



CHAPTER ONE

INTRODUCTION

My professional quest to study and build high commitment, high performance (HCHP) organizations began over forty years ago. Shortly after I joined Corning Glass Works (now Corning Inc.) in its corporate human resource department as a newly minted PhD in organizational psychology, I received a call from the plant manager of Corning's newest plant in Medfield, Massachusetts. He had read Douglas McGregor's *The Human Side of Enterprise* and wanted help in applying McGregor's ideas about participative management.¹ He aspired to develop a climate that would inspire commitment to the plant's unique mission—developing high-quality instruments for medical use. These demands required a different approach to managing people, he believed. Could I help?

I didn't have to think twice. My recently completed dissertation had been inspired by Douglas McGregor's arguments for participative Theory Y management and Abraham Maslow's view that people had high-order needs for achievement and self-actualization. Both thinkers believed that people could be motivated by organizations that engaged and stimulated people to realize their higher-order needs.² Working at the Medfield plant would be an opportunity to find out if an organization could truly be transformed to incorporate these ideas. I knew of one model for the kind of organization I had in mind—Non-Linear Systems, a small privately owned manufacturer of voltmeters in California that had been founded as a high-commitment organization by its owner.³ But

there existed no real road map for how this transformation could occur. My imagination sparked, I took my first of many trips to the plant.⁴

What emerged from this work was an eclectic approach to organization development, one that integrated multiple theories and perspectives in a practical way. After three years, the Medfield plant's approach to management had changed significantly, and so had the commitment of its employees.⁵ Inspired by Frederick Herzberg's ideas about the importance of work itself in motivating employees, we tore down assembly lines and gave employees the task of assembling an instrument in full, including the responsibility for ensuring that it met quality standards (except for auditing on a statistical basis).⁶ The plant manager and his team participated in numerous workshops on how participative management could be applied in the plant.

Through day-to-day discussions with individuals on how to cope with numerous challenges that the plant faced, managers and engineers began to rethink their approach to management. For example, a manufacturing engineer, concerned about the lack of response from employees to his plan for changing the department's layout to incorporate new equipment, was advised to try again, this time explaining what prompted the need to change the layout and then asking for employee concerns and ideas. When employees responded with real and useful contributions, suggestions that this engineer had never imagined they were capable of making, he became a convert to the new philosophy of management. As other managers experienced similarly startling experiences, they began to transform their management philosophy and practices. Shop floor workers were encouraged to give tours to people working in other departments of the plant. Management soon discovered that these department tours, originally motivated by the desire to educate and build relationships, surfaced a number of significant manufacturing process problems previously hidden by the "walls" between departments. The result was an employee-led quality improvement process. Physicians were invited to make presentations about how test results were used in patient care to impress upon employees the importance of quality. Monthly sales and operating profits were posted on bulletin boards to develop an identity with the goals of the plant—a practice that the corporate control function quickly ordered to be stopped, rigidly believing that profit information needed to be kept proprietary lest employees share it with others to the company's disadvantage.

At the end of three years, employees at the Medfield plant had become an HCHP organization. Medfield workers developed high commitment to the mission of the plant and, combined with their growing skills, performance exceeded the division management's highest expectations. It was the most rapid start-up management had seen, not only in terms of operating margins, but also in customer and employee satisfaction.

Employee commitment manifested itself in several ways—positive attitudes reflected in employee surveys, low turnover, and, perhaps most graphically, by employee response to management’s decision to loosen previously met quality standards. When employees spoke up and demanded to know why, management quickly realized that they could not make changes in standards without losing employee commitment. Consequently, management communicated extensively about the rationale behind the decision, thus alleviating employee concerns. High commitment, management learned, could not be retained unless they gave employees a voice in key decisions. Before long, Corning’s top management began to talk about the “Medfield experiment” as a potential model and made sure to further Corning’s reputation by talking to the business press, who were only too happy to write up Corning’s success.

