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

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**Built to Change Organizations and Responsible Progress –
Twin Pillars of Sustainable Success**

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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 multi-stakeholder 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 criteria of organization effectiveness and the design features necessary to pursue them must be tested.

Built to Change Organizations and Responsible Progress –

Twin Pillars of Sustainable Success

The increasing interest in economic, social, and ecological sustainability raises important implications for the traditional views on organization effectiveness, organization design, and organization development. 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 criteria 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

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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 organization development 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 criteria. 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

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model and showing how it supports responsible progress. The proposed model provides a
blueprint for research and evolution in the field of organization development 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 (c.f., 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, 1970; 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 ignored measures of ecological health altogether.

The OE research stream was codified by two studies in the mid-1970's. 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 two different research efforts (Table 1). Adaptability/flexibility was the #1 criterion mentioned in 10

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of the 17 studies. Five studies cited productivity and job 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

Table 1 about here

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

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as both (Cameron, 1980), including growth, flexibility/adaptability, stability, quality, or 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 (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 like 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 and Cameron, 1988) argued for a competing values approach. They saw effectiveness and organization culture as deriving

DRAFT — Not to be referenced or copied without prior permission of the authors 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 &

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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 & 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 and 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,

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Doz and Kosenen (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 Built to Change (B2C for short) 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

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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

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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.

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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

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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 and Hannon, 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

DRAFT — Not to be referenced or copied without prior permission of the authors 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, while key drivers of short-term performance, are not the drivers of long-term performance per se. 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 and Lawler, 2009; Zollo & Winter, 2001; Senge, 2006; Argyris & Schon, 1996). They deliver on short-term objectives, and map out and execute the changes

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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 tradeoffs 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

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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 re-implementation of a robust strategy is 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.

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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 re-sizings 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 can't 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 and 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 micro-economics 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 decision 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, p.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 criteria 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 criteria 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 micro-economics, 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, Lovins, and Lovins (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, Lovins & Lovins, 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, Lovins & Lovins, 2008) – are shown in Table 2. Each model has a slightly different purpose.

Table 2 about here

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 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 speak to protection of the biosphere, reduction of waste disposal, and environmental restoration. The Natural Step 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 tradeoffs in fairness and efficiency, and Natural Capitalism calls for shifts in the business models to make these tradeoffs explicit. Finally, all three models address issues of productivity by referring it to conservation and sustainable use of natural resources, transformation processes that increase non-natural 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, Mohrman, Bradbury-Huang, Feyerherm, Docherty, Lifvergren, and Parker, 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 criterion related to sustainability. Economic models can explain multi-stakeholder 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 just consist of 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 tradeoffs 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 and 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 socio-technical 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 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.

Table 3 about here

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 that “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 over-zealous 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 a sensing mechanism to 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. Such a dynamic overshoots the market (boom) 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 non-sustainable 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, Lovins & Lovins, 2008). The principles and propositions of The Natural Step 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 and attended by more 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; Korten, 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 desire to preserve that diversity because of its contributions to the quality of life.

In this sense, we are not referring to cultural diversity programs within organizations that promote more inclusive views of the workforce and an appreciation of how cultural differences can contribute to one's fulfillment. These are good and positive approaches, but they are shortsighted from a responsible progress perspective. Cultural diversity cannot be an end – a program to be implemented, a quota to be met, or a personal approach to life – it must be seen as a strategy or means to achieve a much broader and more relevant purpose. In particular, cultural diversity should be leveraged to drive technical and managerial innovation. For example, Prahalad's (2006) bottom of the pyramid approach is an important business model innovation driven by an appreciation of different economic and cultural contexts.

Prahalad's arguments suggest that cultural diversity and economic differences should be the source of innovation rather than a constraint to the expansion and implementation of traditional business models. Traditional models of economic growth and globalization have consciously or unconsciously sought predictability, efficiency, and control over operations through standardization. Standardized operating procedures and technological platforms are difficult to optimize within cultural norms that vary across global subsidiaries. As a result, adopting a standard culture is preferred and encouraged in a variety of ways.

Cultural diversity in this view is a source of innovation for economic development and ecological health. Adapting network structures allows local organizations to leverage and develop local suppliers (economic and ecologically sound and contributing to the maintenance of

diversity) and ways of operation that create a best of the best organization and contribute to global effectiveness. Even when large-scale integration is a key to success, such an approach can work. Intel has adapted its “global factory” concept with a worldwide supply chain of plants, transportation and distribution systems, R&D facilities, and sales organizations that depends on tight integration. Each of the facilities is required to meet strict operational requirements that facilitate integration but they are also encouraged to take advantage of local cultural customs. Although cultural diversity is important in its own right, it clearly needs to support other elements of the responsible progress policy. The cultural diversity principle elevates the importance of increasing diversity awareness and asks decisions makers to commit to the health of this long-term source of development and innovation.

