

Customer Research
Organizational Consulting
Strategic Leadership and Change

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RENEWAL: Principles, Process, and Techniques

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Why Renewal?

Today, many once great companies are in trouble. They struggle to survive as they find their products or services inadequate or their competitors operating on a different scale in quality, cost, speed, or service.

Why is this happening?

Our world is in chaos. Things are breaking apart and coming together, fragmenting and consolidating **at the same time**. Globalization coexists with tribalism; new emerging technologies dovetail with converging technologies; start-ups and mergers happen simultaneously in the same industry.

There are many reasons for this chaos. However, one driving force is the explosive growth of the converging technologies of:

- Information storage, retrieval, and control (computer hardware and software and their far-reaching applications); and
- Communications/Entertainment (radio, television, cable, satellite, film, telephones, audio and video production, and recording)

This structural shift is often called the coming of the Information Age. While it bears some resemblance to the transition from an agrarian to an industrial economy in the 1800's, its effects are much more profound. There is today a democratization of information that is unlike anything we've seen since Johannes Gutenberg started the Renaissance by creating movable type in 1450.

The microprocessor, introduced by Intel in 1972, has created a revolution called **digitization**. This still-emerging technology is transforming every industry, but its greatest impact comes from the resulting convergence of telephones, televisions, and computers. The social and economic effects of this convergence significantly contribute to many of today's most trying business issues. For example:

Globalization and the increase in competition it represents are influenced by the availability of information about other markets, the speed of information transfer, and the expectations of the "good life" exported along with consumer entertainment products.

Micro-segmentation of markets. This is the age of the niche. Thanks to new technology, customers now expect individualized product offerings, unique solutions, and multiple options. As a result, we gather marketing data on smaller and smaller groups of customers.

Accelerated product life cycles are driven by increased competition and by the speed with which the convergent technologies create substitute products. Businesses must shorten their new product development cycles or perish.

Pressure on costs and margins is caused by competition and the speed of product development.

Changes in worker attitudes, organization structures, and governmental regulations are influenced by the fact that workers now have information formerly available only to the CEO.

Environmental challenges currently facing the world have many causes, not the least of which are rising consumer expectations generated by global distribution of American media and the mentality of expediency that characterizes the Information Age.

In his book *The Work of Nations*, Secretary of Labor Robert Reich describes this shift as movement from a “High Volume” to a “High Value” economy. In the Industrial Age, company success came from volume, which allowed systematic cost reduction and the cost advantages of economies of scale in mass production and mass consumption. In the High Value economy of the Information Age, companies achieve success by identifying unique problems first and delivering customized solutions most quickly. According to Reich, the key skills of the High Volume economy were replication, cost reduction, and fine tuned production framed in a hierarchy. The key skills of the High Value economy are “abstraction, systems thinking, experimentation, and collaboration” and the most effective organization is “an enterprise web... a loose network... a team.”

In 1992 in an article in *Business Week*, John Byrne catalogued the elements of the evolving paradigm for business:

Organization Characteristics	The Current Model	⇒	21st Century Prototype
Organization	Hierarchy	⇒	Network
Structure	Self sufficiency	⇒	Interdependencies
Worker Expectations	Security	⇒	Personal Growth
Leadership	Autocratic	⇒	Inspirational
Workforce	Homogeneous	⇒	Culturally Diverse
Work	by Individuals	⇒	by Teams
Markets	Domestic	⇒	Global
Advantage	Cost	⇒	Time
Focus	Profits	⇒	Customers
Resources	Capital	⇒	Information
Governance	Board of Directors	⇒	Varied Constituencies
Quality	What's Affordable	⇒	Compromises

Faced with an environment of continuous change, businesses must evolve on a number of fronts to survive. Some organizations are adapting better than others. Ironically, it's often the most successful organizations that find themselves in need of renewal. A business can be so

busy replicating a successful growth pattern that executives fail to recognize the maturity or decline of their technology, products, industry, or company.

Put another way, the need for renewal comes from *hubris*. Hubris is the tragic flaw of the hero of Greek tragedy. It literally means “to compete for glory with the gods.” In today’s business vernacular, this means “believing your own press releases.”

When a company is successful, managers tend to stop “scanning the environment” for changes in technology, competitor capability, and customer needs. For example, IBM denied the trend *from* mainframes because its business was built on success *in* mainframes. In so doing, IBM conceded its valuable position in the semiconductor and software industries to Intel and Microsoft. By ignoring information from outside the organization, it created decline.

Confronted with crisis, many companies seek to renew. I have noticed that some are successful while others struggle with the process, “downsizing” and “restructuring” themselves slowly out of business. I decided to study various renewal efforts. I have participated directly in a few, most notably British Airways, General Motors, and Short Brothers. Others, like Xerox, IBM, Harley Davidson, and General Electric, I studied in print and through conversations with colleagues. From observing successes — and failures — I have gleaned what I believe to be the principles, process, and techniques of a successful renewal.

