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Avoiding the Corporate Dinosaur Syndrome

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EXECUTIVE SUMMARY:
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The characteristics that are associated with large corporations becoming dinosaurs are identified. These include such culture issues as arrogance and the unwillingness to question the reasons for success. Structural and management style issues such as organization size, centralized decision making and functional organization structures are also included. When an organization develops a significant number of these dysfunctional characteristics, it runs the high risk of becoming ineffective, primarily because it loses touch with the external environment and the customer's which is must serve. A number of practices are suggested that can prevent an organization from becoming dominated by these dysfunctional characteristics. These include a strong emphasis on corporate performance assessment, a focus on the environment that pays particular attention to non-traditional competitors and a willingness to attack established products, services, and practices. Additional behaviors for avoiding the dinosaur syndrome are support of innovation, organization structures which are lateral in process and lead to participative decision making, and a focus on organization learning and planning. It is argued that if an organization attends to these practices it can prevent decline. Organizations do not have to suffer periods of decline and near-death experiences in order to make major transformations. They can continually update themselves and avoid facing a crisis situation.

AVOIDING THE CORPORATE DINOSAUR SYNDROME

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The problems of many large corporations are increasingly visible and important to both the world's economy and to our understanding of what determines organizational effectiveness. Many large corporations have become "corporate dinosaurs," so big, cumbersome, and highly adapted to their historical environment that they are unable to respond to the rapidly changing current environment of today.

There is nothing new about previously successful corporations developing performance problems and losing out to new ones. Indeed, the capitalist system is based upon the assumption that there will be constant turnover among corporations. As companies become inefficient, capable of only producing obsolete products or in some other ways unable to cope with the business environment, it is expected and in many ways desirable that they be replaced by new ones which offer superior services and products. In the 1900's for example, the U.S. economy included among its leading companies, National Sugar, U.S. Leather, National Lead, and the General Electric Company. Today, all of these companies with the exception of General Electric have faded from the scene. The survival of General Electric, however, suggests that it is possible for companies to survive over time if they are able to adapt to the environmental changes which occur. Certainly, General Electric today is a far different organization than the one that thrived at the beginning of the century.

There is evidence that the rate of change in company performance has increased dramatically in the last decade. For example, during the last decade there have been more new entrants and departures from the Fortune 1000 than ever before. Four of the seven corporations with the highest market value in 1972 (Kodak, Sears, General Motors, and IBM) all dropped out of the Top 20 during the last decade. IBM which has been rated as the best managed U.S. Corporation, lost over 17 billion dollars in market value between 1972 and 1992. This occurred despite a relatively high rate of inflation which meant that 1992 dollars were of much less value than 1972 dollars, an increase in the Standard and Poors stock price index of over 250% and a growing market for their products.

There are a number of reasons why the rate of change in corporate performance has increased, but two stand out: environmental change and the appearance of non-traditional competitors who are better able to capitalize on the new circumstances. The last decade has seen a tremendous amount of social, economic, political and technological change. So much change has occurred that in most industries it is highly unlikely that what worked in the past will work as well today or tomorrow. In many industries experience has become a handicap. Indeed, the advantage goes to the non-traditional competitor who scores higher on the inexperience curve because they don't have to unlearn outdated habits and escape from old commitments. Many start ups and foreign entrants to new markets start fresh, and directly address the new environment by changing the rules of the game.

In several respects, Kodak, IBM, General Motors, and Sears are particularly striking examples of major corporations that have developed severe performance problems at least in part because of their past successes. At one point or another in their history they were all seen as well-managed companies. Unlike National Lead and U.S. Sugar, the markets that they served did not disappear nor were their core products replaced by new products. Indeed, in all four cases, they were eclipsed by new competitors who out-performed them. In the case of General Motors and Kodak, those competitors were predominantly off-shore and of course in the case of Sears and IBM, they were predominantly new U.S. based corporations like Lands End, Wal-Mart and Compaq.

There are two key organizational effectiveness questions about the corporate dinosaur syndrome: Are there identifiable characteristics of organizations that lead to them having a high propensity for losing out to new competitors? And, are there are actions that corporations can take to reduce the risk that they will become dinosaurs?

