

Transformation ^{to} High Performance

A journey in organizational learning

Report No. 823
Summer 1993

A. Lad Burgin, Ph.D.
Ellee Koss

SRI International (reprint)

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- **Corporate and Senior Management**
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 - Systems management
 - Human resources

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The B-I-P *Index* lists this report under the following headings:

- Human Resources
- Management Techniques
- Strategic Planning

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SRI International has a long history in the development of strategic management and consulting systems, beginning with the pioneering contributions of the Long Range Planning Service in the 1960s. Among SRI's innovations are scenario-based strategy development, technology planning and strategy, vulnerability analysis, and innovation searching. Today, industry and technology experts team with strategic management consultants to help business and government leaders worldwide devise and implement strategies to solve current problems and build the foundations for future success.

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Transformation to High Performance

2 THE NEED FOR TRANSFORMATION

- 5 Understanding Organizational Transformation
- 7 Embracing the Challenge

9 HIGH-PERFORMANCE ORGANIZATIONS

12 THE TRANSFORMATION

- 12 Creating a Learning Organization
- 14 Providing Executive Leadership
 - 16 Assessing and Transforming Oneself
 - 16 Assessing Leadership Capabilities
 - 16 Creating a Core Leadership Team
 - 16 Developing the Leadership Network
- 18 Working with the Organization as a System
 - 18 Defining Vision, Values, and Strategy
 - 19 Analyzing Structure
 - 20 Modifying Systems
 - 20 Changing Jobs
 - 21 Valuing People
 - 22 Fostering Managerial Leadership
 - 22 Developing a Supportive Culture

26 PLANNING AND IMPLEMENTATION

- 26 Preparing the Organization
- 27 Planning for Change
- 27 Implementing the Transformation

Tables

- 10 High-Performance versus Traditional Executive Leadership
- 13 High-Performance versus Traditional Organizations
- 14 Prominent Thinkers on High Performance

Figures

- 3 Forces of Change and Change Options
- 5 Organizational Transformation
- 15 Transformation Road Map I: Executive Leadership
- 17 Transformation Road Map II: The Organization
- 19 The Transformation Path

Boxes

- 4 Traditional Choice
- 6 Crossing the Desert with 3COM
- 20 Organizational Mapping
- 24 Corporate Culture Assessment
- 26 B-I-P Survey Results

THE NEED FOR TRANSFORMATION

Strategy must lead, energize, integrate, and motivate an entire organization.

Doing business in a rapidly changing, uncertain global environment is the foremost challenge of corporate executives today. To survive and succeed in the 1990s and into the twenty-first century, companies will need to offer high-quality products and services; provide continuous innovation in products, services, and processes; adapt readily to change; and respond quickly and appropriately to opportunities. To help executives succeed in this environment a sea of information has become available about the kinds of networked or “virtual” organizations that will be necessary. Analysts have prescribed many remedies: restructuring, reengineering, redesign of business processes, total quality management, definition and development of core competencies, leadership, and creation of learning organizations. Missing from this advice is a strategy that combines all the pieces to lead, energize, integrate, and motivate an entire organization. This report offers the following contributions:

- An integrated and actionable strategy for CEOs and their organizations to create a sustainable competitive advantage in the global marketplace
- A guide for transforming an organization to high performance.

We offer a holistic strategy and implementation plan that unites all organizational elements into an aligned force. With these new organizational capabilities, CEOs can effectively confront the changes of the next decade.

Executives are wrestling with a continuum of choices to meet the enormous challenges of the global environment: doing nothing, introducing change in increments, making programmatic change, and implementing organizational transformation. One of the most agonizing challenges is to balance the risk of destabilizing the organization against the risk of changing too little too slowly. This conflict presses CEOs to see and acknowledge danger and to walk through the challenges that vision inspires.

The New Paradigm views anything that threatens the strategic health of the organization as risky.

Traditional executive leaders tend to minimize risk. They perceive massive and turbulent external changes as overwhelming and paralyzing and thus see quantum change within the organization as a high-risk endeavor. Generating and maintaining stability is often more comfortable. For them, the prudent course is to stick with what has worked in the past until sufficient personal and/or organizational pain warrants a major change. Traditional leadership associates increases in risk with increases in the degree of organizational change.

In an uncertain and rapidly changing environment, organizational/corporate success depends on executive leaders' ability to separate risk from organizational change. New leaders recognize that situations that once appeared the most risky may have the least risk. This paradigm views anything that threatens the strategic health of the organization as risky. Strategic health is an organizational state that balances short- and long-term goals, objectives, and actions; and pursues adaptability, innovation, continuous learning and improvement, and speed as paths to superior results.

The new organization associates risk with inaction or “wrong” action. The search for “right action”—change that will enable the company to thrive and flourish in the future—minimizes risk. In the search for right action,

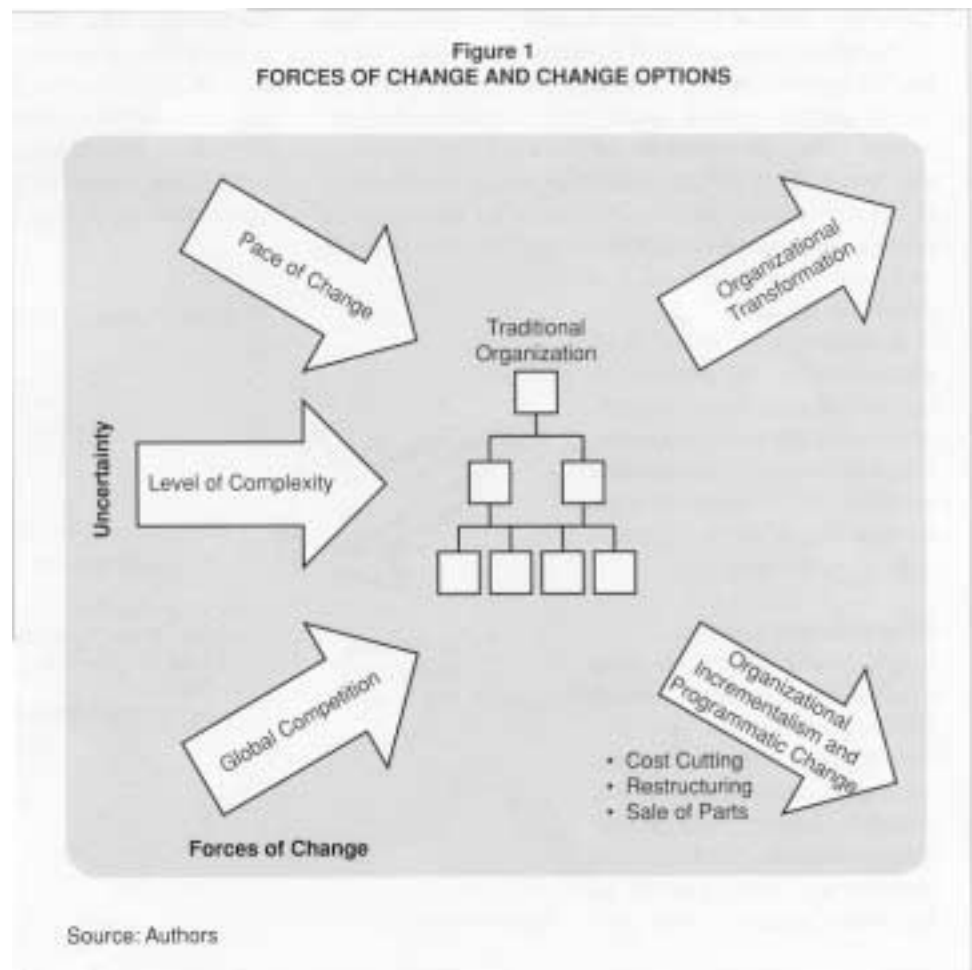
An agonizing challenge is to balance the risk of destabilizing the organization against the risk of changing too little too slowly.

organizations learn to recognize and acknowledge, consistently, when action is insufficient and/or inappropriate. Dialog about and analysis of what works and what does not are essential during this process.

Every choice carries risk and reward. Doing nothing or pursuing incrementalism often leads to stagnation. Stagnant organizations suffer from poor results, rigidity, a very short-term orientation, and lack of innovation. Programmatic change or isolated structural change leads to short-term and occasional medium-term benefits but generally does not generate the long-term strategic, competitive, or collaborative advantage an organization needs. Transformation offers the possibility of generating the strategic health necessary to thrive into the twenty-first century.

Executive leaders must first recognize their own risk orientation and ground themselves in the new paradigm, focusing on strategic health, to transform their organizations to high performance. This new paradigm embraces the changes necessary to develop high performance and thrive in dynamic and uncertain global environments. In *Control Your Destiny or Someone Else Will*, Noel M. Tichy and Stratford Sherman quote Jack Welch, the controversial CEO who has been taking General Electric (GE) through a major transformation:

I've made my share of mistakes-plenty of them-but my biggest mistake by far was not moving faster. Pulling off an old Band-Aid one hair at a time hurts a lot more than a sudden yank. Of course you want to avoid breaking things or stretching the organization too far-but



generally, human nature holds you back. You want to be liked, to be thought of as reasonable. So you don't move as fast as you should. Besides hurting more, it costs you competitiveness.