Revising the Agility Model to Support Responsible Progress

With a more comprehensive organization effectiveness framework to guide decisions, the second part of an integrated model of effectiveness is a description of the organization design features that will support responsible progress. We propose that agility models, in particular the B2C model, can operationalize sustainable organization design features quite well. Organizations with the ability to sense and respond to environmental pressures and to proactively create opportunities ought to be better able to adopt a more responsible stance than firms designed in traditional ways. Table 4 summarizes how a built to change organization contributes to responsible progress as will be discussed next with some changes. Each of the core processes can leverage or achieve the organization effectiveness criteria in the responsible progress approach.

Table 4 about here

The Role of Strategizing in Responsible Progress

Creating a B2C organization designed for responsible progress begins with the strategizing process. Because strategy reflects the values of the organization, this is undoubtedly the most pivotal set of systems and processes in setting the organization's direction. Revising the strategizing process to support responsible progress involves adjustments to the future focusing process and the definitions of the organization's robust strategy.

In terms of their future focus, most organizations have some form of forecasting or environmental sensing, and agile firms have stronger sensing capabilities than non-agile firms. Organizations built for responsible progress expand this capability by developing specific scenarios about social and ecological issues as well as integrating these perspectives into economic scenarios. Organizations designed for agility and responsible progress add NGO activities, changing government policies related to social and ecological issues, and monitoring social trends to their future focus data collection and sensing activities. This increases the amount of social and ecological information available to decision-making processes, and can be accomplished in one of two ways.

First, the existing environmental scanning processes can be expanded to include search routines in areas beyond market demand, customer requirements, and regulatory trends to include social and community impacts and ecological implications. Second, specialized units, such as corporate social responsibility departments, can be charged with gathering these data and bringing them for integration with traditional data during strategizing meetings.

Second, the strategizing process must be revised with respect to the robustness of the

organization's strategy, how it achieves objectives over a long period of time, and the features that support or thwart responsible progress. As described earlier, robust strategies have a long-term value proposition that is expressed as organization identity and a near term rent appropriation proposition that is expressed as strategic intent.

Organization identities are usually manifest as a metaphor that describes who the organization is and how it relates to its environment. It is relatively easy for an organization to project an image of sustainability through its advertising messages about green products and the social issues it supports through sponsorships and other philanthropy. The real key is whether such messages line up with the actual behavior of the organization and the values that influence the way employees behave. For example, Starbucks's identity of creating great experiences, Microsoft's identity of persistence, or Capital One's identity of test and learn represent powerful metaphors that not only indicate something about their cultures and reputations, but also how each organization explains success (and why performance declines when they become distracted). However, these identities do not necessarily reflect a stance toward social or ecological issues. This represents an additional standard that agile, responsible organizations have to meet.

Agile organizations have change-friendly identities; but agile, responsible progress organizations also develop identities that support "doing well and doing good over the long run." To achieve that integration, one of the most impactful interventions an organization can initiate is a conversation among the people who understand and have their fingers on the pulse of the culture, the messages sent through advertising/marketing, the opinions of external customers / critics / analysts, the perspectives of ecological and broader community members, and other stakeholders. To what extent do these perspectives share views about who the organization is,

what it stands for, and how it behaves as a system? Is there alignment or contradiction between a) who we say we are and how we behave and b) the perceptions of customers, competitors, the ecology, the communities in which the organization operates, and other external stakeholders? Do we have an identity that supports change as routine and respects and drives social and ecological objectives?

At DaVita, the nation's largest kidney dialysis and treatment provider, their "we're a village first and a company second" identity reflects this integrated conversation between their values-in-use and their image, brand, and reputation. Internally, there is a clear understanding that taking care of patients and each other – maintaining the village – will reap rewards of revenue, profit, and other business outcomes. Externally, analysts know that the first five minutes of the quarterly earnings call will begin, not with financial results, but with clinical outcomes. The village metaphor can be easily extended to convey DaVita's relationship to the community and the environment around it. DaVita has internal employee support programs as well as external philanthropy efforts that focus on social accountability and extend to an understanding of its ecological responsibilities. DaVita is consciously concerned about the ecological impacts of its clinical treatments (current dialysis treatment technologies result in a number of toxic wastes), how it relates to its local communities, and to health care reform. To do otherwise would poison the local water well (figuratively) and fail to create the conditions for long-term survival.

