

**"REGAINING COMPETITIVENESS: A PROCESS OF  
ORGANISATIONAL RENEWAL"**

by  
**Yves DOZ\***  
and  
**Heinz THANHEISER\*\***

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\* John H. Loudon Professor of International Management, INSEAD, Boulevard de Constance, Fontainebleau 77305 Cedex, France.

\*\* Professor of Business Policy, INSEAD, Boulevard de Constance, Fontainebleau, 77305 Cedex, France.

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Yves Doz, Heinz Thanheiser, INSEAD, Fontainebleau

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## **Abstract**

Based on research and consulting experience in large multinationals, this paper deals with corporate renewal. As innovation increasingly determines competitive advantage, the internal modes of operations, i.e., the "organisational capabilities", of large corporations have to change. To overcome self-generated bureaucratic sluggishness of their companies, top managers need to change their concept of structure, decision and effectiveness and engage in a process of organisational transformation. Successful processes link cognitive/intellectual and emotional "discovery" at individual level with collective "learning by doing" to achieve lasting "cultural" change.

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### The Challenge

The large companies which contend for leadership in global competition are more and more equally matched in access to resources, skills and markets (Doz & Prahalad, 1987). Information and knowledge migrate fast and the positional advantages, based on a particular configuration of resource and market deployment of a company are quickly eroded. In many industries, access to cheap labour, or to quality subcontractors, or to large, protected domestic markets alone do not confer lasting competitive advantage and are weak protection against competitors.

New products and process innovations are determining the outcome of competitive battles. Competitive advantage is seen to accrue to companies that identify unmet latent needs, and develop products to meet these needs, faster than others (Hamel & Prahalad, 1991). When one looks into the reasons why companies succeed or fail in this visible, product-based, form of competition one finds that a company's internal mode of operating drives its ability to "invent" new markets and to subsequently exploit them. Competitive battles are won by organisational capability rather than by new products, resources or market position, per se.

Imaginative and effective resource deployment and successful new market creation result from the organisational capabilities of cultivating, mobilising and creatively leveraging competences and skills, and of integrating specialised inputs into the creation and exploitation of new business opportunities. Organisational capabilities are the root of competitive advantage (Doz & Prahalad, 1988).

When one considers how a number of companies which came late to global competition have overcome scale, skill, and other resource disadvantages a few patterns appear regularly.

First, these companies had ambitions well beyond the reach of their current means. These ambitions, usually, constituted a coherent long-term vision or strategic intent, which was emotionally engaging and meaningful for all employees and, therefore, worthy of their commitment and sustained efforts (Hamel & Prahalad, 1989). More important than the ambition itself was the management process used to reach it: a constant process of stretching the capabilities of the organisation and of building new capabilities over time. This requires both a willingness to aim at what one cannot yet plan for, and a willingness to consider organisational learning an investment.

Second, these companies focussed their resource commitments on core competences, thereby accelerating learning in areas that could be applied across many competitive arenas (Prahalad & Hamel, 1990). This allowed them to leverage their resources and to build competitive advantages which were difficult for competitors to imitate.

Third, these companies exhibited superior capabilities to bring together markets and technologies, both on their home market and internationally, and to pull together the learning arising out of participation in multiple markets (Hamel & Prahalad, 1989, Bartlett & Ghoshal, 1989).

Fourth, these companies were able to manage complex trade-offs creatively and to achieve, internationally, both a high level of responsiveness and an ability to take advantage of the coordination and integration opportunities offered by their multinational scope (Doz, 1986, Prahalad & Doz, 1987).

Fifth, these companies managed new product development effectively. They achieved focus in their efforts, efficient use of R&D resources and timely product development results (Doz, 1992).

Sixth, many of these companies effectively relied on alliances, partnerships and other forms of collaboration to access or to acquire competences they did not have, and to do it faster and with fewer resources than their competitors (Hamel, 1990, 1991, Hamel, Doz & Prahalad, 1989).

The development of the organisational capabilities for mobilising people and other resources and for learning cumulatively from experience is central for the successful pursuit of the various strategic development avenues outlined above. Yet, developing such organisational capabilities appears to elude many top managements.

Large companies, with few exceptions, suffer from self-generated sluggishness. This disease, often labelled bureaucracy, has the symptoms of distrust, poor communications, disenfranchised middle-management, low level of employee motivation, stifling of entrepreneurial spirit, slow decision-making, a lack of collaboration across sub-unit boundaries, etc.. The organisational capabilities of innovation, integration and learning are inhibited.

Concern with this syndrome is not new; scholars drew attention to it in the 1960's (McGregor, 1960, Likert, 1961, Bennis, 1961) and argued that, at its root, was a managerial mind-set that had become inappropriate for the contemporary realities. The more recent, renewed focus on this big company disease is probably due to the alarming competitive decline of leading American and European corporations in several industries, particularly against Japanese competitors. Increasing numbers of chief executives are making determined efforts, some of them widely publicised in the press (e.g. GE, Xerox, Siemens) to fight the disease. The difficulties are significant.

Large companies seldom "stand united". They constitute but a fragile and constantly changing network of relationships between sub-units and between individual managers. Collaboration across functions and across business or country boundaries is not natural, and is constantly threatened. The complexities of operations, competitive and stakeholder management are enormous, confronting top managers with multiple challenges of leadership and administration.