The Principles of Renewal

These principles are preconditions to renewal and can serve as guidelines during the renewal process.

Principle 1: Renewal is fired by a sense of urgency.

By definition, no organization will revitalize itself unless it feels it is dying. As Bob Waterman said in *The Renewal Factor*: “Nothing creates momentum for change like crisis.”

A positive vision-led sense of urgency is more effective than a negative threat-driven urgency. In communicating the urgency of the crisis it is important to emphasize the opportunities as well as the dangers.

Principle 2: Renewal is a function of speed, energy, and critical mass.

As things decay, they slow down. In the biological life cycle, decay equals homeostasis, a uniform state of sluggish equilibrium. Similarly, in the physical and chemical world, decay creates inertia and entropy, a gradual decline in energy, seemingly irreversible.

The mature organization can become a closed system, inwardly focused, stuck in its old habits and processes, accepting no new input from customers. Creeping bureaucracy justifies form, structure, and procedure over the substance of customer need and competitive cost, quality, and cycle time.

Breaking these forces of inertia takes the mass and energy of the entire mobilized organization moving very rapidly.

There is no choice about moving slowly in renewal. It is imperative to move fast or die.

Principle 3: Renewal is a creative process.

Renewal is about building new responses to customers' needs, new ways of organizing and financing, new technologies and processes. It is a process of invention and innovation, a process of creation.

Creating can be chaotic. As Pablo Picasso said, "Every act of creation is first an act of destruction."

Creativity requires patience and flexibility and the absence of judgment or evaluation. This means surrendering control while ideas are generated.

That surrender is a scary thing for most businesses, especially those that find themselves in decay, destruction, or chaos. Control ultimately returns in the implementation phase, but keeping ideation free of control is critical.

Principle 4: Renewal is an active process.

Renewal cannot be delegated or subcontracted. Those organizations wishing to renew must take action themselves. This means that even if the organization uses a consultant to gather data, the members must internalize the data themselves. All levels must participate. Renewal is not something for "us" or "them."

Renewal is about **action**. Of course it is about thought, brainstorming, analysis, and planning as well, but it is about doing it. "Farming," said Buckminster Fuller, "is a lot like agriculture, but farming is doing it."

Principle 5: Renewal thrives on new facts and data.

Renewal means new ways of doing things. In order to decide to do things differently, we must gather new information, often from many new sources. We must measure what we've never measured before, compare ourselves to different standards, find new models of success.

We may ultimately make an intuitive decision but we must have the measures to know if our intuition is right. I often tell my clients, "If you could behave differently based upon what you now know, you would have done it already. **You need new information.**"

Principle 6: Renewal is a process of shared responsibility.

An organization that needs to renew must share a vision of the future and guiding values. Further, it must share both the pain and the gain of renewal.

Executives must take the same pay cuts and job losses that the front line takes. Such actions build the trust and teamwork necessary to renew. Teamwork and trust create the environment for individuals to grow in ways that fuel the growth of the organization.

Principle 7: Renewal must be approached systemically.

An organization is a complex system in which everything is connected to everything else.

Peter Senge, author of *The Fifth Discipline: The Art and Practice of the Learning Organization*, encourages us to see ourselves as connected to the world to understand the underlying structures of the whole system rather than act upon symptoms. “Beware the symptomatic solution. Solutions that address the symptom of the problem, not fundamental causes, tend to have short term benefits at best....”

Principle 8: Renewal must recognize the primacy of customer needs.

Often a competitor’s action, like a price cut or a new product, wakes an organization to the need for renewal. But it is a mistake to focus exclusively on competitors. To be successful at renewal, organizations must be competitively aware but focused on customers. Throughout the renewal process, at every stage every person should ask, “***What does the customer need?***”

Principle 9: Renewal requires leadership.

Renewal requires unflinching leadership not only at the top of the organization but also ***throughout the organization***. Successful renewal efforts typically pay particular attention to the task of building leaders throughout the organization in efforts like General Motors’ Leadership NOW or the General Electric Leadership Center at Crotonville.

Principle 10: Renewal requires personal change.

In order for an organization to change, the people in it must change. They must change their behavior and often their beliefs and values. This isn’t easy and sometimes people leave rather than change. However, organizational renewal can be an opportunity to find new joy at work. Every effort should be made to help people discover this personal rebirth.

The Language of Renewal

The language people use to talk about renewal reflects their view of the seriousness of the need for renewal. A leader who talks about the need to “refocus the corporation” is not in the same place as a leader who speaks of “reinventing the business.”

The Renewal Continuum

Refocus-----> Restructure-----> Reengineer-----> Reinvent

However, these “Re-” words have become immensely popular: *revisit*, *refocus*, *restructure*, *rethink*, *reengineer*, *recreate*, *reinvent*. In some cases, they have become euphemisms for unpleasant actions. “Restructuring” usually means *lay-offs*. For example, from the Philip Morris 1993 Annual Report comes the statement, “In November we announced an aggressive restructuring program to streamline our worldwide operations.” Translation: 14,000 pink slips.