Everything should have been done in half the time. When you're running an institution like this you're always scared at first. You're afraid you'll break it. People don't think about leaders this way, but it's true. Everyone who's running something goes home at night and wrestles

TRADITIONAL CHOICE

Incrementalism

Incrementalism reacts to external circumstances through slow and segmented actions. Incremental approaches to change focus on solutions to symptoms and discrete problems. They operate at the edge of an organization rather than at its core.

Incrementalism works well in a stable environment that is changing relatively slowly.

In a rapidly changing and uncertain environment, Incrementalism is actually a higher-risk solution than more radical change. Executives in traditional organizations, who are committed to generating and maintaining stability, believe that incremental solutions attack the central issues. Often they focus on a discrete piece (or pieces) rather than on the whole organization as a system. Examples of incremental approaches include reducing the number of jobs, asking people to work harder, and micromanaging expenses. These approaches are reactionary, not anticipatory; they may result in flatter traditional organizations but fail to achieve the desired results. Companies that have recently adopted incremental approaches to combat external forces and poor results include Pan

American Airlines, Sears, General Motors, and Wang. With Incrementalism, the interim picture can improve. In the long run, however, in a dynamic and uncertain environment, incremental solutions will not bring the organization into alignment (in sync) with external forces.

Programmatic Change

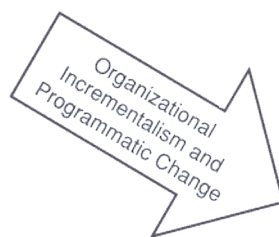
Programmatic change reacts to external circumstances through isolated structural actions.

Programmatic approaches focus on broad sweeping actions that company leaders view as all-purpose solutions. Such structural changes are rarely part of an integrated systems approach to

creating strategic health. Examples of programmatic change include total quality management, reengineering or redesign of business processes, and major restructurings such as significant job reductions. These approaches intentionally create tremendous upheavals. However, because programmatic changes are not part of an integrated vision for the company, the changes do not deliver on their promises when the dust settles. IBM, Westinghouse, and American Express have recently launched programmatic changes only to face disappointing results.

To shift the impact of such programs, companies must incorporate them into an organizational transformation. For example, when Xerox first attempted quality programs in the 1970s, they did not so much fail as fall short of providing the edge that Xerox had hoped for. Not until the mid- to late 1980s, when CEO Paul Allaire and Chairman of the Board David Kearns declared that quality was their number one priority and led the company through a major transformation, did Xerox begin to turn itself around.

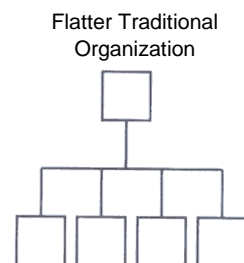
TRADITIONAL CHOICES



- Cost Cutting
- Restructuring
- Sale of parts

Stagnation

- Poor Results
- Very Short-Term Orientation
- Lack of Innovation
- Rigidity
- No or Little Improvement



- Pan American Airlines
- Sears
- General Motors
- Wang

Source: Authors

with the same fear: *Am I going to be the one who blows this place up?* In retrospect, I was too cautious and too timid. I wanted too many constituencies on board.

Executives in the postwar industrial economy did not have to worry about transformation. Incrementalism and programmatic change were sufficient to cope with the type and rate of environmental change. However, the rise in global competition and uncertainty has created the need for transformation.

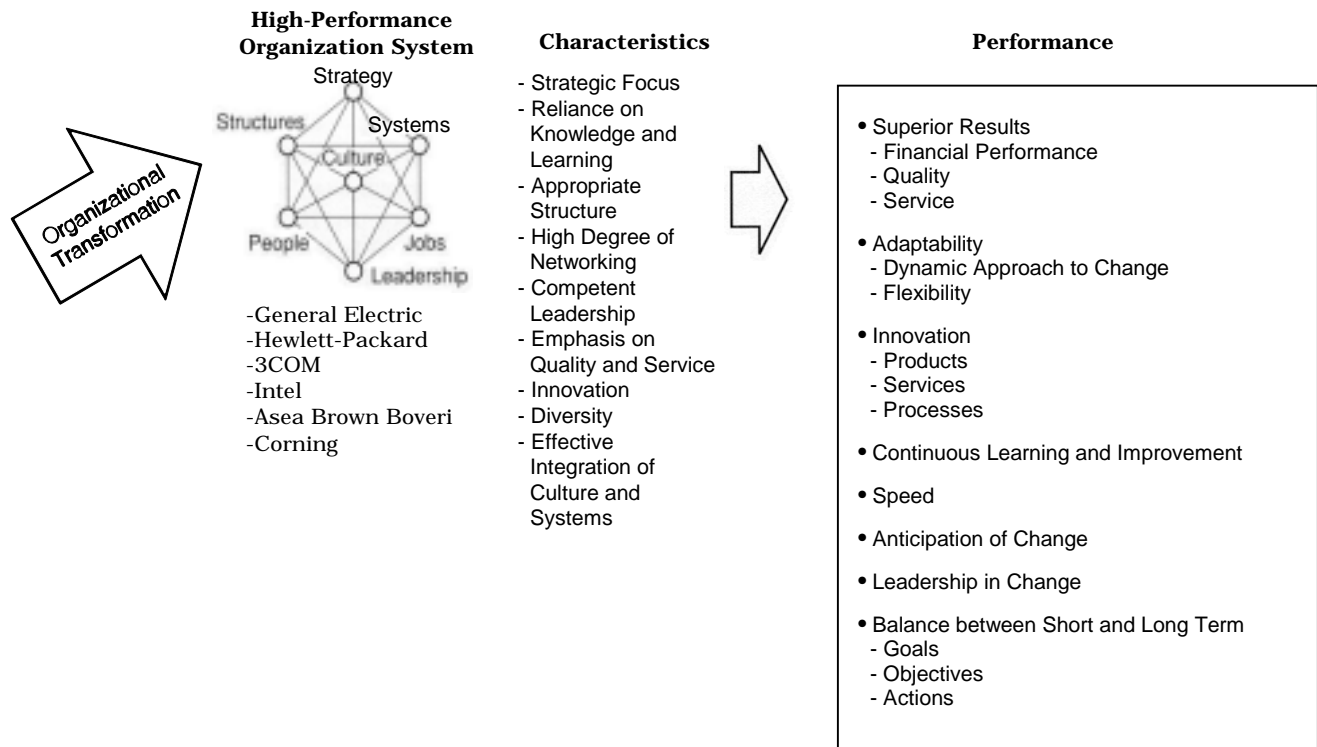
Understanding Organizational Transformation

A transformation is a fundamental change in the condition, structure, or nature of something. Organizational transformation is a process through which bureaucratic, hierarchical, slow-moving, inflexible, traditional organizations change state and become strategically healthy. Strategically healthy organizations respond efficiently to change, anticipate change in a beneficial way, and lead change within their industries. The transformation to strategic health produces high-performance organizations that can survive and thrive in the turbulent, global business environment of the 1990s and beyond.

The transformation process focuses on organizations as whole systems at play with their environments over time. It is dynamic and iterative. Transformation is an arduous journey of personal and organizational examination, unlearning, and learning. It calls for visiting and revisiting the

Transformation is an arduous journey of personal and organizational examination, unlearning, and learning.

Figure 2
ORGANIZATIONAL TRANSFORMATION



Source: Authors

leader's daily behavior and components of the organizational system, viewing them as parts of an overall high-performing system. The result is a radical reinvention of the organization to a high-performance organization. For example, Intel is proving to be a consistent high performer in the very competitive semiconductor industry. Though the Japanese have dominated the industry recently, Intel has cracked the top tiers. One key to the company's success is its ability to refocus its R&D efforts on successive generations in a timely manner. As the demand for one generation of chips begins to plateau, the company "leapfrogs" two generations of technology ahead (for example, from the first to third or second to fourth generations) while the intermediate generation experiences high growth and acceleration. In *Fortune* magazine, Intel's CEO, Andy Grove, summarized the principles that guide his high-performance organization:

CROSSING THE DESERT WITH 3COM

In 1987, 3COM was a dominant player in the computer networking industry. In what proved to be a grave strategic error, CEO and Chairman William Krause moved the company away from its roots and core competencies to compete with strong competitors in the broader computer hardware market. By 1990—when OS/2, the operating system upon which 3COM based its products, never materialized—the company became unstable and margins suffered. The board of directors decided to change the company fundamentally. Krause stepped down as CEO and remained as chairman. Eric Benhamou, a cofounder of Bridge Communications, Inc.—a networking company that 3COM bought in 1987—became the new CEO at the age of 35.

In 1990, 3COM employed 2100 people while producing annual revenue of \$410 million. At its low, the company had 1700 employees and revenue of \$340 million. Today, 3COM's revenue is more than \$650 million, and it has 1900 employees. These results are the product of three transformations: the personal transformations of Eric Benhamou into CEO and Bill Krause into chairman of the board with a new set of responsibilities and the organizational transformation of 3COM to high performance.

