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ORGANIZATIONAL DYNAMICS

Re-Energizing the Mature Organization

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The challenge for the mature organization—which has based its success on security and stability—is to meet a changing environment, and to respond to changes in a manner that will revitalize its structure and its competitive edge.

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Globalization, reduced technology cycles, shifting demographics, changing expectations among workers and customers, and restructuring of capital markets made the 1980s a "white water decade," rapidly introducing changes for both public and private organizations.

The greater the forces for change, the greater the competitive pressure; and the greater the competitive pressure, the greater the demand for change. This seemingly endless cycle of competition-change can become a vicious circle if executives cannot discover novel ways to compete.

Traditional ways of competing have reached a level of parity in which businesses cannot easily distinguish themselves solely on the basis of technology, product, or price. The ability of an organization to conceptualize and manage change—to compete from the inside out by increasing its capacity for change—may represent that novel way to compete. The universal challenge of change is to learn how organizations and employees can change faster than changing business conditions to become more competitive. That is, to change faster on the inside than the organization is changing on the outside.

This need to understand and manage change is salient, particularly for mature firms where the long-established norms of stability and security must be replaced with new values such as speed, simplicity, unparalleled customer service, and a self-confident, empowered workforce. The purpose of this article is to explore how mature firms can be re-energized. To do this, we will describe the unique challenges of creating change in mature firms, detail principles that can be used to guide change, and identify the leadership and work activities required to accomplish change.

THE CHALLENGE OF CHANGE AND ORGANIZATION LIFE CYCLE

Organizations evolve through a life cycle with each evolving stage raising change challenges. We shall use an hourglass to portray the process of organizational life cycles and change challenges.

As illustrated in Figure 1, organizations in their entrepreneurial stage focus on the definition and development of new products and markets. During this life stage, the change challenge is primarily one of defining and learning how to penetrate a market or niche. Managers who translate ideas into customer value overcome this *niche challenge* and proceed to the growth stage.

In the laundry equipment industry, for example, the entrepreneurial stage developed in the early 1900s when over 60 appliance makers entered the market to provide more automated equipment for doing laundry. These autonomous (and often small) appliance makers served local markets with their specialized machines.

During the growth stage, businesses proliferate. This evolutionary stage could become corporate nirvana—if it persists. Unfortunately, as more firms enter a market, meeting the change challenge becomes necessary for survival. Over time, small firms frequently join together to form large firms; firms that cannot compete either merge or go out of business. Between 1960 and 1985, a major shakeout occurred in the North American appliance market. From over 60 major appliance makers, the market shrank to five major companies that, together, held over 80 percent of the market. Each of these five major appliance makers faced and overcame the shakeout change challenge.

As organizations overcome the niche and shakeout challenges, they develop standard operating procedures. This third evolutionary stage is maturity. Organizations in the mature stage face a significant renewal change challenge. The presence of established norms that once helped accomplish past success may lead to complacency and managers may become too dependent on these for future success. These calcified norms then become irrevocable patterns of behavior that eventually lead to structural inertia as would be evidenced in the way they affect structure, systems, and processes. Not only do they create inertia but the insulation they provide leads to an avoidance of challenges that can lead to success.

In the appliance industry in the late 1980s, renewal became a major agenda. For example, Whirlpool changed its century-old functional organization into business units and formed a joint venture with Phillips to enter markets outside North America. General Electric spent over $1 billion refurbishing plants, technologies, and management systems. These efforts at renewal, still under way, will predict which firms will emerge as winners in the next century. Organizations that fail the renewal change challenge enter a period of decline, during which they slowly lose market share to firms that have renewed.

In many ways, the renewal change challenge is more onerous than the niche identification or shakeout challenges. To overcome the niche and shakeout challenges, managers in successful organizations were able to focus on customers, and develop products and technologies to meet customer needs. During the maturity phase, product and technological parity is likely to emerge. Competitors offer customers similar product features at comparable costs. Given a technological and financial parity, managers facing a renewal challenge must identify additional capabilities to meet customer needs. They must learn to compete through competencies; they must develop the ability to compete from the inside out—to build internal organizational processes that meet external customer requirements.

ORGANIZATIONAL MINDSETS AND LIFE CYCLES

Perhaps the greatest effort involved in overcoming the renewal challenge is to change the mindset of employees at all levels of an organization. The mindset represents a shared way of thinking and behaving within an organization. Mindsets are reflected in "accepted behaviors and attitudes"—customer service at Nordstrom, quality at Ford, and speed, simplicity, and self-confidence at General Electric

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Mindsets are often institutionalized in vision, value, and mission.