High-Commitment Manufacturing Plants

Some three years after the experiment at Medfield began, I received a call from managers at General Foods’ Topeka, Kansas, dog food plant. Would I come out and share with them our experience at Medfield? Under the guidance of Richard Walton, later to become my colleague at Harvard and a key figure in the development of high-commitment manufacturing plants in several companies, the Topeka plant launched a much larger and more ambitious effort to create an HCHP system.

Spurred by Japanese competition in the late 1970s and 1980s, these early experiments, and others like them in numerous other companies, began to catch fire and spread. For example, General Motors collaborated with the United Automobile Workers (UAW) to launch a bold and visionary effort to incorporate high commitment, high performance ideas at its Saturn subsidiary, where the union president became an ex-officio member of the senior team. Goodyear Tire developed a systematic and long-term effort to transform all of its one hundred worldwide manufacturing plants into HCHP organizations. (This latter effort was led by senior management and was part of the company’s organizational strategy to revitalize the company and compete in an increasingly difficult industry.) Similar efforts were launched at Cummins Engine, Procter & Gamble, and TRW, among others.⁷

In Europe, principally Scandinavia, a tradition of industrial democracy was leading practically minded academics to experiment with application of employee participation and job design in manufacturing settings. These innovations were motivated by efforts to counter the alienation so apparent in many traditional manufacturing plants where turnover and absenteeism were high,

employees checked their brains at the door, and quality and productivity were low. The principles of scientific management, developed by Frederick Taylor, had spawned a work environment designed and controlled by engineers and supervisors that prevented workers' knowledge and needs from being incorporated. The purpose of innovations in these experimental plants was to shift from control to commitment as the dominant principle of management.⁸

Although most of the plant-level innovations were quite successful, they were not easily sustained or spread to other facilities of the corporation. In some cases, innovation disappeared as organizations confronted unanticipated technological or business changes that caused some in top management to move to a control mode; some corporate labor relations functionaries felt threatened by the new approaches; and some control-oriented leaders transferred into innovative plants were uncomfortable and unskilled in managing high-commitment organizations.⁹ In other companies, the innovations remained isolated and did not spread to the rest of the organization. For example, General Motors had a number of successful high-commitment manufacturing plants, but these never impacted the practices of the company as a whole.

Failures to spread and sustain innovations in HCHP raise many questions about how a large-scale, multi-unit corporate transformation might be accomplished successfully, questions that I will address in the book.

Innovations at the Business Unit Level

Are high commitment and high performance principles that are successful in a manufacturing environment applicable to the strategic problems facing senior managers at the business unit and corporate levels? In the mid-1960s there were few if any planned change experiments that would answer this question. My own answer began to take shape when a new general manager of Corning's Electronic Products Division approached me for help after he had heard about the Medfield experiment. His division was underperforming and had significant morale and commitment problems.¹⁰

As my diagnosis of the division proceeded, it became clear that many of the ideas applied at Medfield also applied to management work, but that a whole set of new ideas about strategy, organization design, and management processes had to be incorporated. Although managers and professionals in the Electronic Product Division (EPD) had engaging and challenging jobs (unlike at Medfield), the division's performance suffered from a set of problems I also observed at Medfield: poor teamwork between key functions. In this case, revenues and profits suffered because EPD's functional departments, particularly marketing,

manufacturing, and product development, were not coordinating their efforts to develop new cost-effective products. There was no shortage of commitment in EPD. The problem was that each manager was committed to his own functional department's goals rather than to the overall strategy and mission of the business unit. The consequence was an inability to respond to an increasingly competitive environment.

I learned that these problems had multiple root causes. A shift in the business environment and the division's strategy demanded far higher levels of coordination. The previous general manager, who led autocratically, had created an uncollaborative, highly politicized organization. Because all decisions went through him, the organization had not developed good cross-functional teamwork at lower levels. Nor did it possess the cross-functional team structure that would enable lower-level product development teams to work collaboratively. That this sorry state of affairs could not be discussed openly with the autocratic general manager increasingly threatened the division's survival.