“Re-” words also tend to signal the latest fad. For example, Business Process Reengineering has recently become the business equivalent of The Holy Grail, sought by many but rarely achieved. Michael Hammer and James Champy admit in their book *Reengineering the Corporation* that these efforts are successful only 30% of the time and failures from halfhearted execution are disastrously expensive.

In 1993 Bob Marshak recommended in “Managing the Metaphors of Change” that leaders of extensive renewal (reinvention) adopt a linguistic metaphor of **transformation** and to talk of the need to “awaken, liberate, and recreate.” This language is more exciting and less punitive than a “fix the organizational machine” metaphor. A CEO who talks of “the dawning of a new day” and “the customer loving place we will become” will energize more people than one promising “a tuneup” or getting back to “the nuts and bolts of service.”

Transformational language evokes the emergence from the chrysalis. This is the spirit of renewal.

The Renewal Process

Each organization’s renewal is unique. This uniqueness comes from its structure, customers, people, competitors, technology, and financial and material resources.

Renewal efforts also vary according to the industry’s life cycle position. If your company needs to learn to make big motorcycles as cheaply and of the same quality as the Japanese, your renewal task is different from a typewriter manufacturer that needs to fundamentally change its basic technology and get into word processing hardware and software.

However, there is a model renewal process that works. It draws power from many separate disciplines and, in true synergy, exceeds the sum of its parts. This process:

- **focuses on strategy** — but is more than strategic planning;
- **gathers information about customers** — but is more than market research;
- **uses training technologies** — but is more than training programs;
- **draws on organizational development and team building techniques** — but is more than team building; and
- **maximizes employee communications technologies** — but is more than newsletters and videos.

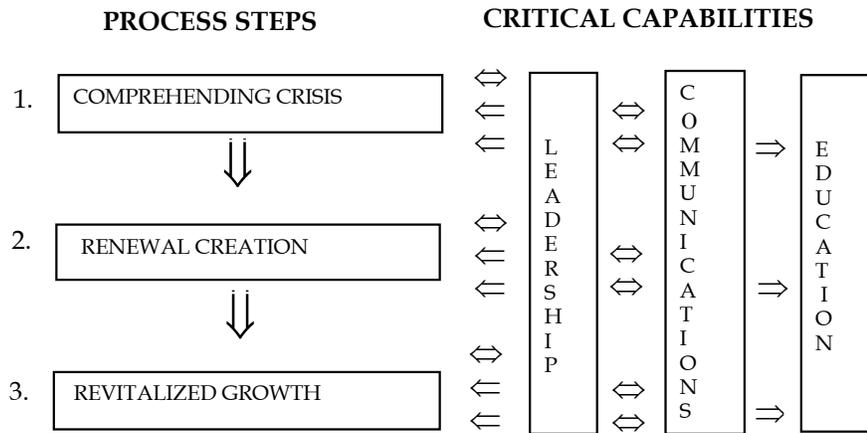
In this renewal process the classic roles of staff managers and line managers change. In the old company, the line manager was content to “leave it to the experts,” often abdicating responsibility for the success or failure of any staff efforts.

In the renewing company, the line actively needs to master the tools of the staff, to learn how to train, facilitate, plan, and communicate. The staff changes from being doers to coaches — or change agents. This is a difficult process for many staff managers because it means giving away what they perceive to be their only source of organizational power: their expertise.

The following model of renewal lists three process steps and three streams of critical capabilities that are required throughout the entire process. Each of the critical capabilities could be perceived as staff functions. ***It is imperative to the success of renewal that these capabilities are led by line executives coached and assisted by their appropriate staff colleagues.***

Further, as the model unfolds, I outline specific techniques for each step of the process and for each of the critical capabilities. These techniques are meetings, programs, or mini-interventions which more than one organization has used successfully in renewal. These are not all the possible techniques, nor is every technique appropriate for every organization. But these techniques work.

The Renewal Process



THE PROCESS STEPS

Comprehending Crisis: Gets the attention of the entire organization and aligns and mobilizes people to begin the change.

Renewal Creation: Creates the new reality: creative problem solving, process reengineering, planning and innovation in teams.

Revitalized Growth: Solidifies results: fine tuning systems, keeping up momentum of positive change.

THE CRITICAL CAPABILITIES

Leadership: Creates change champions at all levels.

Communications: Transmits vision and inspiration: rumor control, success reports, hero-making stories.

Education: Establishes new skills and knowledge for the renewed organization.

The Process Steps



Step 1: Comprehending Crisis

For most organizations undergoing renewal, the crisis begins as an external and visible event.

- Prime Minister Margaret Thatcher announces her government's intention to privatize British Airways and hires Sir John King (later Lord King) to begin the process.
- Robin Korthals, CEO of Toronto Dominion Bank, gets a phone call from the CEO of Dome Petroleum, the Bank's largest customer. Dome withdraws all deposit accounts "until you fix your appalling customer service."
- Harley-Davidson is sold to a group of its managers as a leveraged buy-out.