It takes time for mindsets to be instilled. By the time an organization becomes mature, it has likely established a relatively fixed mindset. Employees self-select into the organization because of its particular set of norms. They are rewarded by promotions, salary increases, and enhanced job responsibility when they embody the mindset. Mindsets become very powerful means of gaining unity and focus. Students of Japanese service organizations have argued that this unity of mindset becomes a means of gaining competitiveness. The mindset provides a common focus and therefore, increases the intensity of work done.

In mature organizations, a shared mindset can be a liability and its intensity may hinder the ability to change. Since employees come to accept, adopt, and associate with the mindset of a mature company, the renewal process requires letting go. To accomplish renewal, traditional control measures must be replaced with an empowered workforce that is more self-directed, self-managed, and self-controlled, thus reducing the need not only for strong competencies in managerial control, but for large numbers of managers and supervisors as well. Thus, a truly empowered workforce is one that acts out of commitment to purpose without the traditional boundaries and narrow mindsets of mature organizations. In Figure 1, the more open end of the hourglass represents the more open and flexible organizations; the closed end of the hourglass represents the constraints of mature organizations. The hourglass analogy shows this movement from more open and flexible (top of hour glass) to closed and inflexible (center). In this model, renewal becomes the change challenge that allows a firm to go through the "neck" of the hourglass and rediscover a vitality and energy that move the mature firm out of the decline trap and into a revived state of activity.

PRINCIPLES OF RENEWAL

Responding to the renewal challenge is difficult at best, and unlikely in most cases. Few organizations successfully accomplish renewal from within. Rather than renew, organizations that perpetuate outmoded mindsets become prey to consolidations, acquisitions, or mergers—external pressures that *impose* renewal. We propose that the probability of renewal of mature organizations increases if four principles are understood and practiced. If managers recognize these principles, they may be able to help overcome the renewal challenge.

1. *Mature organizations renew by instilling a customer perspective and focusing on customer demands.* To begin to overcome the renewal challenge, a company and all its employees must be completely devoted to gaining a sustained competitive advantage. Competitive advantage comes from understanding and meeting customer needs in unique ways.

One of the most difficult challenges of renewal is the ability to recognize whether existing mindsets and practices are inconsistent with current customer requirements. When the mindset within an organization becomes a way of life, embedded in employee work habits, it is even more difficult to acknowledge or change. By examining the organization from a customer perspective, employees may better understand the internal processes and practices that reinforce existing mindsets. Hewlett-Packard, one of the first organizations to adopt such a practice as a part of its renewal effort, did this by incorporating internal and external customer satisfaction into its performance appraisal system.

A more detailed example of this practice is provided by a company that, in working through the renewal challenge, experienced at first mixed results. While employees enjoyed participating in innovative self-managed work teams and preparing vision statements, over a period of time each new activity that appeared promising fizzled, and employees went back to busi-

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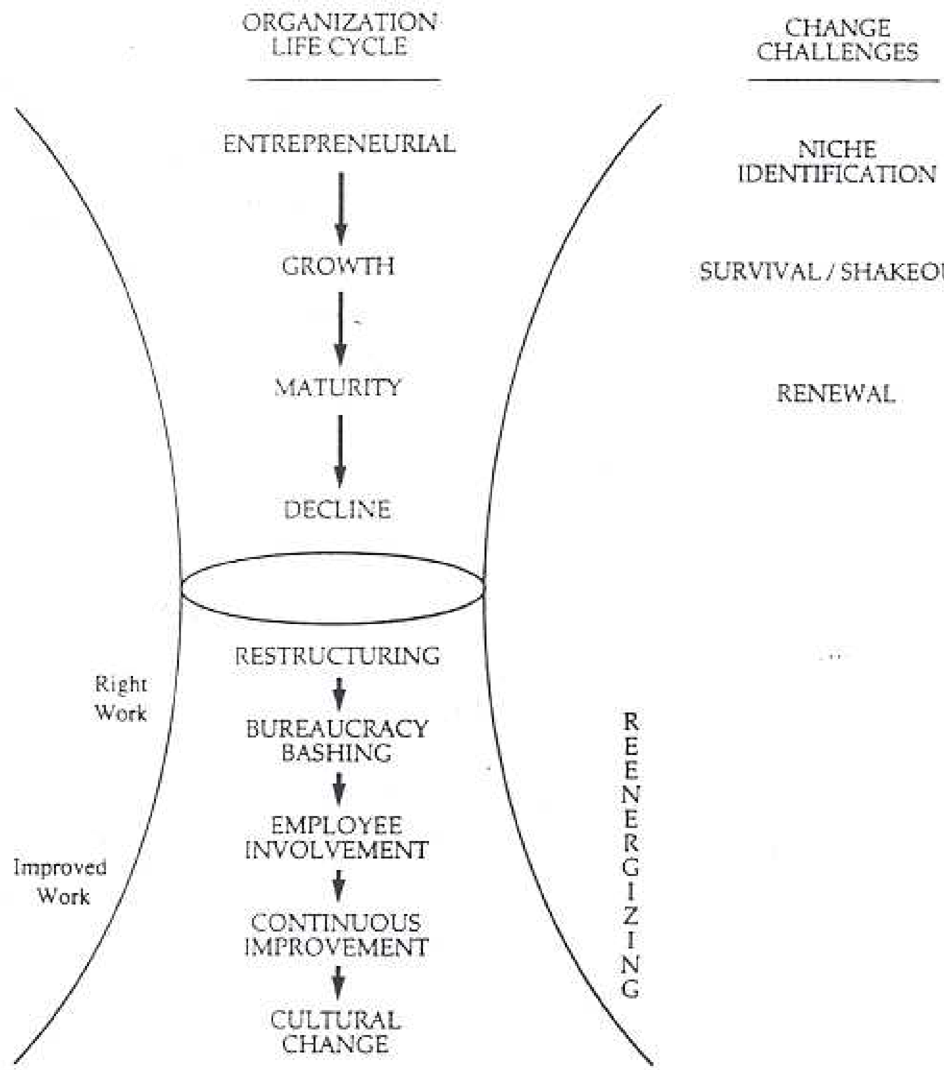
Figure 1
ORGANIZATION LIFE CYCLE AND CHANGE CHALLENGES