Using a systemic diagnosis of the organization, the new, enlightened general manager made changes in the structure and management process of EPD. Within three years of his call for help he had succeeded in transforming the organization. Dramatic improvements were made in commitment to division goals, teams were trained to work together across functions, and overall leadership behavior, values, and culture changed. Unsurprisingly, the rate of new product development increased sharply, as did revenues and profits. From this experience I learned that, much like manufacturing plants, an underperforming strategic business unit with low commitment to mission could be transformed into an HCHP organization.

Similar efforts to implement change at the management level were under way at TRW's systems division. To serve the aerospace market, TRW's business model was heavily dependent on managing complex, cross-functional defense programs. Recognizing this challenge, Ruben Mettler, then president of TRW Systems, and Sheldon Davis, his vice president of human resources, pioneered in applying behavioral science ideas to program management. TRW found that planned changes in organization design, attitudes, and skills could enhance coordination and commitment to the mission of the company and improve results.

Academics Discover HCHP Corporations

In the early 1980s, the Harvard Business School, stimulated by innovations in industry, launched the first required course in human resource management. I was fortunate to lead that effort. The course aimed to educate prospective general

managers about their responsibilities in creating an organizational system that produced commitment, coordination, and competence. Students were taught that these organizational capabilities were essential to the commitment of customers, employees, shareholders, and society.¹¹ The early manufacturing plant experiments provided rich cases, but were there examples of large high commitment and performance companies? Our search led to Hewlett-Packard (HP). Discovering HP was inspiring. Here was a remarkable and very different company built on values, objectives, and practices that deviated dramatically from conventional practice. It was a sophisticated corporate version of the small plant-level experiment I had helped shape at Corning. It reinvigorated my belief that large companies could be built on McGregor's Theory Y management assumptions and succeed financially. Over a forty-year time period, HP had achieved an annual growth rate in revenues and profits of 25 and 27 percent, respectively. By the late 1980s, Stanford researchers had identified and documented several other high-performance companies, such as Southwest Airlines, all led by CEOs who had systematically infused their companies with HCHP values, policies, and practices.¹²

In the 1990s, a number of systematic and rigorous research studies were published that supported the early experiments and case examples. These studies clearly showed that high-commitment practices and cultures are associated with sustained high financial performance. Some of the studies explored the relationship between high-commitment work practices and human as well as performance outcomes such as turnover, employee attitudes, productivity, and quality. Other studies showed that firm-level performance differences could be accounted for by differences in management philosophy, business policies, and culture. Virtually all the HCHP companies in these studies, however, were creations of their founders.

These studies showed *what* HCHP companies look like, how they are organized and managed, but they did not provide insights into *how* transformation happens, the distinctive focus of this book. I plan to integrate a comprehensive and systemic view of what HCHP firms look like, with a discussion of *how* average companies can be transformed. To understand how to change an organization requires one to be close to the action. It calls for studies that *focus on the process of change* through retrospective investigation or longitudinal research. Though less numerous, these studies have given us a real understanding of what leaders can do to transform their corporations into HCHP enterprises. A study of six corporate transformations, each with varying success, which my colleagues Russell Eisenstat and Bert Spector and I conducted in the mid- to late 1980s (when companies were responding to the Japanese challenge), as well as other such

studies, inform many of the recommendations about how to bring about corporate change.¹³

Another way to learn about organizational change is for scholars to collaborate with managers, much as I did at Corning, in planning change and then researching the outcomes over time. This is called action research or action science.¹⁴ Action research provides deep insights into the managerial assumptions, attitudes, and behaviors that enable or block a transformation in corporate culture. My own and others' action research informs this book. One action research program, which Russell Eisenstat and I conducted over a fifteen-year period, asked senior teams to utilize a task force of their own employees to inquire why their strategic intentions were not being implemented effectively. This study led to important insights about barriers to change and the means for transforming them into strengths through honest conversations.¹⁵

A number of excellent books have already been written about HCHP systems. Jeff Pfeffer's *Human Equation* is unequalled in making the case for high-commitment organizations through powerful evidence and arguments. Jim Collins's and Jerry Porras's seminal book, *Built to Last*, provides insights into the character of HCHP firms. Collins's *Good to Great* provides insights into the actions needed to develop an HCHP firm. This book builds on these works. It presents an operating theory of HCHP firms, demonstrates the architecture of HCHP firms, and integrates this perspective with a grounded discussion of the change process itself. I draw on multiple fields of management study that are not typically integrated into a whole systems perspective—for example, strategic management, organization design, culture, human resources management, leadership, and change. This book rests on the assumptions that soft cultural and leadership dimensions of high-commitment organizations must be integrated with hard dimensions such as strategic performance management and organization design. And it will focus on both *what* key HCHP organizational design levers look like, and *how* leaders can transform these levers and integrate them into a strategy for change.