When Benhamou accepted the responsibility of transforming 3COM, he knew a very radical transformation would be necessary. The company would need a new product portfolio and new skills within 18 months to succeed. He also knew he would have to perform these arduous tasks without many resources, amid hostility from many people, and as persona non grata on Wall Street until results improved. To prepare people for the realities of the journey, Eric Benhamou likened the task ahead to "cross-

ing the desert" and "returning to the roots." "Everyone has to cross their own desert, because for too long we've been mired in not adding value."

Starting the transformation was the most difficult, because Benhamou had to sell parts of the business, lay off 12% of the work force (250 employees), and restructure the organization. The day he announced these changes "was the heaviest day in my life...a difficult step from an emotional standpoint." At the same time, he articulated a new vision for 3COM that focused on global data networking. He knew he needed a vision for at least two years into the future to inject confidence in the organization. In January 1991, as Benhamou communicated the vision, he presented a series of metrics that would allow the company to determine where it was on the journey. First he spoke with every person in the organization, in small groups, to engage employees in the journey. He sold the vision "one pixel at a time." He reported feeling encouraged "if I saw lights flash in the eyes of 2–3 out of fifty people. Then I knew I had 2–3 more people on board." Aside from the small group meetings, he used two forms of communication that continue today: a monthly electronic mail message from Benhamou and a CEO forum, which began as a monthly event and is now a quarterly one.

Transforming 3COM continued through activities to promote executive leadership. Company executives met off-site for team-building exercises and conversations about how to work together effectively to move the company forward. As a result, the group coalesced around the new vision for 3COM. Other activities in the transformation have included changing the structure somewhat, generating business processes that enable and drive speed, and

A corporation is a living organism, and it has to continue to shed its skin. Methods have to change. Focus has to change. Values have to change. The sum total of those changes is transformation. One of the biggest lessons I've learned is that it is always easier to put strategic changes into action than to declare them as policy. There is at least one point in the history of any company when you have to change dramatically to rise to the next performance level.

Embracing the Challenge

Your job, as a key leader in your organization, is to ensure the strategic health of your company. At the same time, you need to keep the business running with a commitment to quality and excellent customer service while satisfying stockholders. The task of transformation may seem overwhelming.

shifting the culture from a comfortable one with no sense of urgency to one of accountability and urgency. From the beginning, Benhamou viewed 3COM as a whole system and made changes across the board.

In the next stage of the transformation, the company is building and mobilizing the executive team so that managers can be messengers of the vision and develop a sense of owning the transformation process. Success in this task will enable Benhamou to focus on the long-term strategic focus of 3COM and push the transformation down and throughout the organization.

As the transformation has unfolded, the board of directors has played a critical role. Benhamou insisted on free rein from the board when he took over as CEO. Though skeptical at first, the board has essentially been supportive as it has experienced its own transformation. In no small way, this transformation has been due to the efforts of Bill Krause.

Leaving 3COM was difficult for Krause: "The transition from one generation to the next is the most difficult task, because if you're lucky you only do it once. There is no place to go to get experience in succession and transition. The board drifts, the company drifts and you don't want to have the 'politics' set in. The company begins to sense it no matter what you do. You become a lame duck at a time when you've acknowledged you made a strategic error." Working with the board of directors became Krause's passion: "It was my job to make sure that he (Benhamou) wasn't going to fail, no matter what." Krause focused on three tasks: supporting and encouraging Benhamou, offering advice and counsel when Benhamou asked, and giving him the best board he could.

The first year of Benhamou's leadership, board members were very concerned that Benhamou clearly did not yet

have a team: Many people were going through the motions of change, uncertain that the transformation was going to work. Krause supported Benhamou by keeping alive the dialog between the board and the CEO. At board meetings, members noted the lack of visible signs of success, asking probing questions about revenue and growth. "While the competition was growing at a rate of 50%, we had just stopped the bleeding," Benhamou said. Benhamou responded patiently with details of the process, showing how the plan was on track. Benhamou's articulation of his vision gradually won over the board. The format of the board meetings changed to allow more time in closed meeting with Benhamou to discuss his list of issues and opportunities. The board entered wholeheartedly into the process as a result.

Restructuring the board was necessary for its transformation. The toughest task for Krause was asking a member of the board who was not constructive to not stand for reelection. The second most skeptical person on the board died of a heart attack. Replacing these people were two supportive members who understood the company's transformation journey. Krause also worked hard to help a third member, who was skeptical and concerned but not unsupportive, build a rapport and relationship with Benhamou.

In 1993, 3COM is growing rapidly and increasing revenue. The board is 100% supportive of Eric Benhamou's efforts, and Bill Krause has assumed the role of evangelist and advocate for 3COM as the leading global data networking company of the 1990s. The rest of the organization continues to "cross the desert" as it builds on 3COM's growing success.

Corporate transformation is a leap into the unknown—starting with one step and unfolding in its own way.

The transformation process calls for creative destruction; it allows for no sacred cows and is a wrenching process.

An organizational transformation is a journey comparable to crossing the ocean in a small boat or taking an extended trek in the mountains. It is a leap into the unknown. Like all great adventures, the transformation starts with one step and unfolds in its own way. The box on page 6 describes how 3COM is making such a journey.

Above all, you need commitment to launch and fully implement an organizational transformation to high performance. Like Eric Benhamou at 3COM, you must be willing to make a declaration, stay grounded in your vision, and refuse to back down. You cannot flinch in public. You cannot turn back.

You must be willing to commit people; people's time, energy, and spirit; and money to this effort for three to five years. A sizable group of people will have to make heroic efforts. You must enlist and enroll a leadership group that is up to the task. To do so, you need to establish a clear focus, set priorities, and identify critical tasks within your strategic blueprint. You must find areas to save money so that you can invest in the strategic areas for the future. Many distractions will arise, and you will always see more things to do than you or others can do.

You must systematically search the organization for obstacles and constraints, blow them up, and build new systems and processes that empower the organization. This process calls for creative destruction; it allows for no sacred cows and is a wrenching process. Resistance will come from all directions—within the organization, from the board, and from the media. You can overcome this resistance by grounding yourself in your vision. Your commitment will face severe tests. Your vision can be a source of strength and inspiration to yourself, other leaders, and the organization. Continually ask yourself, "Am I prepared to face the consequences of not transforming the organization?" This question can help sustain your efforts. GE's Jack Welch summarized the challenge in this way:

When I try to summarize what I've learned since 1981, one of the big lessons is that change has no constituency. People like the status quo. They like the way it *was*. When you start changing things, the good old days look better and better.... You've got to be prepared for massive resistance. Incremental change doesn't work very well in the type of transformation GE has gone through. If your change isn't big enough, revolutionary enough, the bureaucracy can beat you. Look at Winston Churchill and Franklin Roosevelt: They said, *This is what it's going to be*. And then they did it. Big, bold changes, forcefully articulated. When you get leaders who confuse popularity with leadership, who just nibble away at things, nothing changes. I think that's true in countries and in companies.

You must take care of yourself in the process so that you can lead and empower the organization through the transformation. To do so, you need a cadre of loyal partisans within the organization. If you don't currently have them, bring them in before you start the journey. You need to create a support structure for yourself, outside the company, to provide comfort, support, advice, and a sounding board. Use it. Manage yourself so that the stress doesn't defeat you; your objective is to act consistently with purpose rather than to react.

With the prospect of facing high stress during the next few years, you may ask yourself whether the change is worth it. Perhaps the more appropriate question is whether you can afford not to build a high-performance organization. ■

HIGH-PERFORMANCE ORGANIZATIONS

A *high-performance organization* is an environment in which people with diverse needs, preferences, values, and capabilities work effectively together, setting and achieving goals. It is a place in which people focus their energy and creativity on superior performance in a context of learning. High-performance organizations demonstrate strategic health.

High-performance organizations push relentlessly the envelope on processes, products, and services...

High-performance organizations sustain superior financial performance, quality, and service year after year. When they don't produce such results, high-performance organizations have the resourcefulness to move back on course in a reasonable period of time. They develop a successful track record in the way they do business. They are flexible and sensitive to change. They perceive change quickly, respond rapidly, and after a short period of adjustment, move appropriately forward. Day to day, high-performance organizations handle challenges and breakdowns effectively, efficiently, and flexibly. They deal with change in a fluid manner. Consistent innovation in products, services, and processes is a benchmark of high-performance organizations. Another attribute is speed, including appropriate speed to market, rapid response time, and timely commitment of resources. By relentlessly pushing the envelope on processes, products, and services, high-performance organizations are in a continuous state of learning, improvement, and self-renewal.

Asea Brown Boveri, Ltd. (ABB), is a good example of a global, high-performance organization that continues to push the envelope in a variety of domains. ABB's revenue is more than \$25 billion, and it employs more than 240 000 people. The company is a distributed global network comprising a collection of national companies that serve local markets. Through CEO Percy Barnevik's visionary leadership and innovation, ABB has developed the ability to embrace seemingly diverse and paradoxical goals in its daily practices: "We want to be global and local, big and small, radically decentralized with centralized reporting and control. If we resolve these contradictions, we create a real organizational advantage."

