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Research in Organizational Change and Development

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Emerald

RESEARCH IN ORGANIZATIONAL CHANGE AND DEVELOPMENT

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Abraham B. (Rami) Shani and
Richard W. Woodman

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RESEARCH IN ORGANIZATIONAL CHANGE AND DEVELOPMENT VOLUME 18

RESEARCH IN ORGANIZATIONAL CHANGE AND DEVELOPMENT

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INVESTOR IN PEOPLE

CONTENTS

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PREFACE

The first annual volume of Research in Organization Change and Development was published by JAI Press in 1987. Since then, ROCD has provided a special platform for scholars and practitioners to share new research-based insights. Volume eighteen continues the tradition of providing insightful and thought provoking chapters. The chapters in the volume represent a commitment to maintaining the high quality of work that our readers have come to expect from this publication.

Authors of contributions to Volume 18 did their writing during one of the most severe global economic crises in the past century. Some of their papers reflect the urgency of change that many leaders of organizations currently feel. Whereas in the booming 1970s and late 1990s, it was difficult for some to push change to the front of the agenda, very few organizations have escaped the need to undertake unprecedented, dramatic actions to stabilize their futures. The need for more efficient and effective approaches to change has never been greater. Not only must we increase our success rates in change projects dramatically over the thirty-three percent level that many studies point to for major change success today, we must also produce more change in less time and with less cost. The crisis has clarified the need for change and has been used as a hammer to force people through unpleasant changes by some leaders. We believe that how leaders respond to a crisis like the one we are experiencing will influence the culture of their organization for years to come. Handled properly, the changes can create greater effectiveness, engagement, and rapid recovery. Handled poorly, the same changes might produce a weakened culture, decreased loyalty, and difficulty in returning to previous levels of success. The "new normal" for a particular organization will be determined in part by the state of the world economy, but also in part by the actions of its leaders during the crisis as well. Change researchers need to accept that the adoption of our approaches to change are not immune to the influences of the broader context. Unless we provide leaders with more efficient and effective approaches to change, leaders may feel forced to adopt measures that are less costly and less time consuming even knowing that the long-term effects they produce could be detrimental.

Against this backdrop, it is not surprising that several papers in Volume 18 address issues of trust and sustainability. Other papers review

approaches to change to see if we can discern whether some approaches are more effective than others. Still others explore culture and relationships, since change must ultimately come down to people. Whether we make progress at all, and then what impact a change has on the long-term viability of an organization will always be a function of how well we understand what is happening in human systems as our interventions perturb them.

Christopher G. Worley and Edward E. Lawler argue that the pace and uncertainty of change in today's world, spurred by increased globalization, technological innovation, and the emergence of new concerns, such as ecological sustainability and human rights, creates the necessity for a new approach. They advance an organizational effectiveness model built on the assumption that continuous change is simply business as usual and the best way to sustainable success, and the belief that it should include social and ecological concerns. Toward that end, they propose a model of organization agility – the built to change model – with a revised perspective of organization effectiveness. The new approach represents a framework for OD practitioners to share and build relevant practice in a more cohesive fashion. They argue that such an approach can help to restore and mend some of the fragmented views of theory and practice in organization development and change.

Julia Balogun and Steven W. Floyd focus on understanding how an organization can break out of a strategic lock-in. The authors expand our understanding of strategy vectors and explore the linkages between strategy, culture, and strategic change in order to build a more comprehensive picture of the structural context. A proposed model demonstrates the extent of interconnectedness between the "hard" (e.g., control systems, organization structure) and "soft" (e.g., beliefs, symbols, stories) components, and that development of new required capabilities is dependent on a holistic shift in all these aspects of the structural context, including, therefore, change in the organization's culture.

Sustaining high performance is the subject of the next paper by Jason A. Wolf. The study was conducted in 12 hospitals, 9 of which were categorized as "sustaining" and three of which as "non-sustaining." Three paradoxes that must be managed dynamically during change were identified by Wolf in his work. The three paradoxes are agility/consistency, informative/inquiry, and collective/individualism. In addition, nine key actions that assist in addressing these paradoxes were found helpful in sustaining high performance. The author suggests that sustaining high performance seems to be embedded in the willingness to hold the three movements in dynamic tension through which the power of sustainability as movement is realized.

Hilary Bradbury-Huang, Benyamin Lichtenstein, John S. Carroll, and Peter M. Senge address the need to develop methods that can help companies address complex global sustainability challenges. They propose "the sustainability consortium" as a mechanism that allows corporations to address such multilayer issues. This multi-organizational consortium creates "relational space" in which collaborative projects emerge and are nurtured. The authors provide an in-depth case study of such sustainability consortium. The collaborative projects that evolved generated creative solutions that enhanced the competitive advantage of the corporations involved.

Some of our most powerful tools for learning about change involve collaborative research with client organizations. David Coghlan calls our attention to the continuous and emerging variety of action research and collaborative research methodologies. He argues that as the field of action-oriented research becomes increasingly diffuse and diverse, it is important to identify common ground across the multiple modalities of action research and collaborative management research. Coghlan proposes to ground our practice in the recognizable structure of human knowing by paying attention to observable data (experience), envisaging possible explanations of that data (understanding), and preferring as probable or certain the explanations which provide the best account for the data (judgment). The paper seeks to illustrate how different research modalities engage these operations of human knowing.

More concern with the sustainability of our efforts is evident in Shmulyian, Bateman, Philpott, and Gulri's paper, which focuses on large-scale interventions. The effectiveness of eight different types of large-scale interventions is compared. Case studies in a number of companies are used as the database for examining the outcomes of each type of large-scale intervention. In speaking with both practitioners and their clients, they learned that both the method and the skill of the practitioner involved affect the outcomes achieved. In looking a bit deeper, the authors found that having the right individuals in the room, the right issues under consideration, the right information available, the right infrastructure to support the process, and the right design for the intervention all were critical factors in determining intervention success. This paper also transcends earlier overviews of large-group methods to examine the long-term impact or what actually happened after the interventions took place.

Robert M. Sloyan and James D. Ludema focus on a deeper level investigation of individual responses to change and their influence on the success of organizational change initiatives. The implementations of organization development initiatives at five business units within the same

corporation provide the empirical data for the study. The authors found that as people engaged sensemaking, they assessed the changes they experienced against four aspects of trust: trust in the organization, trust in their leadership, trust in the change process, and trust in the outcomes. The authors illustrate how managers can frame the four trusts to their advantage during change efforts and conclude by providing further implications for research and practice.

Mergers continue to be an integral component of emerging markets. Paul Michalenko's paper advances our understanding the processes and dynamics of successful merger initiatives. Michalenko investigates the characteristics of successful mergers within the context of religious provinces. Eight merged organizations provided the empirical data for the study. Three essential elements were found to be critical to the success of mergers, namely clear mission driven purpose, authentic leadership, and inclusive engagement. These elements set the context for building trust among members and organization that enhance organizational renewal.

