing ethos that is symbolic of ABC, it is driven by competition to meet the needs and targets of the individual business.

Tensions are further increased when internal competition is played out in trying to make money from another business unit. Not only could this secure the future of a business through increased performance but it would also increase the business's chances of survival by decreasing the position of the competitor. James talked very passionately about the futility of this:

It's the stuff that I like the least. If everybody was aligned and on the same wavelength, we'd barely need to talk to each other. Because everybody would be working for the same objective. But regrettably, some people spend a lot of time trying to make money from internal sources rather than external sources because it is easier. I mean we have an army of accountants whose only job is to shuffle money between different parts of the bank. It is called 'agency costs'. It doesn't make any more money for the shareholders but it

serves the individual. Now you've got to question the economic value of that.

James

4.5.1.2 The Internal Pricing Model

One of the challenges of the specialisation strategy is to maintain a robust Internal Pricing model since so much is resting on the ability of ABC to report on and reward individual businesses.

I think the key is getting a lot of your transfer revenues right, to establish what the cost is to a business to provide that service as opposed to the profitability of actually doing it themselves. So if you get those transfers right then the business mind says well I am happy for you to hand that over to 'x' providing my cost recovery is fine.

David

Gary, similarly, observes that "Pricing across the business is certainly critical to make the structure work". Internal pricing is often where conflict occurs in the organisation and this generates considerable antagonism because it appears that the internal pricing process has become a social defense for the anxiety that competition generates (Hirschorn 1990). Gary's observation that, "The business mind says" provides an indication of how the process acts literally to depersonalise the relationship between businesses. It acts as a means of doing business, which is divorced from the people involved rather than encouraging personnel to engage with each other in a meaningful way for the customer.

4.5.1.3 Product Businesses and Customer Businesses

Recognising the need to maintain its client base as it was moving to a specialisation model, ABC introduced a programme termed " Restoring Customer Faith".

[Serving] the customer means you have got to be group wide. We are lost in a product silo model right now. (Laughter.) We are trying to move to a client-facing model. OK that is fundamentally 'Restoring Customer Faith'; it is not restoring product faith. (Laughter.) We have good products but each product does not connect. The branches are still experience the product push rather than the client.

Nigel

The irony in the conversation follows from the rhetoric of the programme as being focused on restoring *customer* rather than *product* faith. Nigel clearly recognises that the fundamental initiative, *Restoring Customer Faith*, is at risk of being displaced by the competition between product-driven businesses for the customers whose faith it would restore.

When Joseph identified the tension between the Product and the Customer businesses as a deliberate strategy of the CEO, it was not clear what the tension between Product and Customer Businesses was intended to generate except for competition itself. What it does do, apparently, is to reinforce accountability for results.

There is a similarity in the experiences of Sharon and Ruth as they independently relate stories that are symbolic of how deeply embedded is the tension created by the specialisation.

The network is a huge channel - 70 per cent. The challenges there have been cultural. One of my favourite things is, don't tell me stories, tell me facts". There is no difference between the service we give them and the brokers, and I can testify to that, there would be no difference. But in their minds, they.... The survey results are OK. They have certainly come up a long way. What they say, though, is that they

want faster turnaround times, faster turnaround times.
And what they tend to do is to take the issue and blow
it totally out of proportion.

Sharon

Sharon suggests that the problems associated with expectations of the customer business are not necessarily realistic. In fact, she suggests that they are deeply culturally embedded and will be difficult to change. To continue this line of argument, it is enticing to assume that Sharon does not necessarily see the problem as a need for her business to improve the service but to convince the customers that they are getting good service. The benchmark, in such a case, being equal to the service that the external client gets. In fact, the anecdotal “one of my favourite things is, 'don't tell me stories, tell me facts'” and the broken sentence “in their minds, they...” offer insights about the lack of ability of the product and customer sides of the business to agree upon what could be ‘real’.

The specialisation strategy has created substantially different perspectives, which are better articulated by Ruth,

They don't always make it easy for you. I mean one of the things that we have to work hard to break down is that "us versus them" mentality and the barriers. I think the way that we do that is to make sure that we are very open and honest in our communications. That we set realistic expectations about what we can and can't deliver. That we consistently deliver on our promises - that we are seen as what I call the operation centre with the human face. We are not just that big black hole in Melbourne where everything disappears and you don't see it again.

Ruth

Ruth is explicit about the barriers that separate the Product and the Customer businesses, “us versus them”. Ruth also offers insight into the magnitude of the challenge – “that we are seen as what I call the operation centre with the human face. We are not just that big black hole in Melbourne where everything disappears and you don’t see it again”. To have no face, to not be human, could mean that you are regarded as a business that is less noticeable, therefore not important. Or it could mean you may not exist at all. The metaphor of the black hole is very powerful for establishing the bridge that needs to be built between the customer business and the product businesses. But, a black hole can not be seen.

Gary's story describes how the sales force in the Customer Business is not meeting the expectations of the Mortgage Business (Product Business) and suggests how he sees this deficit being addressed.

Yes, there are tensions. It is a key strategic issue for us as a business at the moment in terms of one of the things that we have been doing. A bit of work on - is just the sales productivity of people in different segments and also comparing it with third party channels as well. There is clearly an opportunity to look at a specialist sales force that would potentially report through to Mortgages as against the network.

Gary

Gary's intention is not to resolve the issue through dialogue and, ultimately, through helping the Customer Business improve. Rather, his solution is to set up in competition “against” them. The implication of this is that the Product Business would cross into the territory of the Customer Business by having its own sales force. The solution would blur the boundaries and, if it continued, might ultimately raise the question of specialisation as a sustainable business model.

4.5.2 The Capacity for the Organisation to Sustain its Identity as One Organisation in the Minds of its Members.

If you become too orientated to your own profit and loss, you lose the identity of the one bank.

David

The specialisation model has created an environment where people have a strong connection to their individual businesses. This is not surprising given that ownership is at the core, and competition is institutionalised by the model. Ruth explains how the members of the organisation feel connected to it:

It allows staff to genuinely feel that they belong to a business that they relate to. The issue with being part of a big organisation is that it is so big that you get lost in it. I think what this does is enable people in ABC to be able to relate to the success of that business and its contribution.

Ruth

In sharing how the Managing Director's presentation of the annual results for their business has meaning, she demonstrates how it provides a strong connection in terms of the individual's contribution to the results reinforcing their identification with their particular business:

We had Graham take us through the annual results yesterday. He took all of the people here down to the auditorium and put up the results. Then he took us firstly through SMB results and we could see the NPAT and Growth and the Cost to Income Ratio and the Return On Equity. Then he went up to the ABC results where we have openly disclosed the matrix for each of the business and you see how that rolls up into the ABC results. So you can sort of see ABC's profit

announcement. Then you see exactly what contribution SMB has made to that.

Ruth

It is worth noting Sue's language here. "You" can "sort of" see ABC's profit but "you" can "exactly" see the contribution of the business unit. The focus of this model is clearly on the individual business, and identification with the individual business in this case is reinforced with a great sense of pride – though the pride is in the business rather than the people who make that business:

Now the people in this business are very fortunate because it is a very well performing business and so everybody can feel very, very proud that they had made a contribution to it. And I don't think that we had that sense of contribution when it was just under the big ABC umbrella. ... So I think the change makes people feel involved. Probably accountable, probably a flip side to that as well and that is, if your business doesn't perform you sort of feel a bit of the pain. But it helps people relate to the performance of the organisation.

Ruth

Whilst this structure and consequent reporting of results clearly connects many people to performance and they can see how their individual business contributes to the larger organisation, it has apparently not been able to bridge Ruth's "black hole" between businesses that the model has created.

The ability to maintain the identity of ABC in the minds of its members appears to be a daily struggle. People talk about the 'AND'. This has become the term that is used to remind everyone of the need to take into account the context of the larger organisation in which the individual business units perform. Not a day seems to go by where the 'AND' does not crop up in conversation. It seems that if people do not keep saying it, they are likely to forget the larger organisation. This may become a

critical leadership issue. However, James's story about how he experiences the CEO's leadership reveals how far the divide goes within ABC:

I think the thing is that [the CEP] has engaged the big bank better than he has engaged his own team. So he needs to do some heavy duty cultural work on the dozen people that report to him or the fourteen, or whatever the number is, more than he needs to do it on the local CEOs. I feel like there is a - like a doughnut. There's a gap. The big part of the organisation already has its momentum happening but I think those with the real power haven't necessarily crossed over the river in terms of them embracing all this. And that's the exposure. When things go wrong which way will [the CEO] jump and which way will some of the key members of his management team jump?

James

The reference to the CEO having "engaged the big bank" is not, it seems, about his ability to create the capacity of the organisations' members to identify with ABC as an entity. Instead, James is referring to the CEO's extraordinary capacity for engaging the market, for managing the perception of ABC in the external environment. Whilst this has created an image of ABC as an entity externally – mainly concentrating around the CEO himself - it has not apparently translated into an internal ability to bridge the fragmentation gap (again, Sue's "black hole") created by specialisation.

The gap that James refers to appears, potentially, to be the greatest risk to the specialisation strategy. A business model that segregates, sets groups and individuals in continuous competition with one another, that is dependent upon an internal pricing strategy to contain the tensions and difficulties between businesses, seems to be extremely vulnerable when the segregation goes all the way to the top.

4.6 AGENCY

If ownership sits at the heart of the shareholder value model then Agency is the mechanism that creates ownership when responsibility for managing rests with CEO's and Executive teams (Fama & Jensen 1983; Jensen & Meckling 1976).

Another [example of short-termism] is the personal wealth creation of the very top management. If I go back only a few short years, that effect really only applied to the top one or two people in the corporation. That hazard only applied because the big money and the big rewards and the options packages and all the rest of it literally only applied to handful. Now, in more recent times in our organisation, that *moral hazard* if you like has extended further down the organisation to perhaps the top two or three hundred.

James

James not only confirms that ABC has agency in place to ensure that the shareholder value model is sustained. He articulates the risks: of 'short-termism' and of 'moral hazard' as argued by such critics of shareholder value as Chancellor (2002), Macklem (2002) and Mintzberg et. al. (2002) (see section 2.4.10).

As discussed earlier in this chapter (see section 4.4.3), the reward system reinforces the ownership model:

We are at the point where you are getting paid more based on your bottom line result - So that remuneration is getting to really drive behaviour from the bottom line perspective.

Gary

Whilst ownership is not created by way of options for all staff, small numbers of shares are awarded annually and a portion of the performance bonus is allocated in shares. ABC's reward system attempts to align reward to performance in a way that reinforces the principle of agency. In ABC, this is referred to as "having skin in the game". Not to have *skin in the game* means that you are at risk of "not putting in", not acting as a business owner in the interests of ABC.

4.7 SHORT-TERMISM

As Black and Fraser (2000) and Chancellor (2002) have argued (see section 2.4.10), when an organisation is shareholder focused, then ultimately it focuses on short-term strategies. With shareholder value established at the core of the ABC operation, it is to be expected that short-termism will be observable. The respondents to this study confirm that expectation:

I think that the Australian Banks certainly, this one has been out of balance trying to pursue short-term shareholder returns.

James

Sharon, also, highlights how short-termism impacts on running the business on a day-to-day basis.

There are some amazing things happening and there is something incongruous about the short-term effect. Something very incongruous about putting extra people on to take the extra volume and having your people says "thank you". You know, we are really stressed. We haven't had lunch last week and then - staff cutting. We have to do that sometimes. I see it as short term because we have seen a direct correlation between customer service and revenue.

Sharon

ABC does, however, recognise the need for a change in strategy. The CEO, in his annual conference speech, has articulated this need:

Our competitors are beginning to catch up on costs. They tend to have better market positions for growth.

As a result, we run the risk of being seen to have run out of momentum... We know from other examples around the world that this is not a sustainable position...

The next phase requires us to move to a new era of profit growth.

CEO Speech at Annual Conference

August 2002

The market is asking where the growth will come from and putting pressure on ABC and, as the CEO observes, ABC is not as well positioned as its competitors are for organic growth. The response, nevertheless, fails to establish the current short-termism as a phase. Rather, it anticipates a next phase. There is no suggestion of the need to analyse why the company has lost momentum or, indeed, whether the loss might have been internally engineered. Andrew articulates the challenge that ABC is currently facing:

Look, I think the hardest challenge we have got now is that over the last three or four years, you know, we have been very successful. But if you actually look at it, where we have out performed has been around our costs. We actually have not done as well as the average on revenue growth. And so the real challenge is to make this transition from the agenda that we have been on that is around performance, getting the costs out, getting risk down. Keeping that, but now it is

actually turning the focus to the customer and to revenue growth. And the two go hand in hand. We have got to get to the customer to get the stronger revenue growth.

Andrew

Response to Andrew's identified challenge will require ABC to up-skill its people and be prepared to take the risks that Andrew is talking about. One of the features of the past success model has been what the CEO refers to as 'no surprises'. In a world where risk exists, however, 'surprises' are likely to occur. The history of focusing managers' efforts on managing costs has not adequately prepared ABC to grow the business organically. This debate is currently emerging in the organisation under the now popular banner of *sustainability* (Estlake 2003).

One of the fundamental issues associated with organic growth and the sustainability debate is the shift from short-termism to more medium and long-term strategies. This will mean that ABC has to prepare the market for a slow down in return to the shareholder. Herein lies a dilemma. In a model where share price is the measure of success and ABC has so strongly operated under this model, it will need a radical shift for the organisation to grow organically.

In a model where all other stakeholders, the customer, community and staff have been subordinated to the shareholder, the task of sustainability currently challenges the fundamental premise on which ABC has operated for the past ten years.

4.8 HEROIC LEADERSHIP

As previously discussed (see section 2.4.10.8), critics of shareholder value such as Chancellor (2002) and Mintzberg, *et al.* (2002) have argued that the environment has created the need for heroic CEO's. The findings of this study strongly suggest that the CEO of ABC fulfils the heroic leadership role insofar as:

- He is not physically present in the organisation.
- It is rare to see him in the public areas of the organisation.
- Although it is rare to see him in person, he is very present in the minds of the organisation's members.
- In day-to-day work conversations, people talk about him as though they know him personally and it is striking that these conversations convey a sense that day-to-day work is done for him personally.

Critics of shareholder value suggest that the underlying assumption of heroic leadership is that the CEO *is* the company (see section 2.4.10.8). This assumption appears to be held overwhelmingly as a truth for many at ABC.

At the moment, ABC is [the CEO]. We know who ABC is because of [the CEO]. Now we need to know ABC because of ABC.

Sandra

I'd say [the CEO] because he has created this identity for ANZ. Partly through his strategy, but largely through his own presence and profile.

Sandra

I'm not really sure that it had much of an identity before [the CEO] came on board and I think he has done a great job in helping us create an identity. I think the identity is [the CEO].

Ruth

Because so many things are branded [the CEO], [the CEO] is ABC.

Frank

ABC is [the CEO] and [the CEO] is ABC. It was nothing before him.

Mark

You know if you look at the way the market is saying ABC is different. The market wouldn't say that about ABC if [the CEO] wasn't here.

Frank

This CEO has also been accorded Pop Star status. He is referred to in the press as the "Rock and Roll CEO". He has a high profile: "He's out there. He's on radio. He's on TV" (Sandra). He also takes opportunities to get noticed by stepping outside the 'agreed' way in which the big four major Australian banks operate. An example frequently referred to by the respondents to this study was when the CEO offered to buy one of the competitor's branches that they were going to close (The Australian, 12 April 2002). This act of humiliating the competition was seen as heroic in the organisation.

I mean whether that would have gone ahead or whether it was just a brilliant piece of work. Em... it was a real performance.

Sandra

Sandra's description of the CEO's action as a "performance" is significant in the context of the way in which people, both internally and externally, see the CEO as a performer. Other characteristics are also awarded to him:

He is smart. He is tough. He is a real character. He is vicious. He is a real professional. He is passionate.

Sandra

The CEO is also externally focussed. He knows how to interact with the market and is known as the "darling of the market" (Cornell 2002). In 2002, the industry awarded him "CEO of the year":

You know, if you look at the way the market is saying ABC is different, the market wouldn't say that about ABC if [the CEO] wasn't here. You know, he is the guitar playing rock 'n' roll CEO.

Frank

Now the next challenge therefore is, well what is beyond [the CEO]? You know, what is his legacy going to be? And he is very much around legacy. What he leaves behind.

Sandra

Initiatives undertaken specifically for the CEO over the past year have increasingly involved discussions about legacy. With four years left to retirement, he is probably in his last term now. In discussion about leadership and the loss of power, Kets de Vries (1991, p. 339) suggests that, when the end is in sight, so is the inevitable loss of power, often experienced together with aging. When the “fear of nothingness” merges into a desire to “defeat death by leaving some kind of legacy”, Kets de Vries (1991) suggests that narcissism, self-love, is likely to be at the heart of that legacy. As Mintzberg, *et al.* (2002) and Maccoby (2000) have observed (see section 2.4.10.8); narcissism tends to be found where heroic leadership is present. This appears to be particularly so in the current Australian, perhaps even global, business environment, where CEO's have higher profiles than ever before and are more often in the limelight. The narcissistic disposition of the leader is susceptible to, and is reinforced by, the idealising transference reaction between the leader and followers (see sections 1.3 and 2.4.10.8).

Acting in this manner, followers will extend their own grandiosity through identification with the leader.

Kets de Vries 1991, p. 343

The public behaviour of the CEO of ABC, as the respondents to this study describe it, strongly suggests a display of narcissism evident in his pursuit of legacy. Talking

about the pressure that the staff is under to make the numbers, Sandra describes a display of this narcissistic behaviour:

At the same time we've got the paradox of [the CEO] saying balance of life, get a life guys, you know get out there. Don't work overtime you know. You know he quite clearly states that, you know, I've got balance in my life, I know what I want to do and I've got more money that I can ever spend. That's what he tell our people, Johnny banker in the bank ... You know I wish I had that luxury.

Sandra

Narcissism also has implications for succession, and the successor question appears to have become an increasingly common feature of daily discussion:

Now is there a natural successor? I don't think so. (Pause and gentle laughter.) A lot of speculation. Natural. You know, does anyone in the pack stand out? There's none of them are like him.

Sandra

This CEO appears to have captured a place in the organisation that can not be filled by anyone internally – perhaps, as Kets de Vries (1991) suggests, ensuring his place in history. This desire to leave a legacy is the unconscious denial of death a belief of immortality “which can be seen as a narcissistic externalisation of the self” (Kets de Vries 1991, p. 347).

The findings of this study strongly suggest that ABC and its current CEO display a symbiotic relationship in the minds of both the bank's stakeholders and its wider public. Dependent upon each other's existence, they create the dynamic required to sustain an organisation in pursuit of shareholder value.

4.9 SUMMARY

This chapter has identified the relationship between ABC's need to survive in the early nineties and how its survival has become largely synonymous with controlling costs. In making this identification, the chapter has established how the new CEO's relentlessness in controlling costs became the primary focus for managers so that, when ABC was awarded the 'Best Managed' bank in Australasia, it set the benchmark for company's worldwide.

In consequence, it appears, controlling costs became the ethos of good management in ABC. Out of this success grew the belief that winning is synonymous with controlling through downsizing and distribution (see sections 4.2.2 and 4.3.3).

This chapter records that the impact of downsizing and cutting costs has deeply affected the largest customer facing part of the bank. People report having become de-skilled and having had the will to serve the customers "beaten out of them", reducing the relationship between the staff and the customer to that, described metaphorically, as between a sea anemone and plankton. Respondents in this study, now report the bank, as being split between those who manage relationships with the wealthy customers and those who deal with customer backlash. Consequently, Branch Network customer serving personnel report feeling poorly valued by the organisation.

Ownership and accountability, which are at the core of the shareholder value model for managing (see sections 2.4.1; 2.4.2 and 2.4.5) appear to have become deeply embedded in an organisation that would traditionally have struggled with the implementation of a specialisation model. This specialisation model is now reported, however, to differentiate ABC from its competitors.

This chapter provides evidence to support the view that the specialisation model, with its reward system confirming agency principles, has created a highly competitive culture that is further fuelled by the CEO's commitment to managing out apparent under-performance. At a personal level, the approach appears to have been

useful in connecting people to their individual businesses but has left them detached from the organisation as a cohesive entity. This fragmentation has been seen to extend through to the senior executive group. Introduced to drive up share price, the specialisation model, consequently, is short-term focussed and increasingly recognised as having left ABC poorly positioned for the task of creating organic growth. As a result, there is growing market pressure for ABC to demonstrate that it 'knows where the growth will come from'.

In closing, this chapter has described how the shareholder value model has attracted a heroic CEO who, internally is awarded god-like status and who, externally, has managed market perception to reinforce this vision. Under his leadership, the share price has steadily increased in response to high performance cost management, the perceived transparency of the specialisation model, and the CEO's ability to manage the market perception as an extension of his own personally style.

This chapter clearly identifies shareholder value as the primary task of ABC and describes specifically how ABC created a shareholder value driven organisation. Consequently, this chapter forms the basis for the argument in the following chapter five that:

- There is a tension between the chosen task of shareholder value and the task of serving the customer that needs to be resolved;
- The primary task of the bank has been corrupted, as discussed by Chapman, (1999) (see section 2.3.7);
- Social defenses contain the anxiety created by the tension of the shareholder task and the customer task (Hirschhorn 1990).

This three part argument is then used, in Chapter 6, to demonstrate the context in which the organisation's attempts to improve its culture are developed and how those attempts have been substantiated.

CHAPTER 5

THE PRIMARY TASK

5.1 INTRODUCTION

In this chapter, the tension between the task of creating shareholder value and the task of satisfying the customer is explored. It is argued that the anxiety intrinsic in the inevitable tension between these tasks is managed through a social defense of *idealising the customer*.

ABC's response to this dynamic tension is further argued in terms of the *holding environment* (Winnicott 1971) (see section 2.6.2).

The primary task of shareholder value is reviewed in relation to Chapman's (1999) work on corruption of the primary task and it is argued that seeking shareholder value is a corrupt task in that it has substituted customer satisfaction as the primary task (see sections 2.3.7; 2.5 and 5.5).

5.2 SHAREHOLDER VALUE - THE PRIMARY TASK AND THE CUSTOMER TENSION

The participants' responses to interview questions about the primary task of ABC presented a high level of agreement that the primary task is to deliver shareholder value. This is not surprising considering the evidence previously presented (see Chapter 4) of how deeply ABC has taken up the shareholder value model. On the other hand, the tension that this task presents for people in doing their work on a daily basis is ever present in the discourse. It is evidenced in how the dialogue about shareholder value as the primary task shifts to the need to consider other stakeholders, and in particular, the customer. This ambiguity is illustrated in the following responses:

You could say the tensions are inter-temporal and also business orientated. I mean there are short term and long term tensions. And I think that that is a clear issue. And I guess my perspective around that is that I'm employed to generate short term returns which are acceptable but not at the expense of the long term performance of the company which may either detract from the shareholders, the staffs' longer term prospects and also the economy longer term. So in ABC I think that is a big issue. Then connected to that, there is the customer versus shareholder issue. I don't think they are aligned.