ness as usual. To encourage and advance renewal, a workshop was held in which the employees were asked to examine their organization and four of its major competitors, pretending they were buyers of the product. As customers, they talked about why they would pick one supplier over another. They explored the images each of the five companies communicated and examined reasons why customers picked one competitor over another. After performing this analysis, they were able to articulate, from a customer's perspective, the perceived mindsets residing within each of the five competing organizations.

Having done this customer assessment of the competitors, the employees were able to decipher and enunciate the mindset within their own company and distinguish how their company's mindset differed from those of their competitors.

Becoming devoted to customers comes from employees spending less time thinking about internal company policies and practices and more time interacting with, and worrying about their next customers. Companies that compete through service seek creative and extensive ways to involve customers in all activities. Customers may become involved in product design, in reviewing vision statements, in attending and making presentations at training and development sessions, and in doing employee reviews. The more interaction there is between customers and employees, the more a customer perspective is instilled within the organization. By taking an active role in meeting customer needs, employees in mature organizations may begin the conquest of the renewal change challenge. They can in effect change their performance expectations from meeting demands vertically dictated, to focusing horizontally on the process requirements in order to meet internal and external customer requirements. When meeting customer needs become more important to the organization than preserving political boundaries, employees will be more willing to renew themselves and their company. There are several reasons for this, including the freedom from autocratic directions by giving autonomy to those whose services are dependent upon it.

Mature companies seeking to renew have engaged in a variety of activities to ensure customer commitment. At Hewlett-Packard, engineers who design products spend months meeting with customers in focus groups, in laboratories, and in application settings to ensure that new products meet customer requirements. When the mini-van was first announced at Chrysler, several senior executives were not supportive of the concept. They believed the vehicle was neither a truck nor a passenger car and would have no market. However, after extensive meetings with customers, the executives became convinced that this vehicle created an entire new niche.

At an oil service company, sales personnel were trained to interview and work with customers to identify their needs rather than sell products. As these sales personnel spent time with customers and became aware of their current and future needs, the oil service company experienced dramatic market share growth.

The principle of customer-centered activity is consistent with the extensive work on quality done by a number of management researchers over the years. It encourages employees to define their value as a function of customer requirements rather than personal gain. It replaces old practices with new ones that add value to customers. It refocuses attention outside to change inside—that is, toward the ultimate and the next customer.

2. *Mature organizations renew by increasing their capacity for change.* Most individuals have internal clocks, or biorhythms, that determine when we wake up, when we need to eat, and how quickly we make decisions. Like individuals, most organizations have internal clocks that determine how quickly decisions are made and activities completed. These internal clocks affect how long it takes organizations to move from idea to definition, to action. It has been argued that a major challenge for organizations is to reduce their cycle time, which means to change the internal clock and timing on how decisions are made. For mature organizations to experience renewal, their internal clocks must be adjusted. Cycle lengths must be reduced and the capacity for change increased.

Typically, the internal clocks of mature organizations have not been calibrated for changing erratic and unpredictable business conditions. To enact and increase a capacity for change, managers need to work on alignment, symbiosis, and reflexiveness.

"Alignment" refers to the extent to which different organization activities are focused on common goals. When organizations have a sense of alignment, their strategy, structure, and systems can move more readily toward consistent and shared goals.

