This article explores the cultural differences that have influenced the German reunification process. It argues that reunification has been interpreted differently depending on whether individuals come from the East or the West. Using Schein's (1992) framework, different and critical aspects of the respective cultures are identified. The impact of these cultural forces is illustrated through a case study describing the development of the Treuhandanstalt and through metaphors that highlight alternative interpretations of reunification. The article concludes by discussing the implications of this process for appreciating cultural differences in Germany.

APPRECIATING CULTURAL DIFFERENCES
The Case of German Reunification

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The fall of the Berlin Wall on November 9, 1989, was the symbolic high point of a series of changes that have redefined Europe. Initially, there was some uncertainty as to how the German Democratic Republic (GDR or East Germany) and the Federal Republic of Germany (FRG or West Germany) would relate to one another. After it was discovered that the GDR was financially bankrupt, however, politicians from both sides agreed that German reunification as quickly as possible was the best solution to a threatening crisis. Reunification then took place rapidly and in two steps. A currency union on July 1, 1990, made the deutsche mark (DM) legal tender in the East as well as the West. A political union followed on October 3, 1990. The practical result of this constitutional change (Child & Czeglédy, 1996) was that governmental institutions of the FRG took over the government of the GDR.

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Very soon after this political union, significant amounts of government money were being invested in the building and upgrading of the decayed infrastructure of the former GDR. Over the first 4 years of reunification, accumulated governmental costs amounted to over DM 600 billion ("Der Phoenix," 1994). This investment was partially funded by extra taxes imposed on the West, lower salary levels paid in the East, and government borrowing. Financial sacrifices were to be shared, and Germany's national debt was to be allowed to increase as the economic reunification process moved rapidly forward.

It was not widely anticipated that German reunification would generate significant cultural problems. Reunification, however, has raised awareness of the important differences in expectations, opinions, and interpretations that over time had come to distinguish Germans coming from the two parts of the divided country. These differences have been particularly evident in the election results of the mid-1990s. The Party of Democratic Socialism (PDS), the successor to the Communist Party, has consistently garnered 20% to 40% of the vote in the East, as compared to minimal support in the West ("Regieren mit der PDS?," 1994, p. 27). Commentators observing these results have attempted to articulate the differences that distinguish people from the East and West. In contrast, some FRG politicians have become impatient, depicting PDS support as simply an indication of resistance and antagonism by Communist diehards. The specter of continuing differences and hostile attitudes mars reunification ("Die Einheiz-Partei," 1994).

By drawing on the literature on culture as well as the German reunification literature, this article clarifies the nature and type of cultural differences that have affected the German reunification process. After specifying these cultural distinctions, we use two approaches to illustrate how these differences have manifested themselves. First, we describe the evolution of the Treuhandanstalt (THA), the organization that managed the privatization of the East German economy. Then, to better appreciate the alternative "lenses" (Allison, 1971; Dunbar, Garud, & Raghuram, 1996) people from the East and West have used to interpret reunification, we develop alternative metaphors to describe the process. We conclude by discussing the cultural issues likely to continue to affect the reunified Germany and how cultural integration requires mutual adjustment and learning.

CULTURAL UNDERSTANDING

Reunification in Germany has been a gigantic redevelopment project, a self-organized effort undertaken by Germans for Germans. It is a highly visible, much discussed, and very expensive national effort. The basic situation is an optimistic one—almost everyone expects reunification to succeed. Yet from a cultural standpoint, reunification has not gone as smoothly as expected. It has become an important test of Germany's ability to accept and appreciate cultural differences.

How should Germany deal with cultural differences stemming from the priorities and omissions of a now superseded political system? In a land that values consensus, how should cultural differences and contrasting assessments be resolved? In investigating these questions, the level of analysis is the nation state as represented by the former GDR (or East Germany) and the old FRG (or West Germany). To appreciate these nations' contrasting cultures, the focus will be on identifying the institutional structures and associated values and assumptions that distinguished them from 1948 to 1990. An understanding of these alternative cultures will then allow an appreciation of how the prereunification context influences interpretations of the current reunification process.

What is meant by culture and cultural understandings? Schein (1992, pp. 8-12) noted that within social units, certain things are shared. These may include language, customs, traditions, history, accepted ways of behaving, rules, norms, habits, values, rituals, organizing principles, and so on. Although some of these things change, many remain relatively stable. Stable structures enable a social unit to establish a sense of cultural identity and integrity. Over time, the resultant shared understandings form an integrated and patterned gestalt that constitutes the core aspects of a culture. That is, a culture is a shared interpretive framework that supports current functioning and provides guidelines to help a social unit survive, grow, and adapt (Starbuck, 1982).

After World War II, the former allies divided Germany and established contrasting institutional structures to guide and determine political and economic life in the respective parts. Over time, people in the different parts then adapted to these structures, bringing their values, beliefs, and ideals into line with the local demands and available opportunities (Harris, 1979). As each of the rival systems proved to be relatively stable, distinctive cultures developed in the GDR and the FRG. These alternative cultures were internally consistent and self-reinforcing (Hatch, 1993).

To identify the internal consistencies and self-reinforcing nature of a culture, Schein (1992, p. 17) suggested one should distinguish between three different levels at which cultures manifest themselves. At the surface level, culture manifests itself in visible, identifiable structures. The structure of political power, for example, differed drastically in the two Germanys. It was centralized in the East and decentralized in the West. Although these types of structural artifacts can be easily observed, Schein noted how their significance is usually harder to decipher. Deciphering is possible, however, as other levels of culture are examined, and meaningful consistencies across levels are found.

Below culture's surface level, Schein (1992) suggested there is a level consisting of espoused values. Espoused values summarize cultural priorities. In the GDR, for example, espoused values gave priority to firm behaviors that were in accord with central plans. In the FRG, in contrast, espoused values gave priority to firm behaviors that generated profits. As cultures are stable, so espoused values are increasingly consistent with surface structures. They articulate beliefs about what is right and wrong. Together, these values and institutional structures constrain and direct the sorts of activities people and organizations get involved with.

