Effective corporate renewal starts at the bottom, through informal efforts to solve business problems.

Why Change Programs Don't Produce Change

by Michael Beer, Russell A. Eisenstat, and Bert Spector

In the mid-1980s, the new CEO of a major international bank–call it U.S. Financial–announced a companywide change effort. Deregulation was posing serious competitive challenges–challenges to which the bank's traditional hierarchical organization was ill-suited to respond. The only solution was to change fundamentally how the company operated. And the place to begin was at the top.

The CEO held a retreat with his top 15 executives where they painstakingly reviewed the bank's purpose and culture. He published a mission statement and hired a new vice president for human resources from a company well-known for its excellence in managing people. And in a quick succession of moves, he established companywide programs to push change down through the organization: a new organizational structure, a performance appraisal system, a pay-for-performance compensation plan, training programs to turn managers into "change agents," and quarterly attitude surveys to chart the progress of the change effort.

As much as these steps sound like a textbook case in organizational transformation, there was one big problem: two years after the CEO launched the change program, virtually nothing in the way of actual changes in organizational behavior had occurred. What had gone wrong?

The answer is "everything." Every one of the assumptions the CEO made–about who should lead the change effort, what needed changing, and how to go about doing it–was wrong.

U.S. Financial's story reflects a common problem. Faced with changing markets and increased competition, more and more companies are struggling to reestablish their dominance, regain market share, and in some cases, ensure their survival. Many have come to understand that the key to competitive success is to transform the way they function. They are reducing reliance on managerial authority, formal rules and procedures, and narrow divisions of work. And they are creating teams, sharing information, and delegating responsibility and accountability far down the hierarchy. In effect, companies are moving from the hierarchical and bureaucratic model of organization that has characterized corporations since World War II to what we call the task-driven organization where what has to be done governs who works with whom and who leads.

But while senior managers understand the necessity of change to cope with new competitive realities, they often misunderstand what it takes to bring it about. They tend to share two assumptions with the CEO of U.S. Financial: that promulgating companywide programs–mission statements, "corporate culture" programs, training courses, quality circles, and new pay-for-performance systems–will transform organizations, and that employee behavior is changed by altering a company's formal structure and systems.

In a four-year study of organizational change at six large corporations (see the insert, "Tracking Corporate Change"; the names are fictitious), we found that exactly the opposite is true: the greatest obstacle to revitalization is the idea that it comes about

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through companywide change programs, particularly when a corporate staff group such as human resources sponsors them. We call this "the fallacy of programmatic change." Just as important, formal organization structure and systems cannot lead a corporate renewal process.

While in some companies, wave after wave of programs rolled across the landscape with little positive impact, in others, more successful transformations did take place. They usually started at the periphery of the corporation in a few plants and divisions far from corporate headquarters. And they were led by the general managers of those units, not by the CEO or corporate staff people.

Successful change efforts focus on the work itself, not on abstractions like "participation" or "culture."

The general managers did not focus on formal structures and systems; they created ad hoc organizational arrangements to solve concrete business problems. By aligning employee roles, responsibilities, and relationships to address the organization's most important competitive task – a process we call "task alignment" – they focused energy for change on the work itself, not on abstractions such as "participation" or "culture." Unlike the CEO at U.S. Financial, they didn't employ massive training programs or rely on speeches and mission statements. Instead, we saw that general managers carefully developed the change process through a sequence of six basic managerial interventions.

Once general managers understand the logic of this sequence, they don't have to wait for senior management to start a process of organizational revitalization. There is a lot they can do even without support from the top. Of course, having a CEO or other senior managers who are committed to change does make a difference – and when it comes to changing an entire organization, such support is essential. But top management's role in the change process is very different from that which the CEO played at U.S. Financial.

Grass-roots change presents senior managers with a paradox: directing a "nondirective" change process. The most effective senior managers in our study recognized their limited power to mandate corporate renewal from the top. Instead, they defined their roles as creating a climate for change, then spreading the lessons of both successes and failures. Put another way, they specified the general direction in which the company should move without insisting on specific solutions.