Finally, Kay Quam's paper calls our attention to the changing nature of work and the maturing of the workforce. The author argues that Web 2.0 technologies fundamentally reshape the nature of work as we know it. Meeting the challenges is not simply a matter of re-skilling or even up-skilling. Rather, what is required are new means of constructing work so that mature workers can contribute in ways that meet their desires and needs and so that organizations can enlist the necessary people to perform in the new work environment. Systemic and holistic action research initiatives, approaches, and specific steps are proposed.

While these papers alone will not lift the world out of the current financial crisis, the level of thoughtfulness they demonstrate provides hope that our field can contribute its part to the solutions organizations seek. Since change is no longer an option, high rates of failure are simply not acceptable. Building more change-ready organizations, leading change with an eye toward the dynamics of trust, focusing on sustainability, and using more effective and efficient approaches will help our world get back on its feet.

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BUILT TO CHANGE ORGANIZATIONS AND RESPONSIBLE PROGRESS: TWIN PILLARS OF SUSTAINABLE SUCCESS

Christopher G. Worley and Edward E. Lawler, III

ABSTRACT

The increasing interest in economic, social, and ecological sustainability has important implications for the traditional views on organization effectiveness, organization design, and organization development. Managers need to design organizations to achieve a ''triple bottom line.'' A review of the organization effectiveness literature suggests that no single model seems to provide the necessary guidance, and there is a clear need for creation, revision, and integration. Organization effectiveness criteria in the future require a clearer modeling of the multistakeholder demands so that organization designers can specify appropriate strategies, structures, systems, and processes as well as the changes necessary to develop them. We propose an integration called ''responsible progress'' and suggest that it represents an important new stream of organization development theory. The relationships between this new criterion of organization effectiveness and the design features necessary to pursue them must be tested.

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The increasing interest in economic, social, and ecological sustainability raises important implications for the traditional views on organization effectiveness, organization design, and organization development (OD). Judging by how surprised most organizations were by the recent economic recession, and the relative lack of socially and ecologically relevant capabilities in most organizations, there is evidence aplenty that the organization design features we have relied on for years have outlived their usefulness. *Organizations that rely on traditional design principles and measures of effectiveness are not able to respond to demands for change and to calls for new economic, social, and ecological outcomes. Traditional design principles and measures of financial performance divert our attention away from what organizations need to do to be agile and sustainable*. To paraphrase Hanna (1988), ''organizations are perfectly designed to get the results they get.'' If the goal is being financially viable, socially relevant, and ecologically responsible over time, we need different design options.

The purpose of this chapter is to propose a model of organization effectiveness and agility that incorporates a broad range of effectiveness criteria. The model represents a radical departure from the traditional perspectives on organization effectiveness – more radical than it might first appear – along two dimensions. First, a fundamental restatement of organization effectiveness criterion is required since most effectiveness frameworks gloss over the socially related effectiveness criterion and frankly do not address ecological sustainability. Second, a significant shift in the principles guiding organization design and the business models underlying strategies is required since prior principles and models rely on stability as the driver of performance. In describing this model, we hope to reinvigorate the discussion of organization effectiveness and generate a new OD research agenda.

We begin with a review of the traditional organization effectiveness perspectives as well as more recent extensions, including models of agility. In addition, we review the economic and ecological effectiveness perspectives. This review supports the conclusion that the demands facing organizations are increasing in both number and intensity, and that traditional models of organization design are not only ill-equipped to handle the rates of change implied by these increases but reflect the pursuit of a narrow set of effectiveness criteria. Our models of organization effectiveness have not kept up with environmental changes, especially with respect to sustainability.

We then turn to the problem of integrating these diverse perspectives into a new model of organization effectiveness criterion. Prior models of effectiveness have tended to be singular in their focus (e.g., financial or

ecological). We describe the responsible progress framework that has four different effectiveness criteria.

Finally, we make the case that the only way organizations can be sustainably successful is for them to change and that the only way to ensure that organizations will be able to change is to build them to change (Lawler & Worley, 2006). We argue that sustainable success requires creating organizations that love changing within the context of "responsible progress" (Worley & McCloskey, 2006). We conclude the chapter by describing revisions to the built to change (B2C) model and showing how it supports responsible progress. The proposed model provides a blueprint for research and evolution in the field of OD and change.

MODELS OF ORGANIZATION EFFECTIVENESS

Traditional Models of Effectiveness

There is a long history in organization theory concerning the conceptualization and measurement of organization effectiveness (OE). It was once a thriving research area (cf., Yuchtman & Seashore, 1967; Campbell, 1977; Miles, 1980; Steers, 1975; Cameron, 1980; Quinn & Rohrbaugh, 1983). Over the course of about 20 years, a variety of models were developed to capture the OE construct, including rational, goal-oriented models (Perrow, 1972; March & Simon, 1958), systems-resource models (Yuchtman & Seashore, 1967; Katz & Kahn, 1978), and competing values models (Quinn & Rohrbaugh, 1983). Born partly out of the emerging themes in organization theory, such as natural, open, and rational systems (Scott, 1981), the role of strategic choice vs. environmental determinism (Child, 1972; Pfeffer & Salancik, 1978; Hannan & Freeman, 1975), and the human relations movement (Roethlisberger & Dickson, 1939), these models tried to capture the indicators or criteria of effectiveness. Unfortunately, these perspectives tend to gloss over social responsibility, especially regarding concerns that go beyond the issue of workforce satisfaction, and ignore measures of ecological health altogether.

The OE research stream was codified by two studies in the mid-1970s. Campbell (1977) generated a list of 30 variables representing "serious" indicators of effectiveness. Steers (1975) reviewed 17 effectiveness studies generating a list of 14 indicators that were used by at least 2 different research efforts (Table 1). Adaptability/flexibility was the topmost criterion mentioned in 10 of the 17 studies. Five studies cited productivity and job

Table 1. Traditional Criteria of Organization Effectiveness.

Source: Campbell (1977)	Source: Steers (1975)
• Overall effectiveness	• Adaptability (10)[a]
• Productivity	• Productivity (6)
• Efficiency	• Satisfaction (5)
• Profit	• Profitability (3)
• Product/Service quality	• Resource acquisition (3)
• Accidents	• Absence of strain (2)
• Growth	• Control over environment (2)
• Absenteeism	• Development (2)
• Turnover	• Efficiency (2)
• Job satisfaction	• Employee retention (2)
• Motivation	• Growth (2)
• Morale	• Integration (2)
• Control	• Open communications (2)
• Conflict/Cohesion	• Survival (2)
• Flexibility/adaptability	
• Planning and goal setting	
• Goal consensus	
• Internalization of organizational goals	
• Role and norm congruence	
• Managerial interpersonal skills	
• Managerial task skills	
• Information management and communication	
• Readiness	
• Utilization of environment	
• Evaluations by external entities	
• Stability	
• Value of human resources	
• Participation and shared influence	
• Training and development emphasis	
• Achievement emphasis	

[a]Frequency of use out of 17 empirical studies of organization effectiveness.

satisfaction. Given the popularity and power of the population ecology model (e.g., Hannan & Freeman, 1975), it is interesting that "survival" was on Steers' list but not Campbell's.[1]

Quinn and Rohrbaugh (1983) asked OE researchers to sort Campbell's criteria in an effort to determine whether there was an implicit OE theory in researchers' minds. They found three consistent dimensions related to structure, perspectives, and means/ends logics. Effective organizations were associated with structural preferences (centralized or decentralized) and

decision-making perspectives (internal or external focus). Measures of effectiveness associated with a centralized orientation included control, stability, goal consensus, and role and norm congruence. Decentralized effectiveness measures included motivation, participation and shared influence, and flexibility/adaptation. Externally focused decision-making variables included evaluations by external entities, profitability, and utilization of the environment while internal measures were job satisfaction, morale, and turnover. There was, then, a strong contingency flavor. Effectiveness was a function of alignment between the organization and its environment or among the internal features of the organization itself (Lawrence & Lorsch, 1967; Galbraith, 2001).