Over the past 50 years, there have been significant developments in the structures and administrative systems of large corporations. Most of the new approaches originated in the US and then spread into Europe. Decentralisation of formerly centralised, functionally organised companies into "divisions" to which profit responsibility is delegated was broadly adopted in the 1960's and 1970's (Rumelt, 1974, Dyas & Thanheiser, 1976). Intended to relieve the strain on top management from the increasing product-market and international diversification, the decentralised structures created new needs for coordination at corporate level. Various staff functions were established and developed increasingly sophisticated systems for planning, control, procurement, personnel, and other tasks. Over the decades, the staffs, often at several levels (HQ, Group and Division), grew in size and power. Yet companies failed to develop the capability for sharing across boundaries and collective learning.

Despite the "modernisation" of corporate structures and systems, the mind-set of managers appears to have remained remarkably similar to the Taylorist model developed at the beginning of the century. While hardly a manager, today, would espouse exercising authority in as blatantly coercive ways as advocated by Taylor (to control "dumb and lazy workmen"), his principles of hierarchical order, clarity, specialisation, etc., in other words, a machine-like concept of the organisation, still dominate managerial practice. The "command and control" systems, designed to achieve compliance of an uneducated workforce, prevail in today's knowledge and skill intensive companies. The modern "bureaucracy" may use subtler means for achieving compliance; nonetheless, its highly educated managers and "knowledge workers" are stifled rather than mobilized to contribute all their intelligence and energy.

Corollary to the corporate delegation to business and country subunit, and "command and control" organisational models, strategy is seen as a top management design and choice exercise, not as the process of gaining commitment to strategic intent. Management focuses on strategy content to the detriment of strategy process, and believes that competitive advantage comes from better choices, not from the accumulation of capabilities and competencies nor from rapid "making sense" of new information and quick decision making. This "analytical" top management approach to strategy seems increasingly unsuitable to strategic decisions in fast changing conditions (Eisenhardt, 1990).

Focusing on the quality of the strategy process, rather than just on content, is also essential to foster organisational cohesiveness. What may be right from the standpoint of effectiveness in the choice at

hand may be drastically wrong in the signals and messages the decision conveys. Managers must be able to resist the urge to "solve the problem now" (by "quick fixes" which relieve the anxiety inherent to decision making) and consider due process in how decisions are made. Procedural justice has been observed to have more impact on middle management commitment than the content of decisions (Kim & Mauborgne, 1990).

Maintaining an agenda of ongoing issues, and treating these as "tensions to be managed" rather than as "problems to be solved" may also allow managers to learn to deal with dualities, with contradictory ideas and forces, and to discover new more creative ways of reconciling these tensions (Prahalad, 1983, Evans & Doz, 1989). The contrast between the orthodox management principles and those needed to develop the strategic capabilities outlined above is summarised on Table 1.

Shedding the "old" mindset about how an organisation should work, and developing and institutionalising the "new" mindset is the major challenge facing most large companies today and, particularly, those in fast changing knowledge and skill intensive industries.

#### **Limited Responses: Programmatic vs. Evolutionary Change**

Top management attempts at building new capabilities through "culture change" or "corporate transformation" often fall short of their expected results and end in disappointment (Beer et al., 1990a). Failure is attributed both to fallacious simplifying assumptions about how change in behaviour occurs (one often held such assumption is that new beliefs lead to new behaviour) and to errors in execution such as a lack of process understanding, a lack of sustained leadership in the change process, and too frequent modification of emphasis and instruments in the course of the change process (Doz & Prahalad, 1987).

To overcome the clear difficulties of programmatic change, some observers and analysts stress the need for "transformational leadership", i.e., for individuals who can inspire, manage and see the transformation process through successfully. Indeed a programmatic intervention is probably much more likely to succeed when a gifted, process sensitive transformational leader exists. This is a rare occurrence, however, and in most situations not a controllable variable.

Table 1

Top management's concept of organisation

	"Old"		"New"
<b>1.</b>	<b>Concept of structure</b>		
	<u>Clarity, Order, Systems</u>		<u>Networks of Intelligence</u>
	<ul style="list-style-type: none"> <li>. Hierarchical reporting in defined structure</li> <li>. "Command &amp; Control" system</li> <li>. Functional specialisation</li> <li>. Line and staff</li> </ul>	.	<ul style="list-style-type: none"> <li>. Multidimensional interactions, exchange, mobilisation and learning</li> <li>. "Surrounding" problems until they are eliminated</li> <li>. Skill differentiation, flexible integration</li> </ul>
<b>2.</b>	<b>Concept of decision</b>		
	<u>Content and Criteria</u>		<u>Commitments to Choices</u>
	<ul style="list-style-type: none"> <li>. Financial criteria</li> <li>. Analytical "concrete" strategy</li> <li>. Specific decision tools and techniques</li> <li>. Emphasis on planning and substantive decisions</li> <li>. Logical choices</li> </ul>	.	<ul style="list-style-type: none"> <li>. Commitment model, teams with meaningful goals</li> <li>. Top management as "sense-maker", process designer and facilitator</li> <li>. Emphasis on adaptation, flexibility, learning, "real time", empowerment</li> <li>. Cybernetic choices</li> </ul>
<b>3.</b>	<b>Concept of Effectiveness</b>		
	<ul style="list-style-type: none"> <li>. Problem solving, putting matters to rest</li> <li>. Compliance with policies and procedures</li> <li>. Eliminating, resolving tensions and conflicts</li> </ul>	.	<ul style="list-style-type: none"> <li>. Process integrity, quality of resulting commitment,</li> <li>. Commitment to strategic intent</li> <li>. Dualities and tensions as sources of progress and better decisions</li> </ul>