At a third level, Schein (1992) suggested that there are basic underlying assumptions concerning the nature of social reality. Basic assumptions are different from espoused values in that they are not just normative guidelines that distinguish right from wrong. Rather, basic assumptions have attained a taken-for-granted status and define the assumed nature of social reality. As such, they function as implicit controls outside the awareness of most members of the social unit. Kluckhohn and Strodtbeck (1961) identified sets of alternative "basic assumptions." In the GDR, for example, a basic assumption defining social reality was that hierarchical relationships, as reflected in the power given to the central authorities, determined what organizations and individuals did. In the FRG, in contrast, an alternative basic assumption defining social reality was that individual choices, based on the protected rights of firms and individuals to decide for themselves how to pursue their own interests, determined what organizations and individuals did. Basic assumptions reflect, support, and confirm specific notions of social reality while preventing others from even being considered.

Using Schein's (1992) framework for understanding cultures, we now discuss the cultural understandings that developed in the GDR and the FRG in more detail.

CULTURAL UNDERSTANDINGS IN EAST GERMANY

INSTITUTIONAL STRUCTURES

Culture manifests itself at a surface level through institutional structures. The institutional structures in place in East Germany emphasized coordination through hierarchy. At the top of the hierarchy was the Social Unity Party (SED). The party enjoyed pervasive political power, control, and influence. Müller, Meridian, and v. Müller (1993) described this hierarchical organization. The party leaders held ministerial positions in the GDR cabinet. Below and in every significant region, city, and organization within the GDR, party members exercised local political power subject to hierarchical reporting relationships that stretched back to the party leadership.

In a similar way, economic activity in the GDR was also centrally organized and hierarchically controlled. A central planning commission was charged with implementing and coordinating programs in accordance with the decisions of the SED. Work activities themselves took place in government-controlled firms known as Volkseigene Betriebe (VEBs). The central planning commission decided on the production or services to be provided by each VEB and how these efforts would be coordinated with other facilities. The managerial functions performed were internally focused and involved implementation of the central planners' directives for the VEB. In fact, VEB managers were permitted minimal discretion to decide issues involving relationships with the broader environment (Alt, Bischoff, Lang, Neumann, & Wolff, 1991). Confirming the importance of centralized control, the SED had cadre to monitor decisions at all VEBs. These representatives often had direct relationships with the state security police, giving them the ability to bring significant pressure to bear to encourage conformity and obedience.

The purpose of the political and economic organization of the GDR was to assure responsiveness to directives issued by the SED leadership and the central planning committee. Continuing efforts sought to improve system responsiveness by consolidating facilities and standardizing reporting processes (Lang & Wald, 1992). This reduced the number of independent VEBs within the industrial sector from more than 23,000 in 1950 to about 8,500 in 1989. Reflecting this consolidation, the average number of people employed in a VEB grew to almost 1,000 people by 1989, and 22% of the VEBs employed more (Tragsdorff, 1991). Through

consolidations, the GDR central planners were able to gain a controlling grip over economic activities. Little could be done without their approval.

ESPOUSED VALUES

Espoused values in the GDR emphasized the social idealism of the government. Government policies guaranteed people employment but discouraged labor mobility. A consequence was that VEBs had stable workforces where a sense of social community was encouraged and mutual dependence developed. Workers were dependent on their superiors to effectively manage hierarchical relations for the benefit of the local VEB. Managers were dependent on their staff to find ways to keep their VEBs functioning, even though supplies might be lacking or equipment was breaking down. Within VEB communities, the desirability of mutual help and support became strongly shared values (Aderhold et al., 1994; Weiss & Wiest, 1991). This has been confirmed by several surveys that have shown how, relative to managers in the West, East Germans consistently place a higher emphasis on values such as cooperation, mutual support, and security. They also place more emphasis on family values and supportive human relationships than people in the FRG (Alt et al., 1991; Dornberg, 1996; Frese, Erbe-Heinbokel, Grefe, Rybowiak, & Weike, 1994; Frese & Hilligloh, 1994; Frese, Kring, Soose, & Zempel, 1996; Galejew & Pieper, 1993; Grobe, Sachse, & Speer, 1993; Heyse & Seifert, 1994; Institut für Demoskopie Allensbach, 1993; Maier, Rappensberger, Rosenstiel, & Zwarg, 1994; Schnabel, Baumert, & Roeder, 1994).

Consistent with this, espoused values in the GDR emphasized community solidarity and a shared social identity. Social identity and, also, social activities often centered around the local VEB (Aderhold et al., 1994); for as well as being production facilities, VEBs frequently served a broad range of social functions. A VEB might, for example, organize parties, field trips, sports festivals, or visits to cultural activities for employees. Many provided a range of extra support services, including child care facilities, hard-to-obtain goods for daily use at special prices, housing, and organized vacation programs at holiday resorts owned by the VEB (Lang & Wald, 1992). By providing extra social services, the VEBs underlined the broad nature of their contributions to social life in the GDR.

Another espoused value emphasized the importance of planning (Vollmer, 1992; Wuppertaler Kreis, 1992). Although it was never officially acknowledged, most VEBs were in fact failing to fulfill their plans in the

late 1980s. Difficulties in fulfilling plans most often stemmed from the interdependencies between VEBs caused by the massive consolidations dictated by the planning authorities. The implications of these interdependencies were ignored by VEB managers because the central planners held them responsible for actions within VEBs, not for managing interdependencies between them. As a result, many interdependencies went unmanaged, and VEBs often experienced difficulties obtaining supplies. Increasingly, planning became a mandatory but ritualistic exercise (Tsoukas, 1994). It remained important, not because it motivated managers to exercise control but because, perversely, it reassured managers their difficulties were due to interdependencies beyond their control. As a result, planning often convinced them that it made little sense to be very concerned about VEB performance. They remained concerned about mandatory reporting, however, because this process was closely monitored (Lang & Wald, 1992; Weiss & Wiest, 1991).

Respect for formal, hierarchical authority was another espoused value. Shows of respect to superiors were expected. The regime had little tolerance for criticism, and suggestions for change were generally muted. Those with hierarchical position were generally assumed to be right. Initiatives and critiques that could be interpreted as challenges to the system were strongly discouraged. In contrast, contributions to the local VEB and the community, along with behaviors evidencing loyalty to and conformity with socialistic ideals, were consistent with espoused values and were recognized and honored ("Die Einheiz-Partei," 1994).

UNDERLYING ASSUMPTIONS

GDR government rhetoric consistently emphasized the need to protect and resolutely defend socialist ideals and human rights. A basic assumption in the GDR was that socialist ideals defined a correct and natural order that was self-evident and unchanging. Based on this assumption, the assessments of both the regime and its people were often moralistic (England, 1975). That which was right conformed with socialistic ideology. Those who did not conform must by definition be wrong. Right-thinking GDR citizens could be trusted to adhere to the country's socialistic values. Those who habitually criticized the regime were perceived to be betraying socialistic ideals. As everyone's basic beliefs, including those of dissidents, were assumed to be unchanging, the regime justified harsh punishment for many of its critics (Kunze, 1990).