But the external event by itself is seldom enough. If renewal is to succeed, the entire organization must truly understand and internalize the crisis. They must internalize it totally and fully understand that the "old company" is at an end. There is no going back.

In the case of Harley-Davidson, the new owner-managers visited the plant of their chief competitor, Honda, in Marysville, Ohio. Peter Reid, author of *Well Made in America: Lessons from Harley-Davidson On Being The Best*, describes the significance of this event:

"Why was the Marysville tour so traumatic?...The visit showed Harley executives in very stark terms that the vast gap in competitiveness between them and their Japanese rivals was a difference in management...Harley-Davidson had discovered the enemy, and it was themselves."

Often a key step is the realization that the company simply doesn't measure up to its competition. In *Xerox: American Samurai*, CEO David Kearns is quoted:

"The precise turning point came in the summer of 1980... Xerox thought they were narrowing the production cost gap with the Japanese, when all the time the gap was getting larger. No one fully comprehended just how good the Japanese were and how quickly they were improving...We were horrified to learn that the selling price of the small Japanese machines was our manufacturing cost."

— Gary Jacobson and John Hil Kirk, *Xerox: American Samurai*

In Comprehending Crisis, the entire organization must accept the problem and break through forces of inertia and complacency to solve it.

Describing this step is a lot easier than doing it. The greater the size of an organization or the strength of its culture or the magnitude of its past successes, the greater the forces of inertia.

Symbolic Acts

During this phase of the turnaround, the chief executive must demonstrate that the business has radically changed.

- One of Lord King's first acts was to offer two full years' salary to any British Airways employee who wanted to leave. The work force reduced in one year from 57,000 to 37,000. Before the reduction, 50% of BA employees hadn't worked anywhere else; after the reduction, 80% hadn't worked anywhere else. One could argue with the laser-like acuity of hindsight that there might have been a less expensive way to reduce the work force. Nonetheless, after the reduction, it was clear that things were going to be different. All those who remained had lived through what Canadian social psychologist Morris Massey would call "a significant emotional event."
- The Saturn Corporation chose a plant location in Spring Hill, Tennessee, far away from Detroit.
- In one of his first acts as CEO, Jack Welch of General Electric sold the small appliance business to Black & Decker. Old time GE'ers were horrified that the GE logo would disappear from America's kitchens. Afterwards, everyone knew that Welch was serious about being #1 or #2 in every GE business.

Symbolic acts drive home the reality of the situation, the requirements for renewal, and the fact that there is no going back.

The Role of Facts and Data

No organization will change unless it looks at its current position and compares it to its desired position. Any organization in need of renewal has, by definition, slipped relative to standard or to competition. Therefore, new data is critical.

Carlo De Benedetti was hired to change Olivetti from a failing typewriter manufacturer into the computer and office equipment giant it is today. He says about that time:

"When I came here, we had no money. We were full of debt. We were losing something like ten million dollars a month. The real problem is in defining reality. In my mind, reality is in the numbers."

During renewal, we constantly need data about:

- **customer needs** and how we are fulfilling them compared to competitors;
- **costs**, both absolute costs and costs compared to competition on a bottom line and unit cost basis;
- **organizational climate** and other performance variables; and
- **capabilities** — technology, skills, and processes benchmarked against competition.

During the Comprehending Crisis stage of renewal, all organization members must “discover” the true nature of the crisis for themselves. So, while outside consultants can gather information, insiders must also collect data. Insiders must analyze and internalize all information, regardless who does the research.

Finding Opportunity In Crisis

The Chinese character for crisis is a combination of the characters for danger and opportunity.

I have focused on the danger of crisis and the importance of bringing the organization face to face with its own decline. This is the way to create a **sense of urgency** through awareness of threat.

This threat-driven sense of urgency produces fear. The hope of this approach is that fear-adrenaline will galvanize the organization to battle for its survival. However, adrenaline can also produce flight, and sometimes organizations aggressively run away from problems. Fear can immobilize people. If fed a constant diet of bad news and depression, an entire organization can freeze like a rabbit caught in the blinding brightness of a car’s headlights.

To avoid this paralysis or the flight-avoidance response, the leaders of renewal must communicate an attitude that “we can solve this” and imbue the organization with a sense of competence and responsibility. They must teach others to “think upside down,” find opportunity in crisis by asking, “What is good about this?” or “What could we alter that would change this game entirely?” or “What are the leverage points, the ways out of this log jam?”

Leaders of renewal must create the positive urgency that comes from a shared vision of the future.

Shared Vision

“The best kept secret in America today is that people would rather work hard for something they believe in than live a life of aimless diversion.”

— John W. Gardner, *Excellence*

A vision is a clear, specific, and inspiring picture of the desired future state of the organization. Vision statements are often sensory rich and emotion laden. They must create such an appealing view of the future that the entire organization **wants** to go there.