George

Sharon also demonstrates this tension:

You know my automatic response is, indoctrinated, to increase shareholder value. (Laughter.) ABC the company actually changes. ABC the company is to provide value to customers, shareholders, employment and a contribution to the community. So that it is quite multifaceted. But when I say indoctrinated, well, that means shareholder value. You know in terms of focus it has increased so much and it will increase again if we move to quarterly reporting which is what is happening in the United States.

Sharon

Sharon's words are very powerful about how shareholder value as the primary task is instilled in ABC – "indoctrination". Indoctrination suggests little or no choice about shareholder value being the primary task. Despite this strong statement, Sharon immediately goes on to articulate the need to provide value to *all* of the stakeholders.

Demonstrating the tension between shareholder value and customer satisfaction, she then gravitates towards the indoctrination of shareholder value.

Sandra presents the ambiguity in a more rational way – “we are a publicly listed company”, inferring that it is obvious that ABC is there the shareholders. It sounds quite straightforward that a publicly listed company would be there for the shareholder.

We are a publicly listed company and so therefore we have a duty to our shareholders. That’s the primary task in terms of actually adding value to their portfolio if they have shares with us.

Sandra

However, Sandra makes a leap of abstraction from the shareholder to the community as though they are one and the same, offering insight into the tension that exists between other stakeholders in terms of the task:

But inherent in that is a broader sense of the community in which we live and our shareholders’ value.

Sandra

The premise of the shareholder value model is that the shareholder subordinates all other stakeholders (Aglietta 2000). This singular focus means that the organisation inevitably needs to find a way to manage the tension it creates between the shareholder focus and the demands and desires of the other stakeholders. In this case, the tension on a day-to-day basis is felt most strongly between the shareholder and the customer. To some extent it surfaces as the much-publicised dissatisfaction of the customer and community with banks in general (see section 2.3.1) (AAP General News, 6 Dec., 2002; The Australian, 7 Dec., 2002).

5.3 THE CUSTOMER IDEALISED

As previously discussed (see section 2.2.1), tension can be resolved through the process of splitting ‘good’ and ‘bad’ (Hiemann 1952; Klein 1952a). Since shareholder value is what drives the organisation and is what has made ABC successful, it seems to follow that shareholder value should be considered ‘good’. In the current climate of strong financial measures for a large blue-chip company like ABC, increasing shareholder value is the most acceptable success measure and ABC is considered to be good at it. As previously described (see section 4.9), ABC has been awarded the best-managed bank three years in a row by the industry and the best managed company in Australia. What *best-managed* means in this context is *having excellent cost control*. ABC identifies cost control as the primary shareholder value driver. Everything at ABC points to shareholder value being a ‘good’ task.

Having argued the position of shareholder value as ‘good’, it follows that the ‘customer’ must be ‘bad’. However, in an organisation where the majority of people perform the task of serving customers on a day-to-day basis, as the essence of what ABC ‘does’, it is unthinkable for the ‘customer’ to be bad. Instead, the sense of ‘bad’ is denied through a process of idealisation (De Board 1978). The customer is idealised. Bearing in mind that “the strategic thinking aimed at the customer needs to be reconciled with the financial thinking behind shareholder value” (Black, Wright & Davies 2001, p. 21), ABC as an organisation needs to be able to deny the subordination of the customer as a stakeholder group. Moreover, this had to be achieved in the face of a better-educated and increasingly demanding customer group.

It is important to reflect on the context in which the customer stakeholder task is performed before discussing the idealisation further. The shareholder value model is deeply embedded into the business model of ABC. Its structure and reward systems, downsizing and cutting costs have become the trend over a decade leaving ABC “seriously off side” with the customer (Andrew). Furthermore, in describing the industry’s relationship with the customer, Peter confirms that ABC is not alone in its neglect of the customer “we are all in a race to see who can piss our customers off

the fastest”. In the face of such adverse circumstances, the idealisation of the customer acts as a defense against the anxiety of a difficult if not impossible task. The idealisation of the customer task is unconscious and is played out as Hirschhorn (1990) observes in the organisations systems and beliefs (see sections 2.2.1 and 2.6.1). In fact, in its idealisation, ABC operates to create the fantasy that it is ‘there’ for the customer, that it is customer focussed and that it cares about the customer.

5.3.1 Hiding Behind the Customer Ideal

Joseph is faced with the ongoing challenge of managing the largest parts of the organisation that serve the customer face to face. Recognising some of the complexity of the task ahead of him, he talks about the multiple factors that make the business successful, and specifically acknowledges that the Customer is an ideal, which he cannot hide behind:

I can't hide behind this customer ideal because getting five-percent productivity improvement per annum is still what we have to do. [Idealisation] does not excuse you from doing that. It is all about the customer therefore we can't do the other, we are still carrying an increasing burden. Someone has to pay for it. First off all the amortisation charges...my biggest challenge. What I can do is phase the improvements. I can prescribe a few things. The biggest challenge is not to subtract. I can postpone making the queues shorter. I have got to avoid making them longer.

Joseph

This clearly places the notion of customer in a psychological space where it is accepted that it would be good to focus on the customer *in an ideal world*.

5.3.2 Restoring Customer Faith

The path to ‘finding the customer again’ in the Branch Network, the largest customer facing business, was born out of the realisation that it was no longer possible to continually achieve the level of performance required by stripping out costs:

There needed to be something else. We would still continue to focus on cost, we will still continue to focus on product. And the answer they came to was around customer.

Frank

The Branch Network’s response to the realisation that there was a limit to the profit to be gained from cost cutting was to develop a customer initiative entitled ‘Restoring Customer Faith’. In Chapter 4, evidence has been presented about how this part of ABC took the brunt of the downsizing and cost cutting and how that impacted on the ‘skill and will’ (Joseph) of the staff. It is in this context that the new customer programme was developed (ABC Intranet, 31st October, 2002). What is significant about the ‘Restoring Customer Faith’ programme is that it has served to idealise the customer. Idealisation is evident in the dynamic of the management team responsible for its development, the implementation and the language with which it is described.

5.3.2.1 The Cult

Frank, a senior manager responsible for the design and implementation of ‘Restoring Customer Faith’ describes the management team dynamic that developed this customer initiative.

You have got believe in ‘the’ cause and we do get a bit sort of religious and a bit zealous about the cause. You have be that zealous about it. We drive people nuts because we are like a little cult and people will likely say that about us as well. In fact, people have

described us a fortress RCF [Restoring Customer Faith] - it is very hard to get in - and once you are in, you don't want to get out. Because what we are working with is reverse take over, you know, people will say why don't you join head office. No, no, no Head Office will come and join us. When head office is ready. And we will do all we can to help them be ready, but don't put us in there because we will just die.

Frank

The emergence of a cult-like approach is not surprising in the context of the customer deprivation in the Branch Network. This team appears to have a huge task on their hands, considering the deprivation that has evolved from staff and service reduction and the damaged image of the bank in the eyes of the customer. Through the extremism of the 'cult' doctrine, the management team can believe that they are committed to creating a customer focussed Branch Network in the face of "bashing your head up against a brick wall ... most of the time" (Frank). It appears that if one were not a "zealot", it would not be possible to believe that the organisation could change from its "sea anemone and plankton" approach (Nigel).

The inclusive, closed system of the cult meant that the group did not have to face the external reality and could hold on to the fantasy that they would be able to change the organisation. In psychodynamic terms (Klein 1959) the 'good', the new programme and the zealots - the management team, has been split off from the 'bad', the Branch Network, rendering the Branch Network ready for *redemption*. This dynamic is seen to have ensured that 'Restoring Customer Faith' had an audience and, consequently, validated the power of the management team (Krantz 1998).

Although 'Cult' is used metaphorically (Kress 1985; Morgan 1996) to describe the dynamics and characteristics of the group, Walsh and Bor, (1996) have identified the characteristics of a cult as indoctrination, ideology or thought reform, exposure and

renunciation of past and present 'evil' by confession, and re-education. Importantly, also, this group's beliefs are concealed from public scrutiny.

The characteristic of concealing the group's beliefs from scrutiny is highlighted in its description as a 'fortress'. The inference is that this system is closed against 'non-believers', those who may not support its focus on customer idealisation.

Further cult characteristics are revealed in the implementation process of the 'Restoring Customer Faith' programme. The implementation has involved a significant investment in *educating* 'Local CEO's' about the customer programme and their new role in creating it. The programme starts out by 'confessing' about the past:

In actual fact in the announcement we said that we had gone too far. We had not actually acknowledged the pain that we had caused. It is important to understand the context of where we have come from. We take people through a bit of a timeline - we really start at 1995.

... and there are a couple of reasons why we do that. So really we have a strategy from 1995 that was focussed on cost, no surprises. So really it is about getting quite serious about cost reduction not cost management. Reduction number one, branch closures, restructures, exiting unprofitable areas, reducing staff numbers, going much more to part time, so it was a real slash and burn.

Frank

The inference here is that by admitting or confessing to the past sins, "we have gone too far", ABC is now able to move on to the new set of beliefs about the future in relation to the customer. This 'confession' is designed to protect the team from the present task. It places the 'bad' in a rejected past from which it becomes possible to

deny the present situation in the Branch Network (see sections 4.2 and 4.3). This denial unconsciously creates the fantasy that the way forward, as espoused in the new programme, is possible (see section 2.2).

5.3.2.2 A Company Should Stand for Something

When developing the Restoring Customer Faith programme, Frank talks about how they thought, “a company should stand for something”. The idea that one stands for something tends to locate that something as an ideal. To take a stand is to take up a position, opinion or viewpoint that one is prepared to adhere to and defend. In this context, Bank personnel themselves become idealised as ‘defenders of the faith’.

The hypothesis was that a company should stand for something - we need to decide what we stand for in terms of the branch network. We came up with the view that we stood for two things primarily, one was convenience and the other one was service.

Frank

The discourse, however, does not seek to address the current problems. Instead, it takes a lofty, even omnipotent, position:

Its all fine for the people upstairs, they’ve got time to sit there and go through and read up on it and that sort of stuff, alright, that’s what they do. They aren’t in the real world. They’ve gone with the next step saying Restoring Customer Faith going da, da, da, this is what we are going to do, but there is nothing back here at your coalface. How are you going to restore customer faith if they have to wait in the queue for another ten minutes?

Focus Group 1

The branch network focus group confirms that concern for the customer has been removed from their current reality. They are now only able to see the contradictions. The long queues of customers confirm services as an idealisation.

5.3.2.3 The Discourse of Religion

The language used in relation to the 'Restoring Customer Faith' programme offers a substantial insight into how the customer is idealised (Chia 2000; Kress 1985). The title itself is religious in character, consequently suggesting high ideals. It has missionary connotations. The newspaper that carried the story of the launch of the programme supported the religious theme by referring to this customer initiative with the headline, "love, peace and banking" (Boreham 2002, p. 30). One strategy document setting out the programme, was circulated internally with the heading, 'Coming to Jesus'.

This religious discourse reinforces the programme as a 'faith'. Creating a programme in the religious frame allows for it to be set apart from the rest of the organisation as *sacred*. It is this position 'apart' that sets it up as an ideal (De Board 1978).

More significantly, perhaps, the faith can not be questioned. As Schwartz, (1990, p. 8) has observed, "We hold to articles of faith because we need to. That is why they cannot be dislodged by facts." Faith, at ABC, as in any quasi-religious organisation, therefore acts in a way that does not allow for the newfound commitment to the customer to be questioned. This confirms the characteristics of the cult, as discussed earlier, where it was demonstrated how deeply the Restoring Customer Faith programme sets up the customer task as an ideal.

5.3.2.4 Restoring Customer Faith – A Social Defense

The past and present ways in which the organisation has treated the customer appear to have become so far removed from the real world that the management team has needed to convince itself, that such a programme was possible and that the staff

would take it seriously. Again, as Schwartz (1990) suggests the ‘Restoring Customer Faith’ team ‘needed to’ hold on to the belief that this ideal world was possible. Furthermore, the premise of the ‘Restoring Customer Faith’ programme was to deepen the specialisation model (see section 4.4) by making managers ‘Local CEO’s’, business owners who are closer to the customer and accountable for their own businesses. “Creating the soul of a small business and having the muscle of a large business” (Boreham 2002). On one hand, this initiative espouses the value of the customer. On the other hand, it has all the characteristics of the specialisation model designed to drive shareholder value (see section 4.4). Faced with the anxiety of a difficult task to recover customer and community loyalty (The Australian, 8th May 2002) and being compelled to design a model that would reinforce the specialisation model of shareholder value, the senior management team have, as Hirschhorn (1990) argued, unconsciously created a powerful social defense by idealising the customer through ‘Restoring Customer Faith’.

5.3.3 The Customer as an Organisational Value

The Customer agenda in organisations is usually articulated in terms of a strategy to deliver competitive advantage, and is often given status in the organisation through Customer Service Programmes (Barlow & Maul 2000; 1996). In other words, the customer is considered to be an element within an organisation’s strategy for success in which the programme approach is a way of focussing its people and holding the customer in the mind of the organisations’ members.

What is different about how Customer is profiled in ABC, is that Customer is articulated as one of the ABC’s values. In the same way as trust, teamwork, and loyalty are often identified as organisational values. Ruth explains:

I think to start with making it [Customer] part of our values. ‘Customer first’ is part of our value statement. Certainly that says a lot. It reinforces part of the cultural change programme. The [cultural change

programme] has touched a lot of people in the organisation. A lot of people have got to have lived that and had the opportunity really to take themselves out of the working environment and think through what that means to them.

Ruth

After attending the culture programme, (see section 6.3), staff are required to carry a card with them all of the time, attached to their security card, stating the organisation's values. This, it is agreed, is designed to help remind them of 'the values' (see section 6.3.3.2).

As previously discussed, values are associated with attributes and beliefs that are central to who one is and what is ultimately held as important. Deeply held beliefs are founded on values. To hold the customer as one of the organisation's values suggests a sense of worth. Values are not negotiable. In this sense, values are steadfast and true. To this extent, ABC can create the fantasy that by identifying Customer as a stated value, Customer is actually valued. Argyris (1990) argues, however, that there are two facets to consider – 'espoused' values and 'values in use'. Espoused values are what, ideally, we desire. It is well documented and those of us who have spent many years in large organisations and institutions bear witness to the many value statements and programmes that have served the purpose of articulating espoused values, and how quickly they are forgotten (Ghoshal & Bartlett 1999). However, in ABC it is not considered that employees will forget the values since they must carry the card with them everyday, having attended the culture programme. Ruth links her discussion of ABC's values with attending the culture programme (see section 6.3.2). It is this event, she proposes, that introduce staff to the values of ABC and where they learn the language of the organisation. As Ruth sees it, to have attended the programme and "lived" it, leaves people in no doubt that 'Customer' is a value of the organisation.

Articulating the idealised 'customer' as a value creates a belief about worth. However, since it can only ever be an espoused value in the face of the underlying

dependence on shareholder value, the customer service task can only ever be desired as an ideal. The culture programme (as described by Ruth) contributes to the indoctrination process and confirms the elevation of the customer as a desired value in the minds of the staff.

5.3.4 Customer as an Objective or Goal

We have three objectives. We need to grow our business, there are no two ways about it because that gives us the right to invest. The second objective is customer satisfaction. And the third, staff satisfaction.

David

The process of setting goals and objectives uses language and processes that, for a Bank, puts measurable numbers around the idealised notion of the Customer. This, at one level, appears to be more concrete than the notion of customer as an espoused value. However, it engages the same ideal fantasy, that goals and objective setting in an organisational context are elements in a ritualised process that allows the organisation to collude in the belief that it is customer focussed (Lawrence 1999a). John demonstrates how goal setting acts as a ritual to engage in the customer driven fantasy:

It is to give a customer experience that meets and exceeds market. Meets and exceeds. You should aim for 'exceed' but get real. I mean, if you meet you will make money for a shareholder. I mean, you don't want to be saying "that is our goal". You want to be saying, "our goal is to exceed", because it is like the CEO's stretch ambition.

Fred

Fred's statement is ambiguous. Firstly, in setting the standard it seems that it is necessary to say one thing to achieve the other – meets and exceeds. On the other

hand, Fred suggests that, in reality, goals are always met and the standard that will be achieved, is the goal that serves the shareholder. This elaborate discussion about standards, however, acts to confirm the fantasy that the higher standard of ‘exceeds’ is in the service of the (idealised) customer.

It is significant that Fred states that it is not desirable to *say* that shareholder value is the goal. Instead, he suggests that goal setting for the customer is nothing more than a façade for setting goals to achieve shareholder value. Fred’s development of his understanding of the organisational values was equally contradictory. The ambiguity in his comments suggests that this evident contradiction is unconscious. In fact, at the end of this discussion he stopped briefly to indicate that “I am getting a bit technical here”, suggesting that the researcher might not understand. It seems more likely that, like a number of his senior colleagues Fred was deeply confused and torn by the tension, as is evidenced in the above quotation.

The process of measuring customer satisfaction occupies a similar position to objective or goal setting in relation to creating the customer task as an ideal. Indeed, Ruth quickly moves on from talking about measuring customer satisfaction to discussing it in terms of being a compulsory Key Result Area (KRA).

Within ABC, customer satisfaction is a compulsory KRA for everyone, who is a manager and above. So ten per cent of your KRA is around customer satisfaction and certainly within our unit the whole process, I guess, is getting feedback from your customer base and asking customers what they think of you. That is part of the way we measure ourselves.

Ruth

The fantasy is that if customer satisfaction is included in the managers’ Key Result Areas then the organisation is serious about delivering good customer service. However, what is rewarded by bonuses at performance review is making the numbers, which confirms the tension between the ideal and reality.

5.3.5 Turning Administration Tasks into Customers

I take it very seriously but I think I still have got a job to do here in a centralised environment to make sure that people don't lose sight of the customer. It is very difficult in a centralised environment and one of the things that we are focussing on, in fact, is to help our people to see customers not as items in a work queue. You know most of them just see that screen and use that screen for eight hours during the day to get through their work.

Ruth

Ruth presents the notion that items of work need to be experienced by staff as real customers. At a conscious level Ruth is trying to improve the service that she provides as an internal customer. However, the idea that items of work can become identified with real people suggests another way in which the customer is pursued as an ideal. If people can think about these "pieces of work" as customers, the processing area can create the belief that they are customer focussed.

5.3.6 Summary – Idealisation of the Customer Task

In summary, the idealisation of the customer is primarily played out unconsciously in many ways. The Restoring Customer Faith programme is powerful in holding the customer as an ideal, as it espouses an atonement for the sins of the past and creates hope for the future for those who been most affected by downsizing and cost cutting. It espouses a customer ethos (e.g. no more than five customers waiting to be served) and creates the expectation that Managers (Local CEO's) will have the power to make decisions in the interest of the staff and the customer.

It means [referring to the Local CEO role] you are a lot more hands on in those branches to see what

decisions that have to be made for the benefit of the customers. You are dealing more one on one with customers and more one on one with staff. You are making decisions that are a lot closer to the end customer.

David

The evidence presented in the examples of goal setting, representing the customer as a value and turning customers into tasks each confirms that the customer is held as an ideal in the psyche of ABC. Joseph's comment as the Managing Director of the Branch Network about not hiding behind the customer ideal when referring to the pressure to meet the numbers in relation to costs, is evidence that, he knows that the shareholder is the primary stakeholder, and "meeting the customer needs first and foremost" is only ever an ideal.

5.3.7 The Current Reality - Idealisation as a Social Defense

The perception of the organisation still hasn't improved much when they go out and talk to customers. And I think that is probably true.

Mark

The reality of the customer experience appears to be too much for ABC to bear as it basks in the success of delivering on share price and winning the best-managed awards predicated on world-class benchmark for managing costs. The following vignettes paint a picture of difference between the espoused customer task (described in the previous section) and the current reality.

Ruth, after talking very passionately about customer as a value and trying to help her staff see customers instead of items of work to be processed, shares her story about being a customer (see sections 5.3.3 and 5.3.5):

I went into a branch the other day and I had to queue for fifteen minutes to get my new PIN on my credit

card and I was really annoyed. And that was in a Restoring Customer Faith branch [referring to the fact that this branch had been set up to be managed in line with the new customer-centric programme [see section 5.3.2]. So I think even though we have all of these great things happening, until it actually filters down and our customers start to notice the difference, we haven't done what were setting out to do. [It was] not the fault of the lady that served me, but the system is still letting both people and our customers down so I don't know what the answer is.

Ruth

The story told by the branch network group about their experience of the implementation of Restoring Customer Faith is in stark contrast to the ideals and passion of the cult (see section 5.3.2).

[The Restoring Customer Faith management team] aren't in the real world. Restoring Customer Faith has to be restoring staff faith first, all right. They've gone with the next step saying Restoring *Customer* Faith but if your coal face is missing five people because they are on workcare or on holidays because you know they are all cracking up [you can't do it]. You know and I probably shouldn't talk about specifics but there is probably about five or six that are on stress pills in our branch. You are not going to restore customer faith if they have to wait in the queue for another ten minutes.

Sharon

The branch focus group discusses how the new role of the Local CEO has not been able to be taken up in the way that was intended in terms of having the autonomy to

run your own business (Boreham 2002). Rather, the role has been invented in response to deepening the specialisation business model and is central to the Restoring Customer Faith programme (see sections 4.4.2 and 5.3.2).

When the concept was dreamed up, the idea was that you would have full control of your patch. You could make all these changes [Referring to the local CEO]. If you thought you needed more staff you would get more staff, but I think that Nigel has found out that, you know that the powers that be, are not letting him do that, and I think that is wrong. Why bother having local CEO's? You might as well just have stuck with our district managers. But it is all controlled from above, right, and they look at the dollar.

So they are not serious about it. They're not standing behind what they are telling us and I think that is very bad.

Sharon

The opening comments in these two paragraphs are telling; "When the concept was dreamed up" and "So they are not serious about it". They articulate the psychological space in which 'Restoring Customer Faith' has been created as a cult removed from the real world where dreams and fantasy occurs. This group of branch staff expressed strong feelings of not being heard. In the interview, they expressed strong feelings of anger about how they are continually faced with dealing with the reality of the customer experience whilst senior management bask in what appears to them to be the comfort of the "Ivory Tower" and their ideal world of serving the customer.