Evolutionary change often proceeds from small units, often on the periphery of the corporation, where experiments can be undertaken with limited risks, to potentially encompass the whole organisation (a good example is provided by Pascale's [1990] description of the role of the diversified products' division in making evolutionary change feasible at Ford). Change spreads step by step through the emulation of success, with initial success often stemming from new behaviours and approaches "discovered" to solve concrete business problems (e.g., Beer et al.'s model of "task alignment", 1990b). The approach puts the emphasis on changes in roles, relationships and patterns of interactions as actionable variables which cause collective change in behaviour at subunit or workgroup level. The evolutionary argument meets our own observations that individuals "learn" new behaviours mostly by "doing". In that point we would subscribe to R. Pascale's conclusion that "you don't think yourself into behaving differently, but you might act yourself into thinking differently". Since we are concerned with managerial behaviour, "doing" is primarily engaging in interaction with others; and behaviour change therefore can only occur in a collective context.

Yet the evolutionary approach merely transfers the transformational leadership requirement from the corporate to the subunit level: there is still a need for transformational leadership in the unit where the evolution is supposed to start. A dominant corporate culture, with all its established procedures and systems, may limit the likelihood of the process ever starting, and limit its emulation to a few subunits headed by "deviant" leaders, if the process ever gets started.

Based on our research, and on our interventions in a number of major companies in Europe and in North America, we believe it is possible to develop a synthesis of the transformational and evolutionary approaches to successfully implement a process of organisational renewal.

Several premises, drawn from observing the limits of both the programmed and the evolutionary change processes underlie the integrated renewal processes we observed:

. Three complementary dimensions

Actual lasting change in an organisation requires to address three basic and complementary subprocesses: mindset determination, strategic posture definition and power allocation (Prahalad & Doz, 1987, ch. 8).

The "world view", or mindset of managers needs to be consistent with the ambition of the strategic renewal. The mindset of the managers is influenced by the cognitive maps they use, the emotional filters they have, and the data available to them. All three need to be modified in a successful strategic renewal process.

Substantive strategic issues need to be faced in the renewal process, leading to the development of consensus on a credible strategic posture. Strategic intent and a common strategic architecture may

provide the ambition and the integrating logic, but managers still need a consensus on intermediate steps and a conviction that the competitive battle can be won. Trying to implement a "culture change" or a mindset change without a clear link to economic necessity and to a competitive agenda is bound to run into significant difficulties. An externally imposed performance benchmark is required in nearly all cases for successful strategic renewal to take place. Such external reference can be made real, within the organisation, only by anchoring renewal processes around key strategic issues and fostering a consensus around strategic priorities.

Managers act in an organisational context (Bower 1970). This context provides explicit and implicit "rules of the game" that structure and regulate relationships and interactions in the organisation and, therefore, how major decisions are made (Crozier, 1964). Trying to achieve strategic renewal without making the organisational context evolve is bound to fail. In fact, one of the major fallacies of programmatic change is its ignorance of the impact of the specific organisational context within which managers operate. The organisational context is the single most important determinant of managerial behaviour in an organisation. It has to be supporting the new strategic direction.

We have observed programmatic change processes fail because they focused only on "out of context" broad mindset changes with a conceptual and intellectual content, but little else. Beer and his colleagues make a similar observation about the processes they researched (Beer et al., 1990b). Conversely, evolutionary change may peter out for want of a clear strategic intent and a mindset change. The evolution is perceived by managers as a series of piecemeal adjustments over time in the rules of the game within the organisation, each addressing one strategic issue or another, but growing increasingly disjointed and making consistency in strategy and organisational context difficult to maintain. All three subprocesses need to be affected by the change processes.

Not all entry points and sequences are equally feasible, however (Doz & Prahalad, 1981). Mindset changes are required for a new strategic consensus to emerge and for changes in the rules of the game to become legitimate. Thus, although the three processes are closely intertwined, we have observed successful renewal processes to start with mindset changes about the competitive and market environment, followed by an emergent consensus on strategic priorities, followed by the evolution of the rules of the game. The formalisation of new rules, for instance procedures for budgeting, measurement, and assessment, takes place last, registering and stabilising the results of the change process (Doz & Prahalad, 1981).

#### . Learning by doing

One of the most frequent fallacies about organisational change is a belief that new thinking will lead to new behaviour more or less automatically. Top management may feel strongly about getting its messages

(on vision, values, leadership style, etc.) understood. Thus top management starts communicating these messages through speeches or one-way broadcasts or, more participatively, through seminars with two-way discussion. Yet, this top-down approach typically achieves very little in terms of behaviour change. In a rather extreme example of this, one of us was recently invited by a very large German organisation to assist in "hammering the message into the heads" of all managers. It was quite difficult to convince the senior managers concerned that this would hardly be a constructive first step.

Similarly, and as any teacher is painfully aware, the impact of intellectual insights is short-lived: unless applied and reinforced by experience, the memory of concepts fades quickly. The "half-life" of unused conceptual learning is measured in weeks, not in months. This applies to problem-solving and analytical concepts; for behavioural prescriptions, the situation is even worse. As we all know from personal experience, being told to behave differently is much less effective than discovering oneself a new way.

Effective change therefore can take place only through a process of personal discovery. This process can be structured, but it involves a personal journey, not merely receiving new information and new concepts. The discovery is not just cognitive, but also emotional and relational. Not just discovering new frames of reference, but more importantly discarding old ones - an act of unlearning - requires an emotional dimension to the process (Lewin, 1951). Relational discovery involves experiencing and testing new forms of relationship. In that sense, learning by doing is not just an individual experience, but a collective one, in particular as managerial action primarily involves behaviour in relationships.