To achieve renewal, organizations must internalize the future state while understanding the gap between where they are today and where they wish to be. Gary Hamel of the London Business School and C.K. Prahalad of the University of Michigan demonstrate that the large gains of Japanese companies like Cannon, Komatsu, and Toyota did not come from extensive strategic planning. They came from the organizational comprehension of simple statements of strategic intent: “Beat Xerox;” “Surround Caterpillar;” “Become larger than General Motors.”

Shared vision is a prime characteristic of renewing organizations. Vision is important to all three process steps and the three critical capabilities, but it is perhaps most important as an aligning and mobilizing force in crisis.

Destruction and Chaos

George T. Ainsworth-Land, author of *Grow or Die* and chairman of the consulting firm Leadership 2000, describes his renewal consulting practice:

“When we first enter a company we go around creating a lot of chaos. We descend on an organization, ask lots of dumb questions, stir people up in lots of contradictory ways. We pit people against each other, we tell lots of jokes, we interrupt meetings. We constantly ask, ‘Why do you do that?’”

This must be infuriating to a functioning bureaucracy.

The first step of renewal is to create chaos, to destroy old habits, and invalidate old processes, beliefs and political relationships. Of course, in this process the organization must also preserve those values, relationships, and ways of doing things that it needs to carry forward to achieve the vision. But it is only by questioning the validity of everything we do that we become sure of what is to be carried forward. Destruction, chaos, and renewal are inextricably intertwined. For the phoenix to rise, there must first be ashes.

Techniques for Comprehending Crisis

- **Crisis Conferences: Comprehending the Issues**
A series of large group meetings (company-wide in small organizations, 200 or more people in large organizations.) Participants arrive with data. Small groups process their own data and compare it to centrally or externally gathered data. Issue-oriented renewal task forces are formed to identify areas for renewal.
- **Data Gathering Task Forces**
Small cross-functional groups gather data on customers, costs, competitors, and climate. These task forces can work with outside help but must present findings widely in the company before presenting to executives.
- **Shared Vision**
Workshops (groups of 20-25 people from mixed levels in the organization) build a sense of vision and strategic intent for the organization or for particular strategic units requiring renewal.
- **Crisis Leadership Workshops**
In a series of workshops, groups (20-30 people) communicate the crisis, build competence in leading renewal, destroy old habits, and share vision and values.

One useful tool for these sessions is the **technical political cultural matrix**.

Drs. Noel Tichy (University of Michigan) and Mary Anne DeVanna (Columbia) in their book *The Transformational Leader* suggest looking at all technical, political, and cultural issues. Technical issues are about running the business: customers, distribution, human resources, manufacturing processes, financing, etc. Political issues are all interactions and relationships of power and information exchange. Cultural issues are beliefs, values, traditions — the heroic myths of the organization. This analysis is a good one for ensuring that all inappropriate habits are broken.

Issue Type	Today	Transition	Tomorrow
Technical Issues			
Political Issues			
Cultural Issues			

Comprehending Crisis is the first stage of renewal. Often executives under-invest in this step because they say, “It’s obvious we’re in crisis. Let’s get on with the renewal part.” These are sometimes the same executives who believe that renewal is something you do to “them (employees) but not me.” Often, when a renewal effort fails, it’s because the leaders of the organization haven’t spent the time necessary for everyone to fully comprehend the crisis. Renewing organizations must completely understand all aspects of the old organization that must change.



Step 2: Renewal Creation

In the Renewal Creation stage we mobilize the entire organization to be a laboratory. Hypotheses are made, data are collected, new ideas are tried out. There are spectacular failures and unreplicable successes. Ultimately, through systematic innovation (ideation, analysis, testing, correction, and action) new strategies, products, and processes are created that will achieve the vision.

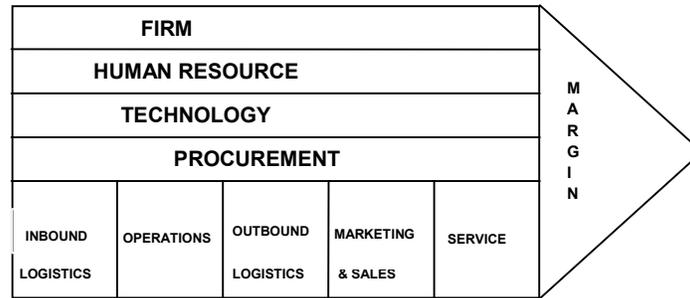
Renewal Creation is about:

- Ideation: generating lots of new ideas
- Analysis: gathering facts and data which will lead to decisions about which new solutions are best

- Innovation: implemented radical change in products or processes brought about by responding to changes in industry or markets, or discontinuities in a growth cycle
- Pilot testing: the try-it-fix-it mentality of the tinkerer or inventor

Again, the technical, political, cultural framework is helpful to ensure that no stone is left unturned.