High performance results from a concerted effort to cultivate an organization that produces results such as those in Figure 2. Certain organizational characteristics are noticeably present in high-performance organizations.

...and are in a continuous state of learning, improvement, and self-renewal.

Companies that consistently perform at this level succeed because their leaders are competent people who systematically aim to build high-performance organizations. Executives in these companies have learned that investing in their people and organizational capability is the key to their organizations' success. They continue to invest in human and organizational capital even when times are difficult and money is tight, as Jack Welch describes:

The CEO succession here is still a long way off, but I think about it every day. Obviously, anybody who gets this job must have a vision for the company and be capable of rallying people behind it. He or she has got to be very comfortable in a global environment, dealing with world leaders. Be comfortable dealing with people at all levels of the company. Have a boundaryless attitude toward every constituency—race, gender, everything. Have the very highest standards of integrity. Believe in the gut that people are the key to everything, and that change is not

something you fear—it's something you relish. Anyone who is too inwardly focused, who doesn't cherish customers, who isn't open to change, isn't going to make it.

High-performance organizations are strategically focused. They know who they are because they have formulated a strategic vision, mission, and purpose and discovered and declared their present and future core competencies. Quality and service objectives drive their short- and long-term strategies.

Table 1
HIGH-PERFORMANCE VERSUS TRADITIONAL EXECUTIVE LEADERSHIP

Characteristic	Definition	High-Performance Traits	Traditional Traits
Direction	Perception and articulation of where the organization is going	<ul style="list-style-type: none"> Generates goals by creating a vision of the organization, assessing current reality, and asking what needs to happen for the vision to become reality Moves forward via the tension between current reality and the desired future state 	<ul style="list-style-type: none"> Allows current and future, real and perceived circumstances to drive and limit goals
Paradigm	One's world view, or a view of reality—the underlying view of the organization	<ul style="list-style-type: none"> Has a systems orientation, viewing the organization as an organic, dynamic system in play with its environment Comprises parts that interact and have an impact on each other Seeks to optimize the whole 	<ul style="list-style-type: none"> Comprises many parts that may or may not have an impact on each other Has leaders who focus first on maximizing the efforts of their individual parts
	Time span on which leaders focus (1 year, 5 years, or 50 years)	<ul style="list-style-type: none"> Has a dynamic orientation, operating within a long view and managing the business for strategic health Balances the tension between short- and long-term goals and viability 	<ul style="list-style-type: none"> Has a static, short-term orientation that causes leaders to make decisions according to their perceived impact in the short run
Change	Leadership's actions in response to and in anticipation of alterations and transformations in the external environment	<ul style="list-style-type: none"> By anticipating the future in action, generates the possibility of breakthrough results Makes individual and collective learning a way of life 	<ul style="list-style-type: none"> Tends to be reactionary, waiting for pain to stimulate internal change Can experience cycles of pain, limited incremental gain, and no real fundamental change
Authority	The right and power to make decisions and act, plus one's perception of accountability and responsibility	<ul style="list-style-type: none"> Encourages executives to view themselves as accountable for their piece and responsible for the welfare of the whole organization Balances tension between divisional and organizational interest Gives managers full authority to make decisions and take action Leads to innovative and creative solutions that heighten competitive advantage 	<ul style="list-style-type: none"> Fosters view that each person is accountable for his or her piece of the puzzle Grants limited authority to make decisions Leads to competition among elements of the organization, draining the system and producing less than optimal results
Power	The ability or capacity to act or perform effectively and the means of achieving this performance	<ul style="list-style-type: none"> Empowers employees and stakeholders to accomplish objectives 	<ul style="list-style-type: none"> Emphasizes command and control
	Possibility of loss or injury	<ul style="list-style-type: none"> Views anything that threatens the strategic health of the organization as risky 	<ul style="list-style-type: none"> Associates increases in risk with increases in the degree of organizational change or events that threaten stability

Source: Author.

As part of an ongoing transformation, Corning rethought its core competencies and shifted its culture to value diversity, learning, and performance.

At Corning, for example, CEO James Houghton's foresight and leadership enable the organization continually to assess its strategies and focus its efforts well in advance of market events. As part of an ongoing transformation that began in the mid-1980s, Corning rethought its core competencies; shifted its culture to value diversity, learning, and performance; and worked to realize a vision of Corning as "an evolving network of wholly owned businesses and joint ventures." (See R820, *Designing Strategic Alliances*, and R821, *Managing and Growing Strategic Alliances*.)

Organizations must structure themselves to support high-performance results. Successful companies have neither too many nor too few layers of management—generally, three to six levels. At the same time, their structures enable these organizations and their people to interact easily across functions and divisions, as well as within teams. At Hewlett-Packard, four layers of management typically separate an assembly worker from the Chairman, David Packard.

High-performance organizations are innovative in their thinking and structures as well as in their products, services, and processes. They also embrace diversity in their people, their ideas, and their practices.

To achieve their goals and objectives, high-performance organizations integrate their cultures and systems. High-performance values infuse daily practices, and appropriate systems—particularly evaluation mechanisms—exist to value, encourage, and reward these values. Managers design their organizations to foster such support rather than create roadblocks or confusion.

One of the most important features of high-performance organizations is their reliance on knowledge and learning. They value continuous learning and empower the ongoing self-renewal necessary to combat external forces and become "co-creators of their own evolution." They install systems that value the knowledge and growth in personal mastery and expertise that are requisite for high performance. ■

THE TRANSFORMATION

The corporate leadership must be willing to transform itself, to serve as a model, and to develop the mastery and skills necessary to effect corporate transformation.

High performance starts with executive leadership. Transforming an organization is a challenge for any executive. Recognizing the need for such an undertaking and the opportunity it presents is the first of many steps. The executive's belief that an organization can transform itself is fundamental to success. The leader must be willing to transform himself or herself in the process, to serve as a model, and to develop the mastery and skills necessary to effect the transformation.

Transforming oneself begins with the realization that certain beliefs, assumptions, and presuppositions shape our daily behavior and that our individual actions can affect the organization as a whole—just as Eric Benhamou of 3COM realized as he walked across the courtyard after he announced changes at his company (see the box on page 6). The next step in the personal transformation is to be willing to accept the responsibility for the impact one's actions and beliefs, assumptions, and presuppositions have on the welfare of the organization. The most subtle and perhaps powerful realization a leader can have is that he or she has blind spots that will also affect the organization. The personal transformation continues with the creation of a new personal and organizational paradigm that can empower success in turbulent global times. The leader shifts his or her beliefs and masters new behaviors, engaging in an ongoing process of learning, unlearning, and learning anew.

In addition to the executive leader's commitment and transformation are seven other organizational features that govern the transformation from a traditional to a high-performance organization: vision, values, strategy; structure; systems; jobs; people; managerial leadership; and culture (see Table 2). Within each of these arenas, organizations must pass through specific processes to enact changes. Though some of these changes may appear to be incremental, they become part of a company's transformation if they take place in a new context and foundation. Transformation is evolutionary and organic in nature, and it is proactive and responsive, not reactionary, in practice.

Creating a Learning Organization

Many business writers have recently highlighted the concept of the learning organization (see Table 3). Indeed, the transformation to high performance also converts companies to learning organizations. A learning organization gains knowledge or understanding through study or instruction and modifies its behaviors through experience and anticipation. Individual learning is a prerequisite for organizational learning. To foster learning, organizations must build environments that value personal and team learning, encourage the development of collaboration skills, promote risk taking, and explore failures. They also need to provide feedback loops through communication systems, evaluation criteria, and open dialog.

In both personal and organizational learning, some "unlearning" must take place before the true learning begins and takes hold. Organizational unlearning calls for rigorous examination of existing assumptions, beliefs, rules, and myths. Often, learning takes place only after people fully let go of these assumptions. Active learning is a continual cycle that moves from unlearning to learning to

Transformation to high performance converts companies to learning organizations.