With the importance of realizing socialist ideology as the dominating assumption guiding the GDR cultural context, issues involving economic goods and material well-being were still important, but for the nation as a whole rather than for individuals. In fact, the GDR government admitted it was not always able to provide the material things individuals wanted. It argued, however, that the emphasis on socialistic ideals and efforts to promote the general well-being of people in the GDR resulted in a superior lifestyle, featuring better social services, lower crime rates, and minimal poverty as compared to capitalistic societies. The basic assumption was that a system that was guided by superior social norms and moral values more than compensated for any individual dissatisfaction with material living standards (Maaz, 1991).

Given the assumption that the GDR government and the SED were the embodiment of socialist ideals and accepted primary responsibility for their realization, an additional basic assumption followed that hierarchical relations should have priority over individual and group relations (Kluckhohn & Strodtbeck, 1961). People's dependence on their VEB and, in turn, the VEB's embeddedness in the centrally planned system, reflected the dominating impact of hierarchical relationships and the basic assumption that this was the appropriate way to organize (Vollmer, 1992). The relatively independent, informal support networks GDR people often developed to satisfy personal needs came into being to compensate for the inadequacies but pervasive influences of the hierarchically imposed central plans (Maaz, 1991; Weiss & Weist, 1991).

Most people in the GDR assumed their future would be determined by those with hierarchical power. As they assumed they had to accept this state of affairs, for most people, it made little sense to take much personal initiative or to sacrifice now to achieve things in the future (Frese et al., 1996). Instead, and supported by the GDR's dominating and protective socialist orientation, most people accepted the situation they were in and sought to enjoy both the moment and each other. This emphasis on accepting and enjoying the ways things were was another important basic assumption that guided life in the GDR (Kluckhohn & Strodtbeck, 1961). These institutional structures, espoused values, and basic assumptions are set out in Table 1.

To summarize, the GDR cultural system was based on socialistic ideals that were used to make moralistic assessments as to what was right and wrong. This system of beliefs was imposed on the GDR through pervasive, hierarchical structures. The resulting culture was protectively closed

TABLE 1
Contrasts in the Institutional Structures, Espoused Values, and Underlying Basic Assumptions That Distinguished East and West Germany

	German Democratic Republic (GDR)	*Federal Republic of Germany (FRG)*
1. Institutionalized structures		
Institutionalized power structure	Centralized under the Social Unity Party	Broadly decentralized
Institutionalized integration and control mechanisms	Pervasive central planning	Markets and specialized regulators with limited mandates
Number of firms	8,500	50,000
Average size of firms	About 1,000 employees	About 500 employees
2. Espoused Values	Social idealism	Freedom to choose
	Stability	Higher individual living standards
	Cooperation	Individual success
	Security	Competition
	Mutual support	Improvement
	Social solidarity	Standardization
	Shared social identities	Representation
	Planning	Consensus
	Respect for hierarchy	
3. Underlying basic assumptions		
The relevant socially constructed context	Unchanging socialist ideals	Evolving economic opportunities within markets
The fate of those who fail	Dissidents are punished	Social security net provides protection
Evaluation processes	Moralistic	Pragmatic
Action drivers	Hierarchical relations	Individual interests
The focus of life	In the present, enjoying the moment	Toward the future, seeking improvement

and often insensitive to broader environmental developments and internal interdependencies. Although representing itself as a protector of human values, its extensive use of repressive police-state methods to promote conformity probably destroyed its ability to adapt, change, and ultimately to survive. At the same time, humanistic values emphasizing concerns for others and mutual reciprocity were a genuine part of GDR beliefs. Although people may have often lacked material goods they would have

liked, the social support people showed for one another, and also government efforts directed at social support, convinced many GDR citizens to endorse the cultural understandings that guided their society. Five years after reunification, many looked back to the old GDR with genuine nostalgia (Dornberg, 1996).

CULTURAL UNDERSTANDINGS IN WEST GERMANY

INSTITUTIONAL STRUCTURES

The constitution of the former West Germany emphasized the creation, toleration, and protection of individual and organizational rights. In the political sphere, the FRG's government and institutional structures decentralized much decision-making power to the states (*Länder*). The right to establish independent political parties was guaranteed along with the right periodically to compete in elections by offering voters alternative political programs. To prevent the splintering of political power, electoral laws required a party to obtain either 5% of the vote or three directly elected mandates to claim representation in an elected assembly. Until 1989, four main political parties had consistently won representation in the federal, regional, and city parliaments of the FRG (Kappler & Grevel, 1993).

In the economic sphere, firms in the FRG have had the right to pursue their own interests subject to market pressures that require them to compete for customers, resources, and talent (Weiss & Wiest, 1991). Similarly, in the personal sphere, individuals have enjoyed a wide range of civil rights along with opportunities to pursue careers and interests within the large variety of organizations made possible, in turn, by the FRG's decentralized structures. In both the economic and personal spheres, the FRG institutionalized codes of conduct promoting universal standards of fairness and propriety.

Economic coordination and control structures in the FRG were usually limited both in terms of their power and the scope of their jurisdiction. Examples would include the nationally organized unions, the employer associations, the banks, and the federal government itself. Each had a specialized and delimited area of responsibility. As the power of some coordination and control sources was considered too large, pressures built to impose structural limits. An example is the continuing controversy over the influence of FRG banks on firm strategies and decisions. FRG banks hold significant blocks of firm shares and place representatives on firm

boards of directors to actively defend bank interests. Periodically, questions arise as to whether the combination of large financial leverage and representation provides banks with too much influence (Wenger, 1992).

In 1989, there were about 50,000 industrial firms in the FRG. The average firm size was about 500 people, and less than 3% had more than 1,000 employees. Two thirds of these firms had fewer than 100 employees (Kappler & Grevel, 1993).

ESPOUSED VALUES

The structure of the FRG guaranteed people freedoms to choose what they would do, where they would live, what they would consume, and so on. Espoused values confirmed the value of choice and encouraged people to exploit the many opportunities open to them. Choices were most often acted out in economic markets. In doing so, participants expected to look out for and improve themselves. In the FRG, espoused values emphasizing higher economic living standards are well-entrenched. Characteristics associated with economic and career success such as ambition, achievement, competition, and wealth acquisition are also commonly espoused values (Rosenstiel & Stengel, 1987).