In line with goal-oriented vs. systems models, some measures were more likely to serve as means (e.g., planning and goal setting) and others as ends (e.g., financial performance). The means–end dimension overlapped with the first two dimensions and, in fact, some variables were mentioned as both (Cameron, 1980), including growth, flexibility/adaptability, stability, quality, and job satisfaction.

Almost from its beginning, OE theory and research has faced serious criticism. Proponents of goal-oriented models were criticized over the objectivity of goals (actual vs. espoused goals) as well as their measurement (Yuchtman & Seashore, 1967). Proponents of a systems resource version of OE were criticized because different constituencies used different measures and there was no objective way of prioritizing them (Cameron, 1980; Pennings & Goodman, 1977; Zammuto, 1982). This led to the observation that managers attend to goals in a sequential manner (Cyert & March, 1992). In addition, Cameron and Whetten (1983) and others found that goals and measures of effectiveness shifted over time and in line with stages in the organization's life cycle. Finally, supposedly cumulative lists such as those of Campbell and Steers were criticized for containing seemingly contradictory measures, such as evaluations by external entities vs. morale and job satisfaction.

In reviewing the field, Lewin & Minton (1986) suggested that much of the criticism stemmed from no clear answer to the question, "what's the best measure of effectiveness?" The answer was always, "it depends," and Hitt (1988) worried that organizations were defaulting to traditional, short-term measures of effectiveness that mortgaged long-term performance. "If executives are using inappropriate measures of effectiveness, they may be making inaccurate decisions" (p. 29).[2] Miles (1980) labeled the whole stream of research an "effectiveness jungle," while Quinn and his colleagues (Quinn & Rohrbaugh, 1983; Quinn & Cameron, 1988) argued for a

competing values approach. They saw effectiveness and organization culture as deriving from the reconciliation of the internal/external, people/results, and flexibility/stability conundrums.

Agility Models of Effectiveness

Building on traditional models of effectiveness, acknowledging the increased pace and complexity of change, and reconciling some of the conundrums and criticisms of the traditional stream, a different set of effectiveness models has emerged. Instead of trying to specify the criteria of effectiveness, agility models described the organization design features that are necessary to deliver on any of the various criteria proposed. These models warrant particular attention because of their newness and relevance to sustainability.

Organization agility occupies a middle ground between models of adaptability and planned change. It has been the subject of increasing research (Brown & Eisenhardt, 1997; Volberda, 1999; Haeckel, 1999; Doz & Kosonen, 2008; Beer, 2009) and several calls for a better understanding of its genesis and consequences (e.g., Rudis, 2006). For example, adaptability refers to the organization's capability to respond to changes in environmental demands. Organization evolution (Tushman & Romanelli, 1985), absorptive capacity (Zahra & George, 2002), and population ecology (Aldrich, 1979; Hannan & Freeman, 1975) describe how organizations interpret and enact (Weick, 1969) environmental change and translate those beliefs into organization action and transformation.

Theoretical work in organization adaptation helped to reconcile some conundrums. Stage models (e.g., Greiner, 1967) and punctuated equilibrium models (Tushman & Romanelli, 1985; Miller & Friesen, 1980) suggested that long-term organization effectiveness was a function of both the ability to converge on a given strategic orientation over relatively long periods (stability) and the ability to execute reorientations when significant internal or external events warranted such "transformations" (flexibility). Miller and Friesen (1980) operationalized stability as "continuity in the direction of change and transformation as reversals in the direction of change across a wide variety of organizational features." Data from Romanelli and Tushman (1994), Lant, Milliken, and Batra (1992), and Miller and Friesen (1980) empirically supported this pattern of organization change. Organization performance depended on long periods of relative stability where the organization could learn how best to operate a particular design.

Occasionally, the interplay of various internal and external forces resulted in a violent transformation.

Organization development (Cummings & Worley, 2009), planned change (Beckhard & Harris, 1977), and change management (Paton & McCalman, 2000; Hayes, 2002; Burnes, 2004) all address the activities involved in intentionally moving an organization or subsystem from one state to another. Beckhard and Harris (1977), for example, describe the activities associated with defining the current state, the future state, and the action planning and intervention processes associated with the transition. Models of planned change are not effectiveness models per se. Instead, they argue that in the face of complex and uncertain environmental changes, effective organizations are able to make the transition from one relatively stable state to another because they can plan and execute change as well as sense and respond to it.

While much work has been done on the various pieces of organizational agility, there has not been a cohesive and integrated statement of agile organization design principles. For example, Doz and Kosonen (2008) examined the issues of flexible and dynamic strategy, Hatch and Schultz (2002) explored how organization identities can facilitate or hinder organization change, and Galbraith (2001) and Tushman and O'Reilly (1996) described how reconfigurable and ambidextrous structures can operate. Drawing on these various threads of research and practice, Lawler and Worley (2006) presented an integrated and comprehensive view of organization agility. The basic features of the B2C model are the three core processes of strategizing, organizing, and creating value.

Strategizing: Crafting a Series of Momentary Advantages

Strategizing is the first core process in a B2C organization. It describes how an organization achieves and maintains "proximity," a concept that refers to how "close" an organization's outputs are to the demands of its environment. As environments shift and change, the organization's responses must shift and change (Haeckel, 1999; Aldrich, 1999). Instead of pursuing a single sustainable advantage as supported by the competitive strategy school (Porter, 1980) a B2C organization seeks a *series* of momentary advantages. The other two core processes – creating value and designing – are what allow the organization to capture value from new advantages.

Economic Logic. The strategizing process in agile organizations relies on a fundamentally different economic logic than exists in a traditional organization. Whereas traditional organizations leverage stability and

sustainable competitive advantages to drive performance (e.g., economies of scope and scale or static entry barriers), agile organizations believe that long-term performance derives from cumulative rent appropriation in each momentary advantage it pursues. In other words, the ability to change drives performance because no single advantage lasts long enough to warrant the investment.

Momentary advantages have a "hit and run" or "entry and exit" logic with roots in contestability theory (Bailey & Baumol, 1984; Levine, 1987). According to contestability theory,[3] a credible threat of entry by other organizations is enough to induce firms in a market to behave competitively. If a market can be entered (and exited) easily, incumbent organizations will keep their prices at the lowest levels at which profit is possible lest they have to defend their market share from newcomers. From the strategy perspective, when an opportunity to profitably offer new or existing products/services appears, the agile organization will do so. For example, Garmin, the leading global positioning satellite firm, recently entered the mobile telephone market, adapting their handheld GPS units. Lured by the profit potential in this market and the relatively low mobility barriers they face, Garmin is attempting to carve out a niche position leveraging their GPS applications. Should they fail in their attempt, they can easily exit the market and retreat into their traditionally profitable GPS business. However, unlike traditional firms – where this same logic can apply – the organization's change capability (see below) allows the firm to say "yes" often and quickly.