When examining technical issues, a useful framework is the value-chain analysis, espoused by Dr. Michael Porter in *Competitive Advantage*.



Source: *Competitive Advantage*

Porter uses this analysis to examine sources of competitive advantage, cost advantage, or differentiation as perceived by customers relative to competitors. For example, in marketing and sales, what systems can we use to collect and analyze information about customers compared to those of our competition? How do these systems create competitive advantage (e.g., quicker response and faster new product development)?

In Renewal Creation this same framework can be used to search for discontinuities between customer needs and any industry offering. Such a systematic analysis of the assumptions underlying industry practice can yield many opportunities for innovation.

Right-Brained Processes

Renewal Creation liberally employs right-brained processes like brainstorming, analogic comparison, forced relationship, and attribute listing as well as creative visualization and guided meditation. These processes generate new ideas, break old habits, or alter the perceptual screens through which we view the world. In this way, opportunities for innovation are uncovered.

Each of these processes requires a very difficult attitude for organizations. ***All divergent thinking, all ideation, requires the suspension of evaluation and critical judgment.***

To most people in business, this feels like a loss of control. It is. It is intended to wildly generate ideas. If we believe that “no idea is a bad idea,” then we get “out of control”— and we get more ideas. Control returns as we compare each of these ideas to our goal, our vision, and we reject those that will not get us there.

The Role of Facts and Data

The emphasis on innovation, intuition, and creative techniques does not abrogate the need for new information. If anything, more facts and more data are required. We need information on:

- Customer needs, buyer behavior, purchase patterns, etc.;
- Costs — ours and our competitors;
- Best in Class and competitive benchmarking in all functions; and
- Business processes — process maps and redesigns.

An important point is that we must examine these data in isolation and from a systems perspective. In organizations, everything is interrelated; change one thing and everything changes.

Teamwork

Much of the work of Renewal Creation is done in small groups and task forces. Some of these groups will be “natural teams,” for example the British Airways Cargo group. Some groups will be cross-functional “stranger groups” whose objective is to bring fresh perspective to a problem. For example, Ford’s Team Taurus was formed in the early 1980’s by combining all those functions that touched design. This team was able to dramatically reduce the parts cost and labor hours required to build the car.

People accustomed to hierarchy must learn to function productively in a team — and they must learn quickly. Speed and critical mass are central to the success of Renewal Creation.

Renewal Leadership and Education, discussed later, can help turn bureaucrats into “ballplayers” and “lone wolves” into teammates.

The Importance of Facilities in Renewal Creation

Facilities, bricks and mortar, the tangible elements of the workplace, can be an effective tool in the Renewal process. The design of workspace is **a powerful symbol of the vision**. Typically, “open-plan” space designs promote teamwork, creative process, and experimentation more readily than individual private offices. Major changes to workspace deliver the clear message that there is no going back.

In response to the micro-segmentation of markets, Jay Chiat is transforming his advertising agency, the Venice, California-based Chiat/Day. He is building an organization that is extensively research-based and one in which both creative and account people will frequently travel to client sites. When they are in the office, Chiat/Day people operate on a client-based “Team Architecture” concept. This team based approach is antithetical to the hero-in-a-private-office world that advertising was in the 1960s.

To house this new organization and to emphasize the profound change in the agency, Chiat commissioned a new building. The building is designed in three distinct wings. American deconstructivist architect Frank Gehry designed the “Boat” and the “Tree,” which house the client team architecture. The “Binoculars” form the entrance and were actually designed by

Claes Oldenburg, the renowned architect and sculptor. While journalists have made much of the literal symbolism of the different wings, the building represents a new environment for a new way of operating.

CEO Paul O'Neill has transformed Alcoa's facilities to signify renewal. O'Neill's vision of a smaller team-based headquarters staff that functions largely on client sites has no need for the 30-story building that has been Alcoa's downtown Pittsburgh corporate headquarters since the 1950's. Instead, he has chosen a five story building with open-plan offices across the Allegheny River in Pittsburgh's newly developed North Shore Riverfront.

O'Neill has also chosen to have the facilities design and selection process **be a model of new ways of working**. The Design Alliance architects solicited Alcoa employee views through focus groups. Design decisions were reached by consensus rather than by the more typical executive fiat. Further, the executive team, including O'Neill himself, was engaged in an extensive test of open-plan offices designed to encourage cross-functional interaction, demonstrating that the new way of working is for everyone.

This "try it, fix it" mentality in space planning is the perfect model of the experimentation of Renewal Creation.

Renewal Creation Techniques

- **Innovation Generation Workshop**
A workshop for four to five small groups of five to seven people each which learns the process of innovation generation and begins to innovate in a critical area.
- **Outdoor Innovative Challenge**
An experiential outdoor experience laboratory — rappelling, white-water rafting, orienteering, etc, designed to break conceptual blocks in the team innovation process.
- **Innovation Fair**
A gathering of unusual pilot projects, task forces, and benchmarking studies set in a trade show format for information exchange and celebration among large groups.
- **Experimental Structures Lab**
A simulation where participants can experience the effects of differing organizational structures such as Henry Mintzberg's Adhocracy, Charles Handy's Shamrock Organization, and Tom Peter's Skunk Works.