In the early phases of a companywide change process, any senior manager can play this role. Once grass-roots change reaches a critical mass, however, the CEO has to be ready to transform his or her own work unit as well – the top team composed of key business heads and corporate staff heads. At this point, the company's structure and systems must be put into alignment with the new management practices that have developed at the periphery. Otherwise, the tension between dynamic units and static top management will cause the change process to break down.

We believe that an approach to change based on task alignment, starting at the periphery and moving steadily toward the corporate core, is the most effective way to achieve enduring organizational change. This is not to say that change can *never* start at the top, but it is uncommon and too risky as a deliberate strategy. Change is about learning. It is a rare CEO who knows in advance the fine-grained details of organizational change that the many diverse units of a large corporation demand. Moreover, most of today's senior executives developed in an era in which top-down hierarchy was the primary means for organizing and managing. They must learn from innovative approaches coming from younger unit managers closer to the action.

The Fallacy of Programmatic Change

Most change programs don't work because they are guided by a theory of change that is fundamentally flawed. The common belief is that the place to begin is with the knowledge and attitudes of individuals. Changes in attitudes, the theory goes, lead to changes in individual behavior. And changes in individual behavior, repeated by many people, will result in organizational change. According to this model, change is like a conversion experience. Once people "get religion," changes in their behavior will surely follow.

This theory gets the change process exactly backward. In fact, individual behavior is powerfully shaped by the organizational roles that people play. The most effective way to change behavior, therefore, is to put people into a new organizational context, which imposes new roles, responsibilities, and relationships on them. This creates a situation that, in a sense, "forces" new attitudes and behaviors on people. (See the table, "Contrasting Assumptions About Change.")

Tracking Corporate Change

Which strategies for corporate change work, and which do not? We sought the answers in a comprehensive study of 12 large companies where top management was attempting to revitalize the corporation. Based on preliminary research, we identified 6 for in-depth analysis: 5 manufacturing companies and 1 large international bank. All had revenues between $4 billion and $10 billion. We studied 26 plants and divisions in these 6 companies and conducted hundreds of interviews with human resource managers; line managers engaged in change efforts at plants, branches, or business units; workers and union leaders; and, finally, top management.

Based on this material, we ranked the 6 companies according to the success with which they had managed the revitalization effort. Were there significant improvements in interfunctional coordination, decision making, work organization, and concern for people? Research has shown that in the long term, the quality of these 4 factors will influence performance. We did not define success in terms of improved financial performance because, in the short run, corporate financial performance is influenced by many situational factors unrelated to the change process.

To corroborate our rankings of the companies, we also administered a standardized questionnaire in each company to understand how employees viewed the unfolding change process. Respondents rated their companies on a scale of 1 to 5. A score of 3 meant that no change had taken place; a score below 3 meant that, in the employee's judgment, the organization had actually gotten worse. As the table suggests, with one exception – the company we call Livingston Electronics – employees' perceptions of how much their companies had changed were identical to ours. And Livingston's relatively high standard of deviation (which measures the degree of consensus among employees about the outcome of the change effort) indicates that within the company there was considerable disagreement as to just how successful revitalization had been.

Researchers and Employees – Similar Conclusions

Company	Extent of Revitalization *Ranked by Researchers*	*Rated by Employees* *Average*	 *Standard Deviation*
General Products	1	4.04	.35
Fairweather	2	3.58	.45
Livingston Electronics	3	3.61	.76
Scranton Steel	4	3.30	.65
Continental Glass	5	2.96	.83
U.S. Financial	6	2.78	1.07

One way to think about this challenge is in terms of three interrelated factors required for corporate revitalization. *Coordination* or teamwork is especially important if an organization is to discover and act on cost, quality, and product development opportunities. The production and sale of innovative, high-quality, low-cost products (or services) depend on close coordination among marketing, product design, and manufacturing departments, as well as between labor and management. High levels of *commitment* are essential for the effort, initiative, and cooperation that coordinated action demands. New *competencies* such as knowledge of the business as a whole, analytical skills, and interpersonal skills are necessary if people are to identify and solve problems as a team. If any of these elements are missing, the change process will break down.

