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IN THE LEAD

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New CEOs May Spur Resistance If They Try to Alter Firm's Culture

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Employees who find themselves reporting to a new chief executive, especially an outsider who has bought their company or been recruited to turn it around, often face a roller coaster of changes. New leaders typically reshape their senior executive team and the company's growth strategies. The most wrenching adjustment occurs when a CEO changes the corporate culture -- the core values and ways of doing things that bind people to their jobs.

Culture change may be what Chrysler employees are bracing for as Robert Nardelli takes charge as CEO today. Mr. Nardelli, who left his post running Home Depot earlier this year under fire for his rich pay package, strategic stumbles and command-and-control management style, says he will focus on executing a restructuring plan already in place.

But given his record, it's likely Mr. Nardelli will quickly put his mark on the ailing auto maker. During his six years at Home Depot, he dismantled a culture in which store managers had great latitude to make decisions, creating instead a highly centralized culture that stressed uniformity.

FORUM

[1] Have you ever experienced dramatic culture change at your company? Did the culture change follow an acquisition or change of CEO? Overall, was the effect on your working life positive or negative? Share your thoughts[2].

There were some pluses to his approach. Home Depot had flagging sales and lacked automated purchasing systems when he arrived in 2001 after a long career at General Electric. Mr. Nardelli upgraded systems and boosted profits, but he also insisted that the company follow the procedures of Six Sigma, a quality-control system for eliminating waste. Managers complained they spent more time filling out forms than serving customers. Many felt demoralized and quit -- and they were frequently replaced by former military officers more accustomed to following orders.

Mr. Nardelli also drew shareholder ire for the steep compensation he earned even as Home Depot's share price declined. At Chrysler, where his pay will be tied to Chrysler's performance, he says he wants a relationship with veteran managers and union leaders that is based on "mutual trust."

Still, Chrysler, now owned by private-equity firm Cerberus Capital Management LLC, must streamline operations even as it looks for new revenue opportunities. The company has already announced 13,000 job cuts as part of its restructuring, and Mr. Nardelli, an efficiency maven, may cut further.

Meanwhile, employees will be watching to see if Mr. Nardelli understands that while Chrysler is the smallest auto maker in Detroit, it takes pride in such accomplishments as having launched the minivan.

Generally, employees are more likely to support a CEO pushing strategic change if he or she doesn't at the same time run roughshod over their culture. Yet few new CEOs take the time to learn about the culture they have inherited. "They need to understand both the traditional purpose of a company and its philosophy -- or why, precisely, employees feel the work they do is important, and how they believe their approach distinguishes them from others," says Sheila Margolis, president of the Workplace Culture Institute, an Atlanta-based consultant. "If a leader changes either a company's purpose or philosophy, it will feel like a different place even if its name remains the same."

What if a CEO believes changing a company's culture is necessary? "If that's the case, a leader needs to say clearly, 'This is how it will be,' so employees can evaluate if the fit is right for them," says Ms. Margolis. "Otherwise, a resentful 'us versus them' mentality sets in," and work quality and productivity deteriorate.

Even CEOs promoted from within must tread carefully when they make culture changes. When Ron Sargent became CEO at Staples five years ago, he knew he needed to expand the company and better cement relationships with customers -- even though Staples, which had previously been run by its founder, wasn't performing badly.

Instead of suddenly changing work practices, Mr. Sargent polled employees about what was most important to them. "We heard that people don't work here because they want to dedicate their lives to office supplies," he says. "Instead, store associates said they mostly wanted to help others."

That dovetailed with Mr. Sargent's goal to provide ever better customer service. "Whether someone sells eight of color black or 14 of the blue folders doesn't matter nearly as much as making customers' shopping experience easier," he says. To nurture employees' desire to do this, he pushed decision making down the ranks, launched training programs about products, and began offering team-based bonuses.

He also goes on the road frequently to gather information. Two weeks ago, he visited 18 stores in 19 locations -- a typical schedule. At every stop, he asked employees what was going right -- and wrong. Among other things, he learned that school-locker accessories and a small rubber calculator are hot sellers and that Staples gift cards can't be used easily online. "It's a glitch we have to fix -- and you don't learn things like this sitting in your office," says Mr. Sargent.

Staples now operates 1,900 stores in 22 countries -- up from 1,400 stores in six countries when Mr. Sargent took over -- and is the nation's No. 2 online retailer behind Amazon.com. "We do millions of sales transactions each week, and I'm not involved in very many of them," he says. "But there's a lot of power in our people at all levels believing in our culture."

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