West German firms expect to compete in market economies. To do so effectively, espoused values require that they must be equipped with the most efficient equipment. Equipment run in accord with standardized procedures is also thought to work more effectively. Measures of functional efficiency to assess performance and adherence to standardized procedures based on functional work routines are strongly espoused values in the FRG. A further espoused value makes a strong distinction between work activities, where one may be required to adhere to standardized routines, and leisure activities, where one expects to choose what one does for oneself (Klages, 1984; Kmieciak, 1976).

If there is controversy or conflict in the FRG, the preferred resolution method is to have all the concerned interests represented and then find a negotiated consensus. Structures that define and limit areas of responsibility facilitate this consensus seeking by restricting the number and types of issues a group must consider. Within organized units, the FRG legal structure confirms the rights of affected parties to be heard and encourages consensus seeking. For example, firms in the FRG are required to have an employees' council (*Betriebsrat*) that includes representatives of workers and management, and this committee must be consulted on all decisions affecting personnel before they are taken. In larger corporations, employ-

ees have formal codetermination rights (*Mitbestimmung*), which entitle them to the same representation as the owners on the firm's board of directors (Kappler & Grevel, 1993).

UNDERLYING ASSUMPTIONS

Given that the constitution of the FRG protects the rights of individuals and organizations to choose, the basic assumption within the culture is that economic well-being and advancement at both individual and overall levels should have top priority. A further basic assumption is that the best way to improve economic standards of living for all is to require people and organizations to compete with one another in markets. Erhard (1962) fathered a *social market system* for the FRG. His assumption was that one could take advantage of the pressures to change, modernize, and improve by setting up a competitive market system. At the same time, he was concerned that the FRG should be protected from the catastrophic swings that can occur in markets. Therefore, in addition to market structures, he instituted a complementary social security net that guaranteed people a minimal economic standard of living in times of economic disruption. In the FRG, the basic assumption is that one needs both markets and social security nets.

An additional basic assumption consistent with espoused values of the FRG is that private ownership is the best device for ensuring that participants in market systems are motivated to seek improvement (Erhard, 1962). It is believed that this driving force results in both quantity abundance and quality improvements. Assessments in the FRG tend as a result to be materially focused and functionally pragmatic. Most people aspire to be economically better off, and most work hard to achieve this end.

The right to choose or reject an opportunity based on one's preferences is another basic assumption in the FRG. How one pursues one's own individual interests is assumed to be not only a personal right but also the key to personal success. West Germans assume they can and should take advantage of the opportunities available to them. Many believe it can be worthwhile to make sacrifices now for benefits in the future (Rosenstiel & Stengel, 1987). These institutional structures, espoused values, and basic assumptions are set out in Table 1.

To summarize, the FRG constitution protects the rights of individuals and firms, and the resulting culture has developed to take advantage of the opportunities such protection provides, particularly in the economic

sphere. Private ownership and market forces are the key elements of the FRG's institutional structure. Espoused values support the operation of this system, promoting both overall and individual economic well-being. People expect to take advantage of the opportunities the system offers, and they can become judgmental about those who are not effective at exploiting these choices. An institutionalized social support net is maintained to provide minimal support for those having difficulty competing in this market-driven system or during a state of transition from one type of employment to another.

CONTRASTING APPROACHES TO MANAGEMENT

As the governance structures of the GDR have now been abolished and replaced by FRG institutions, the institutional structures of the former GDR (see the top of Table 1) may be considered of only historical interest. However, 5 years after reunification, the associated espoused values and underlying assumptions still influence the expectations and interpretations of people from the former GDR and cause discussion in the FRG ("East German Ex-Activists," 1996). We now explore how these different perspectives manifested themselves in the development of a particularly important organization—the Treuhandanstalt.

THE TREUHANDANSTALT

The THA was the institution set up to manage the GDR's transition from a centrally planned economy to a market-based economy. Specifically, the THA was set up by the GDR to oversee and manage the sale and privatization of East German VEBs. Although established by the GDR government, the THA was taken over by Western managers. The THA's development suggests how alternative cultural understandings affect management concerns and approaches.

On November 3, 1989, just before the Berlin Wall fell, heralding the imminent economic changes in the GDR, the East German Communist Party newspaper, *Neues Deutschland*, printed an article titled, "Economic reform—An element in the renewal of socialism." The article argued that in reforming the GDR, it would be necessary to reconsider issues of economic organization. The authors suggested central planning should be abandoned and replaced with market mechanisms.

Many in the government, including the minister-president, realized that this proposal was a direct attack on the core of the GDR's existing institutional structure, and they found it to be far too radical. Although they weren't against economic reform in principle, they hoped to find a "third way" to a "better socialism" that would be somewhere between the system of central planning they had in place and the capitalistic market systems found in Western economies. They believed it would take some years for the GDR to find an alternative way to improve its economic organization. Thus, the government appointed a professor of economics to be its representative supervising economic reforms. She, in turn, appointed a group of economic experts to provide her with advice (Fischer & Schröter, 1993).

This appointed advisory group viewed central planning as ineffective. They believed, too, that if VEBs operated in a market context, they would operate more effectively. They were also now aware of the precarious financial situation facing the GDR, and this introduced a sense of urgency. They proposed the abandonment of central planning and a fast transition to a market economy. Although many GDR government members were still not enthusiastic, they were now also aware of the looming crisis, and so the cabinet accepted the proposal on February 1, 1990. This signaled a significant break with the past. The centralized coordination and control system was to be abandoned and, instead, replaced with a variety of ownership forms in a market economy. Many party members wanted the proposal's open and permissive positions with respect to ownership structures reconsidered, for they feared exploitation by capitalist investors. They also felt bigger firms should remain government-controlled property (Fischer & Schröter, 1993).

If the economy was to be privatized, a lot of money was going to change hands, and discussions turned to estimating the size of the GDR economy. According to the Economist's Survey of Germany ("A Survey," 1994), President Hans Modrow estimated the value of GDR industrial property to be around DM 1.5 trillion in 1989. By 1990, his successor, Lothar de Maiziere, had halved this estimate. Western estimates were always much lower and, at this time, were around DM 350 billion. Still, everyone was talking about very substantial sums.