Characteristics of Corporate Dinosaurs

There appear to be a number of identifiable characteristics that are associated with organizations becoming dinosaurs. It is rare to find organizations that have all of these characteristics. It is not uncommon, however, to find organizations that have enough of these characteristics so that the overall dinosaur syndrome can be identified and the organization can be said to be at risk of becoming a dinosaur. The list of characteristics is drawn from our research on organizational effectiveness. It is not the result of a traditional literature review or a statistical analysis of a large data set. Instead it is drawn from the many organizational analyses that we have done and from our recent action research on high-performance work organizations and corporate restructuring.

All the characteristics that we can identify which are associated with the dinosaur syndrome are both advantages and disadvantages. At some point in history they contributed to organizational effectiveness, but with time they have had just the opposite effect. A quick overview of them will serve to highlight the warning signs that corporations should look for and also lead to a discussion of what organizations can do to prevent themselves from developing these potentially disabling characteristics.

1. Past success/arrogance and self-attribution

Success in the business world is a powerful reinforcer of the status-quo. It leads to conservative actions with respect to change, but perhaps more importantly, it often leads to a sense of arrogance and invincibility. There are numerous reasons for this, but perhaps the most important one is that organizations like individuals have a tendency to assume that success is due to their own efforts. Unlike failure, which is often attributed to bad luck or highly effective competitors, success is typically attributed to competencies, wisdom, and high levels of performance.

It is the very success of the past that makes it difficult for organizations to recognize their performance liabilities and opens the door for competitors to succeed by taking different strategies which provide a competitive advantage (e.g. building networks of computers to replace mainframes). It also can cause organizations to over-estimate the difficulty that competitors may have in exceeding their performance levels. Examples exist of auto companies and electronics companies which assumed that they were producing a reasonably high quality product only to find that new entrants were able to substantially improve upon their performance levels. For example, because of the standards set by Japanese manufacturers, the number of defects in cars has dropped by 90% in just the last decade.

Success also creates groups within organizations that have a vested interest in the status quo. Certain positions and departments become powerful, wealthy and prestigious as a result of past success. This elite often becomes conservative because they have a lot to lose. They do not want to hear about problems requiring change or about organizational innovations that will improve performance. They become risk averse and play the game "not to lose" rather than "to win." To the degree that they dominate in their organization it leaves the door open for aggressive, hungry, and innovative new entrants.

2. Size

Success typically leads to growth and large size. In itself size is not a liability and can in fact be a major asset, however, if it is not managed well, it clearly can become a liability. IBM, Sears, General Motors and Kodak were and still are among the very largest corporations in the world. However, their size has not assured them of success. In some respects it has contributed to their problems by causing them to become internally focused and concerned with maintaining and managing their internal relationships. In essence, they have become more bureaucratic and more control oriented in order to cope with coordination and communication problems that are caused by large size.

Size often makes change difficult because it requires change to many complex systems as well as for many individuals who have a strong vested interest in the status quo. For example, change in such critical human resource management systems as the pay system can be extremely difficult. The typical pay system in a large organization often has many components which are targeted at different functions and different levels of the organization. As a result, change in the overall pay system of the organization often requires the restructuring how every individual in the organization is treated with respect to one of the most important rewards that the organization offers, pay. Although most individuals may not love the existing system, it probably has served them reasonably well (after all, they are still there) and at least they know what to expect.

Creating change needs to begin with a new statement of compensation philosophy or strategy, careful analysis of the existing reward system, and then the design of a new reward system that better fits the strategic intent and organization structure. This needs to be followed by an implementation program in which significant amounts of education and training are done. Finally, the system needs to be debugged and made operational. Doing this well can take months, if not years of change activity. Not surprisingly, with respect to the pay system and many other systems, creation often is easier than transformation.

3. Centralized control and decision making

A common characteristic of large companies that develop difficulties is the tendency to try to centrally coordinate their many activities. The assumption is that central control and coordination can produce synergies among the many, often varied parts of the organization and as a result, the whole will be worth substantially more than the sum of the parts. All too often this assumption proves to be false--particularly when the organization is engaged in a diverse set of businesses and where the environment is changing very rapidly. Instead of leading to synergy, coordination, and a sum that is greater than the parts, this approach leads to slower decision making, poor coordination, high overhead costs, and an inability to move in a quick and decisive way as the environment changes.