Both competitive and contestable markets are dynamic. However, profit making according to industrial organization theory relies on taking advantage of relatively stable structural and market imperfections to achieve sustainable advantage (Porter, 1980). The nature of these imperfections changes when knowledge becomes the source of advantage – entry and exit barriers are largely reduced and firms have access to scale efficiencies that are independent of size and physical assets. There are fewer sunk costs, and markets are more "contestable" in that a firm can enter and exit at costs that do not exceed revenue and meet the opportunity cost of capital requirements.

Contrary to a traditionally organized firm, where stability leads to effectiveness through efficiency, alignment, and growth, an agile organization expects change to lead to effectiveness through temporary advantages and the speed and elegance with which it orchestrates change. This economic logic represents a significant shift in the fundamental drivers of organization design principles.

Strong Future Focus. To achieve and maintain proximity, B2C organizations have the ability to consider potential alternative futures and create a variety of short- and long-term scenarios (Schwartz, 1991; Schoemaker, 1995). There is no assumption that the B2C organization can predict the future, only that it consciously develops and applies the capability to look at and play with the future. As a result, it is much less surprised by external events, and when change occurs, its conversations about what might happen have created more options with which to respond. Choosing which opportunities to pursue (or not) is still largely a matter of judgment (Tichy & Bennis, 2007). Developing scenarios is easier for B2C organizations because their members are in close contact with the external environment and are able to identify trends. In addition, the flexibility created by the change capability of B2C organizations gives them an advantage in being able to recover from bad choices.

Robust Strategies. Success in a range of possible future environments requires B2C organizations to seek a *robust* strategy that can deliver results under varying environmental conditions. Porter's (1980) generic strategies – differentiation and low cost – are examples of robust strategies because they can achieve above industry-average returns even as any of the forces of industry structure intensify.[4]

Robust strategies have two major components: identity and intent. The organization's identity is what keeps the organization from being whipsawed by environmental demands for change. It is an integration of the organization's internal culture and external brand, image, and reputation, and represents a long-term value proposition for the organization. It is also a central concept in the B2C approach because it is the most stable element (Hatch & Schultz, 2002; Lawler & Worley, 2006). Like an individual's personality, an organization's identity is a defining characteristic that changes very slowly, if at all.

Organizations that are built to change have a clear sense of who they are and what they stand for, and this helps guide what they pursue. In this sense, identity is very much in line with the core values concept that Collins and Porras discuss in *Built to Last* (1994) but differs in its reconciliation with image, brand, and reputation. When organizations know their identity, they are less likely to propose adjustments to strategic intent that will not be supported by the organization's culture or are not in line with its brand image. When new ideas bubble up that honor identity, they are easily supported and implemented. As the new CEO of American Express, Harvey Golub spent a lot of time developing future leaders in the organization by

asking them, ''Does that strategy sound like 'American Express?''' He was teaching his managers to leverage the power of identity and propose strategies that would be understood, at a gut level, by the people who would implement them.

When B2C organizations say they are changing their strategy, they are not referring to their identity but to their intent. A strategic intent is a short- to medium-term statement of how the organization will win in the marketplace. In B2C organizations, strategic intent is operationalized by tinkering with its breadth, aggressiveness, and differentiation (Hambrick & Frederickson, 2005; Carroll & Hannan, 1995). These three dimensions provide flexibility in describing the content of change in an organization's strategy. Breadth refers to the range of products and services offered, the number of different markets served, the scope of the distribution network, or the different types of technologies that represent the organization's core competencies. Aggressiveness describes the amount of urgency, enthusiasm, and resources the organization throws behind the communication, marketing, and execution of its strategy and with which it pursues advantages. Finally, differentiation describes the product and service features that distinguish the organization's offerings from competitors, including price, quality, warranty, after-sale support, and other characteristics.

Thus, for any set of product/service features, an organization can have a broad or narrow product line and can be relatively aggressive or passive in its approach. For example, WD40 relies on its difficult-to-imitate product features and strong brand reputation for differentiation, but is narrow in breadth and relatively passive in its market approach. Disney, however, leverages its strong brand across a broad range of products, services, and markets in a relatively aggressive manner. Importantly, these elements can be changed quickly to proactively create a momentary advantage or reactively protect an existing advantage. Whereas identity defines the long-term value proposition that exists between the firm and its environment, intent defines how momentary advantages will be monetized. When with a combined strong future focus, they give an organization the elements of a flexible strategy that can maintain proximity with environmental demands over time.

Creating Value: Leveraging Learning and Leadership

The second core process, creating value, is concerned with how organizational competencies and capabilities support the organization's strategy, how those capabilities evolve over time, and how leadership supports them (Barney, 1991; Peteraf, 1993; Zollo & Winter, 2001). In keeping with the

economic logic of an agile firm, B2C firms need to be as effective in executing their current strategic intent as they are in executing the transition to the next competitive advantage. Their operational competencies and capabilities are not the drivers of long-term performance per se, whereas these are the key drivers of short-term performance. What creates value and drives long-term performance over a series of momentary advantages is the ability to shift from one advantage to another.

The key to B2C thinking is the integration of organizational competencies and capabilities with learning. Instead of ''What do we do well?'' a B2C firm asks, ''What do we need to learn?'', ''How do our capabilities need to evolve?'', ''What new capabilities do we need to develop?'' and ''What do we need to do better so that we can add value in the future?'' The primary creating value processes are the orchestration and learning capabilities of the organization (Beer & Eisenstat, 1996; Worley & Lawler, 2009; Zollo & Winter, 2001; Senge, 2006; Argyris & Schon, 1996). They deliver on short-term objectives, and map out and execute the changes necessary to move from one strategic intent (constellation of breadth, aggressiveness, and differentiation) to another. A B2C firm effectively balances and trades off resource allocations for present performance against investments that will create future fitness, what Brown and Eisenhardt (1998) called ''low cost probes.'' These trade-offs are made as organizations think through a series of ''make or buy'' decisions to add, modify, or delete elements in their portfolio of capabilities.

The second element in the creating value process is shared leadership or what Mark Hurd, the CEO of Hewlett-Packard, has described as ''leadership as a team sport.'' Viewing CEOs at the helm of a big ship setting direction and ordering people around is the wrong metaphor (Lawler, 2008). A better analogy is to think of the corporation as a community of people spread over miles of hills, fields, and forests. Agile, B2C organizations disperse competent leaders across the countryside, all connected by a shared understanding of identity and purpose.