Once the identity metaphor is understood, an organization's strategic intents can be explored. Intent generates advantages that drive current performance and is characterized by its breadth, aggressiveness, and differentiation. These dimensions must be explored for their relationship to responsible progress. Although breadth is not expected to be closely related to responsible

progress, product/service, technological, and market breadth can reflect a positive or negative stance to social, ecological, or economic concerns. For example, the breadth of the markets an organization chooses to participate in – especially with respect to global markets – is an important input to the organization’s “footprint” and represents an opportunity to contribute to or detract from social and ecological outcomes. In this sense, the organization’s identity can help to guide choices that will promote positive outcomes. Whenever Intel opens a new plant in Asia, there are intentional conversations about which parts of the organization’s culture are critical for economic success and which parts of the operational footprint and culture can be adapted to support local customs, local suppliers – especially local labor pools – and local energy and ecological concerns.

The aggressiveness dimension of strategy has a clear relationship to responsible progress, and argues for moderate levels. Rather than aggressive growth goals and BHAGs that encourage the firm to “reach beyond its grasp” for motivation, agile and responsible organizations take an accountable approach to goals that can be defended from ecological and social as well as economic perspectives. As we are writing this in late 2009, Honda’s response to Toyota’s missteps are instructive.

Toyota, long an example of agility and consistency, has made a couple of rare missteps in its expansion in Asia, its response to quality problems, its capacity additions in the North America, and its lobbying in the US for less strict mileage requirements. Together, these missteps – in combination with the global recession - have resulted in uncommon losses, overcapacity, a tarnished reputation, and the need for some retrenchment. It would appear to be a perfect opportunity for Honda to step on Toyota while it is down. To date, Honda’s response has been

quite measured with little increase in advertising, expanded production, sales incentives, or other tactics. Honda is sticking to its message and its way of operating. It will no doubt experience some short-term gains, and perhaps some longer term benefits as well, but it does not appear that it will overstep the opportunity and be overly greedy. Such a response is in keeping with a responsible progress approach.

Finally, the differentiation dimension of strategy is important because an organization can choose from a variety of product/service features that are more ecologically or socially sensitive. Supporting their strategic intent of customer intimacy and emotional connection, The Victoria's Secret (VS) division of Limited Brands has a sophisticated set of potential and actual differentiation advantages. By constantly asking, "what's new, what's next?" VS creates a stream of innovations in its core intimate apparel line that maintains a strong emotional connection to their customers. In addition, VS has an intricate supply chain that involves a variety of plants located throughout the world that must address local labor laws and social situations. By utilizing sound and fair practices, VS can make important connections with customers who are looking for responsible operational decisions.

Supporting VS's marketing differentiation involves printed catalogues and other paper materials. When Victoria's Secret was challenged by the NGO Forest Ethics for using paper from non-sustainable growth forests, they had a choice to fight the NGO or adjust their strategy to create a new momentary advantage. Choosing the latter and working with Forest Ethics, they shifted their paper supply policies and began promoting responsible practices. Similarly, it continues to work with textile suppliers and manufacturers to use materials that are ecologically friendly and at the same time test the market for the extent to which the deep emotional connection and intimacy is

strengthened by the use of such materials.

As shown in Table 4, a revised strategizing process can contribute to the goals of responsible progress. A strong future focus increases an organization's exposure to technological innovations and business opportunities that will supply a series of momentary advantages for long-term economic sustainability. Guided by a socially- and ecologically-relevant identity, the exploration of present and future environments and the development of culturally and ecologically relevant scenarios can help an organization look for appropriate innovation opportunities. Such a view can help the process be more efficient by narrowing the range of options and alternatives, and it can direct the search process toward often under-explored sources of both innovation and economic advantage. Different cultures provide a variety of new perspectives to see problems in new ways and views ecological sustainability as an opportunity rather than a constraint for innovation.

Strategizing supports long-term economic success by setting reasonable growth goals and laying out a road map of strategic intents and momentary advantages that smooth out the boom/bust cycles that are the result of episodic change. Built to change organizations – in attempting to maintain proximity with their environments – are less likely to pursue growth for its own sake. To do so places an organization on a path full of highs and lows in performance. Sustainable success recognizes that consistently above average performance is more desirable than extraordinary performance followed by periods of retrenchment and loss as a new competitive advantage is sought. In combination with a strong future focus, a responsible progress organization moves with flexibility from one advantage to the next, taking profit from the opportunity but not over-reaching the limits of a particular advantage.

Strategizing also supports both cultural diversity and ecological health through identity formation. Consciously attending to its identity forces the organization to reconcile its internal values and external brand, image, and reputation. Organizations that operate with internal values that do not support ecological sustainability cultural diversity and human capital development will create a variety of problems and dissonance for organization members who hear their organization talk about their community efforts, green policies, and socially responsible practices. Increasing environmental pressures and information availability allow the NGO community to quickly note when organizations do not live up to their promises. Identity serves as an important tool for ensuring that organizations “walks the talk” with respect to sustainable practices. Built to change organizations understand their identity and the responsible progress policy suggests that all organizations should think through the implications of their identity with respect to promoting human development and ecological sustainability.