Assumptions Underlying HCHP Organizations

A number of often unstated assumptions about organizations and management underlie high commitment, high performance organizations. CEOs or general managers wishing to transform their enterprise to HCHP organizations might do well to first reflect on the extent to which they share the perspectives detailed below. The discussion in this book is informed by these basic assumptions.

The Multiple Stakeholder Perspective

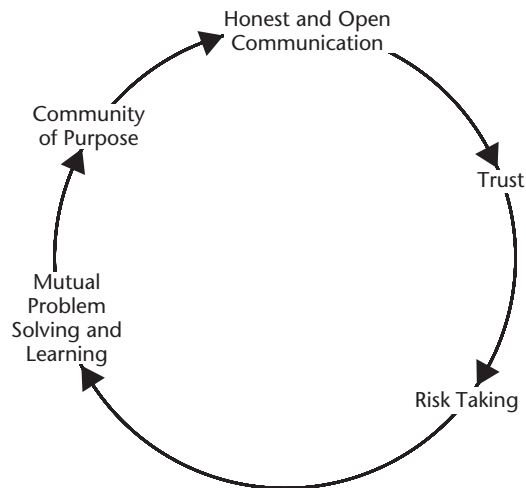
Shareholders are not the only constituent that HCHP firms serve. Employees, customers, community, and society are considered in all decisions. Top management attends to *multiple outcomes*, not just financial performance, in evaluating the performance of the enterprise and its managers. In effect, the firm must assess how well it is *providing value* for all its stakeholders. To what extent are employees committed and satisfied with their quality of life? To what extent are customers committed to the firm's offerings? To what extent are shareholders committed (invested for the long term)? To what extent is the firm making a contribution to the welfare of its community and society? Managers of HCHP organizations search for policies and management practices that *simultaneously* serve the interests of all stakeholders. A "simultaneous solve" produces surplus value for all. The organization is explicitly designed to produce economic, psychic, and social value for each party; leaders avoid decisions that privilege one party over another. This mentality requires the egalitarian philosophy that characterizes all HCHP firms, one that is decidedly absent in most average companies.

The Employee Influence and Learning Perspective

Developing employee commitment is seen as the primary means for meeting customer needs and achieving their commitment. To satisfy this objective, managers give employees at all levels a voice in the affairs of the enterprise, and influence on their immediate work, as well as on leadership, culture, policies, and management practices. This not only ensures fairness—what academics have called procedural justice—but enables senior management to learn whether their organization and leadership are effective. Senior managers at every level of the enterprise see themselves in partnership with employees in the quest to develop high commitment and high performance.

Unless mutual influence exists between management and employees or, for that matter, between management and each of the other stakeholders, cynicism develops about management's real intention. That cynicism will destroy trust and reduce the willingness of each side to risk revealing honestly their own thoughts and feelings about organization and leadership effectiveness. Problem solving, commitment, and organizational learning are impeded. For this reason, HCHP organizations create the means for honest interpersonal as well as organization-wide conversations about issues that matter. Figure 1.1 shows the virtuous cycle of communication, trust, risk taking, problem solving, and commitment—the development of a community of purpose—that honest conversations can foster. This requires more than skills. It demands that

**FIGURE 1.1. THE VIRTUOUS
COMMUNICATION AND LEARNING
CYCLE.**



managers create the learning and governance mechanisms I discuss in chapter 7. Arguably, this is the most crucial design element, as it ensures continuous improvement in the quality of leadership and management practices.