Over the past decade, as the bank shifted its stakeholder priority to the subordination of the customer and other stakeholder groups in order to satisfy the shareholder, ABC and its competitors have each segmented their its customers by identifying high net-worth customers (The Australian, 13 May, 2003; 14 October, 2003; Whiting &

Sweat 1999). High net-worth customers are Business, Corporate or Institutional customers. Only very rich personal customers fall into this category. These customers are “relationship” managed, meaning that they have their own personal banker. They are the customers who deliver high returns for the shareholder. This segmentation or splitting of the customer base has allowed the bank to believe that it is customer focussed, as its ‘managed’ customers generally provide positive feedback to the bank about the service they receive.

If you ask the business corporate customers they would say effective, trusted, an important part of the framework of the economy. If you were a consumer customer you would say, treat me like a number and not like a customer.

George

The Branch Network, the customer facing part of the organisation continually stands in sharp contrast. Nigel (Local CEO) articulates how this split between the customer groups translates internally with ABC:

Culturally, split personality internally. When I say split I mean branch versus non-branch. Ok, walk into a branch and you would hardly know the same company. Everything is completely the reverse, so I got the distinct impression that the branch activity is the very last part of the bank to be dealt with. A totally split personality.

Nigel

This segmentation of the customer base not only indicates the focus on delivering shareholder value first and foremost, but also the positive feedback from this small elite group of customers enables ABC to deny the negative feedback from the

majority of its customers, and contributes to the belief that ABC has a customer ethos.

Like taboos and superstitions, these idealizations protect us from our own “demons”, from the bad objects of our internal world that make living painful.

Hirschhorn 1990, p. 178

Hirschhorn (1990) in discussing how the bureaucratic process and the organisational ritual acts as a social defense against anxiety draws on the Kleinian (1952a; 1959) concepts of splitting, projection and projective identification to deepen our understanding (see sections 2.2.2 and 2.6.1). In the current environment the anxiety that exists for ABC to serve the customer in the face of being driven by shareholder value acts as a social defense. It protects ABC from facing the reality that deep down it only values those customers who will deliver a return to the shareholder. Programmes and rituals such as Restoring Customer Faith and articulating customer an organisational value create a belief that the organisation is customer focussed. After all, an enormous amount of time, energy and resources are dedicated to working on these tasks. For example, in the case of the Restoring Customer Faith programme, all of the anxiety of serving the consumer customer is projected into the programme. The Restoring Customer Faith management team ‘takes on’ the anxiety and expectations of the organisation. This is a heavy burden to carry, so to contain the anxiety on behalf of the organisation, they have effectively created a ‘Cult’ to defend themselves against the anxiety of an impossible task.

In the same way, rituals such as setting objectives contain anxiety about actual service to the customer. Idealisation ultimate serves to create the fantasy that the organisation is customer focussed whilst it is pursuing wealth for the shareholder.

The concept of social defense is discussed in more depth in the following Chapter 6.

5.4 HOLDING AND CONTAINING – ROLES AND STRUCTURE

Whilst idealisation of the customer task provides a container for the tension between the customer and shareholder tasks, ABC's structure (*diagram 3:3*) and related roles (Appendix D) also act as a container for the anxiety inherent in the stakeholder tension (Kahn 2001; Krantz & Maltz 1997; Newton 1998; Shapiro & Carr 1991) (see section 2.6.2). The role of Managing Director is focussed on delivering results to the shareholder. The Executives roles who manage large departments are critical, in that they manage the performance expectations of the Managing Directors and takes up the mantle of holding the customer ideal. Customer facing staff are focussed on the day-to-day demands of the real customers. The following section elaborates on how these three roles hold and contain this tension.

5.4.1 The Managing Director Role

The Managing Directors in this research all demonstrated that they are firmly focussed on the shareholder. It is their primary concern on a day to day basis. Ultimately, this Senior Executive role holds the focus of the shareholder task on behalf of the organisation. This role requires that they are to be able, continually, to deliver measurable results in terms of EVA (Economic Value Added).

I can't hide behind this customer ideal because getting five- percent productivity improvement per annum is still what we have to do. It does not excuse you from doing that. It is all about the customer therefore we can't do the other [meaning reducing costs and meeting the numbers].

Joseph

What James and other members of the Executive [referring to MD's] needs to be able to do is, they need to be able to pull the levers to get us distinctive performance and deliver shareholder value.

Fred

I'm employed to generate short term returns which are acceptable but not at the expense of the long term performance of the company which may detract from the shareholders, and also the economy longer term. So in ABC I think that's a big issue ... it's the customer versus shareholder issue.

George

5.4.2 The Executive Role – Direct Report to Managing Directors

The group of Executives reporting to the Managing Directors (Ruth, Sharon, Fred, Frank, Nigel, Gary, and Mark) occupy roles with a dual focus, making the numbers and holding the customer ideal. The tension and ambiguity that each of them has experienced has been previously evidenced (see sections 4.2; 4.3; 4.4; 4.5; 5.2 and 5.3).

The people in this group are all long-term bankers; mostly ABC is the only organisation that they have worked for, they are fiercely loyal and speak with great passion about ABC. They head up large functions in terms of the business portfolio and number of staff, believe passionately in customer service and attempt to maintain an equally passionate belief in ABC values.

Without exception, they speak highly favourably about their Managing Director's, (Joseph, George and James). For example:

James is quite magnificent; he puts himself on the line all the time.

He [James] is very, very, passionate, part of that gives you a bit more calm, no point spitting about it [referring to costs] because you know he is doing everything he can.

Sharon

In their own right, others in the organisation would consider them as role models and they are fiercely loyal to the organisation.

In practice, this group appears to be central to holding and containing the tension between the shareholder value task and the customer task on behalf of the organisation. As Frank has said:

To me it is like marriage, you know I have been good for ABC and ABC has been good to me.

Frank

[The] organisation that has been very good to me and I like to think that I am very good for it as well.

David

Sharon, however, demonstrates the double focus of the role:

The normal everyday challenges are limited resources to absorb increase in market share. Of course the volume just pours in and we are flat line cost. So we have improved effectiveness by 30% in the same timeframe. but the cost target stays the same.

I see it as short term because we have seen a direct correlation between customer service and revenue. There is an absolute correlation. It is so, so strong, but I will doubly make sure that you deliver. It is flat line cost.

Sharon

Schwartz (1990) offers an interpretation of how this group psychologically identifies with ABC in order to deal with the requirement of the role to hold onto both perspectives. The unquestioning loyalty to the organisation and to the MD's and

their love for the bank, as Schwartz (1990) contends (see section 2.2.1) is the organisational ego ideal, in which “love scenario”,

the individual assumes the possibility of a boundary-dispelling relationship to others who have done likewise. Both love and centrality are possible in this scenario, because each of the individuals who have taken the organization as their ego ideal assumes that the others have redefined themselves as the organization and therefore as essentially the same and having the same interest. Conflict is defined away, therefore, and along with it all social anxiety within the organisation.

Schwartz 1990, p. 19

As a consequence,

The repudiation of the spontaneous self leaves open a possibility of a redefinition of the self that is wholly in accordance with the organization ideal. This is a redefinition of the “wants” of the individual. In terms of the organization ideal, the participant undertakes to “want” to do what the organization needs doing. Thus, the polarity of subject and object, activity and passivity, is projected to be overcome.

Schwartz 1990, pp. 21

The identification of the Executive Group with ABC, and the specific role that they hold in the organisation, is central to their capacity for containment of anxiety on behalf of the organisation, and of the task of shareholder value and customer. In practice, *The Executive group is pivotal to the containment of anxiety arising from the tension.*

5.4.3 Customer Facing Staff

Less focussed on ‘making the numbers’, the customer facing staff have defended themselves against the anxiety of serving the customer every day in a difficult environment by *identifying with the customer*, an identification supported whole heartedly by the Restoring Customer Faith team.

We effectively forced our staff to jump over the counter from one side to the other to side with the customer to point the finger and talk about “The Bank”.

Frank

As an apparent consequence, they now stay with ABC because of,

The customers - I know a lot of people by first names and customers appreciate that and ask how you are going and that sort of stuff. I have a little group of customers I look after who appreciate me looking after them. You still get any sort of question thrown at you, so you learn, you learn as you go along. I need face to face contact with the customer and I love working in the place and I love working with the customers and the people.

Sharon

For this group to do their work, strong identification with the customer protects them against the customers’ hostility towards the bank.

Unfortunately, over the last three years, the customers have become very angry, very angry, even before they get into the branches, they are angry. I don’t blame them either. They know we are an easy target.

Sharon

Furthermore, the staff in Business Banking believes that the customers' connection to the larger organisation has also been severed; relatedness is held at the individual level:

If you ask any of these guys customers who you bank with, they don't say ABC, they would say, [Jack Jackson or John Brown]. I don't bank with ABC and that is a big difference and it is a big complement to a Relationship Manager in these times.

Focus Group 2

The customer-facing staff's identification with their customers contains the anxiety of the customer at the coalface protecting the rest of the organisation from the reality of how the lower value customers at least see the bank.

5.5 MUTATION AND SUBSTITUTION OF THE PRIMARY TASK

It has been established that the generation of shareholder value is now the primary task of ABC (see Chapter 4) and, in this chapter, it has been demonstrated that this shift in task creates tension with the previously established primary task of servicing the customer. The anxiety that is generated by this tension, however, has been contained by the social defence of idealising the customer (see section 5.3) and through an evolution of the management structure and associated roles within ABC (see section 5.4). This section considers, more fully, the complexity of the dynamic that has occurred in shifting between primary tasks at ABC. In doing so, it draws explicitly and specifically on Chapman's (1999) work on task substitution and mutation to offer an interpretation of what has occurred (see section 2.3.7).

5.5.1 The Shift in Primary Task

5.5.1.1 Threat to Survival as Motivation for Change

Prior to its *near death experience* of facing imminent financial collapse in the 1980's (see section 4.2), the primary task of ABC was seen to be the provision of customer service. This provision was expected to lead to customer satisfaction and, in fact, has been shown to have done so.

[Prior to] that cataclysmic event [in 1991] ABC had been focussed on the customer [and] people had been loyal to us for 20, 30, 40, 50 years not just the branch network but the small business point of view, rural Australia, agri business.

Frank

The threat to survival demanded rapid response and the introduction of specialisation through substantial cost reduction and reorientation from customer satisfaction to shareholder satisfaction provided short-term relief while suggesting future operational direction (see sections 4.2 and 4.4).

A lot of restructuring and a lot of cost take out, all that sort of stuff. Put up fees to appease the voracious shareholders. But we have in doing it; we have actually really got our customers off side.

Andrew

5.5.1.2 Relieving the Threat

In effect, the primary task of the bank shifted from providing customer satisfaction to the generation of shareholder value. This shift relieved the sense of threat among staff and, simultaneously, increased shareholder satisfaction. More importantly, perhaps, during this shift the role of the customer as a stakeholder became

increasingly equated with the role of the shareholder as a stakeholder. Nevertheless, it also suggested the direction in which the organisation was headed and the cost that it was willing to sustain to ensure its survival, in the shorter term at least:

The side effect in terms of customer attrition was terrible - people that had been loyal to us for 20, 30, 40, 50 years not just the branch network but, from the small business point of view, - rural Australia, agri business where the squeeze was put on them... forced people out of their homes and that sort of stuff, it was terrible.

Frank

5.5.1.3 Idealising the Customer

The role of the customer as a stakeholder was idealised so that the shareholder, also a stakeholder, first became identified with, and then became accepted *as* the customer. In this redefinition, customer satisfaction became shareholder satisfaction and the shareholder unconsciously became synonymous with the idealised customer. Face-to-face serving and servicing of the customer became servicing the shareholder.

To make it all easy, they were going to take all these processes away from us, right. You were not going to be doing this any more, that was going to be done somewhere else. You will have more time with the customers. And more time to sell. And you will have more time with the customers. [However] Branch of the Future was great for the shareholders. The shareholder value went from \$7 to \$14 dollars like that, because of the reduction thing.

Focus Group 1

The primary task of the bank now became the generation of shareholder value, which was expected to provide customer satisfaction. As the recently appointed CEO took the share price to new heights against the new measures of EVA (economic value add), creating a success story internally and externally, the new primary task of shareholder value was confirmed as the purpose for ABC's existence.

This was a pivotal point in the shift of primary task. The focus on the financials and the language of shareholder value (EVA) was now firmly in place. However, the need for survival had passed, shareholder value now became a choice, driven by the desire to "win in the financial sense, to win the acclaim of the market" (see section 4.2.2). ABC attracted a new heroic leader (see sections 2.4.10.8 and 4.8) who took up the task of shareholder value as the legitimate task of the organisation. The driver was no longer survival, it was the CEO's narcissistic desire to win the acclaim of the market and to leave a legacy (see sections 4.2.2; 4.4 and 4.8).

5.5.1.4 Anxiety, Tension and Changed Intention

Not surprisingly, longer serving staff became increasingly confused with the intention of their roles. Anxiety arose as they reflected on the task that they believed they had been employed to perform, and wanted to perform (primary task of customer service), and its tension with the task they now realised was being demanded of them (the primary task of generating shareholder value).

If you go back to '97 when managers were totally unhappy in their roles, it was a terrible time to be in this particular business. Some people lost their jobs. Customers were being swapped from manager to manager. People did not want to come to work. Not a good time. They had to do something after '97 because that was the biggest fiasco of this century, what they did to the ABC. They were trying actually to manufacture us guys to do what we do now, but

trying to manufacture us in a really cardboard way back then in '97.

Focus Group 2

As staff came, increasingly, to recognise the tension between their original and current primary task, their passion for their work began to wane. Morale declined across the organisation in the face of direct and vocal customer dissatisfaction with their performance and many moved into a periods of mourning which was most immediately addressed by the *Restoring Customer Faith* programme (see section 4.3.2).

5.5.1.5 Mutation and the Loss of Passion

In summary, the shift, the mutation, of the primary task through idealisation of the customer and then substitution of one task with another was achieved during a period of substantial stress, a period where survival meant submersion of personal goals in pursuit of organisational survival needs. Nevertheless, the mutation resulted in an apparently permanent move from the provision of customer satisfaction, the primary task for which passion had been developed and from which removal was an unacceptable end. For many, it appears, passion for the primary task was significantly diminished because the replacement task offered no sense of personal authenticity (Chapman 1999). Mutation of the primary task led staff to lose their motivating altruism and these losses, in turn, reduced their sense of accessibility to their chosen vocation.

They just said, "These are the requirements that you have to have every time you have a face to face action with the customer, but we are going send someone round to make sure you do it. If you don't, your performance management is going to be downgraded." They have done nothing to help us to do that. Personally, in ABC just now is like being in one huge organisation and we are one very little tiny corner of

it, that basically is expected to carry out certain functions and keep a public profile for the bank for their clients and keep that visible and positive and smile and all the things that they want it to be but without giving us the resources to do it. I used to love working for the bank. I don't now.

Focus Group 1

5.5.1.6 Shift of Primary Task – Validation

This interpretation of the data identifying a shift in the primary task of ABC was validated with the executive responsible for the development of the culture programme. After sharing this view with Felicity, she immediately related the story of the past decade as she saw it, agreeing that this shift has indeed occurred. Felicity's story went back to the early nineties when; "Our back was against the wall".

Out this focus we, created a toxic culture with limiting values. But we kicked goals in terms of cost to income.

We appointed a new CEO and for the past five years we have been obsessed with shareholder value and all of our KRA's and rewards are based on this. We respond to the greed of the market – half on half.

Corporate/Institutional customers were king together with high personal net worth customers. And at the same time we ran the branch network into the ground. Brian and Graham went out to the network recently– shock, horror. No one is willing to admit that we

milked it. Things are really bad in the New Zealand branch network too – out of sight out of mind.

I do agree that there has been an unconscious shift to service being in service of the shareholder. I had not thought of it quite like that but it is right, we have shifted.

Felicity

5.5.2 Task Values – ABC: Shareholder Value

Primary tasks that contain weak values are more open to task mutation and substitution (see section 2.3.7).

5.5.2.1 Authenticity

Prior to the very real threat to its survival in the 1980's, the primary task of ABC as a bank was to provide service to the customer in a way that achieved customer satisfaction. The pursuit of this primary task, as Chapman (1999) observed offered bank staff a sense of authenticity for their chosen vocation. The motivational power of this authenticity engendered staff loyalty and provided staff with a strong sense of dedication to their customers.

Well I think it was more than just a place to go to work. I think it actually had much more than it is today. It had cohesion in very personal relationships, I think much more cohesive. And it is a funny thing to say people were much fonder of each other than they are today. And one of the things that has sort of caused that change is that today it is populated with lots of people that come and go. I think it is very hard

to keep a soul, keep a soul where there is constant change in people.

Andrew

5.5.2.2 Altruism

Faced with the imminent collapse of ABC, staff essentially deferred the gratification provided by their existing pursuit of the primary task for the apparently short-term priority of the organisation to satisfy shareholder demand. This altruistic stance evidenced in their acceptance of cost-reduction strategies generating reduced customer service and leading to reduced customer satisfaction were accepted as crisis measures. This has been previously evidenced (see the quotation in section 5.5.1.3 above).

5.5.2.3 Accessibility

At the pivotal point where the need for survival had passed, however, the bank was faced with the need to consider how it would meet the competing needs of both customers and shareholders as stakeholders with very different requirements. Ultimately, the dilemma was never faced because the “desire to win in the financial sense” (Andrew) meant that the shareholder became the *primary stakeholder* and the focus of the organisation became entrenched in its desire “to win the acclaim of the market” (James). To sustain this position for the shareholder, and deal with the inherent anxiety, the idealised *customer stakeholder* was more clearly differentiated through identification of, and provision for, high and low value customers.

The task of delivering shareholder value, nevertheless, was apparently intrinsically less accessible as it no longer offered a sense of humanity, as James’ story so clearly illustrates (see section 1.1). The primary task had been diminished at an apparently substantial cost to both authenticity and altruism (see sections 2.5; 5.5.2.1 and 5.5.2.2 above). Meanwhile, the organisation had created a new fantasy - that the task had not changed. In support of the new narrative (see sections 4.2; 4.4 and 4.7), staff

were driven to achieve new targets and measures that focused them solely on the bottom line. They were now split off from the task that they thought they had joined the organisation to perform. More importantly, the new task set them up to compete with each other (see sections 4.5.1 and 4.5.2).

We lost a bit of our soul. Part of the thing about working with the bank is the fact you used to know a large number of the people who were in similar jobs to you and you knew them through the branch network. So you had a network of people. That does not happen now.

Focus Group 1

With this mutation towards task substitution, came a sense of destruction. People lost their jobs, and those who were left, consequently, lost relationships. Furthermore, ABC lost its relationship with its customers and lost the trust of the community, particularly, the rural community (see sections 4.3.1; 5.3.7 and 5.5.1).

The strategy, however, has been maintained at an increasing cost in customer satisfaction if not shareholder value. As one Australian bank CEO has recently observed:

Banks must have done something wrong in order to create this situation. Banks have to start putting something back into the community, not just making withdrawals.

John McFarlane, AAP General News, 6 Dec, 2002.

The new task of generating shareholder value remains less accessible to the banker, in that the relationship expressed between the cane farmer of the opening story in this thesis (see section 1.1), that farmer's banker and the organisation is now, at best, only weak. Furthermore, the new customer, the shareholder, is now experienced by staff as an external body with whom they have no connection, and who is even more

inaccessible, as a bottom line measure, from their expectation and their experience (see sections 4.3; 4.5 and 5. 2).

For those remaining staff still oriented towards customer service, accessibility to the primary task upon which their sense of vocation was predicated has become increasingly diminished in the work-place. Morale appears to have declined further and the implementation of the culture programme (see sections 6.3 and 6.4) became even more essential to retaining staff, restoring morale and presenting an acceptable narrative of service orientation to the real and idealised customer bases, whether high or low value. This is discussed in great detail in the following chapter.

Whilst the complex dynamic that shifted the primary task at ABC occurred unconsciously, staff and customers experienced a change that created confusion in both their specific and general expectations. This confusion generated tension between the primary task they wanted to perform, of meeting the needs of the customer, which became increasing more difficult as the customer became more dissatisfied, and performing the task that was being demanded of them, of generating shareholder value. The impact on the staff was that they felt increasingly depersonalised. Levels of altruism plummeted, and their sense of authenticity in relation to their vocation dropped away as ABC “tried to make [us] into cardboard cut-outs” (Focus Group 2) in order to substantiate this shift in task (see sections 5.3.2.2; 5.5.1.3; 5.5.1.5; 5.5.1.4 and 5.5.2.3).

5.5.3 Restoring Staff Morale and a Changed Task

While some organisations might falter in the face of declining staff morale and customer confusion, ABC has prospered. Leveraging the popularity of the CEO with both the media and with shareholders, ABC introduced a range of programmes dedicated to confirming the change in the primary task, restructuring the organisation to substantiate this change and restoring the morale of both its customer base and its staff.

Despite the potential for short-term specialisation strategies involving downsizing and cost-reduction to plateau out, ABC has implemented programmes targeting the need for cultural change and staff renewal. The focus and fervour with which these programmes have been implemented and accepted forms the basis for the following chapter.

CHAPTER 6

THE RELIGIOUS ORGANISATION

6.1 PROLOGUE

What researchers tend to ‘see’ in the data, consciously and unconsciously is framed by their personal experiences. In acknowledgement of the researcher in the research, which is intrinsic to the qualitative research method (Berg & Smith 1985; Morgan & Smircich 1980; Schein 1987), (see sections 3.3 and 3.9), this chapter begins with a brief prologue of my personal experience of growing up steeped in religion.

I grew up in Northern Ireland, a country that despite its population of only one and half million people is probably known across the world. Unfortunately, not for its natural beauty but for its bloody history over the past four hundred years at least. It is, however, not the ‘Northern Ireland situation’, as it is colloquially referred to, that I wish to discuss here but rather my own experience of religious fundamentalism.

Northern Ireland is divided by religion, which is aligned to political positions about the ownership of the small nation. On one hand, those who are Roman Catholic are affiliated to the political parties that support the idea that Northern Ireland belongs to The Republic of Ireland. On the other hand, the Protestant population supports those who are committed to maintaining Northern Ireland’s current position as part of the United Kingdom. This is, of course a generalisation and that there are, I am sure, people who hold no strong ties to either religion or political persuasion. I have no recollection of ever meeting ‘anyone of that ilk’, however.