4. Lack of contact with the customer and the environment

The combination of large size and centralized control typically produces an additional characteristic of corporations that have become dinosaurs. A very small portion of the employee population and operations have direct contact with external customers and the competitive environment. Instead of the organization focusing on satisfying customers, it tends to focus on internal relationships, managing internal decision processes, and satisfying internal customers or higher level management.

An internal focus often leads to the fatal problem of an organization losing contact with its customers and not focusing on their satisfaction and their needs. It also prevents the marketplace from being a good source of control and feedback to employees throughout the organization. As a result, they often do not change quickly when the market calls for it, and the organization needs to increasingly use internal controls because of the absence of the market as a controlling force on behavior. This often leads to escalating levels of internal control as the previous control devices fail because they are gamed by employees. Gaming occurs because the controls appear as artificial, inappropriate, and not reflecting the realities of the external market.

5. Internally focused human resource management practices

The approach that organizations take to human resource management development is critical to long term success. Particularly as a company becomes more successful and grows, it has the need to add to its human resource capabilities. It is often assumed that the best approach is to develop human resources internally. Promotion from within policies, job security policies, and careful selection of individuals to fit particular jobs and particular career tracks in the corporation are characteristic of organizations that adopt the traditional human resource model.

The internal human resources model tends to be effective as long as the corporation needs to do business as usual. Indeed it can be an important contributor to success, because it eliminates unwanted variance and reduces some costs. It can become a severe handicap, however, when the organization needs to change. It tends to create an organization that is finely-tuned to doing the previously right things in a better and more effective way. It typically fails to produce the variety of people and skills which are needed in order for it to perform in a new and different way. What is more, with policies that support employment security and internal promotion, it is difficult to replace the existing workforce with the new talent which is needed in order for the organization to change its behavior.

6. Stable Functional Organization Structures

A company's organization structure determines the focus of its eyes and ears. The structure determines what information is collected and what is communicated. When today's structure fits with today's strategy the alignment is effective. But today's structure influences tomorrow's strategy and may bias the information used in the strategy formulation. When the structure has been stable and the company successful, a rigidity arises favoring the status quo. More dynamic and multi-dimensional structures are less likely to give a biased view of the evolving business environment. Functional structures have proven to be particularly rigid.

Historically, it has been assumed that a major way to achieve organizational success is to have a strong functional organization. Thus, to facilitate this, most large corporations are organized around key functions such as manufacturing, marketing, sales, etc. These functions typically have been staffed with experts who are oriented toward seeing that the organization is outstanding in the function for which they are responsible. It is assumed that if all functions are excellent, the organization will be excellent in serving its customers. All too often functional organizations get into trouble precisely because they cannot coordinate their functions in order to serve customers. In addition their functions tend to optimize functional excellence rather than organizational performance because they do not deal with customers and the competitive market place.

7. Internal measures of effectiveness

The functional excellence model, particularly when combined with large size, tends to lead to organizations measuring performance in terms of internal indicators. Profit and loss becomes a focus only at the total business level, or in the extreme case, at the total corporate level. IBM, for example, until recently only produced profit and loss statements at the corporate level. Financial performance in the rest of the company was judged based on the business units ability to meet internal measures that focused on budget objectives. In some cases the measures are not even financial, instead the focus is on operational measures that the organization thinks are important to customers. For example, telephone companies measure how long it takes to answer the phone and what tone of voice is used.

All to often, the focus on budgets and internal operation's measures of operating effectiveness leads to behavior in which units focus more on negotiating their budget and their internal measures, than on figuring out how they are contributing to organizational effectiveness and customer satisfaction. It also tends to lead to a situation which is hierarchical and internally focused. The hierarchical focus develops because that is who ultimately determines what is success and what is rewarded.

Finally, someone needs to be sure that integration occurs across the different areas objectives so that the whole organization functions effectively. The only way to do this is with layers of management and bureaucracy and a culture that is focused on listening to and pleasing top management.