Creating Value in Responsible Progress

Revising the creating value process in agile organizations to achieve the goals of responsible progress involves minor changes in the orchestration process but more substantive revisions to its innovation/learning capabilities and its shared leadership capacity. Although change and learning are quite similar - all learning involves change - they are focused on two very different areas.

First, a B2C organization designed for responsible progress needs a strong – if somewhat generic – orchestration capability. The change or orchestration capability needs to focus on supporting a strategizing process which strings together a series of momentary advantages. These two built to

change elements – strategizing and orchestration – need to work hand in hand to generate both short (momentary advantage) and longer-term (a series of advantages) success. Because a built to change organization does not depend on a single, sustainable advantage for a long period of time, it can ill afford the drop in productivity and effectiveness associated with inefficient large-scale transformations.

Capital One Financial did an excellent job of building a change capability and has, to date, leveraged the capability to build a stronger customer experience, integrate recent bank mergers, and avoid many of the negative economic consequences that have fallen to other financial services firms. It recently received a positive “stress test” evaluation and has repaid federal TARP funds (Worley & Lawler, 2009). Agile organizations, and especially built to change organizations designed for responsible progress, expect to generate performance through change rather than treating it as a necessary evil. Although generic, an orchestration capability can contribute to responsible progress by raising people’s awareness of the social and ecological consequences of the choices that are made during change.

The responsible progress framework lists innovation as a key criterion and a key driver of economic development that is fed by the goals of ecological health and cultural diversity. Learning is a key capability in the B2C agility framework and an important driver of innovation (Sahal, 1981). Thus, we see a great deal of complementarity in the two approaches. In an agile, responsible progress organization, sourcing new product/service ideas based on environmentally friendly principles, cultural differences, social trends, or best practices in different operating units represents a large and largely untapped economic opportunity. Working with technologies and applying them in different markets, scales, and contexts can generate knowledge and

experience that can be applied to both product and process improvements. Even existing technologies deployed in new markets or on different scales with a clear eye toward the extent to which they promote economic, social, and ecological ends can represent important sources of new revenue. In combination with the orchestration capability, learning capabilities effectively shorten the cycle time between strategy formulation and implementation and allow organizations to capture profit possibilities more quickly.

The Gap has applied a learning process to working with NGOs and others in its supply chain to build a social problem solving and network collaboration advantage. In working with the NGO Social Accountability International (SAI), they have developed alliance relationships that foster social credibility and compliment their economic and ecological goals. In addition, Hawken, Lovins, and Lovins' Natural Capitalism model strongly asserts the need for innovation in business models. Their primary suggestion is the shift from a "purchase our product" model to a "rent our services" model. They describe how Interface carpet, United Technologies, DOW Chemical, and others have shifted their business model to embrace a services and solutions mindset that improves economic success and lowers ecological harm.

A revised shared leadership capability compliments the change and learning capabilities in creating value. Under a shared identity that is change friendly and responsible-progress aware, pushing leadership responsibilities to a broad set of organizational associates creates the capacity for quick responses and coordinated change that support a more sustainable organization along social, ecological, and economic dimensions. This can be accomplished by rotating people through foreign assignments to increase their awareness of alternative cultures and to expose them to sources of innovation. It supports the future focus process and the achievement of a

maximum surface area structure. Managers in foreign subsidiaries can be brought into the formal leadership development process to increase the subject matter diversity and cultural perspectives in conversations. Finally, local managers can be encouraged to leverage local practices within clear operational boundaries and provided opportunities to share best practices and results.

A revised creating value process contributes to the goal of responsible progress (Table 4). Built to change organizations with a strong learning and change capability understand there is a strong reciprocal interdependency between these capabilities and cultural diversity. With experience, learning and change activities occur much more fluidly and quickly in the presence of alternative points of view, and diversity represents an important source of innovation, creativity, and learning in its own right. Creating value contributes to cultural diversity by leveraging different knowledge and new perspectives to fuel innovation and appreciating these sources of economic opportunity to solve problems. Local talent and new perspectives represent an important source of learning.

Finally, creating value processes helps drive ecological health. A bias toward creating value and learning views ecological sustainability as a huge opportunity. In combination with a strong future focus, creating value capabilities can identify and monetize new innovations that are ecologically and socially relevant.