Aligned organizations have a greater capacity for change because less time is spent building commitment, and more energy and time are spent accomplishing work. To calibrate alignment, a number of organizations have sponsored "congruence" workshops where the degree of congruence between organizational activities is assessed.

"Symbiosis" refers to the extent to which organizations are able to remove boundaries inside and outside an organization.

General Electric CEO Jack Welch describes any organizational boundary as a "toll-gate." Any time individuals or products must cross a boundary, an economic, emotional, and time toll is paid. When organizations have extensive boundaries, tolls can be direct and indirect expenses. Direct boundary costs result in higher prices to customers because of extra costs in producing the product. Indirect boundary costs occur from each boundary increasing the time required to accomplish tasks. Boundaries, and the tolls required for crossing, set an organization's internal clock and impair capacity for change. Increasing cycle time and creating symbiosis mean reducing boundaries and increasing capacity for change and action. The Ford Taurus has become a classic example of reducing boundaries and increasing capacity for change. By forming and assigning a cross-functional team responsibile for the complete design and delivery of the Taurus, boundaries were removed between departments. The time from concept to production for the Taurus was 50 percent less than established internal clocks.

To ensure that a capacity for change continues over time, individuals must become reflexive and have the ability to continue to learn and adapt over time. "Reflexiveness" is the ability to learn from previous actions. Organizations increase their capacity for change when time is spent reflecting on past activities and learning from them.

The capacity for change principle expedites renewal. When individuals and systems inside an organization can change their internal clocks so that decisions move quicker from concept to action, renewal occurs more frequently. In this way, organizational cycles differ from individual biorhythms: Cycle times are not genetic and intractable but learned and adjustable. By adjusting cycles, the capacity for change increases, which may lead to renewal of mature organizations.

3. Mature organizations renew by altering both the hardware and software within the organization. Management activities within an organization may be dissected into *hardware* and *software*. Management hardware represents issues such as strategy, structure, and systems. These domains of activity are malleable and measurable and can be heralded with high visibility— for example, timely announcements about new strategies, structures, or systems. Also, like computer hardware, unless they are connected to appropriate software they are useless. In the organization, software represents employee behavior and mindset. These less visible domains of organizational activity are difficult to adjust or measure, but they often determine the extent to which renewal occurs.

Most renewal efforts begin by changing hardware—putting in a new strategy, structure, or system. These hardware efforts help mature organizations to turn around or change economic indicators. They do not, however, assure transformation; this comes only when new hardware is supported by appropriate software. Organizational renewal efforts that focus extensively or exclusively on strategy, structure, and systems engage in numerous discussions and debates. These discussions are necessary but are not sufficient to make any difference. At times, in fact, these discussions consume so much energy and resources that too few resources are left to make sure that employee behavior and mindset match the changes. Just as many companies have storage rooms filled with unused hardware, many organizations have binders of strategy, structure, and system changes that were never implemented.

For renewal in mature organizations, changing strategy and structure is not enough. Adjusting and encouraging individual employee behavior and working on changing the mindset are also critical. In one organization attempting to examine and modify software, the focus was not on strategy, structure, and systems, but on work activities. Groups of employees met in audit workshops to identify work activities as done by suppliers for customers, then to examine each set of work activities to eliminate whatever did not add value to customers and to improve whatever did. The key to the success of these work audit workshops was that participants would leave with work inspected and modified in a positive manner. As a result of the workshops, participants have changed some of the existing behaviors and beliefs within the business.

For organizations seeking to increase the probability of renewal, new mindsets must be created that will be shared by all employees, customers, and suppliers. For suppliers, this commonly is a shared perspective that leverages competitive advantage. Xerox, between 1980 and 1988, reduced its number of suppliers from over 3,000 to 300. By focusing attention and certifying qualified suppliers, Xerox has built a shared mindset among its supplier network. Ford Motor Company has done similar work with suppliers. A team of Ford executives must accredit each Ford supplier on a number of dimensions of quality, delivery, and service. Without passing the accreditation test, the supplier cannot work with Ford. By maintaining this policy, Ford builds its vision and values into its supplier network, and Ford suppliers mesh their vision and values with Ford. These types of activities build the software that reinforces the hardware, or system changes that eventually lead to renewal.

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4. *Mature organizations renew by creating empowered employees who act as leaders at all levels of the organization.* Shared leadership implies that individuals have responsibility and accountability for activities within their domain. Individuals become leaders by having influence and control over the factors that affect their work performance.

Organizations that renew have leaders stationed throughout the hierarchy regardless of position or title. Employees are trusted and empowered to act on issues that affect their work performance. Leaders have the obligation of articulating and stating a vision and of ensuring that the vision will be implemented. Leadership can come either from bringing new leaders into the organization or building competencies into existing leadership positions.