Leading Renewal Creation

Being CEO during this step is challenging. Successful renewal leadership depends on "letting go" and trusting the process.

The executive in Renewal Creation is the town-crier, celebrating spectacular success and announcing shared failure. The CEO must remind us of what we have learned and constantly and unflinchingly drive home our vision.



Step 3: Revitalized Growth

The final step of the Renewal process involves:

- **Implementation** of planned and tested innovations;
- **Replication** of successful pilot projects;
- **Systemizing** and measuring all aspects of new growth;
- **Continuous improvement** of all processes; and
- **Constant environmental scanning** to avoid returning to a closed system and to innovate and grow before reaching the state of decay.

Revitalized growth is a time of new beginnings — and of forming new habits. Once begun, renewal must continue, for within success lie the seeds of new decay. Those companies that have demonstrated excellence at Revitalized Growth typically have formalized innovation and continuous improvement.

A 3M strategy is that one-third of its product mix be composed of products that didn't exist five years ago. 3M has a culture that supports mavericks and a new product evaluation structure that helps them pick winners.

Jack Welch's GE actively supports the strategy of being #1 or #2 in every market they serve through a team-centered cost reduction/quality improvement process called "Work-Out" led by each division's manager.

Motorola has a competitive intelligence department which monitors technology and builds "technology roadmaps" that assess the likelihood, timing, and commercial implications of technology breakthroughs.

Johnson & Johnson aggressively enters and exits markets quickly as a result of its policy of keeping units autonomous.

"...of the 21 units listed in the 1982 J&J's annual report as 'principal domestic operations,' a third have been sold or shut. Conversely, of the principal businesses listed in last year's report, more than half weren't around 10 years ago."

— *Wall Street Journal*, December 28, 1992

The Role of Facts and Data

Data gathered in Renewal Creation must now be systemized into standards against which to compare progress. The Japanese call this process of setting incremental goals and improving continuously *Kaizen*.

In Revitalized Growth we measure and report everything against our standards established in testing, and we continuously improve the process. We also compare our processes against competitors and revise our standards to create competitive advantage. We monitor customer needs and environmental trends for early warning signals of the need to change our process, products, or technology.

This process allows for continuing innovation and establishes a perpetually renewing organization.

Leading Revitalization Growth

“Change is like gardening. If you work at it the weeds are taken out and the flowers will bloom. If you do not work at it, the weeds will overtake the flowers.”

— Ichak Adizes, *Corporate Lifecycles*

The CEO of the newly renewed company may have it easy for a while. Visible marketplace success can create a workforce that needs very little leadership. However, a newly empowered work force, fired by the successes of the new ways of doing things, may give way to complacency. Success can create “hubris” again and the organization can bureaucratize and stop listening to customers. The task of the CEO in this phase is to ensure that this doesn’t happen. He should continually ask the “dumb question”:

“What about this does the customer value?”

Critical Capabilities

The Critical Capabilities are traditional staff activities that facilitate renewal. However, these staff activities must not be advice-only activities. Rather, they must become capabilities that line managers develop in order to ensure success of the renewal.

Many renewing organizations find that it is extremely useful to rotate line managers through these activities and to significantly change the role of those few remaining staff professionals from expert consultants (doers) to collaborative consultants (teachers). One of the more challenging tasks of renewal is to convince experts to give away their expertise. If staff managers are also rotated, they gain line experience, which is a fair exchange.



Renewal Leadership

The Renewal Leadership activity is an organization development and personnel specialist function. The charge of Renewal Leadership is to ensure that new leaders emerge. The Renewal Leadership activity creates capability in behavioral dimension-driven selection, organizational design, climate and culture creation, and management. Given the recent aggressive behavior of outside corporate directors, the Renewal Leadership activity might report to the board. It oversees the deployment of such techniques as:

- **The Renewal Agent Program**
High energy managers and workers with the fire of renewal in their bellies who are trained to speak publicly about the vision, intervene in a group's process, and give helpful individual feedback.
- **The Renewal Ranger Program**
Highly skilled process facilitators — troubleshooters — who work with teams having trouble or work groups at any phase. The Ranger group is a resource for Crisis conferences, Shared Vision Workshops, the Outdoor Innovative Challenge and other programs.