The small market town in which I grew up has a Scottish heritage dating back to the plantation of Northern Ireland by the English; it boasts thirteen Presbyterian Churches and many others of various Protestant denominations. The area in which my town is located is known in Northern Ireland, perhaps unsurprisingly, as the ‘Bible belt’. Equally unsurprisingly in this context, the town is predominantly

Protestant. In stark contrast, the only Catholic Street in the town boasts thirteen public houses. One can see how divided these two groups might be, one steeped in self-righteousness, the other in original sin.

As might be expected from the very structure of the town, I was brought up in a deeply religious Protestant family. What I recall most, however, is not the religious commitment of my family, but the power and pervasiveness of the fundamentalist community.

The Protestant work ethic was extremely powerful. It was literally sinful not to work. All respectable money was earned 'by the sweat of the brow'. This ethic in turn, rendered Catholics lazy by definition. Prosperity was a symbol, in the financial sense, for those who were believers and worked hard, of how they had lived their lives in alignment with the Protestant work ethic. This also symbolised, in some unspoken way, their commitment to the church. Standing in the community could be achieved by being referred to as 'a good worker'. The attribute could compensate for most other shortcomings and carried with it 'respectability', - a very important quality in 'our town'.

In this social setting of my childhood, the Bible (the King James Version -not revised) is considered to be 'gospel'. It is believed literally. This meant that any other version (deviation) was literally wrong. The fundamental belief of the congregation of my church that they were right meant that all other religions were wrong. With this view came the belief that the Protestant believers were 'God's chosen people'. They were 'set apart' from all others. Those inside the group maintained strong affiliations and a great deal of certainty about their place in the earthly community and, eventually, in heaven. It is uncertain which one of these was actually more important to people.

Naturally, to be outside this congregation was to be damned, which creates a powerful group dynamic of inclusion and exclusion. Firstly, one is born Protestant. From that position, one is already on the way to being included. To take the next step and make the religious commitment is considered highly possible, probable,

and, in the event, necessary. However, to be born Catholic or to some other denomination confirms a divide so great that the very few who may seek to join by choosing religion or marrying across the religious divide are never quite trusted.

From my lofty Presbyterian height, abstinence from all worldly vices was severely adhered to. Alcohol, smoking, dancing and going to the cinema were sure to damn me. Even the swimming pool closed on Sundays. The local paper was brave enough to point out the extremism of what was considered to be appropriately moral behaviour by running a cartoon of the ducks in the park with their legs tied on Sundays.

From the age of thirteen, I began to question some of the fundamental aspects of the Presbyterian faith and traditions, which, in fact, were already frequently debated at the dinner table. The two theological issues that raised most interest for me were the idea of predestination and where the kingdom of God was actually located. Predestination seemed to unravel the entire argument of freedom of choice, and once I had decided that the kingdom of “God was within you” I figured out that I could live with that. All the other stuff did not matter, and the argument just did not stand up. Not a terribly sophisticated argument on my part but as a young teenager, it constituted a huge step forward. By the time I was sixteen, I had chosen to leave the Church on the basis that I did not believe in God. That seemed a simpler argument than the others. To reject God completely was inarguable because, as faith in God is not based on fact, it could not be proven. One either believed or did not.

Visiting Northern Ireland in 2003 established that nothing has changed. Religious fundamentalism is as alive and well as it was when I was growing up in the sixties and seventies.

6.2 INTRODUCTION

This chapter presents ABC’s response to dealing with the cultural issues that it has faced most immediately in the past three years ago as a result of downsizing, cost cutting, and the changes in competitiveness associated with specialisation (see

sections 4.2; 4.3; 4.4 and 4.5). In doing so, the chapter establishes that the discourse pervasive in the data is religious in nature. Not only has there been a demonstrable religious development in the culture of ABC in a manner not vastly different from that of my own upbringing but, also, it is fundamentalist in nature.

In consequence, it seems appropriate to argue that this fundamentalist religious discourse underpins the attempt to replace what has earlier been termed ‘the soul of the organisation’, and which is identified as the lost primary task of ABC.

6.3 THE RELIGIOUS ORGANISATION

This section presents data supporting the interpretation that ABC has created a culture with the characteristics of at least quasi-religious fundamentalism.

As leading Melbourne architecture critic, Norman Day (2004) has observed the ABC Head Office building presents “a postmodern, post gothic attitude”. It is church-like in many of its details and even includes a crypt-like preservation of the historic banking chamber of its previous business incarnation. This, of course, may just be a coincidence. It does, however, provide a congruent setting for the culture evolving at ABC and the evidence, which suggests an organisation that has been developed according to a quasi-religious model.

6.3.1 Religious Discourse

As already identified (see Chapters 4 & 5), the religious discourse now permeates the transcripts and internal communications of ABC as they describe how initiatives are developed and implemented.

The *Restoring Customer Faith* initiative, as discussed in Chapter 5, for example, whilst being described by Frank as a ‘cult’ also displays many of the attributes of religion. The title itself is religious in nature, as was the document saved on the e-

mail server as ‘Come to Jesus’ (see section 5.3.2.3). Furthermore, the programme itself began with a *confession* of the ‘sins of the fathers’ and a *plea for absolution*:

I felt that there is some justification going here to make the past atrocities OK. I am sure that ethnic cleansing could be argued by some people the same way.

Frank

Similarly, James refers to the executive remuneration as a *moral hazard*:

That hazard only applied because the big money and the big rewards and the options packages and all the rest of it literally only applied to handful. Now in more recent times in our organisation that moral hazard if you like has extended further down the organisation to perhaps the top two or three hundred.

James

Sharon similarly perceives the fervour of the fundamentalism as she isolates the term *indoctrination*:

You know my automatic response is, indoctrinated, to increase shareholder value. (Laughter)

Sharon

But you have got believe in ‘the’ cause and we do get a bit sort of religious and a bit zealous about the cause.”

Frank

In a recent conversation in the office, one informant referred to the cultural leadership team as ‘the church of values’.

Current language in use demonstrates how the religious nature of the ABC discourse confirms the major customer initiative in religious terms. Whilst Forray and Stork (2002) have suggested the value of language in terms of understanding and interpreting meaning in organisational culture, what appears to be more significant in relation to visualising ABC as a religious organisation is how a deeply embedded religious ‘movement’ has developed as a social defense against the negative consequences of downsizing and cutting costs in order to ‘fix the culture’.

They had to do something after 1997 because that was the biggest fiasco of this century, the last century sorry, what they did to the ABC. They were trying actually to manufacture us guys to do what we do now, but trying to manufacture us in a really cardboard way. Gradually, some people must have woken up.

Focus Group 2

ABC looked externally for the answer to improve the culture of the organisation and engaged a large management consultancy to design a cultural change programme.

6.3.2 The Personal Journey

The cultural change initiative was primarily driven by a three-day residential workshop with a follow-up day one month later. The content of the programme was about the individual’s self-awareness. Its stated purpose was to support staff as they adjusted their behaviour to ensure that they were aligned to the organisations’ newly defined values. The presentation of the programme was designed to be both emotionally moving and, indeed, confronting. It was structured to close with a testimony and commitment session called ‘taking a stand’. Offering *testimony* and expressing *commitment* required standing before the entire group and committing to three personal and work-related actions aligned with ABC’s values. Many of these commitments were, in the event, deeply personal and offered with a high levels of emotion. In this respect, it could reasonably be argued that the programme crossed

the boundary from a professional development corporate workshop to a workshop that more closely resembled a group therapy session.

I think it is more an individual programme than it is a company programme. I'd almost say that the people see the company investing in them - which actually has an extra benefit. Because they say, "Shit, this is the first time the company has actually invested in me, its not just investing in itself". And I think there are casualties as a result of that - where people actually decide... they hate what they are doing. They have been doing it for too long that they go and do something else. I mean I always saw it as a bit more of a personal journey than a business journey.

George

I know we don't get together as a group and practice some of the things we learned on [The Culture Programme]. I think it was a very individual thing. It has changed the way I work a bit. I don't know if it was intended as a group but for me it was a very individual thing.

Focus Group 2

The personal journey of the cultural workshop appears to be characteristic of the spiritual journey found in any religious journey towards faith (e.g. Christianity). As in any *initiation rite*, or *confirmation*, individuals are asked to make a personal choice that has deep connections with personal enlightenment. Moreover, they are *tested for fitness to join* the organisation that they thought they had already been part of for many years. The intent of the workshop and its consequent design is to be *transformational* (Ruth). The expectation is that if enough people experience a personal transformation as a consequence of the programme, ABC will, itself, be transformed. A biblical parallel to this personal experience might be seen in Paul's

religious “conversion” on the road to Damascus or, less kindly but more financially accurate, in the raising of Lazarus.

One of the dimensions of the specialisation model previously discussed (see section 4.4.2), is to place accountability for results with the individual as far down the hierarchy as possible. This, according to Mournier (2001), leaves the organisation less accountable. The religious-philosophical positioning implicit in the Restoring Customer Faith programme demands the individual’s responsibility for ABC’s transformation. ABC is not only asking the individual to take responsibility for the day-to-day results but to take responsibility for transforming the culture. Morgan (1997) argues that culture is an enactment of shared meaning and this programme not only offers a place to share but a demand to accept responsibility for the success of the organisation.

There is a common language amongst the senior people. All of those [cultural programme] experiences have become part of the common ground. It has touched a lot of people in the organisation.

Ruth

Ultimately, the programme places responsibility for transformation with the individual rather than the organisation. Failure demands the *acceptance of guilt* and the skeptics and non-believers are *cast out* of the organisation with due ceremony among those who remain as *the chosen*. This is a heavy burden on the individual considering that the values and mechanisms of creating shareholder value, which is the organisational driver rather than the individual motivation, drive the system. As Sennett (1999a) reminds us, however, the Protestant work ethic emerged as a theology of the individual. Man and woman had to face questions of faith unaided and alone, rather than as members of their community.

The Protestant individual had to shape his or her history so that it would add up to a meaningful,

worthy whole. The individual now becomes ethically responsible for his or her own, particular lived time.

Sennett 1999a, p. 104

This transfer of responsibility from the organisation to the individual is central to how transformation is expected to occur and has the effect of deepening separation within ABC to parallel the individualism inherent in the shareholder value model (see section 2.4.10).

Furthermore, the Protestant work ethic asserts that:

The driven man, [is] bent on proving his moral worth through work.

Sennett 1999a, p. 104

This need to prove *moral worth* is a powerful dynamic within the executive ranks of ABC. Individuals accept responsibility for transforming the organisational culture while, at the same time, accepting their responsibility to the higher cause - delivering results to the shareholder.

Since the individual's moral worth is validated through work, moral worth can only be attained by sustaining the system. Furthermore, the fact that the culture is framed in religious terms ensures that the people find themselves always trying to do more to ensure their place in the system, one never truly validates one's worth, as it never can be totally fulfilled.

Calvin's God replies, "Try harder. Whatever it is, it is not enough."

Sennett 1999a, p. 104

Major, the horse in Orwell's (1945) 'allegorical "Animal Farm", is equally clear in his response to the pigs who have taken over the farm from the farmer, "I will work harder". Major dropped dead in the traces; those who did not work harder were

shipped to the knacker's yard. The bottom ten per cent are managed out at ABC. The remaining staff respond by working harder.

No matter how good the managers are, they live with the constant fear that, eventually, as the bar keeps being raised, they will be in the bottom 10 per cent:

We are saying, 'you did a great job and by the way now we are going to change'. And so this is reinventing ourselves all the time. Now because we work half on half, you don't get a lot of time to really sit back and appreciate what you have achieved. Because you're constantly - the bars gone up, the bar's gone up, the bar's gone up.

George

George's response to congratulation on his performance figures, reported earlier in this thesis (see section 4.4.3) was, "I did not get the bullet in the head this time." One can never be sure. The lack of assurance creates dependency on the system, total faith in the system, unquestioning loyalty to the system, for validation.

This continual pressure within ABC to raise the bar is a double-edged sword. Whilst it is suggested that this will secure the staff members future, the internal view that is frequently presented is that, by improving performance and upskilling, it will make it easier for staff to leave the organisation.

We are tough on them [referring to business planning] but it makes them more marketable.

Frank

Insisting that managers have a tertiary qualification is not just about raising the bar. The [CEO] tells us that it makes us more marketable, but we are not going anywhere.

Focus Group 2

As De Gaulejac (1992) observed in his critique of the spirituality of work suggests that:

Today it is as if the ‘new management’ were trying to transform the psychic drives feeding the individual’s narcissism into added work and an additional source of surplus value.

De Gaulejac in Aktouf 1992, p.423

Dirks (2000) in his discussion on spirituality at work, argues that organisations have become preoccupied with maximising the performance of the individual rather than addressing the need to think about the meaning of work in a fundamentally different way, or to consider how this meaning might be better reflected in organizational structures and processes.

The personal journey demanded from ABC’s cultural programme does not appear to address the fundamental structure of the specialisation or the shareholder value model that creates the need for the programme in the first instance. Instead, it appears to have established an essentially religious organisational structure in which the pursuit of favour is expressed through a moral fervour directed at alleviating any guilt, which might be assigned for poor performance. Having been confirmed into the faith of the organisation, however, the executive team appears to have accepted the right of the organisation to sit in judgement on their performance against shareholder value determined performance criteria.

6.3.3 The Church

6.3.3.1 God as Leader

In Chapters 2 and 4, it has been established that the task of shareholder value creates an environment conducive to heroic leadership, and that the CEO of ABC fulfils this assignation. The characteristics of heroic leadership, however, are consistent with the religious acknowledgement of the leader as God. According to its current

organisational discourse, ABC had no identity before its present leader. He is idealised and his replacement cannot be visualised, certainly not by those informing this study.

A striking characteristic of ABC is that people within the organisation talk about and relate with the CEO as though they know him personally. From a psychodynamic viewpoint, the relationship between the *supreme leader* and his followers is a web of projections of the followers' fantasies about the leader into which the leader too projects his desires (Gabriel 1997).

Most people have never met the CEO and some senior people only meet him as part of a larger group at annual events. Acknowledging these events as ceremonial occasions, Gabriel (1997) draws parallels with religious rituals. The CEO is rarely seen in the head office building and, on the rare occasion that one might meet him in the elevator, he keeps his head down and makes no contact. However, he is discussed on a day-to-day basis in the context of work and decision-making and people speak about him as if they know him personally. His presence is strongly felt in the organisation and he is greatly admired. Not surprisingly, perhaps, in this reverential atmosphere, he appears to hold a very special place in the mind of the organisation.

Part of [the CEO's] brand is the way he talks - you know, his e-mails are real. It sounds like he is talking to you and, again, that is what staff love.

Frank

It is a simple task to make an analogy, to the Word of God being handed down. Through 'the Word', this *god* can be accessed, assuring the followers that he surely does exist.

However, like all fundamentalist gods, the CEO of ABC is a god whose wrath is to be feared. For all that he might be admired, even worshipped, he is a punitive god,

his approach summarised as both supremely confident and, at the same time, admirable:

If you don't like me, tough. I don't care. That's his attitude. If you don't like it, leave. So people know where they are with him. Largely though, I think he keeps them on their toes pretty well.

Sandra

It does not seem surprising for this type of God to be found in the context of the shareholder value driven organisation; the punitive attributes are congruent with the performance management culture discussed earlier. This statement also conveys the potential arrogance of an omnipotent leader. He believes that he is right above all others and has the power to summarily despatch those who do not agree with his position (Mintzberg *et al. c.* 2002) or do not perform to his complete satisfaction.

6.3.3.2 Institutionalisation

The institutionalisation of teachings from the cultural programme similarly exhibits several practices that resemble religious rituals. The card with the organisation's values on it (see section 6.3.3.2) symbolically represents a set of commandments, even a prayer psalter or a set of rosary beads that can be referred to for comfort, support or confirmation during daily work activities.

Similarly, the meditation rituals taught on the three-day workshop are expected to focus the mind in ways intended to encourage high performance capability. To promote this practice, the historic basement of the old bank, *the crypt*, has been furnished for meditation.

'Living the Values', a term that has emerged from The Culture Programme, has become prevalent in the language of ABC. More importantly, it is revealed to have acquired punitive connotations if one is deemed to deviate. Corridor talk labels people according to this discourse. 'Lives the Values' has been included as a

category for measurement in the organisation's Performance Review system and it is important that one gets a tick in this box.

In fact, it appears, the values to be lived are not well connected in behavioural terms to more measurable performance objectives such as Sales, or Customer Service. Rather, 'lived the values' is assessed separately and comes down to the manager's view about how aligned the staff member appears to be with the espoused values, practices and rituals of ABC's current programme.

The view that it is the individual who needs to change to align with this newly ethical organisation holds the individual responsible for both current performance, observable daily actions and, without forgiveness, the sins of the past. In a recent restructuring of the senior management team, at least one of the highest performers was released from his position without apparent reason,

Crushed by the weight of sinfulness, human beings thus dwell in a state of permanent insecurity, uncertain whether life will lead to an eternity of burning torment.

Sennett 1999a, p. 104

At performance review time, the informants to this study observe, they can never be certain how they are going to be judged in terms of 'Living the Values' considering that they are already sinners. Employees, regardless of seniority, are literally in the hands of the *gods* – their managers – during performance review. This is a very strong driver for being seen to be 'on board'.

6.3.3.3 Disciples and Missionaries

The most powerful influence in establishing and maintaining the pervasiveness of the cultural programme within ABC is the 'Culture Team'. A powerful structure has emerged in which the 'Culture Team' - of about forty staff reports directly to the CEO.

The culture team has been established to develop and deliver the culture programme in partnership with an external consultancy and to provide on-going workshops on values and cultural ‘diagnostics’. Traditionally, they would be expected to report to Human Resources.

Recruitment to ‘the culture team’ is not simple. It involves a rigorous three-month process including successful passage through a series of interviews and culminates in writing a personal essay about a transformation in one’s own life.

The ‘culture team’ lives and breathes The Culture Programme and work hard as ‘evangelists’ to the rest of the organisation. The leader of the group is a strongly charismatic woman who is totally dedicated to its ethos. Everyone’s desk is testimony to the programme itself, covered in profound sayings, verses and pictures of idyllic landscapes and group events. Trophies and symbols from workshops hang from the ceiling and adorn the walls. The group has recently been referred to by increasing numbers as “The Church of Values”.

Not only does the structure of ABC reinforce the separation of the ‘Culture Team’ from the rest of the organisation, the selection process itself creates the belief that they are somehow special and have an ordained role to play in saving the organisation. They are the disciples and missionaries of the new order.

6.3.3.4 Heretics and Disrespect

The cultural programme at ABC espouses the belief that it is about creating openness and trust. It further asserts that to ‘withhold’ deep feelings, views or distrust is not good. The term ‘withhold’ is a hallmark of the programme. Everyone who has attended the programme is expected to work on their ‘withholds’. Paradoxically, how one experiences the programme itself and differing views about some of its messages are beyond challenge. The issue appears to be undiscussible within the organisation. Indeed, to raise issues about the programme could mean the loss of your job.

You see I'll be heretical, I'll be a heretic. But I'd say that [The Culture Programme] has done nothing much for me personally. I mean I didn't feel uncomfortable about any of it. Well, that's not quite true. I mean I just didn't think that, that it added much value. I mean I don't think it has changed my behaviour much. Have I reflected on things a bit more? I probably have. Yea. But have I changed myself dramatically? No.

George

I think that the way in which he operates, now I'm going to sound glib here about the [The Culture Programme] piece. And I don't mean in that sort of, you know, getting down to meditation. But what I do mean, and I don't mean it disrespect either, I mean it has got its place.

Sandra

George's language, his identification of himself as a heretic and his acceptance that he is being disrespectful acknowledge is recognition of himself as stepping outside a religious order (Young 2002). In the Northern Ireland context, he would be described as 'wayward' and excluded from inclusive rituals such as marriage.

Those who, during the programme, express a wish to practice rituals from their own religion, for example, prayer instead of meditation are marginalised and described as 'difficult'. To speak out about the programme is essentially profane. It identifies those who are not 'living the values' and are a poor 'cultural fit' for ABC.

Currently, an exit programme from ABC had been developed by Human Resources (rather than by the 'culture team', itself) to 'help people leave' who are deemed to be a poor culture fit and therefore perceived as 'blockers'. This removal of heretics and non-believers is seen to smooth the way for more suitable incumbents.

6.3.4 Spirituality and Fundamentalism

6.3.4.1 Spirituality

The *spirituality programme* was a response, consciously and unconsciously, to the recognition that emotionally something was missing, despite the financial recovery of ABC. As the Business Banking group (Focus Group 2) commented (see section 6.3.1) “they needed to do something” and they were being “manufactured in a sort of cardboard way”. Garcia-Zamor (2003) argues that spirituality movements have begun to emerge recently as a reaction to corporate greed.

A tension between rational goals and spiritual fulfilment now haunts some workplaces around the world.

Garcia-Zamor 2003, p. 360

From this recognition that something was missing emotionally, it is not surprising to find that ABC has established one such programme.

As George commented (see section 6.3.2), some people experienced the programme as an opportunity for personal development and made new connections with colleagues. This view is reinforced from the customer facing groups:

I think it gave people a platform to come together and to air some of their experiences and some people became quite emotional.

Focus Group 2

To this extent, the importance of the programme for some individuals' experience is clearly evident. As George said, people saw it as the organisation investing in them. However, Dirks (2000) suggests that spirituality in the workplace transcends the location of performance within the individual and is concerned with “the ways in

which individuals *experience* work, its conditions, structure, organization” (Dirks 2000, p. 4).

The individualistic focus of the personal journey, the onus on the individual to change, and organisational transformation as an expectation from the individual within ABC, however, appears to be contrary to the notion of spirituality as it is more commonly observed (Dirks 2000; Garcia-Zamor 2003).

An individual’s experience is clearly of value to that person and it is clear that values such as openness and trust (as espoused in the programme) are central to all forms of constructive relationships. What has emerged in ABC, however, is a culture that parallels aspects of religion rather than being about the desire for individual spiritual enlightenment:

Spirituality is definitely not about religion. “It’s not about converting people. It’s not about making people believe a belief system or a religious system. It’s about knowing that every person has within him or herself a level of truth and integrity and that we all have our own divine power”. (Laabs 1995, 60)

Garcia-Zamor 2003, p. 358

In practice, it appears, ABC’s approach has fallen short of creating the culture that was intended and, instead, has generated a tension between its own espoused values and those values it insists its staff espouse. To this extent, it becomes apparent, as previously discussed (see section 5.5) that the substitution of the primary task at ABC from promoting customer satisfaction to sanctifying shareholder value has come at the cost of corruption to its own perception of its primary task (see sections 2.3; 2.5 and 5.5). James articulates tension of the newly *espoused values* about the customer:

I don’t think that you should confuse the motives for why we are finding the customer again. Well I mean

the customer is being found again because the long term economic benefits for the organisations shareholders are served by finding the customer again.