The problem with most companywide change programs is that they address only one or, at best, two of these factors. Just because a company issues a philosophy statement about teamwork doesn't mean its employees necessarily know what teams to form or how to function within them to improve coordination. A corporate reorganization may change the boxes on a formal organization chart but not provide the necessary attitudes and skills to make the new structure work. A pay-for-performance system may force managers to differentiate better performers from poorer ones, but it doesn't help them internalize new standards by which to judge subordinates' performances. Nor does it teach them how to deal effectively with performance problems. Such programs cannot provide the cultural context (role models from whom to learn) that people need to develop new competencies, so ultimately they fail to create organizational change.

Similarly, training programs may target competence, but rarely do they change a company's patterns of coordination. Indeed, the excitement engendered in a good corporate training program frequently leads to increased frustration when employees get back on the job only to see their new skills go unused in an organization in which nothing else has changed. People end up seeing training as a waste of time, which undermines whatever commitment to change a program may have roused in the first place.

When one program doesn't work, senior managers, like the CEO at U.S. Financial, often try another, instituting a rapid progression of programs. But this only exacerbates the problem. Because they are designed to cover everyone and everything, programs end up covering nobody and nothing particularly well. They are so general and standardized that they don't speak to the day-to-day realities of particular units. Buzzwords like "quality," "participation," "excellence," "empowerment," and "leadership" become a substitute for a detailed understanding of the business.

And all these change programs also undermine the credibility of the change effort. Even when managers accept the potential value of a particular program for others – quality circles, for example, to solve a manufacturing problem – they may be confronted with another, more pressing business problem such as new product development. One-size-fits-all change programs take energy *away* from efforts to solve key business problems – which explains why so many general managers don't support programs, even when they acknowledge that their underlying principles may be useful.

This is not to state that training, changes in pay systems or organizational structure, or a new corporate philosophy are always inappropriate. All can play valuable roles in supporting an integrated change effort. The problems come when such programs are used in isolation as a kind of "magic bullet" to spread organizational change rapidly through the entire corporation. At their best, change programs of this sort are irrelevant. At their worst, they actually inhibit change. By promoting skepticism and cynicism, programmatic change can inoculate companies against the real thing.

Contrasting Assumptions About Change

Programmatic Change	*Task Alignment*
Problems in behavior are a function of individual knowledge, attitudes, and beliefs.	Individual knowledge, attitudes, and beliefs are shaped by recurring patterns of behavioral interactions.
The primary target of renewal should be the content of attitudes and ideas; actual behavior should be secondary.	The primary target of renewal should be behavior; attitudes and ideas should be secondary.
Behavior can be isolated and changed individually.	Problems in behavior come from a circular pattern, but the effects of the organizational system on the individual are greater than those of the individual on the system.
The target for renewal should be at the individual level.	The target for renewal should be at the level of roles, responsibilities, and relationships.

Six Steps to Effective Change

Companies avoid the shortcomings of programmatic change by concentrating on "task alignment" – reorganizing employee roles, responsibilities, and relationships to solve specific business problems. Task alignment is easiest in small units – a plant, department, or business unit – where goals and tasks are clearly defined. Thus the chief problem for corporate change is how to promote task-aligned change across many diverse units.

We saw that general managers at the business unit or plant level can achieve task alignment through a sequence of six overlapping but distinctive steps, which we call the *critical path*. This path develops a self-reinforcing cycle of commitment, coordination, and competence. The sequence of steps is important because activities appropriate at one time are often counterproductive if started too early. Timing is everything in the management of change.

1. *Mobilize commitment to change through joint diagnosis of business problems.* As the term task alignment suggests, the starting point of any effective change effort is a clearly defined business prob-

lem. By helping people develop a shared diagnosis of what is wrong in an organization and what can and must be improved, a general manager mobilizes the initial commitment that is necessary to begin the change process.