#### . Middle-out"

In the same way as substantive messages cannot be merely "broadcast" by the top management, the renewal process itself cannot proceed in a mere top-down cascade alone. The key to regaining competitiveness is often more intense lateral communication and team work, a stronger identity to a community of middle and senior managers, collectively responsible for the future of the enterprise. A top-down process contributes to perpetuate vertical communication patterns and hierarchical attitudes which stifle the process of regaining competitiveness. Similarly to technological innovation, which may be best served by a process in which middle managers play the key leading roles (Nonaka et al., 1988), organisational renewal benefits from the shared expectations, collectively held change agenda, and peer pressures that middle managers can bring. We have also observed that the most conservative levels in an organisation are often those right below top management. A "middle-out" process can deliver a powerful mandate for change to these seniormost conservative levels, one that cannot be ignored. Middle management leadership also yields credibility to operators and shop floor personnel: the commitment of middle management makes the change real. It is not just another top management initiative.

Top management, however, must not only be willing to unleash and orchestrate a change process it cannot fully control, but also to be seen as willing to question its own role. First, senior management must be playing a game led by middle managers, or even by workers and operators. In General Electric's "work out" process, for example, recommendations that come out of the "town meetings" (workshops of managers and employees responsible for a particular set of tasks or processes at an individual location) once approved by the local management are not to be overturned or censored by higher levels of management. This, in itself, bears witness to the logic of empowerment which is part of General Electric's renewal process. Second, top management must be willing to let certain issues become discussable when, in the previous working of the organisation they were not (Argyris, 1985). Top management must be willing to let the "theory-in-use" of the organisation be discovered, debated and explicated. This may be the single strongest commitment needed on top management's part for the process to succeed.

#### .Consistency and continuity of concepts and framework

In recent years we have witnessed a tremendous inflation of "new wisdom" in management. Total Quality, Total Customer Satisfaction, Customer Chains, Time-Based Competitiveness, Cycle Time Reduction, Process Integrity, Lean Manufacturing, Product Development Rugby, Empowerment, etc. have become the new slogans. In addition the old truths remain valid: we need delegation, participation, innovation, permanent improvement, initiative and drive, entrepreneurship, and so forth. An abundance of good things.

While each of these prescriptions often has value in and of itself for most companies, the risk is that a company launches into one after the other, only to achieve none really fully. The bureaucratic disease brakes the momentum of change and efforts peter out. In this process, cynicism grows about the "flavour of the month", as well as scepticism about top management's commitment, for any significant length of time, to any approach and to any priority.

A renewal process can be successful only if the management sticks to priorities, frameworks and concepts for long enough for the relationships, behaviours and attention priorities consistent with these concepts, frameworks and priorities to take root within the organisation. It is essential that a simple unifying theme, anchored in the articulated strategic intent be chosen, adhered to with consistency, and given an expanding concrete meaning over time as the renewal process advances. Otherwise, managers at the operating level, where it takes a lot of time to get real change results, will adopt a wait-and-see attitude: "soon they (meaning top management) will drop this one and go after something else, so why bother too much...".

In summary, our research leads us to suggest that the debate of programmatic vs. evolutionary change is somewhat spurious and creates a false dichotomy. What matters is not so much whether the change

process is started at the top or at the bottom - most successful change processes incorporate programmatic and evolutionary elements - but whether the enabling conditions for a potentially successful renewal process are met: a top management understanding and willingness to work in conjunction on three complementary processes:

- (1) a reframing in mindsets, the fostering of a new strategic consensus and a redefinition of the "rules of the game" embedded in the organisational context;
- (2) awareness of the importance of "learning by doing" and of a solution-discovery approach;
- (3) acceptance of the pivotal role of middle managers as change leaders in the process and willingness to address the "theory in use" of the organisation.

The top management commitment to a set of priorities, frameworks and concepts has to be consistently adhered to over time, throughout the process.

### **The Transformation Process**

The transformation process itself can achieve real behavioural change in using methods drawing both on a programmatic and an evolutionary change process.

Our research suggests that the key unfreezing step in the process is the creation of one (or a series of) "temporary system(s)" which differ(s) from the existing day-to-day functioning of the organisation. Whether workshops, task teams, or other arrangements, these temporary systems create new setting and new networks between managers which allow an alteration of organisational norms, interactions, and power arrangements.

Temporary systems can be task-oriented teams, addressing a particular strategic issue and its organisational causes, as well as workshops for groups of managers. In both cases, it is important to balance "hands-on" relevance with the need to take some distance from the existing day-to-day functioning of the organisation. A temporary system built around a workshop format must not be seen as a "training" event by participants, an ever present danger when human resources and management development specialists are entrusted with the design and delivery process (Beer et al., 1990b). A task-oriented team, on the other hand, must receive sufficient conceptual and informational input, and be sufficiently challenged to take a different innovative perspective, rather than fall back on the well-known and well-proven.

In our action research, we have found a combination of both approaches to be most effective: discovery workshops followed by task teams. The discovery workshop has an intellectual, an emotional and a relational thread. The intellectual thread provides the basis for a rational "buy-in" of the need for renewal and of the concepts underlying renewal. Concepts and examples of best practice are used to analyse and reconceptualise one's own competitive situation and organisational capabilities. Contrary to the approach of most strategy consultants, the process does not rely on prepackaged "startling" data and analysis, but on a change of perspective induced by the participants themselves using the concepts provided to reinterpret their own situation. The discovery is achieved by the participants, not provided to them, it draws on issues brought by them, and on facts known to them, not on brilliant outsiders' analysis nor on the massive provision of "new data". The discovery process is cumulative and additive, taking the results from previous working sessions and reworking them in light of new conceptual insight. The workshop faculty provides the concepts, with relevant external illustrations - for example drawn from competitors - in a stimulating and challenging fashion, but lets the participants bring and process information from their own company.