Table 2
HIGH-PERFORMANCE VERSUS TRADITIONAL ORGANIZATIONS

Characteristic	Definition	High-Performance Traits	Traditional Traits
Vision, Values, and Strategy	<p>Vision: "What do we, as an organization, want?"</p> <p>Values: the qualities, principles, and standards people consider worthwhile in expressing the vision</p> <p>Strategy: the plan for or means of making the vision a reality</p>	<ul style="list-style-type: none"> • Reinvents vision and focuses on creating value for stakeholders • Encourages people to incorporate diverse and seemingly contradictory objectives in strategic and daily decisions • Replaces "either/or" perspectives with "and" approaches, considering both long- and short-term, big and small, global and local, flexible and structured issues 	<ul style="list-style-type: none"> • Expresses vision as a focus on financial goals • Combines a short-term strategic orientation with forced-choice, either/or decisions
Systems	Business-process and management systems, and the application of information technology within the organization	<ul style="list-style-type: none"> • Creates systems that are effective, flexible, and supportive of a company's vision • Develops and implements systems with an eye toward continuous learning and improvement 	<ul style="list-style-type: none"> • Gives rise to systems that are notoriously ineffective, inflexible, and self-perpetuating
Structure	The configuration and formal relationships of the elements and parts of an organization, plus the informal human networks that develop and operate	<ul style="list-style-type: none"> • Has a flat, highly networked, and flexible structure 	<ul style="list-style-type: none"> • Has a tall, hierarchical, and rigid structure
Jobs	The specific activities and pieces of work that individuals and teams perform in organizations	<ul style="list-style-type: none"> • Reconfigures jobs and creates fewer but more broadly defined jobs • Has jobs that require a high degree of competency and expertise in multiple tasks and disciplines 	<ul style="list-style-type: none"> • Has many specialized jobs of narrow focus
People	The individuals and groups active within the organization	<ul style="list-style-type: none"> • Has diverse constituencies of stakeholders with mastery of process skills • Encourages balance between reflection, proaction, and creation 	<ul style="list-style-type: none"> • Views people as employees or factors of production, with mastery of a narrow set of skills
Managerial leadership	The ability to elicit from others results that further corporate mission, purpose, and strategy	<ul style="list-style-type: none"> • Encourages involvement through facilitation and coaching • Focuses on enabling and empowering 	<ul style="list-style-type: none"> • Manages through direction and control • Focuses on instructing and directing
Culture	The web of common assumptions and presuppositions that people within the organization hold consciously and unconsciously; the manifestation in daily practices of espoused values, guiding beliefs, and informal beliefs about the organization	<ul style="list-style-type: none"> • Harnesses espoused and practiced values in support of high performance • Emphasizes what people can do to meet business requirements 	<ul style="list-style-type: none"> • May have conflicts between espoused and practiced values • Devolves to the more limiting set of beliefs and becomes bureaucratic, with a focus on what people cannot do

Source: Authors

unlearning to learning. At Syva, a bioscience company in Silicon Valley, efforts to increase speed are requiring a shift in culture and calling for employees to learn new ways of doing things. Rich Bastiani, president of Syva, reflects on the challenges: "It's taken two years to get [this program management] working and get people to forget there was another way. It's taken another two years to refine."

Table 3
PROMINENT THINKERS ON HIGH PERFORMANCE

Topic	Expert
Strategic focus	C. K. Prahalad Gary Hamel Yves Doz Michael Porter
Knowledge base	Kenichi Ohmae
Structure	John Seely Brown Charles Savage Peter Senge
Networked organizations	Elliot Jacques Quinn Mills Michael Nadler Edward Lawler
Competent leadership	Charles Savage Quinn Mills Ram Charan Bill Davidow/Mike Malone
Quality and service	John Kotter Warren Bennis Noel Tichy Rosabeth Moss Kanter
Innovation	Tom Peters Max De Pree Jan Carizon Philip Crosby Edward Deming
Diversity	All
Integration of culture and systems	John Seely Brown Charles Savage Tom Peters
Process innovation	Peter Senge Warren Bennis John Kotter Ed Schein
Source: Authors	Michael Hammer Charles Handy George Stalk

A learning organization is effective when a context and purpose exist for learning. Otherwise, an organization may pursue learning for learning's sake and fail in business.

Providing Executive Leadership

The transformation to a high-performance organization requires at least one leader who clearly sees the need for a transformation. He or she believes that the task is possible and is willing to commit the time and energy, and make the personal changes, to follow through. An executive who recognizes that he or she is not willing or able to change behavior needs to recruit new talent and adopt a different role or exit completely from the process. Jack Welch at GE, Lee Iacocca at Chrysler, William J. Weisz at Motorola, Phil Kantz at Intel Container, Chris

Figure 3
TRANSFORMATION ROAD MAP I: EXECUTIVE LEADERSHIP

Self-Assessment and Personal Transformation

- Uncover and examine beliefs, values, assumptions, and behaviors.
- Define the daily behaviors that will support transformation.
- Make necessary changes.
- Master new behaviors.

Assess Leadership Capabilities

- Evaluate the capabilities and competencies of the key people who will lead the transformation.
- Identify strengths and deficits.
- Move quickly to replace people with insufficient capabilities.

Create Core Leadership Team

- Identify people.
- Bring people together through working sessions on vision, values, and strategy.
- Move quickly to identify and replace people with insufficient capabilities to function effectively as team members.

Develop Leadership Network

- Identify people across levels and functions.
- Bring people together to analyze business.
- Implement communications process to sustain connections among people.

Perform Self-Assessment and Personal Transformation

- Uncover and Examine
- Define
- Make Changes
- Master New

Create Core Leadership Team

- Identify
- Bring Together
- Move/Replace

Assess Leadership Capabilities

- Evaluate
- Identify
- Move/Replace

Develop Leadership Network

- Identify
- Bring Together
- Communicate

Strengthen Leadership Capabilities

- Foster Personal Development
- Coach
- Train

Renew Personal Skills and Direction

Renew Core Leadership Team

Renew Leadership Network

Source: Authors

Bulger at Sedgwick James of California, Eric Benhamou at 3Com, Andy Grove at Intel, Percy Barnevik at ABB, and James Houghton at Corning have all made the necessary leadership commitment. These leaders also recognize they cannot effect change alone.

Leaders recognize the need to reengineer entire organizational systems over a three- to five-year period and understand that they cannot mandate transformation from the top. They must recruit and engage people at all levels to succeed. A critical mass of committed leaders is necessary to move a transformation forward.

The first challenge of transformation is to know and change oneself.

Assessing and Transforming Oneself

The first challenge of transformation is to know and change oneself. Through many daily decisions and actions, the key leader expresses his or her values, vision, and philosophy. The leader's decisions and actions set the tone and standards of behavior for the other senior leaders in the company. In our experience, most executive leadership groups pattern their behavior after the key leader's daily behavior. High-performance leaders are keenly aware of the impact of their behavior on the rest of the organization. In moving from a traditional to a high-performance organization, leaders must focus learning, individually and collectively, on seven areas: direction, paradigm, time, change, authority, power, and risk (see Table 1). Effective leaders demonstrate learning in action by their willingness to change their daily behavior to that which is consistent with high performance. Benhamou said, "You need to make a fundamental change in your reference system—what defines who you are, and what you're worth, and consequently defines your behaviors."

Assessing Leadership Capabilities

The second challenge for the key leader is to assess the capabilities of the organization's leadership. He or she evaluates the talent in the organization and chooses the best people to lead the transformation.

If insufficient capability exists in the upper tiers of the company, the key leader moves quickly to reach down into the organization to bring capable people into the key leadership positions. When necessary, he or she recruits appropriate people by hiring new staff and using consultants.

Creating a Core Leadership Team

The third challenge the key leader faces is to create a core leadership team of 10 to 20 people who can drive the transformation. Through a series of off-site working sessions, the executive can create an environment that requires people to work as a team. This process allows the key executive to learn who is willing and able to play on this team and who is not.

The leadership group becomes a leadership team by learning to take responsibility for the organization as a whole rather than for the individual pieces for which the members have traditionally been responsible. To transform the company, the team must develop solutions to complex, interrelated problems for which results may lag behind action to varying degrees. The group evaluates the business environment, competitive position, and strategic health of the organization. As the work progresses, the team coalesces around a shared understanding of customer needs and values, the current state of the organization, its core competencies, its competitive advantages, a vision of the future organization, and the actions necessary to reach the vision. At 3COM, the executive leadership group is still working on becoming a team. At Syva, the executive team functions as a unit that is responsible for the whole organization.

Developing the Leadership Network

Once the core leadership team has gelled and begun to develop its common vision and understanding, its focus shifts to the leadership at lower levels. One of the most effective ways to engage, focus, and mobilize the energies of the leadership group and begin developing a leadership network is to bring groups of managers together from throughout the organization to go through the same process of analyzing the business that the core leadership team has gone through.

The leadership group becomes a leadership team by learning to take responsibility for the organization as a whole.

This process helps unfreeze the leadership at all levels, involving participants in reinventing the organization and preparing them to support the changes that will be necessary for transformation. Follow-up meetings, dialog sessions, seminars, and cross-functional projects and task forces can help knit the organization's leaders into an effective network. By developing a common framework and language, members of the leadership network gain a clear understanding of where the organization is going and how it will achieve its goals. Managers can then explain this message to employees, customers, and

Figure 4
TRANSFORMATION ROAD MAP II: THE ORGANIZATION

Define Vision/Mission/Strategy

- Examine how change will support the existing vision and mission.
- Develop a new vision and mission.
- Identify goals and communicate them clearly to people in the organization.
- Prepare a new strategy.
- Identify sponsors and stakeholders.

Define and Analyze Current State

- Determine the current state of the external environment, the organization, effectiveness and performance, and processes and systems.
- Identify customer needs.
- Determine what is working and what is not working.
- Assess opportunities and challenges.

Design Changes

- Design new structures, necessary systems (including the design or redesign of core business and work processes), jobs, and roles; engage people; develop a new managerial leadership style; and define a new culture.

Prepare Organization for Change

- Educate the organization about change and transition.