The Systems Perspective

Organizations are complex, “high fit,” multidimensional systems. Unless all facets of an organization fit together—that is, are internally consistent and externally relevant—the firm will not be able to create sustained high performance. These multiple facets—strategy, organization, people, and culture, for example—interact with each other in circular rather than linear ways. Cause and effect are often not connected in time and space, making analysis and solutions less obvious. In particular, I argue for a sociotechnical systems perspective which holds that harder “technical” changes in strategy, structure, and systems cannot succeed without changes in the social system of shared values, people, and culture. Yet in the majority of organizations it is the hard factors that get the most attention, in part because they are tangible and measurable.

Because change in the social system involves changes in people’s minds, hearts, and skills, a transformation to an HCHP organization is a multiyear

journey. Changing culture takes time, whether it occurs by developing existing employees and culture or through replacing people who do not fit. Equally important, managers who aim to transform their company to an HCHP organization will have to orchestrate change in many subunits of the enterprise—business units, country organizations, manufacturing plants, offices, stores, or branches—each with its own social system and leaders or, in the case of business units, a different business model.¹⁶ And each subunit's efficacy is dependent on the larger organizational context of which it is a part.

The And/Also Perspective

Effective HCHP organizations are inherently paradoxical. Successful transformation leaders embrace opposites and find ways to make them work in harmony—people and profits, top-down and participative change, individual and team, hard and soft, technical and social. I learned this in 1981 when a senior manager at Hewlett-Packard pointed to the many contradictions inherent in the company. HP encouraged teamwork but at the same time differentiated individuals through a performance ranking system. It valued innovation and change but created many mechanisms for stability, including its employment security policy and emphasis on tradition. HP's objectives gave equal prominence to profits and to people-oriented goals such as individual dignity and teamwork. In this regard, leaders are uncompromising in their dedication to finding solutions that satisfy people and profits. A commitment to embracing paradox enables HCHP firms to weather all seasons.¹⁷

High commitment, high performance organizations are philosophically aligned with Taoist sage Lao Tzu, who pointed out that opposites coexist, and the presence of each demands the other.¹⁸ For example, “convex cannot exist without concave, or as in the Chinese symbol, yin without yang.”¹⁹ At the heart of the and/also philosophy of HCHP firms is an intuitive recognition that people and life are full of contradictions and that great firms must be built on this premise. Seeking to understand what modern science (the theory of evolution, evolutionary psychology, social psychology, and biology) had to say about ancient philosophies regarding people, life, and society—about what makes for happiness—Jonathan Haidt found scientific evidence for the and/also. He concludes: “The East stresses acceptance and collectivism; the West encourages striving and individualism. But as we have seen [from scientific evidence] both perspectives are valuable. Happiness requires changing yourself and changing your world. It requires pursuing your own goals and fitting in with others.”²⁰

If people harbor contradicting needs and motives, HCHP organizations must be designed to appeal to striving and collectivism. Practicing the and/also enables HCHP firms to encourage the individual striving needed for innovation and the teamwork that enhances firm responsiveness and efficiency. It enables shareholder and employee commitment and thereby sustained advantage. HCHP managers must, therefore, embrace the *and/also as opposed to the either-or* perspective common in low-performance and low-commitment companies.

The paradox perspective has important implications for how managers ought to think about corporate transformation. As I elaborate in chapter 11, they need to avoid the temptation to view organizational change *only* through the prism of economic and shareholder value creation or *only* through the prism of human and organization development. Over his long tenure as CEO of General Electric, Jack Welch laid off 125,000 workers and earned the name Neutron Jack, yet in later years he embraced people, participation, and culture as keys to success. Archie Norman, CEO of Asda, a U.K. grocery chain now owned by Wal-Mart, led the company through a highly successful seven-year transformation that simultaneously restructured the company and involved people in building the new Asda.²¹

The Strategic General Management Perspective

The development of an organization's human system into an HCHP organization constitutes an important internal strategy worthy of the CEO's or general manager's continuous attention. It cannot be delegated to the human resource department. For the first fifteen years of Hewlett-Packard's life, its founders purposely avoided forming a personnel department because they regarded personnel, as it was called at the time, as a line management responsibility. When the corporate personnel department was formed, it played an important but supporting role. Archie Norman, who transformed Asda into an HCHP company, spent 75 percent of his time during the first three years of the journey as Asda's human resource director, according to his own estimate.²² Jack Welch is widely quoted as having spent over 50 percent of his time on people issues.