Consider the case of a division we call Navigation Devices, a business unit of about 600 people set up by a large corporation to commercialize a product originally designed for the military market. When the new general manager took over, the division had been in operation for several years without ever making a profit. It had never been able to design and produce a high-quality, cost-competitive product. This was due largely to an organization in which decisions were made at the top, without proper involvement of or coordination with other functions.

The starting point of any effective change effort is a clearly defined business problem.

The first step the new general manager took was to initiate a broad review of the business. Where the previous general manager had set strategy with the unit's marketing director alone, the new general manager included his entire management team. He also brought in outside consultants to help him and his managers function more effectively as a group.

Next, he formed a 20-person task force representing all the stakeholders in the organization – managers, engineers, production workers, and union officials. The group visited a number of successful manufacturing organizations in an attempt to identify what Navigation Devices might do to organize more effectively. One high-performance manufacturing plant in the task force's own company made a particularly strong impression. Not only did it highlight the problems at Navigation Devices but it also offered an alternative organizational model, based on teams, that captured the group's imagination. Seeing a different way of working helped strengthen the group's commitment to change.

The Navigation Devices task force didn't learn new facts from this process of joint diagnosis; everyone already knew the unit was losing money. But the group came to see clearly the organizational roots of the unit's inability to compete and, even more important, came to share a common understanding of the problem. The group also identified a potential organizational solution: to redesign the way it worked, using ad hoc teams to integrate the organization around the competitive task.

2. *Develop a shared vision of how to organize and manage for competitiveness.* Once a core group of people is committed to a particular analysis of the problem, the general manager can lead employees toward a task-aligned vision of the organization that defines new roles and responsibilities. These new arrangements will coordinate the flow of information and work across interdependent functions at all levels of the organization. But since they do not change formal structures and systems like titles or compensation, they encounter less resistance.

At Navigation Devices, the 20-person task force became the vehicle for this second stage. The group came up with a model of the organization in which cross-functional teams would accomplish all work, particularly new product development. A business-management team composed of the general manager and his staff would set the unit's strategic direction and review the work of lower level teams. Business-area teams would develop plans for specific markets. Product-development teams would manage new products from initial design to production. Production-process teams composed of engineers and production workers would identify and solve quality and cost problems in the plant. Finally, engineering-process teams would examine engineering methods and equipment. The teams got to the root of the unit's problems – functional and hierarchical barriers to sharing information and solving problems.

To create a consensus around the new vision, the general manager commissioned a still larger task force of about 90 employees from different levels and functions, including union and management, to refine the vision and obtain everyone's commitment to it. On a retreat away from the workplace, the group further refined the new organizational model and drafted a values statement, which it presented later to the entire Navigation Devices work force. The vision and the values statement made sense to Navigation Devices employees in a way many corporate mission statements never do – because it grew out of the organization's own analysis of real business problems. And it was built on a model for solving those problems that key stakeholders believed would work.

3. *Foster consensus for the new vision, competence to enact it, and cohesion to move it along.* Simply letting employees help develop a new vision is not enough to overcome resistance to change – or to foster the skills needed to make the new organization work. Not everyone can help in the design, and even those who do participate often do not fully appreciate what renewal will require until the new organization is actually in place. This is when strong leadership from the general manager is crucial. Com-

mitment to change is always uneven. Some managers are enthusiastic; others are neutral or even antagonistic. At Navigation Devices, the general manager used what his subordinates termed the "velvet glove." He made it clear that the division was going to encourage employee involvement and the team approach. To managers who wanted to help him, he offered support. To those who did not, he offered outplacement and counseling.

Once an organization has defined new roles and responsibilities, people need to develop the competencies to make the new setup work. Actually, the very existence of the teams with their new goals and accountabilities will force learning. The changes in roles, responsibilities, and relationships foster new skills and attitudes. Changed patterns of coordination will also increase employee participation, collaboration, and information sharing.