James

And James, referring to The Culture Programme,

We shouldn't always believe our own hype either.

James

Ashforth and Vaidyanath (2002, p. 364) offer a view about how, in this present climate, religion gets formed in organisations through a submersion of the desires of the individual to serve into the organisation's need for control. They contend that this substitution starts with the individual's desire for transcendence, meaning, identity and the need to belong in the first place. Secondly, a current environment of ambiguity, complexity, dynamism creates the conditions for "constructing a social reality to suit the preferred cosmology" (Weick 1995).

Religion, however, is concerned with addressing spiritual matters through an institutionalized system of beliefs and practices (Ashforth & Vaidyanath 2002). The religious system that has emerged within ABC has been promoted as a driver for cultural change rather than a desire for spirituality in the work place. As a consequence, the religious system has developed many of the more obviously identifiable characteristics of fundamentalism.

6.3.4.2 Fundamentalism

Fundamentalism tends to be used as a pejorative term with connotations of denigration (Aikman 2003; Almond, Appleby & Siva 2003). In that context, fundamentalism divides the world into good and evil. Fundamentalists fear annihilation, avoid contamination, often withdraw, create a counter culture, depersonalise others, at least partly, into objects and lose the ability to imagine an inner world or the humanity of others (Armstrong 2000 in Young 2002). Garvey (1993) defines fundamentalism as,

A particular brand of religion that shares the ideals (individualism, freedom) of liberalism. But these are subordinated to a higher ideal: to get people to live as God commands.

Garvey 1993, p. 34-35

The pressure to agree with the philosophy and engage in the activities and practices of the group when participating in The Culture Programme at ABC is very high despite any level of discomfort a person may experience. Moreover, this pressure is accepted to the exclusion of any spiritual belief and practice the individual may already hold.

To practice your own rituals were considered highly suspicious and were seen as “not participating”.

Focus Group 2

The pressure to conform is maintained in the Performance Management process where staff report being judged and assessed as ‘living the values’ of The Culture Programme. This approach apparently disregards the individuals’ integrity and beliefs and assumes that individuals holding disparate views need to change these to achieve congruence with the ‘right’ beliefs and values of ABC as the employing organisation.

At performance review time ‘Living the Values’ really is not about the work that you do. It is more about whether or not you are considered a fit. That means that you do not ever challenge or speak out.

Focus Group 2

Fundamentalism takes a position of exclusivity on right and wrong – tolerance of any other belief system is denied (Young 2002). Armstrong (2002) in Young (2000) contends that in order to preserve their doctrines, fundamentalists withdraw to form a counter culture.

You know, maybe part of it is [the CEO's] positioning, please don't talk about the four big banks, there are three big banks and there is us. Don't lump us in with that lot.

Frank

The counter culture developed in the *Culture Team* in ABC can also be found, perhaps not surprisingly, in the Restoring Customer Faith management team. Not only does the recruitment process create the belief about being separate; the structure reporting directly to the CEO reinforces its separateness from the rest of the organisation. The *Culture Team* has become, increasingly, symbolic of the ABC in terms of the belief that they are somehow special and set apart. At a less comprehensive level, there is a belief within ABC that the organisation is different and special because of its culture programme.

It has got a specialisation strategy that is part of what make us different. And that is part of the story that is told to the market so, you know, we are different, we are specialised and then we have the [culture programme] values that guide us in the way we go about doing things.

Ruth

James, however, is mindful about the risk of this belief about being special and different:

We shouldn't always believe our own hype either.
(Laughter.)

James

Fundamentalism inherent in the practice of The Culture Programme at ABC has generated a 'fear of speaking out'. To do so is, essentially, to be branded a heretic, a 'blocker'. It is important; however, to be clear about what is meant by the *fear of*

speaking out. Generally, there is a consensus among the informants to this study that The Culture Programme has created a greater sense of openness within the business unit about day-to-day business issues. Heretical behaviour is about speaking about the programme itself or the ways, in which staff are indoctrinated because,

People externally are looking over and saying, ‘Gee, look at what the ABC is doing’. So we were perceived in the market place as being the progressive far reaching organisation.

Focus Group 2

In categorising how fundamentalists engage with the external world, Almond, Appleby and Siva, (2003) contend that adherents may act as world transformers or world creators. The *culture team* has adopted an evangelical approach to the programme and they see their role as being central to the transformation process of ABC.

We are the custodians of the values. We seek to change people’s lives and make them better human beings.

Felicity

In earlier discussion about the personal journey (see section 6.3.2), it has been established that the individual competitive culture is aligned with the Protestant work ethic. This position is central to Weber’s (1958) position on Protestant Fundamentalism and appears to be equally central to ABC’s culture.

6.4 WHY THE RELIGIOUS ORGANISATIONAL RESPONSE?

6.4.1 Fulfilling Emotional Needs and the *Status Quo*

As previously discussed, ABC had recovered financially and the new CEO had embedded a specialisation model, which affirms the pursuit of shareholder value as the primary task of ABC. However, like most organisations, ABC had sensed that something was missing. Staff morale was low; downsizing and controlling cost was still firmly on the agenda. Basically “it [was] not adding up to being a nice place to work” (David).

In ABC’s genuine desire to redeem itself in the eyes of its staff, they adopted an approach that seemed to fill the missing gap, a gap that was framed in terms of the need to ‘fix the culture’. In this case, as has been established (see sections 4.3.3 and 5.5.1.3), whilst the organisations performance had improved, there was an emotional gap between the organisation and its members (see sections 2.4.10.5; 4.3 and 4.5). The publicly perceived sense of transformation was being driven, almost single-handedly; it appears, by the desire of the new heroic CEO.

Intervention to address the emotional gap translated into a *spiritual journey*. However, the tendency to reinforce the individualistic culture, which had accompanied the shift to specialisation, continued to be played out in the chosen response. The ‘solution’ to the low morale problem, The Culture Programme placed the responsibility for change squarely, and apparently solely, with the individual. To have challenged this would have been interpreted as challenging the appropriateness of shareholder value on which the organisation was now modelled and on which success was publicly predicated. The Culture Programme was introduced to fulfil two needs, an emotional one, which was understood as a need to fix the culture, and a survival one which was less consciously articulated but which, translated as a response that should sustain the shareholder value model.

At ABC, The Culture Programme, aligned with an individually motivating reward program, supported a competitive culture and made it easy for the organisation to

require subordination to the higher ideal, the organisation itself (Chattopadhyay & Malhotra 1991; Schwartz 1990). The fundamentalist model that emerged aligned the shareholder value model as religion with the pursuit of wealth creation as a liberal value (Weber 1958).

6.4.2 Survival

As previously discussed, (Armstrong 2000) fundamentalisms tend to follow a particular pattern because,

They are embattled forms of spirituality, which have emerged as a response to a perceived crisis.

Armstrong 2000 in Young 2002, p. 7

In 1997, ABC was in crisis (see *diagram 3:1*; section 4.2.1). It had profit increasing on one hand and morale deteriorating on the other.

The environment was also challenging. In the face of its self-imposed shareholder value driven model, it was difficult for ABC to put in place a programme that was about core values such as openness and trust when the system was deeply driving competition and an individual focus. Its desire to continue down the shareholder value path, however, had unconsciously become synonymous with survival (see sections 4.2.1; and 5.5). By engaging a religious dimension, ABC was able to create fantasies of eternal life.

Unconsciously, while the creation of a religious organisation emerged from the need to survive, it also sowed the seeds of its own fundamentalist character - the need for The Culture Programme could not to be questioned (see section 6.3.3.4). Furthermore, the apparent desire to repress questioning of the new theology, The Culture Program, in the face of the shareholder value model transferred fundamentalist characteristics to The Culture Programme itself; *the programme* had to survive in a difficult climate.

At the start I thought that ABC was not serious about changing the culture. They did not care about us. All that mattered was the results. Getting more and more out of us with less staff. It took a while for people to see that this was time out for themselves, more a personal journey. It was still for the organisation ultimately.

Focus Group 2

The deeply seated ‘fear of death’ (see section 6.3.4.2) was used to generate and then to nurture a fundamentalist response. Ultimately, fundamentalists fear annihilation, “if they were really sure, they would not have to be so intolerant” (Young 2002, p. 7). Lawrence (2003) argues that when organisations replace the task of work with the task of making money, they find themselves in the paranoid-schizoid position, and forced to split the good from the bad for survival. Aspects of splitting can be found at the individual and the organisational level within ABC,

Reflecting this “in or out” approach to people the CEO apparently believes that,

If you don’t like me tough. I don’t care. That’s he attitude. If you don’t like it leave, you know.

Sandra

When referring to the pressure to meet the numbers (see section 4.2.3) Sharon shared a staff member’s dilemma:

Well interestingly, someone said to me not long ago actually. I wish I could stand up and refuse to compromise but I am human I have a family and a mortgage. I am not prepared to put myself on performance review to do it. So you know, the conflict of your personal values, which is you know, I have still got personal achievements not to be viewed

as someone who won't change, or go the extra mile.
So you don't. So there is always that tetering.

Sharon

At the organisational level, the split is clearly found in the deep segregation of the twelve businesses (see sections 4.5.1 and 4.5.2). Neil also articulates the split between what is considered to be the more wealthy part of ABC and the poor relation in Branch Banking:

Culturally, split personality internally. When I say split I mean branch versus non-branch. Ok, walk into a branch and you would hardly know the same company. Everything is completely the reverse, ... A totally split personality.

Nigel

Fundamentalism can only exist where heretics are identified and 'cried out' (see section 6.3.3.4). Heretics reinforce the need for the enclave. Their self-righteousness is an affirmation of their ongoing survival.

We are the first bank to address the culture. The Culture Programme sets us apart.

Gary

You know maybe part of it is the [CEO's] positioning, please don't talk about the four big banks, there's three big banks and there is us. Don't lump us in with that lot.

Frank

6.5 SOCIAL DEFENSES

As Hirschhorn (1990), Jaques (1955) and Menzies (1960) have argued, social defenses contain anxiety often found intrinsically in the task. It is a reassuring religious response, which ensures eternal life for those who make the ‘transformation’, and for the organisation itself which has told the external world how it has redeemed itself. There is a strange sense of self-righteousness about this ABC can now *forgive* itself and *accept absolution* from what Frank previously identified (see section 6.3.1.) as the “atrocities” of its past.

Hirschhorn (1990, p. 67) contends that “the organizational ritual is the most durable and most externalized form of defense against anxiety”. The ritual depersonalises people’s relationship to their work, defending them against the anxieties of the task. The Culture Programme itself has become established as a powerful organisational ritual and its *outward and visible signs*, include the values card worn by all staff and the values assessment as a performance indicator.

The programme does not seek to defend the individual against the anxiety of specific tasks. It acts as a defense against the anxiety that is intrinsic in the task of shareholder value. As such, it creates a fantasy that ABC provides a counter culture, which is valued beyond the competitive individualistic one affirmed in an open admission of the pursuit of shareholder value. At its simplest level, the programme acts as a defense by contributing to the fantasy of the idealised task of customer service by promoting the notion that ‘customer’ is one of ABC’s values.

Even though the programme is experienced as an individual journey, it has had the effect of creating a closer affiliation with ABC.

I now know a bit more about what Mary feels on a more personal level. You had to share personal things. You, don’t tend to do that. You find out personal things about people you never knew before, more as a person.

Focus Group 2

People through the culture programme feel that the organisation has invested in them personally and they are part of a larger group who has experienced the same thing (see section 6.3.2). By joining with the organisation in this way, and not being a heretic, the individual can engage with the fantasy that they are now more secure within ABC. The fear of losing their jobs have been reduced at a time where job security is still fragile (The Australian 16 Dec., 2002). Nevertheless, George's response to congratulation still confirms the tension that remains within the organisation:

At least I did not get the bullet in the head this time.

George

To make changes to The Culture Programme would necessarily be seen as sacrilege. Indeed, recent opportunity for changing this, to address a future need, created a movement for the programme to be re-endorsed by the CEO, and for refresher training to be put in place.

Hirschhorn (1990) contends that the organisational ritual as a social defense is not only the most durable, it is the most visible. Paradoxically, because it is the most visible, its relationship to primary anxiety can often be more difficult to understand because people come to see the ritual as helpful and quite normal. Despite this programme's personal and highly emotional approach to development, it has been accepted as a 'normal' intervention to lead cultural change.

Other organisations are looking at us and wanting to be like us because of our [culture programme]. It is now part of how we manage ... it is just how we do things.

Fred

Ultimately, The Culture Programme acts as a social defense against the anxiety intrinsic in the shareholder value model, making the task more palatable by engaging a fantasy that the organisation is good and righteous and really does care for its people. As a consequence, it is unlikely that most staff would see The Culture

Programme as a social defense. It has been introduced into the everyday language of ABC and is seen as a central to ABC's success in differentiating itself from its competitors and developing the 'desired' culture (see section 6.3.4.2).

6.6 Task Tenets – Values and Dogma

As previously established (see section 2.3.7.3), task tenets are “those aspects of task that derive from the ideology of the system” (Chapman 1999, p. 133). Beliefs about the system that can be held unconsciously are allied to the concept of myth and are therefore more difficult to question. As a result, they can take on the form of dogma – unquestionable assumptions acknowledged as fact.

The now accepted mythology of the marketplace is that ABC is unique in the industry (Miller 1993) because of its culture programme and the culture that has been created. Within ABC, The Culture Programme with its fundamentalist approach has assumed the status of dogma. Chapman (1999) contends that when beliefs become dogma, when they can no longer be questioned without causing damage to the system or questioner, the task itself is more open to corruption.

Identification of ABC as a *religious* organisation, offers an understanding of how its beliefs drive the system and provides substantial evidence that its original primary task of developing customer satisfaction, the task that offers the humanity, the business ethic, and the meaningful relationships with which most of its staff identify strongly, has been corrupted into making money for shareholders at the expense of the customer. The lost task, as articulated by James (see section 1.1), is more about managing money for the many than making money for the few. This mutation, Chapman's (1991) primary task corruption has, become the sustaining motive for The Culture Programme at ABC and a driver for the tension exhibited by its banking staff.

6.7 SUMMARY

ABC's recognition that it needed to address the emotional gap and low morale even though the organisation had made a significant financial recovery and was now fully focussed on delivering as high a return as possible for the shareholder is an indication that financial success in itself was not fulfilling for ABC staff. As already established (see section 5.5), the task of pursuing shareholder value does not contain task values that sustain a sense of altruism or even of meaning. This is important in terms of the research question, as it is evidence that ABC unconsciously recognised that the pursuit of shareholder value was not capable of bridging the gap created by its shift in primary task. Furthermore, the singular pursuit of shareholder value had contributed to the vacuum because it had supported an increasingly individualistic and internally competitive culture.

With the best of intent, it appears, ABC attempted to address the low morale and fundamental dissatisfaction of its staff by attending to "the culture". What appears to have emerged instead, is a fundamentalist system congruent with and driven by the pursuit of shareholder value, which acts to maintain the current business model rather than seeking to fundamentally change it.

Fundamentalism has provided a powerful culture of inclusion or exclusion, which cannot be questioned. The zeal of the culture's disciples has ensured that anxiety remains unexpressed and tensions arising from the corruption of the primary task remain suppressed.

The following chapter integrates the findings developed from this and the previous two chapters to draw conclusions about how the primary task of ABC has impacted on both the effective pursuit of shareholder value and what has been termed, 'the soul of the organisation. It then identifies a series of implications for practice, which are drawn from the conclusions to the study, and a number of implications for further research.

CHAPTER 7

CONCLUSIONS

7.1 THE RESEARCH QUESTION

As I have established (see section 1.2), this research study emerged out of my experience of working across the corporate world in the finance sector over the past decade. During this time, I saw organisations make the shift of focus from the customer to the shareholder and struggle to maintain the identity and integrity of the profession of banking. The journey of my experience as it led to the choice of topic was discussed in the Introduction (see section 1.2) and the underlying assumptions were articulated in Chapter 2 while the research method and the nature of the study sample were described in Chapter 3. The findings discussed in Chapters 4, 5, and 6, are considered in this chapter in the context of the thesis title *The Soul of the Organisation: Passion for the Primary Task*.

In order to focus the spotlight on conclusions drawn from my observations, the research question identified in Chapter 2 is repeated:

How does increased focus on shareholder value impact on the organisation's passion for its primary task?

The underlying proposition of this research study (see sections 1.2 and 2.7), confirmed in chapter 2 (see section 2.3), has been that an organisation's engagement with its primary task is central to its success, sustainability and well being. On the basis of findings from theory, (see section 2.3.4), it has also been established that shareholder value is no longer the primary task of the bank informing this present study (see Chapters 4 and 5). Instead, like profit, it has been argued (see sections 2.3.4 and 2.4.10); shareholder value has been established as an outcome, rather than the organisation's reason for being.

7.2 RESEARCH METHOD

The thesis is essentially concerned with the dynamic that occurs within the organisation as a result of the research question. Consequently, the most suitable research approach was established as being qualitative (see section 3.2). As established in Chapter 3, the qualitative method adopted in this study acknowledges the underlying assumptions of the researcher (see sections 3.2; 3.7; 3.9 and 6.1), ambiguity (see section 3.8.2) and interpretations (see section 3.7.2). This research has been designed as an explanatory case study of three business units in a large Australian financial institution.

Data collection took the form of in-depth interviews (individual and group) with a cross-section of people from Senior Executive staff to frontline customer facing staff, supported with a review of internal publications and other organisational documentation (see sections 3.5 and 3.6). The data has been interpreted using theory drawn from the disciplines of organisation dynamics (see sections 2.2; 2.3 and 2.6), economic theory (see section 2.4) and social theory (see sections 2.4.10 and Chapter 6).

The qualitative method recognises how the theoretical frames chosen by the researcher ultimately shape the findings (see sections 2.7; 3.2 and 3.7.2). In this case, the psychoanalytic framework (see sections 2.2 and 2.6) offers interpretation of how anxiety is contained by social defenses and provides an argument extending our understanding of corruption of the primary task of organisations.

7.3 SUMMARY OF THE FINDINGS

7.3.1 Shift to Shareholder Focus

The primary task of the fictionally named ABC (see section 3.6) has mutated from providing financial services to its customers and social responsibility to the community to providing Return on Investment (ROI) for its shareholders (see

Chapter 4 and section 5.5). A pivotal point in initiating the mutation process appears to have been the recognised and acknowledged need to survive as a bank after becoming over exposed in the eighties and then experiencing a shift in the economy that almost saw its demise in the early nineties (see *diagram 3:1* and section 4.2.1).

The shift to shareholder focus has been achieved internally by adopting a business model of specialisation aimed at deepening the opportunity to create shareholder value. This model is concerned with restructuring the organisation to rigorously manage costs and drive accountability and responsibility for results as far down the organisation as possible. To encourage this, results are heavily incentivised financially.

The heroic CEO of ABC (see sections 4.8 and 6.3.3.1) has been successful at managing the external perception of the market (see sections 4.4 and 4.8), which has had the desired effect of increasing the share price. This singular focus on the shareholder appears, however, to have created a tension within ABC in relation to serving the customer (see sections 4.3 and 5.2). The customer dilemma, that is, the need to serve the customer, and the consequent customer backlash against the bank's shift to a shareholder focus (The Australian, 7 Dec., 2002), has been resolved in the mind of ABC through a socially defensive idealisation of the customer (see section 5.3).

Furthermore, service to the shareholder through increasing ROI has become synonymous with service to the customer, as it was formerly understood. In this context, it appears, the shift to shareholder value is actually a shift in the definition of customer service.

7.3.2 Cost Cutting and the Heroic Leader

The shareholder value model of managing in ABC became internalised and embedded in the system through the idealisation of the customer during a period when organisational survival was a priority and presented a social defense against this threat (see section 5.3). This together with the new leader's focus on cost

containment and his ability to manage the perception of the external environment created desired results for the shareholder. The system of shareholder value as a way of managing appeared to have been confirmed without an immediately apparent change in the focus of the organisation. The defense against corporate collapse had been contained and survival in a new period of economic growth is now claimed (see section 4.7).

To achieve this change at the staff level at ABC, idealisation of the customer was reinforced as a way of dealing with customer tension in the face of a system that had become increasingly dedicated to delivering shareholder value (see section 5.3). As a consequence, the heroic leader grew in strength, results were returned for the shareholder and, simultaneously, the market and media increased the CEO's profile (see sections 4.8 and 6.3.3.1). Internally, the staff saw the CEO as the saviour of the organisation. Survival was no longer a conscious issue (see sections 4.2.2; 5.5.3 and 6.3).

The impact of the shareholder value model, however, left its scars internally. There were those who still had to deal face to face with the customer daily. Consequently, it was difficult for them to see the 'New Jerusalem' (see sections 5.3.7 and 5.3.2.1).

The seemingly religious response of the spiritual journey to an emotional gap created by the shift in primary task appears to have reinforced the idealised image of the customer and promoted a social defense against the anxiety generated by the new task focus on shareholder value (see section 6.5). This shift at ABC legitimised the task of shareholder value and made it more palatable for many (see sections 6.4 and 6.5). The customer ideal was now seen to have a legitimate place in the shareholder value model.

7.3.3 Customer Service as a Casualty to Shareholder Focus

The primary task of providing customer service at ABC has been substituted with a changed primary task, of increasing shareholder value (see section 5.5). However, collusion around the idealisation of the customer (see section 5.3) appears to have

created a fantasy in which the task has not fundamentally changed from the altruistic conception of customer service first identified in James' story (see section 1.1).

To substantiate this perception, the heroic CEO has positioned *the culture programme* in the market place as a reason why shareholders should invest – the culture, he says, has been 'fixed'. Transversely, the new leader's popularity – both internally and externally - affirms his position of shift in primary task and the consequent belief that a renewed culture is in place to support it. The CEO is now the 'prophet for profit' (see section 6.3.3.1). Those remaining staff who are not convinced that the customer task is valued or that *the culture programme* has created the espoused culture find themselves either silenced or considered heretics and cast out if they speak out (see section 6.3.3.4).

7.4 CONCLUSIONS

7.4.1 Shareholder Value and Narcissism

The findings from this study strongly suggest that the pursuit of shareholder value is, in itself, intrinsically narcissistic.

Focus on the satisfaction of the shareholder appears to subordinate all other stakeholders and they are only important to the extent that they add value for the shareholder (see section 2.4.8). James confirms that, "we are finding the customer again because of the long term economic benefits for shareholder." This position of domination appears to create a sense of omnipotence within the senior ranks of the organisation at least. ABC believes that it has the power to influence and control the negative impact of the organisation on all other stakeholder groups. This belief about power, together with the need to manage the perception of the market, since share price is predicated on perception just as much as it is on business performance, creates an environment supportive of the emergence of heroic leaders (see sections 2.4.3; 2.4.10.8 and 4.8).