In the last months of the GDR, opposition groups had gained status, respectability, and official recognition from the success they achieved in launching widespread and critical protests. As talk of economic reform continued, these groups were invited to join the decision-making process.

They were primarily concerned that GDR assets might be seized by members of the political hierarchy during a transition. They wanted an organizational structure put in place that would protect the nation's assets and determine how the proceeds from sales would be distributed so the GDR people would benefit. Their general view was that sales proceeds should be distributed directly to GDR citizens, and their various proposals considered different ways this might occur (Fischer & Schröter, 1993).

The opposition groups and the government quickly agreed concerning the need for a new organization structure to protect and manage the transfer of government-controlled property. The government outlined a proposal for a *treuhänderische Anstalt* (trusted organization) to the opposition groups on February, 26, 1990. Title to all productive GDR government property would be transferred to this new government-controlled organization. The THA would convert this property into viable corporate units, each with share capital and limited liability, and then sell the corporate units to investors. If sales required significant management changes, the THA would be required to obtain approval first from the government.

The opposition groups did not want the THA to be a government-controlled, centralized organization. For many, this structural form seemed too similar to the central planning system now in disrepute that was supposedly being abandoned. They also objected to the planned transition to a capital market system, for they felt that, as presented, it had failed to consider socialist issues, that is, how the people of the GDR as a whole would benefit. Their counterproposal suggested a more decentralized process with separate THA institutions in different regions that would be sensitive to local concerns. It also suggested a privatization process that included an explanation of how the proposed changes would benefit GDR citizens (Fischer & Schröter, 1993).

As by this time political reunification had been agreed to, the FRG government was invited to offer suggestions concerning the structure of the THA. The FRG supported the idea of a transition to a capital market system. It suggested, however, that the THA might be better structured as a holding company, separating it clearly from the GDR government and decentralizing the associated decision-making power. On the other hand, the FRG's proposals ignored the issues raised by the opposition groups concerning how the transition would benefit GDR citizens (Fischer & Schröter, 1993).

At this early time, prior to the establishment of the THA, there was a large amount of confusion in the GDR, with many different issues being

raised. Most, however, were never seriously discussed. This was because as reunification was now the goal of both the GDR and the FRG governments, both sides wanted to speed the process as much as possible. To reach agreements quickly, they also agreed that complicated issues would be overlooked and dealt with later. As a result, antagonisms and doubts were already smoldering around the THA before it was established. Although the likely consequences of what was being set in motion were raised, they were generally neither deliberated on nor clearly understood (Kepplinger & Kolmer, 1993).

The GDR cabinet endorsed the original government proposal, essentially unchanged, on March 1, 1990. Through a special GDR act of parliament on March 15, the THA was established as a government organization. An acting director and a six-person group, including two members from the FRG, were appointed to conceptualize a new law to establish the structural form and responsibilities of the THA. A proposal from the FRG reiterated the idea of a holding company, arguing this structure would make it clear that the THA was distinct from the government and could act independently. A GDR proposal held that the THA should remain a government organization because in shepherding organizations into the new market economy, it would be assigning chances for economic freedom and competition that had important social implications. The latter proposal was accepted. The THA was made a government organization with responsibility for managing the legal transition of the GDR to a privatized economy. After reunification, it was expected that the THA would convert to a holding company. In the meantime, 150 new THA employees were recruited from GDR government ministries (Fischer & Schröter, 1993).

The law structuring the THA was passed on July 15, 1990. The structural form for the THA was modeled after the structure of government organizations in the FRG (Kloepfer & von Unger, 1993). The GDR president appointed seven West managers, along with Detlev Rohwedder (a former minister in the FRG government) as chairman of the THA's new management committee. The GDR parliament proposed seven experienced GDR politicians as additional members. Two additional members were appointed to represent the opposition groups. As defined in law, the THA had limited and restricted authority. Its mandate defined it as an administrative authority to facilitate legal restructuring; that is, it was to convert VEBs into firms with share capital and limited financial liability and then sell them to investors. At its beginning, the THA administered

more than 70,000 separate commercial units, including more than 8,000 VEBs with about 4 million employees.

The THA started converting VEBs to firms and then selling them in April 1990. By July 1, 1990, the date of the currency union, 3,600 VEBs had been converted. On this date, funding responsibility for the THA was taken over by West Germany. The THA's charge required it to financially protect the properties it administered, and it was allocated funds for this purpose. The initial requests from VEBs to the THA for funds were large, and they often came from units that were already heavily in debt. Only 41% of these initial applications were approved. In September 1990, the THA paid DM 2.5 billion to cover interest payments for the firms under its administrative umbrella. Eventually, the THA would borrow more than DM 230 billion to fund the operations of its various organizations.

Dealing with investors, the THA's role was to establish the competitive capacity of as many firms as possible and to ensure the survival of as many workplaces as possible. But many of the initial staff were more committed to socialist concerns and hierarchical controls, as opposed to capitalistic investment practices and performance criteria. They found it difficult to act effectively in the new situation. Also, the THA itself had been put together so rapidly and then expanded so much that, internally, its structures were insufficient to effectively monitor the firms it was administering. Chaos and indecision were rampant.

Externally, too, the alarm bells were ringing. The idea that many VEBs had such outdated equipment and were so overstaffed that they had no chance of competing effectively against Western firms was something never imagined by most people in the GDR. Many simply didn't believe it. They also expected an organization that was centrally controlled to behave according to socialist ideals and for the benefit of the people when it made decisions. As people were being fired and questions of whether facilities would be permitted to survive surfaced, grave doubts and fears started to emerge along with severe criticisms of the THA.

Rohwedder was appointed THA president in August 1990, and he attempted to bring clarity and direction to the THA based on the cultural understandings of the FRG. He saw it as essential that the THA develop a capacity to act independently. He sought to promote this capacity by introducing a decentralized structure that encouraged managers to act independently in response to local conditions. On October 4, 1990, the day after political reunification, he released all of the original directors who came from the East, replacing them with experienced managers from

the West. Most of these new managers came from small industrial or middle-size firms and were at least 50 years old. They were given broad decision-making powers, including authority to make unilateral decisions on deals of up to DM 30 million. Their initial task was to get some sense of the assets they were responsible for and to build trust with their staff, most of whom came from the former GDR. As quickly as possible, they were to be ready to negotiate sales.