The emotional thread is required for the temporary system to challenge the day-to-day functioning of the organisation. Unlearning is required, and this is an emotionally painful process. The change in mindset triggered by the intellectual thread is also likely to evoke anger, frustration, embarrassment, and possibly a feeling of incompetence, all very strong emotions. The process design must allow these emotions to be accepted, given time to be felt, made legitimate, and resolved. A successful transformation workshop is an emotional roller-coaster for the participants, with periods of frustration, anger, and despair alternating with periods of elation and progress.

The relational thread is equally fundamental. The true benefits of the temporary system come from the shared experience between participants of a new type of relationship, and power distribution. A taste for empowerment, "win-win" relationships and synergistic collective action is provided in the renewal process itself. The workshop is not a series of individual experiences, but primarily a collective one.

Drawing on these three threads, the discovery workshops lead to specific task-teams and to short-term action commitments, both being ways to ensure a link between the workshop process and actual change. Typically, the workshops lead participants to a heightened awareness of the limits and disfunctions of their day-to-day context and to a greater ability to decode the functioning of their organisation, allowing them to unearth the theory in use. It also allows some distancing from the day-to-day context, making it more easily discussable. Issues of measurement and rewards, and the games played around these often become discussable, in a workshop context, when they are "taboo" in day-to-day in-context relationships.

When workshops are tightly linked to subsequent task-team processes, individual managers and employees practice new behaviours in temporary organisational settings. New roles and relationships

are experienced which allow new attitudes and skills to be developed and tested. Training and personal development become part of the change process, rather than disjointed and often frustrating off-line training activities with little relevance to on-line, in-context operational management.

Task-teams provide the relay channelling the energy generated by the workshops into reforming the network of relationships, and the elements of organisational context that shape that network. Thus, while the task teams typically address substantive business issues (such as how to penetrate new markets or better leverage existing core competencies) their output is not only, or not even so much, substantive advice, as it is also a diagnosis of elements of organisational context and suggestions for their reform.

Task-teams may then legitimately move their focus from substantive strategic or operational issues to the underlying organisational processes and capabilities. Process analysis is one of the key tools that task-teams can use. Analysis of the systems that regulate relationships within the organisation is another potential tool to diagnose the capabilities of the organisation and to identify leverage points to remove blockages and to develop new capabilities. The architecture of management systems used to manage information, to manage managers, and to handle conflicts and tensions can then be redrawn to encourage and facilitate the development of required organisational capabilities rather than stifle and hamper such development (Doz & Prahalad, 1981).

In summary, task-teams and project work create linkages, over time, between strategic issues, individual competence, and organisational context. They yield both individual experiences of personal development and growing collective dissatisfaction with the organisational context at the root of the bureaucratic disease. Growing expectations of change put increasing pressure on the "rules of the game" of the old organisational context. This will lead top management to reconsider and, eventually, reform the management systems which constitute the organisational context.

Formal changes to key management systems, such as those used for measurement and reward, appraisal and promotion, and for resource allocation, are often made quite late in the process. Such changes stabilise and institutionalise the results from the renewal process, and provide the basis for permanently embedding the new capabilities in the organisation.

Regarding the end point of transformational processes, the results of our research are, as yet, inconclusive. Competitive success and improved financial performance are the final outcomes sought in renewal processes. However, in large complex corporations, the causality of success and failure is rarely clear-cut. An internal measure for whether a lasting "cultural" transformation has been achieved is the extent to which the new functioning of the organisation is becoming an experienced reality for more and more and, eventually, all of its members. Since renewal aims at increasing the ability of organisational

learning, the most appropriate perspective for top management may be that transformation is a never-ending process. The journey becomes the goal.

A schematic summary of the renewal process is given in Figure 1.