Form and Prepare Change Teams

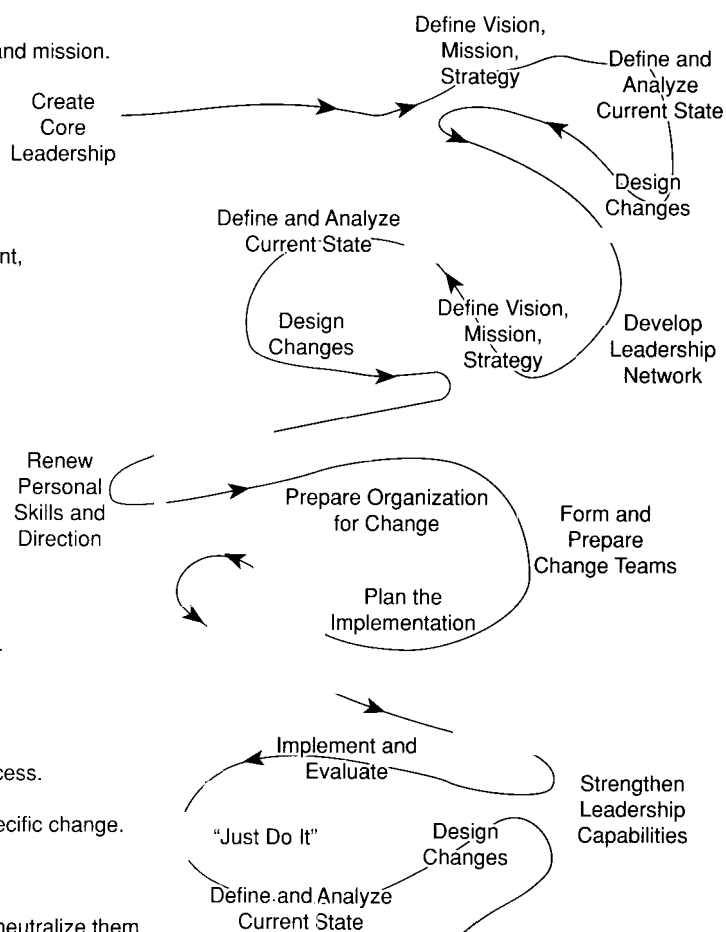
- Clearly state purpose and desired outcomes.
- Define charter and responsibilities.
- Train team members in change and the transition process.
- Plan to accomplish tasks.
- Disseminate knowledge and information about the specific change.

Plan Implementation

- Identify the actions necessary to effect change.
- Identify obstacles and barriers and determine how to neutralize them.
- Decide who should participate in the implementation.
- Specify how leaders will manage the transition.
- Develop and implement a process to inform the organization regularly about the change.

Continue Preparing the Organization for Change: Implement and Evaluate

- "Just do it."
- Assess how the transformation is progressing and whether the change is having the intended effect.
- Revisit the first step of defining and analyzing the current state and continue to work the road map in an iterative manner.



Source: Authors

suppliers. Corning and ABB have both developed leadership networks in this way.

Working with the Organization as a System

The organization is an organic, dynamic system in play with its environment. This system comprises six domains for performing: vision, values, and strategy; systems; structure; jobs; people; and managerial leadership (see Table 2). Culture is the context within which these elements exist and interact. As an organization transforms itself from traditional to high performance, each domain must change. Failure to accomplish the necessary transformation in one area can limit the efforts of the entire organization.

Organizations can launch their transformations from many possible starting points. Transformation is not a linear process. It is a parallel process in which work takes place in several domains simultaneously. It is also iterative. A continual cycle of assessment, planning, implementation, and evaluation must take place within and across domains. Changes in one domain enable and facilitate changes in other domains, which in turn require new changes.

Defining Vision, Values, and Strategy

To achieve a clear strategic focus, everyone responsible for implementing strategy must help create and communicate the new organism's vision, values, and strategy throughout the organization. First, the leadership team must decide where it wants to take the organization. One effective way to answer this question is to describe the organization in the future perfect—that is, to describe the organization in detail as it will have become at some point in the future. By describing the business environment, the competition, and the organization's core competencies, competitive advantages, capabilities, and values, leaders can create a concrete vision for the organization (see R804, *The Power of Strategic Vision*). The time reference can be 5, 10, or more years into the future. Matsushita even has a 250-year vision!

Apple Computer has a strong vision and culture that manifests itself in high performance. According to David Barram, Apple's vice president of Worldwide Corporate Affairs, "You need to be willing to audit, rather than prescribe in advance, and spend time on vision and philosophy.... If all managers would do that we would create a set of beliefs so that we can trust they will do the right thing."

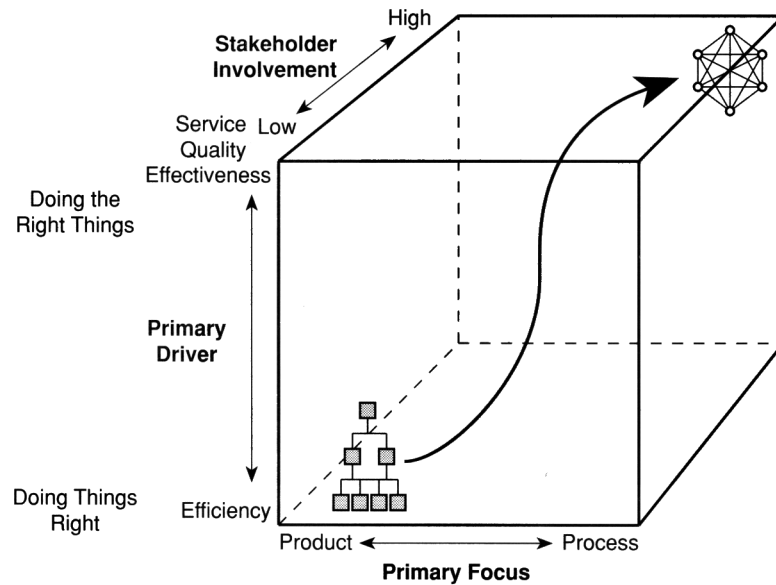
Once the leadership team has developed its vision of the future, it can prepare a detailed description of the current reality of the organization and contrast this reality with the vision. The differences between the current and the desired state of the organization create dynamic tension that leads to action. The leadership team devises a strategy to move the organization toward its future state.

The core leadership team finalizes the vision, values, and strategy and communicates them to the organization. By participating in the development of a vision and strategy, the core leadership team and the leadership network develop a deep, common understanding of the organization and its future direction, which members are then able to communicate. They can explain the company's direction and answer questions either one to one or in small groups as action plans become daily tasks. From this point on, people's small daily decisions and actions taken at all levels propel the company in a consistent direction. As Eric

Transformation is an iterative, parallel process in which work takes place in several domains simultaneously.

The differences between the current and the desired state of the organization create dynamic tension that leads to action.

Figure 5
THE TRANSFORMATION PATH



Source: Authors

An inappropriate structure creates barriers to healthy communication, works against effective networks, and seriously impedes the strategic health of an organization.

Benhamou, 3COM's CEO, says, "You have to have vision and work everyday on implementation. Execution is absolutely fundamental." Understanding the vision, values, and strategy also prepares people for organizational changes, such as restructuring and process reengineering.

Analyzing Structure

The transformation from a traditional to a high-performance organization requires careful analysis of organizational structure. Structure is a powerful operating agent. An inappropriate structure creates barriers to healthy communication, works against effective networks, and seriously impedes the strategic health of an organization.

Leaders must aim for an organizational architecture that has only the levels of hierarchy necessary for the operation's size and scope. Too many layers do not give people sufficient discretion to do their jobs. They can cause people to try to protect their "turf" and prevent effective teamwork and networking. Too few layers can stretch management too thin so that they cannot complete important tasks.

The core leadership team is responsible for analyzing the organizational structure and developing an architecture that supports the company's vision, values, and strategy. By using tools such as organization mapping (see the box on page 20), leaders can define an efficient organization of from three to six management levels and appropriate networks.

ORGANIZATIONAL MAPPING

Organizational mapping is a way to represent graphically the myriad relationships within a corporation as a means of analyzing organizational structure. Traditional organization charts stratify relationships along formal lines of command. Organizational mapping analyzes power structures and the informal flow of information within a company—both

between functional groups (such as sales, finance, marketing, and manufacturing) and between people within functional groups. Illustrating these links graphically often reveals strengths and weaknesses that are otherwise invisible in today's increasingly complex organizations.

Modifying Systems

Like structure, organizational systems are powerful operating agents.

Organizational systems are a primary means of delivering feedback to individuals, units, and the organization as a whole. Rapid and accurate positive and negative feedback are necessary for learning and success in today's environment. Three sets of systems are critical to developing and sustaining a high-performance organization.

- *Management systems* for planning, objective setting, budgeting, performance management, reward and recognition, and human resource development must support the daily behaviors that managers and employees must perform to implement the organization's strategy.
- The *business processes* through which the organization accomplishes its work must have close links to customer service and satisfaction and be effective and efficient if managers and employees are to perform well.
- *Information systems and technology* must support networking, information sharing, and decision making. Information systems and technology must also integrate with business processes to allow the organization to match and exceed the business-process effectiveness of its competitors.