Shared leadership has four advantages. First, it effectively substitutes for hierarchy and supports the structural features described below. Spreading knowledge and power across many people allows an organization to process and respond to information quickly without requiring a tremendous amount of top-down direction. Second, it builds a deep cadre of leadership talent. By involving everyone in strategizing and orchestration activities, an organization can develop the leadership and management skills of many employees. Third, it leads to people below the executive level seeing important trends that call for corporate change. Finally, and most importantly, shared

leadership supports orchestration. In any change effort, there is typically more to do than a single leader or a few leaders can handle. Change efforts that are led by a single hero leader are fragile entities; if that individual falters, is overwhelmed with all there is to do, or leaves, the change effort stalls. With shared leadership, competent others are available to keep the momentum going.

Designing: Implementing Strategic Intent

Designing is the third core process and the most flexible. B2C organizations are defined by their maximum surface area structures, transparent information and decision-making processes, and flexible talent and reward systems. Together, they capture value from the current competitive advantage and support orchestration over time. The designing process has four features that support the implementation and reimplementation of a robust strategy as a continuous and normal process.

First, B2C organizations adopt structures that maximize the ''surface area'' of the firm by connecting as many employees as possible with the external environment. Organizations that accomplish this increase the external focus of their members; bring in critical information about trends, opportunities, and issues; support the creation of a strong future focus; and prevent people from becoming ossified in their roles. As many employees as possible should be near to or have direct contact with regulators, suppliers, the local community, watchdog groups and, most importantly, customers (and potential customers). When the time comes to alter the organization, everyone moves together based on a common understanding and felt need for the change.

A variety of companies have increased their surface area by adopting front-back, process-based, ambidextrous, or network structures that increase the centrality of customer and other external demands (Galbraith, 2005; O'Reilly, Harreld, & Tushman, 2009). Other companies have maximized their surface area by deploying multiple independent business units, outsourcing, and matrix relationships. For instance, Berkshire Hathaway, with its wide range of autonomous business units faces multiple markets and can adjust its corporate portfolio relatively easily without the angst and grief associated with traditional downsizings and resizings of integrated divisions. Similarly, W.L. Gore's small, interrelated divisions design ensures that each unit is maximally exposed to its relevant market. Internal matrix relationships can also increase an organization's surface area because, when employees from different functions or programs interact, they often must deal with a variety of alternative market perspectives.

Second, B2C organizations adopt transparent information systems and decision-making processes. Performance-based information systems are a particularly effective way to motivate and empower employees in a B2C organization because they facilitate moving decision making to wherever decisions can best be made and implemented. A good example is mySiebel, a personalized information system created by Siebel Systems before its acquisition by Oracle. Each employee could log onto mySiebel and gain access to corporate, market, and competitor information; data on current projects; and quarterly objectives for any individual in the organization (including Tom Siebel, the CEO). This widely available information allowed everyone throughout the organization to make customer-related decisions with up-to-the-minute data, and it helped people to align their individual behaviors with corporate objectives. The system facilitated a timely and inclusive goal-setting, performance-review, and reward process.

Third, B2C organizations adopt flexible talent management and reward systems. For example, B2C organizations can adopt either ''commitment to development'' or ''travel light'' talent management strategies (Lawler, 2008). In the commitment to development approach, B2C organizations are keen to recruit individuals who are quick learners and like change; encourage people to find out what needs to be done instead of telling them what their ''job'' is; and use frequent goal-setting reviews help establish what individuals and teams are expected to accomplish in the near future. Commitment to development organizations have an employment contract that states change is expected and support for change is a condition of long-term employment. In the travel light approach, the employment deal achieves flexibility by clearly articulating that the hiring and laying off employees happens according to a work/talent availability and performance scenario that is constantly changing.

B2C organizations utilize a variety of reward practices, including bonuses, stock, and ''person-based pay,'' that encourage both current performance and change. Bonus systems are used as motivators during periods of change by establishing a clear line of sight between change and rewards. Individual plans that offer relatively large bonuses provide powerful incentives for employees to perform well and to alter their individual behaviors when a shift in strategic intent calls for it. Group and business-unit bonuses are helpful in focusing team performance and creating a shared need for change.

In comparison to bonuses, stock plans are less effective in motivating change because the line-of-sight between the desired behavior and reward is less clear. But broad-based stock ownership can provide executives with a platform on which to stand and talk about the advantages of change.

When only senior managers have stock options, employees cannot be faulted for thinking, "Why should I listen to calls for change that only benefit those at the top?" When they own stock there is a reason for them to change.

Finally, B2C organizations shift the basis of pay from the job (and seniority) to the individual (and what he or she can do). In work environments that call for changing task assignments and the need to develop new skills and competencies, paying the person is a much more effective approach, particularly when it comes to retaining the right people. Instead of the organization rewarding people for expanding their jobs or for moving up the hierarchy, it recognizes them for increasing their skills and for developing themselves. This reinforces a culture that values growth and personal development; the result is a highly talented workforce that is receptive to change.

Conclusions

The newer OE models reconcile some of the contradictions in the earlier ones, but create others. For example, punctuated equilibrium models showed how both stability and change could contribute to effectiveness but the predominance of convergence and stability retarded the development of agility-oriented organization models (e.g., complexity-related organization models remain largely underdeveloped) and the evaluation of change (Lacey & Tompkins, 2007). Agile organizations, in contrast, achieve success through their ability to create or react to opportunities and string together a series of momentary advantages that keep them proximate with environmental demands over time. The organization's structure, capabilities, and processes are designed to support this logic. However, all of these models continue to support relatively narrow effectiveness measures, such as financial performance, cost, and satisfaction. In fact, ecological outcomes are not mentioned at all, and social issues are only given slight mention if we include stakeholder satisfaction and external evaluations in this category.

Economic Models of Effectiveness

A second class of effectiveness models – economic models – also focus primarily on financial sustainability in profit-seeking firms, and provide another important perspective on the concept of effectiveness. For our purposes, the most relevant model of economic effectiveness is the structure-conduct-performance model (Bain, 1968; Scherer, 1980). It draws on

concepts from traditional microeconomics and the underlying theory of industrial organization. Industrial organization economics – the foundational discipline for competitive strategy (e.g., Porter, 1980) – proposes that an economic system's performance can be assessed according to efficiency, innovation, employment, and risk/return criteria (Scherer, 1980). That is, rather than describing how an organization should be designed, economic models specify the criteria by which organization effectiveness should be judged, including:

a. Efficiency: Decisions as to what, how much, and how to produce should be efficient in two respects – scarce resources should not be wasted outright and production decisions should be responsive qualitatively and quantitatively to consumer demands.
b. Innovation: The operations of producers should be progressive, taking advantage of opportunities opened up by science and technology to increase output per unit of input and to provide consumers with superior new products, in both ways contributing to the long-run growth of real income per capita.
c. Employment: The operations of producers should facilitate stable, full employment of resources, especially human resources.
d. Risk/Return: The distribution of income should be equitable…implying that producers do not secure rewards far in excess of what is needed to call forth the amount of services supplied (Scherer, 1980, pp. 5–6).