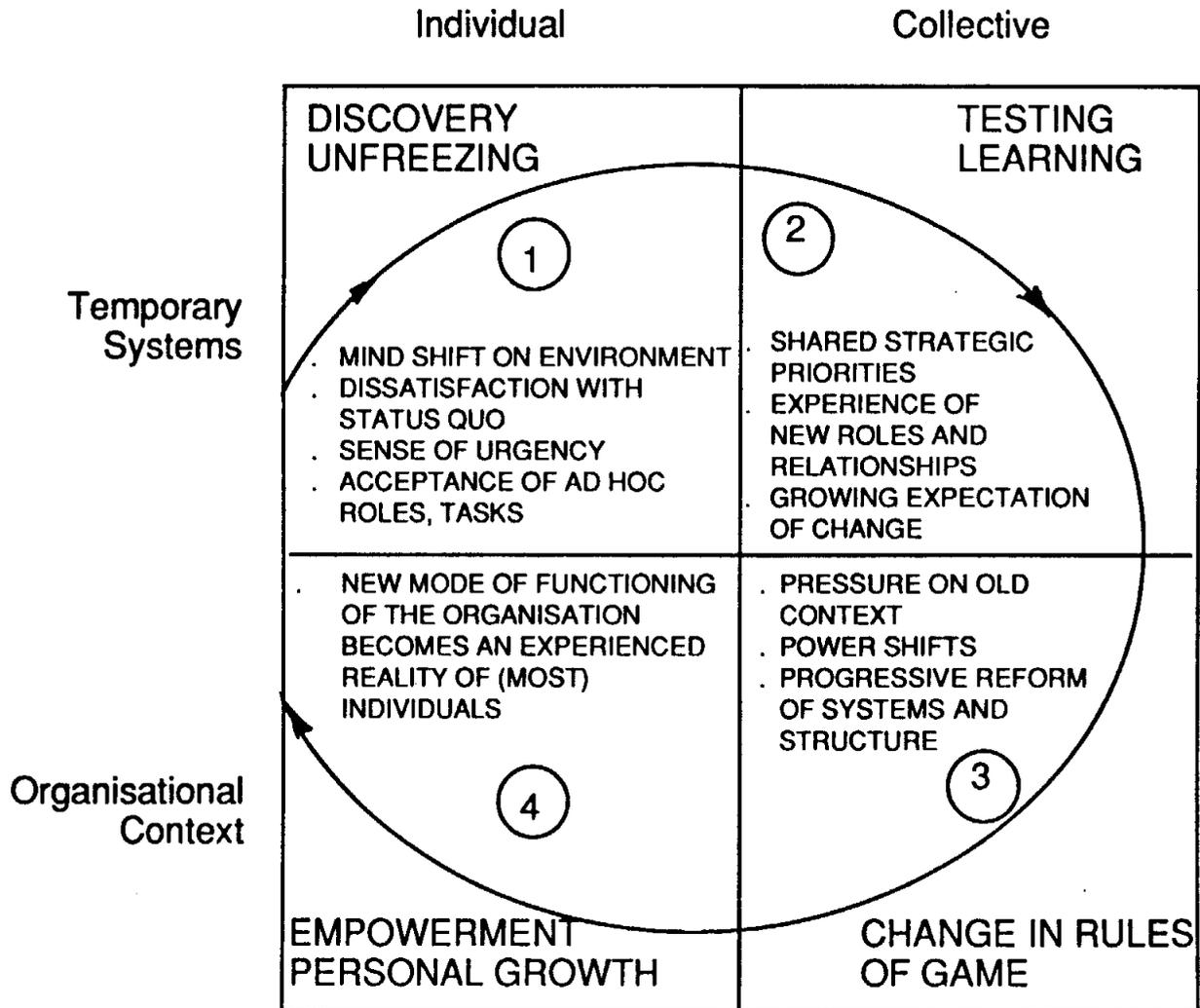
## Appendix 1

### The Research Method

The general argument developed in this chapter draws on the results of a two-phase long-term research project. In the first phase, data on 16 strategic redirection programmes in the context of major multinational companies were obtained (through extensive interview and process observation fieldwork) by Yves Doz and C.K. Prahalad. Many of these 16 examples were researched through longitudinal process research, over the 1975-1985 period. Comparative analyses of these change processes, and a conceptual framework interpreting the analysis were published in 1981 and 1987 (Doz & Prahalad, 1981; Doz & Prahalad, 1987).

In the second phase of the research, the authors of this chapter, and others working with them were involved in assisting companies, in an action-research mode, conceiving and managing strategic renewal processes. In most cases, the involvement of the authors with individual companies lasted several years which allowed a rich understanding of the management of strategic transformation processes to emerge and evolve.

Figure 1  
A Map of the Renewal Process



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90/76 MKT	Wilfried VANHONACKER	"Managerial Decision Behaviour and the Estimation of Dynamic Sales Response Models", Revised October 1990	90/88 OB/MKT	Susan C. SCHNEIDER and Reinhard ANGELMAR	"Cognition in Organisational Analysis: Who's Minding the Store?" Revised, December 1990
90/77 MKT	Wilfried VANHONACKER	"Testing the Koyck Scheme of Sales Response to Advertising: An Aggregation-Independent Autocorrelation Test", October 1990	90/89 OB	Manfred F.R. KETS DE VRIES	"The CEO Who Couldn't Talk Straight and Other Tales from the Board Room," December 1990
90/78 EP	Michael BURDA and Stefan GERLACH	"Exchange Rate Dynamics and Currency Unification: The Ostmark - DM Rate", October 1990	90/90 MKT	Philip PARKER	"Price Elasticity Dynamics over the Adoption Lifecycle: An Empirical Study," December 1990
90/79 TM	Anil GABA	"Inferences with an Unknown Noise Level in a Bernoulli Process", October 1990			
90/80 TM	Anil GABA and Robert WINKLER	"Using Survey Data in Inferences about Purchase Behaviour", October 1990	<u>1991</u>		
90/81 TM	Tawfik JELASSI	"Du Présent au Futur: Bilan et Orientations des Systèmes Interactifs d'Aide à la Décision," October 1990	91/01 TM/SM	Luk VAN WASSENHOVE, Leonard FORTUIN and Paul VAN BEEK	"Operational Research Can Do More for Managers Than They Think!," January 1991
90/82 EP	Charles WYPLOSZ	"Monetary Union and Fiscal Policy Discipline," November 1990	91/02 TM/SM	Luk VAN WASSENHOVE, Leonard FORTUIN and Paul VAN BEEK	"Operational Research and Environment," January 1991
90/83 FIN/TM	Nathalie DIERKENS and Bernard SINCLAIR-DESGAGNE	"Information Asymmetry and Corporate Communication: Results of a Pilot Study", November 1990	91/03 FIN	Pekka HIETALA and Timo LÖYTTYNIEMI	"An Implicit Dividend Increase in Rights Issues: Theory and Evidence," January 1991
90/84 MKT	Philip M. PARKER	"The Effect of Advertising on Price and Quality: The Optometric Industry Revisited," December 1990	91/04 FIN	Lars Tyge NIELSEN	"Two-Fund Separation, Factor Structure and Robustness," January 1991
90/85 MKT	Avijit GHOSH and Vikas TIBREWALA	"Optimal Timing and Location in Competitive Markets," November 1990	91/05 OB	Susan SCHNEIDER	"Managing Boundaries in Organisations," January 1991
90/86 EP/TM	Olivier CADOT and Bernard SINCLAIR-DESGAGNE	"Prudence and Success in Politics," November 1990	91/06 OB	Manfred KETS DE VRIES, Danny MILLER and Alain NOEL	"Understanding the Leader-Strategy Interface: Application of the Strategic Relationship Interview Method," January 1990 (89/11, revised April 1990)