When Michael Blumenthal became chairman of Burroughs, he changed 23 of the top 24 managers within his first year. His assessment was that the current leadership team was so weighed down with traditional vision and values that they could not develop a new leadership capability, capacity for change, and competitiveness.

Blumenthal could change the top echelon of his organization, but he could not replace the 1,000 secondary leaders throughout the organization. These leaders needed to be developed to induce a renewal within the company.

Primary and secondary leaders must be able to communicate the new mindset, articulating the vision and values in ways that are not only readily understandable and acceptable to all employees but that are inspirational also. In other words, the employees must believe that it is worth giving extraordinary effort to make the vision a reality.

In addition to communication, leaders are expected to possess the competencies members perceive as necessary to lead the organization to the heights of its vision. Although some of these competencies may be functional, others are clearly the management of human resources, especially the effective use of measures both positive and negative following the actions of all employees. While the use of alternative reward strategies has become extremely popular in the last few years, leaders should be able to confront employees who are unwilling to perform at levels necessary for making a substantive contribution to competitive advantage.

Finally, leaders must be credible. Members must be able to trust in the word of their leaders; if they cannot, they will be unwilling to accept the vision or the values—and certainly unwilling to marshall the level of energy necessary to accomplish higher and higher levels of performance. The credibility of leadership cannot be overestimated when trying to energize the organization's human resource.

In brief, we have proposed four principles that can increase the probability of renewal for a mature organization. By understanding these four principles, managers may engage in a series of activities that make this renewal possible.

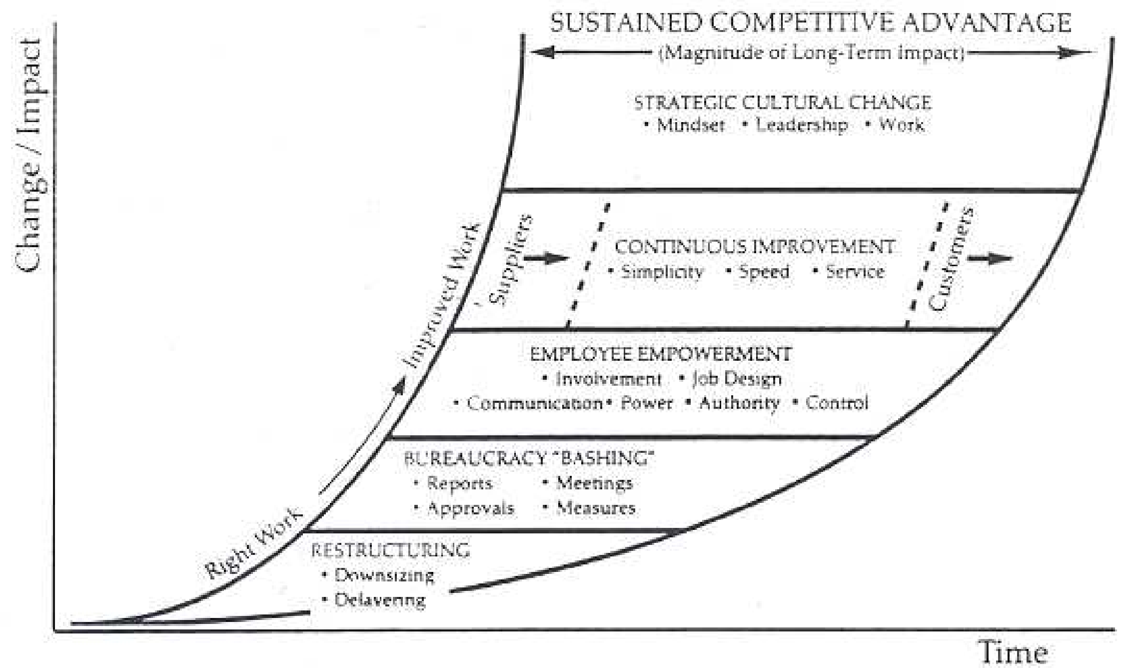
LEADERSHIP AND WORK ACTIVITIES

Having identified a need for mature organizations to overcome a renewal challenge, and a set of principles on which renewal is based, we can identify specific leadership and work activities which accomplish this effort. Generally, the process for re-energizing mature organizations follows the five steps shown in Figure 2, although these may not always be in sequence as some steps may occur simultaneously.

Stage 1: Restructuring. Organizational renewal generally begins with a turnaround effort focused on restructuring by downsizing and/or delayering. Through head-count reduction, organizations attempt to become "lean and mean," recognizing that they had become "fat" by not strategically managing performance at all levels. Organizations continue to improve global measures of productivity (sales or other measures of performance per employee) by reducing the number of employees. At General Electric, staff reductions removed approximately 25 percent of the workforce between 1982 and 1988. This reduction came from retirements, reorganizations, consolidations, plant closings, and greater spans of control. Such a head-count reduction can save organizations billions of dollars and initiate renewal. At J.I. Case, the implement manufacturer, well over 90 percent of the top management group was replaced as the organization faced a substantial change in how it was to do business in a highly competitive global environment.