Designing Processes in Responsible Progress

The designing process in an agile, responsible progress organization is about supporting the value shifts that organizations make in the strategizing process when they use responsible

progress as the criterion for effectiveness. The nimble, responsible progress organization leverages a maximum surface area structure to support a strong future focused strategizing process. The more that people are connected to the external environment, and are coached and guided to look for information about future trends in economically-related areas but also in socially- and ecologically-related areas, the more information the organization will have to think about alternatives, new capacities to build, and new trends to consider. An organization's surface area can be expanded through role definitions that explicitly include gathering information from the external environment all the way to structural choices about flattening the hierarchy, creating small business units, and increasing the virtual nature of work.

Alegent Health has developed an innovation capability that involves the use of large-group interventions called decision accelerators (DA). The DAs routinely bring together health system employees as well as relevant outside stakeholders to design new clinical services, plan organizational changes, or accelerate execution. Recently, Alegent used its innovation capability to develop a sustainability strategy. Community members, physicians, health care regulators, supplier and partner organizations as well as Alegent employees who were passionate about the organization's ecological footprint were brought together to craft a vision and strategy. By integrating educational models in the DA, the whole system became more aware of Alegent's operations vis-à-vis the triple bottom line. By arranging for organization members and outside stakeholders to interact, Alegent gave its employees and managers direct access to environmental issues and knowledge and an immediate opportunity to apply that information to organizational operations. Its innovation capability fosters transparency in information flows and rapid decision making in support of responsible progress. It has used its innovation capability to implement a variety of clinical, social, and ecological innovations in a short period of time.

Traditional firms need revise their performance management systems to support responsible progress. First, the talent procurement process needs to be altered to recruit and hire individuals with both the technical competence necessary to add economic value and the personal attitudes and beliefs that support the triple bottom line. Second, people in the organization need to be evaluated and given feedback on their awareness of economic, social, and ecological issues related to the organization's strategic intent. They also need to be rewarded for innovative ideas that further the strategic intent in responsible ways.

Managers and executives at the Limited Brands are encouraged to think about the "shadow" they cast as a leader; do their actions and words reflect the values and beliefs of a responsible organization? CEO Les Wexner encourages and rewards managers and employees who work with community and non-profit organizations and get involved in ecological issues. Such rewards have the secondary benefit of bringing in relevant trends and ideas that can be integrated with future focused scanning, innovation, and identity processes.

The designing process is the most flexible of the B2C core processes. It impacts important enablers of the responsible progress goals. First, the designing process supports organizations capable of moving from one momentary advantage to another easily and routinely. By implementing maximum surface area structures, flexible performance management systems, transparent decision making practices, and nimble reward processes, B2C organizations are able to implement ecologically friendly innovations more quickly, execute complex strategies that leverage local cultural customs and knowledge and still integrate organizational structures on a global basis, and change – not just grow – more easily. Leveraging local assets means a better

hiring and retention environment, better in-country image and reputation, and better resources for faster learning. Together, implementing innovations and integrating global structures that leverage local assets clearly contribute to economic success.

Socially, economically, and ecologically relevant innovations – in a world that is changing quickly – must be deployed and implemented quickly to generate revenue and returns for as long as practicable. A flexible design that allows resources and management focus to shift quickly through orchestration processes, rewards people for not only executing change but driving the right results, and continues to gather information about what might happen next is a signatory element of agility. The nimble, responsible progress firm does so with the added element of sustainability.

Agile organizations are able to adjust their designs to align with different cultural contexts and still meet local and corporate revenue and productivity targets. Philips – a global health and well-being products organization – uses its storied technology capabilities and a strong country manager network to balance a “One Philips” view of the portfolio with local customization of lighting, consumer, and health care products. Finally, maximum surface area structures and transparent information processes make it easy to identify ecological opportunities and reflect strong ecological practices.

Conclusion

The proposed revisions to the B2C agility model reflect an updated view of organization effectiveness. It is based on the view that an organization’s effectiveness should be defined by its ability to jointly optimize economic success, technological innovation, cultural diversity, and ecological health. The model proposes that the best organization framework to generate these

outcomes is based in agility.

As described here, the revised B2C agility model is supported by some recent research. For example, the revised B2C model is similar in intent to De Geus's (2002) "living company." As part of an internal study at Royal Dutch Shell to understand why some organizations were able to survive over long periods of time, four dimensions were identified: 1) sensitivity to the environment, 2) cohesiveness and a strong sense of identity, 3) tolerance, and 4) conservative financing. The first dimension is clearly related to our concept of a strong future focus; long-lived companies had developed stronger scenario capabilities as well as the systems and processes to overcome several psychological tendencies that make enacting environments problematic (Weick, 1969). The second dimension of cohesion and identity is related to our concept of identity, although De Geus's definition is decidedly more anthropomorphic. Based on a theory of Personalismus by German psychologist William Stern, De Geuss suggested that identity was *unitas multiplex* or that organizations were viewed as one when seen from the outside, but as differentiated parts when viewed from within. Thus, organizations develop shorthand descriptions of its persona to describe its behaviors, such as "we are a learning organization" or the "competitor's moves made us feel defensive."