With most of the decision making in the THA decentralized, the question arose as to how to organize top management. The possibility of organizing responsibilities around industries was considered but rejected. The new Western managers, like the Eastern opposition groups before them, wanted there to be little surface similarity between the new THA structure and the structure associated with GDR central planning. A functional structure was eventually chosen for top management. This structure did not work well, however, for it made it difficult for potential investors to know who they should approach to negotiate about a particular firm. Mixups led to the introduction of a new matrix structure on January 1, 1991. This new structure emphasized five main industry groupings and reduced the number of functional specializations.

By early 1991, the THA had developed a clearer sense of itself, and it was now an organization oriented around espoused Western values and assumptions. At the same time, and in the first half of 1991, the inland productivity of the former GDR had sunk by 55%. Unemployment had reached 11.7%, and those being reschooled or put through other retraining courses numbered an additional 13%. In THA facilities, there were 2.1 million employees. Massive layoffs were still in the offing. Through sales of facilities, 512,000 workplaces were now the responsibility of private-industry investors. By March 1991, the THA had sold about 15% or 1,261 of its stock of VEBs for total proceeds of just DM 5.5 billion, and these initial sales included many of the choicest properties. It was clear that the actual sales proceeds from privatizing GDR property were going to be minimal.

The role of the THA was still highly restricted based on its original mandate designed in the GDR. There, the GDR government would have quickly made adjustments for THA actions that upset local communities. But in the FRG, the THA dealt with a government that was primarily concerned about its mounting operating costs. In attempting to hold costs down, the THA defined VEBs as strictly production units and ignored the

social functions they may have performed. This perspective was consistent with that of the new investors, most of whom came from the West. Their priority was to identify viable, potentially competitive corporate units. What the THA offered, in contrast, was VEBs with bloated staffs, outdated technology, and responsibility for various social services. By requiring that large numbers of staff be fired and selling these stripped-down businesses for low prices, the actions of the THA became increasingly controversial in the former GDR. People observed the rapidly growing rates of unemployment and the way in which their vaunted productive capacity, once proclaimed to be the best in Eastern Europe, was being given away to Western investors. Often, not even this outcome was possible and decisions were made to close VEBs. Wandel and Mosen (1993) describe how this could generate violent demonstrations by employees. The THA under Western managers was hated in the GDR because it was perceived to exercise its authority in a way that was consistently socially irresponsible. Despite this negative evaluation in the East, many positive changes directed at improving productivity and competitiveness were occurring in many privatized firms (Edwards & Lawrence, 1994).

From a West German standpoint, the THA was seen as an independent organization attempting to carry out a difficult mission as quickly as possible while incurring as little cost as possible. As an independent government organization, however, the THA had ambiguous and narrowly defined authority within the FRG governmental structure. The FRG government could have modified this mandate but because the operations were already so costly and so much controversy surrounded the THA's efforts, the FRG government preferred to leave the THA alone and sought to distance itself from its operations. Although it was realized in the West that the quick transition in the East was becoming very disruptive, it was also thought that the THA was managing remarkably well, all things considered. The social security net in place in West Germany had been extended to East Germany, and newly unemployed people were being supported and retrained during the transition. This quick approach was thought to be best in the long term because it was believed that given Western market criteria, there was no future for many VEBs. In the West, difficulties were seen to stem not from the THA's actions, but from the noncompetitive status of the VEBs it had inherited (Czada, 1993). Generally, the THA was hailed in the West as having fulfilled its mission successfully. It was dissolved in 1995.

CULTURAL UNDERSTANDINGS OF THE REUNIFICATION PROCESS: TWO CONTRASTING METAPHORS

Given the speed with which reunification occurred and the differences that distinguished the cultures of the GDR and the FRG, some social and cultural disruption was inevitable. In the opinion of Lang and Wald (1992), however, the extent of the cultural and social change was generally underestimated in 1990 and has continued to be underestimated. They report that attempts to discuss what occurred with many people who had lived most of their lives in the former GDR often led quickly to the use of clichés and ideologically laden expressions, reinforcing existing cultural understandings that failed to help them grapple with the new circumstances. Such people seemed to have great difficulty separating themselves from the espoused values and assumptions that had successfully guided them in the GDR. They found it difficult to appreciate how an alternative cultural approach could be an effective guide to behavior (Lang & Wald, 1992).

It would seem that many people from the East and West have had difficulty in communicating an understanding and appreciation of their respective perspectives to one another. It may be that normal literal language cannot cope with the sort of complexity that is implicit when one compares different cultural perspectives. Arguing for alternatives that complement literal language, Tsoukas (1991) noted that "metaphors constitute an economical way of relaying primarily experiential information in a vivid manner" (p. 567). Morgan (1986) argued similarly, saying that metaphors are just about the only way we can encompass the complexity of the ways of thinking and seeing we rely on to understand our worlds. Lakeoff and Johnson (1980) argued that "the essence of metaphor is understanding and experiencing one kind of thing in terms of another" (p. 5). More specifically, whereas people from the West or East may have difficulty appreciating a literal description of how someone from the other side experienced reunification, they may be able to appreciate metaphors that describe the process from their respective points of view.

We found our own appreciation of how the cultural beliefs of the GDR and the FRG cohere together and compare was helped by resorting to some constructed metaphors. Specifically, we found fairy tale imagery particularly useful. Below, we share two metaphors constructed to help provide