A Social and Human Capital Perspective

The cost of hiring and developing people and the costs of developing organizational capabilities such as coordination, commitment, and competence should not be thought of as budgeted expenses. Rather, they are front-end investments that will yield a stream of benefits over time. They can create a flexible, creative,

and productive workforce, as well as the underlying trust needed for adaptation to a rapidly changing competitive landscape. Human and social capital can, however, be easily degraded by neglect and poor maintenance, just as investment in financial and physical assets can.

HCHP companies establish business policies that will protect them from inadvertent liquidation of human and social capital. Very rapid growth, layoffs, frequent large acquisitions, and irregular investments in organization and employee development can undermine the virtuous cycle that underlies the sustained performance of HCHP companies. Of course this is not easy to do, and there are risks in estimating a future stream of benefits from an investment in social and human capital. Nevertheless, top management interested in developing an HCHP system should attempt to do so in both quantitative and qualitative terms.

The Normative and Situational Perspective

A debate in the field of organization studies has existed for a long time over whether there is one best way to manage *or* whether effective management practices depend on the situation—the industry, strategy, market, or country and national culture, for example. *The development of an HCHP organization demands both perspectives.* On the one hand, different strategic tasks demand different forms of organization, technologies, operating systems, leadership roles, and pay systems. On the other hand, building a high-commitment organization requires a normative perspective when it comes to people and culture. HCHP leaders believe that people are driven by *more* than their own self-interests to acquire money, status, privilege, and power, and that the politics and unethical behavior that can potentially arise from these drives are neither inevitable nor good for high commitment and high performance. They have an optimistic view of people—that under the right organizational circumstances, people want to commit to an organization's mission, want to work collaboratively with others who share similar values, and will work unselfishly toward organizational goals.

Is this assumption naive? My colleagues Paul Lawrence and Nitin Nohria plumbed the depth of multiple scientific traditions (evolutionary biology, psychology, anthropology, economics, neuroscience, and others) and found support for the “optimistic” view of people. They found that human development has genetically hardwired people to bond and learn, drives that enable them to behave beyond their self-interest.²³ Leaders of HCHP organizations believe this intuitively, and thus organize and manage their enterprises to appeal to and encourage the responsible and collaborative behavior of which all human beings are apparently capable.

The Head and Heart Perspective

HCHP organizations require leaders who lead from the heart *and* manage with their heads. Employee commitment, as I suggest above, is an emotional quality. It arises when organizations enable fulfillment of fundamental and universal human needs for meaning and making a difference.²⁴ Commitment cannot be developed through logical argument. To stimulate these needs, managers must lead with the heart. But they must create policies and practices with their heads. One way to do this is to be honest with themselves and their employees about what is in their hearts—their feelings and thoughts—so that the policies they have designed can be stress tested through honest conversations. Good analytical thinking about a host of business problems is also essential. High performance demands that managers view the firm through the lens of hard facts and that these facts govern managerial decisions as much as the ideals do. The head *and* heart perspective is rarely found in one single manager. Leaders may have to combine their good head with the heart of others or their good heart with the good heads of others.

The Change Perspective

Most HCHP companies are “born right,” shaped by the vision and values of their founders. But what about the majority of firms not born right? Can they be transformed into HCHP organizations in adolescence or adulthood? My view is yes; this is not only possible, but very much worth the prize. The transformation of such companies as Asda, Becton Dickinson, General Electric, and New United Motor Manufacturing, among others (see next chapter), demonstrates that the DNA of older companies with bureaucratic patterns of management can be transformed with remarkably positive human and economic outcomes. As I will show, not just any change process will do. The means for change must be consistent with the aspiration to build an internally consistent system that enables commitment and continuous learning.