Consequently, the system that shareholder value breeds is quite evidently narcissistic at ABC. It appears to be based on, and promoted by a ‘winner takes all’ system of individualism and internal competition (Frank & Cook 1995; Sennett 2001; 1999a) (see section 4.5.1). This widening of the division between people is driven by narcissism, in the first instance, and leads to narcissism being deepened in the system. This organisation believes that it is special, in terms of its CEO, its business model and its culture (see sections 4.4; 4.8 and Chapter 6). As a result of these findings, this thesis offers:

Conclusion 1: *The elements of subordination, power and heroism that are intrinsic in the task of pursuing shareholder value ultimately create a narcissistic organisation.*

Furthermore, as Long (2002) argues, a narcissistic society or organisation promotes perversity. Narcissism in the perverse organisation “allows for the development of a blind eye to perverse and exploitative behaviour” (Long 2002, p. 187). In this context, it becomes possible for ABC to deny any real impact of the individualistic competitive system (see Chapter 6).

Underlying the shareholder value model is the Feudal archetype (Jung 1991; first 1934) on which it has been built (see section 2.4.1). Considering that this system was based on hierarchy, power and wealth with the intention of maintaining all other relationships as subordinate and subservient, it is apparent that:

Conclusion 2: *narcissism is intrinsically linked to the business model of shareholder value.*

7.4.2 Shareholder Value and the Nature of Relatedness

As established in Chapter 6 (see section 6.3.2), the challenge for staff members is to survive in the new (individual) organisation that is ABC based on ability to make themselves marketable, suggesting that staff are seen as a commodity that can be

traded, a view that is far removed from any sense of authenticity and what it means to be human.

Specialisation and the competitive culture have had the effect of separating people not only from one another but also from the organisation. This appears to be equally true for customers (see sections 4.3; 4.5 and 5.3.7). The relationship managers in business banking believe that customers now do business with them as individuals rather than with the organisation (see section 4.5.2).

Within this model, more and more, organisations risk losing customers when a staff member moves on so that:

Conclusion 3: The relatedness of the institution-in-the-mind held by both the staff and the customers at ABC has been substantially impaired by the introduction of the shareholder value model.

This loss of connection to the organisation without discovering what the organisation stands for is evidenced in the Restoring Customer Faith programme (see sections 2.6.3 and 5.3.2). Consequently, staff connect, increasingly, with their immediate group creating an insular and divided culture (see section 4.5) which fosters self-promotion and leads (see conclusion 1) to the creation of a narcissistic organisation.

The narcissistic organisation is disconnected in many ways and it is apparent that the heroic CEO, concerned with his own legacy, has not been able to bring his team together (see section 4.5.2). ABC has been shown to have lost sight of the customer as a reality through idealisation (see section 5.3) while rank and competition between individuals appear to have become the focus for those who are committed to the organisational ideal.

As a result it appears that:

Conclusion 4: staff achieve a deepening sense of their identity within the narcissistic organisation through rising up the organisational hierarchy.

Personal promotion within the organisation at either business or corporate level is seen to help staff to contain the anxiety they experience as a consequence of the discrepancy between the perfect image of the role portrayed for them by the narcissistic organisation and the actual role that they play (Schwartz 1990) (see Chapters 5 and 6).

7.4.3 Summary

The findings of this study support the view that the pursuit of shareholder value is intrinsically narcissistic and that a narcissistic task creates a narcissistic organisation. Furthermore, narcissistic systems in organisations disconnect people from the task and from each other so that the maintenance of the narcissistic fantasy becomes the necessary focus and, in the absence of passion from an inaccessible primary task, staff defines personal achievement through corporate congratulation.

At the core of the pursuit of shareholder value is the initial fear of not surviving, of *death* (see sections 2.4.10.8; 4.2.1 and 6.4), evidenced by the shift from survival to its replacement with the narcissistic task, the established organisational culture and the heroic CEO.

7.5 IMPLICATIONS FOR PRACTICE

In response to market pressure on ABC since the completion of the data collection phase of this study in late 2003, dialogue has taken place between the CEO and the executive team about the extent to which the model of focussing on costs to drive up share price has reached its limits, and how the challenge to grow organically might better be addressed. To extend this dialogue, ABC has set up a team to develop initiatives aimed at creating organic growth, and to respond to increasingly vocal customer pressure to improve service levels. This shift, it is argued, requires a long-term perspective, a different reward system, a new view of the customer, and leverage across the individual businesses.

Three months into the process, the new team had identified a number of challenges. Firstly, they had come up against the power of the specialisation model to generate an insular sense of selfishness. No one was prepared to give anything up for the greater good of the organisation. In consequence, the team began questioning how it could drive an agenda to create organic growth when the current specialisation model had created an executive team with positive disincentives against long-term thinking or collaboration (see conclusion 2).

Secondly, as a recent interview with the head of strategy confirmed, the CEO and his executive team did not share a joint view of this major change and appeared, in the view of one informant, to have lost sight of the task (see conclusion 1).

Thirdly, the team had begun to question the underlying reasons for being given the task in the first instance. Consequently, they had begun to consider whether they were only expected to focus on easily executed initiatives that could be seen as the CEO's legacy (see conclusion 3).

Presented with these issues and responses, the CEO and the Executive made a decision to dismantle the change team and relocate some of the smaller short-term initiatives.

Ultimately, it appears, the change team were perceived to be asking the CEO to loosen the specialisation model on which the entire system has been built. This system has been the CEO's hallmark for success and, as the team discovered, it can *not* be questioned (see conclusion 2).

The experience of the change team confirms the findings of this study and suggests a number of substantial implications for practice at ABC.

7.5.1 Shifting from Cost Reduction and Control to Organic Growth

Implication 1: *The task of pursuing shareholder value, and the system it creates, constrains ABC's ability to change and adapt.*

As has been demonstrated, powerful systems of shareholder value and fundamentalism are not readily flexible or open to change. As discussed earlier (see section 4.3.3), this is evidenced in the CEO's rapid return to containing costs at the first signs of a drop in performance impacting on share price.

Implication 2: *Adoption of the specialisation model at ABC, supported by the CEO with a competitive individual reward program, appears to have reduced the potential for ABC to institute change in response to market evolution.*

More specifically, it appears to have reduced the capacity for the organisation to respond rapidly and flexibly to short-term pressures.

From a practical viewpoint, the shift in primary task from customer service to shareholder gratification has reduced the competitiveness of the organisation in a volatile economic situation.

Implication 3: *Seeking to confirm the legacy of its heroic leader, ABC has become increasingly unable to accommodate to changes in its business model.*

As a result, it seems likely that:

Implication 4: *ABC may have inadvertently positioned itself for stagnation in a dynamic competitive climate.*

7.5.2 Change of Direction Under the Current Leadership

The scenario described in the previous section presents a conundrum 'Can ABC change direction' to a *growth and investment* model from its recently established and consolidated *downsize and distribute* model, under the leadership of the current CEO'? Whilst identification of new directions for organic growth appears to be the next logical step for ABC, it requires a fundamental shift in managing and mindset for the current CEO.

Cost containment can more easily be measured, managed and rewarded than a generation of business opportunities that may not bear fruit for some time. Such opportunities also require a preparedness to invest upfront. This requires a high level of trust, support for staff willing to identify and accept entrepreneurial risk, and a preparedness to wait for results. Organic growth would also require the now separated businesses operating within the organisation and against each other in pursuit of profit to work more freely across boundaries. The CEO has created the current model by encouraging internal competition between business although, generally speaking, the environment is hostile to this naturally occurring.

As it has been established (see sections 2.4.10.8 and 4.8), the shareholder value model attracts narcissistic CEO's. Consistent with narcissistic leadership is the current CEO's articulated desire to leave a legacy (see section 4.8). This desire for legacy presents a challenge in respect to the increasingly identified need for ABC to shift to a longer-term model. The longer-term strategy, however, does not easily bring legacy into sight. It also does not feed egos demanding instant gratification which, until recently it appears, have fed on short-term results and accolades from the market (see sections 2.4.10 and 4.7). As a consequence, it appears that:

Implication 5: Short-termism and risk aversion are affecting the capacity of the CEO to lead the organisation into a growth phase.

The implications for practice of this legacy approach to leadership is one for Boards to consider because:

Implication 6: The board of directors has governance responsibilities to fulfil when it is identified that a change of guard is required to take the organisation forward in a fundamentally different way.

The difficult issue for the Board of ABC in this case is that the CEO has produced a continued increase in share price. A change of leadership would require that the Board foresee the company's leadership requirements and not enter into contracts with CEO's that lock them into three or five year periods where the incumbent CEO,

as de Araugo and Béchervaise (2004) have argued, is only able to operate in a single paradigm.

7.5.3 Culture Change and Social Defense

The culture programme itself, and the nature of the quasi-Religious Fundamentalist culture, raises further considerations for practice. What has *actually* been created is difficult to see. The culture programme at ABC is not open to questioning from two perspectives: the fact that the programme is a social defense; and, the nature of the culture that has been created.

It has been established that the culture programme is a social defense enacted through an organisational ritual and that the organisational ritual is the most difficult to change because it is the most durable and, paradoxically, most visible (see sections 2.6.1 and 6.5). Recent attempts to change this programme and the reporting lines of the culture change team have met with high levels of resistance. The team has been successful at sustaining its self-initiated and self-referenced *status quo*. As a result, the belief remains within this group that any change to the programme itself could result in ABC losing sight of the organisation's values and that any other initiative within the bank that is not framed in the language of the programme is either irrelevant or off track. So, perceived attacks on the ritual of the 'programme' have actually created stronger belief in, and commitment to it.

Nor can the fundamentalism, itself, be questioned (see section 6.3.4). As previously established (see section 6.3.3.4), to do so is heretical. Historically, heretics were executed. So the fear of [at least metaphorical] death, together with the power of the organisational ritual and the positive feelings that it has previously created, generate a powerful dynamic which raises two further issues for practice: how does an organisation know what it is creating? And, what is the role for the culture change team at ABC in facilitating the next change?

The culture change team is now part of the system and, as a result perhaps, is unable to identify these questions. Moreover, it appears, the organisation is equally blind to

this development (see section 6.5). As a consequence, it would appear that, as was done to shift ABC towards a shareholder value model of business, ABC will again need to engage external consultancy (see sections 1.2; 6.3.1 and 6.3.3.3).

Implication 7: *the transition that ABC now faces for the creation of organic growth will need to be facilitated by an external consultancy.*

Rather than contributing to a solution, it seems, the programme and the culture team have become part of the problem, part of the current system that renders them unable to challenge the organisation and create the necessary impetus for change.

It remains critical, nevertheless, to consider the organisational ritual as a social defense in relation to change going forward, as this approach defends ABC against the anxiety of shifting task to generate shareholder value and acts in a way that makes it more palatable. It also makes the staff feel more valued and secure because they feel *invested in*. This presents another challenge in relation to managing change, to insulate against a sense of loss of the aspects of organisational culture that people have experienced as positive. In organisations, this might rightly be seen as insuring against ‘throwing the baby out with the bath water’.

The risk, however, is that failure to do so creates cynicism that prevents longer-term staff from sustaining a story of renewal and continual change. Instead, it comes to be viewed as ‘doing away with the past’ in which they have invested their time, energy and emotional commitment to achieve survival for the organisation through more obviously difficult times. In terms of practice at ABC, these findings suggest the need to be prepared to question the limitations of what is working well in terms of its capability to deliver a new future direction.

7.5.4 The Tension Between the Shareholder and the Customer

As the data collection phase for this study concluded, the CEO was talking about the need to move from a *cost focus* to *organic growth* in order to drive up share price. This specific dialogue about growth has initiated more generalised dialogue about

needing to ‘find the customer again’ and has been fuelled by the fact that the Restoring Customer Faith programme has not, apparently, delivered the expected outcomes. Customer feedback has not improved and it is perceived that ABC’s competition is ahead in the customer research data (Roberts Research 2004). There is a growing recognition in some senior circles that, ultimately, a shift to the long-term can only be achieved through refocusing on the customer. Competitive advantage is once again being considered as being dependent on the customer and on the inclusion of the other stakeholder groups.

Whilst the CEO is currently generating a dialogue about the need to refocus from a cost driven model, it seems evident to his senior management team that he is not committed to the notion because creating organic growth requires the development of a customer-centric organisation. Currently, according to the informants to the present study, this is creating ambiguity and tension for the senior management team and the CEO has been unable to articulate the “new light on the hill”. This tension appears to have been present for some time within ABC, as has been established, and the anxiety has been contained within a clear shareholder agenda while customer tension has been contained through idealisation (see Chapter 5).

The new desire for organic growth is starting to open up an historical issue. At some levels, ABC is now accepting that they are *not* customer-focused – despite the mantra of the Restoring Customer Faith programme. As this generates discussion, ABC will be less able to maintain the idealised customer as the focus for its mutated task of pursuing shareholder value. If the CEO is not able to bring clarity and direction to this issue, the organisation risks being split or retreating to the cost containment model it already knows too well.

Implication 8: *The CEO must initiate a credible risk investment for growth in the medium to long term while managing the short-term expectations of the market.*

At a broader level, dialogue about the mutability of the future, previously vigorously suppressed through the activities of the culture team, has enabled another question to emerge at ABC. ‘Which one of ABC’s competitors will have the courage to redefine

the customer relationship and the Personal Banking model?’ It is conceivable that the question is already being addressed to the satisfaction of the customer by new players in the market but that, under the halo of the culture team, ABC are unaware of the development.

In practice, issues about the future are seen to be about courage to accept and then manage entrepreneurial risk. Nevertheless,

Implication 9: Managing entrepreneurial risk requires a CEO who is prepared to be clear, and stay focused, for the medium to longer term, while managing the uncertainty and backlash of potential market volatility in the short term.

This may be the ultimate challenge for a sustainable organisation.

7.6 IMPLICATIONS FOR FURTHER RESEARCH

The findings from this case study of a single complex institution during a period of transformative change have been viewed through the very specific qualitative lens of organisation dynamics, an essentially psycho-analytic approach. The analysis has been refined with the selective inclusion of systems and economic theories, which are more sociologically oriented. In consequence, it is an explanatory study. The findings have led to a series of necessarily tentative conclusions specific to the organisation and based on the perceptions of senior members of that organisation.

Although it is not anticipated that the findings of this study can be generalized across other organisations, they do suggest certain areas of commonality which appear worthy of further, and perhaps more detailed, study at both micro (organisational) and macro (industry-wide or even society-wide) levels.

At a macro level, an expansive sociological/psychological study might be developed to consider whether the tension between the task of providing service to society and the task of increasingly rewarding society as a shareholder in its own existence might

lead to a unified theory positioning ABC as a microcosm of society today. The findings from this study, however, appear to lead towards more immediate research concerns.

7.6.1 Cultural Adaptation

The findings of this study indicate a deeply embedded shareholder-focused business model within ABC, which has adapted the culture to sustain shareholder value. It would be useful to test these findings in other similar publicly listed companies to establish:

- To what extent the shareholder value model has been embedded as a shared culture within similar organisations;
- The nature of the culture that has been created; and
- The extent to which religious fundamentalism has emerged as the system that sustains this type of culture?
- The extent to which a focus on shareholder value has diminished customer confidence in their expectation of service.

7.6.2 Heroic Leadership and Religious Culture

This study has identified the heroic leader as playing a key role in creating a quasi-religious fundamentalist culture. Building from de Araugo's (2001) work on leadership development in not-for-profit organisations, it would be useful to establish whether the culture creates such a leader or whether certain types of leaders tend to generate different cultures within financially focussed organisations.

At a deeper level, a useful study could illuminate whether the capacity for the shareholder value focus to reproduce a powerful system, such as Religious Fundamentalism helps make the task more palatable, whether this response is unique to ABC (which seems unlikely), or whether it is a product of leadership.

7.6.3 Managing Stakeholder Tension

While the response of ABC to threatened extinction resulted in a mutation of the primary task from customer service to shareholder satisfaction, a useful study would explore alternative responses in which publicly listed organisations have successfully managed the tension between customer and shareholder and, in extension, how has this been achieved.

7.6.4 Leadership in Not-for-Profit Organisations

While ABC is established to generate profit, it would be useful to study what happens in not-for-profit organisations where the pursuit of profit emerges as a means for maintaining the organisational mission. Such a study would provide useful insights into how leadership and culture are affected by primary task focus.

7.6.5 Maintaining Customer Focus to Deliver Shareholder Value

Although ABC is seen to have shifted its primary task focus from customer service to shareholder value, a useful study might consider how companies that are renowned for their customer service deal with the challenge of maintaining shareholder value.

7.7 THE SOUL OF THE ORGANISATION – PASSION FOR THE PRIMARY TASK

In reflecting on the findings from this study, it became apparent that:

- Substitution has been used to corrupt the primary task of the organisation from customer service to the pursuit of shareholder value. At an individual level, the new ‘culture of individualism’ and ‘internal competition’ can be seen to be corroding character (Sennett 1999a). People have become increasingly disconnected from one another and from ABC. As a consequence, connection to and passion for the primary

task of providing customer service is no longer encouraged or, perhaps, even possible. On another level, however,

- The organisation has adapted to its environment in order to survive and has been successful at doing so, having attracted a heroic leader who understood the requirements of the market and is dedicated to developing an internal business model that is aligned to shareholder value. Consequently, both staff and customers can be seen to be passionate about the new task of shareholder value.

If you want to go in one direction, the best route may involve going in the other. Paradoxical as it sounds, goals are more likely to be achieved when pursued indirectly. So the most profitable companies are not the most profit-oriented, and the happiest people are not those who make happiness their main aim.

Kay 2004, p. 17

It seems clear that ABC has successfully, if not consciously, mutated its original culture and primary task to create the current system where shareholder value is accepted as the central measure of organisational success by the market. It has attracted a heroic leader who has played a major role in terms of managing the external perception of the market and has contributed to increasing the company's share price. However, that is only one part of the issue addressed in this study. Any assertion that ABC staff are passionate about the shift in primary task to generating shareholder value carries with it the underlying proposition addressed earlier (see section 1.2) that the soul of an organisation can be found in its passion for its primary task.

On the basis of the findings of this study, it seems quite clear that this is not possible because the task itself is corrupt in terms of Chapman's (1999) definition, being devoid of the values of authenticity, accessibility and altruism (see sections 2.5. and 5.5).

The narcissistic nature of the task of generating shareholder value creates a commitment that is focused on the success of the individual. Commitment to this task is demonstrated by working long hours and is part of being seen to be committed in an intensely competitive environment. Whilst this research clearly demonstrates that ABC people are committed to working hard to deliver the expected results, they have been shown to be hungry for their own personal success, their place in the hierarchy, and, where they deem it necessary, shoring up their own success at the expense of others. Their energy has been shown to be directed at their individual career rather than displaying any necessary passion for the task. Rather, as Hirschhorn (1988a) noted (see section 1.2) it is their relationship to the work that propels ABC staff to achievement.

Personal competitive success is a far cry from the task of the bank that James articulates in his story of the Queensland cane farmer in terms of the bank's relationship with the farmer and the farmer's connectedness to the institution. The focus on shareholder value evokes none of the energy and timeless connectedness argued by Hirschhorn (1998a) in his work on passion for the task. In fact, as previously demonstrated (see sections 2.5. and 5.5), the nature of the task does not contain the values for the soul of the organisation to be experienced - nor does the energy that it generates find a connection to the work.

As earlier established (see sections 2.4.10; 4.3.2; 4.6 and 4.7), the key elements of shareholder value - short-termism and agency, being dealt with through the allocation of stock, have implications for the sustainability of shareholder value as the primary task.

Short-termism in terms of sustainability seems, at first sight, to be obvious. The fact that awarding stock to executives has not addressed the perceived inherent issue of agency, however, has also driven short-termism and called into question the sustainability of the model (see section 2.4.10). The idea that the primary task is central to creating a sense of organisational soul not only requires the task values discussed earlier (see section 2.3.7.2) to be present but also that the task has the capacity to provide a longer-term view and generate sustainability.

In terms of identifying the soul of the organisation, those underlying beliefs that originate from the Feudal system (see section 2.4), and on which the task of shareholder value is predicated, have substantial implications for the focus of the research question:

How does increased focus on shareholder value impact on the organisation's passion for its primary task?

Firstly, because the system only exists through the subordination of others, its structure is founded, ultimately, on subordination – which can only ever drive a wedge between the shareholder and all other stakeholders (see sections 2.4.10.5; 4.3 and 4.5). The findings of this study strongly suggest that the changed/mutated task is not capable of creating the level of relationships so passionately expressed in James' story. In fact, the only passionate expression in the data reflects what Bowlby (1980) associated with loss. In consequence, a further implication to be drawn from the findings of this study suggests that,

increased focus on shareholder value has the risk of feeding the desire for power for powers' sake.

Secondly, the system of specialisation, as it has been developed within ABC, appears to have reinforced a sense of distrust and propagated the idea that loyalty can be bought; that only owners act in the interest of the system so agency buys ownership. Across the period of this study, it has been demonstrated that agency has the effect of feeding greed among some of those who have access to the money (such as One-tel, HIH and Enron). More fundamentally, it seems the fact that the system is predicated, in the first instance, on lack of trust holds significance for all organisations similarly constructed. It suggests that,

the task of shareholder value does not have the substance to engage people in a meaningful way and that the goals of the organisation will not necessarily be the goals of its staff.

In this respect, as has already been established, shareholder value is not a worthwhile task (see sections 2.5 and 5.5).

The underlying structures of narcissism, the nature of relatedness and the development of quasi-religious fundamentalism that have emerged in this research, appear to be intrinsic in the system created by the shareholder value model. Nevertheless, they have no evident capacity to generate real engagement, real passion for the task. Underpinning narcissism, as has been shown (see section 7.4) is the fear for survival, and it is necessarily blind to its own impact. Relationships, in this context, are parasitic and transactional at best and, in the presence of narcissism, in fact, people become separated from one another and disconnected from the larger institution and its purpose.

By mutation of the primary task, by what Chapman (1999) has described as *corruption* of that task, which has been more appropriately, termed a *mutation* at ABC - inclusion is experienced through the fundamentalist model. In practice, this model may not be questioned. As a result, it appears to be ensured that shareholder value as a task and system can survive and, with sufficient support, become more palatable to the staff whose primary task has been changed. Whether it can be sustained, however, is a different issue.