Our reading of De Geus's third characteristic, tolerance, is that it is the most design oriented feature and focuses on decentralization and learning. The revised B2C agility model goes much farther in its description of organization design features and gives special attention to structural surface area which can be partially achieved through decentralization. Similarly, we call out learning and change capabilities whereas De Geus only suggests that these are good characteristics to have.

Finally, the conservative financing perspective of De Geus provides a unique and specific functional strategy. It is not part of the B2C model although aligns neatly with our view that strategizing processes used to achieve responsible progress should not be overly aggressive.

Despite these important similarities, the revised B2C model is different from the living company model in terms of its effectiveness priorities. DeGeus looked at organizations that were “long lived” and without regard to performance per se. In fact, he traded off performance for survival as the key effectiveness metric. The revised B2C model and the criteria of responsible progress set the goal of above average economic performance that is achieved because of a focus on cultural diversity, ecological health, and appropriate innovation. In addition, and as noted above, the living company model contained mostly broad assertions about organization design features but few specifics to guide executives in choices about how to support responsible progress and agility.

The revised B2C model also has important parallels with Beer’s “high commitment, high performance” (HCHP) organizations (Beer, 2009). These organizations are characterized by performance alignment, psychological alignment, and the capacity for learning and change. Performance alignment reflects many of the same design issues in the B2C model, including flexible structures, transparent management processes, and empowering human resource practices. However, Beer makes the learning and change capability a stand alone characteristic rather than a part of performance alignment. His psychological alignment addresses similar issues to our shared leadership dimension and specifically addresses issues of power, a unique strength of the HCHP model.

The HCHP model differs from the model presented here in some important ways in that it does not call out ecological sustainability. There is a clear emphasis in the HCHP model on working with and addressing multiple stakeholders, but the ecological dimension is absent. In addition, he treats culture in more traditional ways and does not deal with the more complex notions of identity. Overall, B2C agility model and the criteria of responsible progress not only extend and reconcile much of the organization effectiveness research, they integrate well with some recent of organization design models.

Implications for Organization Development and Change

A primary motivation for writing this chapter was to reinvigorate research and practice that is focused on organization effectiveness. The revised B2C agility model and the proposed OE criteria represent a significant and new opportunity for organization development and change. OD is not a profession but a field of practice and research (Jamieson and Worley, 2008) that is struggling to find purpose, cohesion, and identity (Worley and Feyerherm, 2003; Worren, Ruddle, and Moore, 1999; Farias and Johnson, 2001). We believe the B2C agility model and the responsible progress criteria can invigorate and repurpose the field.

Implications for Research

From a research perspective, the new models presented here need testing and suggest a number of research questions that warrant substantial effort. Theoretically and empirically, we need to know whether the revised B2C model and the responsible progress criteria hold up. Both frameworks are young and have yet to be systematically subjected to criticism and tested against objective data.

With respect to the agility model, we are currently engaged in a program of research aimed at refining methods for assessing organizations against the B2C dimensions (Worley and Lawler, in press). There are a variety of assumptions in the model that need to be validated. For example, is the alternative economic logic of a series of temporary advantages viable? How do the relationships among strategizing, designing, and creating value work together to create proximity? What is the contribution of learning and change capabilities to the design's flexibility? Perhaps most importantly, is agility related to the different dimensions of effectiveness implied by responsible progress?

With respect to the responsible progress framework, do the relationships among economic development, innovation, cultural diversity, and ecological health make sense? For example, is diversity the right indicator of social sustainability? How will ecological health be measured since a carbon footprint is only a measure of activity? Can managers effectively make decisions in the face of such a complex set of criteria? Will they pursue the goals sequentially or can they jointly optimize at the risk of not maximizing on the economic criterion? Similarly, can the financial markets embrace such a criteria set?

There is a clear and wide open new research arena here. These questions speak to a new and exciting stream of research in organization development and change. The B2C model of agility and the responsible progress framework provide important theories that can be tested to determine whether their implementation and pursuit can make real differences.

Implications for Practice

From a practice perspective, we believe that the proposed agility model and responsible progress criteria will challenge OD practitioners. It is easy to like and agree with the principles of responsible progress. They represent politically correct objectives: Who would not want to see a world of economic success, cultural diversity, and ecological health driven by new and better products and services? One real question that will be faced by organization development practitioners is “how?” How do we make these goals appealing beyond a “wink and a nod” and what are the best methods for achieving these ends?