The efficiency criterion is strongly represented in traditional organizational models of effectiveness. That is, resources and capital, such as land, natural resources, people, and cash, are assumed to be scarce, and an important criterion of systems effectiveness is the extent to which they are used productively to maximize profit for individuals, firms, and benefit the social system as a whole. The innovation criterion is typically operationalized in terms of the extent to which new products/services are being developed and introduced over time, with science and technology being key drivers. Christensen (1997) and Chesbrough (2007), for example, have recently explored the shifting patterns of innovation activity whereas Rogers' (2003) studies of innovation diffusion have been a staple in organization research for decades. The third criterion is the extent to which human capital is fully employed. ''Full'' employment has at least two connotations, including the *number* of people employed and the *quality of work life* enjoyed by employees, and this is the most socially relevant of the four criteria. The fourth criterion is the risk/return principle and suggests that people or

firms who take the biggest risks and succeed should be allocated the biggest returns. This entrepreneurial criterion supports the innovation criterion.

When environments are relatively stable, markets are competitive, and resources are allowed to operate freely, the economic model of effectiveness works well, including the pursuit of social and even ecological sustainability (Scherer, 1980). Drawing on concepts from traditional microeconomics, theories of perfect competition, and the dynamic interactions of producers, suppliers, buyers, and technologies, economists can easily address how long-run sustainability in economic, social, and ecological outcomes should be achieved (Reisman, 1996). For example, sustainability should enter into effectiveness decisions through either resource scarcity or consumer demands to pursue efficiency or full-employment criteria. Dwindling supplies of coal and oil should shift input costs up and drive the search for alternative fuels. Similarly, consumer demand for more ecologically friendly or socially relevant outputs should incent organizations to shift their products/services.

However, various market conditions (e.g., asymmetric information flows, mobility barriers, government tax policies) and market failures (e.g., decreasing marginal costs, unaccounted for environmental and social externalities, sticky assets) can warp those criteria. For example, current calculations of profit and loss do not fully recognize environmental externalities and social costs. To be sure, organizations have had to attend to these costs because of non-governmental organizations (NGOs), regulatory action, and government policy, but their full cost is not generally accounted for and decision-making processes are therefore not optimized across all the dimensions of sustainability. Moreover, most organizations resist such efforts by colluding with the market; they note that such cost recognition will almost certainly increase prices, and they can rightfully claim that despite the increasing attention to green products and social issues, many consumers are not yet willing to pay extra for such goods and services. In addition, although the model supports a social sustainability perspective in that the risk/return criterion explicitly suggests that such rewards should not be ''far in excess,'' the concern over CEO pay and the gap between the ''haves and the have nots'' suggest that the definition of excess has shifted.

The perspective of the economic model is definitely broad. It is concerned with the performance of the individual firm as well as the quality of social fabric in which the firm exists. But the race toward globalization has very few mechanisms in place that balance decisions regarding financial, social, and ecological outcomes (Friedman, 2007; Perkins, 2005; Chua, 2004; Korten, 1995; Korten, 2007). Hawken and his colleagues have noted that

a variety of governmental policies, tax incentives, organizational practices, and reward systems actually promote the irrational use of natural capital (Hawken, Lovins, & Lovins, 2008). As a result, short-term economic criteria frequently become prepotent over long-term social and ecological criteria.

Sustainability Models of Effectiveness

Sustainability models are a third type of organizational effectiveness model that have emerged partly because the other models systematically ignore the ecological environment and partly because markets have not addressed critical externalities. As Hawken et al. (2008) argue, most organizational balance sheets account for the resources (e.g., oil, gas, minerals) provided by the ecology but do not account for the services provided by the ecosystem (e.g., generating and cleaning the air, water, and habitat). Sustainability models of organizational effectiveness tend to be unidimensional – focused on meeting ecological criteria of effectiveness – although they are quick to point out the long-run economic advantages of their perspective (Hawken et al., 2008).

Sustainability models overlap to a great degree with models of corporate social responsibility in that there is a conscious integration of firm-level decision making with larger social and environmental issues. Three of the more common sustainability frameworks – the CERES Principles (Cogan, 2006), the Natural Step (Nattrass & Altomare, 1999; Robert, 2008), and Natural Capitalism (Hawken et al., 2008) – are shown in Table 2. Each model has a slightly different purpose.

The CERES Principles were born from efforts to encourage corporations to report on their carbon footprint and to do so in a standardized way. The CERES organization works with corporations to comply with the principles and makes changes in line with the principles.

The Natural Step (TNS) begins with the premise that current economic models based on the assumption of growth cannot reconcile the increasing demand for and decreasing supply of finite and fundamental natural resources. The sooner this incompatibility is recognized and addressed, the larger the number of available and socially acceptable solutions.

Finally, Natural Capitalism defines sustainability in terms of services or products competing in the marketplace because they deliver goods and services that reduce energy consumption, pollution, and other forms of environmental damage. In this framework, sustainability is an economic state where the demands placed upon the environment by people and

Table 2. A Comparison of Sustainability Models.

Dimension	CERES Principles	The Natural Step	Natural Capitalism
Purpose of the framework	Standardized reporting	Guide to strategizing	Rectifying economic and ecological ends
Principles	• Protection of the biosphere • Sustainable use of natural resources • Reduction and disposal of wastes • Energy conservation • Risk reduction • Safe products and services • Environmental restoration • Informing the public • Management commitment • Audits and reports	(1) Substances from within the earth must not systematically increase in the ecosphere (2) Substances produced by society must not systematically increase in the ecosphere (3) The physical ability of nature to renew itself must not be diminished (4) The basic human needs of all people need to be met with fairness and efficiency	• Dramatically increase the productivity of natural resources • Shift to biologically inspired production models • Move to a solutions-based business model • Reinvest in natural capital

commerce can be met without reducing the capacity of the environment to provide for future generations.

Like the economic models of effectiveness, sustainability models tend to describe the criteria of effectiveness and are not organizational models per se. The dimensions or principles listed in the three models are very similar. All three models have a clear and strong focus on protecting and restoring the natural ecology. The CERES Principles focus on protection of the biosphere, reduction of waste disposal, and environmental restoration. TNS addresses the rate of resource extraction and the ability of the environment to renew itself, and Natural Capitalism recommends reinvestment in natural capital. Similarly, all models recognize that economics should play a role in sustainability. The CERES Principles call for safe products and services, TNS recognizes that meeting diverse human needs will require trade-offs in fairness and efficiency, and Natural Capitalism calls for shifts in the business models to make these trade-offs explicit. Finally, all three models address issues of productivity by referring it to conservation and sustainable use of natural resources, transformation processes that increase nonnatural substances into the ecosphere, and biologically inspired production models. All three sustainability models report case studies of organizations adopting

their principles and improving their sustainability, but there have not been any large-scale evaluation efforts of these models.

The CERES model, owing to its purpose as a standard for organizations, is unique in calling out of organization system requirements such as management commitment, public reporting, and audit processes. TNS and Natural Capitalism both acknowledge the need for changes in organization design and financial systems, but are relatively silent on the specifics. Natural Capitalism, for example, is concerned that tax policies and organization reward systems may tacitly or explicitly reward organization members for decisions that misuse natural capital but does not offer alternatives.

Almost by definition, sustainability models have focused on ecological issues in an attempt to balance the perspectives in other OE models. To their credit, they have not ignored the economic implications of their perspectives. However, they spend very little time and effort spelling out the organizational implications (Worley et al., 2009).