The leadership requirement during restructuring is clear: Have courage to make difficult decisions fairly and boldly. No one likes to take away jobs. It will not lead to great popularity or emotional attachment of employees. However, leaders who face a renewal change challenge must act. They must implement a process that ensures equity and due cause to employees. By so doing, leaders start the renewal process by turning around an organization through restructuring.

Figure 2
A Process for Reenergizing Mature Organizations

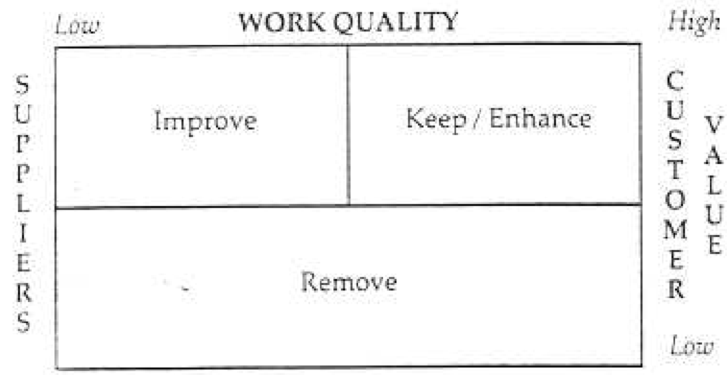


Stage 2: Bureaucracy Bashing. "Bureaucracy bashing" follows restructuring. In this stage, attempts are made to get rid of unnecessary reports, approvals, meetings, measures, policies, procedures, or other work activities that create backlogs. By focusing on bureaucracy reduction, employees throughout the organization experience changes in how they do their work. Often, sources of employee work frustration come from being constrained by bureaucratic procedures and not being able to see or feel the impact of their work. Bureaucratic policies and processes that consume energy and build frustration may have been developed in older work settings, causing more harm than good; these need to be examined and replaced.

In the restructuring stage, mindsets of corporate loyalty are shattered. Employees who believed in lifelong employment and job security may be angered by restructuring activities. Many companies that go through the restructuring phase eliminate corporate loyalty but fail to replace the employee contract with the firm. As a result, employees feel that their contract with the firm is one-way and short-term. They are giving their psychological commitment to the firm, but only for short-term monetary gains. To resolve this imbalance, employees may reduce their commitment. Executives must learn to sustain employee commitment by replacing loyalty with some other means of employee attachment.

In one company, employee contracts based on loyalty were replaced with opportunity. The chief executive of this company was honest with employees. He told them that there were no guarantees. Job loyalty, as known in stable work settings, could no longer be an economically viable alternative. However, he promised each employee that loyalty would be replaced by opportunity. He personally promised each employee that the organization would guarantee that each of them had the opportunity to develop his or her talents, to par-

Figure 3
DEVELOPING A CUSTOMER FOCUS IN BUREAUCRACY BASHING



ticipate in key management actions, and to feel that they belonged to a part of a winning team. To guarantee this opportunity, bureaucracy had to be removed. Employees were able to identify the bureaucratic blockages in their jobs, to discuss these blockages with their bosses and peers, and to suggest how they could be removed. By so doing, employees could feel and see the value of opportunity in their work.

The bureaucracy bashing stage is necessary because even though the head count may have reduced costs, the workload still remains, and adjustments must be made to meet the work volume requirements with the reduced head count.

At General Electric, Jack Welch has talked about reducing the workforce by 25 percent but not reducing work. As a result, employees are faced with the burden of doing 25 percent more work, which over a period of time may lead to malaise and lower productivity. Unnecessary, non-value-added work must be removed to gain parity between employees and their work load.

To get rid of bureaucracy requires getting rid of work that adds little value to customers. Continuous improvement programs that focus on meeting needs of internal and external customers may be designed to yield higher quality, speed, and greater simplicity in how all suppliers service the organization.

A process developed by one of the authors and shown in Figure 3 focuses on bureaucracy "busting". A work audit is conducted using two questions: (1) To what extent does this work activity add value to customers? and (2) To what extent are these activities performed as effectively as possible?

The first question is answered by inviting customers to share their views on the value added by work activities performed by the supplier. This dialogue between suppliers and customers may occur exclusively within a company (internal supplier/customer discussions) or between a firm and its external customers. One company began inviting customers to training programs in an effort to understand customer needs and to ensure that work activities proposed within the company met customer requirements. Activities which add little value to customers were removed. This two-step process attempts to determine the "right" of the organization to leverage its competitive advantage and that of its customers.