91/07 EP	Olivier CADOT	"Leading to Insolvent Countries: A Paradoxical Story," January 1991	91/19 MKT	Vikas TIBREWALA and Bruce BUCHANAN	"An Aggregate Test of Purchase Regularity", March 1991
91/08 EP	Charles WYPLOSZ	"Post-Reform East and West: Capital Accumulation and the Labour Mobility Constraint," January 1991	91/20 MKT	Darius SABAVALA and Vikas TIBREWALA	"Monitoring Short-Run Changes in Purchasing Behaviour", March 1991
91/09 TM	Spyros MAKRIDAKIS	"What can we Learn from Failure?", February 1991	91/21 SM	Sumantra GHOSHAL, Harry KORINE and Gabriel SZULANSKI	"Interunit Communication within MNCs: The Influence of Formal Structure Versus Integrative Processes", April 1991
91/10 TM	Luc Van WASSENHOVE and C. N. POTTS	"Integrating Scheduling with Batching and Lot-Sizing: A Review of Algorithms and Complexity", February 1991	91/22 EP	David GOOD, Lars-Hendrik RÖLLER and Robin SICKLES	"EC Integration and the Structure of the Franco-American Airline Industries: Implications for Efficiency and Welfare", April 1991
91/11 TM	Luc VAN WASSENHOVE et al.	"Multi-Item Lotsizing in Capacitated Multi-Stage Serial Systems", February 1991	91/23 TM	Spyros MAKRIDAKIS and Michèle HIBON	"Exponential Smoothing: The Effect of Initial Values and Loss Functions on Post-Sample Forecasting Accuracy", April 1991 (Revision of 90/46)
91/12 TM	Albert ANGEHRN	"Interpretative Computer Intelligence: A Link between Users, Models and Methods in DSS", February 1991	91/24 TM	Louis LE BLANC and Tawfik JELASSI	"An Empirical Assessment of Choice Models for Software Evaluation and Selection", May 1991
91/13 EP	Michael BURDA	"Labor and Product Markets in Czechoslovakia and the Ex-GDR: A Twin Study", February 1991	91/25 SM/TM	Luk N. VAN WASSENHOVE and Charles J. CORBETT	"Trade-Offs? What Trade-Offs?" April 1991
91/14 MKT	Roger BETANCOURT and David GAUTSCHI	"The Output of Retail Activities: French Evidence", February 1991	91/26 TM	Luk N. VAN WASSENHOVE and C.N. POTTS	"Single Machine Scheduling to Minimize Total Late Work", April 1991
91/15 OB	Manfred F.R. KETS DE VRIES	"Exploding the Myth about Rational Organisations and Executives", March 1991	91/27 FIN	Nathalie DIERKENS	"A Discussion of Correct Measures of Information Asymmetry: The Example of Myers and Majluf's Model or the Importance of the Asset Structure of the Firm", May 1991
91/16 TM	Arnoud DE MEYER and Kasra FERDOWS et.al.	"Factories of the Future: Executive Summary of the 1990 International Manufacturing Futures Survey", March 1991	91/28 MKT	Philip M. PARKER	"A Note on: 'Advertising and the Price and Quality of Optometric Services', June 1991
91/17 TM	Dirk CATTRYSE, Roelof KUIK, Marc SALOMON and Luk VAN WASSENHOVE	"Heuristics for the Discrete Lotsizing and Scheduling Problem with Setup Times", March 1991	91/29 TM	Tawfik JELASSI and Abbas FOROUGHI	"An Empirical Study of an Interactive, Session-Oriented Computerised Negotiation Support System (NSS)", June 1991
91/18 TM	C.N. POTTS and Luk VAN WASSENHOVE	"Approximation Algorithms for Scheduling a Single Machine to Minimize Total Late Work", March 1991			