But management also has to provide the right supports. At Navigation Devices, six resource people – three from the unit's human resource department and three from corporate headquarters – worked on the change project. Each team was assigned one internal consultant, who attended every meeting, to help people be effective team members. Once employees could see exactly what kinds of new skills they needed, they asked for formal training programs to develop those skills further. Since these courses grew directly out of the employees' own experiences, they were far more focused and useful than traditional training programs.

Teamwork asks more of employees – so they need more support from management.

Some people, of course, just cannot or will not change, despite all the direction and support in the world. Step three is the appropriate time to replace those managers who cannot function in the new organization – after they have had a chance to prove themselves. Such decisions are rarely easy, and sometimes those people who have difficulty working in a participatory organization have extremely valuable specialized skills. Replacing them early in the change process, before they have worked in the new organization, is not only unfair to individuals; it can be demoralizing to the entire organization and can disrupt the change process. People's understanding of what kind of manager and worker the new organization demands grows slowly and only from the experience of seeing some individuals succeed and others fail.

Once employees have bought into a vision of what's necessary and have some understanding of what the new organization requires, they can accept the necessity of replacing or moving people who don't make the transition to the new way of working. Sometimes people are transferred to other parts of the company where technical expertise rather than the new competencies is the main requirement. When no alternatives exist, sometimes they leave the company through early retirement programs, for example. The act of replacing people can actually reinforce the organization's commitment to change by visibly demonstrating the general manager's commitment to the new way.

Some of the managers replaced at Navigation Devices were high up in the organization – for example, the vice president of operations, who oversaw the engineering and manufacturing departments. The new head of manufacturing was far more committed to change and skilled in leading a critical path change process. The result was speedier change throughout the manufacturing function.

4. *Spread revitalization to all departments without pushing it from the top.* With the new ad hoc organization for the unit in place, it is time to turn to the functional and staff departments that must interact with it. Members of teams cannot be effective unless the department from which they come is organized and managed in a way that supports their roles as full-fledged participants in team decisions. What this often means is that these departments will have to rethink their roles and authority in the organization.

At Navigation Devices, this process was seen most clearly in the engineering department. Production department managers were the most enthusiastic about the change effort; engineering managers were more hesitant. Engineering had always been king at Navigation Devices; engineers designed products to the military's specifications without much concern about whether manufacturing could easily build them or not. Once the new team structure was in place, however, engineers had to participate on product-development teams with production workers. This required them to reexamine their roles and rethink their approaches to organizing and managing their own department.

The impulse of many general managers faced with such a situation would be to force the issue – to announce, for example, that now all parts of the organization must manage by teams. The temptation to force newfound insights on the rest of the organization can be great, particularly when rapid change is needed, but it would be the same mistake that senior managers make when they try to push programmatic change throughout a company. It short-circuits the change process.

It's better to let each department "reinvent the wheel" – that is, to find its own way to the new organization. At Navigation Devices, each department was allowed to take the general concepts of coordination and teamwork and apply them to its particular situation. Engineering spent nearly a year agonizing over how to implement the team concept. The department conducted two surveys, held off-site meetings, and proposed, rejected, then accepted a matrix management structure before it finally got on board. Engineering's decision to move to matrix management was not surprising, but because it was its own choice, people committed themselves to learning the necessary new skills and attitudes.

5. *Institutionalize revitalization through formal policies, systems, and structures.* There comes a point where general managers have to consider how to institutionalize change so that the process continues even after they've moved on to other responsibilities. Step five is the time: the new approach has become entrenched, the right people are in place, and the team organization is up and running. Enacting changes in structures and systems any earlier tends to backfire. Take information systems. Creating a team structure means new information requirements. Why not have the MIS department create new systems that cut across traditional functional and departmental lines early in the change process? The problem is that without a well-developed understanding of information requirements, which can best be obtained by placing people on task-aligned teams, managers are likely to resist new systems as an imposition by the MIS department. Newly formed teams can often pull together enough information to get their work done without fancy new systems. It's better to hold off until everyone understands what the team's information needs are.