Activities that add great value to customers become subject to the second question. This question is answered by developing an improved process to perform the work. Auditing work processes encourages specific analysis to ensure that quality in work activities is improved.

However, leaders must first model the bureaucracy busting they advocate. They must be willing to let go of work systems that were implemented but that have added little or no value to the processes' next or ultimate customer. Reports or procedures that may add value to the leader, but that may be seen as bureaucratic blockages to employees, must be identified and leaders must be willing to concede their pet projects for the sake of removing these blockages. Leaders must demonstrate flexibility and listen to all reasonable requests (as long as they add value to customers and fall within legal and ethical boundaries). Finally, leaders need to encourage and reinforce risk taking among employees who initiate bureaucracy busting activities. A single equation predicts the propensity for risk taking. We see risk taking as a function of the will to win, divided by fear of failure. If the numerator is high, by selecting and developing committed employees, then leaders have the responsibility of reducing the fear of failure quotient.

Stage 3: Employee Empowerment Stage. Bureaucracies empower top managers. Bureaucracy busting empowers employees. Removing barriers between employees and managers builds openness and dialogue in ongoing management processes and begins to change the nature of the organization. Self-directed work teams, employee involvement processes, and dialogue should be built into the fabric of the organization. Without employee involvement and a fundamental new approach to management, costs may be reduced, productivity increased, and bureaucracy eliminated—but the results will not be long lasting if employees are now empowered for organizational improvement.

Many work activities encourage employee involvement. In a Japanese firm, newer professional employees have the opportunity and obligation to make the first drafts of important business proposals. By asking new employees to make these first drafts, the employees learn more about the overall business, feel empowered to have an impact on the business, and build relationships with colleagues in preparing the proposals. Pepsico has involved and empowered all employees by announcing profit sharing for all. Federal Express has institutionalized employee involvement by guaranteeing employees access to the senior management meeting held each Wednesday. Employee complaints may be directed to this forum by employees without fear of any retributions by their immediate bosses. IBM assures employee involvement by allowing employees to work through a corporate ombudsman who can represent the employees' views to management without fear of reprisal or having to undergo subordinate appraisals. Amoco has initiated an extensive employee involvement program where employees are formed into teams to discuss ways to improve work and to get subordinate appraisals of their managers. These examples of employee involvement mark a fundamental change from the traditional work contract of hierarchical mature organizations to a more fluid, flexible, mutual work environment.

Traditional models of power and authority came from position and status. Power and authority in a renewing organization should come from relationships, trust, and expertise. Empowerment is a movement away from leader and expert problem solving to a system where everyone is continuously involved in improving the organization in order to leverage its competitive advantage through speed, simplicity, and service. Leaders must learn that sharing power builds a capacity to change, commitment, and competitiveness.

Stage 4: Continuous Improvement. Employee empowerment builds employee commitment. This initial commitment must be translated into long-term processes so that employee involvement is not tied to any one individual but is part of a system.

Continuous improvement efforts began in mature companies by focusing on error detection and error prevention. In these efforts statistical tools—for example, flow charting, Pareto analysis, histograms, studies of variance, and operational definitions— were used to ensure that errors could be taken out of work procedures.

The continuous improvement required for this stage includes, but also goes beyond, this error focus. Continuous improvement is changing not only the technical tools of management but also the fundamental approaches to management. The continuous improvement philosophy overcomes the practice. The focus on continuous improvement must be upon the "right" work that was identified through restructuring and bureaucracy bashing. The philosophy must be one of service to customers through speed and simplicity in work processes. As this philosophy is understood throughout an organization, it becomes the rallying cry, ensuring an ongoing commitment to improve work processes.

Generating this philosophy becomes the major leadership requirement at this stage. The leader must manage through principles. The leader must articulate and communicate the principles that will govern the organization. These principles must be sensitive to each of the previous stages—restructuring for productivity, bureaucracy busting for flexibility, and employee involvement for empowerment. By instilling a philosophy of management that can then be practiced according to the specific needs of the business, leaders are able to set a direction, motivate, and steer a company through renewal.

Stage 5: Cultural Change. The final stage of renewal is really an outgrowth of the other four. Fundamental cultural change means that employees' mindset— the way they think about their work is shifted. Employees do not feel part of a "mature" company, but they see themselves as having faced and overcome the renewal change challenge. They feel the enthusiasm and commitment of trying new approaches to work and, as a result, they bring more desirable changes into the organization.

We would agree with many others who have studied these issues that accomplishing cultural change takes many years. Our rule of thumb is that for mature organizations, the cycle time for creating fundamental cultural change is twice the cycle time it takes for introducing a new technology. Some technologies change more rapidly than others—say, for example, genetic engineering as opposed to utilities. In more

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rapidly changing technologies, there is more receptivity to cultural change. These organizations seem to have a more external focus. In industries with slow changing technologies, the cycle time for cultural change is extended, since these industries probably have a greater structural inertia. The latter are more internally and vertically focused.