8. Hierarchical model of decision making

It has already been suggested that large organizations have a natural propensity to develop hierarchical decision making modes, particularly when they are organized functionally and try to add value through integrating operations. A certain amount of hierarchy is necessary in large, complex organizations, but how much is necessary? The development of 10-15 levels of management often is a clear indicator of an organization that is at risk with respect to placing adequate focus on the customer and the external environment. Instead of focusing on them, the organization tends to focus pleasing high level management while individuals focus on gaining the skills and demonstrating the kind of performance that will lead to promotion and the rewards which are associated with it.

In many cases, the hierarchical system is institutionalized by elaborate systems of titles, perquisites, and special treatment so that the top part of the organization ends up not only isolated from the external world, but from the rest of the organization. The institutionalization of the hierarchy also tends to reinforce the tendency for decisions to be made only at the top. They clearly indicate to individuals throughout the organization the appropriate level of authority of each individual and help to reinforce the movement of decisions to those individuals who have formal power. In some cases this can speed decision making because it makes it clear who has the authority to make the decisions. It can also overload the decision-makers and make it difficult for them to understand the complexities of the many decisions that they have to make. Often in order to get decisions that are timely and responsive to particular conditions, decisions are best made close to the point of contact with the customer or the external environment. This is very difficult to do in an organization which is structured to reinforce decisions being made at the top.

9. Cultural characteristics

There appear to be two cultural characteristics of organizations which are poor at responding to their environment. First is the attitude that if it isn't broke, don't fix it. Instead of looking for ways to continuously improve and focus more on customer needs, the corporate culture tends to dictate that continuing to do what is currently successful is the preferred approach. This represents a major obstacle with respect to innovation and the development of new practices, policies, and products. Closely related to the issue of sticking with what has been successful in the past is the issue of what is not discussible. All organizations to a degree develop the tendency to avoid discussing particular issues and challenging the way that things have traditionally been done in the organization. Clearly, the more "un-discussibles" there are in an organization, the more it is at risk of becoming a dinosaur.

Avoiding the Dinosaur Syndrome

It is one thing to identify the characteristics of a dinosaur, it is another to take actions that will avoid an organization becoming a dinosaur. This is particularly difficult because there is no one characteristics that is automatically associated with an organization becoming a dinosaur. Instead, it is the pattern of characteristics that over time produces an organization that loses touch with its environment and fails to respond effectively to its customers and the markets in which it competes.

There is considerable evidence that organizations can recover from the dinosaur syndrome after they have experienced a near death experience. Considerable recent publicity has focused on the successful return of Xerox, Harley-Davidson and a host of other organizations that have worked systematically to transform themselves once they discovered they had major problems.

Although it is difficult to avoid the dinosaur syndrome; there is reason to believe that it can be avoided. There are a few good examples of organizations that have behaved pro-actively to avoid becoming dinosaurs. General Electric, mentioned earlier, has received a good deal of notoriety for its transformation into a world-class competitor. Less publicized, but equally notable is the continuing transformation of Procter and Gamble. In implementing its new "everyday low prices" strategy, P&G is reinventing the way it does everything to attain every day low costs that will match its price strategy. Recall that P&G was founded in the 1830's and the mid 1800's was America's largest candle manufacturer. It has reinvented itself numerous times throughout its history. The same can be said for Hewlett-Packard and Motorola.

There are a number of practices that organizations can adopt, which although not guaranteeing that they will avoid becoming dinosaurs, certainly can help to assure that they will not. Some of these practices are already well established and accepted in the management literature, others perhaps are less well known and less well researched, nevertheless, our work with organizations suggests that they can be helpful. The key is not in the use of any *one* of these practices, but in the adoption of a pattern of them that prevents the organization from becoming dysfunctional and out-of-touch with the environment.

1. Assess, assess, and continue to assess

Perhaps the single most important thing that an organization can do in order to assure its long-term viability is to assess its current performance and the future expectations of its customers. The assessment needs to go beyond the accounting and financial performance data which are regularly collected and reported by every major corporation. These are limited in a number of respects, but the most serious is that they reflect the past. A good assessment needs to include extensive benchmarking, attention to lead indicators of performance, and measurement of how the organization is performing in the eyes of all of its critical stakeholders.