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What's true for information systems is even more true for other formal structures and systems. Any formal system is going to have some disadvantages; none is perfect. These imperfections can be minimized, however, once people have worked in an ad hoc team structure and learned what interdependencies are necessary. Then employees will commit to them too.

Again, Navigation Devices is a good example. The revitalization of the unit was highly successful. Employees changed how they saw their roles and responsibilities and became convinced that change could actually make a difference. As a result, there were dramatic improvements in value added per employee, scrap reduction, quality, customer service, gross inventory per employee, and profits. And all this happened with almost no formal changes in reporting relationships, information systems, evaluation procedures, compensation, or control systems.

When the opportunity arose, the general manager eventually did make some changes in the formal organization. For example, when he moved the vice president of operations out of the organization, he eliminated the position altogether. Engineering and manufacturing reported directly to him from that point on. For the most part, however, the changes in performance at Navigation Devices were sustained by the general manager's expectations and the new norms for behavior.

6. *Monitor and adjust strategies in response to problems in the revitalization process.* The purpose of change is to create an asset that did not exist before – a learning organization capable of adapting to a changing competitive environment. The organization has to know how to continually monitor its behavior – in effect, to learn how to learn.

Some might say that this is the general manager's responsibility. But monitoring the change process needs to be shared, just as analyzing the organization's key business problem does.

At Navigation Devices, the general manager introduced several mechanisms to allow key constituents to help monitor the revitalization. An oversight team – composed of some crucial managers, a union leader, a secretary, an engineer, and an analyst from finance – kept continual watch over the process. Regular employee attitude surveys monitored behavior patterns. Planning teams were formed and reformed in response to new challenges. All these mechanisms created a long-term capacity for continual adaptation and learning.

The six-step process provides a way to elicit renewal without imposing it. When stakeholders become committed to a vision, they are willing to accept a new pattern of management – here the ad hoc team structure – that demands changes in their behavior. And as the employees discover that the new approach is more effective (which will happen only if the vision aligns with the core task), they have to grapple with personal and organizational changes they might otherwise resist. Finally, as improved coordination helps solve relevant problems, it will reinforce team behavior and produce a desire to learn new skills. This learning enhances effectiveness even further and results in an even stronger commitment to change. This mutually reinforcing cycle of improvements in commitment, coordination, and competence creates a growing sense of efficacy. It can continue as long as the ad hoc team structure is allowed to expand its role in running the business.

The Role of Top Management

To change an entire corporation, the change process we have described must be applied over and over again in many plants, branches, departments, and divisions. Orchestrating this companywide change process is the first responsibility of senior management. Doing so successfully requires a delicate balance. Without explicit efforts by top management to promote conditions for change in individual units, only a few plants or divisions will attempt change, and those that do will remain isolated. The best senior manager leaders we studied held their subordinates responsible for starting a change process without specifying a particular approach.

Create a market for change. The most effective approach is to set demanding standards for all operations and then hold managers accountable to them. At our best-practice company, which we call General Products, senior managers developed ambitious product and operating standards. General managers unable to meet these product standards by a certain date had to scrap their products and take a sharp hit to their bottom lines. As long as managers understand that high standards are not arbitrary but are dictated by competitive forces, standards can generate enormous pressure for better performance, a key ingredient in mobilizing energy for change.

But merely increasing demands is not enough. Under pressure, most managers will seek to improve business performance by doing more of what they have always done–overmanage–rather than alter the fundamental way they organize. So, while senior managers increase demands, they should also hold managers accountable for fundamental changes in the way they use human resources.

For example, when plant managers at General Products complained about the impossibility of meeting new business standards, senior managers pointed them to the corporate organization-development department within human resources and emphasized that the plant managers would be held accountable for moving revitalization along. Thus top management had created a demand system for help with the new way of managing, and the human resource staff could support change without appearing to push a program.

Use successfully revitalized units as organizational models for the entire company. Another important strategy is to focus the company's attention on plants and divisions that have already begun experimenting with management innovations. These units become developmental laboratories for further innovation.