In the re-energized organization, every leader would be judged by his ability to persevere, and how strong an advocate he is of the new culture. But it is also necessary that he exhibits tolerance since culture changes require time to take effect.

More importantly a leader must constantly and demonstratively be a model and a cheerleader of the culture he hopes to implement.

At General Electric, Jack Welch has committed the entire company to a cultural change. He constantly talks about his commitment—to financial analysts, to investors, to shareholders, to employees, and to public forums. He has defined a set of principles and has frequently asked managers to spend time implementing these principles. Welch has also asked his managers to provide him with feedback on his personal behavior. At GE he has become the nucleus of encouraging employees to commit energy and time to understanding and adopting the new work culture.

In short, the five stages in Figure 2 indicate a sequence for adopting changes to re-energize a mature organization. By first defining the right work to do, then finding ways to improve that work, companies may make simple, short-term changes that can have major, long-term impact. These five stages are based on the four principles we have identified.

MAKING IT HAPPEN

We have put forward a very simple argument in this paper: Mature organizations must face and overcome the renewal change challenge; they must change; they must redefine how work is done and recreate work cultures consistent with changing customer demands.

How do we anticipate that these changes will occur? It will happen because organizations and leaders at all levels have developed a new vision of strategy and culture. Organizations are becoming far more strategic, far more purposeful, and far more customer oriented. It will happen also because of new tools that are focusing more and more closely upon performance and that are raising difficult questions about the value of work and of the customer requirements within the organization.

Most mature organizations will sooner or later have to face the renewal change challenge. They will then have to find ways to change their culture; their vision will have to actually be translated into specific actions and managers must be prepared to help employees improve, to observe their progress, and to give them feedback. Employees also must seek responsibilities, strive for continuous improvement, and change the organization's culture by making each effort add value to its customers and investors strategically and continuously.

The role of the leader is to challenge the value of each process for its contribution to customers and investors, encourage a shared vision and values, and enable employees to act by encouraging greater customer and cost consciousness, adaptability, initiative, accountability, and teamwork. To accomplish these goals, managers must model the way and immediately recognize the contributions of employees as they take risks in changing established work habits and attempt to continuously improve and enhance their contributions.

If the renewal change challenge can be overcome, an organization may move through the neck of the hourglass (see Figure 1). At the other side of the hour glass is the ability to become re-energized and meet customer needs through innovative, resourceful, and bold customer-focused initiatives.

SELECTED BIBLIOGRAPHY

There are several pieces that have appeared recently which explore the broad range of activities and values of interest to us. One is "Why Change Programs Don't Produce Change" by Michael Beer, Russell Eisenstadt, and Burt Spector in *Harvard Business Review*, November-December 1990. It demonstrates how most change programs fail because they are guided by a fundamentally flawed theory of change. The authors claim that many change programs assume that change is a conversion experience that requires an attitude change. We agree that real change requires a change in attitude and in the fundamental roles, responsibilities, and relationships that should provide the alignment of the appropriate behaviors. However, our major focus is that change occurs because work and work relationships have been redesigned to leverage the organization's human resource competitive advantage.

Another piece that is consistent with our approach is Randy Myer's "Suppliers Manage Your Customers," in *Harvard Business Review*, November-December 1989. He points out that "customer-back" organizations are successful, because, to satisfy the next and ultimate customers, you must be provided by suppliers who treat you as important customers.

A significant piece on the leader's role appeared in the *Sloan Management Review* in 1990. The article by Peter M. Senge was entitled "The Leader's New Work: Building Learning Organizations." This is a major piece that focuses upon the leadership role in transforming organizations. It recognizes that becoming heuristic is essential to successful transformation; that is, an organization must learn and build the internal capability that enables it to return to viability, regardless of the level of environmental turbulence. The article stresses two leadership styles that have emerged over the years: traditional (plan, organize, and control) and transformational (vision, alignment, motivation). But a third type of leader, the leader of the future, is one who is a designer of work, a teacher, and a supporter of change—in essence, the ultimate change agent companies have been alluding to for years but is seldom seen represented.

Finally, a corollary piece appeared in *Harvard Business Review* in January-February 1991 by Robert G. Eccles, entitled "The Performance Measurement Manifesto." It suggests performance measurement is an essential missing element from many organizational change efforts and certainly from discussions on re-energizing mature organizations. Identifying the right work is essential but so is measuring the right work. Clearly, if organizations are to survive, customers need to be prioritized and processes need to be clarified. Both require measures to assess their effectiveness and to test whether they are aligned with organizational goals and objectives.