OE Models: Conclusions

Traditional OE models highlight measures related to financial performance, productivity, employee satisfaction, and customer loyalty but systematically (although probably unconsciously) ignore the criterion related to sustainability. Economic models can explain multistakeholder sustainability in theory, but in the presence of market failures are unable to generate practical results. Sustainability models have a singular focus on ecological outcomes but oddly ignore social issues in an effort to be seen as economically palatable and have little in the way of organizational solutions to support their recommendations.

There are two important implications of this review. First, much of the organizational effectiveness theorizing and all of the economic and sustainability effectiveness models focus on the output criteria of effectiveness. That is, how is one to know if an organization is effective or not? Second, the organizational effectiveness perspectives taken together support the conclusion that the environmental demands an organization must address no longer consist of just maximizing profits or pleasing demanding customers or focusing on being a great place to work or for that matter doing all three. Organizations must now give equal attention to all of these demands in addition to ever changing community concerns, social obligations, and ecological realities. All told, the clear message looking across these models is that organizations are increasingly expected to satisfy all

three classes of demands – economic, social, and ecological – in what is becoming known as the "triple bottom line" (Elkington, 1994).

The interaction of the complex demands organizations face means that the pace of change will continue to increase. For example, when an organization is faced with increasing pressure for better economic performance from the financial markets and for increasing ecological performance from the environmental NGOs watching the industry, it has to possess the capability to identify potentially competing goals, make important trade-offs in allocating resources, and conduct multiple, integrated change efforts quickly to achieve them.

No single model seems to provide the necessary guidance to organizations, and there is a clear need for creation, revision, and integration. Organization effectiveness criteria in the future will require a clearer modeling of the demands so that organization designers can specify appropriate levels of achievement as well as the changes necessary to reach them. In addition, managers and executives will need to plan their strategies, structures, and process designs against a revised model of organization design that acknowledges multiple stakeholder demands. To address the issue of an integrated criteria set, we propose the "responsible progress" framework (Worley & McCloskey, 2006).

INTEGRATING OE PERSPECTIVES: THE RESPONSIBLE PROGRESS FRAMEWORK

Responsible progress is an integration and relabeling of the organizational, economic, and sustainability frameworks. Our labeling of the framework – responsible progress – is derived from the concern that definitions of sustainability have been overly associated with the ecological perspective (World Commission on Environment and Development, 1987; Docherty, Kira, & Shani, 2009) and subsequent treatments have show more emphasis on this dimensions than social or economic sustainability. A recent TV ad demonstrates the point. A middle manager is presenting a "sustainability" strategy to a dour set of executives only interested in the "bottom line." Their attacks on the plan are cynical and hostile (e.g., "we aren't tree huggers") until the manager says that the plan will cut energy costs by 40%. The black and white commercial turns to color, voices sing, and the executives dance. The point is clear: executives are very interested in "sustainability" if the economic bottom line is the first among equals in the triple bottom line.

The integration and relabeling of these frameworks therefore leans heavily on the economic model as a starting point. By grounding the responsible progress framework in traditional economic thought, it is hoped that traction can be gained in terms of social and ecological outcomes as well as signaling the organization design features that are needed. Most attempts at describing the triple bottom line, however, have not provided any theoretical mechanism for balancing these criteria. The responsible progress model does this.

The responsible progress prescription calls for businesses, governments, NGOs, and other stakeholders to jointly optimize economic development, technological innovation, cultural diversity, and ecological health to achieve sustainable global effectiveness (Table 3). Responsible progress is influenced by the joint optimization principle from sociotechnical systems theory and recognizes that each of the elements alone is insufficient to produce responsible progress; the pursuit of each element's goal has to be achieved within the bounds of the other three (Cummings & Srivastva, 1977). For example, Murrell (2004) proposed that people be treated as ends and that organizations should drive for performance as an important outcome, address the tension between trying to achieve both people and performance outcomes, and be designed for sustainability. Similarly, a responsible progress policy was influenced by the "triple bottom line" that focused on the economic, social, and ecological value added or destroyed by governments, organizations, and individuals. The triple bottom line, however, is overly focused on outputs (ends) whereas responsible progress suggests that

Table 3. Dimensions of Responsible Progress.

Dimension of Responsible Progress	Definition and Boundary
Technological innovation	• New and better ideas for progress should be generated • Guided by diversity, development, and sustainability
Economic development	• Economic systems should be productive and effective • Balanced by innovation, diversity, and sustainability
Cultural diversity	• Human and cultural dignity are valued in their own right • Supported by innovation, development, and sustainability
Ecological sustainability	• The ecology should have standing in all decisions • Founded on innovation, development, and diversity

each element is both a means and an end (Quinn & Rohrbaugh, 1983). We present a brief description of each element below and propose these as *the* design challenge for today's organizations.

Technological Innovation

Technological innovation is an important element in all models of effectiveness and supports the goal of new and better ideas for progress. It is the economic power train of responsible progress and is focused by the principles of ecological health and cultural diversity. Technological innovation as used here differs from its use in the economic model. First, without the ecological health and cultural diversity goals in the original model, the guideposts for technological innovation are both too narrow (focused on financial performance) and too broad (no explicit constraint to social and ecological impact).

Investment decisions prior to the responsible progress criteria often have favored incremental innovations with higher likelihoods of generating incremental profits over riskier innovations with great potential (Mensch, 1979). Too often, these incremental investments are easier to justify on a cost/benefit basis because they are associated with existing fossil fuel-based paradigms, unconsciously increase commitments to an oil-based economic model, and do not have to fully account for social and ecological externalities. The automobile industry's commitment to SUVs serve as a case in point. They were clearly revenue positive but diverted attention away from electric, hybrid, and fuel cell development.

Often, traditional change implementation processes make the false assumption that people and cultures are more similar than different; and that diffusion is both easy and desirable. For example, many US high-technology manufacturers and software developers have tried to extend their fast-paced and confrontation-oriented operational practices to their Asian subsidiaries (Hughes, 2009). The operational progress that is achieved is often fleeting and in a direction that unconsciously supports cultural homogenization. Hughes found that the skills employees developed at work were carried over into personal and social arenas where they hurt the long-standing social order.

In contrast, the responsible progress criteria encourage organizations to adopt a more specific set of guidelines when choosing technologies, products, and services to support, pursue, develop, and deploy. Organizations should recognize and reward managers and employees who identify

and develop clean technologies, substitute clean technology for fossil fuel-based business models, and leverage technology to preserve cultural diversity. The NGO community has led the way in creating a civil society, developing a cadre of social entrepreneurs, and promoting technologies of empowerment (Cooperrider & Dutton, 1999; Bornstein, 2004). The for-profit community could learn from their example, although the short-term view of most financial markets and the short tenures of many senior managers are important constraints to acknowledge and address.

Economic Success

The economic success criterion integrates the efficiency criterion with the full employment criterion from the economic model of effectiveness. Both organization and economic models of effectiveness overstate the value of efficiency and predictability as indicators of and contributors to effectiveness. Adam Smith's original definition of efficiency as specialization in task performance meant that work could be performed at high levels of reliability and effectiveness. The resulting machine metaphor of efficiency became a staple in organization theory (Morgan, 1997).