Partnerships with customers can lead to direct feedback and experimentation. P&G's new strategy results directly from its close partnership with Wal-Mart. Costco, Pace and Wal-Mart are the new breed of retailers. They are growing and overtaking the traditional mass merchants. These membership warehouses and discounters operate with every day low prices rather than the volatile pricing of supermarkets and drugstores. While initially reluctant to partner, P&G has learned a whole new way of doing business at Wal-Mart's insistence.

Customers are a primary stakeholder group, and they need to be regularly assessed with respect to their satisfaction with the organization and their perception of its services and products. Employees are a second stakeholder group, and they need to be regularly assessed with respect to their satisfaction with the organization and its practices. Attitude surveys and turnover rates are traditional and valid methods of assessing the reactions of this stakeholder group.

It is important to look at the critical processes in the organization from a benchmarking point of view. Benchmarking needs to be done not just with companies that are in the same business; it needs to be done with any organization which is excellent at those processes which are important. Thus, if research and development or innovation are critical, it is important not just to look within an industry, but to look at all leaders in this particular process.

Finally, it is important that the assessment process include input from both outsiders and insiders. Organizations and their members often learn the most from assessments when they have their personnel involved in the assessment process. There are obvious biases, however, in what insiders see and how they react. They can fall into the problem of "non-discussible" and look at things solely from an internal perspective. Thus it is important to off-set or balance their orientation with input from outsiders.

2. Scan the environment for competitors

Closely related to the issue of assessing the organizations key processes and performance levels is the issue of focusing on non-traditional competitors. All too often, organizations focus on their direct competitors when they are assessing how well positioned they are for the future and what challenges they have to meet. For example, IBM could easily identify Digital and the Japanese as competitors and took their actions very seriously. What it missed was the evolution of such non-traditional competitors as Intel, Microsoft, Compaq, and Sun Microsystems. In many respects, they were not even on IBM's radar screen of competitors because in addition to being small they were "different kinds of organizations and in different businesses," but in the end they turned out to be major business competitors.

Sears could easily identify Montgomery Ward and JC Penney's as competitors, but it eventually lost its catalogue business because of L.L. Bean, Eddie Bauer, and Lands' End, and suffered in its store business because of Wal-Mart and Circuit City. With the innovations that are taking place in information technology, the globalization of business, and the creation of network organizations and partnering, it is quite likely that increasingly organizations will be competing with organizations that in the past they had cooperative relationships with, or that were seen as irrelevant. In many respects because of new forms of organizations the barriers to entry are lower and as a result, new and very different competition for well-established organizations can appear very quickly.

The response on the part of established corporations needs to be a process of constantly re-analyzing the competitive environment with an eye toward identifying non-traditional competitors who may suddenly become strong competitors.

It is often difficult to consider non-traditional competitors as real competitors. Arrogance appears most strongly when considering these competitors. It is easy to discount a start up with a 29 year old CEO. It is easy to ridicule initial imports from companies in developing countries as the car industry did with initial imports from Japan. Only vigilant and insistent leaders can widen the horizons to seriously consider the non-traditional sources of new competitors. Andy Grove of Intel, for example, is widely quoted as saying "Only the paranoid survive."

3. Attack established products and services

In today's rapidly changing environment in which new competitive threats are appearing all of the time, it is particularly dangerous for organizations to assume that their products and processes will not be challenged and made obsolete. Instead of waiting for competitors to attack their established products, organizations need to do it themselves. Although it is very tempting to maintain established successful products as IBM has done with their mainframe computing business, it is also very risky. It increases the chance that a competitor will develop a superior product which becomes highly successful by replacing or obsoleting a very successful product.

Maintaining established products in several respects lowers barriers to entry, even though it may allow a company to perform well in the short term. It lowers the barriers to entry because it fails to recognize the continuing advance of technology and may leave a wide-open business niche that exploits new technology. It may lead to products gradually becoming easy targets for competitors because they are not continually updated in terms of price and quality. If the products continue to improve they are much more likely to remain dominant and unchallenged. If a product is going to become obsolete, it is better that this come about because of a new product that is introduced by you than your competitor. Hewlett Packard, 3M, and other companies which emphasize innovation have learned this lesson well. They recognize that even their best products have a very short life expectancy in their original form and that coming up with a replacement product is a critical piece of their ability to grow and remain successful.