Our answer is, “slowly.” Change begins with a conversation, and all organization change is preceded by a personal one (Worley & Vick, 2005). Organizations that are not on the path of agility and responsible progress must first begin a conversation about it. Our guess is that this is already happening in ways both large and small, formal and informal. It is hard to get away from it even in today’s environment of anxiety and concern over the economic crisis. So there is already a good start and the next step is one of raising the bar by formally introducing the issues and implications of responsible progress in decision making meetings.

In the past, social diversity and ecological health issues may have taken a back seat in decisions about technological or market development, growth, and ways of working. Now, the conversation needs to shift to one where these things are considered and their legitimacy established. We suspect that this too is already happening in organizations where individuals have changed or there are significant proportions of sustainability-minded members who want their employers to understand its importance. Ultimately, this will lead to substantive change in policy and behavior. Such a process may be too slow for ecological zealots, but it is occurring and it will gain momentum. This time, rather than a random walk toward a globalized economy

that is guided only by a narrow and restricted view of economic concern, we will be achieve success that is sustainable.

We need to know a great deal more about the transformation to agility and the pursuit of responsible progress. Docherty, Kira, and Shani (2009) review several of methods and propose a process for the transition to sustainable work systems, and many of the sustainability models reviewed earlier have implied transformation steps. There are a few cases of the transformation. DaVita's emergence from bankruptcy (Pfeffer, 2006), IBM's transformation from products to solutions (Applegate, Austin, and Collings, 2006; Applegate, Heckscher, Michael, and Collins, 2006), the insurance company case study presented by Todd, Parker, and Sullivan (2009), and Beer's case studies (Beer, 2009) provide glimpses of the process, but do not yet cumulate to answer many of the most important process and practice questions. Those questions include, should the definition and transformation of identity precede decisions on organization design features and what are the tools for diagnosing and changing these elements? Is the process of transformation to agility and responsible progress any different from traditional methods of transformation? Does an organization need to have a change capability before the transformation to agility or can it be developed at the same time? These are important, practical questions that effective and responsible executives will want to know the answers to as they think about committing their organizations to such a fundamental change.

Implications for the Field

An examination of OD's history (Kleiner, 1996; Cummings and Worley, 2009) suggests that the field was a more powerful force for change when it had a clear and cohesive purpose. For example, early in its life cycle and in the wake of learnings from World War II, OD practitioners

were united in their view that organization effectiveness could be improved by liberating human potential from over-organized bureaucracies. OD practitioners across the board worked, in their own way, to influence organization strategy, structure, process, and culture. Today, there is no clear purpose characterizing the field and coordinating the action of practitioners.

The elaboration, discussion, and implementation of the agility model and the responsible progress criteria could give OD a common voice in shaping and influencing significant social and organizational change. Because these models embrace and integrate the traditional and pragmatic parts of OD's history and leverage the strengths of OD's diverse perspectives, they promise to place OD in the center of debate about the future of organizations as opposed to its marginal position during the reengineering, downsizing, and total quality management periods.

If the OD community begins adapting and promulgating agility and the responsible progress criteria in publications, conversations, and practice, it can begin shaping organizational strategies, structures, and processes. Professional associations within OD can assist by sponsoring large multi-governmental, multi-organizational, and multi-country conferences on cultural contributions to innovation, alternative energy integration, government-business coordination, sustainability, network structures, and other transorganizational problems in line with the responsible progress criteria. The results will be difficult to see at first but will accelerate over time as a critical mass of thought and practice occurs. Globalization will move in a valued direction where more and more people become involved with and benefit from diversity, innovation, development, and ecological health. The trends in economic, social, political, and technological environments - and trends within OD itself - all contain the seeds of an integrative and influential force that is capable of shaping a more positive future for our world.

Table 1

Traditional Criteria of Organization Effectiveness

| Source: Campbell, 1977 | Source: Steers, 1975 |
|--|---|
| <ul style="list-style-type: none"> • Overall effectiveness • Productivity • Efficiency • Profit • Product/Service quality • Accidents • Growth • Absenteeism • Turnover • Job satisfaction • Motivation • Morale • Control • Conflict/Cohesion • 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 | <ul style="list-style-type: none"> • Adaptability (10)* • Productivity (6) • Satisfaction (5) • Profitability (3) • Resource acquisition (3) • Absence of strain (2) • Control over environment (2) • Development (2) • Efficiency (2) • Employee retention (2) • Growth (2) • Integration (2) • Open communications (2) • Survival (2) |