Organizational systems evolve continually. Organizations must adapt, change, patch, and bandage the systems incrementally to accommodate changes in the business. With the passage of time, systems can become complex and inefficient. Companies may use information technology to keep these systems running despite their ineffectiveness and inefficiency.

The transformation to a high-performance organization requires the simultaneous redesign of management systems, key business processes, information systems, and use of information technology. The new organizational systems infrastructure must help people support the strategy, meet the demands of the business environment, and define their jobs.

Changing Jobs

Changes in strategy, structure, and systems require compensating changes in the jobs and roles of managers and employees. Moreover, these changes, which may redefine job scope and competency requirements, are among the most difficult aspects of the transformation to high performance. The multiplicity of narrow,

Transformation to high performance requires the simultaneous redesign of management systems, key business processes, information systems, and use of information technology.

***Successful
organizational
change requires
effective handling of
career transitions.***

specialized jobs in the traditional organization must give way to a much smaller, simpler structure of broad, multicompetence jobs and roles.

High-performance organizations require flexibility and teamwork. Much of the work that individuals once performed will become the province of self-managing teams. Team members need cross-training so that they can step in for one another. The teams perform most supervisory tasks as part of their work process. Flat structures broaden management jobs.

Middle management is both a critical part of the transition process and one of the most severely affected groups. As an organization reduces and broadens management jobs, middle managers will lose their roles. They will have to return to individual and team contributor jobs to remain in the organization. Remaining jobs will require much broader management and leadership competence than many managers will have developed.

Thus, organizations must institute effective processes for handling the career transitions of displaced managers and for accelerating the development of those who remain in management positions. One of the primary reasons that many major organizational changes fail, such as the implementation of total quality management and business-process redesign, is the lack of effective processes for handling the problems that middle managers face in such changes.

Valuing People

A highly competent, flexible, and motivated work force helps an organization survive and grow in a turbulent business environment. A critical challenge of organizational transformation is to emerge with employees and managers who are committed and motivated to do the work necessary to become highly competent and flexible.

Organizational transformation requires people at all levels to adapt. Employees and managers who once had to master narrow sets of skills in traditional organizations now must master broader competencies, elevate their level of expertise, function effectively as team members, and engage in continuous learning. This transition can be difficult because changes in jobs, structure, systems, and strategy can be highly threatening and demoralizing to both employees and managers.

Organizations need to engage people and win their commitment to transformation by empowering them and inviting them to participate in redesigning work processes and roles. Through team processes, employees and managers can come to understand the personal changes they must make to succeed in the new organization. They become available to learn new competencies, such as systems and process design, strive for continuous improvement, and participate in team problem solving. Jack Welch has described this challenge:

I think any company that's trying to play in the 1990s has got to find a way to engage the mind of every single employee. Whether we make our way successfully down this road is something only time will tell—but I'm sure this is the right road.

If you're not thinking all the time about making every person more valuable, you don't have a chance. What's the alternative? Wasted minds? Uninvolved people? A labor force that's angry or bored? That doesn't make sense!

An effective transformation implements processes to support people through the transition. Extensive retraining may be necessary to equip people to function

***Employees will need
to master broader
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learning.***

effectively as team members and leaders. On-the-job and classroom training, individual counseling, and team facilitation are important support processes. The foundation of these processes is effective leadership at all levels.

Fostering Managerial Leadership

In high-performance organizations, a dynamic balance exists between management (the exercise of control) and leadership (the introduction/implementation of change). Managers receive the training and rewards to manage and lead competently. Expectations call for them to blend management and leadership flexibly and skillfully to meet specific requirements.

The transition to high performance requires a strong and sustained focus on leadership throughout the organization to establish direction and align, motivate, and inspire people to make fundamental change. To support the transition, managers must develop their competence in facilitating teams, encouraging involvement through participation, and coaching. Organizations must therefore establish a leadership network, a system for formal assessment and development of leadership competence, coaching approaches, and training, goal-setting, and reward systems. Effective daily leadership is one of the most critical factors for producing an organizational culture that sustains high performance.

Developing a Supportive Culture

Culture is a company's core social environment. It comprises the norms, values, expectations, beliefs, and behaviors of people in the organization. It affects the organization's performance by consistently supporting high performance or serving as an impediment (see R729, *Understanding Corporate Culture*).

Culture results from the dynamic interplay of strategy, structure, systems, jobs, people, and managerial leadership. It takes form in the daily behavior of executives, managers, and employees. High-performance organizations have strong cultures that explicitly express values and behaviors that are critical for sustaining high performance. A high-performance corporate culture includes the following key elements:

- *Performance.* A high-performance culture encourages people to perform at their best and to improve performance continually. Performance expectations are clear. People have to perform well to keep their jobs. A track record of effective performance is a requirement for promotion. Reward systems tie recognition and appreciation directly to performance. The core leadership helps establish performance standards for all jobs and training and provides the support people need to meet those job expectations. Variable pay incentives tie compensation to capability and performance.
- *Quality.* Leadership in a high-performance organization constantly looks for, finds, and rewards quality. Continuous improvement in quality is the sum of many small steps over time. For this reason, every employee must understand and support the organization's strategic focus. By emphasizing the importance of producing superior-quality work in all facets of its operations and recognizing people's contributions to quality, the high-performance organization builds pride in quality into its culture. The core leadership makes quality an explicit key value, defining quality criteria and standards for all key business processes and developing measurements to track quality over time. For example, a company might use interviews, focus groups, and survey questionnaires to assess customers' perceptions of the organization's products

In high-performance organizations, a dynamic balance exists between management and leadership.

High-performance organizations have strong cultures that explicitly express values and behaviors that are critical for sustaining high performance.

and services. Employees can then use this information to review service issues with the customers and to assure that each customer receives a superior level of service.

- *People.* High-performance organizations go beyond the platitude that “people are our most important resource” to value people, respect them, and treat them fairly. Through core values and management practices and processes, the leadership views and treats people as partners in the business. When managers take actions that affect people, they pursue fair treatment and demonstrate a genuine concern for well-being. Top management solicits employees’ opinions on issues that affect them and offers honest information, before implementation, about such issues as pay, performance, and job security.
- *Communication.* Among an organization’s greatest resources are the knowledge and experience of its people. To make this knowledge and experience accessible to those who need it, high-performance organizations foster extensive networking. Communications flow freely—up, down, laterally, and diagonally. People have access to the information they need to do their jobs and communicate freely across organizational lines. Senior managers are interested in and available to people. Through breakfast meetings and focus groups with employees, employee meetings, and a lot of walking around, the core leadership stays close to employees and demonstrates a genuine concern for effective communication. The feedback loops that grow out of this open communication promote organizational learning.
- *Participation.* Building commitment to the organization through involvement is a key characteristic of high-performance cultures. People participate actively in solving work-related problems and making decisions that affect them. Extensive use of teams involves the people responsible for implementation in problem solving, planning, and design.
- *Managerial leadership.* In addition to building effective leadership networks, high-performance organizations focus explicitly on managerial leadership. The core leadership expects managers at all levels to set good examples in all their actions and encourages them to speak out on issues, support their people, set direction for their areas of responsibility, and take appropriate risks. The organization has explicit standards of excellence for managers, and managers receive the training and coaching to develop the high-performance management behaviors they need to meet the standards. The standards for managers are key factors in performance appraisals and incentive compensation for all managers.
- *Adaptability.* Change is an important aspect of organizational life. Organizations that fail to recognize the need for change, or fail to act on it, imperil their survival. In high-performance organizations, anticipation of and responsiveness to change are explicit values in their cultures. These organizations maintain close relationships with customers, suppliers, and industry organizations to stay in touch with the changing business environment. The core leadership sees change as the normal course. Management and employees continuously scan the environment, recognize the need for change quickly, make necessary changes smoothly and efficiently, and meet people’s need for support when changes occur.

Communications must flow freely—up, down, laterally, and diagonally.

The core leadership sees change as the normal course.

CORPORATE CULTURE ASSESSMENT

One way to assess a company's culture is to use a questionnaire or interview to obtain employees' perspective on a variety of culture-related questions. These questions give participants a chance to assess a number of attributes of the work environment (see the figure just below). For example, in evaluating communication within the company, participants might rank the company along a scale between two extreme descriptions:

- People communicate openly. People hide information.

- I can easily obtain information from other departments when I need it. Obtaining information from other departments is difficult.
- Management informs people about what is going on. Management doesn't tell people what is going on.
- People share information easily with other people at their level. People at the same level keep information to themselves.

TWO CORPORATE CULTURE ASSESSMENTS



* Based on a multi-industry sample of 60 companies.

Source: Authors

- **Innovation.** Organizations that stand still, continuing to operate the way they always have, will fall behind in today's fast-paced and ever-changing business world. High-performance organizations encourage people to take risks and try new ways of doing things to improve work processes, products, and services. By continuously pushing the envelope on processes, products, and services, high-performance organizations maintain a continuous state of learning and self-renewal.

The transition to a high-performance organization requires the core leadership team to define the key values for the organization explicitly and

embody these values in their daily behavior. Organizational change must take shape in a culturally relevant way—that is, actions must support the values that the core leadership is trying to establish and maintain in its culture.