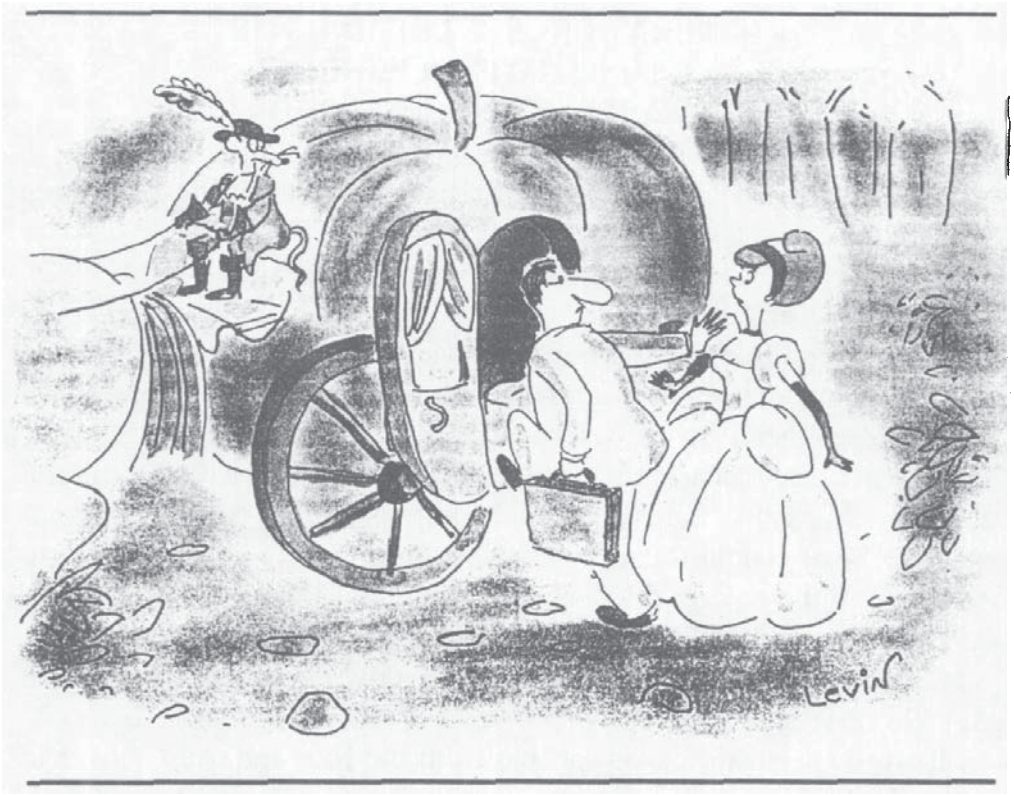

Figure 1: Cinderella
SOURCE: Drawing by Levin, © 1993. Reprinted by permission of *The New Yorker* magazine.

a better appreciation of the alternative perspectives on the meaning of reunification.

THE EAST GERMAN VIEW

Consider Cinderella (see Figure 1). She was poor but she also knew she was very good. In the meantime, however, she was dependent on and dictated to by her wicked stepmother and the older ugly stepsisters who had determined that she should work for years at her VEB, doing what she was told and what the stepmother's plan required of her. In these not-so-pleasant circumstances, she and her friends helped each other out as best they could. They also thought a lot about the riches they knew existed in the land next door to the West. The problem was that they could not reach the land next door because of a great wall that the wicked stepmother and the ugly sisters had built around the VEB and which imprisoned them inside.

One day, along came the fairy godfather, Mikhail Gorbachev. Goodness knows what happened, but, all of a sudden, the stepmother's wall

was not there any more. Now Cinderella could fulfill her dreams by going to the land next door and finding her prince, who would be good and kind and very rich. After that, she would live happily ever after. So Cinderella got into her Trabi coach and drove through the wall. She was not alone in this, however. Many others came too, and the crowds in the West were big, excited, and friendly. All seemed glad to see her. But things also seemed hectic, foreign, and confused. In such chaos, it was difficult to spot a prince. Still excited, but with a slight tinge of disappointment, she dropped off a photo at the address of an uncle whom she vaguely recalled from a visit he had made to the East years earlier. Then, she went back home to wait for her prince to come.

But the prince did not come. In his stead there came many financial types from the THA. They were incredibly critical and kept saying nothing was any good. If they found something they thought was good, they immediately took it and sold it to capitalists from the land to the West. Then came a flood of Western salespeople selling automobiles and insurance. Nothing bothered them as long as they convinced Cinderella to commit her new DM money to them. Cinderella found out later that with the installment contracts she had signed, she had no money left, so it would be years before she would be rich. Still worse, after she had financially committed herself in this way, the THA came back and said the work she and her friends had been doing had no value, and they were going to close her VEB. They told Cinderella she was unemployed, and she had better join a retraining program designed by people from the West. Cinderella did not think this program took her concerns into consideration at all. If she did not do this retraining, however, she was told she should find another job, but she would have to do this herself. Cinderella had never been spoken to like that before. She was shocked! Instead of a prince who might have explained things, there were well-dressed "Wessis" everywhere, deciding everything, and pushing her aside even from her Trabi coach.

This was not what Cinderella had anticipated when the wall came down. She was scared now, and she felt alone and vulnerable. She did not want to talk to the Wessi types because she had learned they ripped you off. They were so cold, so busy, so self-centered, so money-oriented. She did not want to be like that. So she went back to her friends. They talked about how bad it was and how disappointed they felt. At least, it was a good feeling to be back together again. Maybe wealth was not so important after all. Maybe some of the things the wicked stepmother had said about how

Figure 2: Uncle Dragon
SOURCE: Drawing by Lorenz, © 1992. Reprinted by permission of *The New Yorker* magazine.

good their situation was and how bad the land next door to the West was were also not so untrue after all.

THE WEST GERMAN VIEW

Consider Rich Uncle (see Figure 2). As a matter of principle, he had always been concerned about his poor cousins in the land next door to the East. He was pleased that the constitution of his land to the West had always left open the possibility of reunification with the land to the East. He felt the wicked stepmother was wrong to have built the Wall and, at a general level, he was sympathetic to the plight of people in the East. On the other hand, he did not know them well, and he was a busy man with a career to pursue. He did not spend a lot of time thinking about such things simply because he did not think he could do much about them. In fact, he had not expected to see the wall come down in his lifetime. It was a miracle, then, when the fairy godfather, Mikhail Gorbachev, and others created so much confusion that it simply fell away.

Rich Uncle got into his Mercedes coach to visit the land to the East. He was not impressed and sometimes got quite upset at what he saw. Everything was falling down, rotten, old, antiquated, overgrown. It was as though for decades, time had stood still. Immediately, he resolved to make this land more like his own land to the West. He vowed to send his workmen and builders and road makers to the East to make it look and function better. His hope was that it would soon be able to stand on its own feet and no longer need the help he was going to provide. For the moment, however, he could see the people in the land to the East really did need help. It did not seem an appropriate time to think too specifically about the future. Instead, he prepared to give generously.

After a few months, some surprising things started happening. First, people like his niece Cinderella started saying it had not been that bad before after all. Even though everything might have been falling down and rotten, she said, at least you could count on your friends and you could trust people. She complained that all the THA did was come around to close the VEBs, fire the people, and then leave, their job complete. Now, many people were unemployed even though they wanted to work. And in the GDR, they had been guaranteed work. Now all that was gone. So what were they expected to do?