There are two ground rules for identifying such models. First, innovative units need support. They need the best managers to lead them, and they need adequate resources–for instance, skilled human resource people and external consultants. In the most successful companies that we studied, senior managers saw it as their responsibility to make resources available to leading-edge units. They did not leave it to the human resource function.

Second, because resources are always limited and the costs of failure high, it is crucial to identify those units with the likeliest chance of success. Successful management innovations can appear to be failures when the bottom line is devastated by environmental factors beyond the unit's control. The best models are in healthy markets.

Obviously, organizational models can serve as catalysts for change only if others are aware of their existence and are encouraged to learn from them. Many of our worst-practice companies had plants and divisions that were making substantial changes. The problem was, nobody knew about them. Corporate management had never bothered to highlight them as examples to follow. In the leading companies, visits, conferences, and educational programs facilitated learning from model units.

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Develop career paths that encourage leadership development. Without strong leaders, units cannot make the necessary organizational changes, yet the scarcest resource available for revitalizing corporations is leadership. Corporate renewal depends as much on developing effective change leaders as it does on developing effective organizations. The personal learning associated with leadership development–or the realization by higher management that a manager does not have this capacity–cannot occur in the classroom. It only happens in an organization where the teamwork, high commitment, and new competencies we have discussed are already the norm.

The only way to develop the kind of leaders a changing organization needs is to make leadership an important criterion for promotion, and then manage people's careers to develop it. At our best-practice companies, managers were moved from job to job and from organization to organization based on their learning needs, not on their position in the hierarchy. Successful leaders were assigned to units that had been targeted for change. People who needed to sharpen their leadership skills were moved into the company's model units where those skills would be demanded and therefore learned. In effect, top management used leading-edge units as hothouses to develop revitalization leaders.

But what about the top management team itself? How important is it for the CEO and his or her direct reports to practice what they preach? It is not surprising–indeed, it's predictable–that in the early years of a corporate change effort, top managers' actions are often not consistent with their words. Such inconsistencies don't pose a major barrier to corporate change in the beginning, though consistency is obviously desirable. Senior managers can create a climate for grass-roots change without paying much attention to how they themselves operate and manage. And unit managers will tolerate this inconsistency so long as they can freely make changes in their own units in order to compete more effectively.

> As change spreads, top managers must look at what they practice versus what they preach.

There comes a point, however, when addressing the inconsistencies becomes crucial. As the change process spreads, general managers in the ever-growing circle of revitalized units eventually demand changes from corporate staff groups and top management. As they discover how to manage differently in their own units, they bump up against constraints of policies and practices that corporate staff and top management have created. They also begin to see opportunities for better coordination between themselves and other parts of the company over which they have little control. At this point, corporate organization must be aligned with corporate strategy, and coordination between related but hitherto independent businesses improved for the benefit of the whole corporation.

None of the companies we studied had reached this "moment of truth." Even when corporate leaders intellectually understood the direction of change, they were just beginning to struggle with how they would change themselves and the company as a whole for a total corporate revitalization.

This last step in the process of corporate renewal is probably the most important. If the CEO and his or her management team do not ultimately apply to themselves what they have been encouraging their general managers to do, then the whole process can break down. The time to tackle the tough challenge of transforming companywide systems and structures comes finally at the end of the corporate change process.

At this point, senior managers must make an effort to adopt the team behavior, attitudes, and skills that they have demanded of others in earlier phases of change. Their struggle with behavior change will help sustain corporate renewal in three ways. It will promote the attitudes and behavior needed to coordinate diverse activities in the company; it will lend credibility to top management's continued espousal of change; and it will help the CEO identify and develop a successor who is capable of learning the new behaviors. Only such a manager can lead a corporation that can renew itself continually as competitive forces change.

Companies need a particular mind-set for managing change: one that emphasizes process over specific content, recognizes organization change as a unit-by-unit learning process rather than a series of programs, and acknowledges the payoffs that result from persistence over a long period of time as opposed to quick fixes. This mind-set is difficult to maintain in an environment that presses for quarterly earnings, but we believe it is the only approach that will bring about successful renewal.

Reprint 90601