The problem with shareholder value, however, as Lawrence (2003) has argued, is that it places managers in a paranoid-schizoid position. In contrast, it has been argued (see section 2.3.4), work-oriented tasks that have meaning beyond economics hold people in the position where they are able to see things as whole objects. The depth to which ABC has embraced the task of generating shareholder value and embedded it in its system has, however, created splitting at the organisational level (see sections 2.2 and 2.6). Splitting has also occurred between managers as individuals respond to their work, between the shareholder and all other stakeholders, between the executive group who hold the shareholder focus at the top of the organisation and those who serve the customer directly at the bottom of the organisation. It has also split off those who dared challenge the religious fundamentalist culture as heretics.

7.8 CONCLUSION

Whilst ABC has chosen to deeply embed shareholder value, it is clear, as Johnson (1997) observed, that the task of shareholder value is a consequence of the larger system. In Australia, as in many western economies, the market and the finance industry system drive the pursuit of shareholder value.

This drive creates a particular culture and ABC has now recognised some of the down sides. In response, it has invested financially in sustaining its commitment to a culture programme, with which it seeks to create a more humane workplace. Its explicit intent has been ‘to change the culture’.

The reality, however, is that the task of shareholder value is now driving the organisation. The deeply embedded structures on which it is predicated are at odds with the articulated culture of collaboration. Ultimately, the essence of the organisation, its *soul*, lies in the task itself, not in the interventions that might be imported by management consultants, witch hunts, selective employment of *true believers*, or even the development and maintenance of a culture team.

In fact, the task itself remains at the core of the organisation – everything else stems from it. As the findings from this study confirm, real engagement can only occur and be sustained by a worthwhile task. It is the passion for this task that becomes evident as the soul of the organisation.

Shareholder value as a system appears, from the experience of its implementation at ABC, to be unsustainable. Already, it is has begun to slow. Its capacity to continue to return value to shareholders has decreased. Paradoxically, value to the shareholder is only possible if the tension of all of the other stakeholders is managed, their needs are met, the task has the capacity for some form of altruism and, the humanity that is clearly present in James’ story of the lost task (see section 1.1) can be harnessed to restore the soul of the organisation.

7.9 PERSONAL REFLECTIONS

7.9.1 Different Paradigms

I have held senior roles in the Human Resources discipline in the banking industry over the past fifteen years. These roles require that I continually work with the tensions of the organisation's desire to support and develop its people while, at the same time, maintaining a 'trail of evidence' through which any initiative can be measured in terms of its contribution to the 'bottom line'. The capabilities that this role requires are both business acumen and professional skills as a Human Resource practitioner. To some extent, the development of this thesis has paralleled that challenge. It has offered the opportunity to explore theory that belongs in the discipline of economics and traditional business paradigms and consider the implications in the light of unconscious organisation dynamics. In this context, the review of the literature for me was insightful, intellectually challenging and, in some ways, very familiar. It substantiated for me, many times, the tensions and the demands of my role at work.

The title of this thesis 'The soul of the organisation: Passion for the primary task' also presented challenges to the theoretical perspective that the study took. Frequently, I found myself explaining that this was not a study of the popular notion about the need to introduce spirituality, in any form, into the modern work place. In fact, the notion of 'soul' in this case demanded a more pragmatic view - of engagement central to the primary task. In this sense, it elevated the work of the organisation as the critical element to the success and well being of the organisation.

7.9.2 As an Insider

I had been a staff member with ABC for six months when this research commenced. At that stage I had the advantage of not yet being inculturated, so it was easier to 'see' the distinctiveness of the culture. One could not assume what something symbolised; it had to be explored to be understood. Over the period of the study though, this capacity to be 'outside' the culture diminished. This presented two

challenges: the first concerned the capacity to stay curious and not assume that I knew what was meant and put my own interpretation on events.

The second challenge was more difficult. Some of the aspects of the culture presented in this study created deep personal tensions for me. These are foregrounded in Chapter 6 and included, for example, aspects of the ‘religious fundamentalist’ culture. This became difficult, particularly, when I had to work closely with the culture team or implement initiatives that had some organisational alignment to the culture programme. One day I would find myself writing about ‘religious fundamentalism’ for this research study and the next I would find myself in a meeting that would raise thoughts and feelings from the evening before. At times this situation generated feelings of ambivalence to my work as my research evoked feelings of resentment about the nature of the culture. This situation also created the challenge of not always being the researcher in everyday work life. At times it has been difficult to leave the research behind me.

7.9.3 The Church / Religious Metaphor

In reflecting on the *religious* culture evolving within ABC, it seems more likely that the Church would have produced a more socialist, benevolent culture and set of values. This would, however, have spawned a different language from that of *heretics* and *sinner*s. Instead, it seems to me that the values embedded in shareholder value were already probably deeply entrenched in the system. By the time the desire to change the culture was addressed, shareholder value had already been unconsciously substituted and had supplanted customer service as the primary task of ABC across senior management level at least. The system therefore reproduced itself by finding a religious model that structurally and morally confirmed and supported its newfound capitalism. Any hint of a historically religious socialism did not stand a chance.

My reflections on the choice of the theoretical framework for interpreting these dynamics concern the nature of the issues that have emerged in this thesis. They are difficult to substantiate and have the potential to be controversial. Consequently they

could be difficult to accept. It is my continuing view that the tensions that have been revealed in this study are more accessible and more easily accepted when they are considered from an unconscious perspective.

7.9.4 Shareholder Value and Religious Fundamentalism as Symbiotic Partners

Characteristics, such as individualism and competition have been widely written about in relation to organisations that have been highly focused on shareholder value or profit (Handy 2002; 1997; 1995; 1994; Sennett 2001; 1999a; 1999b; 1997) so it was not surprising to find individualism and competition as strong elements of ABC's culture since it has a strong focus on the pursuit of shareholder value. What was not expected was the presence of a strong religious fundamentalist culture (see sections 6.3 and 6.4). However, considering the symbiotic relationship of capitalism and religious fundamentalism (Kudriashova 2003; Sennett 1999a), perhaps it is not so surprising, on reflection, to find fundamentalism in ABC since shareholder value is a critical element of the system of 'New Capitalism'.

Religious Fundamentalism, for ABC, validates the desire for wealth, interpreting it as success both financially and spiritually (see section 6.3.4). It creates a dynamic however, where shareholder value as a task cannot be questioned, and simultaneously, the religious fundamentalist culture itself cannot be questioned (see sections 6.3 and 6.4). These two systems, shareholder value and religious fundamentalism are powerful tasks in their own right (see sections 2.4; Chapter 4 and Chapter 6.). Together they create a *very* powerful system, which is either inclusive or exclusive, within ABC, and creates a comforting self-righteous belief in relation to the task of shareholder value.

Furthermore, this symbiotic relationship, this *perfect fit* of two systems presents further questions for consideration. Has shareholder value as a system become so deeply embedded in ABC that it requires an equally powerful system to not only hold it in place but also keep it palatable to staff? The evidence in this study would suggest so, as it has been established that shareholder value has become deeply

embedded in ABC (see Chapter 4) but that it is becoming recognised as unsustainable.

In conclusion, it seems that the rise of capitalism and religious fundamentalism as a symbiotic pair over the past decade offers a potentially fertile topic for further research and philosophical debate.

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Thematic Questions

Indicative

The Primary Task:

Organisational Level

- What is the organisation set up to do?
- What do you believe to be the Primary task of ABC?
- If shareholder value was considered to be an outcome and not the primary task what might the primary task be?
- What occurs in an organisation for the organisation to lose sight of the 'Primary Task'?
- If shareholder value is considered to be the primary task of the organisation how does this manifest itself in the organisation? Specific examples.
- In your view is shareholder value an worthwhile task?
- Other stakeholders – To what extent has ABC delivered on the expectations of the community stakeholder group?

Individual level

- What is the purpose of your business unit?
- Why does your function exist?
- What is the primary task of the business unit?
- What do you consider being the key organisational drivers?
- What do you consider your task to be on a day to day basis?
- What are the challenges you face on a day to day basis?

Passion:

- Where does passion exist in the organisation?
- What do people feel passionate about?
- What creates passion in an organisation?
- How do you know that there is passion for the primary task?
- How do people experience their work?

Organisational Identity:**Organisation**

- What defines ABC's identity?
- How would you describe the identity of ABC? How would you describe the identity of ABC?
- What is the purpose of the organisation?
- What is the relationship between the organisations identity and the organisation's passion for its primary task?
- What is the organisation that is held in the mind?

Individual

- What is the individuals relationship to their work?
- What is the individuals relationship to their roles?
- How do people identify with the organisation?

Change and volatility – external environment:

- What is the external environment impacts that ABC is likely to face over next few years?
- How does the government's four-pillar policy impact on ABC?
- How does the organisation hold site of the primary task in a volatile environment?
- What impact does change have on organisational identity?
- Where is creativity experienced in the organisation?
- What creates the environment for creativity to occur?

Organisational Culture:

- How do you describe the culture of ABC?
- What do you think has the strongest impact on the culture of ABC?

Specific Case Questions

Indicative

Specific Case: Specialisation – ownership and accountability for your ‘own business’:

MD’s and Executives:

- How have you business been responded to the organisations desire to ‘run your own business’?
- What changes has this brought about?
- What is your understanding of the drive behind this strategy?
- Do you believe that it will bring the desired results?
- What impact has this strategy had on your staff on a day to day basis? At the end of the day, what do think really counts around here?
- What are the challenges that you face in implementing the local CEO model?

Local CEO’s:

- You are one of the first local CEO’s. You have been in the organisation 17 years, what do you see as the difference?
- The model suggests that you will be able to make decisions at the local level. What decisions are you able to make about your business that you could not make before?
- What is the expectation now of your branch managers under the new model?
- What are the business drivers that sit underneath the new model?
- What are the business drives that underpin ABC strategy about moving to 200 businesses?
- Talking about the organisation as a whole. Do you think that the granularisation strategy to 200 businesses has some organisational risk?
- You are new to ABC. What are you first impression of the organisation?

Restoring Customer Faith Initiative:

- What was the driver for creating the Restoring Customer Faith initiative?
- Do you think that our customers see that passion when they interact with ABC?

Focus Group 1 – Branch Network:

Discussion group questions:

The following statements were written on a whiteboard in order to stimulate discussion. The construction of these statements followed the completion of the interviews with the MD's and the Executive Group.

Organisation

- *The image that I carry in my mind about ABC is*

Experience in role

- *If I was in charge of the Bank I would show that I am serious about customer service because I would*
 - *Restoring Customer Faith is an initiative that*
 - *If we were serious about Restoring Customer Faith we would*
 - *The new Local CEO role is making a difference*
 - *When it really comes down to it all that matters in the bank is*
- *If 'they' would just let us get on with it*
 - *We do a good job but the rest of the organisation makes it difficult for us*
....
 - *Head Office is the problem*

Personal values and expectations

- *What banking means to me is*
 - *How you get rewarded is to*
 - *For me a career in the bank means*
 - *The work drives me wild with*

Differentiation:

The CEO continually articulates the need for ABC to be different. The researcher assumed that differentiation could impact on the choice of primary task and the notion of passion.

These questions were designed specifically for the Head of Group strategy. However the first question was asked to all participants.

- CEO specifically talks about ABC being different. What do you think that means?
- In your role as head of strategy, what are the challenges that you face?
- At the end of the day what are the factors that contribute to the decisions around strategy?
- What is the decision making process that the organisation engages in to agree on strategy?
- What are the attributes that you personally bring to this role?
- You sit in a unique position in the organisation. What do you see?

Personal reflection:

- If you were to leave ABC what would you take with you?
- If you were to leave ABC what would you bring to the new organisation?
- What level would you need to be appointed in the new organisation to achieve this?
- What in your view is the greatest challenge this will face in the short term and why?

Focus Group 2

Business Banking

Indicative Questions and Propositions

The purpose is to test the findings from the individual interviews and the previous follow up outcomes from the focus group discussions held with the Branch Network.

The approach is to present propositions for discuss and debate.

Opening questions:

The intention is to encourage reflection.

Personal:

- At work what I deeply care about and feel strongly about is ...

Customer:

- What are the critical enablers to do your job well at the customer interface?
- What are the major challenges you face when working towards meeting the customer objective?
- How do you think the customer experiences ABC?

Propositions:

1. At the end of the day ABC is prepared to sacrifice the customer experience in order to meet the numbers.
2. “Freedom with responsibility” is just another way of saying – “Don’t blame us. We gave all the authority that you needed to run your own business so if you don’t make the numbers it is your responsibility”.
3. Tension:
 - MDs ultimately are focussed on the Business Unit results
 - Senior Managers are torn between the customers and making sure that MD’s meet the targets
 - Customer facing staff are truly the people that empathise with the customer
4. The Culture Programme had filled a vacuum in ABC

5. Forever impaled on the horns of a dilemma: Meeting both the needs of the customer and the shareholders – may be ultimately unresolvable.
6. Survival of ABC is dependent upon our ability to grow as big as our competitors to ensure that we won't be taken over [or overtaken??] by the competition.
7. The “Bank with the Human Face” is a bit lost on the customer.
8. The CEO is the face of ABC.
9. A passionate organisation is impossible when individualism is really what gets rewarded.
10. The appetite of both the shareholder and the customer can never be satisfied because they are actually seeking opposed outcomes or
11. How is ABC resolving the one bank dilemma in the eyes of the customer?

List of Informants

Name	Position
Joseph	Managing Director - Personal Financial Services
Frank	Executive – Restoring Customer Faith, Branch Network
Nigel	Local CEO – Branch Network
David	Local CEO – Branch Network
Focus Group 1	Personal Financial Services - Branch Network
George	Managing Director – Business Banking
Sandra	Executive – Business Banking
Ruth	Executive – Business Banking Small and Medium Businesses
Mark	Executive – Business Banking Small and Medium Business
Focus Group 2	Business Banking - Small and Medium Businesses
James	Managing Director – Mortgages
Sharon	Executive – Mortgages
Fred	Executive – Mortgages
Gary	Executive – Mortgages
Andrew	Head of Group Strategy
Felicity	Head of Culture Change

Dear xxx,

Permission to Conduct Research – Professional Doctorate Thesis

I am presently studying for a Doctorate in Business Administration (DBA) at Swinburne University of Technology and am seeking permission to conduct my research within ABC.

I have completed the course work and have commenced work on my thesis. A DBA is a research degree consequently the thesis is the major part of this study. The universities ethics committee has approved my topic and research method.

I would like the opportunity to meet with you to discuss this request. So that you can give this some thought prior to meeting with you I have briefly described my topic and the extent to the organisations involvement that I am asking for.

The Research Question:

How does focus on increasing shareholder value impact on the organisation's passion for its primary task?

The areas of interest to research question are shareholder value, identification of the primary task, peoples relationship to the work itself, organisational identity and volatility and change. These areas form the basis of the questions posed in the proposed interviews.

ABC's strategy to "Create the Soul of a Small Business and the Muscle of a Large Organisation" I believe presents a unique opportunity for a case study in response to the research question.

To do this I would like to study three individual business units and some members of ABC's Group Executive:

Participation in the research is voluntary and the process of engagement will meet the University standards in relation to ethics. (See attached consent document)

The Business Units that I wish to approach are:

A. Business unit Case Studies

- One of the Branch Network businesses,
- Wealth Management, and
- One of the business units in Mortgages

The people that I wish to interview are:

The three MD's or local CEO (number of people = 3)

Three people from each business unit chosen at random, (number of people = 9) and

Focus groups of five people from the front line that have direct contact with customers, again chosen at random. (number of people = 15)

B. Organisational and leadership perspective

I also wish to include, Head of Group Strategy, Head of Group Risk and the Executive who is head of the Culture Programme.

Length of Interviews

All interviews would be one hour maximum. For purposes of accuracy of recording data I wish to record the interviews.

I aim to conduct the research over a three month period starting from the time approval in principle is given to proceed. This time frame will be dependent upon availability of participants. I also commit to conducting this research in my own time.

xxx, I appreciate that this is not a small ask and that you will have questions. I have considered my topic for five years so I have not gone down this path of inquiry lightly. I trust that you will consider this request favourably.

Regards

Sally Eastoe

I give consent in principle for this research to be conducted within ABC on the basis that:

- a) Participation is voluntary,
- b) Anonymity and confidentiality are respected, and
- c) Any subsequent publications to the thesis would require the consent of ABC.

Signed:

Name: _____ Date: _____

Dear

I am a Senior Consultant in Human Resources and am presently undertaking a Professional Doctorate at Swinburne University of Technology. The Professional Doctorate is a research degree and I have gained permission in principle from Head of Human Resources to conduct my research within ABC.

I am approaching three business units to ask for people to participate in the research. All participation is voluntary.

The research question that I hope to answer is:

How does focus on increasing shareholder value affect the organisation's passion for its primary task?

The areas that my questions are framed around are, shareholder value, identification of the primary task, people's relationship to their work, organisational identity and complexity and change.

The extent of involvement that I am asking for is to interview:

- Yourself (MD)
- Three managers (individually) and
- A focus group of five people who deal face to face with the customer.

Ideally people should be randomly selected.

Interviews will be a maximum of one hour and will be taped. All ethically issues associated with research will be adhered to. Anonymity and confidentiality will be carefully managed. The only other person that will have access to information is my university supervisor. I have attached a sample copy of the consent document that set out these requirements for your information.

I appreciate that this is not a small ask and that you will have questions. I have considered my topic for five years so I have not gone down this path of inquiry lightly. I trust that you will consider this request favourably.

PARTICIPANT INFORMATION SHEET

Thank you for volunteering to assist in this Doctorate of Business Administration (DBA) research project on 'The Soul of the Organisation'. The scope of the research is to better understand how organisations stay connected to the primary task of the organisation when they are faced with pressure to make an increased return for the shareholder.

Interviews will be conducted on a one-to-one basis and is expected to finish within 60 minutes. The focus will be on identifying the primary task of the organisation, passion for the task, organisational identity and shareholder value.

Your participation in the focus group discussion is valuable for the research, but you may withdraw from further participation at any stage. If you should feel the need to withdraw anytime, all the information you have provided will be destroyed. All information supplied to the researcher will be treated in strict confidence and you will not be identifiable in any report of the research that is published.

A letter explaining the project and containing a consent form for participants is attached. The Consent Form is to be signed and the whole page returned to me as the researcher before the project can begin. This information sheet is to be retained by you, as a participant, for your records. If you need any further information about the project, please feel free to contact me or speak to my research supervisor Dr. Neil Bechervaise (03) 9592 2674.

If you have any concerns or complaints about the conduct of the research study, please contact:

The Chair
Human Resource Ethics Committee,
Swinburne University, PO Box. 218,
Hawthorn, Vic. 3122.

Research will be conducted by:

Sally Eastoe
Australian Graduate School of Entrepreneurship
Swinburne University.

Thank you for agreeing to assist with this research project.

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Sally Eastoe

CONSENT FORM

I _____ agree to take part in the research investigating ‘The Soul of the Organisation’. I accept that I will be interviewed and I agree that this interview may be tape recorded as a data source for the researcher but that the recordings will not be published or publicly displayed. I understand that I may withdraw from the project at anytime and I am satisfied that all information supplied to the researcher will be treated in the strictly confidence.

(Signature)

Date

PARTICIPANT INFORMATION SHEET

Thank you for volunteering to assist in this Doctorate of Business Administration (DBA) research project on 'The Soul of the Organisation'. The scope of the research is to better understand how organisations stay connected to the primary task of the organisation when they are faced with pressure to make an increased return for the shareholder.

Research will be conducted on a focus group basis of approximately six participants and are expected to finish within 60 minutes. The focus will be on identifying the primary task of the organisation, passion for the task, organisational identity and shareholder value.

Your participation in the focus group discussion is valuable for the research, but you may withdraw from further participation at any stage. If you should feel the need to withdraw anytime, all the information you have provided will be destroyed. All information supplied to the researcher will be treated in strict confidence and you will not be identifiable in any report of the research that is published.

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Research will be conducted on a focus group basis of approximately six participants is expected to finish within 60 minutes. The focus will be on identifying the primary task of the organisation, passion for the task, organisational identity and shareholder value.

Your participation in the group discussion is valuable for the research, but you may withdraw from further participation at any stage. If you should feel the need to withdraw anytime, all the information you have provided will be destroyed. All information supplied to the researcher will be treated in strict confidence and you will not be identifiable in any report of the research that is published.

The Consent part below is to be signed and the whole page returned to me as the researcher before the project can begin. The information sheet is to be retained by you, as a participant, for your records. If you need any further information about the project, please feel free to contact me or speak to my research supervisor Dr. Neil Bechervaise (03) 9592 2674.

If you have any concerns or complaints about the conduct of the research study, please contact:

The Chair
Human Resource Ethics Committee,
Swinburne University, PO Box. 218,
Hawthorn, Vic. 3122.

Research will be conducted by:

Sally Eastoe
Australian Graduate School of Entrepreneurship
Swinburne University.

Thank you for agreeing to assist with this research project.

Sally Eastoe

CONSENT FORM

I _____ agree to take part in the research investigating ‘The Soul of the Organisation’. I accept that I will be interviewed and I agree that this interview may be tape recorded as a data source for the researcher but that the recordings will not be published or publicly displayed. I understand that I may withdraw from the project at anytime and I am satisfied that all information supplied to the researcher will be treated in the strictly confidence.

(Signature)

Date

Key: **Red** – highlights key content in relation to passion.
Green – indicates research initial comments.