Summary

Our knowledge about how to build high commitment and high performance organizations has evolved in the last fifty years from early experiments in small companies and manufacturing plants to an understanding of how to build large multi-unit HCHP corporations. Doing this involves knowledge about how the system should be designed—its management policies and practices—as well as

knowledge about how to lead fundamental cultural change and enable continuous learning and improvement.

Plan for the Book

The book is divided into five parts, each composed of one or more chapters—each building on the former to tell the story of what it takes to build an HCHP firm.

Part One: The High Commitment, High Performance Organization

Chapters 2, 3, and 4 make the case that HCHP organizations are complex systems that must be consciously chosen and involve the acceptance of a disciplined approach to building the HCHP system.

Chapter 2 presents three HCHP outcomes—the pillars of *performance alignment*, *psychological alignment*, and the *capacity for learning and change*—that must be developed by leaders who aspire to build an HCHP organization. It provides the reader with the look and feel of an HCHP company—Southwest Airlines—and the critical role that leaders' management philosophy plays in building these companies. And it discusses how applicable the HCHP concept is to different national cultures.

Chapter 3 goes deeper. If CEOs or general managers are to invest in transforming their organizations, it is important that this be a conscious choice, one that involves acceptance of certain values, principles, and assumptions about how to organize and manage. Not only do these choices diverge from the conventional and easy, they create constraints that CEOs must be willing to accept.

Chapter 4 makes the case for why the systems perspective is essential in building HCHP organizations, outlines key levers for change, and introduces the multi-level and multi-unit systems perspective needed to transform a large corporation.

Part Two: What Stands in the Way

Chapter 5 presents organizational and managerial barriers that I call the silent killers, barriers that stand in the way of developing HCHP organizations and leadership practices. The fact that these barriers are difficult to discuss publicly makes it challenging for organizations to examine and change them into strengths. Without confronting and changing the silent killers, leaders succeed in changing only the technical system and not the social and human system so central to HCHP organizations.

Part Three: Leadership and Learning Change Levers

Chapter 6 is about the leadership needed to build an HCHP organization. It discusses what leaders must do, who they must be, and what they must know in order to stimulate and facilitate a collective action learning process that enables redesign and realignment of the HCHP system.

Chapter 7 discusses the system of learning and governance needed to continuously improve the quality of leadership and management. Such a system enables truth to speak to power and helps managers to see the total system and barriers to change. It enables them to transform their organization with commitment—to build a community of purpose.

Part Four: Organization Design Change Levers

Chapters 8, 9, and 10 discuss three facets of the organization that must be redesigned in order to build an HCHP organization, illustrating how a learning and governance process can facilitate change in each of these organizational domains.

Chapter 8 discusses the role of strategic performance management in HCHP organizations. It outlines why organizations fail to execute and achieve sustained high performance, the essential qualities of high-performing cultures, and illustrates the role of learning and governance in strategic performance management.

Chapter 9 discusses the role of organization design and periodic redesign in developing and sustaining performance alignment and psychological alignment. Design logic and alternative organizing models are discussed, as well as the role of learning and governance processes in enabling rapid realignment of the organization without loss of commitment.

Chapter 10 is about developing human and social capital through the design of an HCHP human resource system—a set of HR policies and practices for attracting, selecting, socializing, developing, and rewarding people—found in the most advanced HCHP companies. It argues that social capital—a collaborative team culture—is underemphasized and underdeveloped in most firms when compared to human capital, yet differentiates HCHP firms from other companies.

Part Five: Transforming the Organization

Chapter 11 describes stark differences between two archetypal strategies for change—Theory E, which focuses on the firm's economic health, and Theory O,

which focuses on the firm's organizational health. It argues that both are necessary and must be integrated into a strategy for each of eight dimensions of change. The chapter also illustrates how leaders can integrate E and O in managing eight facets of strategic change through the lens of an exceptional example of corporate transformation.

How to Read This Book

Senior executives and their advisers—strategic management or human resource executives as well as organization development consultants—should read chapters 1–7 closely. Although chapters 8, 9, and 10 may also be of interest to senior executives, they provide in-depth information that may be of most interest for advisers to senior management. Chapter 11 should be read by top management as well as their advisers.