4. Support innovation:

There are a number of organizational practices that need to be put in place in order to encourage the type of innovation that will obsolete established products and processes. The most important is creating the budget slack and the financial support for innovation itself. All to often there is simply not enough opportunity in an organization for experimentation, innovation, and learning to occur. This is particularly likely to be true in todays "downsized" corporations. Money and time need to be put aside so that change is a viable option. 3M, for example, does a terrific job of institutionalizing innovation by giving all employees time and funding to pursue new developments and new ideas.

An important way to support innovation is through the provision of alternative sources of funding support. An innovative idea submitted to a committee staffed by people with vested interests in the status quo is unlikely to be approved even if funds are available. Again 3M provides an alternative practice. If a scientist proposes an idea to his or her management and that management does not approve it, the scientist is free to submit the idea elsewhere. He or she may propose it to other divisions, to central R&D or to a

New Ventures group. The idea stays alive and may be funded by those less invested in the status quo.

Related to the issue of funding for innovation is the importance of rewarding and valuing innovation in new products and processes. Companies like Xerox and Motorola have done a good job of recognizing employees who attack traditional systems and improve them. They have used Chairman's Awards, internal TV networks and a host of other reward system practices that reinforce the importance of change. Another example is provided by 3M which measures division managers on the percentage of their sales which come from products developed in the last four years.

The idea of rewarding success goes hand in hand with rewarding "good" failures. It is easy to punish failure, but if an organization punishes all failures it can create an internal climate of low risk-taking. A better approach is to learn from failures and where it is warranted, reward individuals who took good risks that simply didn't pay off on the bottom line but did payoff in organizational learning.

5. Organization structure

The single most critical factor in keeping an organization focused on its customers and environment is the fundamental approach that is taken to organizing. The management literature is full of suggestions about alternatives to the traditional functional bureaucratic organization. Clearly no one of them is the correct answer for all organizations. But at one time or another, all may be correct for a particular organization. Today a company must be capable of configuring itself around customers, products, processes, geographies, and suppliers as the need arises. This multi-dimensional organization is less likely to build vested interests and create biased information flows. Today's globally focused organizations whether large or small need to be multi-dimensional and recongifurable.

A flexible organization at any moment may be configured to focus on products, processes and/or customers. This is achieved by forming relatively small teams with end to end responsibility for the product or process. These units need to be measured in terms of their effectiveness -- that is, their profit performance and their ability to satisfy their customers. As much as possible these relatively small units need to be internally seamless so that individuals have a line-of-sight from the inputs to the unit through to the output and the customer reaction to those outputs.

Where possible, employees should have direct contact with the external customers of the organization and the external suppliers of materials and services. It is not always possible to have every individual interacting directly with external customers, but there are a number of substitutes that can be used for direct external customer contact. These can include video tapes of customer reactions and how products are used, customer satisfaction data, and quality data from external vendors such as J.D. Power. In short, the important thing is to constantly keep everyone in the organization in contact with the external environment. This is much easier to do when an organization is broken down into small units that focus on particular products or customer segments.

In some cases, such as with the customers of staff groups, parts of an organization may need to have internal customers. Having internal customers is certainly better than having no customers, but it is important to remember that they are not the same as external customers. In the case of staff groups, one way of making real the idea of comparative performance is by constantly looking at vendors as an alternative source of supply for critical services, and actually having some services provided by external vendors so that there is a good benchmark against which to compare internal service providers.

6. Push decisions and accountability down

When a customer or a product-focused organization is created there is less need for hierarchy and coordination. Integration takes place at a lower level, and this creates the possibility of many more decisions being made at lower levels in the organization. Putting decision making at a lower level has a high pay-off in a rapidly changing environment where quick responses are needed to either compete with changes in the market place, or changing demands on the part of customers. It provides good market intelligence as well as the opportunity for quick responses to changes in the market. When combined with accountability, it can also serve as a very effective motivator of change. Thus, it is critical not just to organize around smaller units, but to put significant decision making responsibility and accountability into these units. Within the smaller units it is important to put decision making at the lower levels which are in direct contact with customers and the critical organizational processes.