91/30 MKT	Wilfried R. VANHONACKER and Lydia J. PRICE	"Using Meta-Analysis Results in Bayesian Updating: The Empty Cell Problem", June 1991	91/43 SM	Sumantra GHOSHAL and Christopher BARTLETT	"Building Transnational Capabilities: The Management Challenge", September 1991
91/31 FIN	Rezaul KABIR and Theo VERMAELEN	"Insider Trading Restrictions and the Stock Market", June 1991	91/44 SM	Sumantra GHOSHAL and Nitin NOHRIA	"Distributed Innovation in the 'Differentiated Network' Multinational", September 1991
91/32 OB	Susan C. SCHNEIDER	"Organisational Sensemaking: 1992", June 1991	91/45 MKT	Philip M. PARKER	"The Effect of Advertising on Price and Quality: An Empirical Study of Eye Examinations, Sweet Lemons and Self-Deceivers", September 1991
91/33 EP	Michael C. BURDA and Michael FUNKE	"German Trade Unions after Unification - Third Degree Wage Discriminating Monopolists?", June 1991	91/46 MKT	Philip M. PARKER	"Pricing Strategies in Markets with Dynamic Elasticities", October 1991
91/34 FIN	Jean DERMINE	"The BIS Proposal for the Measurement of Interest Rate Risk, Some Pitfalls", June 1991	91/47 MKT	Philip M. PARKER	"A Study of Price Elasticity Dynamics Using Parsimonious Replacement/Multiple Purchase Diffusion Models", October 1991
91/35 FIN	Jean DERMINE	"The Regulation of Financial Services in the EC, Centralization or National Autonomy?" June 1991	91/48 EP/TM	H. Landis GABEL and Bernard SINCLAIR-DESGAGNE	"Managerial Incentives and Environmental Compliance", October 1991
91/36 TM	Albert ANGEHRN	"Supporting Multicriteria Decision Making: New Perspectives and New Systems", August 1991	91/49 TM	Bernard SINCLAIR-DESGAGNE	"The First-Order Approach to Multi-Task Principal-Agent Problems", October 1991
91/37 EP	Ingo WALTER and Hugh THOMAS	"The Introduction of Universal Banking in Canada: An Event Study", August 1991	91/50 SM/TM	Luk VAN WASSENHOVE and Charles CORBETT	"How Green is Your Manufacturing Strategy?" October 1991
91/38 EP	Ingo WALTER and Anthony SAUNDERS	"National and Global Competitiveness of New York City as a Financial Center", August 1991	91/51 MKT	Philip M. PARKER	"Choosing Among Diffusion Models: Some Empirical Guidelines", October 1991
91/39 EP	Ingo WALTER and Anthony SAUNDERS	"Reconfiguration of Banking and Capital Markets in Eastern Europe", August 1991	91/52 EP	Michael BURDA and Charles WYPLOSZ	"Human Capital, Investment and Migration in an Integrated Europe", October 1991
91/40 TM	Luk VAN WASSENHOVE, Dirk CATTRYSE and Marc SALOMON	"A Set Partitioning Heuristic for the Generalized Assignment Problem", August 1991	91/53 EP	Michael BURDA and Charles WYPLOSZ	"Labour Mobility and German Integration: Some Vignettes", October 1991
91/41 TM	Luk VAN WASSENHOVE, M.Y. KOVALYOU and C.N. POTTS	"A Fully Polynomial Approximation Scheme for Scheduling a Single Machine to Minimize Total Weighted Late Work", August 1991	91/54 TM	Albert ANGEHRN	"Stimulus Agents: An Alternative Framework for Computer-Aided Decision Making", October 1991
91/42 TM	Rob R. WEITZ and Tawfik JELASSI	"Solving A Multi-Criteria Allocation Problem: A Decision Support System Approach", August 1991			

91/55 EP/SM	Robin HOGARTH, Claude MICHAUD, Yves DOZ and Ludo VAN DER HEYDEN	"Longevity of Business Firms: A Four-Stage Framework for Analysis", November 1991	92/03 OB	Manfred F.R. KETS DE VRIES	"The Family Firm: An Owner's Manual", January 1992
91/56 TM/EP	Bernard SINCLAIR-DESGAGNE	"Aspirations and Economic Development", November 1991	92/04 SM	Philippe HASPELAGH and David JEMISON	"Making Acquisitions Work", January 1992
91/57 MKT	Lydia J. PRICE	"The Indirect Effects of Negative Information on Attitude Change", November 1991	92/05 TM	Xavier DE GROOTE	"Flexibility and Product Diversity in Lot-Sizing Models", January 1992 (revised)
91/58 OB	Manfred F. R. KETS DE VRIES	"Leaders Who Go Crazy", November 1991	92/06 FIN	Theo VERMAELEN and Kees COOLS	"Financial Innovation: Self Tender Offers in the U.K.", January 1992
91/59 OB	Paul A. L. EVANS	"Management Development as Glue Technology", November 1991	92/07 TM	Xavier DE GROOTE	"The Flexibility of Production Processes: A General Framework", January 1992 (revised)
91/60 TM	Xavier DE GROOTE	"Flexibility and Marketing/Manufacturing Coordination", November 1991 (revised)	92/08 TM	Luk VAN WASSENHOVE, Leo KROON and Marc SALOMON	"Exact and Approximation Algorithms for the Operational Fixed Interval Scheduling Problem", January 1992
91/61 TM	Arnoud DE MEYER	"Product Development in the Textile Machinery Industry", November 1991	92/09 TM	Luk VAN WASSENHOVE, Roelof KUIK and Marc SALOMON	"Statistical Search Methods for Lotsizing Problems", January 1992
91/62 MKT	Philip PARKER and Hubert GATIGNON	"Specifying Competitive Effects in Diffusion Models: An Empirical Analysis", November 1991			
91/63 EP	Michael BURDA	"Some New Insights on the Interindustry Wage Structure from the German Socioeconomic Panel", December 1991			
91/64 FIN	Jean DERMINE	"Internationalisation of Financial Markets, Efficiency and Stability", December 1991			
<u>1992</u>					
92/01 MKT/EP/TM	Wilfried VANHONACKER	"CONPRO*DOGIT: A New Brand Choice Model Incorporating a Consideration Set Formation Process", January 1992			
92/02 MKT/EP/TM	Wilfried VANHONACKER	"The Dynamics of the Consideration Set Formation Process: A Rational Modelling Perspective and Some Numerical Results", January 1992			