In addition, although it was nice of Rich Uncle to send his workmen to rebuild things and make them look better, she observed that he did not really want to actually deal with GDR people. Instead, he dealt only with the big firms from his own land. If he kept doing this, then businesses in the East would never be able to establish themselves. In fact, she observed that some of Rich Uncle's brothers seemed to want to kill private business initiatives even more than the wicked stepmother had. Through taking credit, many people had been able to buy Western automobiles. But in doing so, and in their rush to satisfy their pent-up desires to consume, they had also put themselves deeply in debt so they could not expect to recover for years. Was that help and generosity? What was Rich Uncle going to do about that?

Instead of the gratefulness he had expected, Rich Uncle increasingly ran into people who seemed suspicious, demanding, and complaining. They had no appreciation of him or the sacrifices he had made. In fact, he realized Cinderella and her friends saw him more as a greedy dragon set on devouring everything good in their land. Rich Uncle was shocked at this. He had never thought of himself as uncle dragon and, in fact, as he had been quite happy with the land to the West before reunification

occurred, he did not want any of the land to the East. He was disappointed and angry that they thought about him in this way.

His experience with Cinderella made Rich Uncle think. In particular, he thought about the way he had achieved wealth by taking initiatives, acting responsibly, and where necessary, sacrificing for the future. He believed people like Cinderella should do as he had done. Yet, as he got to know her better, he found himself thinking she was naive and spoiled. Rich Uncle believed the way to go forward was to use the methods that had proven successful in the West, for the methods used in the East had proven to be failures. The East needed Western firms to demonstrate how to do things quickly and efficiently.

These constructed fantasies reflect the different cultural understandings that stem from backgrounds based in the GDR and the FRG. They suggest how different interpretations of the same situation were likely to develop and lead to conflict between the parties. They remind us of how social reality is defined by the institutional structures, espoused values, and basic assumptions that we take for granted (Martin, Feldman, Hatch, & Sitkin, 1983).

THE IMPLICATIONS OF CULTURAL DIFFERENCES

Some of the different priorities emphasized by GDR and FRG cultures at the espoused values and basic assumption levels are potentially complementary. Whereas GDR culture gave priority to socialist ideals and collective economic achievement, for example, people there were also interested in a higher standard of living at the individual level. So far as FRG culture was concerned, although it gave priority to higher living standards, it also had commitments to socialist ideals, as indicated by its investments in a comprehensive social security net. The difference was that in the West, people saw social support as a floor designed to protect individuals, not as an idealistic peak that the collective should aspire to, as in the East.

Other basic assumptions are more closely tied to the contrasting surface structures institutionalized within the GDR and FRG, respectively, and seem to lead directly to conflicts rather than potential complementarity. These would include the basic assumptions in the GDR that action is driven by hierarchical relations and that life should focus on enjoying the present. As the surface structures of the GDR have been abolished, institutional support for these assumptions have been removed, making them more difficult to sustain. Candidates to replace these assumptions from the West would be that

action comes from individual interests and choices and that life should focus on work to improve the future. Many GDR people have welcomed the opportunity to adopt these alternative assumptions and have adjusted well to them, even as many still place a higher value on social support concerns, for example, than people from the West.

A significant minority from the GDR, however, has found the process of accepting alternative cultural assumptions extremely difficult. Even though they now live in FRG conditions, this minority clings to GDR values and assumptions. Having successfully faced massive challenges to these values since reunification, it is also likely they will continue to hold them. The result is an evolving and significant split in the coherence of the cultural understandings that used to guide people from the East. Because reunification was forced on them so quickly, and because the concerns of most people received little consideration at the time, there is a backlash of resentment and anger reflected, for example, in the PDS vote. It may be time to reconsider the strengths and the limitations of the respective cultures that until 1989 distinguished the GDR and the FRG. It may also be worth reconsidering the pressures that drove both sides to avoid deliberating much about reunification from a cultural standpoint, for this has led to the assumed acceptance that a transition to current Western organizational forms is the best blueprint for the future (Lipton & Sachs, 1990). Geppert (1996) and Nilsson (1996), for example, document how different perspectives drawn from the East and West modify and complicate this transition process and can establish or block a basis for learning and mutual adjustment.

So far as GDR culture is concerned, although socialist ideals were appealing, they were imposed in ways that destroyed people's capacity to criticize and think independently and denied or ignored economic realities. By governing in this way and failing to consider the costs of its approach, the GDR regime eventually destroyed itself from within. Those who continue to stick with the basic GDR assumptions and values need to be aware of the omissions and limitations of this system. They also need to become aware of how social concerns are not excluded from cultural understandings in the West. Rather, social concerns are there, but they have a different priority level. Ideas for change and improvements in social support from experience in the GDR are quite likely to be considered seriously (Bresser & Dunbar, 1995; "East German Ex-Activists," 1996).

So far as the FRG culture is concerned, although a high economic standard of living is appealing, one must realize that it is achieved through market systems that derive their power from individual initiatives, on one

hand, and competition that regulates growth and opportunity, on the other. The advantage of a market system is that it keeps everyone in touch with social and economic reality rather than allowing it to get obscured either through rhetoric or reporting processes. It does not include mechanisms to protect communities, however, the kind of mechanisms found in a centrally directed socialist system. Rather, market competition can be brutal in its power to generate both economic abundance and unemployment. People who take pride in their ability to make a social contribution find unemployment difficult to accept, no matter whether they come from the East or the West. Since 1990, unemployment has been a continuing and unresolved concern for all of Germany.

Finally, the reunification process as experienced by people in the East was culturally extraordinarily disorienting because of the speed and the unexpected way the process unfolded. The design of the THA and the pressures on it meant it had neither the time nor the resources to attend to many of the social concerns and disruptions its actions caused. Instead, it simply moved on to complete its task. In the process, it transformed the GDR from a centrally planned system, at least theoretically owned by the people, to a privately owned market system. But because of the way privatization was managed, most GDR citizens were effectively excluded from participating in the ownership of the country with which many strongly identified, and, instead, millions were made unemployed by the process. Such a fast-moving process with such debilitating outcomes inevitably left emotional scars that people naturally justify and explain based on their own cultural backgrounds.

For the alternative cultural understandings that guided these events to be appreciated, the strengths and limitations of the respective cultures and the pressure operating during the reunification process probably need to be reconsidered from a more neutral and, now, more distanced viewpoint. Otherwise, a marred German reunification process is likely to continue rather than the appreciative experience people had hoped for.

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