7. Planning as Learning

Every company has a planning process to produce a long term plan and this year's budget. Planning can also provide an opportunity to rethink the business and to learn about and prepare for change. Planning is an excuse to do serious thinking about the business. Scenario planning is particularly useful in preparing for a new future and it also helps sensitize the organization to the need for change.

The planning department should prepare several possible scenarios or paths that are possible for the business. For example, at Royal Dutch Shell when people were forecasting $100/barrel for oil, one scenario was the unthinkable decline in the price of oil. When the price actually declined, Shell was prepared. Each scenario should have some leading indicators to identify what is indeed unfolding. The planning process then provides managers with mental maps to think differently. It prepares managers to see facts as they occur in a new light. The scenarios can be great vehicles for preparing for the non-traditional competitor. Shell, for example, still regards Exxon and Mobile as key competitors but is planning for competition with Schlumberger, the seismographic tester (who knows more about where the oil is?).

8. Human Resource Management practices

The traditional organization model calls for internal development of individuals and the search for the right type of employees. If an organization is going to avoid becoming a dinosaur, a very different alternative makes sense. It needs to pay attention to, and continuously commit to developing "wild geese." It needs to recruit individuals who are unlike the majority of the individuals in the organization, who come from a different gene pool and will say the un-sayable things. These individuals need to enter the organization not just at the entry level, where they are in relatively low power positions, but at higher levels in the organization as well. Often they will be rejected by the organization and may in fact not end up as long term employees. This does not necessarily mean, however, that their hiring was a failure, or that the policy of bringing individuals from the outside should be abandoned, quite to the contrary. The more outsiders with different views are rejected by the organization, the more likely it is that additional ones need to be brought in to off-set the growing "group-think" approach in the organization.

Finally, when outsiders do leave, it is important to ask, "what have they left behind?". In many cases, although they may not have survived, they may have at least rattled the cage of the organization enough so that they have had a positive impact on the internal thinking processes of the organization. As a result, the organization has indeed learned from their presence.

Internal career development models also need to be changed. The traditional functional silo-career model needs to be replaced or supplemented with rotational assignments. When a proportion of managers rotate between functions and businesses, they become accustomed to doing things differently. They become less invested in the status quo, they learn how to learn.

International assignments probably are the best for learning new ways of doing things. Artzt and Jager, who are reinventing Procter & Gamble, are products of P&G's international organization. Earlier they completely changed Procter & Gamble/Japan. The first attempts in Japan were based on the traditional P&G ways of doing things. Then Artzt and Jager stopped the traditions and implemented a Japanese way of managing consumer products. Today P&G is a success story in Japan. Meanwhile, Artzt and Jager are working on all of P&G to repeat their earlier success.

The important point is to have talent in leadership positions that is capable of thinking differently. When managers come from outside, from international locations or from non-traditional places in the company, they are less wedded to the status quo. Welch and Bossidy came from Chemicals and GE Capital before assuming leadership at GE. They did not come from traditional electric equipment businesses. Overall, the message is clear: It is important to have candidates for leadership with non-traditional views and experiences.

9. Culture

A culture which supports questioning success, discussing anything, and doing it better even though it is successful as currently done, is critical to avoiding becoming a dinosaur. Many of the practices which have already been discussed are critical to developing a culture with these characteristics. Leadership from senior management also plays a major role. Leaders who indicate that certain things are not discussible send a strong message to the organization and often end up creating organizations which are blind to issues that are potentially major. Similarly, leaders who fail to constantly push for improvement and who fail to question the traditional ways of doing things contribute to a culture of "status-quo" and eventual obsolescence. Organizations need to monitor their culture -- to assess the degree to which it is open to questions about why success has occurred, what is needed to sustain it, what are the un-discussibles in the organization? -- and whether there is a continuous improvement orientation in the organization. Questions of this type need to be included on company attitude surveys and constantly raised in the organization.

Management needs to legitimize contention. Feedback from customers and benchmarking teams are only useful if they generate debates and searches for new ways of operating. The dissidents need to be supported and encouraged. The planning process discussed earlier is a good vehicle for creating and managing contention. During the process management can model openness to new ideas and issues that challenge the status quo.