In modern times, efficiency and predictability have had a prominent place in management thinking. Weber noted, "from a purely technical point of view, a bureaucracy is capable of attaining the highest degree of efficiency.... It is superior to any other form in precision, in stability, in the stringency of its discipline, and in its reliability" (Rheinstein, 1968, p. 223). In their classic book *The Social Psychology of Organizations*, Katz and Kahn (1978, p. 41) note, "one can define the core problem of any social system as reducing the variability and instability of human actions to uniform and dependable patterns." Toward that end, organizations have spent millions of dollars implementing six sigma, lean, reengineering, and other improvement programs in an effort to be more efficient and to get their processes "under control." The financial markets, shareholders, and customers also base their judgments of effectiveness on the expectation that organizations will deliver on their forecasts. The continued popularity of process improvement programs provides ample evidence of the consuming desire for predictability and efficiency as a means of producing stability and high levels of performance.

Efficiency and predictability have not turned out to be the strategic weapons that were originally envisioned. For example, of the 16 Malcolm Baldrige quality award recipients between 1994 and 2003, only one outperformed the S&P 500 during that time period. These organizations

showed millions of dollars of savings through their continuous improvement effort, but did not post commensurate increases in profits. In fast changing environments, an overzealous pursuit of efficiency slows change and threatens long-term effectiveness (Van Alstyne, 1997). Efficiency and predictability abhor variation, which is essential for innovation and adaptation. The efficiency-obsessed organization often mortgages sustainability for current performance.

The economic success criterion supports the belief that organizations, governments, and societies should operate effectively and provide employment guided by the principles of cultural diversity and ecological health. Whereas the technological innovation plank is the economic driver of responsible progress, the economic development plank recognizes that firms, NGOs, and governments should operate where revenues/benefits exceed expenses/costs. Technological innovations are deployed to create effective organizations, productive countries, and a robust global economy.

However, the economic success criterion challenges the traditional definitions and measures of effectiveness with respect to growth. To understand this perspective we must first differentiate between growth as a goal and growth as a strategy. Growth, for example, can be a strategy (a way or means) of achieving employee satisfaction by providing more career paths and opportunities for advancement. As a goal, growth in profit or other financial measures is almost the sine qua non of effectiveness. At some level, any strategy is being adopted because of its potential to support growth. We are more concerned here about growth as a goal.

In addition, we need to differentiate between aggressive growth that is considerably above industry average and a rate of growth that matches natural levels. Overall population increases, changes in technology, and shifts in the definition of ''quality of life'' all support a natural level of growth in organizations, industries, and economies. For example, globally, the growth rate of the human population in 2007 was 1.19% per annum. In contrast, the average annual GDP growth rate was about 3.3% between 1990 and 2006 according to IMF's World Economic Outlook database.

Economists and social scientists agree that while some growth improves the quality of life, there is a rate of growth that obstructs sustainable living (Beddoe et al., 2009). Despite these markers, many organizations publicly pursue growth goals that far exceed this natural level or the growth rate of their industries.

The economic success criterion recommends that revenue growth goals be consistent with natural market evolutions; profit growth goals need to be aligned with competitor and capability realities; and value added goals need

to be consistent with returns on living capital. The consequences of overly aggressive goals, big hairy audacious goals (BHAGs), and stretch goals are a cycle of boom and bust – not inconsistent with the punctuated equilibrium model – that traditionally designed organizations are ill-equipped to handle and that utilize resources disproportionately to the earth's ability to generate them. As described by punctuated equilibrium theory, growth is one of the reasons organizations build up pressure and commitment to the status quo. Growth results in a certain way of doing things that is rewarded and reinforced.

When individuals are focused on achieving specific tasks, they tend to misread or ignore signals that suggest the need for change (Simons & Chabris, 1999; Taleb, 2007). Absent perceptive employees who stay in touch with environmental change, the momentum of growth and the consequences of tighter alignment, more efficiency, and more predictability encourage organizations to continue the same practices well after they lose their ability to contribute to effectiveness. In response, organizations commit more resources to the existing strategy and continue to do so long after their recipe for success is no longer useful. This type of disproportionate reaction is more than the market (boom) can support which leads to the need for a retrenchment/downsizing and transformation (bust) which leads to the need for a turnaround (prelude to the next boom). The inevitable outcome from a period of overly aggressive growth is a period of retrenchment.

We are not saying growth is bad. Far from it. For example, Align Technologies' "invisible" orthodontics product is disruptive to the traditional concept of realigning teeth with metal braces. Success requires aggressive growth to establish legitimacy and market share, but to do so without a eye on the future will commit the organization to a strategy and design that cannot be sustained, and the violent transformation into maturity without the requisite change capabilities will likely consume the profits generated during growth. Thus, periods of convergence and stability and the pursuit of effectiveness are not inconsistent with growth. However, we are saying that a singular focus on aggressive growth will not lead to responsible progress. Starbuck's recent history of overly aggressive growth in the number of stores and the revenue/store clearly demonstrates this nonsustainable pattern.

Ecological Health

Ecological health supports the goal of living within the environment's ability to support life over the long run and contribute to cultural diversity and

economic development. It is a link pin value in the responsible progress framework and suggests that business strategies built around the productive use of natural resources can solve environmental problems at a profit (Hawken et al., 2008). The principles and propositions of TNS and Natural Capitalism apply here and now have the support of a framework beyond the simple pursuit of ecological health. Recognizing and addressing the achievement of economic, social, and ecological outcomes as part of the responsible progress criteria creates a larger number of available and socially acceptable solutions (Nattrass & Altomare, 1999).

For example, organizations, driven by social pressures, a set of internal cultural values, or enlightened economic thinking, are beginning the process of understanding how their operations impact the natural environment. The largest single framework is the concept of a "carbon footprint." Organizations as diverse as UPS, DaVita, Northrop Grumman, and the Gap are developing metrics and processes for understanding how a variety of activities and assets, including office buildings, commuting patterns, air travel, supply chain operations and externalities, and production facilities, are depleting the ecology and contributing to global warming.

This work must continue, but it is not enough to support responsible progress. Organizations must find ways to change their operations to not only achieve appropriate levels of economic success but to do so in ways that are ecologically and socially healthy. This is no small feat. A 2008 sustainability conference sponsored by USC's Center for Effective Organizations, attended by more than 20 organizations, found that most firms have little knowledge and even fewer frameworks and experience with organization designs and strategy that can produce all three outcomes of the triple bottom line.

Cultural Diversity

We use the term cultural diversity to reflect not only a global and systemic perspective of human and cultural dignity but an important long-term adaptability strategy. Friedman's *The World is Flat* (2007) and his more recent *Hot, Flat and Crowded* (2009) have gone well beyond the descriptions of globalization that characterized his *Lexus and the Olive Tree* (2000). Friedman and others (Korten, 1995 , 2007; Sen, 2000) are now advocating a more values-driven and conscious set of practices. Key among the values is an appreciation of the cultural diversity that exists and a