Renewal Communications

Renewal Communications is the combined advertising, public relations, and employee communication function of renewal. Its charge is to help leaders create understanding and mobilize action from many different corporate constituencies. The bywords of Renewal Communications are ***reaching all constituencies with increased frequency (multiple impressions), consistency of message, and information which encourages and rewards positive action.***

Some helpful techniques include:

- **Renewal News Service**
The Renewal News Service is the communications arm of the renewal effort. Its job to communicate the successes and learnings of the effort to all the organization. All media should be used: newsletters, videotape, audio tape, written reports, voice mail messages, etc. All events and heroes receive coverage.
- **Rumor Control**
A 24-hour hotline to dispel the rumors that spontaneously generate during the chaos of change.
- **Crisis Helplines**
A place to call for advice, reassurance, or for the dispatch of a Ranger.

- **The Suggestion Box**

Not literally a box but a line of communication direct to the leadership (by phone, fax, electronic mail or paper), the Suggestion Box is a generator of ideas. Prompt executive response and visible action on some ideas are much more important than paying for suggestions. Sometimes, the simplest ideas are the most powerful.



Renewal Education

New knowledge and skills are critical to renewal. Some of the most successful renewal efforts have been built around training and education.

General Electric's Leadership Development Center at Crotonville, New York is the place where Work-Out teams meet and where Jack Welch meets with his divisional executives. Crotonville maintains a curriculum that would put many small colleges to shame.

In its program Putting People First, British Airways used training to communicate the values of renewal to the entire organization. Subsequent offerings taught managers to be leaders, raised the level of financial knowledge, and created executive/customer focus groups in the context of "training."

What makes these efforts so effective is the amount of senior executive attention they get.

Jack Welch is highly visible at Crotonville. Sir Colin Marshall of British Airways attended every session of Putting People First. Many companies organize this function around a place (e.g., GE's Crotonville or the new Chrysler "Design Center" which serves as a research facility, engineering laboratory, education and training delivery center as well as a traditional design studio).

Renewal Education techniques include:

- **Renewal University**

The Renewal University performs the training function. Individual Renewal Learning is central to Renewal.

The University controls and designs learning offerings of the Renewal process but also arranges for unique skill transfer, i.e., courses on quality techniques, new software, or new technologies.

- **Renewal Intelligence Agency**

The Renewal Intelligence Agency does competitive analysis and technology scanning. Emphasis should be placed upon thorough data collection, database management, and appropriate communications to those who can act upon this intelligence data.

RENEWAL:

What are the Pitfalls?

Some companies fail at renewal. Here are reasons why.

1. Not spending enough time in the Comprehending Crisis phase.

Companies in need of renewal get that way because of their success. Growth is by definition replication of past success. This kind of replicative growth carries the danger of ignoring any data which doesn't fit the replicative model. New customer needs, new competitors, and emerging technologies don't fit the old model of success and therefore are seen as insignificant or simply "not seen" at all.

To renew itself, a company must focus on fully comprehending crisis. People need to "feel the pain" of the failures of the old ways and "experience the expected pleasure" of the new way of doing things. If some people deny the requirement for change, renewal will falter.

2. Ignoring the values of renewal.

Some executives want corporate renewal without personal change. This is unlikely. Those who by their actions created the crisis must change or leave.

Sometimes executives persist in believing that customers are "marks" or "profit producers." ***Renewal leaders must believe in the primacy of customers.***

Sometimes executives are too analytically focused to be patient with the chaos of creation.

Sometimes managers are unwilling to share both pain and gain because they believe they deserve more.

Such beliefs will lead to an inconsistency between words and actions and therefore slow the renewal process.

Leaders with an inappropriate belief system cannot lead Renewal and should be removed.

3. Not starting at all.

The renewal process is not a quick fix. It is a long process, often three to five years in duration.

Many organizations choose not to undertake this process for just this reason. Organizations can hang on in decline for years, hoping for a market upturn or some other *deus ex machina*. Often renewal seems overwhelming compared to the shrink and restructure strategies of the status quo.

It is theoretically possible to renew a company utilizing a cost-cutting restructuring approach. If the only problems a company has are profligate spending and unclear responsibilities, if awareness of customer needs and competitors is sharp, and if the company has an

extraordinarily strong teamwork culture, then taking a meat-ax to costs might be all that is necessary.

Meat-ax measures are often necessary but they damage motivation and teamwork and create fear that is not conducive to innovation. They can sap the energy of an organization, energy that is critical for renewal. Therefore, if such measures are required in the process, they should be used early and if possible only once.

It is a rare leader who can both wield the meat-ax **and** build commitment to renewal.

But most often, organizations facing need for renewal have deeper problems than just cost and reporting relationships. The need for renewal is most often driven by fundamental shifts in customer needs, competitor capabilities, new technology, government regulations, etc.

In such circumstances, a status quo strategy like a 10% head count reduction will more likely produce political jockeying to save jobs than to support renewal. There's no urgency.

Felt urgency is the single greatest driver of renewal. The CEO who creates a sense of positive vision-led urgency, an eagerness for **becoming**, accelerates the process. That CEO opens the opportunity to build the perpetually renewing organization.

“The first responsibility of a leader is to define reality. The last is to say, ‘thank you.’”
— Max DePree, *Leadership is an Art*

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