Conclusion

There is one view of organizational effectiveness and survival rates which suggests that there is a certain inevitability about organizations which have been successful ultimately becoming dinosaurs. In essence, it argues that inherent in their past success are the seeds of their future demise. The argument here is a more optimistic one. It agrees with the point that success often exposes an organization to significant risk with respect to long term survival. This is particularly likely to be true in a rapidly changing environment where competitors are appearing from unexpected places and where organizations in new forms and new shapes are being created.

There is reason to believe, however, that if organizations constantly and regularly ask the right questions and change, they in fact can survive and constantly reinvent themselves. General Electric and Proctor & Gamble are an example of organizations that have successfully done this over many decades. IBM did it when it moved from electro-mechanical processes to electronic processes, and it may be able to re-invent itself again now that it seems to have identified its problems and been forced to abandon its long-standing practices and culture.

The keys to sustained organization effectiveness are within the control of most organizations. They need to develop the type of leadership structures and processes which keep them in contact with their environment and stimulate change. For a number of reasons this is not easily done. The primarily reason for this is that it cannot be accomplished by a program that changes only a few dimensions of an organization. Instead, it requires a systematic analysis of all parts of an organizations key operating systems. Selection processes have to be changed, reward system practices have to be changed, budgeting processes have to be designed in order to continually cause the organization and its members to focus on the environment and the potential for its long-term success of their business to mention just a few changes.

Systematic change is difficult because it requires a long-term orientation while an organization is struggling to compete in today's increasingly difficult business environment. For this reason, there will always be some companies that develop the dinosaur syndrome and as a result become extinct. There will also be those that at the last moment rewrite themselves and reinvent themselves to recover from the dinosaur syndrome. Developing the dinosaur syndrome is not inevitable, however, it can be avoided by organizations that learn to constantly reinvent themselves.

Selected Bibliography

Many of the ideas presented in this paper are the results of research done by The Center for Effective Organization at the University of Southern California. A great deal of this work is summarize in a book by J. R. Galbraith, E. E. Lawler and Associates, *Organizing for the Future: The New Logic for Managing Complex Organizations*, San Francisco, Jossey-Bass, 1993. An earlier book focused on the organizational change issues involved in transforming organizations such as General Electric (A. M. Mohrman, S. A. Mohrman, G. E. Ledford, T. G. Cummings, E. E. Lawler and Associates, *Large-Scale Organizational Change*, San Francisco, Jossey-Bass, 1989).

The work of J. R. Galbraith on new organizational structures is presented in his recent book, *Competing with Flexible Lateral Organization*, Reading, Massachusetts, Addison-Wesley, 1994. The work of E. E. Lawler on Employee Involvement and its relationship to organizational structure and effectiveness is presented in *The Ultimate Advantage*, San Francisco, Jossey-Bass, 1992.

A wide variety of books and articles are relevant to the issue of corporations becoming ineffective because they have lost touch with their environments. Works by Bennis and Kotter on leadership stress the effects which leaders can have on the culture and climate of an organization. (J. P. Kotter, *Force for Change*, New York Free Press, 1990; W. Bennis, *On Becoming a Leader*, Reading Massachusetts, Addison-Wesley, 1989).

A number of books and articles which have documented successful change efforts such as the one in the General Electric Corporation. For General Electric see N. M. Tichy and S. Sherman, *Control Your Destiny or Someone Else Will,* New York: Doubleday, 1993.

There is considerable amount of writing on how corporate cultures can trap organizations into their traditional ways of doing business: (see for example, Eilene C. Shapiro, *How Corporate Truths Become Competitive Traps*, New York, Wiley, 1991).

There is an extensive literature on Organization Ecology which addresses the survival rates of firms and their characteristics (see, for example, B. McKelvey, *Organizational Systematics*, Berkeley: University of California Press, 1982; G. R. Carroll, *Organizational Ecology, Annual Review of Sociology*, Volume 10, pp. 71-93, 1984; and M. T. Hannan and J. Freeman, *Organizational Ecology*, Cambridge, MA: Harvard, 1989.