Participant	Theme - Passion
Sandra	<p data-bbox="389 408 707 435">“In my business or in ABC?”</p> <p data-bbox="389 472 2042 620">“They are passionate about results. They really do enjoy their jobs as a whole I would believe. Em... and I’d say most of our people are frontline people, they love the customer, they love talking to them about their business. They get a real thrill out of seeing the business grow. If you go out with them and start talking to them about their jobs and the customers, you know you can’t shut them up. Just have one leading question and away they’ll go. Em... and they always have a story to tell. Em... a lot of them have got a lot of history around where the banks been and how long they’ve been with the bank and the changes that they’ve seen. To me I think they are passionate about customers number one, and the results numbers two.”</p> <ul data-bbox="389 655 1066 683" style="list-style-type: none"> <li data-bbox="389 655 1066 683">▪ Passionate about the customer and the customers business. <p data-bbox="389 719 2042 959">“We have go some good people, it is why our business is...and it’s interesting because when we started this business two years ago em... George and I looked at the staff survey and we had oh, I think it was 40% negative and 30% positive, the results this was when they were under another umbrella of the business. So I looked at him and said, well there is only one way we go and we both laughed. So what happened over those two, say two years, two and a half years is that now we are sitting at 85% positive and 10% negative. So that is a significant change. And so you’d have to say some of it is luck, you know, some if it is new people, but larger I believe it is because we have reestablished that trust and make them feel more confident about themselves. Their self worth em... you know, we have supported them where we can in the business. You know, we have rewarded them better and em... we use the term which is around you know, freedom with accountability. So from that point of view that is why they are passionate about the customer, because we are allowing them to do their jobs. Where as previously they weren’t being allowed to do their jobs.”</p> <ul data-bbox="389 994 2002 1051" style="list-style-type: none"> <li data-bbox="389 994 2002 1051">▪ Interesting combination on ideas here. Self-worth, support, confidence, freedom with accountability. I’m not sure why she told me this when my question is what do people feel passionate about.
Mark	<p data-bbox="389 1086 1043 1114">So what do people in this organisation feel passionate about?</p> <p data-bbox="389 1182 2042 1331">“Making their numbers now. We have had a couple of halves of really good numbers and sort of elevated to the top four or five businesses now... that has become a real passion as we are succeeding. I know the thing we are doing for the frontline people. They understand the potential that is out there and.. what happened with some of the district managers in terms of driving some of these people who always had good performance but they are sort off out performing what they could do in the past.(418) One of our big challenges is finding people to put on. We have had a change over of district managers, so you know new people are passionate about.... From outside....”</p>

	<p>Why making the numbers?</p> <p>“I think they have embraced the people initiatives... and I am certainly passionate about this. You know the sense of community and being part off a organisation and all of that sort off builds up to say that you belong to something that is good. You know, you are in the ABC family. And I think that that has had a positive spin for a lot off people. Surveys are a lot more positive about the organisation. Although they’ll say that the organisation is doing pretty well but the perception of the organisation still hasn’t improved much when they go out and talk to customers. And I think that is probably true.”</p> <p>Here is the dilemma.</p> <p>Why</p> <p>“Well. That is a good question. Well...good press doesn’t sell newspapers.... Politicians don’t give them a good spin. It doesn’t suit them ... that goes up to John Howard. He doesn’t say anything positive ... certainly not around election time. So you know you have all of that external pressure... which is quite often not rational and not correct. But that doesn’t matter it is what the perception is. Em ... you talk to individual customers. Especially small business customers of relationship managers and they will rate their individual manager quite highly and give a much lower mark to the organisation. So they have very good relationships with our people and our people are the bank and at the end of the day they will mark the ABC down. charges/service/cards (450).”</p> <ul style="list-style-type: none"> ▪ Passionate about making the numbers.
Gary	<p>“I don’t think, I don’t...think there is any one simple answer to that. I mean I think that em... you know it really does vary based on the individuals background and the area they’re in. I mean in the main I think there is a group of people that do feel em... you know passion about growing the business and you don’t grow a business without meeting and exceeding customer needs and the shareholders. So I think there is a growing level of passion around the business thing but that does not mean you’re brutally commercial it means you understand what it takes to have a good business.”</p> <p>So how has that passion been grown in the organisation?</p> <p>“Success I think. I think that, that is, success always helps. I think secondarily em... you know the Breakout Programme, you know sort off ongoing experience certainly helps things. It probably makes people realise that all of this starts with me. I am not happy, well fine. Work out whether it is me or the organisation. If it is the organisation have a discussion. Lead some change or what ever or move on in that regard. Hopefully you don’t move on em... if you are good and you have made an effort to make some change. I mean at the end of the day there comes a point where there is no... you either adjust to the environment or you know your not doing yourself or the organisation any good if you sit around being a victim or being negative. I would say that the breakout programme has made people think more about themselves and the role they play. I mean what is our role? What is our role? And it varies you know you get different inputs. I think success is important and success is measured by you know increasing market share in some areas, increasing customer satisfaction ratio is important internally and being validated competitively em... increasing more positive media coverage. The ABC</p>

	<p>went through a period there where we were the worst by a mile... you we took them on. So I think you know those sort of things.”</p> <p>“So if you looked at our business to granulate it a second, you know, there has been a huge kick from people right down to the lower level in getting leadership back in ... because it is talked about every day in the media, it is talked about in the bank...”</p> <p>“They know the business is going well because the sales are there. They know it is going well because the people are complementary and there is less complaints and then we independently measure it and we lead. And I think that give them a real kick when the feedback come in. They have been part of something that has taken them from a position you know that was average back to very good. The challenge for them now ...how do we keep it at very good now in the next six months with some cuts in costs. So you know, our view is well need to rather than just take an executive series of decisions, you know involve twenty or thirty people and say how do we get, how do we maintain our experience and therefore the sales and get some costs down. Why do we need to get costs down? Here are the reasons. You know the margins squeezed through both the internal re-pricing and the market. I say to my people. If you were working at Wesfarmers at the moment, there is a drought and we are working in the commodity price business. You find those businesses have to be a bit tighter in those periods and you certainly won't be building your factory when the cash flow and profit is not there.”</p> <ul style="list-style-type: none"> ▪ Passion here is by association – association with success. Success is growing the business - and how they feel about the organisation.
Joseph	<p>“So that is one huge opportunity to get the network recharged, recharge the batteries and get the network. The second big task is to align everything behind it to do that. Now the reason that I am so vocal about it, is that I believe that there is quite a large skill and will gap, both skill and will. Senior management in the support areas of the bank don't actually understand what is delivered at the front line. And that is not a criticism but is the avenue invested in over ten years we have beaten it out of the organisation. So our ability to prioritise things that matter, the things that matter and forget everything else. The Walmart... Huge challenge. To me a lot of this is about, it is actually all about passion. You know it is about em...for me it is impossible to do by myself even if I tried. Too large. So what can I add , what can I add to your organisation personally that will help make it reality. So one is <u>unbelievably</u> aggressive business... organisation ... allocation of resources, very, very aggressive... and not letting that go no matter what.”</p> <p>“Something I want to add is passion... physical excitement about the agenda. It is important...little things, passion with a little bit of evidence that you are serious. Calling the customer yourself a couple of time a week. Going out into the network opening a branch. That's free. You know, passion is free very hard to get and sustain.”</p> <ul style="list-style-type: none"> ▪ Passion is described in terms of the human experience and is seen as something that needs to be added. This could mean that it is not present.

Nigel	<p>“Ah, what do the staff feel passionate about? Number one, themselves I would say. And if they link what is important in their lives to what they do at work, fantastic. Em... if they can’t then it is just a job.”</p> <ul style="list-style-type: none"> ▪ This reflects an need for the individual to look after themselves. This needs to be understood in the context of this interview, where Neil describes the how this part of the organisation has been neglected. <p>So is there passion to work for this organisation?</p> <p>“This is this split personality again. Certainly I have seen plenty of it and I have seen bits of it in the branches. I find a very odd scenario occurs when I go in to a lot of these branches... I will talk to them socially and I will have a breakfast with them and they are great people. You know they are really nice people and they have great live and they will tell you everything, trusting and all the rest of it...they look and they smile. We then come back from breakfast... laughter... and they go into the branch and the doors open...no. Completely different. Em so the natural way they have got is not always shown in the way we engage our clients. I think that is partly because they have been taught, no they even have not been taught. They have been required to do things they don’t feel comfortable with. So we have got to sell this stuff. I don’t know how to sell it. Never been trained to. I don’t know, I don’t feel comfortable, I don’t believe it.”</p> <p>“So they do stuff that they don’t what to do. And they are very focussed on from a cost perspective, so. Lots of stupid little things being wrong in terms of processes and equipment that they’ve got. Just a coat of paint. So they have had a difficult experience and lots of promises made over the past ten years I understand... Only when they see it...they are nice people. They have got really nice ways about them but they don’t.... the passion that they could have isn’t there. But if I speak to them they love the notion of helping people....they just haven’t been shown how. They probably have about 20% capability in engaging people. So they, they don’t feel passionate about it yet.”</p> <ul style="list-style-type: none"> ▪ This loss described here validates Joseph’s need to put the passion back into the Branch Network.
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David	<p>“I mean just understanding your business in a way that you have not looked at it before is exciting.”</p> <p>“If you talk to any of the people in the local market they are crying out for this sort of thing.” Service... balance perfectly...but not good sellers... good asset capabilities that the branch really need. But there is nothing in the process that actually recognises that now in the local market you can say... recognise them for doing a really good job.”</p> <p>“We haven’t turned people... same sort of people over for a long period of time and at the same time we have gone through enormous change... in an organisation that is no longer traditional banking. It is really retailing and we still hold a large quantity of our workforce that are trying to hold on to being a traditional bank. They don’t have the passion for going forward. And what we have probably never done... is train our managers to recruit the front line.”</p> <ul style="list-style-type: none"> ▪ The ability to see the future of the organisation and passion are being linked here. <p>Telling platform</p> <p>“What we tend to do is when we have a vacancy... the branch mangers tends to say. ...Karen left the bank three or four years ago and they have used the system... there is probably reasons why they left the bank.” Laughter Probably wasn’t the job they wanted... their attitude probably isn’t where we want them to be. Not really interested....just turn up to work and get a dollar and going home. That is why it is really hard to sell the passion.”</p> <ul style="list-style-type: none"> ▪ The relationship between change and passion. <p>“But you find that all of the people that I have recruited probably in the last...since I have has the local CEO role. Looking to recruit young people that want a career. ... And you can’t under estimate that. The response to me from the managers is...aaa.. I’ve got to train them... they don’t know how to use the system.”</p> <p>“Then they say.. but they will leave in a year. My response to them is I hope they do because they will open more doors for you this year. They will kick goal for you that will grow your business. Where as the traditional one the will stay with you for five years but they will do the same old, same old and they won’t kick any goals for you.”</p> <ul style="list-style-type: none"> ▪ Complex relationship with the work, expectations of the staff and the desire for new blood.
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Sharon	<p>What do people feel passionate about in ABC?</p> <p>“I’m not sure. In Australia ABC is very well respected. We won home lender of the year four years running. We won bank of the year. We won every product award there is going. It is an incredibly proud feeling to be part of that team.</p> <ul style="list-style-type: none"> ▪ Unsure – yet ABC won all of these awards. Previous data suggest that passion is connected to success. <p>NZ is a different kettle of fish. They are the bottom end of customer satisfaction. They have serious issue about market share and all of those things. I liked working there. They had a nice culture, a very collaborative culture where as not as task focussed as ABC. Or they didn’t deliver as much either.”</p> <p>“I think people are passionate about the organisation, people here love the bank. People even that chose to leave will say, I’ve loved this organisation. I just don’t have the energy for it now but I have loved it. You know. It’s just time for me to do something different.”</p> <p>What do they love about it? Why?</p> <ul style="list-style-type: none"> ▪ Identification with the organisation – but still no indication of why this might be so. <p>“I just think they love each other. Like the team thing is quite extraordinary. I’ve never seen anything like it. Just all this love in the group. You know one of my managers won VFL. You know AFL. He coaches the level below and they won the premiership last weekend. And I said if you get to the grand final I’ll come and watch. You know lots of his people, manages, people were there for him. Absolutely cheering. And it is sort off, everyone is there for each other. It is so important. I do believe that.”</p> <p>“and so you have tremendous loyalty in the organisation. Is really family friendly. You know it is very good place to work. James is a great boss. He is very demanding. He such an ethical good person. They are passionate because they feel that people care. Really care about them.”</p> <ul style="list-style-type: none"> ▪ Now moves to describing personal relationship and uses strong words like – love. <p>So it is about relationships for a lot of people?</p> <p>“I really think so. And if we actually lead by example we don’t create a culture, which laughs about the misfortune of working for the organisation. And I’ve seen a culture like that too where people get joy out off cynical humour about how bad the place is. So to create an environment where people actually say hey we are lucky to be here at ABC. People go out and party together and celebrate and just really enjoy being with each other. I think it is great.”</p> <ul style="list-style-type: none"> ▪ Think about the mix here of task, relationships and organisational identity as created by winning awards.
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Pilot interview	<p>“..... long pause. “I think they feel, I have a problem with feeling passionate, I don’t whether people do feel passionate feel interested and invigorated and get excited and if passion is a long term thing then I don’t that it is there. They are interested the thing that is happens right there at the moment. I the are interested.... interested... in some sort of outcome that is deemed to be a success ... that is measured by other people in the organisation or in the market place in which they play. So if you take the on-line people they are passionate about the technology aspect of it. It is about, it is not about the bank it is about it will make them look with in their market space.” “what they identify with, it is not about ABC, they are technologist first.”</p> <ul style="list-style-type: none"> ▪ This suggests that passion and task are related or what is going on in a moment in time. Confused somewhat.
Fred	<p>“I think that there is a lot of passion in the organisation that...em people are very committed to delivering and...em I think there is a lot of enthusiasm because we have performed so well in terms of a profitability and share price that em... certainly there is a lot of passion. The fact that the staff satisfaction rates have increased so much you know reflects that people are enjoying their job and are committed to delivering and there is a lot of very dedicated and hard working people here who yea do want to see the business grow and are enjoying their roles.”</p> <ul style="list-style-type: none"> ▪ Results ▪ Relationship between passion and staff satisfaction. <p>“Probably not you know in terms you know I guess.... Yea from a branch perspective. I don’t go into the branches too much myself, you don’t, you don’t feel that there is that passion and em focus and really wanting to deliver to meet the customer needs.”</p> <p>“The fact that their jobs are so tough, you know they are the people right at the frontline in terms of serving customers, the pressure that they... got to serve that customer a quickly as possible so they can get on to the new one. Seeing the queues there, people queuing up in front of them and I guess the monotony in terms the similar transactions over and over... very tough job. And the part that we have done so well in terms of the cost side...cutting a lot of it has been... you know has been reducing the number of people in those teller type roles...are down the bare minimum’s... and part-time don’t get a lot of training, we don’t give them a lot of development... yes it is a huge challenge in terms of that side.”</p> <ul style="list-style-type: none"> ▪ The network emerges again in relation to the loss of passion. ▪ Cutting costs and the loss of passion are seen to be related. ▪ Type or role and passion has a relationship here ▪ Lack of development

Frank	<p>“That’s interesting em... in the general sense. If I talking about the network. What they feel passionate is to feel proud for the company they work for.”</p> <p>Do they feel proud?</p> <p>“Em... feeling... better... about... it.” Referring to the end of the pilot. “They said I want to feel proud about working for ABC.”</p> <p>“You know if you think about your stereo typical person working in the network, female, part-time, 40 to 43, about 15 years service. They have been around a while and the company means something to them despite what we have done to them.”</p> <p>What do you think it means to them?</p> <p>“That I don’t know...I don’t know?”</p> <ul style="list-style-type: none"> ▪ Passion and identification with the organisation – pride, but is unable to express what this might mean to the staff. <p>What does it mean to you?</p> <p>“...Ah that’s a different question... laughter...I often talk about...I joke about I can’t believe that is has been 15 years. I often say, to me it is like marriage, you know I have been good for ABC and ABC has been good for me. And while I continue to have that then I am learning and getting stuff... em. When I feel that I can contribute. It always seems to come down to making a difference em...”</p> <ul style="list-style-type: none"> ▪ Cameron see himself as different to other. I wonder why? What has this got to do with passion? <p>“..You know with what we are doing em... we are broadly speaking almost on a volunteer basis... you really had to put your hand up. No... one... has... been... put... on... to... the... project, because we know with what we are doing there will be times when you do bashing your head up against a brick wall and you do that most of the time. Because this is about what we call a principled revolution. Laughter. You know you can actually have a revolution and do it in a principled way em... but you have got believe in ‘the’ cause and we do get a bit sort off religious and a bit zealous about the cause.”</p> <p>“Because you have be that zealous about it. We drive people nuts because we are like a little cult em... and people will likely say that about us as well. In fact people have described us a fortress RCF... it is very hard to get in... and once you are in you don’t want to get out. Because what we are working with is reverse take over... em you know people will say why don’t you join head office no. no, no Head Office will come and join us. When head office is ready and we will do all we can to help them be ready em... but don’t put us in there because we will just die.”</p> <ul style="list-style-type: none"> ▪ Revolution (a principled one), cult, religious and zealous emerges in relation to a question on passion.
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Focus Group 1	<p>I used to love working for the bank. I don't now.</p> <p>And I think probable in the old days work was too easy. I have got no real doubts about that and they have to change it but it is just gone the other way. Its not work now, its not work that you enjoy doing its work because you have to work. And the only enjoyment you get out of it really these is with the people you work with because most people in the branches are fantastic people. Your fellow workers and most of your customers are fantastic people and that is the only buzz you get out of your job. Is through the people you work with and the customers you interact with.</p> <ul style="list-style-type: none"> ▪ Loss of passion – conversation immediately leads to reflection of the old days. Working because you have too seems to change things. <p>As far as stepping up the ladder. I mean we might have a boss now who's going to give us a good fuzzies but in the past they have been few and far between. Very little support. And once you get above him never even used to see them.</p> <ul style="list-style-type: none"> ▪ Relationship with the boss seems to have some impact on how they feel about work. <p>Why do you stay?</p> <p>“XXX said it before. Branch staff get on very well with one another. You probably know someone from pretty much any other branch with in the CBD. The customers. I mean, you know. I probably know, I'd say I know a lot of people by first names and customers appreciate that and ask how you are going and that sort of stuff. I have a little group of customers I look after who appreciate me looking after them.”</p> <ul style="list-style-type: none"> ▪ Personal relationships with colleagues. ▪ Personal relationships with customers. Feels valued by the customers. <p>Does that make it worth while for you?</p> <p>“Oh, yea, I couldn't sit in a call centre answering the phone. I couldn't sit in an area that just looked at internet banking personal loan applications and stuff like that. I have to have face to face contact. I just work off it. Where I work it is just so different, you just get so obscure things at times, you know just because everyone thinks you are the head branch..... 388 is very diverse. Now the type of customers you get are normally alright but that aside you still get any sort of question thrown at you em.. so you learn, you learn as you go along. But I need face to face and I love working in the place and I love working with the people. I think probably the sales area is one of the better areas to work in.”</p> <ul style="list-style-type: none"> ▪ Nature of the work – face-to-face (again personal) contact and the type of customers. <p>“They need the money. A lot of our tellers em... are older or have got kids, whatever so its. Why do they stay, because it gives them an income. It gets them out of the house, alright.”</p> <ul style="list-style-type: none"> ▪ Needing work for the money and personal motivation – not connected here to passion.
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Colour code key:

■ unfinished sentences and disjointed thoughts

Green indicates views about making money

Dark Green indicates views about hierarchy

Red and blue are points of contraction or tensions (in his head)

Turquoise indicates views about mission statements

■ seeking confirmation or support for incomplete or unsustainable argument

Managing Director – Branch Network	
<p>Challenges in implementing the specialisation model – Local CEO</p>	<p>And the mission statement of ■ ... the first is to create substantial and lasting improvement in our clients’ performance. Right. And the second is to attract and retain exceptional people. Which is about the sustainability of the company identity and ability to do the first. So they have really been able to connect, the firm as they call it, to make money ■ ... it is a by-product. Right. ■</p> <p>To me it is a very clear example of ■ we are doing the right thing over time to create terrific business outcomes. Except money is ■ ... if you do those two things the money just comes because of your focus. It is interesting. I have just been reading the story of Walmart. Called Made in America. ■ Whereas Rod... said “listen I always wondered about this obsession with money. Because if you simply focus on doing the right things to your people and to your customer then the money will follow”. ■ ... But in time ■ ... how you pace the right thing. ■</p> <p>I believe the ■McKinsey will reduce its hiring ■ ... but it never loses sight of those core values. Right. ■ Underneath those missions McKinsey were very clear about how people behaved and how you know this is what they do. So it is one thing to say that we want sustainability of the clients performance it is another thing to say every associate and analyst and partner behave in a way that is consistent with it. ■ For example, one of their values statements ■ ... we will uphold the obligation to be decent. Which basically means the problem solving effort is so important that we must, ■ if you disagree with the answer the solution or the recommendations you must say speak up. In fact, you are in trouble if you don’t. They will find out later if you don’t agree. That is how important. ■</p> <p>■ They have created a culture and hierarchy of course. Hierarchy is driven by skill and experience not by seniority and unbelievably powerful. ■ Now as they are growing, one of the reasons I left, they’re losing a little bit of that. ■... the needs of that■ Have taken over a little bit and therefore the questions is, “Can you really have that once you grow beyond a certain scale?” I would recommend you to interview people like Anna Lewis and Michael Renee about this very question. They have been able to somehow, more than other organisations despite their growth been able to, to a degree they have been able to create mechanisms that reinforce those processes. ■</p>

Colour code key:

■ Indicates unfinished sentences and disjointed thoughts

Red and blue are points of contradiction or tensions

Green indicates views about making money

Turquoise indicates views about mission statements

Dark Green indicates views about hierarchy

■ seeking confirmation or support for incomplete or unsustainable argument

<p>Challenges in your business to implement the strategy</p>	<p>The whole performance evaluation process, the way they govern, is designed around ■ ... and therefore focussing on the primary task.</p> <p>If you do that exceptionally well then shareholder value will follow. In a very large organisation it is very hard to do that. ■ Like it is hard to ■ ... because people primary motive is still survival.</p> <p>Therefore the primary motive of the organisation and the primary task of the organisation can be in direct competition. Like middle management for example, they start to behave in ways that relate to their personal objective of survival as opposed to the primary task of the organisation. ■ So you need a set of governing principles. ■ If you take a large US corporations like where we have major scandals, if you start to pay people hundreds of millions of dollars in options schemes, rather than aligning the individual to the shareholder what starts to happen at that senior level in the organisation, the individual starts to align the company to their personal purpose. There is simply too much at risk for individuals and they start to behave in ways that are not consistent with the primary task. There is a very, very difficult balance.</p> <p>What we are trying to do with Restoring Customer Faith and the creation of the ■ ...franchise... ■ Local CEO. Maybe we can create the Soul of a small business therefore the governance model of ■ ... the basic interaction model with the customer ■ much smaller and therefore has some of the characteristics of a real franchise, small business owner, that level of obligation ■ ... while still having the power of a large organisation when it comes to financial mussel ■ ... and there is a lot of tension in that as well. ■</p> <p>Well I think first of all there is tension at the sort of level about, ■ Primary task and shareholder value. Because first if you execute the primary task fundamentally well ■ it doesn't mean that it does not change by the way. I am sure McKinsey will have changed over the last ten years, because you know, the outside world of the customer defines what that is and ■ what the value is, so you have to adjust. ■ But organisations that have a very, very clear view of their mission their purpose in life and ■ ...where that becomes a quite sustainable model. We have learned to live in a world where short term earnings ■ ... it is a good question, ■ what does shareholder value really mean? ■</p>
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