* Frequency of use out of 17 empirical studies of organization effectiveness

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 | <ul style="list-style-type: none"> • 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 | <p>(1) Substances from within the earth must not systematically increase in the ecosphere</p> <p>(2) substances produced by society must not systematically increase in the ecosphere</p> <p>(3) the physical ability of nature to renew itself must not be diminished</p> <p>(4) the basic human needs of all people need to be met with fairness and efficiency.</p> | <ul style="list-style-type: none"> • Dramatically increase the productivity of natural resources • Shift to biologically inspired production models • Move to a solutions-based business model • Reinvest in natural capital |

Table 3

Dimensions of Responsible Progress

| <i>Dimension of Responsible Progress</i> | <i>Definition and Boundary</i> |
|--|--|
| <i>Technological Innovation</i> | <ul style="list-style-type: none"> • New and better ideas for progress should be generated • Guided by diversity, development, and sustainability |
| <i>Economic Development</i> | <ul style="list-style-type: none"> • Economic systems should be productive and effective • Balanced by innovation, diversity, and sustainability |
| <i>Cultural Diversity</i> | <ul style="list-style-type: none"> • Human and cultural dignity are valued in their own right • Supported by innovation, development, and sustainability |
| <i>Ecological Sustainability</i> | <ul style="list-style-type: none"> • The ecology should have standing in all decisions • Founded on innovation, development, and diversity |

Table 4

Built to Change Design Features Support Responsible Progress

| | | Built to Change Core Processes (Means) | | |
|---|--------------------------|---|--|--|
| | | Strategizing | Creating Value | Designing |
| Dimensions of Responsible Progress (Ends) | Technological Innovation | <ul style="list-style-type: none"> • A strong future focus identifies viable and emerging green technologies, diversity-friendly innovations (technological and managerial) | <ul style="list-style-type: none"> • Learning is a key source of innovation | <ul style="list-style-type: none"> • Flexible organizations** can adapt to new innovations more quickly |
| | Economic Success | <ul style="list-style-type: none"> • Future focus identifies momentary advantages that contribute to sustainable success and ideally obviate need for episodic boom/bust cycles of change • A series of momentary advantages and reasonable growth goals support long-term economic success | <ul style="list-style-type: none"> • Change capability helps shifts between advantages • Learning makes strategies more effective sooner | <ul style="list-style-type: none"> • Flexible organizations support momentary competitive advantages as an agile economic logic |
| | Cultural Diversity | <ul style="list-style-type: none"> • Change-friendly identities raise cultural diversity as a source of innovation | <ul style="list-style-type: none"> • Diversity is a source of creativity and learning | <ul style="list-style-type: none"> • Flexible organizations are able to adjust to different cultural contexts without loss of productivity |
| | Ecological Health | <ul style="list-style-type: none"> • Future focus and robust strategies see ecological health as a source of innovation and business opportunity • Change-friendly identities support shifts to “green” products, services, and business models | <ul style="list-style-type: none"> • New business models • Seeing the environment as an opportunity | <ul style="list-style-type: none"> • Maximum surface area structures and transparent processes make it easier to incorporate eco-friendly practices |

** To simplify the table, we use the term flexible organization to refer to a firm with a maximum surface area structure, transparent information and decision-making processes, a clear human capital strategy, and flexible performance management systems.

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Endnotes

¹ Population ecology's measure of change is entry and exit. We are concerned with survival only to the extent that it is a *prima facie* case of agility over time.

² In as much as the most referred to lists of criteria were produced in 1975 and 1977, it is important to ask, "has anything changed?" A quick search through the last five years of *Strategic Management Journal*, the *Journal of Applied Behavioral Science*, *Management Science*, the *Academy of Management Journal*, *Organizational Dynamics*, and *Organization Science* returned five hits where the term "organization(al) effectiveness" was included in the abstract since 2000, only one article was related to effectiveness *per se*.

³ A number of criticisms of contestability theory have been raised, and its assumptions regarding "super free" entry and exit challenged (Cairns & Mahabir, 1987; Shepherd, 1984). As a result, we are left with at least three theories - perfect competition, industrial organization, and contestability theories—none of which are flawless. Our use of contestability theory derives from its alternative economic logic - entry and exit vs. sustainable advantage - and its support of agility and sustainability.

⁴ It may be splitting hairs, but Porter defines differentiation or low cost as two potential sustainable competitive advantages whereas we argue that these are robust strategies - or means to an end - and any particular advantage does change or morph over time. Few firms with a "differentiation" advantage would say that the advantage itself - quality or speed for example - is static. The very nature of the advantage must shift in response to customer changes, technological advances, and general industry evolution. Moreover, a low cost strategy is just one way of differentiating. Thus, our definition of strategy, without denying the benefits of the competitive strategy approach, is more in line with that proposed by Hambrick and Frederickson as well as the views of the population ecologists who describe aggressiveness and specialization (Carroll & Hannan, 1995).