To develop high-performance cultures, management should periodically assess the strengths and weaknesses of the organization's culture and focus attention on high-performance values. Executives and managers consistently work to develop high-performance cultures by using their key values as a frame of reference for analyzing the impacts of their decisions and actions on stakeholders. The periodic culture assessments help them to determine if they are on track (see the box on page 26). This explicit focus on values is a critical aspect of planning and implementing an organizational transformation. □

PLANNING AND IMPLEMENTATION

The responsibility for planning and implementing the transformation rests with the members of the core leadership team. They are the key players who pilot the organization through its transformation. After equipping themselves for their leadership task, they engage the leadership network and prepare the organization for the transformation.

Preparing the Organization

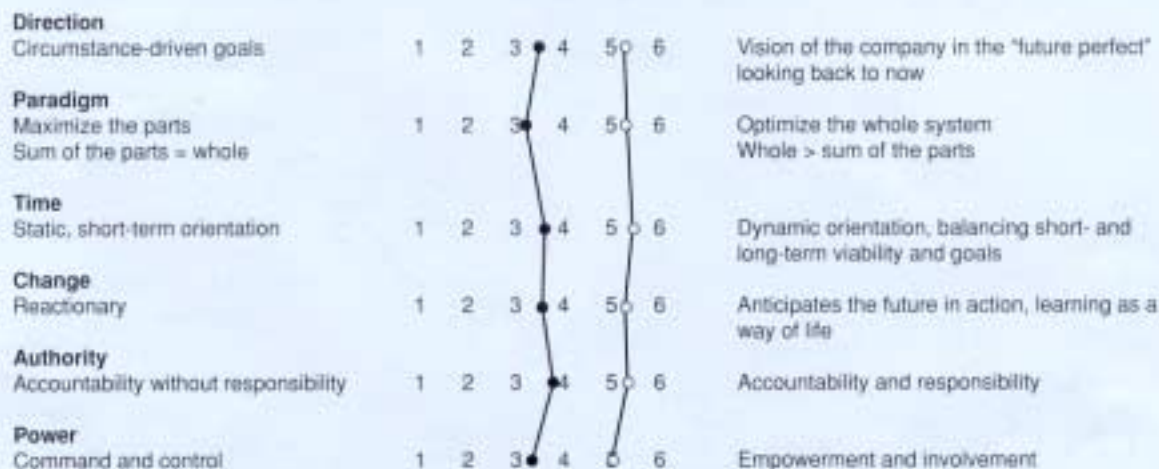
After winning the commitment of the leadership network, the core leadership's next challenge is to prepare the organization for transformation. The core leadership team develops and implements a communications process to inform and involve customers and employees. This process stays in place throughout the transformation to inform all-important stakeholders of current and forthcoming changes. Communications sessions featuring members of the core leadership team and leadership network are pivotal parts of the communications process. In

B-I-P SURVEY RESULTS

As part of the research for this report, we surveyed SRI International's Business Intelligence Program (B-I-P) clients to determine their assessment of their companies' executive leadership and organizational capabilities. In both areas,

the survey responses confirm the need and desire for both executive leadership and organizational capability to shift toward high performance.

ASSESSMENT OF EXECUTIVE LEADERSHIP



- With regard to the following attributes, on a scale of 1 to 6, where is your executive leadership today?
- With regard to the following attributes, on a scale of 1 to 6, where does your executive leadership need to be in five years?

Source: Authors

our experience, face-to-face communication, rather than communication by memo or electronic mail, is critical for a successful transformation.

Planning for Change

Planning for change is an ongoing process. The core leadership team provides the impetus and support for clarifying and communicating the vision, flattening the organization, developing networks, redesigning key business processes and management systems, deploying information technology, redesigning jobs, improving managerial leadership, and training, and empowering people.

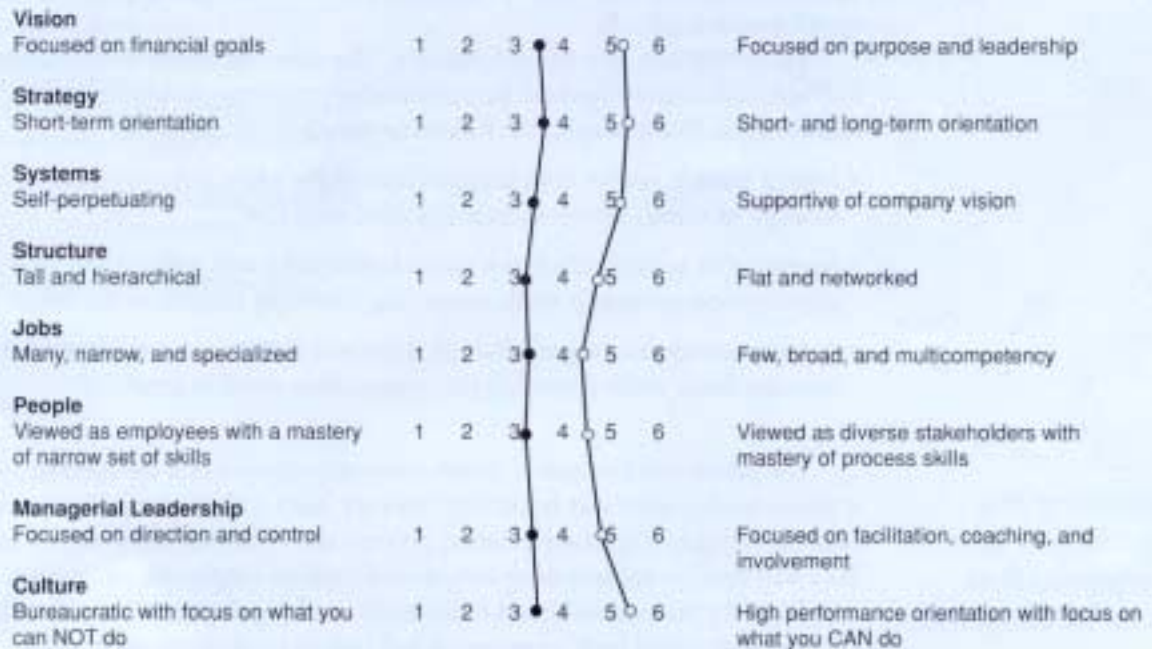
The core leadership team identifies and ranks the critical issues. Members of the team become issue and business-process owners. They are responsible for setting up, managing, and supporting appropriate cross-functional teams and task forces to identify and implement change projects.

Members of the core leadership team become issue and business-process owners ...

Implementing the Transformation

By picking a starting point and attacking critical issues, the organization learns its way through the transformation. Learning first occurs through personal

ASSESSMENT OF ORGANIZATIONAL CAPABILITIES



- With regard to the following attributes, on a scale of 1 to 6, where is your company today?
- With regard to the following attributes, on a scale of 1 to 6, where will you need to be in five years?

Source: Authors

... responsible for setting up, managing, and supporting appropriate cross-functional teams and task forces.

mastery. People throughout the organization develop competence in systems and process thinking, team problem solving, team facilitation, dialog, employee empowerment, and sensitivity to customers.

As the transformation continues, personal mastery grows into organizational learning. People across levels and functions connect in effective human networks. These networks allow the organization rapidly to learn, transmit, and act upon information from the environment.

Implementation is a heuristic process. As the process unfolds, people identify and rank new issues and add them to the transformation agenda. The core leadership team learns to work with the whole system, improving its ability to understand, anticipate, and plan for time delays between action and visible results. Leaders discover previously unrecognized interdependencies in the organizational system and often adjust priorities and projects accordingly.

For example, to improve business processes, people need to work together effectively in cross-functional teams. In most traditional organizations, reward and incentive systems focus exclusively on individual contribution and performance. Thus, one of the problems that arises early in a transformation is the conflict between the emerging need to recognize and reward effective team performance versus the tradition of recognizing individual performance.

In our experience, implementing the transformation of a large organization with several thousand employees takes three to five years. This period is challenging and uncomfortable for everyone. The core leadership team must continually balance short-term operating performance against progress on the transformation agenda.

Transformation is a time of paradox. The core leadership must take and explain actions that appear to be contradictory to many people in the organization. For example, the following paradoxes might arise:

- Hiring outside people with needed capabilities while reducing existing staff through attrition, early retirement, and/or staff cuts
- Investing in activities to foster cross-functional teams and training and development programs while squeezing operating budgets to the bone
- Creating temporary organizational structures that increase management levels in some areas while flattening the organization in other areas.

Implementing the transformation of a large organization may take three to five years.

The paradoxical nature of transformations requires that the members of the core leadership team and leadership network have a clear, mutually shared understanding of the transformation process and related actions. Again and again they will need to explain these actions to skeptical employees, customers, and suppliers. By continuously and relentlessly working the transformation agenda, the core team leads both incremental and radical improvements in the organization system.

Transformation is a time of small wins. Organizational transformation is an organic process that moves forward through seemingly small successes. Acknowledging and celebrating these victories are important because these small events build the platform for quantum leaps. Over time, results build on themselves and generate momentum toward a new operating state of high performance that provides a sustainable competitive advantage.

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